

INJUNCTIONS IN CONTRACT CLAIMS

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Introduction

1. A contract is a creature of common law and, generally speaking, the common law remedies which have developed at common law are adequate to compensate the wronged party. However, occasionally, equity will lend its auxiliary jurisdiction to contract matters. Specific performance is a classic example.
2. In some cases, a court of equity will grant an injunction to restrain a party from breaching the contract. Typically, but not exclusively, this involves an order restraining the breach of a negative contractual stipulation. Some contracts, such as restraint of trade agreements, inherently lend themselves to an interlocutory injunction. This paper seeks to explore the circumstances in which the Court will grant an interlocutory injunction to restrain a threatened or ongoing breach of contract. There is no need for a plaintiff seeking to restrain the breach of a negative contractual stipulation to demonstrate a proprietary interest,² making it an unusual species of cases where equity will grant relief in support of a common law cause of action.
3. Some claims that are based in contract and lend themselves to an interlocutory injunction need to be distinguished. Where the right being protected is proprietary interest or other equitable claims in equity's exclusive jurisdiction, and not subject to the requirement of a negative contractual stipulation, there is a basis for the intervention of equity that is independent of contract. Relief against forfeiture³ an injunction restraining a mortgagee's power of sale⁴ and restraining the appointment of a receiver⁵ are particular examples that give rise to different considerations. These are examples of contracts that involve a proprietary interest, usually involving land, which involve a different jurisprudence to the more general cases of injunctions to restrain the breach of a negative stipulation in a contract. Equitable rights in connection with confidential information are examined in this paper because they often overlap with restraint of trade clauses. However injunctions to protect property rights are beyond the scope of this paper.

General principles

4. In order to obtain an interlocutory injunction, an applicant must demonstrate:

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² Meagher Gummow and Lehane *Equity Doctrines and Remedies* (4th Ed Butterworths Lexis Nexis, 2002) at [21-195], page 750.

³ *Equity Practice & Precedents* (Thomson Lawbook Co, 2008) page 149, [12.30].

⁴ *Clrffe v Custom Credit Corporation* (1994) ATPR 41-292; *Harris v Western Australia Exim Corporation* (1994) 56 FCR 1; (1994) 129 ALR 387; (1995) ATPR 41-412.

⁵ *Goldcorp Pty Ltd v Schmierer* [1992] ACL Rep 295 Qld 11 see Young Croft & Smith "On Equity" (2009 Lawbook Co) page 1069-70.

- (a) that there is a serious question to be tried in the principal proceeding or that the applicant has made out 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 prevail;⁶ and
- (b) that the balance of convenience favours the granting of an injunction.⁷
5. Leaving aside applications in equity's exclusive jurisdiction, an applicant will also have to show that damages are not an adequate remedy.
6. A negative stipulation in a contract, for the purposes of determining whether an injunction may lie, if the covenantor's complete inactivity would mean that they comply with the contract.⁸ Once it is established that the obligation is truly negative in substance, and there is an actual or threatened breach, the balance of convenience will often favour the granting of the injunction.⁹
7. An injunction is available to restrain an implied negative contractual term, which increases the scope of the remedy. The implied contractual obligation not to prevent the other party from performing the contract¹⁰ or not to obstruct or hinder the other party from performing the contract¹¹ are key examples. The classic obligation not to derogate from a grant¹² and the more modern obligation not to exercise contractual rights unreasonably or in bad faith¹³ are further examples. It has been noted that every contract to do a particular thing involves a negative¹⁴ but that concept has not received support, and the obligation must be negative in substance.

⁶ *American Cyanamid Co v Ethicon Ltd* [1975] AC 396 at 407; the explanation was articulated in *Beecham Group Ltd v Bristol Laboratories Pty Ltd* (1968) 118 CLR 618 at 622-623.

⁷ *Beecham Group Ltd v Bristol Laboratories Pty Ltd* (1968) 118 CLR 618 at 622-623; *Australian Broadcasting Corp v O'Neill* [2006] 227 CLR 57; 229 ALR 457; [2006] HCA 46 at [81] - [82].

⁸ *Wolverhampton & Walsall Railway Co v London & North Western Railway Co* [1973] LR 16 Eq 433 at 440; *Administrative and Clerical Officers Association v The Commonwealth* (1979) 26 ALR 497 at 501 – 2 per Mason J (requirement to deduct union dues and pay them to the Union).

⁹ *Willis Australia Group Services Pty Ltd v Griggs* [2012] NSWSC 659; (2012) 222 IR 172 at [132]-[134] and the cases cited there.

¹⁰ *Luxor (Eastborne) Limited v Cooper* (1941) AC 108; [1941] 1 All ER 33.

¹¹ *Marshall v Colonial Bank of Australasia* (1904) 1 CLR 632; 10 ALR 210.

¹² *Jennings v Jennings* [1898] 1 Ch 378; *Trego v Hunt* [1896] AC 7; *Geoffrey Francis Page v Hugh Stanley McKensley & Ors* [2004] NSWCA 437.

¹³ *Hungry Jack's v Burger King* [1999] NSWSC 1029, and on appeal [2001] NSWCA 187, esp at [186]; *Macquarie International Health Clinic Pty Ltd v Sydney South West Area Health Service* [2010] NSWCA 268; (2010) 15 BPR 28,563 at [11]-[12]; *Hume Computers Pty Ltd v Exact International BV* [2006] FCA 1439 at [27] per Jacobson J.

¹⁴ In *Whitewood Chemical Co v Hardman* [1891] 2 Ch 416 at 426, Lindley LJ observed that agreement to meet at a certain place and time is an agreement not to be anywhere else at that time.

8. The jurisdiction exists to grant an interlocutory mandatory injunction,¹⁵ either restorative in nature¹⁶ or to compel the carrying out of some positive obligation.¹⁷ In such cases, the Court must feel a high degree of assurance that the plaintiff will win at trial¹⁸ or a very strong probability of grave damage¹⁹ (although it has been said that the same considerations apply to an interlocutory mandatory injunction).²⁰
9. One of the reasons that the Court is less inclined to grant interlocutory mandatory injunction is that, in a practical sense, the order will often decide the matter on a final basis. This is because, in many cases, the positive act that the Court requires a party to undertake through a mandatory injunction cannot be undone readily if the applicant fails at trial. However, the Court will be more likely to grant an interlocutory mandatory injunction if it requires a party to revert to a course of conduct pursued before the occurrence of the dispute, rather than embark on a fresh course of conduct.²¹
10. Jurisdiction also exists to grant an injunction in aid of a positive contractual stipulation, but is rarely exercised because it is a rare case that damages would be inadequate. However, examples can be found in a contract context. A party to a licence agreement which prohibited the licensee selling competing products was ordered, on an interlocutory basis, to transfer certain domain names.²² The operator of a charter boat business obtained an interlocutory injunction requiring the owner of a marina, with which it alleged it had a binding contract, to grant access to the marina berth its boats.²³ An interlocutory prohibitory injunction may lie to preserve the subject matter of specific performance at final hearing.²⁴ This may arise because an injunction restraining a party from taking certain action is necessary to preserve the property which is the subject matter of the specific performance claim (although it is hard to see how damages would be inadequate unless the property was unique, or not readily replaceable).²⁵ A closer analysis of the circumstances in which an interlocutory mandatory injunction would be granted is beyond the scope of this paper.

¹⁵ *Redland Bricks Limited v Morris* [1970] AC 652; [1969] 2 All ER 576; *Queensland v Australian Telecommunications Commissioner* (1985) 59 ALR 243 at 245.

¹⁶ *Carrington v Simons & Co* [1971] 2 All ER 588; [1971] 1 WLR 598.

¹⁷ *Redland Bricks Limited v Morris* [1970] AC 652; [1969] 2 All ER 576.

¹⁸ *Queensland v Australian Telecommunications Commissioner* (1985) 59 ALR 243 at 245.

¹⁹ *Redland Bricks Limited v Morris* [1970] AC 652; [1969] 2 All ER 576.

²⁰ *Burke v Frasers Lome Pty Ltd* [2008] NSWSC 988 at [4] per Brereton J.

²¹ *Business World Computers Pty Limited v Australian Telecommunications Commission* (1988) 82 ALR 499 per Gummow J.

²² *Thomas International Limited v Humantech Pty Limited* [2015] FCA 541 per Nicholas J (applicant gave an additional undertaking to retransfer the domain names if so ordered).

²³ *Ocean Dynamics Charter Pty Limited v Hamilton Island Enterprises Limited* [2015] FCA 460 per Edelman J.

²⁴ *Hart v Herwig* (1873) L.R. 8 Ch. App 860; *Astro Exito Navegacion S.A. v Southland Enterprise Co. Ltd (No 2)* [1982] QB 1248; [1982] 3 All ER 335; [1982] 3 WLR 296; *Smith v Peters* (1875) L.R. 20 Eq. 511.

²⁵ The learned authors of Meagher Gummow and Lehane's "Equity Doctrine and Remedies" (4th edition, Butterworths Lexis Nexis, Australia, 2002) at [21-210], page 754 described the categories of negative stipulation that would be enforced by injunction in chattel cases as heirlooms, those of unique or sentimental value, the entire stock-in-trade of the plaintiff or other cases where damages would be inadequate.

Limits on injunctive relief

11. Classically, building contracts and share farming agreements have not been the subject of interlocutory relief. This is said to be justified on the basis that contractual obligations of that nature involve the parties engaged in ongoing activities, and the nature of an injunction usually require the Court somehow supervising the parties in their compliance with the order. As Dixon J put it in *JC Williamson*²⁶ the Court will be reluctant where the grant of injunction will compel the defendant to perform his side of the agreement when the continuing performance of the plaintiff is also required. However, the Court does not in substance “supervise” the conduct of parties; it merely allows the parties to bring an action for contempt or other ancillary relief in aid of enforcement in the event of non-compliance with an order of the Court. It is suggested here that the notion of an order requiring ongoing supervision of the Court is a discretionary ground for refusing an injunction that is falling out of favour.²⁷
12. In any event, it is difficult to draw a clear line of reasoning between the cases that refuse relief on this ground and the cases on which it is granted in spite of the need for ongoing performance and compliance by the parties.²⁸ At a practical level, it might be best understood as a matter of judicial impression. *Skilled Engineering*²⁹ was a case about industrial action where two unions had been restrained by interim relief from engaging in industrial action. This restraint predominately related to procuring workers to go, and continue being, on strike. The unions sought to argue that the interim relief should not be continued as it would not have any effect on the employees who had intended to strike regardless. This lead Finkelstein J to consider whether it was possible to make an order requiring the workers back to work.
13. After considering the typical and orthodox way – that courts are reluctant to grant specific performance of contracts for personal service or injunctions that would have the practical effect as a remedy of specific performance – Finkelstein J was of the opinion that ‘the law had changed’. His Honour referred to a decision of the Supreme Court of Canada which drew a distinction between telling one individual that he must continue working for another on the one hand and saying to a group of individuals that they are prevented from taking a concerted action which is in breach of a collective agreement and in breach of statute. His Honour therefore ordered an injunction against the “striking workers” restraining the continuation of the strike.
14. Notwithstanding the result in *Skilled Engineering* an injunction to restrain a breach of a negative contractual stipulation will generally be refused if the injunction would

²⁶ *JC Williamson Limited v Lukey* (1931) 35 CLR 282 at 299 – 300; [1931] ALR 157 at 162.

²⁷ *Co-operative Insurance Society Ltd v Argyll Stores (Holdings) Ltd* [1998] AC 1 also see: *Patrick Stevedores Operation No 2 Pty Ltd v Maritime Union of Australia (No 3)* (1998) 195 CLR 1 at 46 – 47 per Brennan CJ, McHugh, Gummow, Kirby and Hayne JJ.

²⁸ See Meagher Gummow and Lehane at page 574, [21-215].

²⁹ *Skilled Engineering v Automotive, Food, Metals, Engineering, Printing and Kindred Industries Union* (2001) 108 IR 116; [2001] FCA 1397.

compel the substantial performance of a contract which equity would not grant specific performance of.³⁰

Restraint of trade

15. Contracts of employment and contracts restricting future employment fall into a sub-category warranting special consideration. Enforcing contracts that involve personal service is particularly difficult (usually a positive obligation to give personal service) whereas equity courts regularly enforce by interlocutory injunction contracts that prohibit competition and disclosure of information.
16. Generally speaking, restraints of trade involve negative contractual stipulations which the court will enforce by injunction, and damages are rarely a sufficient remedy for a threatened breach of a restraint of trade.³¹ In *Seven Network (Operations) Limited v Warburton (No. 2)* [2011] NSWSC 386 at [4] Pembroke J gave a succinct synopsis of the position:

There are however qualifications to the general principle that contracts are meant to be observed. Courts will generally not order specific performance of employment contracts. In principle however, they will enforce negative covenants that restrain an employee from competing against an employer: *Curro v Beyond Productions Pty Ltd* (1993) 30 NSWLR 337 at 346-348. But no matter what the parties have agreed, negative covenants imposing a restraint on an employee's trade will not be enforced if the restraint is not necessary for the reasonable protection of the legitimate interests of the employer or those for whose benefit it was agreed: *Buckley v Tutty* [1971] HCA 71; (1971) 125 CLR 353 at 376; *Curro v Beyond Productions Pty Ltd* [(1993) 30 NSWLR 337] at 344. Further still, even if the restraint is reasonable when considered as at the date of contract, the court always retains a discretion to withhold or limit injunctive relief if a proper basis is established at the hearing: *Tullett Prebon (Australia) Pty Ltd v Purcell* [2008] NSWSC 852 at [88] and [91] (Brereton J). And Section 4(1) of the *Restraints of Trade Act, 1976* (NSW) arguably provides additional flexibility.

17. At common law all contracts in restraint of trade are void unless it is proved that the restraint of trade is reasonable.³² The Courts developed a practice of “reading down” a restraint of trade clause so as to give it meaning in an application to the work or activity engaged in by the employee before the employment was terminated.³³ However, in New South Wales, all restraint of trade clauses are enforceable to the extent that they are reasonably necessary for the protection of a legitimate interest. This is because of

³⁰ *Sanderson Motors (Sales) v York Star Motors Pty Limited* (1983) 1 NSWLR 513; *Kurt & Keller Pty Limited v BMW Australia Limited* [1984] 1 NSWLR 353 at 371-2.

³¹ *John Fairfax Publications Pty Ltd v Birt* [2006] NSWSC 995, [45]; *Otis Elevator Company Pty Ltd v Nolan* [2007] NSWSC 593, [17]–[30]; *IceTv v Ross* [2007] NSWSC 635, Brereton J at [65].

³² *Sidamenco (No 456) Pty Ltd v Alexander* [2011] NSWCA 418 per Young JA at [85].

³³ *Marion White Ltd v Francis* [1972] 3 All ER 857 per Buckley LJ at 863; *Home Counties Dairies Ltd v Skilton* [1970] 1 All ER 1227 per Harmon LJ at 1231; *Rentokil Pty Ltd v Leigh* (1995) 66 SASR 301 per Matheson J at 326.

the effect of the *Restraint of Trade Act*. As the analysis of the Court of Appeal³⁴ in *Curro v Beyond Productions*³⁵ reveals, there is no right to work that would entitle an employee to change jobs without being restrained from breaching a negative contractual stipulation.³⁶

18. Even under the *Restraint of Trade Act*, the issue of the enforceability of a particular clause is not a simple one. The construction of a restraint of trade was summarised in *Portal Software International Pty Ltd v Bodsworth*.³⁷

67. A restraint is to be interpreted, for the purposes of ascertaining its real meaning, independently of the rules prescribing tests of reasonableness for the purpose of ascertaining its validity [*Butt v Long* (1952) 88 CLR 476, 487; *Geraghty v Minter*, 180]. Nonetheless, where there is ambiguity, a covenant in restraint of trade in an employment contract will be construed in favour of the employee, so that a narrower construction of the scope of a restraint will be preferred to a broader construction, when both are reasonably available [*Mills v Dunham* [1891] 1 Ch 576, 589–90; *Vandervell Products Ltd v McLeod*, 193; *Littlewoods*, 1486; *Butt v Long*, 487] - though this does not authorise a restrictive interpretation of general words simply to save a covenant from invalidity [*Butt v Long*, 487; *Galbally* [108]]. In Australia, *Butt v Long* precludes the more liberal approach to construction of restraints adopted by Lord Denning MR in *Littlewoods Organisation Ltd v Harris* [1977] 1 WLR 14, 72, by which courts construe wide words narrowly so as to make the clause reasonable and therefore enforceable, interpreting them from the perspective that the parties' object is legality, and if the words of the restraint are so wide that on a strict construction they cover improbable and unlikely events, declining to enforce it in respect of them. However, *Butt v Long* is not inconsistent with the view that a covenant in restraint of trade should be construed, in the case of ambiguity, in favour of the employee; that is to say, in favour of giving it a narrower rather than a wider operation [*Butt v Long*, 487].

68. Construction of a restraint is informed by the factual matrix, and in particular the nature of the employer's business, and the employee's role in it. An agreement in restraint of trade is construed with reference to its subject matter, and descriptive words may be restricted in their operation by reference to the circumstances in which the parties contract. Thus restraints which at first sight are general in form, in prohibiting a former employee from offering to perform services for or soliciting the custom of the former employer's clients, have often been construed as relating only to those services or products which the employer had offered, and covenants

³⁴ Meagher, Handley and Cripps JJA.

³⁵ (1993) 30 NSWLR 337.

³⁶ See too the analysis of Campbell J in *Capgemini US LLC v Case* [2004] NSWSC 674 and *Corporation Transport Services Pty Limited v Toll Pty Limited* (2005) 214 ALR 644 (which was not a contract for personal services).

³⁷ [2005] NSWSC 1179 at [67]–[68]; and later applied by Brereton J in *IceTv v Ross* [2007] NSWSC 635.

prohibiting a former employee from dealing or transacting business with customers of the former employer have been construed to mean business of the same or a similar kind to that which had been carried on by the former employer [*Lindner v Murdock's Garage*, 635, 649; *Mills v Dunham* [1891] 1 Ch 576, 581, 586; *Business Seating (Renovations) Ltd v Broad* [1989] ICR 729, 735, (Millet J); *G W Plowman & Sons Ltd v Ash* [1964] 1 WLR 568, 572; [1964] 2 All ER 10; *McLaughlin Consultants v Boswell* [1989] 30 IR 417, 419 (Bryson J); cf *I F Asia-Pacific Pty Ltd v Galbally* (2003) 59 IPR 43 ; [2003] VSC 192, [118]–[127]].

19. Further, a restraint of trade was discussed by Brereton J explained the correct approach in *Cactus Imaging Pty Limited v Glenn Peters*:³⁸
10. Although at common law a restraint of trade is contrary to public policy and void unless it is justified by the special circumstances of the particular case (for which purpose it is sufficient justification that the restriction is reasonable having regard to the interests of the parties concerned and in reference to the interests of the public, so that while affording adequate protection to the party in whose favour it is imposed, it is not injurious to the public) [*Nordenfelt v Maxim Nordenfelt Guns & Ammunition* [1894] AC 535, 565; *Herbert Morris Ltd v Saxelby* [1916] 1 AC 688, 706, 707; *Lindner v Murdock's Garage* [1950] HCA 48; (1950) 83 CLR 628, 653], in New South Wales a restraint is valid to the extent to which it is not against public policy, even if not in severable terms [*Restraints of Trade Act*, 1976 (NSW) s 4(1); *Koops Martin Financial Services Pty Ltd v Reeves* [2006] NSWSC 449, [26]–[27]]. The effect of the *Restraints of Trade Act* is that, in New South Wales, one approaches this type of case by determining, first, whether the alleged breach (independently of public policy considerations) does or will infringe the terms of the restraint properly construed; secondly, whether the restraint in its application to that breach is against public policy; and thirdly, if it is not, then in its application to the alleged infringing conduct, the restraint is valid unless the court makes an order under *Restraints of Trade Act*, s 4(3) [*Orton v Melman* [1981] 1 NSWLR 583; *Woolworths Limited v Olson* [2004] NSWCA 372, [42]]. That is because the effect of the *Restraints of Trade Act*, s 4(1), is to require that, for the purpose of determining the validity of a restraint, attention be focussed on the actual or apprehended breach, rather than on imaginary or potential breaches.
11. While the same general principle applies in all cases of restraint of trade, a stricter and less favourable view is taken in respect of covenants in restraint of trade between employer and employee than in commercial agreements for sale of goodwill [*Nordenfelt*, 566; *Mason v Provident Clothing & Supply Co Limited* [1913] AC 724, 731, 738; *Herbert Morris Ltd v Saxelby*; *Geraghty v Minter* (1979) 142 CLR 177, 185; *Woolworths Limited*

³⁸ [2006] NSWSC 717 at [10] - [11].

v Olson, [38]; J D Heydon, *The Restraint of Trade Doctrine*, 2nd Ed, pp68-69]. An employer is not entitled to be protected against mere competition, and the legitimate interests of an employer which may be the subject of protection by covenant are in the nature of proprietary interests [*Vandervell Products Ltd v McLeod* [1956] RPC 185, 192; *Tank Lining Corp v Dunlop Industrial Pty Ltd* (1982) 140 DLR (3d) 659, 664], including the employer's trade secrets and confidential information, and the employer's goodwill including customer connection. In this case, Cactus seeks to support the restraint on solicitation of customers on the basis of protection of both its confidential information and its customer connection.

20. In *Kearney v Crepaldi*,³⁹ McDougall J dealt with the validity of restraint of trade clauses in employment agreements. His Honour said at [47]:

The primary position is that a restraint of trade is void. That applies not just to the classical restraint of trade purporting to prevent a person from working for a particular employer, but also to a restraint of the kind presently sought to be enforced. That is because of the public interest in competition. It follows that a person seeking to enforce a restraint of trade must show that the restraint is no wider than is reasonably necessary to protect its legitimate interests. The test immediately directs attention to the nature of the interest that is sought to be protected. This issue was considered by Gillard J in *Hartleys Ltd v Martin* [2002] VSC 301. At para [91], his Honour stated (in my respectful opinion correctly) that “[i]t is well-recognised that an employer is entitled to impose a restrictive covenant to reasonably protect his business against ex-employees taking customers with them to a business in competition with their former employer.”

21. His Honour summarised the line of authority that highlighted the need to focus on the particular interest of the employer that it was seeking to protect (such as customers and trade secrets).⁴⁰ His Honour went on to say at [53]:⁴¹

In summary, then, restraints of trade (including both restraints against competition and restraints on solicitation of customers) may be valid where they are reasonably necessary to prevent disclosure of confidential information garnered by the former employee in the course of his or her former employment, or the exploitation of a connection built up by that employee with the former employer's customers in the course of that employment.

22. Many restraints prohibit solicitation of former clients. The question whether the non-solicitation provision or other restraint of trade is against public policy raises two questions: does the employer have a legitimate interest to protect and is the restraint no

³⁹ [2006] NSWSC 23.

⁴⁰ See also *Ecolab Pty Ltd v Garland* [2001] NSWSC 1095 at [18] per Brereton J.

⁴¹ *Lindner v Murdoch's Garage* [1950] HCA 48; (1950) 83 CLR 628, Latham CJ at 634; Fullagar J at 649, Kitto J at 654; *Herbert Morris Ltd v Saxelby* [1916] 1 AC 688; Lord Parker said (at 710).

more than reasonable for that protection?⁴² The notion of solicitation is not limited to communications initiated by the former employee. There is solicitation of a client by a former employee if the former employee in substance conveys the message that the former employee is willing to deal with the client and, by whatever means, encourages the client to do so.⁴³

23. *Bromhead v Graham*⁴⁴ concerned a non-solicitation clause in a solicitor's employment agreement. The defendant telephoned a number of the clients of his old firm and told them that he had left. He was subsequently employed by another law practice, and a number of the persons he had contacted became clients of that practice. Gzell J granted the injunction sought, which was in terms narrower than the restraint, but only for half of the 12 month period sought:

49 It was submitted that the non-solicitation provision in Mr Graham's contract of employment was no more than a restraint on competition and against public policy. I do not agree. Mr Graham's profile had been developed as the face of the partnership. He had a close personal relationship with clients of the partnership he served and he was in a position to affect the partnership's client connection. It was, therefore, not unreasonable, at the time Mr Graham signed his contract of employment, that he not exploit the confidential information and client connection of the partnership.

50 It may be that the non-solicitation provision was excessive in its application to all clients of the partnership as distinct from those served by Mr Graham. I do not have to decide that point because the *Restraints of Trade Act 1976*, s.4(1) would preserve so much of the non-solicitation provision as is not against public policy and I am of the view that, at the least, the application of the restrictive covenant to those clients of the partnership served by Mr Graham would not infringe public policy. **The injunctive relief sought is limited to those circumstances.** What is sought is the enforcement of the provision in relation to those clients of the partnership served by Mr Graham in the 18 months preceding the termination of his contract of employment.

24. The extent to which an employee may take legitimately his or her skills is often a difficult question. In *Digital Pulse Pty Ltd v Harris*,⁴⁵ Palmer J said at [23]:

When the employment ceases, the employee is free to compete with the employer, unless subject to a valid contractual restraint on competition. The employee may take away and utilise the benefit of personal relationships built up

⁴² *Australian Regional Wholesalers v Stafford* [2007] NSWSC 572 at [34]; Brereton J in *John Fairfax Publications Pty Ltd v Birt* [2006] NSWSC 995 at [6].

⁴³ Campbell J (as his Honour was then) in *Hellman Insurance Brokers v Peterson* [2003] NSWSC 242, at [11]-[12]; *IceTv* at [47].

⁴⁴ [2007] NSWSC 609.

⁴⁵ [2007] NSWSC 33.

with particular customers of the former employer and may solicit any customer who the employee can recall without the aid of list taken from the former employer and without deliberate memorisation of a customer list. The employee may not, however, use for his or own commercial benefit confidential information of the former employer to solicit business from the former employer's customers or to carry out work for such customers even if solicited.

25. The validity of a restraint is judged at the time at which the contract is made by reference to what the restraint entitled or required the parties to do, rather than what they intend to do or have actually done.⁴⁶ The onus of showing that a contract in restraint of trade is reasonable as between the parties lies on the party alleging that this is so.⁴⁷ Generally, Courts will not explore in detail the allegedly competing businesses, and some overlap is generally sufficient.⁴⁸
26. Contracts for personal services, involving a positive obligation to do work for another party, do not lend themselves to injunctive relief. As Barrett J observed in *Tradition Australia v Gunson*,⁴⁹ the Court will not generally enforce a contract for personal services by an order for specific performance, going on to hold that Courts are bound to be jealous lest they turn contracts of service into contracts of slavery. In that case, Barrett J also rejected a submission that damages would not be an adequate remedy in circumstances where it would be possible to discover what revenues the employees for the competitor earned while they were still within the fixed term of their contract with the previous employer.⁵⁰ In a similar vein, the Full Court of the Supreme Court of South Australia would not specifically perform an entitlement to act as a Rabbi.⁵¹
27. Contractual stipulations requiring an employee not to take employment with another employer is of a different category, particularly where in the classic *Lumley v Wagner* scenario⁵² where the singer was restrained from engaging in one particular type of activity for a competitor, and not from either earning a living or from leaving the employ of the plaintiff. The Courts may adopt a less strict view where what is being imposed is a commercial relationship rather than one of personal service.⁵³ So too will

⁴⁶ *Portal Software Pty Limited v Bodsworth* [2005] NSWSC 1179 at [83].

⁴⁷ *North Western Salt Co. Ltd v Electrolytic Alkali Co Ltd* [1914] AC 461 at 470 per Viscount Haldane LC.

⁴⁸ *Red Bull Australia v Stacey* [2011] NSWSC 1212 at [35] per Rein J. Accordingly, a former employer or vendor on the sale of business can generally stop somebody working for a competitor without having to prove exactly what the employee has done or is doing for the new employer.

⁴⁹ (2006) 152 IR 395 at 398.

⁵⁰ Contrast the approach of Ward J in *Willis Australia Group Services v Griggs* [2012] NSWSC 659; (2012) 222 IR 172 at [132].

⁵¹ Doyle CJ with whom Bleby and Vanstone JJA agreed at 405, [20] and 410-411, [45]; *Engel v Adelaide Hebrew Congressional Incorporated* [2007] SASC 234; (2007) 98 SASR 402.

⁵² *Lumley v Wagner* (1852) 1 De G&G 604; 42 ER 687.

⁵³ *Ampol Petroleum Limited v Mutton* (1957) 53 SR (NSW) 1; 69 WN (NSW) 365 (injunction restraining proprietor of a service station from buying petrol from a competitor); *NA Retail Solutions v St George Bank Ltd* [2010] FCA 290 (injunction to compel a bank to continue a relationship with a customer); contra *Atlas Steels (Aust) Pty Limited v Atlas Steels Limited* (1948) 49 SR (NSW) 157 (exclusive agency did not give rise to a negative stipulation not to market goods through another agent).

arrangements not limited to the employer/employee relationship, such as sale of business, receive a less strict and more favourable approach.⁵⁴

28. There is, however, a distinction between restraining a particular purported termination of employment and restraining any termination of employment.⁵⁵ In *Tradition Australia*, Barrett J reasoned that an injunction to restrain an employer acting on a particular (invalid) purported termination would not be contrary to the principles governing contracts of personal service, because either party would be at liberty to give effect to a valid termination in the future.

Confidential information

29. Courts of equity have traditionally protected a right to have confidential information kept confidential by interlocutory injunction. Even though it is not a proprietary interest, the right being protected is an equitable right, so (at least theoretically) the Court need not enquire as to the adequacy of damages.⁵⁶

30. In *Corrs Pavey Whiting & Byrne v Collector of Customs (Vic)*,⁵⁷ Gummow J said:

It is now settled that in order to make out a case for protection in equity of allegedly confidential information, a plaintiff must satisfy certain criteria. The plaintiff: (i) must be able to identify with specificity, and not merely in global terms, that which is said to be the information in question; and must also be able to show that (ii) the information has the necessary quality of confidentiality (and is not, for example, common or public knowledge); (iii) the information was received by the defendant in such circumstances as to import an obligation of confidence; and (iv) there is actual or threatened misuse of that information: *Saltman Engineering Co Ltd v Campbell Engineering Co* (1948) 65 RPC 203 at 215; [1963] 3 All ER 413n, at 415; *The Commonwealth v John Fairfax and Sons Ltd* [1980] HCA 44; (1980) 147 CLR 39 at 50 - 51; *O'Brien v Komesaroff* [1982] HCA 33; (1982) 150 CLR 310 at 326 - 328. It may also be necessary, as Megarry J thought probably was the case (*Coco v A N Clark (Engineers) Ltd* [1969] RPC 41 at 48), and as Mason J (as he then was) accepted in the Fairfax decision was the case (at least for confidences reposed within government), that unauthorised use would be to the detriment of the plaintiff.

31. However, a right to have confidential information protected is often contractual, and that protection may be more extensive than the equitable right. So, there is some cross-over with restraint of trade because, at a practical level, a clause that protects against

⁵⁴ *Ross v IceTV Pty Limited* [2010] NSWCA 272 at [88] (an appeal from Rein J's decision in *IceTV Pty Ltd v Ross* [2009] NSWSC 980 which was dismissed).

⁵⁵ *Goodnick v Bondi Mizrahi Synagogue* [2009] NSWSC 257 at [34]; *Tradition Australia Pty Limited v Gunston* [2006] NSWSC 298; (2006) 152 IR 395 at [25].

⁵⁶ Meagher Gummow and Lehane *Equity Doctrines and Remedies* (4th Ed, 2002) at [21-195], pg 750, but see *Concrete Mining Structures Pty Ltd v Cellcrete Australia Pty Ltd* [2015] FCA 888 per Edelman J.

⁵⁷ [1987] FCA 266; (1987) 14 FCR 434 at 443 cited often with approval, including in *Rosewood Advertising Pty Limited v Hannah Marketing Pty Limited* [2000] NSWSC 1034 at [8], Hamilton J.

use of confidential information may supplement the restraint of trade. Brereton J explained the position in *Cactus Imaging Pty Limited v Glen Peters*:⁵⁸

- 13 And as Lord Denning said in *Littlewoods Organisation Limited v Harris* [1977] 1 WLR 1472, 1479, experience has shown that it is unsatisfactory simply to have a covenant against disclosing confidential information, because it is difficult to draw the line between information which is confidential and information which is not, and very difficult to prove a breach when the information is of such a character that an employee can carry it away in his or her head, so that the only practicable solution is to take a covenant from the employee by which he or she undertakes not to work for a trade rival. The permissibility of such restraints for that purpose is well established [*Kone Elevators Pty Limited v McNay* (1997) ATPR 41-564, 43,834; *Woolworths Limited v Olson*, [38], [67]; *Lindner v Murdock's Garage*, 650 (Fullagar J); *Portal Software Pty Ltd v Bodsworth* [2005] NSWSC 1179, [83]]. Cactus relies on Mr Peters' alleged possession of its confidential information to support not only the covenant in clause 7 against disclosure of confidential information, but also the covenant in clause 9 against soliciting customers.
- 14 A plaintiff who seeks to restrain a former employee from using confidential information must be able to identify with specificity, and not merely in global terms, the relevant information [*Saltman Engineering Co Limited v Campbell Engineering Co* (1948) 65 RPC 203, 215; *Corrs Pavey Whiting and Byrne v Collector of Customs (Vic)* [1987] FCA 266; (1987) 14 FCR 434, 443 (Gummow J); *Rosewood Advertising Pty Limited v Hannah Marketing Pty Limited* [2000] NSWSC 1034, [8]]. Although those cases were concerned with the circumstances in which, even in the absence of a contract, equity imposes an obligation of confidence, the requirement for specificity is no less where a contractual obligation is sought to be enforced. One reason for this is that an injunction in general terms restraining a former employee from using the employer's "confidential information", would inappropriately leave, to an application for contempt, determination of whether particular information was or was not confidential.

32. *Nus International Pty Ltd v Edwards*,⁵⁹ concerned an action by the plaintiff to restrain the defendant from engaging in employment with any competitor of the plaintiff's business and in particular, from engaging in employment with Professional Energy Services Pty Ltd (the competitor). The decision is interesting because of the width of the injunction, which was grounded on confidential information concerns. Upon the defendant's employment with the plaintiff company, the defendant's duty was to supervise and maintain the plaintiff's "lead card" system and was used to identify potential clients and their needs. The system recorded details such as who within the

⁵⁸ [2006] NSWSC 717; (2006) 71 NSWLR 9 at [13] – [14].

⁵⁹ (1981) 1A IPR 599.

potential client's organisation would decide whether or not to obtain the plaintiff's services, who within the organisation was for or against obtaining those services, what objections were raised by the potential client, and the nature and extent of the services they might need. It was held by the Court that:

- (a) The information in the plaintiff's lead card system was confidential.
- (b) The nature of the confidential information in the lead card system was such that its adequate protection required a restraint against competition, in the sense of protection against use by rivals in trade.

33. In *Nus International*, Rath J held at [40] - [45] that knowledge of the information in the plaintiff's lead card system would be of considerable assistance to competitors of the plaintiff, including Professional Energy Services, and that information in the plaintiff's lead card system would be of assistance to the defendant in his employment as marketing agent for Professional Energy Services.
34. In relation to the evidence of copying the confidential information of the lead card system, Rath J said at 608:

In cases where the employee has opportunities of making notes of the confidential information, the employer is in my opinion entitled to restrain breach of such covenant, even if it is unlikely that the employee could retain the information without such notes, and even if the employer cannot prove that notes were made. If this were not so, a dishonest but plausible employee could rebut his former employer's case by appropriate averments and denials in evidence. I think that on the evidence of the defendant, who had the responsibility for the direction of the plaintiff's research and for the direction of salesmen in accordance with the results of that research, was likely to have a useful recollection of the information in the lead card system; but if I am wrong in this view, I should hold that the defendant did have the opportunity to make notes of the information in the lead card system, and that evidence as to whether he did make notes, or used the information in his subsequent employment, was irrelevant.

35. A distinction must be drawn between information which forms part of the employee's stock of general knowledge, skill and experience, and that which should fairly be regarded as a separate part of the employee's stock of knowledge which a person of ordinary intelligence and honesty would regard as the property of the former employer.⁶⁰ However, an overly restrictive confidential information clause may be a restraint of trade and therefore invalid.

⁶⁰ *Ansell Rubber Co Pty Ltd v Allied Rubber Industries Pty Ltd* [1967] VicRp 7; [1967] VR 37 at 40 per Gowans J; *Printers and Finishers Ltd v Holloway* [1965] RPC 239 at 255 per Cross J; *Metrans Pty Ltd v Courtney-Smith & Ors* (1983) 1 IPR 185 at 187 per Kearney J.

36. In *Zomojo Pty Limited v Hurd (No. 2)*,⁶¹ Gordon J summarised the principles relevant to confidential information restraints at [179]:
1. an obligation can be imposed by contract to keep information confidential and that obligation can extend to cover subject matter which is not protected by an equitable duty of confidence: *Wright v Gasweld Pty Ltd* (1991) 22 NSWLR 317 at 329, 335 and 340-341; *Del Casale v Artedomus (Aust) Pty Ltd* (2007) 73 IPR 326 at [34]-[36], [38], [46], [48], [50], [51], [77], [87], [92], [102], [118], [134] and [140] and *Reed Business Information Pty Ltd v Seymour* [2010] NSWSC 790 at [36];
 2. employers are entitled to protect by contractual covenant the use of information that is the result of work, experimentation and expense: *Exchange Telegraph Company Limited v Central News Limited* [1897] 2 Ch 48 at 53-54; *AB Consolidated Ltd v Europe Strength Food Co Pty Ltd* [1978] 2 NZLR 515; *Interfirm Comparison (Aust) Pty Ltd v Law Society of New South Wales* [1975] 2 NSWLR 104 at 117; *Industrial Furnaces Ltd v Reaves* [1970] RPC 605 at 617 and *International Scientific Communications Inc v Pattison* [1979] FSR 429 at 434;
 3. the know-how, or knowledge of how to solve particular problems or the knowledge of methods not necessarily shared by others, acquired by an employee during his or her employment, while ordinarily not protected by equity, is capable of being protected by a contractual covenant: *Printers & Finishers Ltd v Holloway (No 2)* [1964] 3 All ER 731 and 735-736; *Wright* at 329; *Commercial Plastics Ltd v Vincent* [1965] 1 QB 623 at 642 and *Milwell Holdings Ltd v Johnson* (1988) 12 IPR 378 at 391-3;
 4. a contractual restraint upon the use of confidential information or know-how may be enforceable provided it is reasonable, in the sense of being necessary for the adequate protection of the interests of a party: *Brightman v Lamson Paragon Ltd* (1914) 18 CLR 331 at 335 and *Reed Business Information* at [36];
 5. whether a restraint is reasonable is a question of law and not of fact: *Attorney-General (Cth) v Adelaide Steamship Co Ltd* (1913) 18 CLR 30 at 35; *Buckley v Tutty* (1971) 125 CLR 353 at 377; *Amoco Australia Pty Ltd v Rocca Bros Motor Engineering Co Pty Ltd* (1973) 133 CLR 288 at 317-318; *Drake Personnel Ltd v Beddison* [1979] VR 13 at 19 and *Cream v Bushcolt Pty Ltd* (2004) ATPR 42-004 at [23] and [30];⁶²

⁶¹ (2012) 299 ALR 621; [2012] FCA 1458.

⁶² Or, as was later pointed out, the onus is to prove special circumstances from which reasonableness, as a matter of law can be inferred. However, it has been said that the issue is inherently factual because the application of the legal principles depends on the terms of the particular covenant and the factual circumstances: *Dawnay, Day & Co Ltd v De Braconier d'Alphen* [1997] EWCA Civ 1753; [1998] ICR 1068 at 1111-1112 (Evans LJ, with whom Nourse and Ward LJ agreed); *Kearney v Crepaldi* [2006] NSWSC 23.

6. in determining whether a restraint is reasonable the court should consider what is necessary to protect the legitimate interests of the person asserting the restraint in the circumstances of the case, assessed from the date of making the contract and making the best possible estimate of probabilities and contingencies then foreseeable: *Amoco* at 318; *Drake Personnel* at 25; *Woolworths Ltd v Olson* [2004] NSWCA 372 at [40] and *Reed Business Information* at [36]; and
 7. where, as here, the restraint concerns confidential information, the circumstances to be considered by the Court include:
 - 7.1 the extent to which the information is known outside the business;
 - 7.2 the skill and effort expended to collect the information;
 - 7.3 the extent to which the information is treated as confidential by the employer;
 - 7.4 the value of the information to competitors;
 - 7.5 the ease or difficulty with which the information can be duplicated by others;
 - 7.6 whether it was made known to the employee that the information was confidential; and
 - 7.7 whether the usages and practices in the industry support the claim of confidentiality.⁶³
37. In *Del Casale v Artedomus*,⁶⁴ Hodgson JA having set out the list of considerations set out by Ball J in *Reed Business Systems* and quoted by Gordon J (sub-paragraph 7 above) observed:

[41] In my opinion, the stronger these factors are in any particular case, the more likely it is that the particular information will be treated as a trade secret that the ex-employee is not entitled to use or divulge; but in my opinion, there is another factor or class of factors which is also extremely important to this question, namely the extent to which the particular information can be **readily isolated** from the employee's general know-how which the employee is entitled to use after the end of employment.

[42] In cases where the confidential information is of the nature of a secret formula or process, involving a number of elements such **that independent discovery by enquiry or experiment is unlikely to occur**, that confidential

⁶³ Quoting from *Reed Business Systems t/as Reed Business Information Pty Limited v Seymour* [2010] NSWSC 790 at [36] per Ball J.

⁶⁴ (2007) 73 IPR 326.

information can quite readily be distinguished from an employee's general know-how. In those cases, the courts are ready to restrain use of that information by an ex-employee: see for example *Amber Size & Chemical Co. Limited v. Menzel* [1913] 2 Ch. 239.

[43] However, **where the confidential information is something that is ascertainable by enquiry or experiment**, albeit perhaps substantial enquiry or experiment, and the know-how which the ex-employee is clearly entitled to use extends to knowledge of the question which the confidential information answers, **it becomes artificial to treat the confidential information as severable and distinguishable from that know-how**; and in that kind of case, courts have tended not to grant relief. (emphasis added)

38. It may be necessary to distinguish between the employee/officer using the information themselves and disclosing it to another. Equity may intervene in the case of disclosure but not use.⁶⁵ Where it is not possible to distinguish confidential information from know-how, equity will be reluctant to intervene in favour of the company.⁶⁶ That is because where it is not possible to draw the line between know-how and trade secrets, the applicant fails to make out its claim that the restraint goes no further than protecting its trade secrets.
39. Information or "techniques" may be capable of being protected if they are applied in combination. This was the basis for Gordon J in *Zomojo*⁶⁷ maintaining that techniques set out in standard textbooks were nonetheless, in combination, confidential information capable of protection. Her Honour said at [191]:

Hurd's contention that the fact that the "techniques" described in [189] above are confidential only in combination is an impediment to their confidentiality or to the enforceability of cl 9 is rejected. Confidential information may comprise a combination of integers which are, individually, old and/or the subject of common knowledge: *British Celanese Ltd v Courtaulds Ltd* (1935) 52 RPC 171 at 193; see also *Wood and Amolite Ld v Gowshall Ltd* (1937) 54 RPC 37 at 39-40; *Harrison v Project & Design Co (Redcar) Ltd* [1978] FSR 81 at 85 and *RLA Polymers Pty Ltd v Nexus Adhesives Pty Ltd* (2011) 280 ALR 125 at [45]. This case is a clear example of that principle at work.

40. However, once a particular breach of confidential information obligations is established, the applicant can expect an injunction that is wider than the breach proved. In *IceTV v Ross*,⁶⁸ Brereton J said at [82]:

IceTV...seeks an injunction restraining misuse of its confidential information.
The breach of one aspect of a restraint can justify sufficient concern about breach

⁶⁵ *Del Casale v Artedomus* (supra) at [47].

⁶⁶ *Del Casale v Artedomus* (2007) 73 IPR 326 at [44] – [47].

⁶⁷ *Zomojo Pty Ltd v Hurd (No 2)* (2012) 299 ALR 621; [2012] FCA 1458.

⁶⁸ [2007] NSWSC 635.

of another aspect to warrant the grant of an injunction, at least in the absence of significant discretionary considerations against it [*Reeves v Koops Martin Financial Services Pty Ltd* [2006] NSWCA 221, [20]]. Here, the reasonable apprehension that unless restrained the defendants will offer consultancy services in the field of media content provision, which was being pursued by IceTV, carries with it a real risk that they may, in the course of doing so, use IceTV's confidential information, and justifies the grant an injunction restraining such misuse. However, injunctions restraining misuse of confidential information must be particular, and in the context of this case should be limited to those aspects which the evidence specifically addresses, namely the information specified in para 35 of Mr O'Brien's affidavit (which was not the subject of dispute), or which is plainly relevant to the issues in the case.

41. So confidential information may be the subject of a contractual restraint beyond what equity will protect, and will generally be protected by interlocutory injunction unless it is an unreasonable restraint of trade.

Discretion and defences

42. A respondent to an application should always consider offering undertakings that they can live with. In *Think: Education Services Pty Limited v Lynch*,⁶⁹ Ward J declined to give an injunction to enforce a negative contractual promise not to engage in business that is the same or a substantially similar business largely on the undertaking given.
43. The usual defences that apply to relief in equity apply. Defences such as laches and acquiescence have been held to constitute a bar to injunctive relief in the case of a negative contractual stipulation.⁷⁰ Delay, even not amounting to laches, will count against the party seeking an injunction.⁷¹ Defences such as delay and acquiescence may adopt particular importance in restraint of trade matters. In *IceTv v Ross*,⁷² Brereton J said at [67]:

A party seeking an interlocutory injunction is expected to act promptly. That is particularly important in the field of restraint of trade, where if prompt action is not taken, employees may enter into new employments or enterprises with third parties.

44. The moving party will need to do equity.⁷³ In the context of an application to restrain the termination of an ongoing services arrangement, not unlike the usual requirement

⁶⁹ [2011] NSWSC 984.

⁷⁰ *Shaw v Applegate* [1978] 1 All ER 123; [1977] 1 WLR 970; *Graham H Roberts v Maurbeth Investments Pty Limited* [1974] 1 NSWLR 93.

⁷¹ *Roses Only & Lush Pty Limited v Mark Lyons Pty Limited* (1999) ATPR 41-706 (two month delay was a factor, but did not result in injunctive relief being declined).

⁷² [2007] NSWSC 635.

⁷³ *Inglis v Commonwealth Trading Bank of Australia* (1972) 126 CLR 161.

on relief against forfeiture, the parties seeking the injunction would usually be required to pay what is owing.⁷⁴

45. An interlocutory order for, or refusing, an injunction is a matter of practice and procedure⁷⁵ and inherently involves the exercise of a discretion.⁷⁶ Accordingly, it is difficult to make out a case on appeal from a decision to either grant or refuse an interlocutory injunction.
46. Attention should also be focused on the discretion to refuse the injunction. In *Ecolab Pty Limited v Garland*,⁷⁷ Brereton J expanded on the principles that he summarised in *Cactus* and provided some analysis of the discretionary matters that need to be addressed in an application for an injunction restraining a breach of a restraint of trade clause. His Honour said:
23. The remaining and crucial question, therefore, pertains to the Court's discretion to grant or withhold injunctive relief. All equitable relief is discretionary. That is so even of an injunction to restrain a breach of a negative contractual stipulation, although discretion to decline relief is rarely exercised in that context. Nonetheless, that discretion exists, and the grant of an injunction on a final basis, even in such a case, remains ultimately discretionary. The existence of that discretion has been recognised in the context of applications to enforce restraints of trade: in the first instance decision in *Kone Elevators Pty Limited v McNay* (NSWSC, Young J, 10 March 1997, unreported), the reversal of which in the Court of Appeal did not affect his Honour's judgment on that point; in *Dalysmith Corporation (Aust) Pty Limited v Cray Personnel Pty Limited* (NSWSC, Young J, 14 April 1997, unreported, BC9701250); in *RBM Plastic Extrusions Pty Ltd v Diaz* [2006] NSWSC 1332, at [21]; and in *John Fairfax Publications Pty Limited v Birt* [2006] NSWSC 995 in which, drawing on *Kone v McNay* and *Dalysmith*, I said:

Injunctive relief - discretionary considerations

45. Generally speaking, an injunction will be granted to enforce a negative contractual stipulation. In the context of restraints of trade, damages are rarely a sufficient remedy. In this case, as in most, it would be very difficult to prove and quantify the damage that may be suffered, which may accrue over a period of time. In particular, confidential information, once lost, cannot usually be recovered.

⁷⁴ *Telstra Corporation v First Netcom Pty Limited* [1997] ATPR 41-574; on appeal (1997) 78 FCR 132; [1997] ATPR 41-575.

⁷⁵ *Adam P Brown Male Fashions Pty Limited v Phillip Morris Inc* (1981) 35 ALR 625 at 629.

⁷⁶ *SuperStar Australia Pty Limited v Coonan and Denlay Pty Limited* (1981) 57 FLR 118; (1982) ATPR 40-292 at 43,272.

⁷⁷ [2011] NSWSC 1095.

46. In exercising the discretion to grant or withhold injunctive relief, the Court has regard to the circumstances at the date of the hearing [*Kone Elevators Pty Ltd v McNay* (NSWSC, Young J, 10 March 1997, unreported; reversed, but not on this point, 19 March 1997); *Dalysmith Corporation (Aust) Pty Ltd v Cray Personnel Pty Ltd* (NSWSC, Young J, 14 April 1997, unreported, BC9701250)]. Thus even where judged as at the date of the contract a restraint is reasonable, the Court may on discretionary grounds withhold injunctive relief if at the date of hearing there is no protectable interest - for example, if despite contemplation at the date of contract that the employee would have access to confidential information, that did not eventuate. However, it is to be born in mind that restraints of the type contained in the second limb of clause 11 are sought and given because it is recognised that it may be difficult to prove with sufficient specificity the possession of confidential information, and courts should be slow to decline as a matter of discretion to enforce such a restraint, once it is found to be valid when created, on the grounds that it is unclear what confidential information if any the employee in fact possesses: it was to provide certainty and avoid the need for detailed proof of possession and apprehended misuse of confidential information that such clauses are upheld as valid.
47. The scope of the injunction sought will be important in the exercise of the discretion. Where a restraint, reasonable in the circumstances at the date of the contract, can be seen at the date of the hearing to be excessive having regard to the circumstances as they have eventuated, the court may as a matter of discretion decline to grant injunctive relief.⁷⁸ The fact that the injunction was in narrow terms was important to the balance of convenience analysis in *Willis Australia Group Services v Griggs*.⁷⁹ A useful touchstone for the appropriate scope and length of injunctive restraint is the time it would take to set up a business using only the information that is publicly available. As to the springboard doctrine, Gordon J said in *Zomojo*⁸⁰ at [201] – [202]:

201 Equity will restrain a former employee who seeks to use an employer's information as a 'springboard' to gain a head start, even where that information is capable of being independently ascertained: *Terrapin Ltd v Builders Supply Co (Hayes) Ltd* [1967] RPC 375 at 391; *Seager v Copydex Ltd* [1967] 1 WLR 923 at 931-2; [1967] 2 All ER 415; [1967] RPC 349; *Mense & Ampere Electrical Manufacturing Co Pty Ltd v Milenkovic* [1973] VR 784 at 791 and *Deta Nominees Pty Ltd v Viscount Plastic Products Pty Ltd* [1979] VR 167 at 194-5.

⁷⁸ *Otis Elevator Company Pty Limited v John Nolan* [2007] NSWSC 593, [17]-[37]; *Seven Network (Operations) Limited v Warburton (No 2)* [2011] NSWSC 386, [90].

⁷⁹ [2012] NSWSC 659; (2012) 222 IR 172 per Ward J.

⁸⁰ *Zomojo Pty Ltd v Hurd (No 2)* (2012) 299 ALR 621; [2012] FCA 1458.

- 202 The springboard doctrine seeks to prevent the misuse by one party of another's confidential information in order to bring out its own product in a manner or time that it would not otherwise have been able to achieve: *Terrapin* at 391; *Aquaculture Corporation v New Zealand Green Mussel Co Ltd* (1985) 5 IPR 353 at 383; *Dart Industries Inc v David Bryar & Associates Pty Ltd* (1997) 38 IPR 389 at 408-9; *RLA Polymers* at [70]-[75]. The doctrine is founded on a concept of fairness. Parties are free to use information that becomes public so long as they do not take advantage of the 'head start' of having the knowledge ahead of the public: *Aquaculture Corporation* at 383. As Goldberg J said in *Dart Industries* at 408-9:

In short, if a person wishes to design a product without it being alleged the person has used confidential information he must proceed through an independent design sequence and not use confidential information as a springboard to jump through the sequence.

Conclusion

48. Equity will, by interlocutory order, restrain conduct that is in breach of contract to enforce a right to have confidential information kept confidential, or to restrain the breach of express or implied negative contractual stipulation. Restraint of trade clauses also lend themselves to the remedy of injunction, although the enforceability of a particular restraint needs to be considered.

C.D. Wood
2 March 2016