

Modern approach
to breach of
confidence &
Importance of
actively pursuing
causes of action at
trial:

*I-Admin
(Singapore) Pte
Ltd v Hong Ying
Ting [2020] SGCA
32*

27 April 2020

**LEGAL
UPDATE**

In this Update

In the recent case of *I-Admin (Singapore) Pte Ltd v Hong Ying Ting* [2020] SGCA 32, the Court of Appeal laid down a new approach when dealing with breach of confidence claims.

This recent decision also highlights the importance of expressly pleading all intended causes of action from the outset and ensuring that these intended causes of action are actively pursued in the course of proceedings and at the trial.

This update discusses the pertinent parts of this judgment.

03
INTRODUCTION

03
BACKGROUND

03
THE HIGH COURT'S DECISION

04
THE COURT OF APPEAL'S DECISION

06
COMMENTS

INTRODUCTION

In the recent case of *I-Admin (Singapore) Pte Ltd v Hong Ying Ting* [2020] SGCA 32, the Court of Appeal laid down a new approach when dealing with breach of confidence claims. This new approach addresses the evidential difficulties faced by owners of confidential information in bringing a claim in confidence.

This recent decision also highlights the importance of expressly pleading all intended causes of action from the outset and ensuring that these intended causes of action are actively pursued in the course of proceedings and at the trial.

This update discusses the pertinent parts of this judgment.

BACKGROUND

I-Admin (Singapore) Pte Ltd (“**I-Admin**”) provides payroll administrative data processing services and human resource information systems. Its services are used in 15 countries across Asia.

Hong Ying Ting joined I-Admin in 2001. In 2009, he began to work with Liu Jia Wei, an employee of one of I-Admin’s subsidiaries, to develop new payroll software. Both Hong and Liu eventually secured an investor for their business and incorporated Nice Payroll Pte Ltd (“**Nice Payroll**”) in 2011. Both Hong and Liu also resigned from their employment with I-Admin and I-Admin’s subsidiary to work for Nice Payroll.

In 2013, I-Admin came across information about Nice Payroll’s services. I-Admin subsequently obtained an Anton Pillar Order, which was executed at Nice Payroll’s premises. Some of Nice Payroll’s materials were recovered from Hong’s laptop and Nice Payroll’s server. It was also discovered that both Hong and Liu had circulated some of these materials via email. These materials included source codes, databases and information constituting the technical infrastructure for I-Admin’s payroll and HR information systems as well as I-Admin’s operational documents.

I-Admin commenced proceedings against Hong, Liu and Nice Payroll, alleging infringement of its copyright and acts in breach of confidence.

THE HIGH COURT’S DECISION

The High Court held that there was no copyright infringement as there had been no substantial copying of I-Admin’s materials, and I-Admin had

failed to identify and compare infringing materials belonging to the Hong, Liu and Nice Payroll. It should be noted that during the trial, I-Admin's case on copyright infringement was focussed on the use and/or substantial reproduction of I-Admin's materials and not on the "lower" claim of possession and circulation.

As for I-Admin's claim based on breach of confidence, the High Court judge noted that there were three elements of a successful claim (set out in *Coco v AN Clark (Engineers) Ltd* [1969] RPC 41), specifically:

- (a) the information must possess the quality of confidence;
- (b) the information must have been imparted in circumstances importing an obligation of confidence; and
- (c) there must have been unauthorised use of the information to the detriment of the party from whom the information originated.

The High Court judge held that I-Admin's case failed on the 3rd limb of *Coco* because there was no unauthorised use of its confidential information in the relevant sense.

Dissatisfied with the High Court's decision, I-Admin appealed to the Court of Appeal.

THE COURT OF APPEAL'S DECISION

On appeal, I-Admin sought to additionally advance the "lower level" claim on the basis that the possession and circulation of its materials constituted copyright infringement. The Court of Appeal held that although I-Admin's pleadings were broad enough to encompass the "lower level" claim, the general tenor of its pleadings was focussed on use for commercial gain. In particular, I-Admin had not specifically pursued the "lower level" claim at trial. It was therefore prejudicial to allow I-Admin to pursue that claim on appeal.

Notably, the Court of Appeal stated at [35] of its decision that:

"...In our judgment, had that alternative case [ie the "lower level" claim] been signposted, the trial would have been proceeded quite differently. The question of infringement would have been resolved simply by examining what materials were in the respondents' possession and where those materials came from. There would have been no need for the parties to canvass issues of substantial reproduction and adaptation, making for a shorter and much more straightforward trial. On this hypothesis, the respondents might well have chosen to pursue a different channel or litigation strategy from the one they did in fact pursue. Further,

the Judge would have likely heard other arguments from the respondents in their defence and possibly had had to examine further evidence relevant to that. It would therefore be prejudicial to the respondents to make a finding of infringement based solely on the fact of possession and circulation. In the circumstances, we think it is too late in the day for the appellant to seek to pursue its lower level claim of copyright infringement at the appeal.”

The Court of Appeal also disallowed I-Admin’s appeal in respect of its claim on the basis of use and/or substantial reproduction, agreeing with the Judge below.

As for I-Admin’s breach of confidence claims, it argued that the “modern approach”, one which met the policy objectives underpinning the law of confidence, should apply. This was based on the authority of *Clearlab SG Pte Ltd v Ting Chong Chai and others* [2015] SGHC 1 SLR 163. The Court of Appeal agreed with I-Admin and recognised that the law of confidence sought to protect two distinct interests. These are, a plaintiff’s interest:

- (a) to prevent the wrongful gain or profit from its confidential information; and
- (b) to avoid wrongful loss (*ie* the loss occasioned to a plaintiff whose information had lost its confidential character or had that character threatened by the unconscionable acts of a defendant).

While the legal framework in *Coco* explicitly protects the wrongful gain, the Court of Appeal took the view that it did not necessarily protect the wrongful loss interest. Further, it fails to offer adequate recourse where the wrongful loss interest had been affixed.

KEY POINT

*The Court of Appeal modified the long-standing approach in *Coco v AN Clark (Engineers)* to better guard against breaches of confidence.*

A modified approach to breach of confidence claims was then formulated.

The Court of Appeal retained the first and second limbs from *Coco* that:

- (i) a court has to consider whether the relevant information had the necessary quality of confidence about it; and
- (ii) if it was imparted in circumstances importing an obligation of confidence. If this was so, an action for breach of confidence would be presumed.

The Court of Appeal then went further to hold that this presumption would be displaced if the defendant provides proof that its conscience was not affected in the circumstances in which the plaintiff's wrongful loss interest had been harmed or undermined.

The Court of Appeal considered that this reversal in the burden of proof places greater focus on the wrongful loss interest without undermining the protection of the wrongful gain interest. It also addresses the evidential difficulties faced by owners of confidential information in bringing a claim in confidence since breaches of confidence usually take place without the knowledge of its owner.

Application of the modified approach to the facts of this case

It was undisputed that I-Admin's materials were confidential and that Hong and Liu were under an obligation to preserve their confidentiality. This obligation was *prima facie* breached by the acquisition, circulation and reference to I-Admin's materials without permission. Hong and Liu had not displaced the presumption that their conscience was negatively affected. This was sufficient for the Court to find that they had acted in breach of confidence.

The Court of Appeal held that I-Admin's injury should be vindicated by an award of equitable damages. To assess the value of I-Admin's information, it would be relevant to consider the time and expense that Hong and Liu saved by using I-Admin's materials as a springboard to develop their own intellectual property and set up a competing business.

COMMENTS

Against the backdrop of an increasingly digitised society, the Court of Appeal recognised that it is significantly more important for the law to be modified to guard against the wrongful copying, abuse and exploitation of protected information.

To that end, this decision makes it clear that owners of confidential and/or copyrighted material will more easily find recourse in the law.

In respect of confidential information, this decision confirms that the mere wrongful taking of confidential information constitutes a breach of confidence. This is regardless of whether the information was in fact used and whether or not there was any detriment to the owner of the confidential information.

Once the claimant is able to prove that the information possesses the quality of confidentiality and was imparted in circumstances which imported an obligation of confidence, the burden will then be shifted to the defendant to prove that his conscience was unaffected.

In respect of copyright infringement, this decision reminds copyright owners that even mere possession and circulation of copyrighted material constitutes infringement and copyright owners would need to expressly plead and specifically pursue these causes of action throughout proceedings.

The content of this article does not constitute legal advice and should not be relied on as such. Specific advice should be sought about your specific circumstances. Copyright in this publication is owned by Drew & Napier LLC. This publication may not be reproduced or transmitted in any form or by any means, in whole or in part, without prior written approval.

For questions or comments, please contact:



Meryl Koh

Director
Intellectual Property & Dispute
Resolution

T: +65 6531 2736

E: meryl.koh@drewnapier.com

Drew & Napier LLC

10 Collyer Quay
#10-01 Ocean Financial Centre
Singapore 049315

www.drewnapier.com

T : +65 6535 0733

T : +65 9726 0573 (After Hours)

E : mail@drewnapier.com

 **DREW & NAPIER**