

Mariwu Industrial Co (S) Pte Ltd v Dextra Asia Co Ltd and Another
[2006] SGCA 37

Case Number : CA 15/2006
Decision Date : 10 October 2006
Tribunal/Court : Court of Appeal
Coram : Chan Sek Keong CJ; Andrew Phang Boon Leong JA; Tay Yong Kwang J
Counsel Name(s) : Kenneth Tan SC (Kenneth Tan Partnership), Wong Siew Hong and Kalaiselvi d/o Singaram (Infinitus Law Corporation) for the appellant; Daniel Lim and Cindy Quek (Shook Lin & Bok) for the respondents
Parties : Mariwu Industrial Co (S) Pte Ltd — Dextra Asia Co Ltd; Dextra Manufacturing Co Ltd

Civil Procedure – Appeals – Adducing fresh evidence – Whether special grounds existing for allowing fresh evidence to be adduced at appeal – Applicable principles

Evidence – Admissibility of evidence – Whether correspondence marked "without prejudice" admissible as evidence – Whether correspondence made in context of negotiations to settle dispute – Whether statements in correspondence amounting to admissions and therefore privileged – Section 23 Evidence Act (Cap 322, 1999 Rev Ed)

10 October 2006

Chan Sek Keong CJ (delivering grounds of decision of the court):

Introduction

1 This was an application by the appellant, Mariwu Industrial Co (S) Pte Ltd ("Mariwu"), for leave to adduce new evidence during Civil Appeal No 15 of 2006. We allowed the application, but remitted the case to the trial judge to consider the new evidence.

2 The facts of the appeal are as follows. In Suit No 641 of 2004, Dextra Asia Co Ltd and Dextra Manufacturing Co Ltd (collectively "Dextra") sued Mariwu for infringement of the patented invention, called "Bartec", comprising two steel bars joined together with a steel coupler. The Bartec invention is a type of bar used in reinforcing concrete in building construction, and is also known as a "rebar."

3 The Bartec invention was patented by Mr Alain Bernard, who founded Techniport SA ("Techniport") to market his invention. The priority date of the patent was 3 February 1988 ("the Priority Date"). Techniport granted CCL Systems Ltd ("CCL") a worldwide licence to use the patent, except in Hong Kong and Thailand.

4 In 1992, Dextra entered into a joint venture with CCL to exploit the patent in Singapore. This ended in March 1995 when Dextra sold its share of the Singapore business to CCL and left the Singapore market.

5 In the meantime, Techniport sold the Bartec patent to Etablissements A Mure ("Mure") in 1993. Techniport's deals with CCL and Dextra were subsequently novated to Mure. But in January 1995, CCL terminated its licence with Mure. Still, it continued to sell Bartec products in Singapore.

6 In 1998, CCL was acquired by Ancon Clark, a UK company, to form Ancon CCL group ("Ancon CCL"). The old CCL management was replaced.

7 At the end of 1998, Mure assigned the Bartec patent rights in Asia to Dextra. Dextra invited Ancon CCL to become its licensee in Singapore, but negotiations fell through. In 2002, Dextra re-entered the Singapore market and operated through licensees. Ancon CCL appointed Mariwu as its exclusive distributor of Bartec products in Singapore. Dextra later took action against Mariwu for infringing the patent.

8 It was conceded that if the patent was valid, Mariwu would have infringed it by use in Singapore. The main challenge was therefore to the patent's validity. Mariwu alleged that the patent was invalid for lack of both novelty and inventiveness. Only the novelty point is relevant to this application.

9 Mariwu alleged, *inter alia*, that the patent was not novel because there had been prior use of the Bartec invention in France and Hong Kong before the Priority Date. In France, Mariwu claimed that the invention was used in at least one construction project, namely the Ile de Ré Bridge by Techniport. In Hong Kong, it was alleged that Techniport and Dextra itself had used the Bartec invention during on-site experiments for the Pacific Place project, as well as in the foundations of the project itself.

10 Dextra denied that there was any use of the invention in France, and while admitting that the invention was used in Hong Kong, claimed that such use was confidential and thus not novelty-destroying.

11 The evidence which Mariwu is now seeking to adduce consists of correspondence from CCL (before it became Ancon CCL) and Dextra to each other, and to Mure sometime in late 1994. The correspondence concerned discussions with Mure on the question of the invalidity of the Bartec patent. At the time, both CCL and Dextra were still licensees of the patent from Mure. Apparently, CCL and Dextra had discovered that the patent was "potentially invalid" because of prior use in Hong Kong and France. CCL and Dextra wanted to forge a common position against Mure to use this information to extract a better bargain from Mure in the form of lower licensing royalties for the extension of the licence to use the patent.

Admissibility of new evidence

12 To determine whether the new evidence should be admitted, the questions before the court were as follows:

- (a) Did the new evidence fulfil the requirements of *Ladd v Marshall* [1954] 1 WLR 1489?
- (b) If so, were the documents admissible in evidence as they were all marked "without prejudice"?

The Ladd v Marshall requirements

13 Sections 37(2) and 37(4) of the Supreme Court of Judicature Act (Cap 322, 1999 Rev Ed) state:

- (2) In relation to such appeals, the Court of Appeal shall have all the powers and duties as to amendment or otherwise, of the High Court, together with full discretionary power to receive further evidence by oral examination in court, by affidavit, or by deposition taken before an examiner or a commissioner.

(4) Upon appeals from a judgment, after trial or hearing of any cause or matter upon the merits, such further evidence, except as to matters subsequent as specified in subsection (3), shall be admitted on special grounds only, and not without leave of the Court of Appeal.

14 In deciding whether such "special grounds" exist, the court will apply the test in *Ladd v Marshall* (at 1491):

[F]irst, it must be shown that the evidence could not have been obtained with reasonable diligence for use at the trial; secondly, the evidence must be such that, if given, it would probably have an important influence on the result of the case, though it need not be decisive; thirdly, the evidence must be such as is presumably to be believed, or in other words, it must be apparently credible, though it need not be incontrovertible.

15 As to the first requirement, the documents were made were available to Mariwu only after the High Court trial. Mariwu was not a party to the CCL-Dextra-Mure negotiations, having been incorporated only in 2002, nor did it have any first-hand knowledge of the events discussed in the documents. It had obtained some other documents pertaining to CCL's dealings with Mure for the purposes of the trial only through Ancon CCL, when Mariwu's managing director, Mr Tan Tiong Hwa, was allowed to search through two boxes of documents provided by Ancon CCL at its Sheffield office. Subsequent to the judgment against Mariwu, Ancon CCL's employee, Mr Herve Marie Poveda, went through Ancon CCL's files again and found the present documents, which were not in the two boxes. The documents were then forwarded to Mariwu.

16 Ancon CCL was under no legal obligation to provide assistance to Mariwu and did so out of goodwill. Other than the two boxes provided to Mr Tan, there was no evidence that Mr Tan was given free rein to search for documents in Ancon CCL's offices. Ancon CCL itself knew nothing of the existence of the evidence. The management team which was involved in the CCL-Dextra-Mure negotiations was completely replaced after CCL's acquisition. The evidence was only found by chance through Mr Poveda's efforts after the trial. On the evidence before us, we were of the view that the evidence could not have been obtained through reasonable diligence before trial.

17 The second requirement that the evidence would have an important, but not necessarily decisive, influence on the result of the case is also satisfied. One of the documents was a letter dated 23 November 1994 from Dr J M Pithon, Chief Executive Officer of Dextra and chief witness for Dextra, to Mure. The letter contained a statement that "[t]he process has been commercialized in Hong Kong and France before the deposit of the patent, and is therefore potentially nullified". The other documents from CCL refer to the patent being "void" and "highly vulnerable because of prior disclosure".

18 The statements from Dr Pithon are particularly relevant because he had asserted during cross-examination at the trial that he knew of no facts which would invalidate the patent. His reply put his state of knowledge in issue. Furthermore, Dextra's position on appeal was that while there was use in the Pacific Place project, such use was confidential. The statements may show that Dr Pithon considered whatever use there was in Hong Kong to be such as could, in his own words, "potentially nullify" the patent. We express no view on what Dr Pithon meant by using that phrase.

19 The letter could also show that there was commercialisation of the invention in France, and that Dextra appeared to have knowledge of it, despite asserting that there was no prior use at all in that country. In particular, the letter could corroborate a Techniport brochure adduced at trial which stated that Bartec was used in the Ile de Ré Bridge project. The trial judge had accepted Dextra's argument that the brochure was merely "puff".

20 The third requirement is that the evidence must be apparently credible. There is no doubt here that the correspondence is genuine.

21 As such, the requirements of *Ladd v Marshall* ([12] *supra*) have been satisfied.

Admissibility of "without prejudice" correspondence

22 The further question is whether the correspondence was admissible in evidence as all the letters between the relevant parties were marked "without prejudice". The law as set out in s 23 of the Evidence Act (Cap 97, 1997 Rev Ed) states:

In civil cases, no admission is relevant if it is made either upon an express condition that evidence of it is not to be given, or under circumstances from which the court can infer that the parties agreed together that evidence of it should not be given.

23 Counsel for Dextra argued that the correspondence was inadmissible in evidence even though the appellant was not a party to the correspondence on the ground that the principle against the admission of "without prejudice" communications applied to third parties, citing the decision of the House of Lords in *Rush & Tompkins Ltd v Greater London Council* [1989] AC 1280 ("*Rush & Tompkins*"). The plaintiffs in that case, the main contractors of a project, had started proceedings against the first defendants, who were the employers, and the second defendants, who were the subcontractors, for an inquiry into the loss and expenses which the second defendants were entitled to under the contract arising out of the delay in the completion of the project, and a declaration that the plaintiffs were entitled to be reimbursed that sum by the first defendants. The plaintiffs settled their claim against the first defendants in the sum of £1m on the condition that the plaintiffs would be responsible for the second defendants' claims. The second defendants sought discovery of the plaintiffs' documents relating to the settlement, which they thought would show the plaintiffs' view of the strength of the second defendants' case. The House of Lords said that such disclosure was not permissible because the policy of the law was to encourage settlement of disputes, and if statements made in negotiations for such purpose were admitted in evidence, parties would not be able to make concessions to settle if such statements were subject to discovery later in subsequent proceedings.

24 Section 23 of the Evidence Act is a statutory enactment of the common law principle relating to the admissibility of "without prejudice" communications based on the policy of encouraging settlements. In *Muller v Linsley and Mortimer* [1996] PNLR 74 ("*Muller*") at 77, Hoffmann LJ (as he then was) explained this principle in these words:

Cutts v Head [[1984] Ch 290] shows that the ["without prejudice"] rule has two justifications. Firstly, the public policy of encouraging parties to negotiate and settle their disputes out of court and, secondly, an implied agreement arising out of what is commonly understood to be the consequences of offering or agreeing to negotiate without prejudice. In some cases both these justifications are present; in others, only one or the other.

The words in s 23 contemplate two different situations that invoke the underlying rationales of the "without prejudice" rule. The first situation is where there is an express condition that any admission made by either party in the context of negotiations to settle a dispute is not to be "given", *ie*, admissible in evidence against the party making the admission. The situation applies to all communications made expressly "without prejudice". The second situation is where an admission is made "under circumstances from which the court can infer that the parties agreed together that evidence of it should not be given". This situation will cover cases where even though a statement is not expressly made "without prejudice" the law holds that it is made without prejudice because it was

made in the course of negotiations to settle a dispute: see the judgment of Lord Hoffmann in *Bradford & Bingley plc v Rashid* [2006] 1 WLR 2066 at [13] ("*Bradford & Bingley*").

25 In *Lim Tjoen Kong v A-B Chew Investments Pte Ltd* [1991] SLR 188 ("*Lim Tjoen Kong*"), I said that a literal reading of s 23 suggested that the section appeared to be confined to the parties to the action (and their solicitors and agents). I also said that *Rush & Tompkins* might or might not be inconsistent with s 2(2) of the Evidence Act which provides that "[a]ll rules of evidence not contained in any written law, so far as such rules are inconsistent with any of the provisions of this Act, are repealed" and that there was room to argue that it was not. I continue to hold this view. Section 23, properly construed, only refers to situations where it is the parties to the negotiations themselves who are attempting to renege on an express or implied agreement not to use admissions made in the course of negotiations against each other. The admissions in such cases are not relevant.

26 We reach this conclusion on the basis of the considerations behind the "without prejudice" privilege as explained in *Muller*. Section 23 places an emphasis on the "contract" reason because the irrelevance of such admissions under that section is premised on either there being an express condition or an inferred agreement that such admissions would not be adduced.

27 But the "contract" rationale does not pertain to the situation where a third party seeks to adduce evidence of negotiations. There can be no express or implied agreement to which the third party can be bound. It is only on the basis of public policy that such admissions are inadmissible. This confirms that s 23 cannot refer to the situation where a third party is involved.

28 Section 23's silence on the situation where a third party is involved does not mean that he is free to adduce "without prejudice" evidence. The situation remains governed by common law. In *Lim Tjoen Kong*, I left the question open whether *Rush & Tompkins* was or was not inconsistent with s 23 because of the lack of adequate argument on this point by counsel. Given our interpretation that the rationale of the s 23 privilege is to encourage settlements, I can see no inconsistency between that section and *Rush & Tompkins*.

29 The next two issues we had to decide in connection with the "without prejudice" correspondence were (a) whether the letters were written in the course of negotiations to settle a dispute; and (b) if they were, whether the statements of the parties relating to the potential invalidity of the patent because of alleged prior use were admissions by the parties making them.

30 Our view on issue (a) is that the exchange of letters was not made in the context of negotiations between the parties to settle a dispute. As between CCL and Dextra, there was no dispute at all as both were licensees of Mure. They were in fact acting in concert to get the best deal from Mure, the then owners of the patent. As between Dextra (and CCL) and Mure, the letter written by Dr Pithon to Mure, alleging the potential invalidity of the patent, was for the purpose of getting from Mure a renewal of the licence for another two years, and on more favourable terms. There was no dispute between the parties as to their respective rights in the patent. The negotiations were not about the rights of each party since Dextra had no rights with respect to the patent or its use or in connection with any threatened or pending litigation. The public policy of the "without prejudice" privilege is precisely aimed at encouraging out-of-court settlements and cannot be invoked where no dispute exists. In this regard we refer to *Bradford & Bingley* ([24] *supra*), where the court declined to apply the privilege to a letter in which a debtor said he was not in the position to make repayment until sometime in the future. His liability was already admitted elsewhere. Lord Brown of Eaton-under-Heywood said at [73]:

In my opinion the without prejudice rule has no application to apparently open communications, such as those here, designed only to discuss the repayment of an admitted liability rather than to negotiate and compromise a disputed liability. I find it impossible to regard the correspondence here as constituting "negotiations genuinely aimed at settlement" (Lord Griffiths in *Rush & Tompkins Ltd v Greater London Council* [1989] AC 1280, 1299) or "an attempt to compromise actual or impending litigation" (Sir Robert Megarry V-C in *Chocoladefabriken Lindt & Sprungli AG v Nestlé Co Ltd* [1978] RPC 287). Nor does the underlying public policy justification for the rule appear to have any application in circumstances such as these. That justification, as Oliver LJ observed in *Cutts v Head* [1984] Ch 290, 306 ... "essentially rests on the desirability of preventing statements or offers made in the course of negotiations for settlement being brought before the court of trial as admissions on the question of liability". No "statements or offers" were made here with a view to settling a dispute. Since the debt was admitted, there was no dispute. As Mr Fenwick aptly put it in argument, Mr Rashid was simply asking for a concession; he was not giving one. [emphasis in original]

31 Issue (b) was irrelevant in view of our opinion on issue (a). However, we ought to say that on issue (b), 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. The principle against the admissibility of admissions made in the course of negotiations to settle a dispute is based on admissions against interest. In *Rush & Tompkins* ([23] *supra*), the guiding consideration was explained by Lord Griffiths, at 1301, as follows:

Suppose the main contractor in an attempt to settle a dispute with one subcontractor made certain admissions it is clear law that those admissions cannot be used against him if there is no settlement. The reason they are not to be used is because it would discourage settlement if he believed that the admissions might be held against him. But it would surely be equally discouraging if the main contractor knew that if he achieved a settlement those admissions could then be used against him by any other subcontractor with whom he might also be in dispute. The main contractor might well be prepared to make certain concessions to settle some modest claim which he would never make in the face of another far larger claim. It seems to me that if those admissions made to achieve settlement of a piece of minor litigation could be held against him in a subsequent major litigation it would actively discourage settlement of the minor litigation and run counter to the whole underlying purpose of the "without prejudice" rule.

32 There may be an issue whether, if the correspondence were inadmissible because the letters were made without prejudice, Dextra had waived the privilege when Dr Pithon testified that he did not have any information that could invalidate the patent. The letter dated 23 November 1994 which Dr Pithon wrote to Mure would appear to show that he might have had knowledge or information contrary to the evidence he had given on oath on that very point. In *Lim Tjoen Kong* ([25] *supra*), I held that the defendant, by adducing evidence of the "without prejudice" meetings between the plaintiff and the defendant's agent, had waived any privilege attached to them, thereby allowing the plaintiff to rely on the admissions made by the agent at those meetings. However, as this point was not raised before us, we did not address it.

Conclusion

33 We allowed the application for the reasons given above.

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