

Dextra Asia Co Ltd and Another v Mariwu Industrial Co (S) Pte Ltd
[2007] SGHC 51

Case Number : Suit 641/2004
Decision Date : 12 April 2007
Tribunal/Court : High Court
Coram : Tan Lee Meng J
Counsel Name(s) : Daniel Lim and Cindy Quek (Shook Lin & Bok) for the plaintiffs; Wong Siew Hong and Kalaiselvi Singaram (Infinitus Law Corporation) for the defendant
Parties : Dextra Asia Co Ltd; Dextra Manufacturing Co Ltd — Mariwu Industrial Co (S) Pte Ltd

Patents and Inventions – Novelty – Alleged infringement of patent for manufacturing process consisting of combination of unknown elements – Whether process not new or novel due to prior use, prior disclosure to other parties and prior art

12 April 2007

Judgment reserved.

Tan Lee Meng J:

1 In *Dextra Asia Co Ltd and Anor v Mariwu Industrial Co (S) Pte Ltd* [2006] 2 SLR 154 (the “first judgment”), I held that the plaintiffs, Dextra Asia Co Ltd and Dextra Manufacturing Co Ltd (collectively referred to as “Dextra”), the owners of rights in Asia to “Bartec”, a patented invention used in reinforcing concrete in the construction of buildings, were entitled to damages from the defendant, Mariwu Industrial Co (S) Pte Ltd (“Mariwu”), for infringement of the said patent.

2 Mariwu appealed against my decision. It had contended that the patent was not novel because there had been prior use of the patent in France and Hong Kong before its priority date. However, Dextra denied that there had been any use of the Bartec invention in France before the priority date and while the Bartec invention had been used in Hong Kong, the use was confidential and did not affect the novelty of the patent. Before the appeal was heard, Mariwu successfully applied to the Court of Appeal for the admission of further evidence, which concerned events in 1994. The Court remitted the case to the trial judge to hear the further evidence.

3 For a better perspective of the further evidence, it ought to be noted that in 1994, Dextra had not yet acquired the rights in Asia to the Bartec patent and it was then a licensee of the patent, paying royalties at the rate of 5% to Etablissements A Mure (“Mure”), which had acquired the ownership of the Bartec patent from its original owner, Techniport SA. In that year, Dextra collaborated with its fellow licensee, CCL Systems Limited (“CCL”), whose former officers gave evidence in support of Mariwu, for the purpose of pressurizing Mure not to sell the Bartec patent to Erico, a common competitor of theirs, and to reduce the royalties payable by them for the Bartec patent from 5% to a lower figure.

4 The further evidence comprised the following documents:

(a) a copy of letter from French Asiatic Services & Techniques Co Ltd (“FAST”) to Mure dated 23 November 1994 (in French with English translation);

(b) A copy of a fax dated 23 December 1994 from CCL to FAST;

- (c) A copy of a letter dated 23 December 1994 from CCL to Mure;
- (d) A copy of a letter dated 12 December 1994 from FAST to CCL;
- (e) A copy of a fax dated 13 December 1994 from CCL to one Mr Pithon with a draft letter;
- (f) A copy of a letter dated 14 December 1994 from FAST to Mure (in French with English translation);
- (g) A copy of a letter dated 14 December 1994 from CCL to Mure;
- (h) A copy of a fax dated 23 December 1994 from FAST to CCL; and
- (i) A copy of an internal CCL memorandum with notes of a meeting dated 3 November 1994.

5 The further evidence concerned Dextra's correspondence in late 1994 with CCL and Mure as well as Mure's alleged admission on the invalidity of the Bartec patent at a meeting on 3 November 1994 in Lyon ("the Lyon meeting"), which was attended by representatives of Mure, Dextra and CCL.

6 The Court of Appeal was of the view that the new evidence ought to be considered because it revealed that Dr J M Pithon, Dextra's main witness at the trial, had questioned the validity of the Bartec patent in 1994 and had asserted that the patent had been commercialised in France and Hong Kong before the priority date. As he had asserted at the trial that he knew of no facts which would invalidate the patent, the new evidence put the state of his knowledge in issue.

7 At the hearing of the further evidence, only two witnesses, Dr Pithon and Mr Robert J Copping, a director of CCL from 1991 to 1998, testified.

Dr Pithon's assertion to Mure that the process had been commercialised

8 Much attention was focused at the hearing of the further evidence on a letter dated 23 November 2004 that Dr Pithon wrote to Mure, in which the former stated as follows:

[W]e have consulted our advisors and taken note. This has enabled us to conclude that:

- a) The process *has been commercialized in Hong Kong and France* before the deposit of the patent, and is therefore potentially nullified.

[emphasis added]

9 Dr Pithon certainly had a lot to answer for the position adopted in his letter of 23 November 2004 but it is pertinent to note that the Court of Appeal had in para 31 of its judgment stated as follows:

However, we ought to say ... what Dr Pithon said in relation to the potential invalidity of the patent was not, in the context of the letter, an admission by him that the patent was potentially invalid because of prior use. It was not for him as an officer of Dextra to admit anything of that nature since Dextra did not own the patent at that time. It was an assertion made with a view to getting a better deal from Mure. Whether or not what he had said was the truth or whether it was merely a bluff, as he has now claimed in this application, is for the trial judge to determine after hearing the evidence on this issue.

10 Dr Pithon denied that that he had any real evidence of the invalidity of the Bartec patent and

asserted that his claim in his letter of 23 November 2004 that the said patent had been commercialised in Hong Kong and France was an "exaggerated bluff" to pressurise Mure to reduce the royalty payment under his licence agreement, which was then 5%.

11 Dextra was not the only party claiming to have tried to bluff Mure. CCL's Mr Copping, who was directly involved in the 1994 negotiations with Mure, admitted that CCL had no evidence of the invalidity of the Bartec patent. CCL was thus bluffing in order to pressurise Mure into reducing the royalties payable for the use of the patent when it asserted during the said negotiations that the Bartec patent was invalid. Mr Copping admitted that in 1994, CCL's strategy was to threaten Mure that the Bartec patent was invalid and then make a "peace offer" to pay royalties at 2.5% and that if this was not accepted, it would terminate the agreement. If Mure sued, CCL would respond with an offer of a settlement. CCL considered this strategy workable because Mure could only sue for the loss of royalties plus legal costs and its lawyer had advised that if CCL capitulated immediately after receipt of a writ, Mure could claim only the minimal costs associated with filing the writ. The relevant part of the cross-examination of Mr Copping is as follows:

Q: Now, this seems to outline CCL's strategy, ... stop paying royalty, terminate the licence, but if Mure sues, back down. Do you agree that there is a little gamesmanship here....

A: Gamesmanship?

Q: Yes, being proposed here, it's a bit of poker, a bit of bluff. Take the high ground but if you are challenged, back down.

A: That is correct.

12 As Dextra and CCL had joined hands in 1994 to fight off an attempt by a common business rival to purchase the Bartec patent from Mure and to pressurise Mure into reducing the royalties for the Bartec payment, Dextra would more likely than not have shown CCL some evidence of the invalidity of the Bartec patent if such evidence was indeed in its hands. However, Mr Copping testified that Dextra gave CCL no particulars about the alleged prior use in Hong Kong and in France. As for who came up with this strategy, Dr Pithon said as follows:

Q: Who came up with the idea to try to attack the patent? Was it yourself or someone else?

A: It was not really me or CCL, it was exploring what option of lever or threat do we have... [T]his option came into the picture, and after evaluating what other option we have, we saw there was nothing really serious to make a lever and we say, "Okay, let's try that option".

13 In the face of Mure's uncompromising stance, Dextra capitulated and continued to pay royalties to Mure at the existing rate of 5% up to the end of the licence agreement. It may be said that if Dextra had been so confident of the invalidity of the Bartec patent, it would not have surrendered so easily to Mure and continued to pay Mure a handsome 5% royalties for the unexpired period of the licence agreement.

14 After listening to and observing both Dr Pithon and Mr Copping, I was of the view that both Dextra and CCL were using the alleged invalidity of the Bartec patent as a bargaining tool against Mure and that Dr Pithon had no real evidence of the invalidity of the Bartec patent when he wrote the letter of 23 November 2004 to Mure.

Whether Mure admitted at the Lyon meeting that the patent was invalid

15 Another key argument of Mariwu with respect to the further evidence was that it revealed that Mure had admitted at the Lyon meeting, at which CCL was represented by Mr Copping, that the Bartec patent was invalid. However, at the hearing, this assertion was not borne out and was in fact not corroborated by Mr Copping.

16 Mariwu referred to a newly discovered "summary" of the Lyon meeting by CCL's Mr J R Brett, now deceased, which was circulated to the Board of CCL, and was as follows:

In the opening discussions CCL and Dextra asked the following questions of Mure.

- Is it true that Bartec was in the public domain before the patent was applied for?
- Why did Mure not tell CCL and Dextra?
- Does Mure accept that this would render the Patent invalid? ...

Contemporaneous notes on these questions and the answers given by patent was applied for

- *Mure agreed that the product was in the public domain before the patent was applied for.*
- *Mure first knew of this shortly after acquiring Techniport.*
- *Mure had not told CCL and Dextra because they thought it was evident.*
- *Mure accept that if the information was made public the patent would be rendered invalid.*

[emphasis added]

17 Mariwu's counsel, Mr Wong Siew Hoong, thus asserted as follows in paras 53 and 54 of his written submissions:

53. The first and indeed one of the most important aspects of the fresh evidence is that it documents [an] admission against interest by the proprietor. This admission was made by Mure and was documented by Brett in his notes on the meeting in Lyon on 3 November 1994.

54. The minutes are not hearsay as the Plaintiffs have submitted. They were made by Brett, who is now deceased. *However, Robert Copping was present at that meeting and could confirm to its accuracy.* De La Tour was also at that meeting and could confirm to its accuracy. The Plaintiffs chose not to call De La Tour and left it to Pithon to challenge that document, which he is not in any position to do.

[emphasis added]

18 In para 11 of his affidavit of evidence-in-chief ("AEIC"), Mr Copping appeared to support Mariwu's case for while referring to the Lyon meeting, he stated as follows:

[I]t was admitted by Mure that the Patent was probably invalid due to the priority date of the Patent being well after the Products initial use in France and Hong Kong. It was agreed by the three parties that as they were the only ones who knew this fact that they were all better off not revealing the fact and continuing to work under its protection. It was therefore agreed to continue paying royalty ... and Mure would maintain the Patents in existence.

19 As Mr Copping was the only witness who attended the meeting at Lyon, his evidence of the proceedings at that meeting was valuable, and especially so since Dextra's Mr De La Tour, who also attended the said meeting was not called as a witness. However, contrary to what he had stated in his AEIC, Mr Copping's testimony at the hearing painted quite a different picture of the Lyon meeting from that stated in his AEIC when he was cross-examined. Apart from accepting that Mr Brett's summary of the Lyon meeting was only a *secondary* report of the meeting, Mr Copping conceded that *all three* sentences in paragraph 11 of his AEIC quoted above were erroneous.

20 For a start, Mr Copping retracted the thrust of the first of the three said sentences in para 11 of his AEIC when he confirmed during cross-examination that Mure had *not* admitted that the Bartec patent was probably invalid but had only agreed that the Bartec patent might be vulnerable. The relevant part of the proceedings is as follows:

Q: Now the [next bullet point in Mr Brett's summary]: "Mure accept that if the information was made public the patent would be rendered invalid." Do you agree that Mure was expressing a reservation of judgment whether the patent was invalid or not?

A: I believe they probably were making a reservation because until it was tested, it would not be proven.

21 There is a world of difference between an admission by Mure of the invalidity of its patent and a reservation of judgment by Mure on the issue of its validity.

22 Mr Copping next accepted that the second sentence in that part of para 11 of his AEIC quoted above was also erroneous. The relevant part of the cross-examination is as follows:

Q: Now, I want to look at the sentence ..."It was agreed by the three parties that as they were ... the only ones who knew of this fact that they were all better off not revealing the fact and continuing to work under its protection". Now, Mr Copping ... [w]ould you also agree that this statement is also in error?

A: Yes, I would agree with that....

23 As for the last sentence in para 11 of Mr Copping's AEIC, which is that all the parties agreed that the royalty rate would be 2% and Mure would maintain the patent, it was not disputed that at the Lyon meeting, Mure insisted on maintaining the status quo on royalty payments that Mr Copping had described as "high and abusive". As such, Mr Copping had to concede that he agreed with Dr Pithon that his last sentence in para 11 of his AEIC was wrong. How Mr Copping could make such a glaring error was rather worrying.

24 Apart from the serious errors in para 11 of Mr Copping's AEIC, Mr Copping agreed that Mure gave nothing away notwithstanding the pressure put on it by Dextra and CCL concerning the potential invalidity of the Bartec patent.

Q: Now do you see that in this report of the summary, that whatever proposals were posed to Mure, they were rejected?

A: Correct.

25 Although Mariwu contended that Mure did not deny CCL's allegations, some of Mure's replies to CCL's letters were not disclosed. More importantly, when CCL unilaterally terminated their licence,

Mure sued it for infringement. As Dextra's counsel, Mr Daniel Lim, submitted, this is not the behaviour of a party who admits to the invalidity of its patent. Dr Pithon explained as follows:

Mure didn't give away on that and they maintained the licence agreement with full royalty ... until [1997], so basically, we failed in our negotiation, which proved very well that we did not have any evidence, anything strong. We didn't bring any lawyer to that meeting. It was pure commercial, trying, certainly not very good try but ... it was a try which failed ... because ... there was no supporting evidence at all...

In their written statements [Mure] always ... defended their position and they ... kept their royalty at 5% and we could not manage to reduce it, so if our position was so strong as you say, probably we would have won. We lost because we did not have anything in hand.

[emphasis added]

26 In view of the aforesaid, it is evident that the assertion that Mure had admitted that the Bartec patent was invalid was not proven.

Failure to call Mr Alain Bernard

27 Mariwu asserted that an adverse inference should be drawn from the fact that Dextra did not call Mr Alain Bernard, the inventor of the process that was patented. Admittedly, Dextra had the task of explaining why Dr Pithon had told Mure that the Bartec process had been commercialised in France and Hong Kong but it does not follow that he is required to call either Mr Bernard or Mure to testify. On the subject of Mr Bernard, Mariwu also asserted that he had told CCL's officers that the Bartec patent was invalid and that he was unable to attest to this because he was working for Mure. This is pure hearsay. In regard to hearsay evidence, it is worth recalling that in *Soon Peck Wah v Woon Che Chye*, [1998] 1 SLR 234, Yong Pung How CJ said at [27]:

The rationale for the hearsay principle is that the witness cannot verify the truth of the facts of which he has no personal knowledge. As the person who does not have personal knowledge of the facts is not in court, the accuracy of his perception and his veracity cannot be assessed and tested in cross-examination. Such evidence is unreliable and should hence be excluded from consideration.

28 Mariwu's contention that what Mr Bernard allegedly said to CCL's officers about the invalidity of the Bartec patent is an exception to the hearsay rule cannot be countenanced. No authorities were cited to support this extraordinary contention and section 18(3)(b) of the Evidence Act (Cap 97, 1990 Ed), which provides that statements made by "persons from whom the parties to the suit have derived their interest in the subject matter of the suit, are admissions if made during the continuance of the interest of the persons making the statements", is inapplicable, if only because whatever statements may have been made by Mr Bernard to CCL, they were made either before the priority date of the Bartec patent or after his company had sold the patent to Mure. As such, the alleged statements, if made by Mr Bernard, were not made during the continuance of the interest of the person making the statement.

Conclusion

29 It cannot be overlooked that during the 1994 negotiations, neither Dextra nor CCL were refusing to pay royalties to Mure. All they wanted was a reduction of royalties. Possibly, no one was then really sure of the outcome if a challenge was mounted against the patent. Dextra's counsel, Mr Lim,

pointed out to Mr Copping that even Simpson Curtis, CCL's lawyers, had advised CCL that while it was of the view that CCL could rescind the license agreement, it was "not certain" whether the Bartec patent was invalid and had added that it was slightly disappointed that the legal opinion is "not more positive" than it was. When Mr Lim then asked Mr Copping that there was thus room to debate whether or not the Bartec patent was indeed invalid, the latter readily agreed and added that "CCL could not find the actual evidence, otherwise it would have been a clear cut case".

30 Whatever suspicions one may have about the validity of the Bartec patent, a court can only make a decision on its validity on the basis of the evidence available before it. While the further evidence was initially unfavourable to Dextra, it was clear after it was evaluated that it did not tilt the balance in favour of Mariwu's case or corroborate the boast in the Bartec brochure that the Bartec process has been used in France before the priority date. This is especially so in view of the many admissions by CCL's witnesses of the lack of evidence of prior use of the Bartec patent, which have been referred to in the first judgment. It is worth repeating that Mariwu's managing director, Mr Tan Tiong Hwa, had made the following important concession regarding claims 4 and 5 of the Bartec patent at the trial during cross-examination:

Q: [T]here is no evidence that claims 4 and 5 were practiced either in Hong Kong or in France in whatever circumstances. Even if we accept your best case on prior use, claims 4 and 5 are valid and infringed Do you accept that?

A: Accept.

31 Apart from Mr Tan's concession, it is also worth repeating that CCL's former director, Mr Michael Appleton, had confirmed at the trial that the proof loading machines required for the mechanical compression referred to in claims 4 and 5 of the Bartec patent were developed with CCL's assistance after the priority date. Mr Copping sought to distance himself from Mr Appleton's view but it must be borne in mind that he had also confirmed that while it is essential that the events in 1987 and 1988, which had been considered in the first judgment, are relevant, he was in no position to contradict any of the evidence given by CCL's Mr Brian Rhodes, Mr Appleton or Mr Melvyn Precious at the earlier hearing.

32 For reasons stated, I saw no reason for altering the conclusion in the first judgment that it was not established that the Bartec patent is invalid because of prior use, either in France or in Hong Kong.

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