

# PROTECTION OF TRADE SECRETS IN AUSTRALIA

## I. INTRODUCTION

Consistent with obligations under the Agreement on Trade-Related Aspects of Intellectual Property Rights, signatory countries must develop a legal system for protecting trade secrets from unfair disclosure in accordance with principles of fair competition. In the US, misappropriation of a trade secret attracts remedies under tort and contract principles. Most US states have also enacted legislation based on the Uniform Trade Secrets Act, while the Defend Trade Secrets Act 2016 provides for a federal cause of action. Similarly, in the European Union, the Trade Secrets Directive required each member state to implement statutory protections for trade secrets by June 9, 2018. In Australia, by contrast, there are no equivalent statutory regimes. Instead, protection is afforded via contractual and equitable obligations of confidence.

Whilst a plaintiff seeking enforcement following a breach of confidence in Australia is required to overcome several hurdles that are not faced in a statutory trade secrets claim, these are not insurmountable and robust protection is available to a plaintiff in the form of preliminary injunctions. As explained further in this article, the ultimate recovery from an infringer can also be very significant. A successful litigant will also typically receive an order for payment of its legal costs from an infringer, making Australia an attractive jurisdiction to litigate trade secret breaches when they involve conduct touching the jurisdiction.

Whereas the theft of trade secrets used to imply stealing or copying a physical document or object, the digitalisation of information has meant that this form of industrial

espionage is increasingly done through unlawful access to computer networks. Australian courts are increasingly called upon to respond quickly and decisively in such circumstances and trade secret litigation is on the rise in both state and Federal Courts.

This article begins by surveying the types of subject matter commonly protected through obligations of confidentiality and the interaction between contractual and equitable doctrine to achieve such protection. It then discusses the elements of the Australian cause of action for breach of confidence and the remedies which can be awarded if a misappropriation of a trade secret is established.

## II. SUBJECT MATTER PROTECTED BY CONFIDENTIALITY OBLIGATIONS

As a matter of definition, Anglo-Australian authorities tend to use the expression “*confidential information*” as a broad, overarching term meaning information that is not in the public domain and which is the object of an obligation of confidence. Although there is no statutory or common law definition, “*trade secrets*” may be considered a specific type of confidential information, namely, confidential information of a commercial character and “*know-how*”, a specific type of trade secret, being a trade secret as to how something may best be used.<sup>1</sup>

An obligation of confidentiality will often be imposed via an express term of a contract between a *discloser* and a *recipient*, prior to the recipient receiving access to the relevant information. Contractual obligations of confidence may provide a cost-effective means for protecting subject matter that would not otherwise qualify for protection under other intellectual property

<sup>1</sup> ANDREW STEWART ET AL., *INTELLECTUAL PROPERTY IN AUSTRALIA* 858 (6th ed. 2018); *Ansell Rubber Co Pty Ltd v Allied Rubber Industries Pty Ltd* [1967] VR 37, 46 (Austl.); *Secton Pty Ltd v Delawood Pty Ltd* (1991) 21 IPR 136, 149-150 (Austl.).

regimes (such as patents or copyright). Such express confidentiality provisions generally restrict the use of the disclosed information to the purpose for which it has been communicated and are often a standard clause in employment or services contracts, joint venture agreements and technology transfer agreements. In theory, such express commitments offer enhanced certainty regarding the parties' rights and obligations in relation to the disclosed information.

In the absence of an express term (or one that is validly enforceable), Courts may nevertheless imply an obligation of confidentiality between a discloser and a recipient where performance of the contract calls for or necessarily involves the disclosure by one party to the other of secret or sensitive information. Orthodox examples include confidential disclosures by a client to a lawyer, by customer to banker, by patient to doctor and by employer to employee.<sup>2</sup>

The usefulness of contractual protection however, is limited by considerations of privity and the need to establish a contract. For example, where an employee (recipient) breaches a contractual obligation of confidentiality and discloses information to an opportunistic, third party competitor, the employer (discloser) will not be able to take legal action based on contract against the competitor.

Due to limitations in contractual protection, a *discloser* will often rely on the equitable doctrine of breach of confidence, which does not rely on the existence of a contractual relationship.<sup>3</sup> While different views have been expressed as to whether the equitable doctrine is supplanted when a contract also exists between a *discloser* and a *recipient*, a detailed discussion of this issue is beyond the scope of this article.

The co-existence of equitable and contractual obligations is a relevant consideration in respect of the potential remedies available to a plaintiff. For example, in *Optus Networks Pty Ltd v Telstra Corp Ltd*<sup>4</sup> the Full Court of the Federal Court of Australia took the view that equitable and

contractual obligations could co-exist in circumstances where the contract specifically preserved “*rights, powers or remedies provided by law independent of this agreement*”. Accordingly, the plaintiff who had established a breach of the confidentiality provisions in an agreement could elect to pursue an account of profits (a form of equitable relief not generally available for breach of a contractual term). On the other hand, by way of obiter, in *Streetscape Projects (Australia) Pty Ltd v City of Sydney*,<sup>5</sup> the New South Wales Court of Appeal preferred to see the equitable duty as a “*residual*” obligation that would arise only where relief was required for some misuse of confidential information not otherwise attracting liability in tort or for breach of contract.

In practice, a discloser will often allege that the same fact pattern has resulted in breaches of both contractual and equitable obligations to access the widest range of remedies possible.

### III. ELEMENTS OF THE EQUITABLE CAUSE OF ACTION

The starting point for analysing the equitable cause of action is the classic “trinity” outlined by Megarry J in *Coco v A N Clark (Engineers) Ltd*.<sup>6</sup> Over time, refinement of these elements has occurred, and it is generally accepted in Australia that there are now *four* elements required to establish an action for breach of confidence, including misuse of trade secrets:<sup>7</sup>

1. the information in question must be identified with specificity;
2. it must have the necessary quality of confidence;
3. it must have been received in circumstances importing an obligation of confidence; and
4. there must be an actual or threatened misuse of the information.

Each of these elements is discussed in further detail below.

<sup>2</sup> *Prebble v Reeves* [1910] VLR 88, 108 (Austl.); J D HEYDON, M J LEEMING & P G TURNER, *MEAGHER, GUMMOW AND LEHANE'S EQUITY: DOCTRINES & REMEDIES* 1160-61 (5th ed. 2014).

<sup>3</sup> *Moorgate Tobacco Co Ltd v Philip Morris Ltd (No 2)* (1984) 156 CLR 414, 438 (Austl.).

<sup>4</sup> *Optus Networks Pty Ltd v Telstra Corp Ltd* (2010) 265 ALR 281, 288 (Austl.).

<sup>5</sup> *Streetscape Projects (Australia) Pty Ltd v City of Sydney* (2013) 85 NSWLR 196, 224 (Austl.).

<sup>6</sup> *Coco v AN Clark (Engineers) Ltd* [1969] RPC 41.

<sup>7</sup> *Optus Networks Pty Ltd v Telstra Corp Ltd* (2010) 265 ALR 281, 290 (Austl.).

**A. First element: The confidential information must be specifically identified**

As a threshold matter, a *discloser plaintiff* must establish with sufficient particularity the information alleged to be confidential.<sup>8</sup> The more general the information, the more difficult it will be for a Court to find that the information was imparted to, or received in circumstances giving rise to an obligation of confidence, and that the information had the necessary quality of confidence.<sup>9</sup> Failure to specifically identify the information can also compromise the terms of the relief sought by a plaintiff. For example, if information alleged to be confidential is not clearly defined, any Court injunction restraining its use would be of uncertain scope and unlikely to be ordered.<sup>10</sup>

In practice, this can be difficult where a plaintiff’s confidential information has been mixed with other information and is not expressly identified as “*confidential*” on its face. This is often compounded by the absence of contemporaneous records identifying the types of information considered to be confidential by a plaintiff and the absence of protective measures such as access control.

**B. Second element: The information must have the necessary quality of confidence**

To attract protection, information must “have the necessary quality of confidence about it, namely, it must not be something which is public property or public knowledge”.<sup>11</sup> In making this assessment, Courts will look to the content rather than the form of the information. The mere fact that a document is labelled as “*secret*” or “*confidential*” will not be conclusive as to whether it has the necessary quality of confidence.

In *Ansell Rubber Co Pty Ltd v Allied Rubber Industries Pty Ltd*,<sup>12</sup> Gowans J drew expressly upon U.S. trade secret law and identified the following factors as relevant

to determining secrecy of information associated with a business:

1. the extent to which the information is known outside of the business;
2. the extent to which it is known by employees and others involved in the business;
3. the extent of measures taken to guard the secrecy of the information;
4. the value of the information to the business and to its competitors;
5. the amount of effort or money expended in developing the information; and
6. the ease or difficulty with which the information could be properly acquired or duplicated by others.

Whether secrecy exists in a given case will be a question of degree. Information may be known to persons other than the discloser and recipient without ceasing to be secret – the question is at what point is information known to or accessible by enough people to be considered public knowledge. This context driven attribute has been referred to as “*relative secrecy*”.<sup>13</sup>

**C. Third element: There were circumstances imposing an obligation of confidence**

An obligation of confidence may be imposed expressly or by implication.<sup>14</sup> In *Coco*, Megarry J held that an obligation of confidence will be imposed when “the circumstances are such that any reasonable man standing in the shoes of the recipient of the information would have realised that upon reasonable grounds the information was being given to him in confidence, then this should suffice to impose upon him the equitable obligation of confidence.”<sup>15</sup>

Accordingly, the appropriate test for the recipient’s

<sup>8</sup> *O’Brien v Komesaroff* (1982) 150 CLR 310, 326-28 (Austl.); *Moorgate Tobacco Co Ltd v Phillip Morris Ltd (No 2)* (1984) 156 CLR 414, 438 (Austl.); *Corrs Pavey Whiting & Byrne v Collector of Customs (Vic)* (1987) 14 FCR 434, 443 (Austl.).

<sup>9</sup> *Streetscape Projects (Australia) Pty Ltd v City of Sydney* (2013) 295 ALR 760 (Austl.).

<sup>10</sup> *American Cyanamid Co v Alcoa of Australia Ltd* (1993) 27 IPR 16, 20 (Austl.).

<sup>11</sup> *Saltman Engineering Co Ltd v Campbell Engineering Co Ltd* (1948) 65 RPC 203, 215; *O’Brien v Komesaroff* (1982) 150 CLR 310, 326-8 (Austl.); *Johns v Australian Securities Commission* (1993) 178 CLR 408, 460-461 (Austl.).

<sup>12</sup> *Ansell Rubber Co Pty Ltd v Allied Rubber Industries Pty Ltd* [1967] VR 37, 49 (Austl.).

<sup>13</sup> *Australian Medic-Care Co Ltd v Hamilton Pharmaceutical Pty Ltd* (2009) 261 ALR 501, 639 (Austl.).

<sup>14</sup> *Attorney-General (UK) v Heinemann Publishers Australia Pty Ltd* (1987) 10 NSWLR 86, 189-90 (Austl.).

<sup>15</sup> *Coco v AN Clark (Engineers) Ltd* [1969] RPC 41, 48.

knowledge is determined objectively, and constructive knowledge is sufficient to impose an obligation of confidence.

In *Smith Kline*,<sup>16</sup> the Full Federal Court observed:

[T]he circumstances in which confidential information is supplied may vary widely. To determine the existence of confidentiality and its scope, it may be relevant to consider whether the information was supplied gratuitously or for a consideration; whether there is any past practice of such a kind as to give rise to an understanding; how sensitive the information is; whether the confider has any interest in the purpose for which the information is to be used; whether the confider expressly warned the confidant against a particular disclosure or use of the information - and, no doubt, many other matters.

In the ordinary case, a recipient given free access to material following their request without any duty of confidentiality reserved by the discloser is entitled to assume that he or she is not restricted in the use or disclosure of that material.<sup>17</sup> By contrast, where the very nature of the information in question or the circumstances in which it is obtained is indicative of its confidentiality (e.g. when the parties are engaged in negotiations for a contract which fails to eventuate)<sup>18</sup>, the person may be found to have an obligation of confidentiality on the basis of constructive knowledge.

Where a third party receives information and has actual or constructive notice of its confidentiality, the obligation of confidentiality will extend to the third party.<sup>19</sup> Australian courts have stressed that a third party, no matter how innocent the circumstances of their acquisition of the information, comes under a duty of confidence as soon as they are given notice of the confidentiality of the information,<sup>20</sup> even if this occurs as late as the commencement of proceedings by the discloser.<sup>21</sup> In

practice, most of the cases involving liability of third parties are persons or companies who are intimately involved with the recipient in the exploitation of the information<sup>22</sup> or who are the intended instrument of disclosure to the public.<sup>23</sup>

#### D. Fourth Element: Actual or threatened misuse of the information

Breach of confidence arises out of an unauthorised disclosure or misuse of information subject to an obligation of confidentiality and a threatened breach is sufficient to institute proceedings.<sup>24</sup>

Use of confidential information may be apparent from the facts or may be established by inference. For example, there may be an identity of characteristics between a plaintiff and defendant's products, or a defendant may enter a niche market after receiving confidential customer information. By contrast, where the parties are involved in closely substitutable fields of common activity, in the absence of "*precise identification... of the information, its confidential character and its use, assertions or general conclusory contentions... are insufficient and will not give rise to inferences of use*".<sup>25</sup>

If after making reasonable inquiries, a prospective plaintiff does not have sufficient information to determine whether it should commence proceedings for relief, it can rely on court ordered "*preliminary discovery*".<sup>26</sup> Preliminary discovery allows prospective plaintiffs to obtain documents from a prospective defendant prior to the filing of a case to determine available causes of action, potential defences available to a respondent, the strength of any defences, and the remedies available to the plaintiff.<sup>27</sup>

Although a requirement for detriment arising from the unauthorised disclosure or misuse was noted in Megarry J's formulation in *Coco*, Australian courts have recognised that a strict requirement of detriment may be overly

<sup>16</sup> *Smith Kline & French Laboratories (Aust) Ltd v Department of Community Services & Health* (1991) 28 FCR 291, 302-303 (Austl.).

<sup>17</sup> *Trevorrow v State of South Australia* (No 4) (2006) 94 SASR 64 (Austl.).

<sup>18</sup> *Coco v AN Clark (Engineers) Ltd* [1969] RPC 41, 48.

<sup>19</sup> *Australian Broadcasting Corporation v Lenah Game Meats Pty Ltd* (2001) 208 CLR 199, 224-225 (Austl.).

<sup>20</sup> *G v Day* [1982] 1 NSWLR 24, 34 (Austl.); *Johns v Australian Securities Commission* (1993) 178 CLR 408, 460, 474 (Austl.).

<sup>21</sup> *Talbot v General Television Corp Pty Ltd* [1980] VR 224 (Austl.).

<sup>22</sup> *Ansell Rubber Co Pty Ltd v Allied Rubber Industries Pty Ltd* [1967] VR 37 (Austl.).

<sup>23</sup> *Argyll v Argyll* [1967] Ch 302.

<sup>24</sup> *Corrs Povey Whiting & Byrne v Collector of Customs (Vic)* (1987) 14 FCR 434, 443 (Austl.).

<sup>25</sup> *Retractable Technologies Inc v Occupational & Medical Innovations Ltd* (2007) 72 IPR 58, 87-88 (Austl.).

<sup>26</sup> For example, under rule 7.23 of the Federal Court Rules 2011 (Cth) and rule 5.3 of the Uniform Civil Procedure Rules 2005 (NSW).

<sup>27</sup> *St George Bank Ltd v Rabo Australia Ltd* (2004) 211 ALR 147, 154 (Austl.).

constraining having regard to the range of interests (including non-commercial, private interests) found to be protectable by an action for breach of confidence. In the context of a commercial dispute, any requirement of “*detriment*” is likely to be satisfied by reference to actual or potential pecuniary loss.

#### IV. AVAILABLE REMEDIES

The potential jurisdictional overlap between contract and equity allows a plaintiff to seek a broad range of remedies where there has been a breach of confidence including declarations, injunctions restraining further use or disclosure, delivery up and deletion of confidential information, and pecuniary relief (in the form of damages, or an account of profits). Moreover, given that a claim of breach of confidence is often brought as part of a broader case involving other causes of action, court orders in breach of confidence cases are often complex.

##### A. Declarations

A declaration is an order of the court that declares the respective rights of the parties in a legal dispute before the court and may be ordered if the plaintiff has *locus standi* to seek the declaration, there is a “*contradictor*” to oppose the declaration, and there is no discretionary ground for refusing the declaration.

In the context of breach of confidence, which typically concerns private rights, a plaintiff will generally be able to readily establish that it has the requisite *locus standi*. By contrast, the requirement for there to be a “*contradictor*”, namely, someone “who has a true interest to oppose the declaration sought”<sup>28</sup> can occasionally be problematic because it means that courts are reluctant to grant declarations by consent of the parties without legal argument or evidence (for example, as part of a pre-trial settlement arrangement).<sup>29</sup> In the context of discretionary considerations for granting a declaration, the High Court of Australia has observed that:

[D]eclaratory relief must be directed to the determination

of legal controversies and not to answering abstract or hypothetical questions. The person seeking relief must have ‘a real interest’ and relief will not be granted if the question ‘is purely hypothetical’, if relief is ‘claimed in relation to circumstances that [have] not occurred and might never happen’ or if ‘the Court’s declaration will produce no foreseeable consequences for the parties.’<sup>30</sup>

##### B. Delivery Up

An order for delivery up is at the discretion of the court and will usually be made as an ancillary order to perfect an injunction restraining breach of confidence.<sup>31</sup>

The rationale behind such an order is that where a defendant is restrained from using confidential information all forms of that information must be removed from his or her possession and they are not entitled to retain the “*fruits of this information*” (for example, a product produced using the confidential information) for their advantage.<sup>32</sup> Such an order typically involves a defendant handing over to the plaintiff all physical and electronic forms of the confidential information in his or her possession, control or custody.<sup>33</sup> In relation to electronic forms of the information, a defendant will also be ordered to permanently delete any copy or impression of the information which remains in their possession, control or custody after the delivery up process.

Where a plaintiff’s confidential information has been used by a defendant to produce a tangible article a Court will undertake a balancing exercise to ensure that the order for delivery up does not go beyond what is necessary to protect the plaintiff given that property in the articles remains with the defendant, notwithstanding the breach of confidence.<sup>34</sup>

<sup>28</sup> *Russian Commercial and Industrial Bank v British Bank for Foreign Trade Ltd* [1921] 2 AC 438, 448.

<sup>29</sup> *Australian Competition and Consumer Commission (ACCC) v Dateline.Net.Au Pty Ltd* (2006) 236 ALR 665, 680 (Austl.).

<sup>30</sup> *Ainsworth v Criminal Justice Commission* (1992) 175 CLR 564, 582 (Austl.).

<sup>31</sup> *Ansell Rubber Co Pty Ltd v Allied Rubber Industries Pty Ltd* [1967] VR 37, 52 (Austl.).

<sup>32</sup> GORDON HUGHES, *DEAN’S LAW OF TRADE SECRETS AND PRIVACY* [90.3000] (3rd ed. 2018).

<sup>33</sup> *Labelmakers Group Pty Ltd v LL Force Pty Ltd (No 2)* [2012] FCA 512 (18 May 2012) (Austl.).

<sup>34</sup> *Streetworx Pty Ltd v Artcraft Urban Group Pty Ltd (No 2)* (2015) 322 ALR 557, 575 (patent infringement) (Austl.).

## C. Injunctions

### 1. Interlocutory injunctions

Upon commencement and prior to trial of a breach of confidence action, a plaintiff will typically seek an interlocutory injunction restraining use or disclosure of confidential information. In some circumstances, failure to obtain such relief will effectively destroy a plaintiff's rights and make a subsequent trial pointless – for example where the whole point of the plaintiff's claim is to prevent publication and not simply prevent or halt a use which will not necessarily destroy secrecy.<sup>35</sup>

In determining whether an interlocutory injunction ought to be granted, a Court will consider the following questions:<sup>36</sup>

1. whether the plaintiff has established 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 entitled to relief); and
2. whether the balance of convenience and justice favours the grant of an injunction or the refusal of that relief.

The balance of convenience includes consideration of whether the refusal of the injunction would have the effect that the plaintiff will suffer irreparable injury for which damages will not be adequate compensation.<sup>37</sup> Courts have also recognised that the two questions are not independent. The more the balance of convenience supports a defendant, and the more serious the consequences for a defendant (for example, where the defendant has already expended resources in gearing up to exploit the alleged confidential information)<sup>38</sup>, the stronger the plaintiff's *prima facie* case needs to be.

### 2. Final injunctions

Generally, where an actual or threatened breach of confidence has been established, the starting point is that an injunction restraining use and/or disclosure of confidential information will be appropriate.<sup>39</sup>

A court, however, may refuse to grant an injunction where it would be inherently unfair because it would harm the defendant out of all proportion to the detriment suffered by the plaintiff,<sup>40</sup> where damages would be an adequate remedy, or where the relevant information has moved into the public domain and it would therefore serve no useful function.<sup>41</sup> Given the equitable nature of the remedy, a court may also refuse to grant an injunction if a plaintiff has come with “*unclean hands*” or where the plaintiff is guilty of delay.<sup>42</sup>

## D. Pecuniary Relief

In seeking pecuniary relief in relation to a breach of confidence, a plaintiff may elect either to strip the defendant of any profits made as a result of the breach through an account of profits, or to seek compensation for any loss suffered through an award of damages.<sup>43</sup>

### 1. Damages

Regardless of whether an injunction is awarded, a plaintiff may seek damages for any loss caused by the defendant's breach of confidence, whether contractual or equitable in nature.<sup>44</sup>

The overarching aim of a damages award is to restore the plaintiff, as far as possible, to the position they would have been in had the breach of confidence not occurred, and in seeking to do this, the court will adopt whatever method of assessment is most appropriate to the particular circumstances.<sup>45</sup> In practice, where the plaintiff and the defendant are in business and the defendant's conduct has cut into the plaintiff's profits, that loss of profits will

<sup>35</sup> *Westpac Banking Corporation v John Fairfax Group Pty Ltd* (1991) 19 IPR 513 (Austl.).

<sup>36</sup> *Ocean Dynamics Charter Pty Ltd v Hamilton Island Enterprises Ltd* [2015] FCA 460 (14 May 2015) [26]-[27] (Austl.).

<sup>37</sup> *Id.* at [27].

<sup>38</sup> *Concept Television Productions Pty Ltd v Australian Broadcasting Corporation* (1988) 12 IPR 129 (Austl.).

<sup>39</sup> *Ansell Rubber Co Pty Ltd v Allied Rubber Industries Pty Ltd* [1967] VR 37 (Austl.); Michael Gronow, *Injunctions in Breach of Confidence Proceedings*, 6 AUSTRALIAN INTELLECTUAL PROPERTY JOURNAL 246 (1995).

<sup>40</sup> *Seager v Copydex Ltd* [1967] 2 All ER 415.

<sup>41</sup> *Fractionated Cane Technology Ltd v Ruiz-Avila* [1988] 2 Qd R 610 (Austl.).

<sup>42</sup> *Sports Data Pty Ltd v Prozone Sports Australia Pty Ltd* (2014) 316 ALR 475 (Austl.).

<sup>43</sup> *Optus Networks Pty Ltd v Telstra Corp Ltd* (2010) 265 ALR 281, 290 (Austl.).

<sup>44</sup> *Giller v Procopets (No 2)* (2008) 24 VR 1 (Austl.).

<sup>45</sup> *Talbot v General Television Corp Pty Ltd* [1980] VR 224 (Austl.); *Interfirm Comparison (Aust) Pty Ltd v Law Society of New South Wales* [1975] 2 NSWLR 104 (Austl.).

typically be the basis for assessment.<sup>46</sup> Where the breach of confidence consists of conduct which the plaintiff would have been prepared to authorise or licence, damages will typically consist of the fee for which the plaintiff could have charged.<sup>47</sup> An award of damages however, should only compensate a plaintiff for loss suffered as a result of the breach of confidence and not for loss referable to activities of a defendant after the expiry of any potential head start or “springboard” period associated with the use of the confidential information.<sup>48</sup>

Practically speaking, damages are the main pecuniary remedy for breach of confidence especially where a defendant has not made any substantial gain because of legal steps taken by the plaintiff or because it failed to successfully exploit the plaintiff’s confidential information.

## 2. Account of profits

In contrast to damages, the aim of an account of profits is to disgorge the defendant of the financial gain or benefit accrued by reason of the breach of confidence and to give this to the plaintiff. An account of profits is most suitable where it can be established that the defendant would not have been able to engage in the relevant commercial activity at all, were it not for the breach of confidence. In such a case, a plaintiff is entitled to claim *all* the profits flowing from that activity. A broad interpretation of “profit” was adopted in a recent decision of the High Court of Australia:<sup>49</sup>

[T]here is no reason why a benefit or gain to be made the subject of an account must answer the description of a ‘profit’ in conventional accounting terms. Nor is there any reason why that benefit or gain must answer the description of “property” or must have sufficient certainty as to be capable of forming the subject matter of a trust. The benefit or gain can be expectant or contingent. Indeed, it is commonplace that a benefit or gain the subject of an account might encompass an ongoing business. And it is commonplace that the benefit

or gain to be made the subject of an order to account might extend to the whole of the ongoing business or be limited to a part of the business identified by reference to both a specified scope of commercial activities and a specified period of commercial activities which need not be confined to a past period but may be a period which extends into the future.

In the same decision, the High Court also confirmed that a broad interpretation was to be taken in relation to causation, especially if the defendant is found to have been dishonest, fraudulent or to have knowingly engaged in the breach.<sup>50</sup>

On the other hand, plaintiffs are less likely to pursue an account where there is significant difficulty in segregating the profits made from the breach of confidence from those which would have been made in any event as a result of legitimate activity.<sup>51</sup> A particular complicating issue that has arisen in the context of the remedy is identification of an appropriate allowance for the defendant’s costs in calculating profit,<sup>52</sup> which typically requires extensive examination of a defendant’s business.

## V. CONCLUSION

The action for breach of confidence is far from a “one-size-fits all” form of intellectual property protection. It does not for example, protect against independent invention or reverse engineering, whereas a patent would offer such protection. Indiscriminate reliance on the potential to remedy a breach of confidence can also jeopardize the ability to seek patent protection for an invention due to statutory prohibitions against “secret use”.<sup>53</sup> As discussed above, there can also be practical difficulties in identifying alleged confidential information and unauthorised use or disclosure of such information.

<sup>46</sup> *Aquaculture Corp v New Zealand Green Mussel Co Ltd (No 2)* (1986) 10 IPR 319 (N.Z.).

<sup>47</sup> *Streetscape Projects (Australia) Pty Ltd v City of Sydney* (2013) 85 NSWLR 196 (Austl.).

<sup>48</sup> *RLA Polymers Pty Ltd v Nexus Adhesives Pty Ltd* (2011) 280 ALR 125, 145–46 (Austl.).

<sup>49</sup> *Ancient Order of Foresters in Victoria Friendly Society Limited v Lifeplan Australia Friendly Society Limited* (2018) 360 ALR 1, 22 (Austl.).

<sup>50</sup> *Id.* at 25.

<sup>51</sup> *Vasco Investments Ltd v Morgan Stanley Australia Ltd* (2014) 108 IPR 52, 94 (Austl.).

<sup>52</sup> *Dart Industries Inc v Décor Corporation Pty Ltd* (1993) 179 CLR 101 (in the context of patent infringement) (Austl.).

<sup>53</sup> See, for example, sections 18(1)(d) and 18(1A)(d) of the Patents Act 1990 (Cth).

Notwithstanding its limitations however, the action for breach of confidence is an essential component of a robust intellectual property protection strategy. It is a flexible cause of action which can be readily deployed in a variety of settings making it suited for the fast-paced digital environment which businesses now operate in. The equitable action is particularly useful where there is no contract which can be relied on. The wide range of remedies available where breach is established also makes it an attractive option where it is not legally possible or commercially feasible to rely upon conventional forms of intellectual property protection.

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