Bird & Bird & Trade Secrets

Recent developments in relation to the protection of Trade Secrets in Singapore

This is the 12th in a series of articles written by members of our International Trade Secrets Group, highlighting points of note regarding the protection of Trade Secrets in various jurisdictions.

In this article we move to Singapore to look at some developments in the law of trade secrets there. In Singapore, there is no express legislation for the protection of trade secrets *per se*. Instead, protection of trade secrets in Singapore is typically through the common law doctrine of breach of confidence, as well as (where applicable) the use of IP and contract law. This article focuses specifically on the common law doctrine of breach of confidence.

Of particular note is a recent decision by the Singapore Court of Appeal ("**CA**"), the Apex Court in Singapore, in April 2020, *I-Admin (Singapore) Pte Ltd v Hong Ying Ting and others* ("**I-Admin**") which introduced a modified approach for breach of confidence claims, departing from what has been the approach previously set out in the leading 1969 UK case of *Coco v AN Clark*. The approach is now more aligned with the position taken by English and Australian Courts in recent cases.

Background to the CA Decision

The appellant, I-Admin (Singapore) Pte Ltd, is in the business of payroll administrative data processing services and human resource information systems. The first and second respondents were former employees of the appellant who set up their own company, the third respondent, which provides payroll outsourcing services and HR management functions.

Following forensic investigations into the respondents, the appellant successfully applied for an Anton Pillar Order (a kind of civil search warrant), which was executed at the third respondent's premises. A number of the appellant's materials were recovered from the first respondent's laptop and the third respondent's server. It was also discovered that the first and second respondents had circulated some of these materials via email. The appellant subsequently commenced a suit against the respondents, claiming copyright infringement and breach of confidence. The breach of confidence claim will be the focus of this article.

At the High Court below, the Judge held that the respondents were not in breach of their obligations of confidence. The Judge relied on the English case of *Coco v AN Clark* ("**Coco**"), which required three elements to establish a successful claim for breach of confidence:

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 unauthorized use of the information to the detriment of the party from whom the information originated.

The Judge held that the appellant's case failed on the third limb of the *Coco* test, as they had failed to show that there was unauthorized use of its confidential information to the detriment of the appellants. In particular, the Judge did not find on the evidence that the respondents' use of the appellant's materials *had resulted in the creation or development of the respondents' own materials*. The Judge rejected the argument that the mere copying of, or access to the appellant's materials by the respondents satisfied this requirement.

The CA Decision

Before the CA, the appellant submitted that the respondents' mere possession of, and their act of referring to the confidential materials, was sufficient to establish breach of confidence. Courts in England and Australia had in more recent cases cast doubt on the third limb of the *Coco* test, and the appellant argued that the "modern" approach espoused in these cases should be adopted in Singapore too.

The CA began its analysis by considering the interests sought to be protected by the doctrine of breach of confidence. Having considered cases and academic authorities, the CA observed that two key interests guided the operation of the doctrine. These were a plaintiff's interest to:

a) prevent the *<u>wrongful gain or profit</u>* from its confidential information; and
b) to avoid *<u>wrongful loss</u>*, which was 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.

The CA opined that the *Coco* test does not sufficiently protect the wrongful loss interest. This was brought to the fore in the present case. The CA noted that whilst it was not proven that the respondents directly profited from their use of the appellant's confidential materials (i.e. there was no *wrongful gain* proven), this does not detract from the fact that the respondents knowingly acquired and circulated these materials without consent (i.e. there was *wrongful loss*).

The CA also considered that protecting wrongful loss is all the more important in the modern-day given that it is now significantly easier to access, copy and disseminate vast amounts of confidential information, and where employees will often have access to large volumes of confidential business material over the course of their employment. The fragility of such confidential information suggests the need for stronger measures to protect owners from loss.

The new approach to breach of confidence claims

In light of the concerns articulated above, the CA set out a modified approach to be taken in assessing breach of confidence claims:

a) In line with the first two requirements of Coco, a court had to consider whether (i) the relevant information had the necessary quality of confidence about it and (ii) if it was imparted in circumstances importing an obligation of confidence. Upon satisfaction of these prerequisites, an action for breach of confidence would be presumed.

b) This presumption would then be displaced on proof by the defendant that its conscience was not affected in the circumstances in which the plaintiff's wrongful loss interest had been harmed or undermined. This presumption could be rebutted by, for instance, the defendant showing that he came across the information by accident, or was unaware of its confidential nature, or believed there to be a strong public interest in disclosing it.

The CA also observed that the reversal in the burden of proof also addresses the evidential difficulties faced by owners of confidential information in bringing a claim in confidence. Such breaches of confidence could be discovered years after, placing owners on an evidential back-foot in bringing their claim for breach of confidence. In comparison, defendants are better positioned to account for their suspected wrongdoing.

Applying the modified approach to the facts, it was undisputed that the appellant's materials were confidential, and that the respondents were under an obligation to preserve their confidentiality. The respondent's *prima facie* breached this obligation by acquiring, circulating and referencing the appellant's materials without permission. In this instance, the respondents had not displaced the presumption that their conscience was negatively affected and had accordingly acted in breach of confidence.

Comment

The decision will likely be welcomed by owners of confidential information, given that it seeks to address significant legal and practical difficulties that owners of confidential information would face when their confidential information is taken by third parties. The decision also serves as a useful reminder for parties in possession of confidential information to be careful in how they handle and deal with confidential information. Following *I-Admin*, it is possible that a former employee could find himself liable for damages for breach of confidence simply by taking confidential information, without using or disclosing the confidential information. If it is necessary to retain such information, it may be prudent for former employees to expressly seek the necessary permissions. Best to err on the side of caution.

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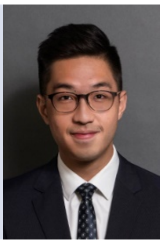

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