

CASENOTE:***New Aim Pty Ltd v Leung* [2022] FCA 722 (23 June 2022)**

In October 2021, New Aim Pty Ltd (also ‘**Employer**’) sought an injunction against persons including former employees who resigned to establish a competing on-line business. One such was Jack Leung, the first respondent. This casenote is a sequel to the casenote I wrote in November 2021,¹ concerning that application. It is of the trial between those parties.

Proceeding

At the interlocutory stage, the Employer argued that the natural-person respondents including Mr Leung had access to supplier information which was confidential. It sought and retained an injunction from **Moshinsky J** of the Federal Court of Australia against use or disclosure of the information.

The Employer claimed that Mr Leung and two other former employees breached their equitable obligations not to reveal or use confidential information acquired during the course of their employment. In addition to this relief, the pleadings prepared for trial raised contractual breaches, and breaches of Corporations legislation. This casenote focuses on the relief sought by New Aim in equity, in respect of the breaches of confidential information.

-Hearing-

McElwaine J of the Federal Court heard the trial. Originally, the employer described as ‘confidential’ the identity and contact details of its suppliers of various products as at January and March 2021. They pleaded that in the course of work for respondent businesses, “*Leung* [and other former employees] *have used the New Aim confidential information (or part of it) including to assist* [the respondent businesses] *to procure, promote and sell the copied products.*” In response, the respondents denied the allegation and pleaded that the information was publicly available; was imparted to the former employees by the suppliers themselves; and in circumstances that did not warrant protection as ‘confidential’ information.

Mr Leung used his personal mobile phone for his work. This included using the WeChat application, to communicate with Chinese-based suppliers, and potential suppliers, to New Aim. Mr Leung added to WeChat contacts (such as from a trade fair he attended) with the knowledge of the Employer and even in Mr Liu’s presence. Mr Liu was then a director of New Aim.

When Mr Leung resigned, he was not required to delete contacts from his phone. Over 12 years of employment he accumulated 412 WeChat contacts, of which 17 were current suppliers to the post-New Aim business in which Mr Leung worked. The WeChat contacts were separate from the Employer’s own database, the New Aim Purchasing System. Mr Leung had access to that database but was not accused of copying or taking it.

Justice McElwaine noted the four elements to a breach of confidence action² as follows:

¹ [2021] FCA 1329. See also <https://www.timdonaghey.com.au/wp-content/uploads/2021/11/Casenote-New-Aim-Pty-Ltd-v-Leung-2021-FCA-1329.pdf>.

² *Optus Networks Pty Ltd v Telstra Corporation Ltd* (2010) 265 ALR 281; [2020] FCAFC 21 at [38], per Finn, Sundberg and Jacobson JJ.

- the information in question must be identified with specificity;
- the information must have the necessary quality of confidence;
- it must have been received in circumstances importing an obligation of confidence; and
- there must be an actual or threatened misuse of the information without consent.

Whilst the second and third elements are more often in dispute than others, **McElwaine J** noted that this case was on the border between ‘know how’ which has traditionally not been protected, and ‘trade secrets’ which have been.³ Supplier information falls neatly into neither category; also, authorities relied on do little to explain the concept of a trade secret or distinguish it from accumulated ‘know how’.

His Honour reviewed a large number of authorities⁴ before settling on the conclusion that the Australian position is that protection is afforded to mere collected information – even if that information is partly ‘know how’ and partly accumulated contact information.

His Honour engaged in a detailed examination of the confidentiality of various sources of information in the proceeding. **Justice McElwaine** found that the Employer permitted Mr Leung to use his personal mobile telephone for work related purposes without requesting Mr Leung transfer his WeChat contact details to any more formal database, including the New Aim Purchasing System. For this reason, his Honour found that New Aim failed to make out its breach of confidence claim against Mr Leung, and he dismissed the application, finding that the WeChat information did not possess the necessary quality of confidence.

Significance of the decision

One significant factor in this case is the conclusion reached regarding the British authority Faccenda Chicken.⁵ Faccenda Chicken has long limited the post-employment confidential information to trade secrets and ‘secret processes’ only. **McElwaine J** disputes this and says (for example) confidential client contacts, or (as in this case) supplier contacts, fall into the same category. Whilst his Honour is deciding as a first-instance judge only (and to this extent Full Court decisions such as Del Casale⁶ might take another trajectory, this space regarding confidential information can now be said to be under review in Australian law.

There is more to **McElwaine J**’s decision than space allows me to set out: the treatise on expert evidence alone (from paragraphs [61] to [78]) make reading this case worthwhile. But even confined to the limits of Faccenda Chicken and other ‘trade secret’ authorities, this case is instructive as to a possible divergence of Australian authority from a more traditional view contained in overseas authority.

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1 July 2022**

³ See Campbell JA in Del Casale [2007] NSWCA 172; (2007) 73 IPR 326, including at [108] - [119].

⁴ See from [118]-[124], both inclusive.

⁵ Faccenda Chicken Pty Ltd v Fowler [1987] 1 Ch 117.

⁶ Above, n3.