

**A Modified Approach to Breach of Confidence:
I-Admin (Singapore) Pte Ltd v Hong Ying Ting and others [2020] SGCA 32**

I. Executive summary

Can an employer sue a former employee for the mere wrongful copying, abuse and exploitation of protected information, without also having to prove that the employee wrongfully used the information? This was the question before the Court of Appeal (“CA”) in *I-Admin (Singapore) Pte Ltd v Hong Ying Ting and others* [2020] SGCA 32.

I-Admin (Singapore) Pte Ltd (“**I-Admin**”) is in the business of payroll administrative data processing services (“**Payroll Systems**”) and human resource information systems (“**HRIS**”). The former employees in question are Mr Hong Ying Ting (“**Hong**”) and Mr Liu Jia Wei (“**Liu**”). In 2009, the pair, who were frustrated with I-Admin’s software, embarked on a personal venture to develop better payroll software. They secured an investor for their business, and in March 2011 incorporated Nice Payroll Pte Ltd (“**Nice Payroll**”). Hong and Liu also resigned to work for Nice Payroll.

The events in question occurred in February 2013. I-Admin chanced upon Nice Payroll’s website, which was advertising payroll and HR systems in a number of countries that substantially overlapped with the geographical scope of I-Admin’s services. Following the discovery that their former employees Hong and Liu were the directors of Nice Payroll, I-Admin instructed a third-party to conduct forensic investigations into Nice Payroll’s activities.

The forensic investigators recovered a number of I-Admin’s materials which had been deleted from Hong’s laptop and Nice Payroll’s server, including personal data from I-Admin’s clients. It was also discovered that Hong and Liu had circulated some of these materials via email. Subsequently, I-Admin filed suit against Hong, Liu, Nice Payroll, and the investor (Hong, Liu and Nice Payroll collectively the “**respondents**”)¹ for conspiring to start a competing payroll business. Their claim centered around Hong and Liu’s possession and use of I-Admin’s copyrighted and confidential material to develop Nice Payroll. I-Admin argued that these entailed breaches of copyright and confidence.²

The High Court (“**HC**”) held that there was no copyright infringement, and further that the respondents had not breached their obligations of confidence. Dissatisfied with the HC’s decision, I-Admin appealed to the CA. On appeal, the CA agreed with the HC that there had been no copyright infringement. However, the CA considered I-Admin’s argument for a “modern approach” on the breach of confidence claim: instead of requiring proof that the former employees actually *used* the confidential materials, I-Admin argued that their mere *possession* of and act of referring to I-Admin’s confidential materials should be sufficient to prove breach of confidence.

The CA then set out a modified approach for breach of confidence claims. The courts would first consider (1) whether the information in question had the necessary quality of confidence about it, and (2) if it was imparted in circumstances importing an obligation of confidence (this would include situations where the confidential information was accessed or acquired without the owner’s knowledge or consent). Once these two pre-requisites were fulfilled, an action for breach of confidence would be presumed. The burden would then be on the defendants to prove otherwise. Based on this approach, the CA allowed I-Admin’s appeal for breach of confidence, and directed the HC to assess suitable damages.

¹ On appeal, I-Admin decided not to pursue its claims against the investor.

² Generally, one who claims breach of confidence is claiming that the other party breached a duty of confidentiality, e.g. by disclosing sensitive information.

II. Issues on Appeal

The CA considered the following issues:

- (a) Whether there was copyright infringement.
- (b) Whether there was any breach of confidence.

A. *Whether there was copyright infringement*

Under section 26(1)(a) of the Copyright Act, copyright is the exclusive right to “reproduce [a protected] work in a material form” or “make an adaptation of the work”. I-Admin argued, essentially, that (1) the mere fact that Hong and Liu downloaded, possessed and circulated unauthorised copies of I-Admin’s materials³ constituted material reproduction in contravention of the Copyright Act, and (2) Nice Payroll had substantially reproduced and/or adapted I-Admin’s copyrighted materials for financial gain. However, the CA held that I-Admin failed on both arguments.

With regard to the first matter, the CA found that I-Admin had not actually made this claim at the HC. Instead, the general tenor of their pleadings concerned the use of I-Admin’s material for “financial or commercial gain”. Moreover, I-Admin had not sought any relief purely based on mere possession and circulation. I-Admin’s counsel also conceded that the HC’s attention had not been directed specifically towards the claim which rested simply on the fact of copying; had that alternative case been signposted, the trial would have proceeded quite differently. Hence, it would have been prejudicial to the respondents if the CA decided to make a finding of infringement based solely on the issue of possession and circulation.

Regarding the second matter, I-Admin’s claim of reproduction and adaptation of its copyrighted materials for financial gain centered on two Excel documents collectively titled the “Payitem Bibles”,⁴ which Hong had emailed to one of Nice Payroll’s employees (“**Ms Lim**”). To save time and costs on developing Nice Payroll’s own payitem bible, Ms Lim had merged Nice Payroll’s list of payitems with I-Admin’s Payitem Bibles. She did this a few times, until a final version was produced in September 2011.

The CA agreed with the HC that Nice Payroll’s payitem bibles (both the initial drafts and the final version) were not material reproductions of I-Admin’s files: a blank column entitled “Tax Cat”, which was not found in I-Admin’s Payitem Bibles, had been added to Nice Payroll’s initial drafts, while more significant modifications were found in Nice Payroll’s final payitem bible. Thus, the CA held that Nice Payroll had transformed I-Admin’s Payitem Bibles into a new and unique product, and there was no copyright infringement in this regard.

B. *Whether there was any breach of confidence*

(i) Traditional approach

Traditionally, a claim for breach of confidence requires the following:⁵

- the information must be confidential in nature;
- the information must have been imparted in circumstances importing an obligation of confidence; and

³ I-Admin claimed the following infringed materials: source codes for its Payroll Systems and HRIS; databases and other materials constituting the technical infrastructure supporting the Payroll Systems and HRIS; business development and client-related materials; and materials related to its operations, such as documents setting out internal guidelines and policies.

⁴ These were databases of all possible “payitems” that could be included in client payslips for I-Admin’s Singapore customers.

⁵ This approach is based on the landmark English case of *Coco v AN Clark (Engineers) Ltd* [1969] RPC 41.

- there must have been some unauthorised use of that information, to the detriment of the party from whom the information originated.

However, the third requirement – that one must show unauthorised *use* of materials and the resulting detriment – has come under increased scrutiny. This is because there may be circumstances where defendants wrongfully access or acquire confidential information, but do not use or disclose that information. Nonetheless, their actions would have compromised the confidentiality of the information. Why then should courts not have the power to grant relief in such cases?

The CA then considered whether the current law of confidence was sufficiently broad to encompass the myriad ways in which confidentiality might be undermined, by considering three questions: (a) what interests are sought to be protected by the cause of action; (b) the nature of the threat to those interests; and (c) the remedies to be made available where the relevant interests have been infringed.

(a) What interests are sought to be protected by the cause of action?

The CA stated that the purpose of an action for breach of confidence is to protect the complainant’s interest in preventing wrongful gain or profit from its confidential information (“**wrongful gain interest**”). However, the CA also noted that the policy objectives behind the early law of confidence may have extended beyond safeguarding against wrongful gain. For instance, prior cases referred to claim for breach of confidence as arising from an “obligation of *conscience*”. The use of the word “conscience” implied a broader, equity-based rationalisation for the protection of confidentiality, since an obligation of conscience included respect for the confidence of the relevant information, and not just a need to refrain from causing detriment to the complainant. Indeed, the language of “conscience” reflected an interest in preventing a wrong, and protecting complainants from *any* kind of improper threat to the confidentiality of their information.

Thus the CA found that a second distinct interest guided the operation of breach of confidence claims: besides a wrongful gain interest, the law was also interested in protecting the complainant’s interest against wrongful loss (the “**wrongful loss interest**”), which would be suffered so long as a defendant’s conscience was impacted in the breach of obligation of confidentiality.

(b) The nature of the threat to these interests

The question that follows is whether there is a threat to this wrongful loss interest that warrants a more robust response by the law. The CA stated that it may not always be the case that a defendant’s conduct will affect both the wrongful gain and wrongful loss interests. For instance, in this case it was not clearly proven that the respondents had directly profited from their use of I-Admin’s confidential materials. However, this should not detract from the fact that the respondents had knowingly acquired and circulated these materials without consent. Such conduct would have affected the respondents’ *conscience*, invoking the wrongful loss interest, because it was known that the relevant materials had been subjected to an obligation of confidence. Hence, there existed a significant and unchecked threat to the wrongful loss interest.

Furthermore, the CA stated that the vulnerability of the wrongful loss interest was magnified when considered against the backdrop of advances in modern technology. Technology has made it easier to access, copy and disseminate vast amounts of confidential information, often without the knowledge of the owners. This is especially pertinent in the employer-employee context, as employees will often have access to large volumes of confidential business material for the purposes of their employment. Such information could be downloaded for their personal use, or to start a competing business, and the employer would likely be none the wiser for a considerable time. In such situations, it would be nearly impossible for the employers to safeguard information

from all potential wrongdoing, which suggested the need for stronger measures to protect these owners from loss. An undue focus on the wrongful gain interest to the exclusion or diminution of the wrongful loss interest, under the current law of confidence, would mean that those measures were lacking.

(c) The remedies to be made available where the relevant interests have been infringed

The final consideration related to the adequacy of remedies in situations where the wrongful loss interest has been infringed. The CA stated that there was a wide range of remedies available where the wrongful gain interest had been infringed. However, parties that only suffered a violation of their wrongful loss interest may not always be able to avail themselves of these remedies, and might find themselves with limited alternatives. This was compounded by the fact that any wrongful loss suffered (i.e. the dissipation of the confidential character of the information), would not always immediately translate into monetary terms or quantifiable detriment. For instance, the owner of the compromised information may know he has suffered loss but may only be able to speculate as to how this would negatively affect his business or future operations. Thus, such an owner would face difficulties in even a simple claim for damages.

(ii) Modified approach

Based on the above considerations, the CA then set out a modified approach for breach of confidence claims. The courts would consider whether the information in question (1) had the necessary quality of confidence, and (2) was imparted in circumstances importing an obligation of confidence. An obligation of confidence would also be found where confidential information had been accessed or acquired without the complainant's knowledge or consent.

Upon satisfaction of these two prerequisites, an action for breach of confidence would be *presumed*. The presumption could be displaced where, for instance, the defendant came across the information by accident or was unaware of its confidential nature or believed that there was a strong public interest in disclosing it. More significantly, the burden would be on the defendant to prove that its conscience was unaffected.⁶

The CA noted that this modified approach placed greater focus on the wrongful loss interest without undermining the protection of the wrongful gain interest. A shift in the burden of proof also addressed the practical difficulties faced by owners of confidential information in bringing a claim in confidence. For instance, they may often be unaware that someone has done an act inconsistent with their right of confidentiality. Thus, a potential breach could be discovered years after the fact, making it difficult for the owner to collect relevant evidence of such breach. Instead, defendants are comparatively better positioned to account for their suspected wrongdoing.

In this case, it was undisputed that I-Admin's materials were confidential in nature, and the respondents were under an obligation to preserve their confidentiality. Further, the respondents breached this obligation by acquiring, circulating and referencing I-Admin's confidential materials without permission. In particular, Hong had retained and abused confidential log-in credentials to access I-Admin's Demonstration Platform⁷ on multiple occasions.

The CA also noted that while most of I-Admin's materials had been downloaded and brought over to Nice Payroll by another former employee of I-Admin, Hong and Liu could not feign ignorance as they were heavily involved in Nice Payroll's software development and operations. Furthermore,

⁶ Prior to this case, the burden of proof fell on the complainant, i.e. he or she would have to convince the court that the other party had wrongfully acquired and used the confidential information.

⁷ The Demonstration Platform gave Hong access to some of the functionalities of I-Admin's live system, such as its payitem details, reports and formats for its customers.

the mass deletions of I-Admin's materials from Hong's laptop and Nice Payroll's server during the forensic investigations demonstrated that Hong and Liu were clearly aware that they were not allowed to be in possession of those materials. On these facts, the CA found that the respondents had failed to displace the presumption that their conscience was negatively affected.

(iii) Appropriate remedy

With regard to the appropriate remedies for I-Admin, the CA first noted that the courts had discretion in determining the remedies for breach of confidence. A number of possible remedies were suggested, namely: an injunction, an order for "delivery up" of unauthorised copies of I-Admin's materials, and an account of profits and/or damages. However, the CA found that neither an injunction nor a delivery up order would be appropriate here, as both remedies would not set right the loss that I-Admin had already suffered due to the respondents' conduct. An account of profits was also inappropriate as there was no finding of actual use of I-Admin's materials.

Instead, the CA held that I-Admin should be awarded equitable damages, as this gave the court flexibility to determine the manner in which damages should be assessed. The CA noted that the respondents saved themselves the time and trouble of developing Nice Payroll's software and business materials from scratch, because they were able to refer to and even extract content from I-Admin's confidential information, i.e. they used I-Admin's materials as a "spring-board" to create their own intellectual property. This saved the respondents the expense of compiling the information themselves or having to engage additional staff to do so.

In remitting the question of the precise measure of damages to the HC, the CA noted that the HC should consider the additional cost that would have been incurred by Nice Payroll to create the different elements of its payroll software without any reference to I-Admin's materials, as well as the reduction in time taken to set up Nice Payroll's business, allowing it to commence profit-making earlier. Taken together, these matters would provide a quantifiable impression of the value of I-Admin's information to the respondents.

III. Lessons Learnt

This modified approach is likely to be welcomed by owners of confidential information, especially digital information that is easily transferable and replicable. This approach would also reduce the problem with regard to the impracticality of obtaining evidence of unauthorised use of confidential information, thus speeding up the recovery process for owners of such confidential information.

Written by: Jill Phua, 2nd-year LLB student, Singapore Management University School of Law.
Edited by: Ong Ee Ing (Senior Lecturer), Singapore Management University School of Law.