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**Restraining the Misuse of Confidential Information**

Extracted from *Injunctions Law and Practice by Jacobs , McCarthy & Negro (Thomson looseleaf )*

**[1.100] Interlocutory injunctions: basis for grant**

The purpose of an interlocutory injunction is to preserve the subject matter of a dispute and to maintain the status quo pending the determination of the rights of the parties: *Australian Broadcasting Corp v Lenah Game Meats Pty Ltd* (2001) 208 CLR 199; 76 ALJR 1; [2001] HCA 63 at 218 (CLR) per Gleeson CJ. This means that the applicant must be able to show sufficient colour of right to the final relief in aid of which interlocutory relief is sought. If, upon examination, it appears that the facts alleged by the applicant cannot, as a matter of law, sustain such a right, then there is no subject matter to be preserved: *First Capital Group Ltd v Wentworth Mutual Investment Management Pty Ltd* [2007] WASC 93 at [71].

The exercise of the discretion to grant an interlocutory injunction is guided by a number of principles, the most fundamental being that in order to obtain an interlocutory injunction, an applicant must demonstrate:

- #1 that there is a serious question to be tried in the principal proceeding or that the applicant has made out a prima facie case, in the sense that if the evidence remains as it is there is a probability that at the trial of the action the plaintiff will prevail (see [1.120]); and
- #2 that the balance of convenience favours the granting of an injunction (see [1.140]): *Beecham Group Ltd v Bristol Laboratories Pty Ltd* (1968) 118 CLR 618 at 622-623; *Australian Broadcasting Corp v O'Neill* [2006] 227 CLR 57; 229 ALR 457; [2006] HCA 46 at [81] - [82].

A further threshold issue, the adequacy of damages, arises when the applicant seeks an injunction to restrain interference with a legal right: see [1.105].

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**[1.105] Adequacy of damages**

A further threshold issue, the adequacy of damages, arises when the applicant seeks an injunction to restrain interference with a legal right: *Australian Broadcasting Corp v O'Neill* [2006] 227 CLR 57; 229 ALR 457; [2006] HCA 46. In these circumstances Lord Diplock in *American Cyanamid Co v Ethicon Ltd* [1975] AC 396; [1975] 2 WLR 316; [1975] 1 All ER 504 at 408 (AC) stated that:

[T]he court should first consider whether, if the plaintiff were to succeed at the trial in establishing his right to a permanent injunction, he would be adequately compensated by an award of damages for the loss he would have sustained as a result of the defendant's continuing to do what was sought to be enjoined between the time of the application and the time of the trial. If damages in the measure recoverable at common law would be adequate remedy *and the defendant would be in a financial position to pay them*, no interlocutory injunction should normally be granted, however strong the plaintiff's claim appeared to be at that stage. (emphasis added)

The qualification that the respondent is in a position to pay the claimed damages is an important one. If there is evidence that the respondent may not be able to pay, because of the potential size of an award<sup>1</sup> or because the respondent is relatively impecunious,<sup>2</sup> this will be taken into account in the applicant's favour in assessing the balance of convenience. Even where the respondent is in a position to pay, damages may be an inadequate remedy because the respondent's conduct consists of repeated breaches of the applicant's rights, each of which would potentially give rise to only a small or nominal amount of damages: *Penfolds Wines Limited v James Peter Elliott* (1946) 74 CLR 204; [1946] HCA 46, thus bedevilling the assessment process.

- 1 See, for example, *Patrick Stevedores Operations No 2 Pty Ltd v Maritime Union of Australia [No 3]* (1998) 195 CLR 1; 72 ALJR 873; [1998] HCA 30.
- 2 See for example, *Paramount Design Group Pty Ltd v Awaba Group Pty Ltd* [2003] AIPC 91-905; [2003] FMCA 336; *Sempra Metals & Concentrates Corp v Tritton Resources Ltd* [2006] NSWSC 1209.

**[1.110] Interim injunctions: basis for grant**

†An interlocutory injunction is usually expressed to last until the final hearing or further order. The meaning of the expression “until further order” was discussed by Campbell J in *Fatimi Pty Ltd v Bryant* [2002] Aust Torts Reports 81-677; [2002] NSWSC 750.

An interim injunction, by contrast, lasts until a named day or further order. The same principles that apply to the grant of an interlocutory injunction apply to the grant of an interim injunction.

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**[1.120] Serious question or prima facie case?**

There had for some time been a debate whether, on an application for an interlocutory injunction, an applicant is required to demonstrate that there is a serious question to be tried or whether, on the other hand, the applicant must make out a prima facie case. The former test was derived from the speech of Lord Diplock in *American Cyanamid Co v Ethicon Ltd* [1975] AC 396 at 407; the latter was articulated in *Beecham Group Ltd v Bristol Laboratories Pty Ltd* (1968) 118 CLR 618 at 622-623; 42 ALJR 80.

The debate was resolved by the High Court in *Australian Broadcasting Corp v O'Neill* [2006] 227 CLR 57; 229 ALR 457; [2006] HCA 46. Gummow and Hayne JJ, with whom Gleeson and Crennan JJ agreed, said that the principles explained in *Beecham Group Ltd v Bristol Laboratories Pty Ltd* (1968) 118 CLR 618; 42 ALJR 80 should be followed and explained those principles, thus:

This Court (Kitto, Taylor, Menzies and Owen JJ) said that on such applications the court addresses itself to two main inquiries and continued:

The first is whether the plaintiff has made out a prima facie case, in the sense that if the evidence remains as it is there is a probability that at the trial of the action the plaintiff will be held entitled to relief... The second inquiry is... whether the inconvenience or injury which the plaintiff would be likely to suffer if an injunction were refused outweighs or is outweighed by the injury which the defendant would suffer if an injunction were granted.

By using the phrase “prima facie case”, their Honours did not mean that the plaintiff must show that it is more probable than not that at trial the plaintiff will succeed; it is sufficient that the plaintiff show a sufficient likelihood of success to justify in the circumstances the preservation of the status quo pending the trial. That this was the sense in which the Court was referring to the notion of a prima facie case is apparent from an observation to that effect made by Kitto J in the course of argument. With reference to the first inquiry, the Court continued, in a statement of central importance for this appeal:

How strong the probability needs to be depends, no doubt, upon the nature of the rights [the plaintiff] asserts and the practical consequences likely to flow from the order he seeks.

Various views have been expressed and assumptions made respecting the relationship between the judgment of this Court in *Beecham* and the speech of Lord Diplock in the subsequent decision, *American Cyanamid Co v Ethicon Ltd*. It should be noted that both were cases of patent infringement and the outcome on each appeal was the grant of an interlocutory injunction to restrain infringement. Each of the judgments appealed from had placed too high the bar for the obtaining of interlocutory injunctive relief.

Lord Diplock was at pains to dispel the notion, which apparently had persuaded the Court of Appeal to refuse interlocutory relief, that to establish a prima facie case of infringement it was necessary for the plaintiff to demonstrate more than a 50% chance of ultimate success. Thus Lord Diplock remarked:

The purpose sought to be achieved by giving to the court discretion to grant such injunctions would be stultified if the discretion were clogged by a technical rule forbidding its exercise if upon that incomplete untested evidence the court evaluated the chances of the plaintiff's ultimate success in the action at 50 per cent or less, but permitting its exercise if the court evaluated his chances at more than 50 per cent.

In *Beecham*, the primary judge, McTiernan J, had refused interlocutory relief on the footing that, while he could not dismiss the possibility that the defendant might not fail at trial, the plaintiff had not made out a strong enough case on the question of infringement. Hence the statement by Kitto J in the course of argument in the Full Court that it was not necessary for the plaintiff to show that it was more probable than not that the plaintiff would succeed at trial.

When *Beecham* and *American Cyanamid* are read with an understanding of the issues for determination and an appreciation of the similarity in outcome, much of the assumed disparity in principle between them loses its force. There is then no objection to the use of the phrase "serious question" if it is understood as conveying the notion that the seriousness of the question, like the strength of the probability referred to in *Beecham*, depends upon the considerations emphasised in *Beecham*.

Underscoring the proposition that the distinction between the "serious question" and "prima facie case" is one of little substantive difference, is the fairly entrenched view, at trial court level, that a prima facie case is made out if "on the material before the Court, inferences are open which if translated into findings of fact would support the relief claimed": *Clough Engineering Ltd v Oil & Natural Gas Corp Ltd* [2007] FCA 881 at [36].

However, it is important to appreciate that, at least on the state of present authority, the serious question does not mean *any* serious question, but rather a serious question, "As to the granting of a form of final relief, the substance of which, in the relevant respect, would be rendered nugatory by the course of action threatened and sought to be prevented": *Politano v ACN 060 442 926 Pty Ltd* [1998] FCA 572.

In *Australian Broadcasting Corp v Lenah Game Meats Pty Ltd* (2001) 208 CLR 199; 76 ALJR 1; [2001] HCA 63 there was extended discussion by Kirby and Callinan JJ of the availability of a "stand-alone injunction", ie an interlocutory injunction where the applicant is unable at the time of making the application to point to any legal or equitable right that is infringed by the respondent's conduct. This may be because, for example, the

applicant's case raises novel or unsettled issues, or because the respondent to the application for an injunction is a third party whose actions have the potential to alter the status quo to the applicant's detriment.

#### **[1.130] Questions of law**

If the application for interlocutory relief raises a question of law, it may in certain circumstances be appropriate for the court to finally determine that question at the interlocutory stage, rather than permit the applicant to simply raise a serious question about the existence of its rights. The court may consider whether the question of law is novel or difficult and whether it is capable of resolution on the state of the evidence at the interlocutory hearing. If the urgency of the matter renders it impracticable to give proper consideration to the question, it should not be finally determined: *Kolback Securities Ltd v Epoch Mining NL* (1987) 8 NSWLR 533; 11 ACLR 630 at 535 (NSWLR) per McLelland J.

So, for instance, in *Hitchcock v TCN Channel Nine Pty Ltd* [2000] Aust Torts Reports 81-550; [2000] NSWSC 198 Austin J considered that it was appropriate, in deciding an application for an injunction restraining broadcast by the respondent of allegedly confidential material, to resolve certain questions relating to the construction of a contract between the applicant and an employee. He noted that the parties had had an opportunity to present extensive submissions on the issues and doubted that the evidence would improve between the interlocutory and final hearings. Also significant was the fact that his conclusions on the construction issues would affect the nature and scope of the interlocutory injunction granted.

#### **[1.140] Balance of convenience**

The balance of convenience, or the balance of justice, is the course most likely to achieve justice between the parties pending resolution of the question of the applicant's entitlement to ultimate relief, bearing in mind the consequences to the respondent of the grant of an injunction in support of relief to which the applicant may ultimately be held not to be entitled, and the consequences to the applicant of the refusal of an injunction in support of relief to which the applicant may ultimately be held to be entitled:

*Kolback Securities Ltd v Epoch Mining NL* (1987) 8 NSWLR 533; 11 ACLR 630 at 535 (NSWLR) per McLelland J.

**][100] Two main categories of confidential information: contractual and under general equitable principles**

There are two broad classes of actions for breach of confidence – first, where there is an express or implied contractual obligation not to use specified information; and second, where the exclusive equitable jurisdiction is invoked to enjoin the use of confidential information, arising from the circumstances in or through which information was obtained or communicated: *Seven Network Ltd v News Ltd* [2007] FCA 1062 at [2949]. Moreover, some statutes clothe certain information with the character of being confidential, eg *Southern Adelaide Health Services Inc v C; Case Stated on Acquittal (No 1 of 2006)* [2007] 97 SASR 556; [2007] SASC 181.

Section 183 of the *Corporations Act 2001* (Cth) stipulates that a director, officer or employee of a company, who has obtained information because of their office/employment, cannot use such information to gain an advantage or to the detriment of the corporation. Information is that which equity would protect by injunction, in breach of a fiduciary obligation: *Rosetex Co Pty Ltd v Licata* (1994) 12 ACLC 269 at 273; *AG Australia Holdings Ltd v Burton* (2002) 58 NSWLR 464; [2002] NSWSC 170 at [123] ff.

The juridical nature of the obligation bears on not only the defences available to the “misuser” of confidential information, but also whether the subject nature of the confidence involves some form of wickedness. Thus, where the subject nature of the information is some form of wickedness, it may be said that no obligation arises, in equity, in the first place; and a defence of unclean hands is more readily made out; and courts may well not imply a term of confidentiality. However, where the obligation of confidentiality is based on an express term, then the contract “will be enforced, unless there is some public policy which prevents it being enforced”: *AG Australia Holdings Ltd v Burton* (2002) 58 NSWLR 464; [2002] NSWSC 170 at [192] ff.

As regards to the second class, the initial question which arises is whether the plaintiff can show that the information sought to be protected has “the necessary quality of confidence” about it: see *Coco v AN Clark (Engineers) Ltd* (1968) 1A IPR 587; [1969] RPC 41. As was said in *Seven Network Ltd v News Ltd* [2007] FCA 1062 at [2951]:

[2951] In *Coco v Clark*, Megarry J considered (1A IPR, at 590) that three elements are normally required if, independently of contract, a case of breach of confidence is to succeed:

First, the information itself ... must “have the necessary quality of confidence about it”. Secondly, that information must have been imparted in circumstances importing an obligation of confidence. Thirdly, there must be an unauthorised use of that information to the detriment of the party communicating it.

Although there is doubt as to whether detriment is always essential, Megarry J's formulation has been cited with approval in Australia: *Commonwealth v John Fairfax & Sons Ltd* (1980) 147 CLR 39, at 51, per Mason J; *Australian Broadcasting Corporation v Lenah Game Meats Pty Ltd* (2001) 208 CLR 199, at 222 [30], per Gleeson CJ.

[2952] In *Corrs Pavey Whiting & Byrne v Collector of Customs (Vic)* (1987) 14 FCR 434, at 443, Gummow J regarded it as settled that a plaintiff or applicant must satisfy four criteria to make out a case in equity for the protection of allegedly confidential information:

The plaintiff: (i) must be able to identify with specificity, and not merely in global terms, that which is said to be the information in question; and must also be able to show that (ii) the information has the necessary quality of confidentiality (and is not, for example, common or public knowledge); (iii) the information was received by the defendant in such circumstances as to import an obligation of confidence; and (iv) there is actual or threatened misuse of that information.

Although his Honour dissented as to the result, the majority did not disagree with this formulation.

[2953] There is a somewhat imprecise quality to the elements of a claim based on breach of confidentiality articulated in these statements. This is perhaps not surprising, given the infinite range of circumstances in which the principles might be invoked. As Gleeson CJ observed in *ABC v Lenah Game* (2001) 208 CLR 199, at 227 [45], the difficulty in any given case is to determine what a 'properly formed and instructed conscience' has to say about the particular circumstances. The circumstances include the nature of the allegedly confidential information and the manner in which it was communicated to the defendant.

#### **[110] Contractual and equitable obligations cannot (arguably) overlap**

In *Coles Supermarkets Australia Pty Ltd v FKP Limited* [2008] FCA 1915, FKP breached a contractual obligation of confidence by disclosing to Woolworths the terms of its offer to lease premises to Coles.

Gordon J held as follows:

"63 .....Coles argues that equitable and legal obligations of confidence can co-exist. I disagree. In my view, no equitable duty of confidence arises where there is a contractual duty: see *Del Casale v Artedomus (Aust) Pty Ltd* [2007] NSWCA 172; (2007) 73 IPR 326 at [118]. The fundamental rule is that equity will not intervene where there is an adequate remedy at law. This was recognised by Fullagar J in *Deta Nominees Pty Ltd v Viscount Plastic Products Pty Ltd* [1979] VR 167, 195, where his Honour considered that equity

would withhold further remedies for breach of confidence where adequate remedies were available at law.

64 Moreover, even if the matter were not settled by the authorities, the conclusion that contractual and equitable obligations cannot co-exist would still follow as a matter of logic and basic principles. If a party were allowed to elect whether to bring an action in equity for breach of confidence (which Coles does to get an account of FKP's profits on the Woolworth's deal, in the hopes that those profits are more than its damages), that would effectively eliminate the efficient breach theory of contract because whenever a defendant entered into inconsistent contracts the party whose contract ended up being not performed could then capture any extra profit made by the defendant by suing in equity instead of recovering his own losses at law. "

#### **[120] Confidential information and privileged information**

A right of confidentiality is not protected in the same formal way as legally privileged information: *Richards v Kadian* (2005) 64 NSWLR 204; [2005] NSWCA 328 at [15] per Beazley JA delivering the majority judgment; and per Hodgson JA, agreeing at [165] with Beazley JA, noting that:

- (i) there was nevertheless an analogy, though seeking protection on the basis of confidentiality was a weaker basis; and
- (ii) accordingly, where a party "by pleadings, particulars or evidence, expressly or impliedly makes an assertion about the content of information obtained by a medical practitioner, then confidentiality of that information may be waived, particularly if the assertion is persisted in after the question of waiver is raised with the plaintiff".

See further *AG Australia Holdings Ltd v Burton* (2002) 58 NSWLR 464; [2002] NSWSC 170, especially at [131] ff.

#### **[130] Information received by solicitors and other confidential agents**

Information given to an advisor such as a solicitor for the purpose of receiving advice is normally regarded as confidential, unless otherwise in the public domain: *Protec Pacific Pty Ltd v Cherry* [2008] VSC 76 at [43].

Confidential information cannot be used by a solicitor or other confidential agent against the principal from whom, and in whose employment, it has been obtained; and the jurisdiction to issue an injunction against such persons to restrain a breach of confidence, has long been recognised: *AG Australia Holdings Ltd v Burton* (2002) 58 NSWLR 464; [2002] NSWSC 170 at [135] ff, citing inter alia *Lord Ashburton v Pape* [1913] 2 Ch 469.

The principle associated with *Lord Ashburton* was summarised thus by May LJ in *Goddard v Nationwide Building Society* [1987] QB 670 at 683:

If a litigant has in his possession copies of documents to which legal professional privilege attaches he may nevertheless use such copies as secondary evidence in his litigation; however, if he has not yet used the documents in that way, the mere fact that he intends to do so is no answer to a claim against him by a person in whom the privilege is vested for delivery up of the copies or to restrain him from disclosing or making any use of any information contained in them.

Nourse LJ, at 684D, agreed with this proposition and continued at 685:

Second, although the equitable jurisdiction is of much wider application, I have little doubt that it can prevail over the rule of evidence only in cases where privilege can be claimed. The equitable jurisdiction is well able to extend, for example, to the grant of an injunction to restrain an unauthorised disclosure of confidential communications between priest and penitent, or doctor and patient. But these communications are not privileged in legal proceedings and I do not believe that equity would restrain a litigant who already had a record of such a communication in his possession from using it for the purposes of his litigation. It cannot be the function of equity to accord a de facto privilege to communications in respect of which no privilege can be claimed. Equity follows the law ...

Fourth, once it is established that a case is governed by *Lord Ashburton v Pape* [1913] 2 Ch 469 there is no discretion in the court to refuse to exercise the equitable jurisdiction according to its view of the materiality of the communication, the justice of admitting or excluding it or the like. The injunction is granted in aid of the privilege which, unless and until it is waived, is absolute. In saying this, I do not intend to suggest that there may not be cases where an injunction can properly be refused on general principles affecting the grant of a discretionary remedy, for example on the ground of inordinate delay.

As pointed out by Campbell J in *Burton's case* (above) at [158] ff, *Ashburton v Pape* has been referred to in the High Court without any adverse comment, eg in *Baker v Campbell* (1983) 153 CLR 52; [1983] HCA 39 at [68], per Gibbs CJ; and “has been applied in a series of cases where documents the subject of legal privilege have, by mistake, come into the hands of an opposite party to litigation. In each case, the courts have made orders aimed at undoing the mistaken disclosure”.

#### **[140] Information received in the course of employment**

Information received by an employee in the course of employment often can be considered confidential and thus imposes a duty of confidence towards the employer in relation to it: *Ashworth Hospital Authority v MGN Ltd* [2001] 1 All ER 991; [2001] 1 WLR 515 at pp 527-528 and at [51] – [53]. However, this may well only be the position if the employer has taken steps – perhaps considerable – to ensure such information is

protected and not widely disseminated: *Maggbury Pty Ltd v Hafele Australia Pty Ltd* (2001) 210 CLR 181; 76 ALJR 246; *Wright v Gasweld Pty Ltd* (1991) 22 NSWLR 317; 39 IR 256.

Employers sometimes seek to enjoin ex-employees or consultants from using allegedly confidential information obtained in the course of employment/consultancy, eg pricing lists and customer names. However, courts are reluctant, at an interlocutory stage, to restrain a person from carrying on her or his chosen career or profession, especially if they have been engaged in it for any length of time. Not only would there have to be a serious question to be tried regarding the underlying right to restrain such person (for example under a non-competition clause or restraint of trade agreement) but in addition “Clear evidence of substantial prejudice which may be irremediable to the Plaintiff should be before the Court before the Court will take that step” and in addition, there would have to be evidence of a real risk of misuse of confidential information: *Webster Signs Pty Ltd v Nicolaou (No 2)* [2007] NSWSC 705 per Palmer J. The extent and reach of a non-competition covenant is “debatable”: *Webster Signs Pty Ltd v Nicolaou (No 2)* (particularly at [12]), and hence as the commentary below demonstrates, courts will be very reluctant to grant interlocutory relief merely on the basis of a serious question that there has been a breach of such a clause.

The employer which has the benefit of an express confidentiality covenant is of course, in a better position to obtain an injunction than an employer without the benefit of such a clause, as an employer without the benefit of a clause must then prove that the information is indeed, at least prima facie, confidential.

#### **[150] Customer lists and contact details**

It is well established that customer lists may be confidential: *Mid-City Skin Cancer & Laser Centre Pty Ltd v Zahedi-Anarak* (2006) 67 NSWLR 569; [2006] NSWSC 844 at [140], [144] – [149].

Naturally, injunctions can issue to restrain the unlawful use of information which, for example, a contract of employment has stipulated is confidential although when considering whether to seek urgent relief in that regard, it should be carefully remembered that “in the absence of a valid restrictive covenant an employee is entitled to use retained knowledge of his former employer’s customers – their identity, requirements, contact details and so on – when the employee leaves the employment of his employer and sets up in competition. What the employee is not able to use is any property of the former employer, such as customer lists, which would enable the employee more readily to identify customers of the former employer or contact details of the customer”: per Young CJ in Equity in *Pathfinder Systems Australia Pty Ltd v Austact Pty Ltd* [2006] NSWSC 892, which demonstrated the difficulty of obtaining an injunction to prevent an employee from canvassing the clients of the ex-employer, in the absence of a restraint of trade. This was despite the fact that there was a clause in the employment contract whereby the employee undertook to keep confidential a range of information

concerning the ex-employer's business.

**[180] Pricing information**

Pricing information, including the basis on which prices are calculated, may be confidential: *Brink's Australia Pty Ltd v Kane* [2007] NSWSC 62 at [45] – [47].

**[190] Third party who comes into possession of confidential information; including solicitors who induce confidants to breach their confidentiality obligations**

A third party who comes into possession of such information on notice of its confidential character owes similar duties: *Jockey Club v Buffham* [2002] All ER (D) 65 (Sep); [2003] 2 WLR 178 at 189, adopting the general principle enunciated by Lord Goff in *Attorney-General v Guardian Newspapers Ltd (No 2)* [1990] 1 AC 109 at 281.

In *Malone v Metropolitan Police Commissioner (No 2)* [1979] Ch 344, Megarry VC said (at 361) (emphasis added):

If A makes a confidential communication to B, then A may not only restrain B from divulging or *using* the confidence, but also may restrain C from divulging or *using* it if C has acquired it from B, even if he acquired it without any notice of impropriety ... In such cases, what will be restrained is the *use* or disclosure of it after notice of the impropriety.

Where a confidant (eg a former officer of a corporation now being sued; but who wishes to give a statement and documents, in breach of that confidence, to the plaintiff's solicitor) is subject to a *contractual* obligation of confidentiality, the plaintiff's solicitor must approach this task with great caution, lest he/she be held to have knowingly induced a breach of the confidant's contract.

That is what occurred in *AG Australia Holdings Ltd v Burton* (2002) 58 NSWLR 464; [2002] NSWSC 170, a class action against a subsidiary of AMP arising out of the botched take over of GIO. GIO had resisted the take over, publicly stating in its Part B Statement that the offer for its shares was grossly underpriced.

As history shows, the offer price, at least in retrospect, looked very good, as AMP had failed to make adequate provision for staggering losses in its re-insurance division. This led to Federal Court representative proceedings on behalf of the disappointed shareholders. B, a former officer of GIO, privy to its high level confidential information and documents but subject to various written confidentiality agreements, had begun to make a very lengthy statement to the solicitors for the plaintiff class.

A textual analysis of the case shows that the court was disappointed that the ordinary

procedures of the Federal Court, subject to its controls, were not adopted: see eg [24], [32], [40] (in a general way), [214] – [223] (more expressly); and found that the solicitor had, in the knowledge that confidence was being breached, and during the very process of discovery that was then ongoing, was guilty of the tort of knowingly inducing B to breach his contractual duty of confidence (see [232]); and was on that basis, amenable to the court’s jurisdiction to make wide ranging injunctions.

Numerous defences were raised – and rejected – in the course of argument, for example that there is no confidence in an iniquity; or that no confidence would be protected where the due administration of justice would be affected; or that public policy consideration militated in favour of the court not enforcing the confidence. These defences are canvassed elsewhere in this chapter.

However, the significant aspects to note at this stage include the following: the ex-employee was high level and thus privy to a considerable amount of confidential information; there were *written* confidentiality terms binding the ex-employee; a not inconsiderable amount of documentation would in any event have been procured on discovery/subpoena, in which process the court’s control would have been present to both advance the interests of the plaintiff class and also protect the defendant (see eg [131] – [133]); the solicitor with carriage did not undertake any research to determine whether they could take the approach they did, thus exposing themselves to the risk that restraining orders might be made; B gave no evidence as to what it was he might say – thus, B’s evidence might not have directly exposed the breach of s 52 of the *Trade Practices Act 1974* (Cth)/negligence and so forth.

The form of order made is referred to in the Precedent section at the end of this chapter.

**[200] Restraint can extend to making no direct or indirect use of the information, not even intellectual use**

In *Director of Public Prosecutions (Cth) v Kane* (1997) 140 FLR 468, where defendants had inadvertently been provided by the DPP with a copy of a privileged advice, Hunt CJ at CL restrained them “from using or otherwise dealing” with the document.

In *Sullivan v Sclanders & Goldwell International Pty Ltd* (2000) 77 SASR 419, the Full Court of the Supreme Court of South Australia restrained the plaintiffs/respondents – who had brought proceedings using the defendant/appellant’s confidential information which they had obtained by a subterfuge – from “disseminating or *making use* of the contents of the confidential documents”. The statement of claim, which had been filed making use of those documents, was struck out. The plaintiff was granted liberty to file a fresh statement of claim “*making no use either directly or indirectly of the confidential documents or their contents*”. In other words, no use – not even an intellectual use – of the confidential documents or their contents could inform the preparation of the fresh statement of claim.

In *AG Australia Holdings Ltd v Burton* (2002) 58 NSWLR 464; [2002] NSWSC 170, Campbell J (as his Honour then was) said (at 526 [222]):

The decision of the English Court of Appeal in *Lord Ashburton v Pape*, which had the effect that surreptitiously obtained material could not be used at all in the bankruptcy court, illustrates how it is within the scope of the way in which an equity court will enforce an obligation of confidence, to ensure that no advantage is obtained in litigation from the breach of confidence.

The aforesaid authorities were cited with approval at [21] ff of *British American Tobacco Australia Ltd v Gordon* [2007] NSWSC 230.

**[210] Breach of injunction punishable by contempt, whether the contemnor is a party to the litigation or a stranger to the litigation**

Superior courts have inherent jurisdiction to punish for contempt, those who flout interim injunctions, whose purpose is to protect until final hearing, a plaintiff's assertion of confidentiality.

Where the alleged contemnor is a party to the litigation and bound by the order, or his agent, all that need be shown is that the order was served and that person has done that which was prohibited. However, where it is asserted that a stranger to the litigation is guilty of contempt, it must be shown that there was a wilful interference with the administration of justice, ie that there was intention on his part to interfere with or impede the administration of justice. This intention can be inferred.

One species of such interference with the due administration of justice is the deliberate publication of information which the court has ordered someone to keep confidential.

The due administration of justice is interfered with if the order is flouted, because then the court can no longer, at a final hearing, do justice between the parties by determining the central question, namely whether the information was truly confidential.

It is not for someone in the shoes of a newspaper editor to seek to divine whether flouting the court order will indeed result in information which is confidential, or perhaps contrary to national interests, being put into the public domain. That is, it is not for anyone other than the court to determine the purpose of their injunction, and its purpose is generally speaking, to be gleaned from the four corners of the order.

If a third party such as a publisher of a newspaper or journal, comes into the possession of information prima facie within the terms of the order and takes the view that it really is innocuous and that freedom of speech, in the circumstances, ought outweigh undetermined but asserted rights to confidentiality, then the well established, and speedy remedy is to apply urgently to court for permission to publish (assuming, of course, that the party asserting confidentiality does not consent): *Attorney General v Punch Ltd*

[2002] All ER (D) 194 (Dec); [2003] 2 WLR 49.

**[220] Information wholly or partially in the public domain**

There can be no breach of an equitable obligation of confidence if information is in the public domain: *Seven Network Ltd v News Ltd* [2007] FCA 1062 at [2954], and likewise as regards to a contractual obligation of confidence: *EPP Australia Pty Ltd v Levy* [2001] NSWSC 482 (6 June 2001), Barrett J at [21].

In *Seager v Copydex Ltd* [1967] 2 All ER 415; [1967] 1 WLR 923, Lord Denning MR (at 931) cited the following passage from the judgment of Roxburgh J in *Terrapin Ltd v Builders Supply Company (Hayes) Ltd* [1960] RPC 128 at 130:

As I understand it, the essence of this branch of the law, whatever the origin of it may be, is that a person who has obtained information in confidence is not allowed *to use it as a springboard* for activities detrimental to the person who made the confidential communication, and springboard it remains even when all the features have been published or can be ascertained by actual inspection by any member of the public.

The law on this subject does not depend on any implied contract. It depends on the broad principle of equity that *he who has received information in confidence shall not take unfair advantage of it*. He must *not make use of it* to the prejudice of him who gave it without obtaining his consent. The principle is clear enough when the whole of the information is private. The difficulty arises when the information is in part public and in part private. As, for instance, in this case. A good deal of the information which Mr Seagar gave to Copydex was available to the public, such as the patent specification in the patent office, or the “Klent” grip, which he sold to anyone who asked. If that was the only information he gave them, he could not complain. It was public knowledge. But there was a good deal of other information he gave them which was private, such as the difficulties which had to be overcome in making a satisfactory grip; the necessity for a strong, sharp tooth; the alternative forms of tooth; and the like. When the information is mixed, being partly public and partly private, then the recipient must take special care to use only the material which is in the public domain. He should go to the public source and get it: or, at any rate, not be in a better position than if he had gone to the public source. He should not get a start over others by using the information which he received in confidence.

**[230] Information disclosed to a limited group**

The fact that information has been disclosed to a limited group, does not mean it is thus in the public domain and thus has lost its confidentiality: *Protec Pacific Pty Ltd v Cherry* [2008] VSC 76 at [47].

## Defences to claims of misuse of confidential information

### **[300] Confidences protected by contracts which interfere with the due administration of justice**

Where a contract contains information sought to be protected as confidential, but where protecting same would interfere with the due administration of justice, the court has discretion to refuse to enjoin the use of such information; and this applies equally to civil and criminal proceedings.

Competing matters of public policy are weighed up in determining whether an obligation of confidence ought be enforced. However, as *Richard's case* (below) shows, in order for confidentiality to be lost, there must be an identifiable *public* interest relevant to the administration of justice, transcending the limited private rights of the instant litigants, that would be negatively impacted on: *Richards v Kadian* (2005) 64 NSWLR 204; [2005] NSWCA 328.

Relevant public interests would include concealment of felonies; an agreement not to prosecute or to stifle a prosecution; an agreement between a prosecutor and an indicted person that a proposed witness would not give evidence at a trial for reward; an agreement to compromise pending legal proceedings if the offence was of a public nature; whether any of those crimes, frauds or misdeeds had actually been committed or were merely in contemplation. See the discussion of *Howard v Oldham's Press Ltd* [1938] 1 KB 1 and *Initial Services Ltd v Putterill* [1967] 3 All ER 145 in *Richard's case* (above) at [33] ff. *Howard* involved a covenant regarding confidentiality of criminal matters.

On the other hand, there is a public policy underlying the varying forms of privilege, eg client legal privilege; religious confessional privilege and so on, which impose restraints on the free use of information in litigation: *AG Australia Holdings Ltd v Burton* (2002) 58 NSWLR 464; [2002] NSWSC 170 at [131]; and affidavit and interrogatories obtained in one matter cannot be used in another, without the leave of the court (*Burton's case* at [134]).

See further *Re Morris (deceased)* (1943) 43 SR (NSW) 352 at 355-356 where Jordan CJ emphasised that it is not the domain of the courts to formulate public policy, but only to identify it from "some definite and governing principle which the community as a whole

has already adopted either formally by law or tacitly by its general course of corporate life, and which the courts of the country can therefore recognise and enforce”.

Thus, in *Burton's case*, Campbell J found public policy expressed in s 183 of the Corporations Act, which section compels a director, officer or employee of a corporation who has gained “information” because of their office, not to use same for their or someone else’s benefit.

However, in *civil* litigation, in the *pre-trial* phase, it does not pervert the course of justice if an employer seeks to enforce an express and clear contractual obligation of confidentiality binding an employee or even an ex-employee; even where the litigation involves the public interest in that it is a class action affecting the rights of many people; and even if the enforcement of the confidence would have the necessary effect of substantially prolonging the evidence in chief of the confidant (because he will not be able to provide a witness statement in the *pre-trial* phase): *Burton's case*, inter alia at [109] per Campbell J (as his Honour then was). His Honour observed that it states the principle far too wide to say that *any* agreement affecting the administration of justice is illegal; illustrating this proposition with contracts which are not considered immoral, eg agreements for litigation finance; and agreements whereby legal practitioners can refuse to appear if not paid: *Burton's case* at [117].

A colourful illustration of private confidences (ie names of secret services officers, the confidence of which was protected by their employment contracts) giving way to the public interest in the investigation of criminal offences (allegedly committed), is afforded by *A v Hayden (No 2)* (1984) 156 CLR 532; [1984] HCA 67 (the separate judgments of which were summarised in *Richard's case* (above) at [48] ff, and which stands as a major case in this area of the law).

Thus, in the *pre-trial* phase, a party who wishes to take a statement from a witness who is possessed of the opponent’s confidential information will, absent some public interest, upon application, be restrained from so doing: *Richard's case* at [48] ff, relying on *AG Australia Holdings Ltd v Burton* (2002) 58 NSWLR 464; [2002] NSWSC 170.

Campbell J’s analysis of *A v Hayden*, endorsed by the Court of Appeal in *Richard's case* at [75] – [83], is set to be the key dicta in this area of law, and ought thus not be lost sight of. Campbell J concluded that the ratio of *Hayden* was that the relevant confidentiality clauses were invalid as they interfered with the due administration of justice.

### **[305] Is there a defence of public interest?**

In *AG Australia Holdings Ltd v Burton* (2002) 58 NSWLR 464; [2002] NSWSC 170, Campbell J analysed the case for and against the recognition of a defence of “public interest” at [177] ff.

If recognised, the defence would be to this effect: the task falls to the individual trial judge to weigh up, on the facts of each case, whether the public interest in protecting

confidences is outweighed by an interest of relatively greater gravitas. For example, the public interest in preventing, or prosecuting, a serious (ie not trivial) crime.

His Honour concluded (obiter) that it is an open question in Australia as to whether there is such a defence or not to claims for confidentiality in the exclusive jurisdiction of equity. Obiter, because the claim for confidentiality in that case was based on an express term.

#### **[310] Defence of public interest raised by media in published confidences**

There are at least two public interests which compete for vindication in this context: on the one hand, there is public interest in the free flow of information to the press, and thus against restricting informers. On the other hand, there is the public interest in protecting confidences within any organisation, so that it may operate efficiently and be free from the suspicion it is harbouring disloyal employees: paraphrasing Lord Fraser in *British Steel Corp v Granada Television Ltd* [1981] AC 1096 at 1202 (application by British Steel for disclosure of names of disloyal employees who had provided confidential information to Granada Television: application granted by Sir Robert Megarry VC; orders upheld on appeals to the CA and HL).

In some cases, the “primacy” of the right of freedom of expression is illustrated, for example *Reynolds v Times Newspapers Ltd* [2001] 2 AC 127; *McCartan Turkington Breen v Times Newspapers Ltd* [2001] 2 AC 277 at 297 per Lord Steyn.

#### **[340] Defence of iniquity/want of clean hands**

If a defendant can establish that there are “reasonable grounds for believing” or a “prima facie case” that documents and information in which confidence and privilege are claimed disclose an iniquity, then that will constitute a defence to an application for an injunction for breach of confidence: *British American Tobacco Australia Ltd v Gordon* [2007] NSWSC 230 and the authorities cited at [11] thereof; or perhaps “a bona fide and reasonably tenable charge of a crime” per Gibbs CJ in *A v Hayden (No 2)* (1984) 156 CLR 532; [1984] HCA 67 at 546. The mere allegation of iniquity is insufficient: *Bacich v Australian Broadcasting Corp* (1992) 29 NSWLR 1 at 16.

“Iniquity” would include a large scale fraud and a crime; but not a defamatory statement published to a single person on one occasion for a legitimate business purpose (eg a statement about a person’s parlous credit rating, made by a trade society to a member inquiring about a prospective customer’s credit rating): see the discussion of inter alia *Weld-Blundell v Stephens* [1919] 1 KB 520; (1919) 88 LJKB 689 by Beazley JA in *Richards v Kadian* (2005) 64 NSWLR 204; [2005] NSWCA 328 at [25] ff.

“Iniquity” embraces serious anti social activities: *AG Australia Holdings Ltd v Burton* (2002) 58 NSWLR 464; [2002] NSWSC 170 at [204]. Hence, in *Gartside v Outram* (1856) 26 LJ Ch 113, the employer’s application for an injunction to restrain publication

by the employee of a large scale fraud was refused on the grounds of the employer's unclean hands (see the discussion in *Richard's case* (above) at [28]).

Moreover, it would seem as though an injunction to restrain deployment of confidential information regarding the employer's wrongdoing will more likely be granted where there is an *express* obligation of confidence binding the employee (as opposed merely to an implied obligation or asserted equitable obligation) because absent an express obligation, the courts will be slow to *imply* an obligation to maintain confidential information disclosing wickedness: see the discussion of the narrow compass of the epigram "there is no confidence as to the disclosure of an iniquity" in *AG Australia Holdings Ltd v Burton* (2002) 58 NSWLR 464; [2002] NSWSC 170 at [173] ff; especially at [192].

As *Burton's case* shows at [189] ff, the mere fact of contravention of s 52 of the *Trade Practices Act 1974* (Cth) does not bespeak iniquity as that Act might be breached by a completely innocent misrepresentation, which has no enduring impact on the community, nor is such a contravention criminal. In *Burton*, comments from the oft cited *Initial Services Ltd v Putterill* [1968] 1 QB 396 were endorsed at [205] that the disclosure must be to a person who has an interest to receive it. Thus, it would be proper to disclose a crime to the police.

All in all, "iniquity" is a much more limited defence than the epigram suggests.

#### **[345] Danger to the State/public duty**

Danger to the State and the performance of public duty may constitute defences to the deployment of confidential information: *Castrol Australia Pty Ltd v Emtech Associates Pty Ltd* (1980) 33 ALR 31 per Rath J at 53-57; however, as the discussion in *Burton's case* (above at [177] ff) shows, this heading may be no more than an example of the "iniquity" defence.

#### **[360] Compliance with court's compulsory process**

Confidentiality gives way where a compellable witness is required to give evidence in court, by reason of the court's compulsory process: *Richard's case* at [89]. Thus, a witness cannot refuse to answer a question on the basis that the answer is clothed with confidentiality but of course, the information may be protected by privilege: *AG Australia Holdings Ltd v Burton* (2002) 58 NSWLR 464; [2002] NSWSC 170 at [129].

#### **[380] Waiver by implication**

It is uncontroversial that confidentiality can be waived; and once waived, this admits of no exceptions: *Richard's case* (above) at [88] – [92]. The real issue is what, in this context, and seen objectively, constitutes waiver.

Where the fact and nature of legal advice to a client forms part of their claim, then the institution of such claim is taken to be a waiver of privilege in the advice, irrespective of intention. This implied waiver occurs by conduct because it would be unfair on the privilege holder's part to maintain the privilege; per Mason and Brennan JJ in *Attorney-General (NT) v Maurice* (1986) 161 CLR 475; 61 ALJR 92 at 487 (CLR).

In the Canadian decision of *Hay v University of Alberta Hospital* (1990) 69 DLR (4th) 755; [1990] 5 WWR 78, it was held that where a plaintiff sues her doctor in relation to a medical condition, she waives any right of confidentiality between herself and the treating doctor, such that the defendant is at liberty, pre-trial, to approach the treating doctor to confer to elucidate the basis and scope of the claim.

It seems accepted in the discussion of *Hay* in *Richard's case* that where the treating doctor is sued, then confidentiality is waived by necessary implication, eg at [99]; also where the treating doctor is called to give evidence and perhaps even where their notes are deployed in support of the case, per Hodgson JA in his Honour's separate judgment agreeing with the majority in *Richard's case* at [168] ff.

In *Richard's case*, Beazley JA (with whom Stein JA agreed) noted that *Hay* had had a "chequered" history in Canada; and in any event, endorsing as it did a balancing approach of the competing interests, was inconsistent with the Australian approach, which was that there either was waiver, in whole or in part, or not.

Beazley JA canvassed the various shades of meaning of waiver, and endorsed the trial judge's (Campbell J) view that in this context, waiver meant the doctrine whereby the law prevents a party from taking two inconsistent positions: see [124] ff; and that if the doctor being sued had "had a fair opportunity to defend the action", by reason of documents that would be obtainable on discovery and subpoena and like panoply of procedural rights, there cannot be said to be a "waiver": see [127] ff. For example, before waiver could be contended for, the doctor being sued would have to say that the pressing of the suit and the maintaining of confidentiality were inconsistent; the mere fact of the suit, alleging negligence for which the plaintiff was receiving treatment by third party doctors, was not in itself a waiver of confidentiality such that the defendant could, *pre-trial*, confer with the pre-trial treating doctors.

See further Beazley JA's summary of Campbell J's approach at [134] (Stein JA agreed with Beazley JA).

#### **[400] Stay to prevent injustice**

The court has power to order a stay to prevent injustice; and this power, though exercised sparingly, would be appropriately exercised where the maintenance to a right of confidentiality would work on injustice on the party being sued, where that party could show that the treating doctor had information, not otherwise obtainable, that was required so there could be a fair trial: *Richards v Kadian* (2005) 64 NSWLR 204; [2005] NSWCA 328 at [136] ff, especially at [142].

The focus is thus whether the treating doctor has information not contained in the records that was necessary for the defendant to fairly prepare for trial: see [146]. A wider test, that a stay would be granted if it could be shown that it was likely that the treating doctor had relevant information that potentially would advance the case or illuminate issues, was rejected: see [151].

**[600] What serious questions can arise?**

In an application for interlocutory relief it is not appropriate to resolve finally any issue between the parties, including their dispute about the construction of the restraint of trade clause: *Run Corp Ltd v McGrath Ltd* [2007] FCA 1669 at [16] per Finkelstein J. As his Honour there observed, all that is to be done is, first, to consider whether the applicants have shown a prima facie case of breach, or, as Gummow and Hayne JJ put it in *Australian Broadcasting Corp v O'Neill* (2006) 227 CLR 57 at 82, to consider whether the applicants have “show[n] a sufficient likelihood of success to justify in the circumstances the preservation of the status quo pending the trial”.

As his Honour observed, if the applicants get over the first hurdle, one then turns to consider where the balance of convenience lies.

**[16.800] Balance of convenience in confidential information cases**

1. If damages are an adequate remedy, that militates against injunctive relief: *Mincom Ltd v Oniqua Pty Ltd* [2006] QSC 155 at [29]. Where a defendant is obliged to maintain good records of its allegedly infringing conduct, damages will be readily capable of quantification.

But note the view of Habersberger J in *Protec Pacific Pty Ltd v Cherry* [2008] VSC 76 that where the confidential information being misused is that of an expert witness who once acted for the applicant and now wishes to consult with a party with an adverse interest to the applicant, then damages would *not* be an adequate remedy.

2. Where the breach of confidence alleged is contractual, there is no problem with damages being an adequate remedy (as opposed to where the obligation of confidence is said to be equitable): *Mincom* at [30].
3. The width of the injunction sought: *Mincom* at [31], ie the wider the relief sought, the more the balance swings against relief.
4. If the injunction would impact negatively on third parties who are not parties to the litigation, eg customers of the party sought to be enjoined, which customers were reliant on such party for goods and services, that would militate against injunctive relief: *Mincom* at [33].
5. Failure by the plaintiff to define with precision the information said to be confidential, would militate against relief: *O'Brien v Komesaroff* (1982) 150 CLR

310 at 326-328; *Mincom* at [32], unless being specific about the information would precipitate the very harm sought to be avoided by seeking an injunction: *Protec Pacific Pty Ltd v Cherry* [2008] VSC 76 at [38] ff, noting that the court has procedures to minimise the risk that confidential information, disclosed to the court for the purpose of properly framing an order, will be lost.

6. Mere delay to the course of the hearing (because a witness will have to give evidence viva voce) will not weigh in favour of an injunction to restrain the use of confidential information, if there is otherwise no basis for disclosure: *AG Australia Holdings Ltd v Burton* (2002) 58 NSWLR 464; [2002] NSWSC 170 at [213].
7. Once confidential information is wrongly in the hands of a solicitor, it is difficult for that solicitor to assert the opponent has suffered no prejudice, by reason of the fact that the material would likely be discovered in any event, in due course: the confider's loss is the loss of opportunity to have its case tried in accordance with appropriate pre-trial procedures: *Burton's case* at [220].