



*“On 6 April 2020, the Singapore Court of Appeal in *I-Admin (Singapore) Pte Ltd v Hong Ying Ting and others* [2020] SGCA 32 introduced a modified test for determining breach of confidence – one that revolves around looking into your conscience. This modified test appears to mark a departure from the established 3-criteria test set out by Megarry J in *Coco v AN Clark (Engineers) Ltd* [1969] RPC 41. We examine the decision below.”*

Background

High Court

The plaintiff, I-Admin (Singapore) Pte Ltd, filed a suit claiming that, among others, its ex-employees have breached their obligation of confidence by taking and using the plaintiff's confidential information to set up a similar business in payroll processing. In doing so, the plaintiff alleged that the defendants have taken and used its confidential source codes, systems, database structures and materials.

Applying the three elements propounded by Megarry J in *Coco v AN Clark (Engineers) Ltd* [1969] RPC 41, the Judge held that there was no breach of confidence despite finding that the defendants owed an obligation of confidence to the plaintiff.

To recap, the three elements set out in *Coco* are as follows:

1. the information must be of a confidential nature or have the necessary quality of confidentiality;
2. the information must have been communicated in circumstances importing an obligation of confidence; and
3. there must be an unauthorised use of the information to the detriment of the person communicating it.

In dismissing the plaintiff's claim for breach of confidence, the Judge held that mere copying does not constitute breach of confidence and that the plaintiff has failed to explain how the defendants had used its confidential information in the relevant sense. This is despite the Judge's finding that the defendants owed a duty of confidence to the plaintiff¹. In other words, the plaintiff failed on the third criterion to prove unauthorised use and that such use was to its detriment.

The plaintiff appealed.

Court of Appeal

The Court of Appeal took the opportunity to revisit the classic triad of elements to be proved in claims involving breach of confidence. The following question was posed: in what cases can a defendant, who wrongfully accesses or acquires confidential information but does not use or disclose the same, be held liable for breaching confidence²?

Following a detailed examination of the origin and the objective of protecting confidential information³, the Court concluded the following:

1. the present legal framework based on *Coco* does not adequately safeguard a party's legitimate interest to avoid wrongful loss (the wrongful loss interest); and
2. the requirement to show unauthorised use and detriment has held back the development of the law by overemphasising a party's interest to prevent wrongful gain or profit from its confidential information (the wrongful gain interest)⁴.

The Court then proceeded to unveil a modified approach based on *Coco*:

¹ *I-Admin (Singapore) Pte Ltd v Hong Ying Ting and others and another suit* [2019] SGHC 127 (Singapore High Court 14 May 2019), para. 117.

² *I-Admin (Singapore) Pte Ltd v Hong Ying Ting and others* [2020] SGCA 32 (Singapore Court of Appeal 6 April 2020), para. 43.

³ *Ibid*, paras. 45-57.

⁴ *Ibid*, para. 58.

1. where a plaintiff satisfies the first two requirements in *Coco*, an action for breach of confidence is presumed; and
2. the burden then shifts to the defendant to show that in doing what he did, his conscience was unaffected⁵.

Adopting this modified approach, the Court held that the defendants (now respondents) had prima facie breached their duty of confidence by acquiring, circulating and referencing the plaintiff's (now appellant) confidential material without permission⁶. Specifically, the Court held the following:

1. even if such materials were given to the defendants by another former employee of the plaintiff, the defendants could not be absolved from wrongdoing since the materials were acquired for the third defendant, at which the first and second defendants were heavily involved in its software development and operations⁷;
2. the defendants have done nothing to allow them to counteract the presumption of breach of confidence made out against them⁸. In fact, on the day the plaintiff executed an Anton Pillar order against the defendants at the High Court stage, the defendants deleted a voluminous number of files containing the plaintiff's confidential information from their laptop and server⁹.

Evaluating the modified approach in a wider context

The modified approach, at first glance, may have cast *Coco* aside in determining future claims for breach of confidence. A closer examination, however, suggests that this may have been intended to be the natural development of the law on breach of confidence:

1. instead of being a creature of the statute, this branch of law is born out of equity which, in turn, is premised on conscience¹⁰. To insert the "conscience" requirement is therefore not inconsistent with the basis of the law;
2. even in *Coco*, Megarry J had anticipated a wider form of protection being developed. Among other observations, he remarked that detriment was not mentioned in some cases and that he could conceive of cases where a plaintiff who wishes to seek equitable remedies but suffers no detriment¹¹. His closing sentence of this observation is a prophecy now fulfilled:

⁵ Ibid, para. 61.

⁶ Ibid, para. 63.

⁷ Ibid, para. 64.

⁸ Ibid.

⁹ [2020] SGCA 32, para. 10.

¹⁰ *Morison v Moat* (1852) 68 ER 492, para 255. See also *Vestergaard Frandsen A/S and others v Bestnet Europe Ltd and others* [2013] 4 All ER 781, para 22; *Attorney General v Guardian Newspapers and others* (No 2) [1988] 3 All ER 545, pg. 624.

¹¹ [1969] RPC 41, pg. 48.

“I need therefore say no more than that although for the purposes of this case I have stated the propositions in the stricter form, I wish to keep open the possibility of the true proposition being that in the wider form.”¹²

In fact, the modified approach is hardly a novel one given recent developments in other Commonwealth jurisdictions.

Australia

The High Court of Australia in *Moorgate Tobacco Co Ltd v Philip Morris Ltd* [1984] 56 ALR 193 held that the rational basis for breach of confidence lies in the notion of “an obligation of conscience arising from the circumstances in or through which the information was communicated or obtained”¹³.

This principle is recently reaffirmed in *Glencore International AG and others v Commissioner of Taxation of the Commonwealth of Australia and others* [2019] HCA 26, where the High Court held that equity will restrain third parties “if their conscience is relevantly affected”¹⁴.

United Kingdom

As early as the 19th century, *Turner VC in Morison v Moat* [1852] 68 ER 492 observed that the law on preventing unauthorised disclosure has in some cases been treated as founded upon trust or confidence in which the Court “fastens the obligation on the conscience of the party”.

In *Attorney General v Guardian Newspapers and others (No 2)* [1988] 3 All ER 545, Bingham LJ in setting out the general principles regarding breach of confidence adopted the position taken by the High Court of Australia in *Moorgate*, in that the jurisdiction is based on the duty of good faith and it “accordingly affects the conscience of the person who receives the information with knowledge that it has originally been communicated in confidence”¹⁵.

In *Vestergaard Frandsen A/S and others v Bestnet Europe Ltd and others* [2013] 4 All ER 781, the Supreme Court held that the ex-employee who left to set up a competitor was not liable for breaching confidence as she did not know the identity of the trade secrets and that they were being or had been used. The absence of such knowledge, according to Lord Neuberger (unanimous by the House), would appear to preclude liability in an action in breach of confidence which is based ultimately on conscience. Thus, in order for conscience to be affected, the recipient must have agreed or known that the information is confidential¹⁶.

¹² *Ibid.*

¹³ [1984] 56 ALR 193, para. 28.

¹⁴ [2019] HCA 26, para. 6.

¹⁵ [1988] 3 All ER 545, pg. 625.

¹⁶ [2013] 4 All ER 781, paras. 22 and 23.

New Zealand

In New Zealand, the Court of Appeal in *Hosking v Runting* [2005] 1 LRC 320 recognised that breach of confidence is an equitable concept and is “conscience-based”¹⁷.

A word of caution

Is the modified approach a cause for celebration? By shifting the burden of proof to the defendant after a prima facie case is made up, it seems to have addressed the difficulties faced by owners of confidential information who are often unaware of the breach until years after they have taken place. The defendant is also in a much better position to defend himself¹⁸.

But it is not without criticisms. By emphasising conscience, the test in *Coco* in its modified form is injected with a subjective element requiring the court to examine the defendant’s state of mind when dealing with the piece of information that is confidential. This may give rise to greater unpredictability in future decisions in comparison to ascertaining unauthorised use and testing detriment which cannot be gainsaid is easier to show by empirical evidence. In *London Regional Transport and another v The Mayor of London and another* [2001] EWCA Civ 1491, Sedley LJ cautioned the use of conscience in determining liability as follows:

*“... I can understand how difficult it is to give useful advice on the basis of it. One recipient may lose sleep a lot more readily than another over whether to make a disclosure, without either of them having to be considered unreasonable. If the test is whether the recipient ought to be losing sleep, the imaginary individual will be for practical purposes a judicial stalking-horse and the judgment more nearly an exercise of discretion and correspondingly less predictable ...”*¹⁹

The position in Malaysia

Malaysia has traditionally applied the *Coco* test as the criteria for determining breach of confidence, and that means requiring the plaintiffs to prove unauthorised use by the defendants to the plaintiffs’ detriment. Notably, the Federal Court in *Dynacast (Melaka) Sdn Bhd & Ors v Vision Cast Sdn Bhd & Anor* [2016] 3 MLJ 417 “wholly accept what was said by Megarry J” in respect of the three elements to prove such claim²⁰.

¹⁷ [2005] 1 LRC 320, para. 246. ¹⁸ [2020] SGCA 32, para. 62.

¹⁹ [2001] EWCA Civ 1491, pg. 109.

²⁰ [2016] 3 MLJ 417, para. 32.

That said, the courts have in some cases acknowledged that such duty arises from equity and is thus an obligation of conscience²¹. In *Dato' Vijay Kumar Natarajan v Choy Kok Mun* [2010] 7 MLJ 215, Mohd Hishamudin J (as His Lordship then was) noted that the law of confidence is based upon “a broad equitable obligation of conscience” and that “the action for breach of confidence is originally an equitable remedy”²². However, the courts in these cases did not go on to evaluate the suitability or relevance of the third element²³.

As things stand, it remains a prerequisite for plaintiffs in Malaysia to satisfy the triad of elements in showing a breach of confidence. However, in light of the developments in countries sharing the common law jurisdiction, especially those closer to our shores as seen in Singapore, we envisage the courts in Malaysia to examine the open question posed by Megarry J in *Coco* to decide if such course of development is desirable for the country.

²¹ See *Worldwide Rota Dies Sdn Bhd v Ronald Ong Cheow Joon* [2010] 8 MLJ 297, para. 96; *Dato' Vijay Kumar Natarajan v Choy Kok Mun* [2010] 7 MLJ 215, para. 4; *Toh See Wei v Teddric Jon Mohr & Anor* [2017] 11 MLJ 67, paras 13 and 67.

²² [2010] 7 MLJ 215, para. 4.

²³ In *Worldwide Rota*, the court held that the plaintiff had suffered detriment. In *Dato' Vijay Kumar* and *Toh See Wei*, the courts held that the plaintiffs did not satisfy the first element of the test i.e. that the information is confidential or has such quality.



LEE LIN LI

Partner, Head of IP & Technology Practice Group.

For further information and advice on this article and/or on any areas of IP & Technology, please contact:
linli.lee@taypartners.com.my



LOW KOK JIN

Associate

kokjin.low@taypartners.com.my