
PASTRON SDN BHD v. TEOH INN SENG & 1 ORS
HIGH COURT, PULAU PINANG
ABDUL HAMID MOHAMAD J
GUAMAN CIVIL NO; 22-765-98
9 APRIL 1999
[1999] 1 LNS 390

Counsel:

COUNSEL:

- 1. Bagi pihak Plaintiff, Encik Mureli Navaratnam, Tetuan Ghazi & Lim Peguambela & Peguamcara*
- 2. Bagi pihak Defendan-Defendan, Encik Richard Hwang, Tetuan Lee Ong & Kandiah Peguambela & Peguamcara*

JUDGMENT

[LAMPIRAN 3]

According to the Plaintiffs Statement of Claim, the Plaintiff is part of the Fastron Group which has offices and factories in the United States, Germany, Hungary, Malaysia and China. The Plaintiff is a manufacturer, distributor and exporter of leaded inductors and SMD inductors. To Produce the SMD inductors the Plaintiff and/or its group has developed machineries, process-equipment and process parameters. The Plaintiff has manufactured the said SMD parts in Malaysia since 1993. The said manufacture is based on drawings which are highly specialised and technical. The said drawings are **[Page 2]** produced by the Plaintiff s and/or its group's engineers with the know-how exclusive to them and the said drawings are their property and are confidential in nature. The Plaintiff is also the first user of the said parts in Malaysia.

The First Defendant was an employee of the Plaintiff from 4th October 1990 to 1st May 1994.

According to the Plaintiff, during his course of employment with the Plaintiff/ the First Defendant was sent for training by the Plaintiff to the United States and Europe at the Plaintiff's expense.

Sometime in 1994, the First Defendant together with two former employees of the Plaintiff set up and incorporated the Second Defendant company to produce machinery for winding and taping for the manufacture of SMD inductors. Subsequently the Second Defendant employed six former employees of the Plaintiff to assist it in its operations.

As the Second Defendant was geared towards producing machinery for winding and taping for the manufacture of SMD inductors and as the Second Defendant was managed by ex-

employees of the Plaintiff, the Plaintiff negotiated and entered into an agreement with the Second Defendant, **[Page 3]** inter alia, for the purchase of the said machines. The Agreement, dated 24th June 1994 is only a one-page agreement and is follows:

"Agreement

Soon Beng Seng Industries, 35-A Medan Angsana, Bandar Baru, Air itam,
11500 Penang.

And

FASTRON Sdn. Bhd, Bayan Lepas FIZ, 11900 Penang Agree on the following:

1. Soon Beng Seng Industries is producing machinery for winding/manufacturing of inductors with leads and for SMD inductors.
2. Provided that, Soon Beng Seng Industries will give the exclusive right to market/sell this machinery worldwide to FASTRON Sdn. Bhd., Penang.
3. FASTRON Sdn. Bhd promises to buy at least 4 SMD- auto winding machines monthly for the time of the next 12 months, i.e. until 30/06/95 at present conditions.
4. Every six month before the end of this forecast period FASTRON Sdn. Bhd. will determine the sales figures and types of machinery to be purchased for a consecutive 6 month period. If these figures do not sum up to at least 6 machines in 1 following year, Soon Beng Seng Industries is free to sell the machinery covered by this agreement to other customers.

Penang, 24/06/94.

on behalf of Soon Beng Seng Industries: sign

on behalf of FASTRON Sdn. Bhd." sign

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According to the Plaintiff (I believe, subsequent to the Agreement) the Plaintiff supplied specifications and drawings to the Second Defendant to enable the Second Defendant to produce the machines for the Plaintiff. It was also agreed that these specifications and drawing were not to be disclosed to third parties or used for any other purpose.

The Plaintiff later discovered that the Second Defendant, between 1994 to 1996 had been giving quotations for the sale of the said machines to third parties without the knowledge of the Plaintiff and began selling machines which were produced from the Plaintiff s specifications and drawings to third parties including to Plaintiff's competitors in U.S.A.,

Europe, Japan, China and Taiwan.

According to the Plaintiff, on or about 10th December 1997, a director and employee of the Second Defendant informed the Plaintiff's representative that the Second Defendant had sold a total of 17 machines and quoted to companies based in the United States, Germany and Japan, all are competitors of the Plaintiff and/or its group. The Plaintiff said that at all times, it fulfilled its obligations pursuant to the Agreement dated 24th June [Page 5] 1994.

The Plaintiff also alleged that the First Defendant had used confidential knowledge relating to SMD winding machines and taping machines to which he had access while he was in the employment of the Plaintiff in breach of his Employment Agreement with the Plaintiff.

The Plaintiff also alleged that recently it discovered that a number of drawings for the last few steps of SMD production process from its documentation center were missing - particulars were given.

The Plaintiff alleged that the Second Defendant was in possession of the said documents and was using the said drawings and/or the Plaintiff's know-how to produce the SMD product and/or has given the said drawings to its customers and suppliers to enable them to produce the SMD parts for the market worldwide.

The Plaintiff alleged that the First Defendant, by disclosing confidential information to the Second Defendant and using the said information breached the employment agreement between the Plaintiff and the First Defendant. The Second Defendant by selling the said machinery to third parties who were the Plaintiff's competitors breached the agreement dated 24th June 1994.

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Further or in the alternative the Plaintiff alleged that the First and Second Defendants in using the Plaintiff's specifications and drawings and know-how to produce the machines and parts for their own purpose and on their own have converted the specifications and drawings which rightfully belong to the Plaintiff.

The Plaintiff also discovered that the Second Defendant had used and converted the drawings and design of the Plaintiff to produce "swatter carrier" as the Second Defendant's own.

According to the Plaintiff, the said swatter carrier together with the drawings and design was invented exclusively by the Plaintiff in Penang and the Plaintiff's group of companies in Europe and the United States are using its know-how which is the exclusive property of the Plaintiff and/or its group. The Plaintiff and/or its group is the only inventor worldwide and has been using it worldwide. The said swatter carrier is unique in its design and function as it maximises the efficiency of production by many folds compared to any other system or device existing worldwide. The Plaintiff and/or its group is also the first user of the said swatter carrier in Malaysia and [Page 7] worldwide.

The Plaintiff alleged that it had suffered loss and damages. The Plaintiff claimed for injunction and other orders.

By a Summons in Chambers filed on 19th September B 1998, the Plaintiff prayed for the

following orders:

"(i) An injunction to restrain the First Defendant whether by himself, his servants, agents or otherwise howsoever from disclosing or using the know-how, confidential information of the Plaintiff to the Second Defendant or any other party or person;

(ii) An injunction to restrain the First Defendant and Second Defendants and each of them whether by themselves, their directors, officers, servant or agents or any of them as otherwise howsoever from doing or authorising others to do any of the following acts:-

(a) Producing machinery for winding and taping for the manufacturing of SMD inductors using the Plaintiff's know-how, specifications and/or drawings

(b) producing and dealing Swatter Carrier and other process-equipment using the Plaintiff's know-how, original specifications and/or drawings

(c) using any of the Plaintiff's know-how, specifications and/or drawings in any manner whatsoever

(d) giving the Plaintiff's know-how, drawings and/or specifications to its customers or suppliers or any other person

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(e) selling the machinery and equipment, tools and know-how for winding and the surface technology including knock out and taping as well as measurement to any party or person locally or otherwise

(f) reproducing or substantially reproducing Plaintiff's know-how, confidential information, specifications and drawings in any manner whatsoever;

(iii) An order for delivery up to the Plaintiff or its solicitors or authorised agents all the specifications and drawings belonging to the Plaintiff and all the reproduction or substantial reproduction of the said specifications and drawings;

(iv) An order for delivery up to the Plaintiff or its solicitors or authorised agents the machinery for winding and taping for the manufacturing of SMD and the complete equipment, tooling for producing SMD existing and in the Defendants', their agents, customers or suppliers possession;

(v) Inquiry as to damages or at the Plaintiff's option an account of the Second Defendant's profit in respect of their wrongful acts;

(vi) Interest

(vii) Costs."

The First Defendant filed an affidavit in reply (Enclosure 7). This was followed by a corrective affidavit (Enclosure 9) filed ten days later. I shall refer to the corrective affidavit. He said that the **[Page 9]** Second Defendant was incorporated In 1992 and started producing SMD winding and taping machines since 1994. (It should be noted that the First Defendant was in the Plaintiff's employment from 4th October 1990 to 1st May 1994). Other companies in the United States/Germany and Japan had invented SMD parts earlier than the Plaintiff and the Plaintiff had bought SMD winding and taping machines as well as swatter carrier from a company called Stetco in the United States. He went there to bring back the machines. As that machine was not very good he invented the SMD - 1008 - auto winding and later SMD - semi automatic Scan T for the Plaintiff. He denied that he was sent to United States and Europe for training. He however admitted that in September 1992 the Plaintiff sent him to the United States to observe the SMD machines bought by the Plaintiff so that he would be able to assemble the machines bought by the Plaintiff. He was sent to Germany in November 1991 to attend an exhibition and in November 1993 to Germany and Hungary to make presentation of the machines which he invented. (I should be noted that he was still in the employment of the Plaintiff during this period).

According to the First Defendant/ in June 1994 **[Page 10]** representatives from the Plaintiff's group visited him at the Second Defendant's premises. He showed them his inventions. They were impressed. As a result the Agreement dated 24th June 1994 was entered. He denied that the Second Defendant was incorporated to produce the said winding and taping machines. He denied that the Plaintiff provided drawings and specification to the Second Defendant to produce the machines for the Plaintiff. He said that from 24th June 1994 to 30th June 1995, the Plaintiff only bought 40 units instead of 48 units provided by the Agreement of 24th June 1994. In the next one year the Plaintiff only bought one unit and in the following year, five units. Therefore under the Agreement the Second Defendant was entitled to sell to other customers.

Regarding the swatter carrier the First Defendant denied that he modified the Plaintiff's drawings and designs to produce the First Defendant's own swatter carrier. On the other hand he said that the Second Defendant had received the drawings and specifications from a customer with instruction to change the specifications. He said that the swatter carrier was a common tool used in electronics industry.

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The First Defendant said that the SMD machines were his own invention after he had left the Plaintiff s employment. He did not use any information which he acquired from the Plaintiff.

Many affidavits were filed by both parties subsequently. I shall not try to summarise them as in this application as it is not the function of the court to make findings of facts at this stage. All that the court has to decide is whether the Plaintiff has shown that there are serious issues to be tried.

Even from the summary of the claim and the affidavit in reply alone, it is very clear that there

are serious issues to be tried. I do not think I have to say more on the question.

The next question is whether damages is an adequate remedy.

The claim is not only for financial loss but for unauthorised use of confidential know-how and information and for selling the products to the Plaintiff's competitors. In such a situation it is very clear that damages is not an adequate remedy.

Balance of convenient too favours the Plaintiff. The damages to the Plaintiff may not be quantifiable.

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To refuse an injunction would mean that the Court is authorising the Defendants to continue its unlawful activities, if proved to be so, at the trial.

However, regarding the machines I took into consideration the existence of the Agreement between the parties. I see no reason why the Second Defendant should be stopped from producing them so long as it is in accordance with and for the purpose of the Agreement. Both parties admit the existence of the Agreement. Neither party challenged the validity of that Agreement. It is still binding on them. As a result, in granting the injunction I made an exception i.e. the Defendants are not prevented from producing the machines for the purpose of fulfilling their obligations under the Agreement. And, of course, if the Plaintiff commits a breach of the Agreement, in particular, not purchasing the machines from the Second Defendant the quantity that it should, as provided for in the Agreement, the Second Defendant, as provided by the Agreement, is at liberty to sell to others. Similarly the Second Defendant is not prohibited from producing and selling other products invented by it without using the know-how, drawings and specifications of the Plaintiff. The Court is not in a **[Page 13]** position, especially at this stage, to specify which product falls within the Agreement and which does not. The parties should know. After all they are the ones who entered into the Agreement. They are the ones in the know. If they are honest, there should be no problem. If they are not, then that is a different matter.

The swatter carried does not form part of the Agreement. So, I am of the view that the injunction should be granted in respect of it.

I made these orders upon the usual undertaking by the Plaintiff as to damages, which in my view can be honoured by the Plaintiff.

Dated 9 April 1999.

Dato' Abdul Hamid bin Haji Mohamad

Hakim Mahkamah Tinggi

Pulau Pinang.

Pihak-Pihak

1. Bagi pihak Plaintiff, Encik Mureli Navaratnam, Tetuan Ghazi & Lim Peguambela & Peguamcara 19th Floor, Plaza MWE No. 8, Lebuhr Farquhar 10200 Pulau Pinang.
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