THE EQUITABLE ACTION FOR BREACH OF CONFIDENCE: IS INFORMATION EVER PROPERTY?

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The contemporary debate as to whether the action for breach of confidence protects a property right in information, or the relationship of confidence itself, is the direct result of the historical uncertainty as to whether the action enforces legal or equitable rights. It is the view of the present writer that the proper rationalization of the case law is that the action for breach of confidence enforces a broadly-defined duty of good faith arising out of a proven relationship of trust or confidence. It neither protects nor acknowledges legal or equitable property rights in the information transmitted within that relationship.

The action is conventionally considered to have originated in the mid-nineteenth century in a famous trio of cases.[1] From the outset, its jurisdictional basis was never clearly enunciated. As Turner, V.C. said in *Morison* v. *Moat*:

> That the court has exercised jurisdiction in cases of this nature does not, I think, admit of any question. Different grounds have, indeed, been assigned for the exercise of that jurisdiction. In some cases it has been referred to property, in others to contract, and in others, again, it has been treated as founded upon trust or confidence; meaning, as I conceive, that the Court fastens the obligation on the conscience of the party, and enforces it against him in the same manner as it enforces, against a party to whom a benefit is given, the obligation of performing the promise on the faith of which the benefit has been conferred. But upon whatever ground the jurisdiction is founded, the authorities leave no doubt as to the exercise of it.[2]

It is this fundamental confusion as to whether the action has an equitable or legal basis which runs through the early case law.

It has only become clear in the last thirty years that a suit for breach of confidence will lie in Equity, where there is no contractual relation, express or implied, between the parties. As Professor Gareth Jones has explained:

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[1] *Abernethy* v. *Hutchinson* (1824) 1 H. & Tw 28; *Prince Albert* v. *Strange* (1849) 1 H. & Tw.1.; *Morison* v. *Moat* (1851) 9 Hare 241.

[2] *Supra* n. 1 at 255.

> [T]he basis of the restitutionary claim is no longer implied contract or property but a broad equitable duty of good faith, namely, that he "who has received information in confidence shall not take unfair advantage of it"; . . . and that this principle is wide enough to protect the plaintiff who imparts, in confidence, any confidential information whatever its substance. . . .[3]

This purely equitable duty arises from a special relationship of trust or confidence which exists between confidant and discloser. Lord Greene, M.R. in *Saltman Engineering Co. Ltd.* v. *Campbell Engineering Co. Ltd.* explained the nature of the obligation:

> If a defendant is proved to have used confidential information, directly or indirectly obtained from a plaintiff, without the consent, express or implied, of the plaintiff, he will be guilty of an infringement of the plaintiff's right.[4]

Where no contractual relation exists, three elements must be established to sustain the action: first, the information itself must have the necessary quality of confidence about it; secondly, the information must have been imparted in circumstances importing an obligation of confidence; and thirdly, there must be an unauthorized use of that information.[5]

Although in recent years the action has been authoritatively based in the exclusive jurisdiction of Equity,[6] the analysis which asserts that a proprietary right in information, that is, a legal right, is the basis of the action still asserts a great influence over the exercise of the jurisdiction. This analysis influences the contemporary action to such an extent that the English Law Commission comments:

> The cases show . . . that the courts do not confine themselves to purely equitable principles in solving the problems which arise in breach of confidence cases and it would seem more realistic to regard the modern action as being sui generis.[7]

And it is being argued in Australia that "what has happened in the case

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[3] G. Jones, "Restitution of Benefits Obtained in Breach of Another's Confidence" (1970) 86 *L.Q.R.* 463 at 466.

[4] (1948) 65 R.P.C. 203 at 213.

[5] *Coco* v. *A. N. Clark (Engineers) Ltd.* [1969] R.P.C. 41 at 47-48.

[6] In *Saltman Engineering Co. Ltd.* v. *Campbell Engineering Co. Ltd.* *supra* n. 4 at 211, *per* Lord Greene, M.R.: "the obligation to respect confidence is not limited to cases where the parties are in contractual relationship". In *Duchess of Argyll* v. *Duke of Argyll* [1967] Ch. 302 at 322 *per* Ungoed-Thomas, J.: "These cases, in my view, indicate (1) that a contract or obligation of confidence need not be expressed but can be implied . . . (2) that a breach of confidence or trust or faith can arise independently of any right of property or contract other, of course, than any contract which the imparting of confidence in the relevant circumstances may itself create; (3) that the court in the exercise of its equitable jurisdiction will restrain a breach of confidence independently of any right at law". These principles have been accepted by the Court of Appeal in *Fraser* v. *Evans* [1969] 1 Q.B. 349 and by the Australian Courts in *Mense* v. *Milenkovic* [1973] V.R. 784; *Interfirm Comparison (Australia) Ltd.* v. *Law Society of N.S.W.* (1975) 5 A.L.R. 527.

[7] English Law Commission Working Paper on *Breach of Confidence*, No. 58 (1974), H.M.S.O., London, para. 16.

law has been the de facto creation of a new class of equitable proprietary interests".[8] It is the present writer's view, however, that the analysis that confidential information is a species of intangible property is juristically misguided and unhelpful. The action for breach of confidence, when not based upon implied or express contractual obligation, enforces purely equitable obligations arising out of a proven relationship of trust, not property rights in information.

JUDICIAL DEFINITION OF THE NATURE OF THE DUTY OF CONFIDENCE

In order to analyse the contemporary action, it is essential to decide what it is that the action protects, to decide in effect, what is the nature of "confidence". There are three possible answers to such an enquiry:

(1) That the action protects certain information, which may for the purposes of the action be regarded as a species of property in which the plaintiff has an interest;

(2) That the action protects all information, which, by the application of the criterion of "relative secrecy"[9] and other criteria,[10] may be regarded as confidential *per se*;

(3) That the action is essentially brought to enforce the equitable duty of confidence, to uphold, protect and enforce the confidential relationship itself and the trust which is reposed in the confidant by the discloser.

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[8] S. Ricketson, "Confidential Information — A New Proprietary Interest?" Part One (1977) 11 (No. 2) *M.U.L.R.* 223 at 225.

[9] In *Mustad* v. *Dosen* [1963] R.P.C. 41, it was held that no-one is entitled to claim relief in respect of the wrongful use or disclosure of a trade secret if he has himself made the secret public. This principle was further refined in *Franchi* v. *Franchi* [1967] R.P.C. 149 at 152-3 where Cross, J. held that the necessary secrecy was a question of degree depending on the particular facts of the case: "Clearly a claim that the disclosure of some information would be a breach of confidence is not to be defeated simply by proving that there are other people in the world who know the facts in question besides the man as to whom it is said that his disclosure would be a breach of confidence and those to whom he has disclosed them . . . if relative secrecy remains, the plaintiff can still succeed".

[10] See the comments of Lord Greene in the *Saltman Case, supra* n. 4 at 215. Megarry, J. in *Coco* v. *Clark, supra* n. 5, discusses criteria by which information might be judged confidential and in *Thomas Marshall (Exports) Ltd.* v. *Guinle* [1978] 3 All E.R. 193 at 209-210 sets out four elements to assist in identifying trade secrets which the court will "protect". In the *Ansell Rubber Case* [1967] V.R. 37 at 47-51 *per* Gowans, J. there is a useful discussion of the factors to be considered when deciding whether information has the necessary element of confidentiality. R. P. Meagher, W.M.C. Gummow and J. R. Lehane, *Equity: Doctrines and Remedies* (1975) para. 4101, define confidential information as "facts schemes or theories which the law regards of sufficient value or importance to afford protection against use of them by the defendant otherwise than in accordance with the plaintiff's wishes". Finally, G. Forrai, "Confidential Information — A General Survey" (1971) 6 *Syd. L.R.* 382 at 383 comments on the criteria laid down by the courts: "All that can be safely stated, therefore, is that the degree of secrecy required by the courts in these cases will depend on the nature of the information and the circumstances of the case; and that the secrecy of the information must continue to exist up to the time when relief is granted".

All three definitions are to be found in the case law. The first two lend support in varying degrees to the property analysis; only the third acknowledges clearly that the action enforces in personam obligations arising out of a confidential relationship. As Lord Upjohn commented in *Boardman* v. *Phipps*, "the real truth is that (information) is not property in any normal sense but equity will restrain its transmission to another if in breach of some confidential relationship".[11] The first definition relies completely on the notion that the action protects a legal right in confidential information and for that reason, is unacceptable. The second definition, however, is acceptable as far as it goes: it is certainly necessary that there be some working definition of what constitutes confidential information for the purposes of the action. As Megarry, J. explained in *Coco* v. *Clark*, the courts will not be prepared to protect "trivial tittle-tattle, however confidential".[12]

However, it is contemporary judicial emphasis upon defining what constitutes a "trade secret" or "confidential information" such as to attract the court's protection which has lent support to the analysis that the action "protects" information rather than the confidential relationship itself. Two recent cases typify this approach in both Australia and England. In *Deta Nominees Pty. Ltd.* v. *Viscount Plastic Products Pty. Ltd.*, Fullagar, J. could be considered to equate trade secrets with property;[13] and in *Thomas Marshall (Exports) Ltd.* v. *Guinle*,[14] Megarry, V.-C. has recently elaborated a definition of confidential information which the courts will protect.[15] If, on the other hand, the action is understood in the proper sense of the third definition, there is no need for the courts to define in any exhaustive sense what constitutes "confidential information".

The essential difficulty confronting the courts regarding the equitable action for breach of confidence is one of remedy. The courts have sought to grapple with the historical limitations upon Equity in the awarding of compensation by employing the property analysis of the basis of the action. But no solution to these real difficulties in the sphere of remedy is to be found in employing the property analysis in this way. Since the action enforces a broad duty of good faith in Equity, the so-called "property" in confidential information is merely the benefit of the duty enforced in Equity, a benefit which is conferred by a right *in personam*; it is not a proprietary interest, that is, a legal interest enforceable against the whole world, at all. Therefore, it is inaccurate to regard confidential information as a species of equitable property. That is not to say, however, that the *analogy* of information with property cannot be valuably employed in the problematic sphere

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[11] [1967] 2 A.C. 46 at 128.
[12] *Supra* n. 5 at 48.
[13] [1979] V.R. 167 at 191.
[14] *Supra* n. 10.
[15] *Id.* at 209-210.

of remedy. For, while the action does not in any sense protect or enforce a legal property right, the suggested analogy can be usefully employed by the courts of Equity in evolving satisfactory principles upon which to award compensation for breach of confidence in its exclusive jurisdiction. Such principles could be readily evolved by analogy with common law damages for misappropriated property, where a trade secret has been unlawfully disclosed and by analogy with misappropriated trust property, where injunctive relief has been ordered and an account of profits is sought. The limits of this analogy, however, are revealed in the situation where the confidential information disclosed or misused is of a personal nature for such information may have no appreciable commercial value.

It has been rightly observed that "(t)he impulse behind regarding information as property seems to have come from that narrow class of case where the common law gave a copyright protection to authors of letters and of unpublished manuscripts".[16] These cases were heavily relied upon in the three original breach of confidence cases.[17] All these cases involved in the use of the fiction of incorporeal property. As Buckley, L.J. explained in *Macmillan* v. *Dent*,[18] "there exists in an author a right to property in the literary composition, the abstract thing, as distinguished from the concrete thing, the words written upon the paper".[19] At least by referring to both property rights, abstract and concrete, as "things", Lord Justice Buckley retained the mundane terminology of the common law. In an earlier case, the judge was less careful to legitimize the fiction.[20] Although the Copyrights Acts of the early 1900s[21] relieved the Courts of Chancery from any need to employ this tenuous fiction of a writer's right of abstract property in his literary works, the confusion which such proprietorial notions had inevitably generated was by this early stage already deeply rooted in the developing equitable action of breach of confidence.[22]

Although the idea that the action for breach of confidence was to protect a legal proprietary right, albeit an "abstract" one, was introduced in the nineteenth century via the letter and manuscript cases, the confusion of equitable duty and proprietary rights has been sustained and

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[16] P. D. Finn, *Fiduciary Obligations* (1977) para. 294.

[17] Especially *Pope* v. *Curl* (1741) 2 Atk. 342; *Gee* v. *Pritchard* (1818) 2 Swans. 402; *Duke of Queensberry* v. *Shebbeare* (1758) 2 Eden 329.

[18] [1907] 1 Ch. 107.

[19] *Id.* at 129.

[20] *Millar* v. *Taylor* (1769) 4 Burr, 2303 at 2396.

[21] English Copyright Act 1911; Australian Copyright Act 1912.

[22] This is not to say that all the judges exercising this jurisdiction in the nineteenth century had been blind to the important distinction between the common law's protection of property rights and Equity's enforcement of the same in its auxiliary jurisdiction, on the one hand, and on the other hand, Equity's concern in its exclusive jurisdiction, to act *in personam* to enforce equitable duties and their corresponding obligations. See *Philip* v. *Pennel* [1907] 2 Ch. 577 at 586 *per* Kekewich, J.; *Pollard* v. *Photographic Co.* (1889) 40 Ch.D 345 at 354 *per* North, J.; and *De Beer* v. *Graham* (1891) 12 N.S.W.R. (Eq.) 144 at 146 *per* Owen, J.

encouraged in the present century by the courts' appreciation that some information, namely trade secrets, is commercially valuable, an incident common to many forms of property.

The action encompasses both trade secrets, which are commercially valuable, and personal information, which rarely is, although the latter may be exploited for value by the misbehaving confidant. The contemporary analytical confusion over both the nature of the action and the manner of its exercise is a direct result of the judicial reaction to this dichotomy. An emphasis on the commercial value of trade secrets, motivated by the courts' preoccupation with considerations of remedy, has led to attempts at definition of the duty of confidence which try to accommodate a distinction between the two kinds of information.

It is the writer's view that the formulation of the duty by Lord Greene in the *Saltman Case*[23] as a duty not to use confidential information without the discloser's consent is essentially correct in its application to situations of breach of both commercial and personal confidence, since it is formulated without primary consideration for the value of the information. The latter consideration should be only a secondary one, specifically relevant to the award of equitable remedy.

However, Lord Denning in *Seager* v. *Copydex (No. 1)*[24] formulated a definition which alters the emphasis of the above definition, although it may be arguable to what degree it does so: "he who has received information shall not take unfair advantage of it. He must not use it *to the prejudice* of him who gave it without obtaining his consent"[25] (emphasis added). Although the duty is presented as a broadly equitable one, Lord Denning would seem to be introducing into the definition the common law requirement of proof of detriment, that is actual or potential damage to the plaintiff. If Lord Denning means that actual prejudice in the sense of common law detriment must be shown, he introduces into a purely equitable action, the extra common law requirement that damage or harm to the plaintiff must be affirmatively proven before an action will lie. This is not Equity; in Equity, the mere establishment of breach of such a duty gives right to an action *in personam*. The wrong in Equity lies in the breach of the duty, not in the inflicting of damage. Considerations of damage done to the discloser only go towards the award of compensation.

It is arguable, however, that Lord Denning is not in fact here introducing the requirement of common law detriment, such as must be proven, for instance, in a common law action for negligence before the plaintiff will have a sustainable action for damages. It is arguable that an infringement of the discloser's equitable right to expect confiden-

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[23] *Supra* n. 4.
[24] [1967] 1 W.L.R. 923.
[25] *Id.* at 931.

tiality from his confidant may be regarded in Equity as itself a "prejudice" to him.

Although in most cases where breach of either commercial or personal confidence has occurred, actual prejudice to the discloser could probably be proven, it is important to distinguish in principle between the common law definition of actions as requiring proof of the three elements of duty, breach and damages, and Equity's requirement of proof of a duty breached to give rise to an action *in personam,* so that the issue of harm caused goes merely to the award of remedy in Equity. If this distinction is not observed, the importance of the value of the confidential information as "property" will be considered an integral part of the nature of the duty, whereas in fact it is only a relevant consideration in the sphere of remedy once the duty and its breach have been established.

It was this very distinction which was not observed by Megarry, J. in formulating his two-tier duty of confidence in *Coco* v. *Clark*.[26] He postulated, in effect, two duties, one for personal confidence and one for trade secrets: "If the duty is a duty not to use the information without consent, then it may be the proper subject of an injunction restraining its use even if there is an offer to pay a reasonable sum for that use. If, on the other hand, the duty is merely a duty not to use the information without paying a reasonable sum for it, then no such injunction should be granted". After discussing the difficulties an injunction can create in commercial situations, Megarry, J. concluded that the duty should vary according to the remedy which would be awarded for its breach: "the essence of the duty seems more likely to be that of not using without paying rather than that of not using at all. It may be that in fields other than industry or commerce . . . the duty may exist in a more stringent form".[27]

Thus, the duty was completely defined in terms of the remedy to be awarded; and a distinction drawn between commercial and personal information, on the basis that the nature of the duty in regard to each was different.[28] It is, however, inaccurate so to define an equitable duty which gives rise to an action *in personam.* Considerations as to the value and nature of the information involved should only go to the secondary considerations of remedy. As Holmes, J. said in *E. I. Du Pont de Nemours* v. *Masland*:[29]

> The word "property" as applied to . . . trade secrets is an unanalysed expression of certain secondary consequences of the primary fact that the law makes some rudimentary requirements

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[26] *Supra* n. 5 at 50.
[27] *Ibid.*
[28] Megarry, V.C. has further extended his notion of the two-tier duty in the recent case of *Thomas Marshall (Exports) Ltd.* v. *Guinle, supra* n. 10, where he outlines four criteria for "trade secrets".
[29] (1917) 244 U.S. 100.

> of good faith. Whether the plaintiffs have any valuable secret or not, the defendant knows the facts, whatever they are, through a special confidence that he accepted. The property may be denied, but the confidence cannot be. Therefore the starting point for the present matter is not property . . . but that the defendant stood in confidential relations with the plaintiffs. . . .[30]

It is the duty of confidence itself which is the primary consideration, that is, the obligation which Equity imposes to keep the information which has been communicated secret.[31] It is the initial secrecy and the observance of the duty of confidence once the information is divulged which may confer commercial value upon the information. Such commercial value as the information may have is at all times dependent upon the observance of the duty by the confidant; *not* upon the information itself being intrinsically valuable as a species of property. For this reason Latham, C.J. in *F.C.T.* v. *United Aircraft Corporation*[32] denied that the criterion of secrecy could be validly employed in distinguishing knowledge which was property and knowledge which was not.[33]

Therefore, it is the writer's view that it is the definition of the nature of the duty given by Lord Greene in the *Saltman Case* which is the most acceptable, and that that definition accords with the third definition: that the action enforces the equitable duty of confidence and protects the confidential relationship itself and the trust reposed in the confidant by the discloser, not any proprietorial right in the information itself.

The property analysis in other lines of authority

In legal situations other than breach of confidence the equation of information with property has been made. Thus the courts have acknowledged that trade secrets specifically can have certain attributes of property arising as a direct result of their commercial value. These cases, which bear no direct relation at all to the action for breach of confidence, have been drawn upon by commentators to support the analysis that the action protects property in information.[34] In fact, these cases bear no real analogical relevance either to each other or to

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[30] *Id.* at 102.

[31] In the *Ansell Rubber Case, supra* n. 10 at 40, Gowans, J. explained how the obligation of confidence will arise: "That obligation may come into existence by reason of the terms of an agreement, or what is implicit in them, by reason of the nature of the relationship between persons, or by reason of the subject-matter and the circumstances in which the subject-matter has come into the hands of the person charged with the breach". In *Coco* v. *Clark, supra* n. 5 at 50, Megarry, J. clearly formulated the three elements which must be established to sustain the action: first, the information itself must have the necessary quality of confidence about it; secondly it must have been imparted in circumstances importing an obligation of confidence; and finally there must be an unauthorized use of that information.

[32] (1943) 68 C.L.R. 525.

[33] *Id.* at 534.

[34] See M. Neave and M. Weinberg in their paper, "The Function of Equity" presented to Canberra Law Workshop I: "Conference on the New Property", May 27-8, 1977, as yet unpublished, 9-11. Also S. Ricketson *supra* n. 8.

the breach of confidence action. They are properly confined to their own specific and disparate categories of legal action. They go no way at all towards the establishment of any general jurisprudential theory — that information is generically a form of intangible property — which is necessarily applicable to confidential information.

In *Bryson* v. *Whitehead*,[35] the Court of Chancery acting in its auxiliary jurisdiction held that secret information could provide a valuable consideration: a trader could sell his trade secret and the court would grant an injunction protecting the purchaser's use of that secret for 20 years. The consideration is best understood as being constituted not by the transfer of property in the information itself, but by the promise to disclose the secret and not to explain it for 20 years.

In *Green* v. *Folgham*,[36] it was held that secret information in the form of a recipe was property, capable of being the subject-matter of a trust. This early case is of little authority today since it was decided before the contemporary notion of what constitutes property capable of being the subject-matter of a trust was clearly formulated.[37]

Trade secrets have also been categorized as property capable of being transferred to the trustee in bankruptcy. In *Re Keene*,[38] it was held that secret formulae, though not even written down, were property, capable of being transferred to the trustee in bankruptcy as part of the assets and goodwill of the bankrupt's business. Lord Sterndale, M.R.'s explanation of this decision was that "the manufacture and sale of the articles made according to the formulae formed an appreciable part of the business carried on by the bankrupt".[39] Thus, his Lordship seems to confuse the trade secret, the secret information, with the articles produced as a result of the application of that information in an industrial process. This decision could be appropriately distinguished as one concerned exclusively with judicial interpretation of the bankruptcy legislation.

Apart from the isolated cases cited above, there are three separate lines of authority in which trade secrets have been consistently categorized as property. First, there is the line of authority involving the employer-employee relation. These cases involve the situation where an employee, who has signed a service agreement with his employer not to use certain information obtained during his employment, seeks to exploit knowledge and expertise obtained in that employ,

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[35] (1823) 1 Sim. & Stu. 74.
[36] (1823) 1 Sim. & Stu. 398.
[37] Such an explanation of the case goes some way towards excusing a modern student's bewilderment at the cryptic comment Turner, V.C. makes in *Morison* v. *Moat, supra* n. 1 at 256 about *Green* v. *Folgham*. He says the latter case might be accounted for on the ground that the defendant in that case had expressly admitted himself to be a trustee of the secret, so that after execution of the trust deed, Equity would not permit him to assert a personal title to the secret.
[38] [1922] 2 Ch. 475.
[39] *Id.* at 477.

arguing that the covenant is in restraint of trade inasmuch as it seeks to bind him for an unreasonable time after the termination of his employment.

Secondly, there is the line of taxation cases in which the courts have had to decide whether confidential information constitutes a fixed capital asset, that is, a species of property, or whether the proceeds from its use should merely be classified as income.

Thirdly, there are cases dealing with fiduciary duties, of which *Boardman* v. *Phipps*[40] is the most recent and authoritative example, in which confidential information has been held to be a species of property.

The dicta from these three disparate areas have all had some impact upon judicial analysis of the basis of the breach of confidence action. All have been drawn on to support the proposition that the action is based upon a property right. In the following section, these cases will be analysed to trace their impact upon the breach of confidence cases and to discuss their genuine relevance, if any, to the argument as to whether the action enforces a property right or a purely equitable duty.

(1) The Employer-Employee Relation

In the first class of case, the courts have often chosen to analyse the situation in terms of whether the knowledge or professional expertise in question "belongs" or "is the property of" either the employer or employee.[41] It was, however, early acknowledged that it was the duty of confidence which Equity sought to enforce in cases concerning the alleged exploitation of the employer's trade secrets.[42]

However, in the leading case of *Herbert Morris Ltd.* v. *Saxelby*,[43] where a covenant, exacted by an employer from his employee, not to divulge certain secret techniques of his employer after the employment had terminated, was held to be unreasonable and in restraint of trade, the judicial analysis was in terms of proprietorial rights:

> Trade secrets . . . may not be taken away by a servant; they are his master's property . . . On the other hand, a man's aptitudes, his skill, his dexterity, his manual or mental ability . . . they may and they ought not to be relinquished by a servant; they are not his master's property; they are his own property; they are himself.[44]

It is important to understand the distinction Lord Shaw is attempting to draw in terms of the public policy behind the doctrine of restraint of trade. That public policy demands that the exercise of professional

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[40] *Supra* n. 11.

[41] *Gartside* v. *Outram* (1857) 26 L.J.Ch. 113 at 116, *per* Wood, V.C.

[42] In *Leng & Co.* v. *Andrews* [1909] 1 Ch. 763 at 773-4, Farwell, L.J. explained: "The case in which the Court interferes for the purpose of protection is where use is made, not of the skill which the man may have acquired, but of the secrets of the trade or profession which he had no right to reveal to anyone else — matters which depend to some extent on good faith".

[43] [1916] 1 A.C. 688.

[44] *Id.* at 714 *per* Lord Shaw.

and commercial skill be conducted without unreasonable restriction so that the public may benefit from healthy competition. On the other hand, Equity enforces the duty of confidence to protect commercial secrecy, and trade secrets, the fraudulent, or at least inequitable, exploitation of which would constitute unfair competition. What may be a reasonable distinction, however loosely and metaphorically drawn,[45] in a case which turns on the issue of restraint of trade has no place in the purely equitable action for breach of confidence.

Nevertheless, the analysis of trade secrets as constituting the property of the employer, and of skill as constituting that of the employee, quickly took root in these very actions.[46] It has recently been adopted in the Victorian decision of *Drake Personnel Ltd.* v. *Beddison*,[47] where Anderson, J. refers to the necessity of establishing an employer's "proprietary" right to confidential information.[48]

It is important to note that it is not the test itself, which is quite usefully employed in the restraint of trade cases, but rather the transference of that test into the area of breach of confidence which has led to confusion. This confusion is exemplified in *Yates Circuit Foil Co.* v. *Electrofoils Ltd.*[49] where Whitford, J. acknowledges the distinction between the cases which turn on the issue of restraint of trade and those which turn on the issue of confidentiality.[50] However, Whitford, J. confuses the most important distinction between the two actions: while restraint of trade is concerned with unconscionable contracts, that is, with legal rights, the action for breach of confidence involves the enforcement of a duty in the exclusive jurisdiction of Equity. In fact, his whole analysis for breach of confidence is based on the notion imported directly from this line of restraint of trade cases (which he is in fact seeking to distinguish) since he asserts that confidential information is property and that the action in Equity is dependent upon the plaintiff's property right in the trade secret.[51]

(2) The Taxation Cases

Concurrent with, but independent of, the development of the

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[45] This is exactly the *only* sense in which Latham, C.J. conceded that knowledge could be said to be property, in *F.C.T.* v. *United Aircraft Corp. supra* n. 32 at 534.

[46] Thus, in *B. O. Morris Ltd.* v. *Gilman* (1943) 60 R.P.C. 20, where the plaintiff company sought to restrain ex-employees and their communicatees from using confidential information obtained while the former were in the plaintiff company's employ, Asquith, J. held that to establish the ground of breach of confidence, the plaintiff had to prove that the information was its property, in terms of the analysis of Lord Shaw in the *Herbert Morris Case*. Similarly in *Printers and Finishers Ltd.* v. *Holloway* [1965] R.P.C. 239 at 255 Cross, J. postulated a test based on that case. And in *Triplex Safety Glass Ltd.* v. *Scorah* (1938) 55 R.P.C. 21 at 27, Farwell, J. described breach of confidence in terms of an employee stealing the property of his employer.

[47] [1979] V.R. 13.

[48] *Id.* at 22.

[49] [1976] F.S.R. 345.

[50] *Id.* at 384-5.

[51] *Id.* at 385.

notion adopted from the restraint of trade cases, that the plaintiff must be able to show a proprietorial interest in information to sustain an action for breach of confidence, has been the categorization of information as property in taxation cases. This line of authority has had little appreciable direct effect on judicial analysis of breach of confidence. The courts have sensibly appreciated that categorization for the purpose of interpreting taxation legislation produces a line of judicial authority which is *sui generis*. However, academic commentators have considered them directly relevant.[52]

In *F.C.T.* v. *United Aircraft Corporation*,[53] Latham, C.J. denied that the communication of information could ever constitute a bailment[54] and refused categorically to accept the proposition that information was a species of property.[55] This case was followed in *Brent* v. *Commissioner of Taxation*.[56] In that case Gibbs, J. sought to distinguish the English taxation cases,[57] in which trade secrets have been held to be property for the purpose of taxation, on the ground that personal confidential information is not "property in a business sense".[58]

In *Evans Medical Supplies Case*,[59] The House of Lords applied the test laid down by Bankes, L.J. in *British Dyestuffs Corp. (Blackley) Ltd.* v. *I.R.C.*: "looking at this matter, is the transaction in substance a parting by the Company, with part of its property for a purchase price, or is it a method of trading by which it acquires this particular sum of money as part of the profits and gains of that trade?"[60] In the *Evans Case,* it was held that a company which had divulged a secret process had parted with property, that is with a capital asset, since the court considered that the company in selling the process was in effect disposing of its trade in that particular country. However, in the *Rolls Royce Case*[61] and *Musker Case*,[62] agreements to impart "know-how" were held merely to be a method of trading, and the moneys received as a result were taxable as income.

Lord Radcliffe's judgment in the *Rolls Royce Case*[63] reveals clearly that the discussion of information as "property" in these cases is only for the specific purpose of categorizing the use of the information for taxation purposes and that judicial observations in these cases

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[52] Especially W. Morison, *Report on the Law of Privacy*, 1972-3, para. 37-8.
[53] *Supra* n. 32.
[54] *Id.* at 534.
[55] *Ibid.*
[56] (1971) 45 A.L.J.R. 557.
[57] *Evans Medical Supplies Ltd.* v. *Moriarty* (*H.M. Inspector of Taxes*) (1956-7) 37 Tax. Cas. 540; *Jeffrey* (*H.M. Inspector of Taxes*) v. *Rolls-Royce Ltd.* (1960) 40 Tax. Cas. 443; *Musker* (*H.M. Inspector of Taxes*) v. *English Electric Co.* (1964) 41 Tax. Cas. 556.
[58] *Supra* n. 56 at 561.
[59] *Supra.* n. 57.
[60] 12 Tax. Cas. 586 at 596.
[61] *Supra* n. 57.
[62] *Supra* n. 57.
[63] *Supra* n. 57 at 492.

bear no real relation to the development of any overall, comprehensive definition of information as a species of property in the law generally.[64] Moreover, recent taxation decisions of the Australian High Court have uniformly rejected any argument that information is a form of property. In *Commissioner of Taxation* v. *Sherritt Gordon Mines Ltd.*[65] Jacobs, J. held that a right to use "know-how" under an agreement was not a right in respect of property and in *Smorgan* v. *F.C.T.*[66] Stephen, J. rejected the argument that the confidential information concerning a company was property: "Whereas the possession of knowledge by a corporation is indeed a fiction its custody or control of tangibles is not, any more than is its ownership of property".[67]

(3) Cases Dealing with Fiduciary Duties

Information has been considered to be a species of property in several cases turning on the issue of conflict of duty and interest. In *Dean* v. *MacDowell*,[68] confidential information was held to be partnership property. In *Bell Houses Ltd.* v. *City Wall Properties Ltd.*,[69] a company chairman acquired, in the course of transacting the company's business, a knowledge of sources of finance for property development. The Court of Appeal held that, since the chairman's knowledge of these sources was acquired in the course of administering the plaintiff company's business, that knowledge was an asset which belonged to the plaintiff company.[70]

In the following year, the House of Lords held in *Boardman* v. *Phipps*,[71] that information obtained by someone acting in a fiduciary capacity was property held in trust by him. Viscount Dilhorne, although he dissented from the majority decision, did think that "some information and knowledge can properly be regarded as property";[72] and Lord Hodson expressed with strong conviction the view that information is categorically property.[73] Lord Upjohn delivered a vigorous dissent from this proposition:

> In general, information is not property at all. It is normally open to all who have eyes to read and ears to hear. The true test is to determine in what circumstances the information has been acquired. If it has been acquired in such circumstances that it would be a breach of confidence to disclose it to another then courts of equity will restrain the recipient from communicating it to another.[74]

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[64] *Ibid.*
[65] (1977) 51 A.L.J.R. 772 at 778.
[66] (1977) 51 A.L.J.R. 137.
[67] *Id.* at 141.
[68] (1878) 8 Ch. D. 345, 354 *per* Cotton, L.J.
[69] [1966] 2 W.L.R. 1323.
[70] *Id.* at 1332-3.
[71] *Supra* n .11.
[72] *Id.* at 89-90.
[73] *Id.* at 107.
[74] *Id.* at 127.

It is this dissenting view which is the more correct. Nevertheless, the influence of the majority decision on judicial analysis of the action for breach of confidence remains to be seen. For instance, in (*S.C.*) *Surveys and Mining Ltd.* v. *Morrison*,[75] although breach of confidence was upheld on the basis of an implied contractual term of confidentiality, W. B. Campbell, J. offered as an alternative basis of his decision, a finding based on *Boardman* v. *Phipps*.[76]

It is this line of authority which could have the most influence upon the action for breach of confidence. However, it is the writer's view that *Boardman* v. *Phipps*[77] insofar as it may have been based upon the finding that information is property, was wrongly decided, and is distinguishable on the basis that the decision turned rather on the issue of conflict of interest, rather than on the issue of breach of confidence.[78]

In this section, the lines of authority in which information has been referred to as a species of property have been analysed and distinguished. It cannot be said that these authorities bear any direct analytical relation to the contemporary action for breach of confidence nor that they lend support to any jurisprudential theory — that information is generically a form of intangible property — which is necessarily applicable to confidentiality. The recent English decision of *Oxford* v. *Moss*[79] confirms this view. In that case, a student found out the questions set in an examination paper before the examination was held. An information was preferred against him, alleging that he had stolen certain intangible property which belonged to the University. The Court of Appeal held that there was no property in the information capable of being the subject of a charge of theft and that the confidential information was not "property" within s. 4 of the Theft Act 1968 (U.K.).

COMPENSATION FOR BREACH OF THE EQUITABLE DUTY OF CONFIDENCE

The main remedies which have been awarded by the courts for breach of confidence are first, the injunction; secondly, damages or the alternative, in some circumstances, of an account of profits; and thirdly, delivery up by the defendant to the plaintiff or destruction on oath by the defendant. Two other possible remedies are common law damages in tort against the defendant for inducing a breach of the confidential relationship,[80] and an award for quantum meruit,[81] although these are both only untried possibilities as far as contemporary English and Australian courts are concerned. It is, therefore, the first three remedies

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[75] [1969] Qd. S.R. 470.
[76] *Id.* at 473-4.
[77] *Supra* n. 11.
[78] Finn, *op. cit. supra* n. 16, para. 562.
[79] *Oxford* v. *Moss* Q.B.D. Oct. 19, 1978, noted [1979] Feb. *Crim. L.R.* 119.
[80] Finn, *op. cit. supra* n. 16, para. 386.
[81] Gareth Jones discusses this remedy, which was awarded in the U.S. case of *Matarese* v. *Moore-McCormach Lines Ltd.* 158 F. 2d. 631 (1946), *supra* n. 3 at 489-491.

which are of primary interest to the writer.

(1) Sources of Equity's Jurisdiction to Award Compensation

There are two central inter-related issues which must be discussed in regard to the remedy of compensation: first, can statutory damages in the form of monetary compensation be awarded in Equity under Lord Cairns Act[82] in pursuance of purely equitable rights and in circumstances where no injunction has been granted? Secondly, apart from Lord Cairns Act, if compensation can be awarded in aid of purely equitable rights, what are the correct principles upon which such compensation should be assessed? The authorities reveal that Equity has an inherent compensatory jurisdiction which can be exercised even where no injunction has been granted. This jurisdiction, it is suggested, is quite independent of any jurisdiction conferred by Lord Cairns Act.

It is, in fact, strictly inaccurate and misleading to talk about equitable "damages". Damages is a common law remedy, to qualify for which a plaintiff must establish the infringement of some proprietorial or contractual, or other, legal, right.[83] However, while damages as such were unknown in Equity, a plaintiff could obtain monetary restitution in Equity's compensatory jurisdiction, which amounted roughly to the same thing in some circumstances.[84] In this century, this inherent compensatory jurisdiction of Equity to award monetary restitution for breach of purely equitable duties has been acknowledged in both England and Australia.[85]

Apart from this inherent jurisdiction, the power to award statutory damages was conferred on the courts of Equity by Lord Cairns Act. However, the position with regard to the award of statutory damages in aid of purely equitable rights is far from settled. Academic commentators and the courts as well are deeply divided on the issue.[86] Theoretically, if the jurisdictional basis for the breach of confidence action is a

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[82] 21 and 22 Vict., c. 27, s. 2.

[83] Meagher, Gummow and Lehane, *op. cit. supra* n. 10, para. 2301, point this out: "Damages is the term used to describe the monetary compensation awarded for invasion of the plaintiff's common law rights or failure to perform obligations owed to him at common law by the defendant . . . damages was never an equitable remedy for breach of purely equitable obligations".

[84] The distinction, such as it was, between the two remedies was explained in *Ex Parte Adamson* (1878) 8 Ch. D. 807 at 819 *per* James and Baggallay, L.JJ.: "The Court of Chancery never entertained a suit for damages occasioned by fraudulent conduct or for breach of trust. The suit was always for an equitable debt or liability in the nature of debt. It was a suit for the restitution of the actual money or thing, or value of the thing, of which the cheated party had been cheated".

[85] Finn, *op. cit. supra* n. 16, para. 388; Lord Haldane, L.C. in *Nocton* v. *Lord Ashburton* [1914] A.C. 932 at 958 confirms this inherent jurisdiction; and Dixon, A.J. in *McKenzie* v. *McDonald* [1927] V.L.R. 134 to 146 cited *Nocton* v. *Lord Ashburton* as authority for the proposition that the jurisdiction to remedy breaches of fiduciary duty extended to decrees of compensation in favour of persons whose confidence had been abused.

[86] Compare the views of Spry, and Meagher, Gummow and Lehane. See I. C. F. Spry, *Equitable Remedies* (1971), 531-4, 546, 554ff. Compare Meagher, Gummow and Lehane, *op. cit. supra* n. 10, para. 2317; para. 145.

broad equitable duty of good faith, Equity's jurisdiction to award damages in aid of purely equitable rights would have to be derived from Lord Cairns Act.[87]

Nevertheless, before the passage of Lord Cairns Act, there existed in the Chancery courts an inherent jurisdiction to "award monetary compensation for infraction of a purely equitable right in the nature of restitution".[88] Thus, quite independently of Lord Cairns Act, there exists, and has always existed, in Equity's compensatory jurisdiction the power to award monetary restitution for the breach of purely equitable rights. It was this power that was affirmed by Lord Haldane, L.C. in *Nocton* v. *Lord Ashburton*[89] and which was exercised in *Re Leeds and Hanley Theatres of Varieties Ltd.*[90] where the Court of Appeal held that "damages" could be awarded against company promotors who had acted fraudulently in breach of fiduciary duty, as distinct from damages in tort for deceit. It is crucial to note that in this case the true measure of the "damages" was held to be the amount of profit made by the promoting company.[91]

(2) Principles Upon Which Compensation is Assessed in Equity

The courts' approach to the award of monetary compensation for breach of confidence has been confused. There has been only passing judicial advertence to the analytical difficulties surrounding Equity's power to award statutory damages under Lord Cairns Act;[92] and there has been no thorough analysis of the action in regard to remedies, with the result that the so-called "property analysis" has been indiscriminately called into use. This is symptomatic, no doubt, of the general judicial confusion which pervades this action: the courts have simply assumed that damages, assessed according to principles which pertain to the award of common law damages, is an available remedy, whether an injunction is being awarded as well or not. Whether this is the result of the courts' commission of the fusion fallacy, their tacit acceptance that the action is based upon a proprietorial right in confidential information misused, or on the courts' misunderstanding of the effect of Lord Cairns Act, is unclear from the leading decision of *Seager* v. *Copydex*[93] and those few other decisions in this area.[94]

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[87] *Supra* n. 82: "In all circumstances in which a court of Chancery has jurisdiction to entertain an application for an injunction against a breach of any covenant, contract or agreement, or against the commission or continuance of any wrongful act, or for specific performance of any covenant, contract or agreement, it shall be lawful for the same court, if it shall think fit, to award damages to the party injured, either in addition to or in substitution for such injunction or specific performance, and such damages shall be assessed in such manner as the court shall direct".

[88] Meagher, Gummow and Lehane, *op. cit. supra* n. 10, para. 145.

[89] *Supra* n. 85 at 958.

[90] [1902] 2 Ch. 809.

[91] *Id.* at 833 *per* Vaughan Williams, L.J.

[92] See *Nichrotherm* v. *Percy* [1957] R.P.C. 207 at 214 *per* Lord Evershed, M.R.; and the *Saltman Case supra* n. 4 at 219 *per* Cohen, J.

[93] (*No. 1.*) [1967] 1 W.L.R. 923; (*No. 2.*) [1969] 1 W.L.R. 809.

[94] *Interfirm Comparison* v. *N.S.W. Law Society supra* n. 6.

The only acceptable justification for the award of compensation (in the specific sense of "monetary restitution" as opposed to "damages", either statutory or common law) for breach of confidence is the courts' exercise of the inherent compensatory jurisdiction in Equity; and this is not a justification offered in any of the judgments.[95] The exercise of this compensatory jurisdiction, in conjunction with the utilization of analogies with remedies provided at common law for misappropriation of property and in Equity for the misappropriation of trust property, may provide adequate remedy for all the situations which will arise on breach of confidence, and further, may resolve the current confusions in the sphere of remedy. Thus, while it is still denied that the action is based upon a proprietorial right in information, it is accepted that, for the purposes of these analogies only, information may be regarded as a very specialized species of intangible property.

The analogy of information with property can be put to good use in the sphere of remedy when the court in its compensatory jurisdiction is deciding what monetary restitution is to be made by the confidant for his breach of equitable duty.[96] This particular analogy is quite distinct from the analysis which asserts that the action itself is designed to protect proprietorial rights in information, that is, legal rights as opposed to equitable rights. Nevertheless, the fact that the action is to enforce an equitable duty *in personam* is not inconsistent with the view that when the court is attempting to assess what compensation is to be made to the discloser in certain situations, the question: "What is the *value* of the information which has been misused?" may be the appropriate one for the court to ask and this question necessarily involves the analogy of information with property.

It would seem consistent that the equitable duties of the trustee, fiduciary and confidant, should be dealt with similarly in the sphere of remedy. When a trustee or fiduciary misuses property entrusted to him, usually by misappropriation of the property or trust fund, the beneficiary or client can sue for the return of that property or fund, and if the trustee or fiduciary has profited by such misuse, the beneficiary or client is entitled to an account of all profits made.

However, in an action for breach of confidence, once the secrecy, the quality which gave the information part of its commercial value, has been destroyed through the confidant's breach of duty, injunctive relief may not constitute adequate restitution. Adequate restitution could only be made through monetary compensation for that proportion of the previous value of the confidential information to the discloser which has been destroyed through the confidant's breach of duty. It is in regard to the computation of this monetary restitution that the analogy

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[95] Finn, *op. cit. supra* n. 16, para. 388.
[96] *Ibid.*

of information with property is useful, inasmuch as commercial value is an incident of property.

The analogy with trust property, specifically, will be applied to breach of confidence situations where the confidant has profited through his misuse of the confidential information. In such situations, an account of profits has been ordered, and there, that remedy performs exactly the same role as it does in trust situations: the misbehaving confidant is deprived of his ill-gotten gains.[97]

The judgments in this area are few and, generally, even those are unsatisfactory. In the *Saltman Case,* Cohen, J. invoked Lord Cairns Act to award statutory damages in lieu of injunction for breach of confidence; but his analysis of the court's jurisdiction went no further than that.[98] Harman, J. in *Nichrotherm Electrical Coy. Ltd.* v. Percy[99] granted the plaintiffs in that case enquiries as to damages for breach of the equitable duty of confidence, since he found no contract between the parties and even though no injunctive relief was sought in those proceedings.[100] On appeal by the defendants, the Court of Appeal upheld Harman, J.'s decision, on the different ground of breach of an implied contractual term of confidence.[101] Although as Lord Evershed, M.R. observed,[102] Harman, J. did not invoke Lord Cairns Act as authority for ordering the enquiry as to damages in pursuance of a purely equitable right, it was the view of Lord Evershed, M.R. that "if . . . the confidence infringed was one imposed by the rules of equity, then the remedy would be, prima facie, by way of injunction or damages in lieu of injunction under Lord Cairns Act".[103] The Court of Appeal, however, declined to analyse the issue further, and upheld his award of damages on the ground of breach of contract. Thus, the vital questions of whether it was in fact on Lord Cairns Act Harman, J. relied to award statutory damages, and if he did so, whether he did so rightly[104] or whether he awarded compensation in Equity's own compensatory jurisdiction were left unanswered.

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[97] In *Peter Pan Manufacturing Corp.* v. *Corsets Silhouette Ltd.* [1964] 1 W.L.R. 96 the principles upon which such an account is calculated are enunciated.

[98] *Supra* n. 4 at 219.

[99] [1956] R.P.C. 272.

[100] It must be noted that the plaintiffs were given leave at the trial to apply for injunctions against the defendants.

[101] *Supra* n. 92.

[102] *Id.* 214: "[Harman, J. cited] the judgment of Lord Greene, M.R. in *Saltman's* Case to show that breach of confidence did not require a contractual basis. But he ordered an enquiry as to damages flowing from such a breach, and it does not appear that the learned Judge, in holding that the plaintiffs were entitled to such enquiry, was invoking Lord Cairns Act".

[103] *Supra* n. 92 at 213.

[104] Jones, *supra* n. 3 at 491, who accepts the strict construction which Meagher, Gummow and Lehane place upon Lord Cairns Act, denies that Harman, J. could have been justified in relying on the Lord Cairns Act, and goes on to accuse Harman, J. of committing the fusion fallacy: "Harman, J.'s suggestion is mildly revolutionary in that, by implying that a damages claim can succeed independently of any prayer for equitable relief, it presupposes a fusion of law and equity".

In *Seager* v. *Copydex (No. 1)*,[105] the Court of Appeal under Lord Denning granted damages for breach of the equitable duty of confidence, even though no injunctive relief was granted. In that case, an inventor, with whom the defendant company was negotiating for the marketing rights of a patented carpet-grip, the "Klent", which the inventor's firm was already supplying to the public, disclosed at an interview details of his alternative carpet-grip, the "Invisigrip" which was not patented. This information was given in confidence, but at the time the defendant company was not interested. Subsequently, after negotiations had broken down over the patented grip, the defendant company applied for a patent for a grip similar to the "Invisigrip", giving the name of the assistant manager, who had been present at the confidential interview, as inventor. The defendants maintained throughout that this grip was their own idea. The Court of Appeal held that the defendants had made use, although honestly, of information which they had received in confidence and which had the necessary quality of secrecy about it, being information not available to the public. The defendants were therefore liable for breach of confidence, and the plaintiff was held entitled to an enquiry for damages assessed on the basis of reasonable compensation for the use of the confidential information. Lord Denning stated: "It may not be a case for injunction or even for an account, but only for damages, depending on the worth of the confidential information to him (i.e. the defendant) in saving him time and trouble".[106]

The Court of Appeal did not even advert to the analytical problems concerning the awarding of statutory damages in pursuance of purely equitable rights under the Lord Cairns Act; still less, did it invoke the inherent compensatory jurisdiction of Equity affirmed in *Nocton* v. *Lord Ashburton*.[107] In fact, it is to the fusion fallacy that the confusion in this case — and, it is suggested, in Harman, J.'s judgment in the *Nichrotherm Case*[108] — must be primarily attributed.[109]

The difficulties of quantifying equitable compensation — even assuming that such compensation can be rightly awarded, as the writer suggests, in Equity's compensatory jurisdiction—are revealed in all their complexity in this case.[110] The Court ordered an enquiry by a Chancery master for damages to be assessed on the basis of reasonable compensation for the use of the confidential information. Before the Master, the plaintiff put forward two bases for assessment, one founded upon capitalized royalties and the other on the value of the business which the plaintiff lost in the manufacture of his patented "Klent" grip during the time in which the defendants' "Invisigrip" was on the market, whilst

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[105] *Supra* n. 24.
[106] *Id.* at 932.
[107] *Supra* n. 85 at 958.
[108] *Supra n.* 99.
[109] Meagher, Gummow and Lehane, *op. cit. supra* n. 10, para. 231.
[110] See the comments of Forrai, *supra* n. 10 at 387.

the defendants proposed the basis of reasonable remuneration to a consultant for providing information of the character of the plaintiff's information. The Master ordered that the issue as to which of the three bases was correct should be determined by the Court of Appeal. In *Seager v. Copydex (No. 2)*,[111] the sole issue was therefore the assessment of damages.

It is important to appreciate that in this case, the Court of Appeal was moving in uncharted territory in attempting to outline principles upon which compensation for breach of this purely equitable duty were to be assessed. The Court of Appeal, which in *Seager* v. *Copydex (No. 1)*[112] had acknowledged the purely equitable nature of the duty of confidence,[113] has been catigated for confusing the enforcement of this purely equitable duty with the protection of proprietary, that is legal, rights when it enunciated the principles upon which such "damages" were to be assessed.[114] This criticism is unfair; the Court of Appeal did not ignore the equitable jurisdiction it was exercising, nor can it be accused of committing the fusion fallacy simply because it employed a tenable analogy with common law remedies in laying down new principles for the computation of equitable compensation, where Equity learning provided little guidance.[115] That is not to say, however, that while the analogy drawn may be tenable in itself, its application by the Court to the particular facts of that case and to general principle in the sphere of remedy was not without analytical problems.

While the analogy with remedies given at common law for misappropriated property is tenable and acceptable, the analogy with conversion only, which was the extent to which the analogy was applied by Lord Denning in *Seager* v. *Copydex (No. 2)*,[116] is inadequate and incomplete. Lord Denning, in effect, did not carry the analogy far enough when he said:

> [the damages] are to be assessed . . . at the value of the information which the defendants took. If I may use an analogy, it is like damages for conversion. Damages for conversion are the value of goods. Once the damages are paid, the goods become the property of the defendant. A satisfied judgment in trover transfers the property in the goods. So here, once the damages are assessed and paid, the confidential information belongs to the defendants.[117]

What Lord Denning fails to acknowledge is that at common law, a

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111 *Supra* n. 93.
112 *Supra* n. 24.
113 *Id.* at 931.
114 Forrai, *Supra* n. 10 at 388; Meagher, Gummow and Lehane, *op. cit. supra* n. 10, para. 2317.
115 It is not, however, disputed that the Court *did* commit the fusion fallacy in *Seager (No. 1)* in relation to the jurisdictional issue concerning the award of monetary compensation in Equity.
116 *Supra* n. 93 at 813.
117 *Ibid.*

plaintiff whose property has been misappropriated had the election to sue in either detinue or trover.[118] He will sue in the former if he desires to keep his chattel, that is, to have it restored to him; and in the latter, if damages will suffice. If the plaintiff sued in detinue, the defendant in turn was given an election: he could either deliver up the chattel to the plaintiff or merely pay damages. However, in the mid-nineteenth century, the common law courts were empowered by statute to order the return of detained chattels at their discretion.[119] The Chancery courts, on the other hand, always had an inherent jurisdiction to award specific delivery of a chattel.[120] Usually Equity left a plaintiff to his common law remedy if adequate, but where the chattel could be proven to be of some exceptional value, not necessarily monetary, for which there could be no adequate compensation damages, Equity would order specific delivery;[121] or where the person in possession of the chattel had acquired it through the abuse of a fiduciary relationship, Equity would award specific delivery even if the plaintiff would be adequately compensated by damages at common law.[122]

Fully developed, Lord Denning's analogy with conversion in relation to the award of compensation for breach of confidence, presents, perhaps, a viable solution to the present uncertainty of principle in this area. Certainly, the election to sue in the analogical equivalent to detinue ought to be open to the discloser. As in the common law action, the court should have a discretion to award monetary compensation or injunctive relief, which in the breach of confidence situation is directly analogous to specific delivery. This discretion would be informed by considerations based on the commercial value of the information to the plaintiff in the circumstances as they exist at the time of the trial. If the plaintiff would be thus advantaged, and if the nature of the information were sufficiently "special" (to use Lord Denning's terminology) to invoke the court's injunctive relief, an injunction and an account of profits would be granted against the misbehaving confidant. If, on the other hand, the nature of the information was not sufficiently "special"

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[118] In fairness to Lord Denning, the writer feels she ought to acknowledge that detinue has now been abolished in the U.K. by s. 6 Torts (Interference With Goods) Act 1977 (U.K.).

[119] English Common Law Procedure Act, 1854; s. 136 Common Law Procedure Act, 1899-1968 (N.S.W.).

[120] J. Fleming, *The Law of Torts* (1977), Ch. 4; R. Megarry and P. V. Baker (eds.) *Snell's Principles of Equity* (27th Ed. 1973) at 574, para. 4; *Halsbury's Laws of England* (3rd ed., 1964), Vol. 38, 803; *Doulton Potteries Ltd.* v. *Bronotte* [1971] 1 N.S.W.L.R. 591 at 596 *per* Hope, J.

[121] *Pusey* v. *Pusey* (1684) 1 Vern. 273 (an heirloom); *Duke of Somerset* v. *Cookson* (1735) 3 P.Wms. 390 (heirloom); *Lowther* v. *Lord Lowther* (1806) 13 Ves. 95 (valuable pictures); *North* v. *Great Northern Railway Co.* (1860) 2 Giff. 64; *Aristoc Industries Pty. Ltd.* v. *R. A. Wenham (Builders) Pty. Ltd.* [1965] N.S.W.R. 581 at 588; *Doulton Potteries Pty. Ltd.* v. *Bronotte id.* (chattel of a peculiar value to the profitable conduct of the plaintiff's business); in the last case, such chattels could not be merely the "ordinary articles of commerce": *per* Swinfen-Eady, M.R. in *Whitely, Ltd.* v. *Hilt* [1918] 2 K.B. 808 at 819 (an action for detinue).

[122] *Wood* v. *Rowcliffe* (1847) 2 Ph. 383; 41 E.R. 990.

to invoke the court's injunctive relief or the plaintiff would not be advantaged by the grant of such relief, compensation would be awarded on analogy with the remedy in trover. As was held in *Seager* v. *Copydex (No. 2)*[123] the information would be "sold" to the defendant at a value calculated as between a willing buyer and a willing seller, and the plaintiff "paid" in monetary compensation.

Mr Seager, however, was offered no such election to sue in "detinue" or in "trover"; and the result of Lord Denning's failure to apply his analogy with completeness has been considered a most inequitable one inasmuch as the trade secret, which was invented by the plaintiff, was forcibly and involuntarily "sold" to the defendants and they were then free to profit from its possible mooted patentability and the monopoly in manufacture that would bring them.[124] An alternative view of this particular fact situation, however, postulates that the result was not inequitable, considering the circumstances as they stood at the time of the trial (the patent then being only a mere possibility and in any case, a fact which the court sought to take into account when awarding compensation) and the fact that Equity, while it does not permit a wrongdoer to profit from his wrongdoing, does not seek to punish him either, especially where his wrongdoing has been held to be "unconscious" and the result of inadvertence only.[125] At the time of the trial, the defendants had been for some time manufacturing and selling the "Invisigrip", and the original inventive idea of the plaintiff was no longer secret, in the sense that enyone who wished to perform the lawful process of reverse engineering on the "Invisigrip" made by the defendants could ascertain the secret. Thus, an injunction against the defendants' further manufacture of the "Invisigrip" would have been of no commercial value to the plaintiff and an account of profits not as adequate as compensation calculated on a "sale" between a willing buyer and a willing seller.

In *Seager* v. *Copydex (No. 2)*,[126] it was held that the measure of damages should vary according to the nature of the confidential information. Lord Denning postulated three categories of confidential information of escalating value. The first kind was that which had "nothing very special about it, that is . . . it involved no particularly inventive step". It was "the sort of information which could be obtained by employing any competent consultant", and "the value of it was the fee which a consultant would charge for it". The second kind was that which "was something special, as, for instance, if it involved an inventive step or something so unusual that it could not be obtained by just going to a consultant"; and "the value of it is much higher. It is not merely a consultant's fee but the price which a willing buyer — desirous

[123] *Supra* n. 93 at 813.
[124] See Forrai *supra* n. 10 at 388.
[125] *Supra* n. 24 at 931.
[126] *Supra* n. 93 at 813.

of obtaining it — would pay for it". This second category includes trade secrets which, while not sufficiently novel to be patentable, are nevertheless commercially valuable. The third kind of trade secret is that which is patentable:

> . . . if . . . the confidential information was very special indeed, then it may well be right for the value to be assessed on the footing that in the usual way it would be remunerated by a royalty. The court, of course, cannot give a royalty by way of damages. But it could give an equivalent on a calculation based on a capitalization of a royalty.[127]

It was according to this categorization that the Court of Appeal ordered assessment of damages in this case. Such a categorization is based upon the consideration that trade secrets are commercially valuable, and it is this value, or rather its loss, which must be compensated for. In breaching his duty to the discloser, the confidant, to some degree, must have destroyed that part of the confidential information's value, which was constituted by the fact that it was only known to the confidant and discloser. This secrecy would have rendered it valuable to the discloser inasmuch as it was his to exploit exclusively, although the law conferred upon him no proprietorial protection.[128] But the value constituted by the fact that the information remains undivulged may only, in some cases, have been part of the potential value of the trade secret to the discloser. Allow the writer to explain this proposition in terms of Lord Denning's three categories. In the first situation, the secrecy of the information given by the consultant, that is, the fact that it is not freely available to the public, constitutes the whole of the commercial value to the discloser. In this situation, the discloser would be adequately compensated, as Lord Denning suggests, by payment of a reasonable fee for services rendered. The consultant remains free to advise anyone who consults him on a similar matter in the future in the same way, and it is quite equitable that the defendant should be able to use the advice obtained from the plaintiff, albeit in breach of the duty of confidence, once he has compensated the discloser for his services.[129]

In the situations arising under Lord Denning's second and third categories, while the misbehaving confidant may have destroyed part of the information's value to the discloser, namely, that value arising from the fact that it was undivulged to the world, he may not, by any means, have destroyed the whole of its potential commercial value to the discloser. For example, in *Seager* v. *Copydex*,[130] if the plaintiff could

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[127] *Ibid.*

[128] *De Beer* v. *Graham supra* n. 22.

[129] This was the reasoning behind the decision and award of compensation in the recent N.S.W. case of *Interfirm Comparison (Australia) Pty. Ltd.* v. *Law Society of N.S.W. supra* n. 6 at 548 *per* Bowen, C.J.

[130] *Supra* n. 93.

have patented the invention himself and then manufactured it under the protection of the monopoly conferred by his patent, he would have been able to realize a considerable commercial potential, independent of any value conferred by the information's previous confidentiality. However, according to the decision in that case, it was the defendant who was thus given the option of thus profiting from the invention; and the plaintiff who was left with the possibility of inadequate lump sum damages for "conversion" and the potentially irremediable damage to his own business of manufacturing the "Klent" grip because of the loss of profits caused by the competition which the defendants' marketing of the "Invisigrip" would provide.[131] On the other hand, if the "Invisigrip" were held not to be patentable, it may well be that compensation assessed on a sale between a willing buyer and seller would be completely adequate.

The analogy with common law remedies for stolen chattels should be followed through with completeness: on analogy with the action in trover, if the information is no longer of any value to the plaintiff after the confidant's breach of duty, the plaintiff should be able to elect to have monetary compensation assessed, depending on the nature of the information, according to Lord Denning's first or second category. On analogy with specific delivery in the action in detinue, if the information still has potential commercial value to the discloser, independent of the confidentiality which has been lost, then the plaintiff should be able to profit from the information himself if he wishes, by the grant of injunctive relief against the confidant. In this situation, the plaintiff should be also entitled to an account of profits made by the defendant, such as were awarded in *Peter Pan Manufacturing Corp.* v. *Corsets Silhouette Ltd.*[132]

While this last situation does embrace Lord Denning's third category, it does not do so exclusively. This remedy may be awarded even if the information is not patentable, although more often than not it will be. Lord Denning's emphasis on patentability is unjustified: the action for breach of confidence is designed to afford protection to the duty of confidentiality which attaches to patentable, as well as unpatentable, information.[133] An additional criticism of this third category, as enunciated by Lord Denning, is that if damages were assessed by way of capitalized royalties, there is the additional difficulty that "we do not know for *how long* the capitalization of royalty should continue".[134] The best analysis of what Lord Denning means here, when he talks about "royalties" in connection with his third category, is that he is in fact referring to an account of profits.

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[131] It is arguable, of course, that Mr Seager could perhaps claim such damages under Lord Cairns Act.
[132] *Supra* n. 97.
[133] Jones *supra* n. 3 at 464.
[134] Forrai *supra* n. 10 at 389.

In conclusion, in *Seager* v. *Copydex (No. 1)*,[135] the Court of Appeal based its jurisdiction to award compensation on the fusion fallacy, a theory which inaccurately asserts that after the fusion of the administration of law and Equity under the Judicature Acts, 1875, remedies available in one administration were automatically available in the other. Considering the unresolved debate as to whether statutory damages can be awarded under Lord Cairns Act in aid of purely equitable rights where injunctive relief is not granted as well,[136] the better view is that the award of such monetary restitution should be made in the inherent compensatory jurisdiction of Equity.

In view of the lack of guidance offered by Equity learning in this area, the analogy drawn by Lord Denning in *Seager* v. *Copydex (No. 2)*[137] with common law damages for conversion in order to develop principles for the assessment of compensation in Equity is essentially sound in principle and useful in practice. However, the analogy ought to be developed more completely in the particular ways and for the particular reasons discussed above. To award compensation for breach of the purely equitable duty of confidence in Equity's compensatory jurisdiction is not to treat the action for breach of confidence as a new tort, an analysis which P. M. North[138] and W. Cornish[139] seriously consider. Such an analysis of the action could only be valid if the compensation which has been awarded in the cases constituted damages at common law in fact, rather than compensation in Equity assessed on principles developed by analogy with those applied at common law for the assessment of damages in tort.

(3) Orders for Delivery Up and For Destruction

The English Law Commission considers that the decision in *Seager* v. *Copydex (No. 2)*,[140] where no order for delivery up or for destruction was made, has created a conflict of authority in regard to the awarding of the alternative remedies of delivery up to the plaintiff or destruction by court order.[141] The uncertainty is said to relate to whether, "since (an order for delivery up to the plaintiff) can only be made on the basis that the property in the material (to be delivered up) remains in the plaintiff",[142] in patent and copyright cases, such a rule also applies to breach of confidence actions. There is, in fact, no such conflict in the cases and this observation by the Law Commission

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[135] *Supra* n. 24.

[136] It is important to note that English courts seem to be willing to accept that statutory damages can be thus awarded: see the *Saltman Case supra* n. 6 at 219 *per* Cohen, J.; and *Nichrotherm Case supra* n. 92.

[137] *Supra* n. 93 at 813.

[138] "Breach of Confidence: Is there a New Tort?" (1972) 12 *Jo. S.P.T.L.* 149.

[139] "Protection of Confidential Information" (1975) 6 *International Review of Industrial Property and Copyright Law* 43 at 55.

[140] *Supra* n. 93.

[141] Law Commission Working Paper No. 58 (1974), para. 37.

[142] *Ibid.*

is based first, on the failure to appreciate the important difference between the common law actions of patent and copyright, which enforce legal rights, and the purely equitable action for breach of confidence, which enforces equitable obligations; and secondly, upon the failure to appreciate that it is by analogy *only* with the common law action of conversion, that Lord Denning assessed compensation in *Seager* v. *Copydex (No. 2)*,[143] not in reliance on any analysis that information is *per se* a species of property.

Apart from ordering specific delivery of property belonging beneficially to the plaintiff, Equity can also order a defendant to deliver up to the court for destruction property which is owned by the defendant himself, but the creation, compilation or manufacture of which involved the breach of the rights, legal or equitable, of the plaintiff.[144] The considerations which inform the Court's equitable discretion to grant the order for delivery up for destruction to the court were explained by Russell, J. in *Mergenthaler Linotype Coy.* v. *Intertype Ltd.*,[145] *a* case of patent infringement. The remedy developed thus through the copyright and patent cases; its award in breach of confidence cases is a comparatively recent phenomenon.[146]

In *Ormonoid Roofing and Asphalts Ltd.* v. *Bitumenoids Ltd and Ors*,[147] a breach of confidence case, Harvey, C.J., held that the plaintiff was not entitled to delivery up of the machine which had been constructed to embody features which were gleaned from confidential information obtained from the plaintiff in breach of confidence. The order was denied since the plaintiff had no property in the defendant company's machine. Instead, an order for delivery up and destruction by an officer of the Court was made. In the *Ansell Rubber Case*,[148] Gowans, J. ordered that the machinery of the defendant, which had been constructed using confidential information wrongfully obtained from the plaintiff, be delivered up for destruction by the plaintiff rather than by an officer of the court. However, it was expressly stated that "(the machines) cannot, however, be retained or made use of by the plaintiff which has no property in them. If the parties should come to an agreement by which the plaintiff is to retain them, that is a matter for them".[149] Though unusual, this is not an unprecedented order[150]

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[143] *Supra* n. 93 at 813.

[144] Forrai rightly points out: "The origins of this remedy lie back in the days of the first copyright legislation which vested statutory powers of destruction in common law courts. In time, Equity arrogated this power to itself in fields other than copyright. It is clearly recognized as a proper equitable remedy in *Hale* v. *Bradbury" supra* n. 10 at 391.

[145] [1927] 43 R.P.C. 381.

[146] (1849) 1 H. & Tw.1. It was, however, ordered in *Prince Albert* v. *Strange*, in the auxiliary jurisdiction in regard to copyright in the etchings.

[147] [1931] S.R. (N.S.W.) 347.

[148] *Supra* n. 10.

[149] *Id.* at 52.

[150] Forrai *supra* n. 10; see H. W. Seton, *Forms of Decrees, Judgments and Orders* (4th ed.), Vol. 1, 244..

and it is quite consistent with authority in holding that the plaintiff, having no property in the infringing material, has no right to restitution in the form of specific delivery. The orders in these cases were rightly made. However, Graham, J. in *Industrial Furnaces Ltd.* v. *Reaves*,[151] said:

> It has been clearly laid down in patent cases that the property in the infringing article remains in the infringer. In breach of confidence cases, however, the matter is to my mind analogous to the position in respect of trust property; and in my judgment in the normal case the property in the information which has been stolen will remain in the plaintiff.[152]

He ordered delivery up to the plaintiffs of documents containing the confidential information, even though such documents of the defendants allegedly also contained trade secrets which "belonged" to the defendants. However, in the writer's view the analogy of confidential information with trust property in regard to this remedy is inapposite because it is essentially irrelevant. Graham, J. seems to have confused two quite separate issues: first, who has the right to injunctive relief on the grounds of breach of confidence; and secondly, who has the proprietorial right to infringing articles produced through misuse of confidential information. It is the latter issue only which is relevant to deciding whether specific delivery or delivery up for destruction will be ordered. The right in question is the legal proprietary right which lies in the infringing article; it has nothing to do with the confidential information itself. This point is clearly illustrated by the court's order in *Saltman Engineering* v. *Campbell Engineering*,[153] where specific delivery was ordered of drawings made by the plaintiff. These drawings, which contained the confidential information in question, had been handed to the defendants in breach of confidence. It was held that the property in the drawings was in the plaintiff without any regard being had to the fact that the confidential information happened to be embodied therein.

The analogy which Graham, J. draws with trust property may well be validly employed in the situation where the discloser is seeking injunctive relief, which in breach of confidence actions is equivalent to specific delivery; but in the situation where an order for destruction is being awarded, ancillary to injunctive relief, the trust property analogy is quite inapposite. Thus, the so-called conflict of authority between Lord Denning and Graham, J. is resolved. Each is in fact talking about a different situation; Lord Denning in *Seager* v. *Copydex (No. 2)*[154] is pursuing his analogy with conversion in regard to the assessment of

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[151] [1970] R.P.C. 605.
[152] *Id.* at 627.
[153] *Supra* n. 4 at 219.
[154] *Supra* n. 93 at 813.

damages in the situation where no injunctive relief is to be ordered; Graham, J. is considering the award for the delivery up of infringing material, an order which is always ancillary to the award of an injunction.

There have been breach of confidence cases where delivery up to the plaintiff of certain property has been ordered. Apart from the *Saltman Case*,[155] such orders were made in *Crowder* v. *Hilton*[156] and in *Franklin* v. *Giddins*.[157] In both these cases, the plaintiff in fact had proprietorial rights in the article to be delivered up: the recipe in the former, and the valuable budwood in the latter. The most acceptable analysis of these cases is that they were cases where the orders for delivery up were not based upon breach of confidence at all, but rather upon the theft of the articles themselves.

In the recent case of *Franklin* v. *Giddins*,[158] the plaintiff had developed by his own efforts over 15 years a strain of nectarine, the Franklin Early White, by selective cross-breeding. This unique hybrid had certain qualities which made the fruit so produced of considerable commercial value. It was unique in that it was impossible to repeat the cross-breeding programme, which had been followed by the plaintiff in order to evolve the tree which bore such fruit. This variety of nectarine-tree could not be grown from seed. It could only be reproduced by taking a twig of budwood and budding, that is grafting, it to root-stock. The hybrid was, in fact, genetically coded in the budwood. The defendant, under cover of night, stole four twigs of this budwood from the plaintiff's trees. These he budded successfully and was so enabled to cultivate his own orchard of Franklin Early Whites. The plaintiff sought equitable relief for breach of confidence in the form of a declaration that the Franklin Early White nectarine trees growing in the defendant's orchard were his property and an order for delivery up to him, or an order for destruction, of all the wood which (because of its genetic character) caused the trees to bear the Franklin Early White nectarine. There was no claim for compensation or for an account of profits.

Dunn, J. seems to base his decision upon breach of the equitable duty of confidence, although he makes no finding on the facts that the defendant had learnt the information under circumstances imposing such an obligation; and he goes on to equate confidential information, that is the knowledge that there were such particular genetic characteristics coded in the budwood as a result of the plaintiff's cross-breeding programme with the budwood itself with tangible property: "the . . . defendant has been guilty of infringements of the plaintiff's rights since

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155 *Supra* n. 4.
156 [1902] S.A.S.R. 82.
157 [1978] Qd. S.R. 78.
158 *Ibid.*

he stole and used the budwood".[159] Despite what is said in the judgment, the decision would seem to be more sensibly based on the infringement of legal proprietary rights, rather than of any equitable obligation. Such a basis would then justify in principle the award which was made of an order for delivery up to the plaintiffs for destruction of all the wood productive of the Franklin Early White, which the defendant had as a result of his theft. On the facts, the property in the four twigs of budwood was always in the plaintiff but once they were grafted to the defendant's root-stock, it would seem that they would have become part of the defendant's real property. Dunn, J. discussed the possibility that the defendant became constructive trustee of the trees which were produced as a result of budding the productive budwood stolen from the plaintiff's orchard, but did not make such a finding in his final decision.[160] Such a finding would have been correct in principle and would not have resulted in confusion of legal rights in property stolen with the breach of equitable duty.

(4) Compensation for Breach of Personal Confidence

Megarry, J. in *Coco* v. *Clark*[161] proposed a two-tier duty of confidence to accommodate the distinction between commercially valuable trade secrets and personal biographical information, which may or may not be commercially valuable. The harm done to the discloser by the confidant's breach of duty is directly measurable in monetary terms when a trade secret is the object of the duty; but although wrongful disclosure of a personal confidence may do irreparable damage to the discloser, such damage will rarely be directly measurable in financial terms. Thus, in regard to trade secrets, Megarry, J. considered that "the essence of the duty seems more likely to be that of not using without paying" while he conceded that the duty may be "the more stringent one of not using at all" in the personal confidence situation.[162] This distinction is highlighted by the fact that there are no definitive authorities regarding whether compensation might be awarded in Equity for the use of personal biographical information in breach of the duty of confidence.[163] Can Equity, either in its inherent compensatory jurisdiction or under Lord Cairns Act, grant compensation for any personal suffering or loss of reputation caused by the breach of such a confidence?

In the recent Australian case of *Foster* v. *Mountford*,[164] an interlocutory injunction was granted to restrain the sale in the Northern Territory of a book which divulged certain tribal secrets, the disclosure of which would have caused serious social problems within the particular

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[159] *Id.* at 81.
[160] *Id.* at 82.
[161] *Supra* n. 5.
[162] *Id.* at 50.
[163] Law Commission Working Paper No. 58 (1974) para. 48.
[164] (1977) 14 A.L.R. 71.

Aboriginal tribe concerned. Muirhead, J. considered the possibility of the award of statutory damages in lieu of injunctive relief. However, it is a possibility which Muirhead, J. rejected because the imminent harm was "of a serious nature, damage of a type to which monetary damages are irrelevant".[165] In awarding the injunction, he held: ". . . monetary damages cannot alleviate any wrong to the plaintiffs that may be established and, perhaps, there can be no greater threat to any of us than a threat to one's family and social structure."[166]

It may well be argued, on a strict construction of Lord Cairns Act, that, in any case, there is no jurisdiction in the Court to award statutory damages if no injunction is granted, and that Equity's inherent compensatory jurisdiction has only ever been invoked where financial loss or specific, identifiable property is involved.[167] On this view, it is difficult to imagine upon what principles such compensation would be assessed, since the principles enunciated in *Seager* v. *Copydex (No. 2)*[168] are derived from an analogy of confidential information with stolen property in order that the commercial value of the information destroyed by the disclosure may be assessed and compensated.

Equity has a very broad discretion to exercise in granting injunctions. If the plaintiff can establish the ground of breach of confidence, especially if accompanied by the possibility of imminent personal harm, then an injunction will almost immediately be granted, as it was in *Argyll* v. *Argyll*.[169] Where the plaintiff fails to establish this ground no injunction will be granted, of course, because the jurisdiction of the court will not have been successfully invoked and the plaintiff will be left to his remedy at law, that is, an action in defamation. This was the outcome of *Woodward* v. *Hutchins*.[170]

The English Law Commission, however, postulates the situation where a plaintiff is "too late for an injunction"; and asks whether it is just that the plaintiff in that case may be left without remedy.[171] It would seem that the situation to which the Law Commission is referring is that where all the harm that could possibly be done to the discloser through breach of that personal confidence has been done by the very act of disclosure itself. For instance, on the facts of the *Argyll Case*,[172] if the first time the Duchess knew about her husband's breach of duty was when she read her personal secrets in the headlines of her morning newspaper, injunctive relief would be "too late" to prevent the injury caused by that publication. And in the situation where an injunction could be obtained in time to prevent further publication of other confid-

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165 *Id.* at 74.
166 *Id.* at 75.
167 *Ex Parte Adamson supra* n. 84.
168 *Supra* n. 93.
169 *Supra* n. 6.
170 [1977] 1 W.L.R. 760 at 764 *per* Lord Denning.
171 Law Commission Working Paper No. 58 (1974) para. 48.
172 *Supra* n. 6.

ences, what compensation could the discloser claim for the harm already done by those first disclosures? Could the discloser claim an account of profits from the newspaper for any profit made in the publication of that "scoop" article containing the confidences? These are questions as yet unresolved by the courts.

As the Law Commission points out, this may well be an area where Equity's power to award relief in the form of compensation might be deficient.[173] This area also reveals the limits of the property analogy in awarding compensation: if Equity sought to award compensation in its inherent jurisdiction or statutory damages under Lord Cairns Act, upon what principles could it rely to assess the personal harm done to the plaintiff? It would not be possible, as it was in *Seager* v. *Copydex (No. 2)*,[174] to assess compensation, by analogy with common law damages for misappropriated property, in terms of the commercial value of the personal biographical information. Whatever commercial value (if any) such information had to the discloser would normally bear little or no relation to the degree of personal harm sought to be compensated for. Although it may be that in a situation such as that in *Woodward* v. *Hutchins*,[175] a case in which certain pop stars sought to prevent the publication of newspaper articles based upon salacious stories revealed by their ex-manager, the value of such information could perhaps be calculated in terms of "goodwill" lost as a result of breach of duty inasmuch as the public image of the pop stars involved constituted this goodwill. Certainly, in that case, two of the judges adverted to the possibility of compensation being awarded for the breach of personal confidence.[176]

Perhaps it may be possible for Equity to calculate such compensation by analogy with common law principles for the assessment of damages for defamation; but the fact that Equity's inherent and statutory compensatory jurisdictions are based on the notion of specific restitution of money or specific chattels could make courts of Equity wary of extending their jurisdiction into the area of personal injury and loss of reputation.

CONCLUSION

The contemporary debate as to whether the action protects a property right in information, or the relationship of confidence itself, reflects the historical uncertainty as to whether the action enforces legal or equitable rights. The proper rationalization of the case law is that the action for breach of confidence enforces a broad duty of good faith and the proven relationship of trust or confidence itself; it does not

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[173] *Supra* n. 171.
[174] *Supra* n. 93.
[175] *Supra* n. 170.
[176] *Id.* at 764 *per* Lord Denning; *Id.* at 765 *per* Lord Justice Bridge. As in *Seager* (*No. 1*), there was no analysis of the court's jurisdiction to award such damages.

protect property rights in the information transmitted within that relationship.

It has been the purpose of this article to refute any analysis of the action in terms of proprietory rights, especially in regard to judicial definition of the nature of the duty itself, and to the particular sphere of compensation. In the secondary sphere of remedy, the *analogy* of confidential information with property can be useful in developing principles upon which compensation in Equity may be assessed. Nevertheless, it is only the analogy with misappropriated property which is useful. The limits of the analogy are revealed by its inadequacy in the situation where personal confidence is abused, since the necessary equation of such information with a commercial value as property can not be made.

Once the sources of the analytical confusion concerning the action are located, the lacunae which do exist, particularly in the area of breach of personal confidence, can be isolated and dealt with by the courts. In fact, the emphasis on a common law basis for the action and on the existence of property rights in confidential information has been totally misplaced. This analysis is of no use at all with regard to trade secrets: Equity is fully competent to enforce the duty of confidence and to compensate its breach with regard to information having a direct commercial value. But it may well be that, since Equity's compensatory jurisdiction is inadequate to compensate the personal suffering incurred through breach of confidence for which an account of profits might not be obtainable or adequate, a common law action in tort would most readily fill this gap in Equity's jurisdiction.