

Merck KGaA and another v Merck Sharp & Dohme Corp and others
[2019] SGHC 231

Case Number : Suit No 415 of 2018 (Summons 4434 of 2018)
Decision Date : 30 September 2019
Tribunal/Court : High Court
Coram : Lee Seiu Kin J
Counsel Name(s) : Alban Kang, Tan Lijun and Mok Ho Fai (Bird & Bird ATMD LLP) for the plaintiffs;
Melanie Ho and Jenny Chang (Wong Partnership LLP) for the defendants.
Parties : Merck KGaA — Merck Pte Ltd — Merck Sharp & Dohme Corp — MSD Pharma
(Singapore) Pte Ltd — MSD International GmBh (Singapore Branch) — Merck &
Co., Inc

Civil Procedure – Judgments and orders – Issue Estoppel

Civil Procedure – Summary Judgment

30 September 2019

Judgment reserved.

Lee Seiu Kin J:

1 This concerns an application by the first plaintiff, Merck KGaA (“Merck”), against Merck Sharp & Dohme Corp (“MSD”), MSD Pharma (Singapore) Pte Ltd, MSD International GmBh (Singapore Branch), and Merck & Co., Inc (collectively, “the defendants”) for summary judgment in respect of breach of contract, as well as a determination on a question of law under O 14 r 12 of the Rules of Court (Cap 322, R5, 2014 Rev Ed) (“ROC”). The plaintiffs’ contractual claims centre on an agreement signed between a predecessor to Merck, known as E.Merck, and MSD in 1970 (“the 1970 Agreement”) and a letter between the same parties in 1975 (“the 1975 Letter”).

2 The plaintiffs and defendants are presently embroiled in legal disputes in various jurisdictions across the world. Legal action has been commenced, *inter alia*, in Germany, France, and England. The English decisions are of particular importance in the present judgment, as Merck claims that they give rise to two issue estoppels. The English decisions are: *Merck KGaA v Merck Sharp & Dohme Corp & Others* [2014] EWHC 3867 (Ch) (“the UK Preliminary Decision”), *Merck KGaA v Merck Sharp and Dohme Corp* [2016] EWHC 49 (Pat) (“the 2016 UK Decision”), and *Merck KGaA v Merck Sharp & Dohme Corp & Ors* [2017] EWCA Civ 1834 (“the UKCA decision”). Collectively, I refer to them as the English decisions.

Procedural history

3 Merck filed for summary judgment against MSD in summons no 4434 of 2018 in respect of its claim that MSD was in breach of the 1970 Agreement. MSD attempted to challenge the assertion by Merck that it was the successor company to E.Merck. However, I do not agree for reasons given below at [21]. Merck is to be taken as the counterparty to the contract contained in the 1970 Agreement and 1975 Letter.

4 Merck relied on the English decisions as giving rise to issue estoppels in relation to the governing law of the 1970 Agreement and 1975 Letter as well as the interpretation of cl 7 of the 1970

Agreement.

5 At the first hearing on 24 January 2019, counsel for the plaintiffs made an oral application under O 14 r 12 of the ROC for the court to determine, as a question of law, whether the English decisions give rise to issue estoppels which are binding on the defendants. Although this application was not made within 28 days of the close of pleadings, which was on 26 September 2018, I granted leave for the plaintiffs to do so. Given that MSD took the position that there was an inadequate opportunity to address the O 14 r 12 issue in the course of the hearing, I granted leave for it to make further arguments. The hearing on 24 January 2019 was then adjourned. [\[note: 1\]](#)

6 Both parties tendered further submissions. At the hearing on 3 May 2019, the defendants sought and obtained leave to adduce further evidence in the form of two decisions of the Hamburg court ("the Hamburg decisions") on the ground that they were relevant to the determination of the legal issue arising under O 14 r 12 of the ROC. The final hearing took place on 4 July 2019.

Facts

7 The Merck business originated as a family business in Germany in 1668 under the name "E.Merck". [\[note: 2\]](#) In 1889, Merck established its business in the United States, incorporating the company Merck & Co. Inc. [\[note: 3\]](#) This was the predecessor company to MSD. Over the years, Merck and MSD began to operate separate and independent businesses, Merck in Europe and MSD primarily in North America. Both entities are extremely successful pharmaceutical companies. [\[note: 4\]](#) A more detailed history of the genesis of the Merck business has been described elsewhere (see the UKCA decision at [1] – [12]).

8 Both the Merck and MSD entities have entered into various co-existence agreements which seek to govern their use of the word "Merck" in various jurisdictions across the world. One such agreement was contained in the 1970 Agreement and the 1975 Letter. The plaintiffs claimed, *inter alia*, that MSD was in breach of cl 4 to 9 of the 1970 Agreement. [\[note: 5\]](#) The plaintiffs relied on the interpretation given to cl 7 of the 1970 Agreement by the court in the UKCA decision, namely that the use of the word "Merck" *per se* was prohibited by the said clause. Clause 7 reads "In all other countries [MSD] has undertaken to cancel all existing registrations, withdraw all applications and discontinue all use of the trademarks 'Merck' 'Merck Cross' and 'MerckMerckMerck'". [\[note: 6\]](#)

9 As the English decisions are alleged to give rise to issue estoppels, it is important to spell out briefly what was decided. Merck first commenced legal proceedings against MSD in 2013. In the UK Preliminary decision, it was held at [97] by the High Court that the governing law of the 1970 Agreement and the 1975 Letter is German law. [\[note: 7\]](#) In the subsequent 2016 UK Decision, the court held that MSD was in breach of cl 7 of the 1970 Agreement. This finding was upheld in the UKCA decision.

Issues to be determined

10 The first issue which arises is whether the English decisions give rise to issue estoppels in relation to (a) the interpretation of cl 7 of the 1970 Agreement and (b) the governing law of the contract in the 1970 Agreement and 1975 Letter. The second issue is whether Merck's application for summary judgment should be allowed. The third issue is whether the court should, in any event, decide the questions of issue estoppel under O 14, r 12 of the ROC.

My decision

General principles of issue estoppel

11 The doctrine of issue estoppel was explained by Lord Diplock in *Thoday v Thoday* [1964] P 181 (see also *Goh Nellie v Goh Lian Teck and others* [2007] 1 SLR(R) 453 at [18]):

'[I]ssue estoppel' is an extension of the same rule of public policy [as in cause of action estoppel] ... If in litigation upon one such cause of action any of such separate issues as to whether a particular condition has been fulfilled is determined by a court of competent jurisdiction, either upon evidence or upon admission by a party to the litigation, neither party can, in subsequent litigation between one another upon any cause of action which depends upon the fulfilment of the identical condition, assert that the condition was fulfilled if the court has in the first litigation determined that it was not, or deny that it was fulfilled if the court in the first litigation determined that it was.

12 The conditions to raise an estoppel *per rem judicatam* have been set out by the House of Lords in *The Sennar (No 2)* [1985] 1 Lloyd's Rep 521; (see also *Lee Tat Development Pte Ltd v MCST Plan No 301* [2005] 3 SLR(R) 157 at [14]–[15]):

- (a) The earlier judgment was made by a court of competent jurisdiction.
- (b) The judgment is final and conclusive and made on the merits.
- (c) The parties in the earlier action must be identical as those in the later action in which estoppel is raised as a bar.
- (d) The issue in the later action must be the same as that decided by the judgment in the earlier action.

13 There is no dispute as to the applicable legal principles in *The Sennar (No 2)*.

14 In this case, the subject of the two issue estoppels which are alleged to have arisen are as follows ("the two estoppels"):

- (a) The governing law of the 1970 Agreement and 1975 Letter; and
- (b) The interpretation of cl 7 of the 1970 Agreement.

Application

15 To succeed in showing that the two estoppels have arisen, all four conditions as spelled out in *The Sennar (No 2)* must be satisfied.

16 I now examine whether each condition is satisfied.

17 The first issue is whether the English decisions have been made by a court of competent jurisdiction. Relying on *Humpuss Sea Transport Pte Ltd (in compulsory liquidation) v PT Humpuss Intermoda Transportasi TBK and another* [2016] 5 SLR 1322 ("*Humpuss*"), the defendants argued that the plaintiffs did not apply for leave of court to procedurally "recognise" the English decision. [\[note: 8\]](#) During the hearing on 24 January 2019, the defendants adopted the rather puzzling position that in the absence of such a formal application, an issue estoppel cannot arise in relation to that

decision. The defendants cited no authority for this proposition. Absent authority, I also could not see any reason, supported by logic or common sense, why the defendants' submission should be accepted. The defendants did not contend that they were otherwise not amenable to the jurisdiction of the English courts, or that they had not voluntarily submitted to their jurisdiction. I therefore accept that the English decisions were handed down by a court of competent jurisdiction.

18 The defendants also submitted that there are "defences" to the recognition of the English decisions, [\[note: 9\]](#) and cited *Humpuss* at [73] that a foreign judgment would not be given effect to "if its recognition or enforcement (as the case may be) would be contrary to the fundamental public policy ..." or "if the foreign judgment had been obtained by fraud or in breach of principles of natural justice". I cannot see anything in the defendants' submissions which suggests that any of these defences should apply, save for the reference that recognising the English decisions in Singapore "may give rise to inconsistent future decisions in Singapore". [\[note: 10\]](#) The defendants cite Associate Professor Adeline Chong in *Recognition and Enforcement of Foreign Judgments in Asia* (Adeline Chong, ed, 2017, Asian Business Law Institute at p 173:

According to the common law, a foreign judgment which conflicts with a local judgment will not be entitled to recognition. This is clearly the case when the local judgment was handed down prior to the foreign judgment. In principle, the same ought to apply even if the local judgment was handed down after the foreign judgment.

19 Even if I accept the above proposition, this is not a situation where a local judgment has been handed down after the English decisions. At this point of time, no local decisions involving the present subject matter have yet been made. No defences are therefore applicable.

20 The next requirement is that of identity between the parties in the English decisions and the present case. The defendants made two distinct arguments: first, that there were other parties to the English proceedings that are not present to the Singapore proceedings, and second, that Merck is not the successor company of E.Merck. In the UK Preliminary Decision, Merck brought the action against, *inter alia*, MSD as well as Merck & Co., Inc. The second and third defendants in the Singapore action, MSD Pharma (Singapore) Pte Ltd and MSD International GmbH (Singapore branch) were *not* parties to the UK Preliminary Decision. In my view, MSD and Merck & Co., Inc, who are common parties to the present action and the UK Preliminary Decision, are capable of being bound by issue estoppel even if the second and third defendants are not. MSD and Merck & Co., Inc are similarly parties to the UKCA decision and are also capable of being bound by issues decided by that court.

21 Turning to the submission that that Merck is not the successor company to E.Merck, who is the original party to the 1970 Agreement, I do not agree with the defendants on this point. There is evidence that MSD had sued Merck in the United States on the same 1970 Agreement, as well as the holding of the English court in the UKCA decision that Merck is the successor company to E.Merck (see at [3]). In my view, this is sufficient to show that Merck, as the successor company to E.Merck, is party to the 1970 Agreement.

22 The final requirement of identity of issue necessitates careful scrutiny. The defendant did not dispute that the UK Preliminary Decision as having decided that the governing law of the 1970 Agreement and 1975 Letter to be German law. I am satisfied that there is identity of issue in relation to the governing law of the 1970 Agreement and the 1975 Letter in the UK Preliminary Decision and in the present case.

23 The defendants, however, argued that the issue in the UKCA decision was not identical to the

issue of breach which was presently being litigated. The main thrust of its objection was that the UKCA decision which held that the use of the word "Merck" on various websites, and consequently constituted breach of the 1970 Agreement, pertained to acts committed *in the UK*. Accordingly, it submitted that a Singapore court "cannot import the outcome of the UK proceedings which deal with UK-specific acts, and apply that outcome to Singapore-specific acts". [\[note: 11\]](#) Over the course of the oral hearings, and through the plaintiffs' written submissions, it became abundantly clear that that the plaintiffs' submission on issue estoppel was that the defendants were bound to the UKCA's decision as to the *interpretation* of cl 7 of the 1970 Agreement, and not its *breach*. [\[note: 12\]](#) As such, I see no merit to the defendants' argument that simply because the UKCA decision related to wrongful acts, *i.e.*, questions of breach that took place in the UK, there was no identity of issue as to the interpretation of cl 7.

24 The materials parts of the UKCA decision relied on by Merck are at [198] – [200]:

198. I can deal with this issue relatively shortly because it is not necessary at this stage to consider whether the uses of which complaint is made constituted uses in the UK of the word "Merck" as a trade mark rather than as a corporate, business or trade name. **All these uses of the word "Merck" alone are precluded by cl.7.**

199. Further, there can be no doubt that extensive use of the word "Merck" alone has been made in the impugned materials. I will say more about these uses when addressing the claim for infringement of registered trade mark but for present purposes I can summarise the position as follows. The word "Merck" appears repeatedly through the pages on websites and social media, in the materials distributed at conferences and advisory boards (and it was used on slides and in oral presentations), and in the press releases, the agency briefs and the emails, In so far as it was not use of the word as a trade mark, it was use of it as a corporate, business or trade name.

200. I would also make clear that I am satisfied that the uses of the word "Merck" as part of the addresses of the impugned websites, as part of the name Merck & Co Inc (but without a geographical identifier) or as part of email addresses ending "@merck.com" also fall within the scope of cl.7. In each of these forms of use the word appears without any significant distinguishing matter and in a way which, if used by a party outside its permitted territory, would undermine the purpose of the 1970 Agreement. These uses do not incorporate and are not accompanied by any geographical identifier; nor do they have any distinguishing elements of the kind that are present in the name and mark "Merck Sharp & Dohme". I am also satisfied they do not fall within the scope of any intentional gap in the agreements such as might arise where there is a real question as to whether the use of a name or mark incorporating the word "Merck" by one party in the territory of the other party would be adequately distinguishable from the names and marks that other party uses.

[emphasis added]

25 From the above, I am satisfied that one of the issues decided by the court in the UKCA Decision includes the interpretation of cl 7 of the 1970 Agreement. I do not think that the fact that the court proceeded to consider whether the defendants there committed a breach of cl 7 affects my analysis of whether there is identity of issue. Given that the court decided the use of the word "Merck" alone is in breach of cl 7 of the 1970 Agreement, MSD is bound by this finding of the English court.

26 The defendants also raised various other objections which do not fall neatly within the four conditions as set out in *The Sennar (No 2)*.

27 The first objection is that the governing law of a contract is an issue to be determined by the *lex fori* – in this case, Singapore law – and cannot therefore be subject of an issue estoppel. [\[note: 13\]](#) I am unable to agree. So long as the four requirements as set out by *The Sennar (No 2)* are satisfied, I see no reason why the governing law of a contract is an issue which cannot be the subject of an estoppel. The defendant did not explain how any of the *The Sennar (No 2)* requirements were affected by the fact that the issue at hand related to the governing law of the contract.

28 During the oral hearing on 4 July 2019, the defendants' counsel also made the point that the court cannot hold that there is issue estoppel in relation to the interpretation of cl 7 of the 1970 Agreement as the second, third and fourth defendants were not parties to the latter agreement. In my view, this argument made little sense. In the present case, the plaintiffs' action against the second, third and fourth defendants was for trademark infringement, and not for breach of contract. Thus, it was only against MSD that Merck was suing for breach of the 1970 Agreement. As the issue estoppel objected to by the defendants relates only to the contractual interpretation of cl 7 of the 1970 Agreement, the finding made by the court in the UKCA decision has no bearing on the remaining defendants in the present action. The estoppel is only binding on MSD.

29 The defendants' third objection is that it would not be fair to make a finding on issue estoppel in relation to cl 7 of the 1970 Agreement, as cll 5 and 6 (which were also the subject of Merck's claims in breach of contract against MSD) also depended on the interpretation of cl 7. Again, I see no merit to this argument. Even if what the defendants suggested is true, this does not affect the interpretation of cl 7 itself, which is the clause that is the subject of the issue estoppel. I can therefore proceed to make a determination on the issue estoppel relating to cl 7.

30 The defendants' final substantive objection centred on the impact of the two Hamburg decisions, case no 327 O 183/16 ("Case 183") and no 327 O 184/16 ("Case 184"). On 3 May 2019, I granted leave to MSD to adduce evidence of the Hamburg decisions. This was tendered in the second affidavit of James Holston. The defendants submitted that the Hamburg decisions were relevant to the issue of the interpretation of cl 7 of the 1970 Agreement. I do not agree. Case 183 concerns Merck's claims against MSD and Merck & Co., Inc for trade name and trademark infringement under the German Trade Mark Act and under the German Unfair Competition Act. [\[note: 14\]](#) Case 184 involves claims by Merck and MSD Sharp & Dohme GmbH, which is not a party to the present action, for trademark infringement. [\[note: 15\]](#) It is apparent therefore that neither of the Hamburg decisions pertain to breach of contract and the interpretation of cl 7 of the 1970 Agreement. Both Hamburg decisions are wholly irrelevant to the present application.

Summary judgment application

31 The law on summary judgment applications under O 14 r 1 of the ROC is clear. The rule provides:

Where a statement of claim has been served on a defendant and that defendant has served a defence to the statement of claim, the plaintiff may, on the ground that that that defendant has no defence to a claim included in the writ, or to a particular part of such a claim, or has no defence to such claim or part except as to the amount of any damages claimed, apply to the Court for judgment against that defendant.

32 The defence need only show that there is a triable issue or question or that for some reason there ought to be a trial (Foo Chee Hock (gen ed), *Singapore Civil Procedure 2018* (Sweet & Maxwell, 2018, vol 1) at paras 14/1/4 and 14/1/5; *Terrestrial Pte Ltd v Allgo Marine Pte Ltd and another*

[2014] 1 SLR 985 at [8]; *Associated Development Pte Ltd v Loong Sie Kiong Gerald* [2009] 4 SLR (R) 389 at [22].

33 In my view, this is not a case that can be appropriately dealt with by way of summary judgment. The defendants raised numerous defences to Merck's claims, for instance, denying that it had registered some of the internet domain names which allegedly caused it to be in breach, [\[note: 16\]](#) and that it was an issue of fact whether the websites/webpages which were the subject of the alleged breach were even targeted at the Singapore market in the first place. [\[note: 17\]](#) These are all triable issues which render the present case unsuitable for summary judgment.

Preliminary issue application

34 Merck requested the court to determine the following preliminary issues pursuant to O 14, r 12 of the ROC: [\[note: 18\]](#)

- (a) Whether MSD is bound by the UKCA's decision on the governing law of the 1970 Agreement and 1975 Letter.
- (b) Whether MSD is bound by the interpretation of cl 7 provided by the UKCA.

35 Order 14 r 12 of the ROC provides that the court may, upon the application of a party or of its own motion, determine any question of law arising in any cause or matter where it appears to the Court that such question is suitable for determination without a full trial and such determination will fully determine the issue therein. Order 14, r 13 of the ROC provides that an application under r 13 may be made orally in the course of an interlocutory application to the Court. The plaintiff made an oral application for a preliminary issue determination of the above issues during the hearing on 24 January 2019.

36 In my view, both the issues at [34] above are suitable for preliminary determination. They are pure questions of law and their determination would lead to substantial savings of time and expenditure. The parties have already made extensive submissions on the question of estoppel during Merck's application under O 14, r 1 of the ROC. In my judgment, on the analysis above at [10] – [29], MSD is bound by the UKCA decision that the governing law of the 1970 Agreement and 1975 Letter is German law and that the use of the word Merck *per se* constitutes a breach of cl 7.

Costs

37 I will hear counsel on the question of costs.

[\[note: 1\]](#) Minute Sheet dated 24 January 2019.

[\[note: 2\]](#) Affidavit of Tan Lijun dated 24 April 2018 at para 10.

[\[note: 3\]](#) Affidavit of Tan Lijun dated 24 April 2018 at para 10.

[\[note: 4\]](#) Affidavit of Tan Lijun dated 24 April 2018.

[\[note: 5\]](#) Statement of Claim (Amendment No.3) at para 19.

[\[note: 6\]](#) Statement of Claim (Amendment No.3) at para 19.

[\[note: 7\]](#) 1st Affidavit of Jonas Koelle at p 143.

[\[note: 8\]](#) Defendants' Submissions dated 1 July 2019 at paras 8 and 9.

[\[note: 9\]](#) Defendants' Submissions dated 15 February 2019, para 22.

[\[note: 10\]](#) Defendants' Submissions dated 15 February 2019, para 27.

[\[note: 11\]](#) Defendants' Submissions dated 1 July 2019 at para 13.

[\[note: 12\]](#) Plaintiff's Submissions dated 4 March 2019 at p 36.

[\[note: 13\]](#) Defendants' Submissions dated 17 January 2019 at para 36.

[\[note: 14\]](#) Pemsel's Reply Affidavit at para 9 and 11.

[\[note: 15\]](#) Pemsel's Reply Affidavit at para 12.

[\[note: 16\]](#) Defence (Amendment No.2) at para 6.

[\[note: 17\]](#) Defendants' Submissions dated 17 January 2019 at para 107.

[\[note: 18\]](#) Plaintiff's Submissions dated 17 January 2019 at para 186. Hearing on 24 January 2019.