

EFFEM FOODS PTY V. Trade Consultants 3.3.8

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THE HIGH COURT OF NEW ZEALAND
AUCKLAND REGISTRY

C.P. 139/89

BETWEEN EFFEM FOODS PTY LIMITED
First Plaintiff

AND EFFEM FOODS LIMITED
Second Plaintiff

AND TRADE CONSULTANTS LIMITED
First Defendant

AND BEST FRIEND PET FOODS LIMITED
Second Defendant

Hearing: 21, 23 February, 1989

Counsel: R.W. Worth for first and second plaintiffs
B.R. Latimour and G. Wilkin for first defendant
J.R.F. Fardell and M.N. Dunning for second defendant

Judgment: ~~2~~³ March, 1989

JUDGMENT OF BARKER J

The plaintiffs seek the following orders -

- "1. An interim injunction to issue restraining the first defendant from releasing confidential information gained in the course of its engagement by the plaintiffs to the second defendant and/or any other third parties.
2. An interim injunction to issue restraining the second defendant from releasing confidential information gained from the

first defendant relating to the business and activities of the plaintiffs.

3. An interim injunction to issue restraining the second defendant from utilising the services of the first defendant in connection with the advancement of a complaint by the second defendant to the Ministry of Commerce."

Originally the plaintiffs applied for these interim injunctions ex parte - without notice to the defendants. Hillyer J, very properly in my view, declined to make any ex parte order and required the application to be made on notice.

Lengthy affidavits were filed by all parties. The first and second defendants indicated through counsel at the hearing that they were prepared to give undertakings to the Court covering the relief sought in the first two claims for interim injunction. Such undertakings would be without prejudice to their rights and with no admission of liability. Consequently, the argument was solely concerned with the plaintiffs' third claim for interim injunction which both defendants hotly contested. For the sake of convenience, I shall in this judgment refer to the plaintiffs as FM, the first defendant as TCL and the second defendant as BF.

The essential facts are as follows. The first plaintiff is a private company incorporated in Australia; it manufactures canned pet food in Australia and exports it

to New Zealand . The second plaintiff is a New Zealand registered company which acts as agent for the first plaintiff; it imports and distributes the first plaintiff's products in New Zealand. Both plaintiffs are subsidiaries of Mars Inc, a large private company in the United States.

TCL is a company which specialises in advising and assisting importers and exporters in their dealings with New Zealand Government agencies, particularly in relation to legislation and regulations concerning international trade, such as anti-dumping legislation. TCL was engaged by FM and other Mars subsidiaries from the early 1970's until 26 January 1988 when TCL terminated the relationship. FM claims that, for most of this period of its engagement of TCL, it had virtually no employees in New Zealand. It placed total reliance on TCL as its advisor on all matters relating to its operations in New Zealand. It claims that TCL thus became intimately involved with its business, including its operation, philosophy and marketing strategies. FM also claims that TCL acquired confidential information concerning FM's plans and financial projections for its New Zealand operations. There was no contract of retainer.

In January 1988, TCL accepted a retainer from BF, a New Zealand manufacturer and supplier of canned pet food and a subsidiary of Goodman Fielder Wattie Limited.

FM seeks by interim injunction to prevent TCL acting on behalf of BF in relation to a dumping complaint laid by BF against FM with the Ministry of Commerce on 29 September 1988. This complaint was made under the Dumping and Countervailing Duties Act 1988 ('the Act') or its statutory predecessor. In very general terms, the Act involves an investigation by the Minister into allegations of "dumping" goods into the New Zealand market to the detriment of the New Zealand market and producers. If dumping were established, anti-dumping and countervailing duties would be imposed on FM's products. The complaint was accepted by the Ministry. Both parties have supplied confidential and non-confidential memoranda to the Department as envisaged by the Act. The Minister is bound to release a preliminary determination on the complaint by 21 March, 1989 (i.e. 90 days from the acceptance of the complaint). A final determination has to be made to the Minister within a further 90 days.

The defendants' offer of undertakings not to use any confidential information belonging to FM is not sufficient for FM; it pursues its application for an injunction which would have the effect of taking TCL "off the case" i.e. the dumping complaint currently before the Minister. Such an injunction can only be considered on the basis that either (a) FM apprehends on reasonable grounds that confidential information will be disclosed, despite the undertakings - i.e. a quia timet injunction, or (b) the relationship between FM and TCL was such that equity

requires that TCL not act for a business rival against FM in a matter as vital as a dumping investigation. The causes of action pleaded by FM include breach of contract and breach of fiduciary duty and fidelity.

It becomes necessary to relate some detail. The amount of detail contained in the affidavits was more appropriate for a substantive hearing; I shall refer only to such matters essential to the determination of the interim injunction application.

The beginning of the end of the relationship between the plaintiffs and TCL came in late August 1987 when, after a meeting between Mr Painter, the principal director of TCL, and Mr Neilson of FM, it was agreed TCL would no longer act on an ongoing basis for FM; it would in future act only as and when required by FM, unless specifically instructed to the contrary. TCL was, however, to complete various current matters.

On 26 January 1988, in a letter to a Mr Claringbould, general counsel to FM in Melbourne, Mr Slocum of TCL referred to the August 1987 discussions and letters; he stated that, since then, TCL's involvement with FM had been negligible; he advised that BF, through its parent company, wanted to engage TCL on a formal and regular basis which could entail possible conflict with FM; he therefore proposed to terminate TCL's relationship with FM.

Mr Claringbould replied on 3 February, 1988 asking for an assurance that TCL would not, directly or indirectly, make, use of or disclose any of the confidential information of the Mars Group to any person. He suggested that TCL treat all information as confidential, unless absolutely sure that it was not. To avoid the possibility of inadvertent disclosure, he sought the return of all documents held by TCL relating to the Mars Group, plus an assurance that TCL would not act for Goodman Fielder Wattie on any matter which might reasonably be expected to conflict with the interests of the Mars Group.

Mr Claringbould wrote further on 5 February 1988 expressing concern at a possible dumping dispute involving Goodman Fielder Wattie and FM; in that event, the Mars Group would be firmly opposed to TCL acting for Goodman Fielder Wattie.

On 17 February 1988, Mr Painter wrote to Mr Claringbould stating in his view, that none of the information TCL had received from FM could be classed as confidential; he said that the greater part comprised matters of public record. He expressed concern that FM had not supplied relevant information to TCL to enable it properly to advise FM. He was arranging for all files to be returned to Mr Claringbould. He offered the alternative of arranging their destruction. He declined to provide undertakings that TCL would not act for competitors of FM. The letter

concluded with the words "however, to the extent that we might act for any competitor of the Mars Group we would not, as a matter of course, make use of information deemed to be confidential to Effem Foods Pty Limited".

Mr Claringbould had a telephone conversation on 10 February 1988 with Mr Painter which preceded this letter. Mr Painter was unable to advise Mr Claringbould whether he was acting for Goodman Fielder Wattle in relation to matters directly opposed to FM and in particular the dumping complaint, on the grounds that he could not disclose clients' confidential information. He asserted that, whilst he had had discussions about dumping with FM employees, these discussions were limited to matters of general principle only; he was not given specific figures in relation to products imported into New Zealand; consequently, he was not able to pass a final opinion whether FM was dumping or not.

When Mr Painter made the offer to return the files, he opined that a perusal of the files would indicate minimum confidential information to which TCL had had access. The files were returned to Mr Claringbould in Melbourne on 12 March 1988.

In October 1988, FM became aware that a dumping complaint had been lodged by BF with the Ministry of Commerce in Wellington in regard to "Whiskas" pet food which it manufactures in Australia and sells in New Zealand. The

solicitors for the plaintiffs wrote to TCL on 13 October 1988 asking for an assurance that it was not representing and would not represent BF or any other Goodman Fielder Wattie subsidiary in relation to the dumping complaint. FM claimed that no reply was received until after a reminder letter dated 26 January, 1989. TCL claimed it had replied direct to the plaintiffs' solicitors on 13 October 1988. In that reply and in the further reply from its solicitors of 27 January 1989, TCL claimed it was aware of the need to maintain confidentiality. It had returned all the files relating to the Mars Group and that its subsequent relationship with Goodman Fielder Wattie did not involve any breach of confidentiality. TCL's solicitors' letter asked for express details of alleged breaches of confidential information.

Mr Claringbould claimed that no action was taken against TCL in October 1988, because of a lack of direct evidence of TCL's involvement with the dumping complaint; this evidence did not come until he received on 19 January 1989 a copy of a letter from TCL to the Ministry of Commerce dated 9 December 1988. The letter made it abundantly clear that TCL was actively acting against FM in the dumping complaint. For example, the letter stated -

"Since January 1988 Effem has undertaken the selling and promotion of Whiskas in New Zealand and spent heavily on personnel and trade and consumer promotional expenditure. For example in media expenditure alone excluding promotional allowances paid to retailers the proportion of Effem sales volume to BF sales volume in the

first six months of this year was ..% and yet the proportion of Effem's advertising expenditure to BF's advertising was ..%.

To lessen the resultant loss of market share BF has been forced to match Effem's substantial selling and promotional expenditure. For the year ended June 1987 BF's trade and consumer expenditure was ... To maintain market share this was increased to ... in the year ended June 1988 and is budgeted to exceed ... in the year ending June 1989."

The returned files spanned a period from 1982 to 1987 only. According to Mr Claringbould, they do not include the correspondence relating to the termination of the arrangements in early 1988. They consist of 13 manila folders, a separate file labelled "Uncle Ben's P.R" and another file labelled "Uncle Ben, Mars". There are also papers relating to litigation in Wellington between FM and the Crown in 1987. Files relating to Mars Confectionary and Masterfoods, other divisions of FM, were also returned. No files were returned for the period prior to 1982; there was no explanation for this omission.

Evidence of alleged confidential information to be found in the returned documents is supplied in an affidavit from Mr P.D. McPherson, international marketing manager of Uncle Ben (the controlling organisation for FM). Although authorised by FM to make the affidavit, it is clear that Mr McPherson was not involved in any significant way in any of the matters on which TCL was instructed. Accordingly, much in his affidavit is hearsay. I shall return later to his analysis of the returned files.

Mr McPherson makes bald statements in his affidavit to the effect that TCL was kept informed of significant and highly confidential information concerning FM's proposed plans for and conduct of its operations in New Zealand. He claims TCL was provided with detailed and confidential information concerning the Mars Group's plans and financial projections for its operations in New Zealand to enable TCL to conduct various negotiations on behalf of FM and the Mars Group generally with Government departments and other authorities in New Zealand.

I find such hearsay evidence unacceptable. Rule 252, in a proviso, states that the Court may accept statements of belief in an affidavit where the interests of justice so require. The grounds of belief must however be given. The proviso to Rule 252 is akin to Rule 185 of the Code of Civil Procedure which authorised statements of belief in interlocutory affidavits; Shorland J said of that rule in Patrick v Attorney-General [1957] NZLR 228 230 -

"But I cannot state too strongly that the Rule is not to be construed as giving a party a right to file affidavits which include hearsay evidence, but it is to be construed as giving the Court power in proper cases to grant a party the concession of placing hearsay evidence before the Court where the cost, delay and inconvenience in obtaining an affidavit from the deponent in whose knowledge such matters are would be out of proportion to the reasonable necessities of the case."

I see no reason why this principle should not apply to Rule 252. In the present case, one would have thought it

relatively easy for the plaintiffs to have obtained affidavits from those executives of FM who had dealt directly with TCL over the years. These persons could have stated from their own knowledge - at least in general terms - what confidential information had been given by them to TCL. If necessary, appropriate safeguards could have been sought from the Court to ensure that any confidential information was neither given to the second defendant nor rendered available for public search.

Only one acceptable affidavit containing such information was filed for FM - from a Mr Newby; he had been employed as general counsel by Mars from 1977 until 1983; he was later a director of FM and consultant to Mars from 1983 until April 1987. He spoke of a number of meetings with Mr Painter and Mr Slocum of TCL in which dumping issues were discussed; particular emphasis was given by TCL to advertising and promotional expenditure for the purpose of relevant New Zealand legislation. In a facsimile of 22 April 1986, Mr Newby made clear to Mr Painter that the implications of advertising and promotional expenditure on New Zealand dumping legislation. Mr Newby sought from TCL a clear understanding of New Zealand legislation and its application from the standpoint of Mars' Australian business units. He believed that TCL was involved in discussions concerning the mechanics by which products were to be invoiced between FM in Australia and FM in New Zealand. He believed that information given by him "and other employees" (unspecified) of Mars gave TCL

significant insight into the Mars Australian business units' planning for marketing of its products in New Zealand and into the basis of conducting their New Zealand operations.

Mr Newby's affidavit of what he told TCL is acceptable. Mr McPherson's evidence of what other unspecified persons in the FM organisation told TCL is not.

I now consider the various documents returned to Mr Claringbould by TCL. Mr McPherson purports to provide extracts or synopses of these various documents to show that the information disclosed in the documents is confidential. He does not even exhibit one of them.

I should have thought it appropriate for Mr McPherson to have produced at least samples of the principal documents instead of his own subjective selection of extracts. It is trite law that the best evidence of a document is the document itself. Normally production of a document will only be excused if it can be shown that the original document has been lost. I accept that it would not have been practicable for Mr McPherson to have exhibited all the numerous documents on an interlocutory application. However, had the principal ones been exhibited, counsel and the Court would then have assessed the claim for confidentiality more accurately; the Court could check the accuracy of the extracts given by Mr McPherson in his affidavit and could see where and how the extracts fitted

into the context of the entire documents.

If documents related to the dealings of particular executives of FM, such as Mr Newby, then those documents would more appropriately have been annexed to affidavits from Mr Newby or others. As indicated earlier, in sensitive commercial cases, the Court is quite used to ensuring confidentiality of information which should not be supplied to business rivals or the public. I have no doubt that appropriate arrangements could have been made in this case. None were sought.

As indicated, the files are concerned with the period from 1982 onwards. Although no explanation came from TCL for the non production of files before 1982, any confidential information prior to 1982 is probably so out of date in relation to marketing strategies and production costs so as to not be of great importance in 1989.

I do not find it necessary to go through the details of the confidential information alleged by Mr McPherson to be disclosed in the returned files. Nor do I find it necessary to go through the detailed critique of that information contained in Mr Painter's affidavit to which Mr Latimour referred in his submissions.

I assume that there is some confidential information shown on the files - an assumption not easy to make because FM's evidence on this point (other than Mr Newby's affidavit)

is presented in an unacceptable way. I then consider whether a 'serious question to be tried' has been made out for either a quia timet injunction or for an injunction based on the previous relationship between FM and TCL.

I assume from Mr Newby's affidavit and from the selected extracts in Mr McPherson's affidavit that at least some of the information on the files is prime facie confidential and possibly relevant to the dumping investigation; for example, (a) information relating to FM's advertising budget in relation to sales over a 6 year period from 1985 to 1990; (b) FM's strategy in preparing an advertising budget when launching a new product in a new market; (c) information about the proposed establishment of a manufacturing plant by FM in New Zealand in 1983; (d) information given to TCL about FM's promotion and advertising capital investment over a period ending in 1990; (e) information about FM's profit margins given in early 1986.

I assess FM's claim to a quia timet injunction in the light of the following factors -

- (a) There is no suggestion that TCL still retains any of FM's files;
- (b) Any confidential information would now only be in the memory of TCL personnel;

- (c) In the absence of any written record, any memory of detailed matters could not be particularly helpful in an investigation where accuracy is all important;
- (d) Professional and semi-professional persons who obtain much detailed information about client's affairs are commonly unable to remember exact information without some form of written record as an aide memoire;
- (e) The detailed work on the dumping complaint is being done by a Mr Croft of TCL; who had no involvement with FM; however, Mr Painter who did have involvement with FM must take overall responsibility as principal director;
- (f) Much information concerning FM's activities is available from a number of sources, such as trade magazines, specialised marketing consultants, government statistics and the like.
- (g) Mr Croft and Mr Ibbitson, a former employee of Mars, now employed by BF, have outlined in detail their methodology in compiling the information about the dumping complaint; TCL made no claim to use confidential information held by TCL about FM. Mr Ibbitson appeared to have utilised certain information obtained by him when an FM

employee. He has not been sued by FM; therefore it is not appropriate for me to assess whether his conduct in that regard is actionable;

- (h) FM's non-confidential submission to the Minister is stated to be based on the 1988 calendar year - a year when TCL had no contact with FM;
- (i) Both defendants are willing to give undertakings that they will not breach confidentiality;
- (j) The inability of FM to give details of confidential information that it alleges TCL will use in the dumping complaint.

As against these factors which favour the defendants, I balance the following factors favourable to FM.

- (a) TCL's letter to the Department of Commerce shows that TCL was definitely acting against its former client in a positive way;
- (b) The procedure under a dumping enquiry is of an inquisitorial rather than an adversarial nature (see judgment of Gault J in Kerry (New Zealand) Limited v Taylor (C.P.1614/88, Auckland, 2 November 1988). Consequently, there must be potential for the undetected disclosure of confidential information because of the ability

of a party to a dumping dispute to make confidential representations;

- (c) The "springboard" principle, well known in intellectual property law, i.e. that the recipient of confidential information gains an advantage over others by reason of his basic knowledge of the confidant's position, even though that basic knowledge might be obtainable from other sources, (see Coco v A.M. Clark Engineers Ltd (1969) RPC 41, 47 and Terrapin Limited v Builders Supply Co Hayes Limited (1960) RPC 128, 130). Information may be confidential, even though it is generally available in the public arena, because of the context in which the information was passed from A to B. (Cranleigh Precision Engineering Limited v Bryant (1964) 3 All E.R. 289.

However, it has been said of a former employee that he violates no obligation express or implied by using in the service of others general knowledge of the former employer's scheme of organisation and methods of business. See Herbert Morris Ltd v Saxelby (1916) AC 689, 703-4 per Lord Atkinson.

- (d) An affidavit from a Mr Day in Canberra, a trade consultant in Australia employed by FM, spoke of

a conversation with Mr Painter on 6 October, 1988 about the dumping complaint. Mr Painter indicated that he had difficulty in demonstrating in the dumping complaint that BF had sustained material injury attributable to FM or anyone else. He said that BF had improved profitability, reduced employees, increased plant investment which gave rise to improved productivity and decreased production costs. Mr Painter was then recorded as saying that there was a substantial margin of dumping by FM which was evidenced by its propensity for large advertising and promotional allowances. He stated that did not believe there was a conflict of interest in the absence of a brief or retainer from FM and that BF would "stand by" TCL if FM instituted any proceedings. Mr Painter in reply claimed that no inference should be drawn from Mr Day's statement that there had not been material injury suffered by BF. He claimed that the reference to BF's improved profitability came from the non-confidential copy of the complaint. He has no recollection of any statement about BF standing by TCL.

By consent, there was placed before me correspondence in which the defendants' solicitors asked the plaintiff's solicitors for details of the confidential information

which the plaintiffs claimed was going to be misused by the defendants. No details came in response to this request. FM pointed to the difficulty in enforcing undertakings of confidentiality and to the lack of understanding by the defendants of their obligations.

The law applicable to quia timet injunctions in this context was summarised by Smellie J in Amalgamated Wireless Australasia Ltd v Dars & Ors (C.P.1274/87, Auckland Registry). The learned Judge referred to the ability the Court should have to define the precise nature of the confidential information which it is sought to protect and to identify with some particularity the disclosure or use alleged against the defendants. See Pioneer Concrete Services Ltd v Galli (1985) 4 IPR 227, 241-2. I refer also to the decision of the High Court of Australia in O'Brien v Komesaroff (1981-82), 150 CLR 310 where Mason J (as he then was), delivering the principal judgment of the Court, said at 328 of that plaintiff -

"He has persisted in making a global claim for protection that covers the entirety of the schemes that were evolved and the entirety of the documentation by which they were implemented. He is not entitled to that protection and accordingly his claim must fail."

Earlier, at p.326, Mason J made the point that the respondent had consistently failed to identify the particular contents of the documents which (he asserted) constituted information, the confidentiality of which he was entitled to protect. The consequence was that the

plaintiff had failed to formulate a basis on which the Court could grant him relief on the assumption that some part or parts of the document constituted confidential information.

Mason J relied on the judgment of Brightman J (as he then was) in Amway Corporation v Eurway International Limited, (1974) RPC 82, 86 -

"I asked the plaintiff's counsel if he could point in his literature to some particular piece of information which he said was confidential and which he claimed the defendants were wrongly using. He told me that he pointed to nothing in issue here but as to the entirety of the plaintiff's documentary material which is in evidence. It seems to me that a claim for abuse of confidential information cannot really be dealt with in that way. If I made an order restraining the defendants from using for their own purposes any of the documentary material contained in the plaintiff's business literature but did not identify the particular information that the defendants are not to impart I would be placed in a most embarrassing situation. I do not know how they could decide what business methods, literature or paperwork to avoid using in order to keep clear of contempt of Court, and I think that is an insuperable difficulty in the plaintiff's claim under this head."

Balancing the various factors mentioned and noting the undertakings given by the defendants, I cannot find that there is a serious question to be tried for a quia timet injunction; I cannot find it proved that the defendants are likely to use FM's confidential information. The burden can sometimes be satisfied by showing an overwhelming likelihood that a defendant cannot avoid using confidential information. See Brown & Grant 'Law

of Intellectual Property in New Zealand '(1989) at para 8.30 and the authorities there cited. I cannot find any overwhelming likelihood here.

Moreover, FM's claims are not assisted by the lack of specificity as to the confidential information at risk. Vague general claims must be looked at critically, Eng Mee Yong v Letchumanan [1980] A.C. 331, 341.

I look now at the alternative basis for the injunction, namely, that the relationship between FM and TCL was such as to preclude TCL acting against FM on a dumping complaint.

I note from a consideration of the Act, that a dumping complaint involves a constant and increasing accumulation of information; there is a statutory requirement that a preliminary determination be made within 60 days, with a possible extension to 90 days (as is the case here). The status of such an investigation was dealt with by Gault J in the Kerry case to which I have referred.

The starting point is a consideration of the obligation remaining one party to the other when a confidential relationship ceases. The duty has been expressed in various ways; it applies in various situations, such as former employee and former employer, former director and company, former solicitor and former client.

The general situation was succinctly stated by Fletcher Moulton LJ in Rakusen v Ellis Munday & Clarke (1912) 1 Ch 831, 839 in these words -

"In almost all businesses there must be persons in such confidential relation to the employers or to the people who are employed by them for the purposes connected with the business that the knowledge which they acquire is not knowledge at their own disposal but consists substantially of the secrets of their employer. Such employments come to an end, sometimes at the choice of the master, sometimes at the choice of the servant and thereupon difficulties necessarily arise because the person who is no longer in employment still has in his breast secrets which are the property of his past employer. The view that the law takes of the rights of the parties in that position is too clear to be disputed. The employee is quite free to go into the service of people who may be the rivals or the opponents of his former master. The law does not say that the possession of those secrets shall cripple his work or sterilise it. He may go into employment quite inconsistent with the employment which he had in the past. All that the law says is you shall not disclose or put at the service of your new employer the secrets that belong to your old employer." (Emphasis added)

That case was concerned with the duty of a solicitor to his former client. However, Fletcher Moulton LJ pointed out that the fundamental principle remains the same whether the Court is concerned with a former solicitor or with any other case of confidential relationship. However, the duty imposed on a former solicitor is higher because -

- (a) The degree of the confidential character of the relationship and of the communications made by the client to the solicitor are in law of the highest order - so high that the solicitor has

absolute privilege and cannot be made to state what passed between him and his client;

- (b) The Court fixes a higher standard for the behaviour of its own officers than it would be practicable to exact from persons in other types of confidential relationship.

Therefore, in deciding the duty of confidentiality of a solicitor, the Court does not start fundamentally from a different rule; however, the standard of behaviour imposed on a solicitor may be stricter. The Court must act according to the circumstances of each case.

Fletcher Moulton LJ said that the Court will not interfere unless there is a case where mischief is rightly to be anticipated. Further he said at 341 -

"I do not say that it is necessary to prove that there will be mischief, because that is a thing which you cannot prove, but where there is such a probability of mischief that the Court feels that in its duty as holding the balance between the high standard of behaviour which requires of its officers and the practical necessities of life, it ought to interfere and say that a solicitor shall not act."

A less strict view of the general obligation of confidentiality is seen in the employer/employee cases. In general, an employee is permitted to terminate his employment and work for a rival of his former employer, providing there is no contract in restraint of trade. An

employee's obligations were summarised by me in CBA Finance Holdings Limited v Hawkins & Ors (A.156/84, Auckland, judgment 2 April 1984) at p.13 of the unreported judgment as follows -

"In general terms the cases show that an employee has a continuing fiduciary duty extending after the date of termination of his employment in the following kinds of situation.

1. Where the employee is using or seeking to use the employer's confidential information;
2. Where the employee is actively canvassing customers of his former employer and/or using lists of customers and the like;
3. Where the employee has during his former employment set up some business transaction or engineered some advantage which he then proceeds to use for his own end after he has left the employ of the employer."

The above summary was adopted by Davison, CJ in Pacific Shipping Co Ltd v Andersen (1986) 2 NZLR 328, 338.

The term 'confidential information' applies to information with a sufficiently high degree of confidentiality as to amount to a trade secret. It does not cover information which is confidential in the sense that unauthorised disclosure to a third party while the employment subsisted would be clearly a breach of good faith. See Faccenda Chicken Ltd v Fowler (1986) 1 All E.R. 617, 625-6.

I place TCL's duty of confidentiality to FM as higher than of an ordinary employee but less than that of a solicitor. Emphasis was made by counsel of the fact that

TCL has a specialised knowledge of dumping procedures and is virtually the only consultant of its sort in New Zealand; the nature of its consultancy brings it into contact with the most intimate business secrets of a client. Clearly, therefore, it has a higher obligation of confidentiality to its ex-clients than most employees have to their ex-employers.

The cases involving solicitors acting against former clients can be of assistance, even though the relationship there called for a higher standard than was required of TCL.

A helpful decision is that of Bryson, J in the Supreme Court of New South Wales in D & J Constructions Pty Ltd v Head & Ors (trading as Clayton Utz), (1987) 9 NSWLR 118. In that case, the plaintiff sought an order restraining a firm of solicitors from acting for a party against whom the plaintiff was opposed in other litigation. Bryson J followed Rakusen v Ellis (supra) as to the proper legal basis for restraining a solicitor from acting for the opposite side after acting for one party before or during litigation. He quoted Cozens-Hardy MR at 835 viz -

"...we must treat each of these cases, not as a matter of form, not as a matter to be decided on the mere proof of a former solicitor acting for a client, but as a matter of substance; before we allow the special jurisdiction over solicitors to be invoked, we must be satisfied that real mischief and real prejudice will in all human probability result if the solicitor is allowed to act."

Bryson J later urged a cautious attitude to any proposal that would allow a solicitor to act against a former client; he added words very salutary for large professional firms which frequently find themselves in a conflict of interest situation -

"I would think that the Court would not usually undertake attempts to build walls around information in the office of a partnership, even a very large partnership, by accepting undertakings or imposing injunctions as to who should be concerned in the conduct of litigation or as to whether communications should be made among partners or their employees. The new client would have to join in such an arrangement and give up his right to the information held by such parties and staff as held it. Enforcement by the Court would be extremely difficult and it is not realistic to place reliance on such arrangements in relation to people with opportunities for daily contact over long periods, as wordless communication can take place inadvertently and without explicit expression, by attitudes, facial expression or even by avoiding people one is accustomed to see, even by people who sincerely intend to conform to control."

Bryson J considered caution appropriate because the spectacle of a lawyer readily changing sides is subversive of the appearance that justice is being done. The Court has to weigh the facts and assess the risks in the eye of reality, disregarding theoretical risks; when there is no confidential information in written form and there never was a relationship of solicitor and client with any partner, the appearance of the matter did not provide a basis for the Court to assume control over the retainer. Bryson J declined to make an order from restraining the solicitors from acting against the former client.

The D & J Constructions' case provides a more helpful analysis than that in the Canadian case cited by Mr Worth - Lukic v Urquhart (1984) 45 CPC 19.

In the absence of any evidence of TCL having engineered any business opportunity whilst still employed by FM, in the absence of TCL still retaining any documents of FM's in the face of the defendants' undertakings not to disclose any confidential information, looking at the matter with the eyes of business reality, I cannot find any basis for ordering that TCL cease to act against the plaintiffs in the dumping complaint. I cannot find a 'serious question to be tried'. Even if there were, the following factors would weight the balance of convenience in favour of the defendants.

- (a) The fact that any decision must of necessity be a final decision; this case could not come on for a substantive hearing until after the dumping complaint has been finally resolved within the narrow statutory time frame. Where the grant or refusal of an interlocutory injunction will have the effect of putting an end to the proceedings, the Court should bear in mind (inter alia) that to grant the injunction would give the plaintiff judgment without permitting the defendant the right of trial, Cayne v Global Natural Resources plc (1984) 1 All E.R. 225, 238;

- (b) The dumping investigation is part of the law in this country; the Minister is entitled to seek confidential information direct from FM;
- (c) BF is entitled to be advised by knowledgeable persons, such as TCL, making the order sought would be to breach the contract between TCL and BF. BF would then have difficulty in obtaining advice in such a short time (short because of the statutory framework);
- (d) There is no evidence both as to what exactly are documents over which confidentiality is claimed or that confidentiality is likely to be infringed;

The application for interim injunction will therefore be dismissed. Costs reserved.

I record that the defendants are to file their undertakings with the Court as a matter of record. No doubt the defendants will be advised as to the consequences of any breach of an undertaking given to the Court.

I considered that the parties required my decision as soon as possible. For that reason, I have refrained from mentioning all the detailed and careful arguments addressed to me by all three senior counsel. All have been considered.

Solicitors: Simpson Grierson Butler White, Auckland, for
plaintiffs
Bell Gully Buddle Weir, Auckland, for first
defendant
Russell McVeagh McKenzie Bartleet & Co,
Auckland, for second defendant

NZLR

IN THE HIGH COURT OF NEW ZEALAND
AUCKLAND REGISTRY

C.P. 139/89

BETWEEN EFFEM FOODS PTY LIMITED

First Plaintiff

AND

EFFEM FOODS LIMITED

Second Plaintiff

AND

TRADE CONSULTANTS
LIMITED

First Defendant

AND

BEST FRIEND PET FOODS
LIMITED

Second Defendant

JUDGMENT OF BARKER J
