FEDERAL COURT OF AUSTRALIA

SAI Global Property Division Pty Ltd v Johnstone [2016] FCA 1333

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| File number: | VID 897 of 2015 |
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| Judge: | **MOSHINSKY J** |
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| Date of judgment: | 14 November 2016 |
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| Catchwords: | **INTELLECTUAL PROPERTY** – confidential information – employee copied computer files with confidential information about customers onto USB device before resigning – employee made copies of files and accessed them after commencing work for a competitor – where employee admitted breaching confidentiality obligations in employment contract and statutory duties – form of declaratory and injunctive relief  **COPYRIGHT** – computer files with data relating to customers – employee copied the computer files onto USB device before resigning – employee made copies of files and accessed them after commencing work for a competitor – employee admitted infringing the former employer’s copyright in the computer files – whether to make order for additional damages under s 115(4) of the *Copyright Act 1968* (Cth)  **CONTRACT** – employment contract – employee resigned – period of employment ended two weeks later – employee commenced work for a competitor during the two week period – employer claimed damages in the amount of the salary paid to the employee for the two week period – whether employer suffered loss or damage  **COSTS** – proportionality of costs to importance and complexity of the matters in dispute – where employer obtained *ex parte* orders for delivery up and affidavit against former employee suspected of copying confidential computer files – where former employee delivered up USB device and computer and essentially admitted all material facts early in the proceeding – whether the costs incurred by the employer were proportionate |
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| Legislation: | *Copyright Act 1968* (Cth), s 115(4)  *Corporations Act 2001* (Cth), ss 182, 183, 1317H  *Federal Court of Australia Act* *1976* (Cth), ss 37M, 37N |
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| Cases cited: | *Aristocrat Technologies Australia Pty Ltd v DAP Services (Kempsey) Pty Ltd* (2007) 157 FCR 564  *Autodesk Inc v Yee* (1996) 68 FCR 391  *Coles Supermarkets Australia Pty Ltd v FKP Ltd* [2008] FCA 1915  *Del Casale v Artedomus (Aust) Pty Ltd* (2007) 73 IPR 326  *Dynamic Supplies Pty Ltd v Tonnex International Pty Ltd (No 3)* (2014) 312 ALR 705  *Gold and Copper Resources Pty Ltd v Newcrest Operations Ltd* [2013] NSWSC 281  *IceTV Pty Ltd v Nine Network Australia Pty Ltd* (2009) 239 CLR 458  *McRae v Commonwealth Disposals Commission* (1951) 84 CLR 377  *Moorgate Tobacco Company Ltd v Philip Morris (Ltd) (No 2)* (1984) 156 CLR 414  *Multisteps Pty Ltd v Source and Sell Pty Ltd* (2013) 214 FCR 323  *Optus Networks Pty Ltd v Telstra Corporation Ltd* (2010) 265 ALR 281  *Specsavers Pty Ltd v The Optical Superstore Pty Ltd* (2012) 208 FCR 78  *Specsavers Pty Ltd v The Optical Superstore Pty Ltd (No 4)* [2012] ATPR 42-403;[2012] FCA 652  *Streetscape Projects (Australia) Pty Ltd v City of Sydney* (2013) 85 NSWLR 196  *Telstra Corporation Limited v Phone Directories Company Pty Ltd* (2010) 194 FCR 142 |
|  |  |
| Date of hearing: | 29 June 2016 |
|  |  |
| Date of last submissions: | 15 July 2016 |
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| Registry: |  |
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| Division: |  |
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| National Practice Area: | Intellectual Property |
|  |  |
| Sub-area: | Copyright and Industrial Designs |
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| Category: | Catchwords |
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| Number of paragraphs: | 70 |
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| Counsel for the Applicant: | Mr EJC Heerey QC |
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| Solicitor for the Applicant: | Gilbert + Tobin |
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| Counsel for the Respondent: | Mr CP Thompson |
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| Solicitor for the Respondent: | City Pacific Lawyers |

ORDERS

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|  | | VID 897 of 2015 |
|  | | |
| BETWEEN: | SAI GLOBAL PROPERTY DIVISION PTY LTD (ACN 089 586 872)  Applicant | |
| AND: | LIAM JOHNSTONE  Respondent | |

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| JUDGE: | MOSHINSKY J |
| DATE OF ORDER: | 14 NOVEMBER 2016 |

THE COURT DECLARES THAT:

1. By copying and accessing the computer files referred to in the pleadings as the “Daily Revenue Report” and “Gaye Opportunities”, which documents contained information that was confidential to the applicant, the respondent:
   1. infringed the applicant’s copyright in these works;
   2. breached his employment contract with the applicant and breached fiduciary duties owed to the applicant;
   3. breached duties arising under ss 182 and 183 of the *Corporations Act 2001* (Cth).
2. By commencing employment with a new employer on 2 November 2015, while still employed by the applicant (which employment continued until 12 November 2015), the respondent breached his employment contract with the applicant.

THE COURT ORDERS THAT:

1. The respondent be restrained from disclosing to any person, or making any use of, any SAI Confidential Information, except to the extent:
   1. required by law; or
   2. permitted by prior written consent of the applicant,

where “SAI Confidential Information” in these orders means:

* 1. the document referred to as the “Daily Revenue Report” in paragraph 39 of the affidavit of Ann Wootton sworn 4 December 2015; and
  2. any other document or electronic file containing any confidential information of the applicant (including technical or business information of the applicant or its related entities), including without limitation any document bearing the name “SAI Global Property” which the respondent received, learned, developed or obtained in relation to his employment with the applicant,

except documents in the public domain other than in breach of a confidentiality obligation.

1. The respondent cause to be permanently deleted any electronic copy or impression of any document in his possession, custody or control which:
   1. is the property of the applicant or its related bodies corporate; or
   2. contains any SAI Confidential Information (as defined in order 3).
2. The respondent pay the applicant:
   1. damages of $4,230 for breach of contract;
   2. damages of $1 for infringement of copyright;
   3. additional damages of $5,000 pursuant to s 115(4) of the *Copyright Act 1968* (Cth).
3. In relation to the costs of the proceeding, the respondent pay to the applicant the following costs (on a party-party basis, to be taxed if not agreed):
   1. the applicant’s costs up to 11 December 2015;
   2. the applicant’s costs associated with the second affidavit of Mr McKemmish;
   3. half of the applicant’s costs from 12 December 2015 (other than the costs associated with the second affidavit of Mr McKemmish).
4. There be liberty to apply in relation to any things or documents delivered up to the Court or to a party.

Note: Entry of orders is dealt with in Rule 39.32 of the *Federal Court Rules 2011*.

REASONS FOR JUDGMENT

MOSHINSKY J:

## Introduction

1. The applicant (**SAI**), a subsidiary of SAI Global Limited, is a leading provider in Australia of integrated search, settlement and conveyancing software and services.
2. In August 2015, the respondent (**Mr Johnstone**) commenced employment with SAI as a business development manager. On 29 October 2015, he resigned from SAI (but, as explained below, his employment did not end until two weeks later). Three days before his resignation, Mr Johnstone copied two computer files, containing information that was confidential to SAI, from the laptop used by him during his employment with SAI onto a USB device belonging to Mr Johnstone. One of the files contained highly sensitive information relating to SAI’s customers.
3. On 2 November 2015, four days after his resignation from SAI, Mr Johnstone commenced working for a competitor of SAI (the **New Employer**). During the following weeks, Mr Johnstone made a copy of and accessed the computer files on a number of occasions. He used the information in the files (and a spreadsheet he created from one of the files) to ascertain which customers of SAI were also customers of the New Employer. He did this of his own volition; there is no suggestion that the New Employer knew of or sanctioned his conduct.
4. Although Mr Johnstone commenced work with the New Employer on 2 November 2015, his employment with SAI did not end until 12 November 2015, being two weeks after the date of resignation. He was paid his salary for those two weeks by SAI.
5. On 7 December 2015, SAI commenced this proceeding and obtained *ex parte* orders including for the delivery up of any external storage device used by Mr Johnstone in relation to his employment with SAI; any desktop or laptop computer to which any such external storage device had been connected; and any electronic or hard copy document in Mr Johnstone’s possession, custody or control containing information confidential to SAI. SAI also obtained an order that Mr Johnstone make an affidavit relating to such matters.
6. Mr Johnstone delivered up the USB device and a laptop computer. Mr Johnstone made an affidavit in which he essentially admitted all material facts. In his defence to the proceeding, Mr Johnstone admitted breaching his employment contract with SAI (the **Employment Contract**) and infringing SAI’s copyright in relation to the computer files. At the hearing before me, Mr Johnstone admitted breaching his obligations under ss 182 and 183 of the *Corporations Act 2001* (Cth); breaching fiduciary duties owed to SAI; and additional breaches of the Employment Contract by working for a competitor during the two week period following his resignation.
7. The main issues agitated at the hearing were:
   1. whether injunctive relief should be ordered in circumstances where there had already been orders for the delivery up of the relevant devices and documents;
   2. whether SAI had suffered any loss or damage for which it was entitled to damages or other forms of compensation (SAI claimed an amount of $4,230 which represented the salary it paid Mr Johnstone for the two week period following his resignation);
   3. whether there should be an order for payment of additional damages pursuant to s 115(4) of the *Copyright Act 1968* (Cth) and, if so, the quantum of such damages (SAI claimed $5,000);
   4. whether SAI incurred costs that were disproportionate to the importance and complexity of the matters in dispute, and whether this should be reflected in the costs order, pursuant to ss 37M and 37N of the *Federal Court of Australia Act* *1976* (Cth).
8. For the reasons that follow, my conclusions in relation to these issues are:
   1. it is appropriate in the circumstances that injunctive relief be ordered;
   2. SAI is entitled to damages of $4,230, as claimed, for breach of contract;
   3. in addition to an award of $1 nominal damages for copyright infringement, there should be an order that Mr Johnstone pay additional damages of $5,000, as claimed;
   4. the costs incurred by SAI ($275,469) were disproportionate to the importance and complexity of the matters in dispute and this should be reflected in the costs order.
9. In light of the conclusion in (d) above, the order that I will make in relation to costs is that Mr Johnstone pay SAI the following costs (on a party-party basis, to be taxed if not agreed):
   1. SAI’s costs up to 11 December 2015;
   2. SAI’s costs associated with the second affidavit of Mr McKemmish; and
   3. half of SAI’s costs from 12 December 2015 (other than the costs associated with the second affidavit of Mr McKemmish).

## Procedural background

1. The proceeding was commenced on 7 December 2015. On that day, SAI made an *ex parte* application for orders including for the making of an affidavit by Mr Johnstone; an injunction to restrain Mr Johnstone from deleting certain information stored on any computer or electronic data storage device; and delivery up of external storage devices and computers. In support of the application, SAI relied on affidavits of Ann Wootton (the Director of SAI) dated 4 December 2015, Michael Williams (a solicitor from the firm of solicitors acting for SAI) dated 7 December 2015 and Rodney McKemmish (a forensic technology expert) dated 3 December 2015.
2. On 7 December 2015, the Court made orders including orders that:
   1. Mr Johnstone make and serve on SAI an affidavit to the best of his knowledge and belief and upon reasonable inquiry, providing a description of all “SAI Confidential Information” and providing certain information in relation to such information. The expression “SAI Information” was defined in the orders as meaning:
      1. the “Daily Revenue Report” which was in turn defined as meaning the document referred to in paragraph 39 of the affidavit of Ann Wootton sworn 4 December 2015; and
      2. any other document or electronic file containing any confidential information of SAI including technical or business information of SAI or its related entities, including without limitation any document bearing the name SAI Global Property which Mr Johnstone received, learned, developed or obtained in relation to his employment with SAI,

except documents in the public domain other than in breach of a confidentiality obligation;

* 1. Mr Johnstone be restrained until 4.00 pm on 11 December 2015 or further order from deleting or causing to be deleted any SAI Confidential Information stored on any personal computer or electronic data storage device, including any External Storage Device, in his possession, custody or control or in the possession, custody or control of his current employer; or from taking any step or causing any step to be taken which is likely to impede the recovery of any such data. “External Storage Device” was defined in the orders as meaning a particular USB Device;
  2. Mr Johnstone deliver up to Court by 9.30 am on 11 December 2015, any External Storage Device used by Mr Johnstone in relation to his employment with SAI; any desktop or laptop computer to which the External Storage Device had been connected; any electronic or hard copy of any document in his possession, custody or control which contains SAI Confidential Information, for the purpose of allowing SAI’s independent computer expert to undertake certain tests and activities as set out in the order.

1. The proceeding was listed for further hearing on 11 December 2015. On that day, both SAI and Mr Johnstone were represented by counsel. Counsel for Mr Johnstone handed up to the Court a USB Device and a laptop computer belonging to Mr Johnstone and an affidavit of Mr Johnstone affirmed that day. The affidavit referred to the orders made by the Court on 7 December 2015 (defined in the affidavit as “the Order”) and the definitions of “SAI Confidential Information” and “Daily Revenue Report” in the Order and then stated:

5. As at the date of the Order, I had in my possession copies of the Daily Revenue Report and of a document containing a customer list extracted by me from the Daily Revenue Report in the circumstances set out in paragraph 8(c) below (together, “the Retained Information”). As at the date of the Order I did not have any other SAI Confidential Information in my possession.

6. As at the date of the Order, the Retained Information was located only on my “memory stick”, which is a San Disk USB storage device with the serial number 200605736109FD1340D5 (“my USB Storage Device”).

7. The Daily Revenue Report came into my possession during the course of my employment with the Applicant. A copy of the Daily Revenue Report was stored on a notebook computer supplied for my use by the Applicant (“the SAI Notebook”), which I have not had in my possession since 29 October 2015.

8. Since 29 October 2015 I have had access to the Retained Information in the following circumstances:

(a) on or about 26 October 2015, I copied the Daily Revenue Report from the SAI Notebook onto my USB Storage Device;

(b) on or about 9 or 10 November 2015, I copied the Daily Revenue Report from my USB Storage Device onto the hard drive of a laptop computer supplied for my use by the [New Employer] (“the [New Employer’s] Laptop”);

(c) on or about 9 or 10 November 2015 I created a new spreadsheet on the [New Employer’s] Laptop into which I copied and pasted from the Daily Revenue Report a column containing the names of the Applicant’s customers (“the Customer List”);

(d) in the period from on or about 9 or 10 November 2015 until 4 December 2015, I accessed the Daily Revenue Report and the Customer List on the [New Employer’s] Laptop between 6 to 10 occasions;

(e) on or about 4 December 2015, I moved the Daily Revenue Report and the Customer List from the [New Employer’s] Laptop to the USB Storage Device, thus removing these documents from the [New Employer’s] Laptop;

(f) since 4 December 2015, I have not further accessed the Daily Revenue Report or the Customer List, but I have retained my USB Storage Device on which these documents currently reside.

9. The use to which I put the Retained Information was to compare the names of the Applicant’s customers with the names of [the New Employer’s] customers. This involved creating the Customer List, and then comparing the data in that list with data about the identity of [the New Employer’s] customers obtained from its Salesforce software.

10. I put the Retained Information to the above use for the purpose of ascertaining which of the Applicant’s customers were also customers of [the New Employer]. I have not used the Retained Information to make sales calls or make contact with any customers of the Applicant or for any other purpose.

11. I have not disclosed any of the Retained Information to anyone at [the New Employer], or to any other person or entity.

12. Although the Retained Information was located on the [New Employer’s] Laptop until 4 December 2015, none of the Retained Information has at any time been accessed by, anyone at [the New Employer] other than me, or any other person. This is because:

(a) I stored the Retained Information on my personal drive, which is physically located on [the New Employer’s] Laptop, is inaccessible via [the New Employer’s] network, and is not backed up on any [New Employer] server; and

(b) I did not give any other person access to the [New Employer’s] Laptop in the period where the Retained Information was located on [the New Employer’s] Laptop.

13. I refer to paragraphs 7(a) and (b) of the Order, which require me to deliver up to the Court by 9.30 am today any External Storage Device used by me in relation to my employment with the Applicant, and any desktop or laptop computer to which that External Storage Device has been connected.

14. I have possession of my USB Storage Device, and my ‘home’ computer, to which I have connected the USB Storage Device from time to time, although not for the purpose of copying any of the Retained Information.

15. The [New Employer’s] Laptop, where the Retained Information was but is no longer located, is no longer in my control. That computer was in my control until yesterday evening, 10 December 2015, when [name omitted], who is the Chief Executive Officer of [the New Employer], took possession of it.

1. The hearing on 11 December 2015 was brief and there were no contentious issues. Orders were made by consent that:
   1. Mr Johnstone be restrained until trial or further order from deleting or causing to be deleted any SAI Confidential Information stored on any personal computer or electronic data storage device, including any External Storage Device, in his possession, custody or control or in the possession, custody or control of his current employer; or from taking any step or causing any step to be taken which is likely to impede the recovery of any such data. “External Storage Device” was again defined in the orders as meaning a particular USB Device;
   2. leave be granted to SAI’s independent engaged computer experts to access and uplift the external storage device and computer delivered up to the Court for the purpose of allowing SAI’s independent engaged computer experts to undertake certain testing and activities as specified in the order.
2. The matter next returned to Court on 18 December 2015. On this occasion, the New Employer (which was not, and is not, a party to the proceeding) was represented. Orders were made regarding the delivery up of a laptop computer owned by the New Employer and for SAI’s independent engaged computer experts to have access to that computer. Consent orders were made as between SAI and Mr Johnstone regarding various procedural matters, without an appearance being required by or on behalf of Mr Johnstone.
3. On 4 March 2016, a directions hearing took place and consent orders were made regarding uplifting a document marked “confidential” from the Court file and for pleadings. SAI’s counsel appeared at the directions hearing. Mr Johnstone did not appear but provided his consent to the orders in writing.
4. On 17 March 2016, SAI filed an amended originating application and a statement of claim. By the amended originating application, SAI sought orders for injunctive relief; delivery up; permanent deletion of electronic copies or impressions of certain documents; declarations in relation to breaches of various duties defined in the statement of claim and in relation to infringement of copyright; damages or an account of profits; compensation under the *Corporations Act*; and additional damages for flagrant copyright infringement. The statement of claim is a concise document of eight pages containing allegations concerning Mr Johnstone’s duties under the Employment Contract and ss 182 and 183 of the *Corporations Act*; disclosure of confidential information; SAI’s copyright in the documents referred to as the “Daily Revenue Report” and “Gaye Opportunities”; and Mr Johnstone’s conduct.
5. On 4 April 2016, Mr Johnstone filed his defence. The defence included the following admissions:
   1. Paragraph 20 and 21 of the statement of claim were admitted – paragraph 20 contained the allegation that on 26 October 2015, Mr Johnstone copied onto a USB device files containing versions of the Daily Revenue Report and the Gaye Opportunities document.
   2. Mr Johnstone admitted that he commenced work for the New Employer on 2 November 2015.
   3. He admitted that, by reasons of the matters admitted elsewhere in the defence, he breached clause 22.3 of the Employment Contract (namely, the obligation not to make copies of any written material relating to the business or activities of SAI for any purpose other than the proper execution of SAI’s business). He also admitted breach of clause 25.6 (namely, the obligation to return to SAI all property owned by SAI, including documents, records and papers), breach of which is not alleged in the statement of claim (though that clause is earlier mentioned).
   4. He admitted that he thereby reproduced a substantial part of the “Spreadsheets” (defined as the Daily Revenue Report and the Gaye Opportunities document).
6. On 15 April 2016, a directions hearing took place and orders were made regarding uplifting a document marked “confidential” from the Court file and access to that document. Mr Johnstone did not appear at that hearing.
7. On 31 May 2016, a directions hearing took place at which both parties were represented. Orders were made for the filing of any further evidence, the filing of outlines of submissions, and setting the matter down for hearing, on an estimate of one day.
8. On 29 June 2016, the hearing took place. At the hearing, SAI relied on:
   1. affidavits of Mr McKemmish dated 3 December 2015, 23 February 2016 and 22 June 2016;
   2. an affidavit of Ann Wootton dated 4 December 2015;
   3. an affidavit of Michael Williams dated 7 December 2015;
   4. an affidavit of Brett van der Leest dated 7 June 2016;
   5. an affidavit of Rebecca Rinehart dated 7 June 2016;
   6. an affidavit of Vanessa Farago-Diener dated 7 June 2016.

None of these witnesses was required for cross-examination.

1. Mr Johnstone’s evidence in chief comprised three affidavits, affirmed by him on 11 December 2015, 2 March 2016 and 17 June 2016. Mr Johnstone was cross-examined.
2. Subsequent to the hearing, SAI filed an affidavit of Michael Williams dated 15 July 2016 dealing with costs, as requested by the Court.

## Facts

1. The facts set out below are drawn from the affidavits filed by the parties and relied on at the hearing, and the cross-examination of Mr Johnstone at the hearing. There was little dispute about the facts. In relation to Mr Johnstone’s evidence, I generally accept the evidence that he gave during cross-examination. He made significant concessions, as noted below.
2. As noted above, SAI is a leading provider in Australia of integrated search, settlement and conveyancing software and services.
3. On 3 August 2015, Mr Johnstone commenced employment with SAI as a business development manager. Clause 10.1 of the Employment Contract provided for a six-month probationary period during which termination of employment could be effected by Mr Johnstone giving two weeks’ notice. Other relevant clauses of the contract were as follows:

**5. WARRANTIES**

5.1 The Employee warrants that:

…

(d) The Employee will not bring to the Employer, its premises, systems or networks, personal data, confidential information, intellectual property or other material that the employee or the Employer are unauthorised to use, copy, or distribute as reasonably foreseeable or intended.

…

**22. CONFIDENTIALITY & CONFLICTS OF INTEREST**

22.1 The Employee will not, either during their employment with the Employer or after the termination of it, divulge or use any confidential information about the Employer or its affairs without the prior written consent of the Chief Executive Officer of the Employer.

22.2 Confidential information about the Employer includes, but is not limited to, all trade and business secrets and any information of a commercial, operational, technical or financial type which is not publicly available, relating to the affairs or business of the Employer or its customers.

22.3 The Employee will not publish or cause to be published any part of any work performed by the Employee whilst employed by the Employer, including (without limitation) any reports or papers, without the prior written consent of the Chief Executive Officer of the Employer. The Employee will not, either during or after their employment by the Employer create, make copies of or permit use of any written material, documents, records, papers, disks relating to the business or activities of the Employer for any purpose other than the proper execution of the Employer’s business.

…

**23. EMPLOYEE’S OTHER INTERESTS/ACTIVITIES**

23.1 During the period of employment, the Employee will not, without the Employer’s prior written approval:

(a) engage, directly or indirectly, in any employment, business or activity that is similar to or competitive with the Employer’s business;

(b) engage, directly or indirectly, in any employment, business or activity which may conflict with the interests of the Employer;

(c) engage, directly or indirectly, in any employment, business or activity that could impair the Employee’s ability to act in the best interests of the Employer or to properly perform the Duties and Responsibilities; or

…

1. On 26 October 2015, three days before his resignation from SAI (referred to below), Mr Johnstone copied two computer files from the laptop he used for work (owned by SAI) onto a USB device he owned. One file is known as the Daily Revenue Report; the other has been referred to by the parties as the Gaye Opportunities document. Mr Johnstone admits that both documents contained information that was confidential to SAI and not within the public domain. The Daily Revenue Report is an original document created by employees of SAI. The report contains highly sensitive information confidential to SAI relating to its customers. The Gaye Opportunities document contains information from the Daily Revenue Report including the names of SAI’s Victorian customers.
2. Mr Johnstone accepted during cross-examination that: he knew the SAI documents which he copied contained confidential information; he did not ask permission to copy the documents; he did not think he was permitted to copy the documents; and he knew that if he had asked SAI for permission to copy the documents, this would have been refused.
3. I note that Mr Johnstone’s first affidavit did not refer to the Gaye Opportunities document having been copied onto the USB device. I accept that that was an oversight in circumstances where the affidavit was prepared from memory; understandably, given the commencement of the proceeding and the nature of the issues raised, Mr Johnstone did not access the USB device in the course of preparing that affidavit.
4. At about 8.30 am on 29 October 2015, Mr Johnstone called Bill Sisson of SAI and resigned from SAI. He told Mr Sisson that he would be going to work at the New Employer. Given clause 10.1 of the Employment Contract, and the fact that Mr Johnstone resigned on 29 October 2015, his employment with SAI ended two weeks later, on 12 November 2015. Although Mr Johnstone’s defence took issue with this proposition, it was conceded in his outline of submissions filed a few days in advance of the hearing.
5. After Mr Johnstone informed SAI that he was resigning, he was directed to leave the building. However, at about 9.15 am, SAI’s Human Resources Manager (Mr van der Leest) called Mr Johnstone and requested that he return to the office for an “offboarding” process. A short time later, Mr Johnstone returned to the SAI office and met with Mr van der Leest and SAI’s Human Resources Officer (Ms Rinehart). During the meeting, Mr van der Leest presented Mr Johnstone with a post-resignation letter. The letter contained a schedule referencing specific clauses in the Employment Contract. The letter was brief and to the point. It was headed “Re: Resignation and Post-Employment Restraint Obligations” and stated as follows:

I refer to your email sent this morning where you provided written notice of your resignation. Your last day of employment will be Thursday 12 November 2015.

You will continue to be an employee of the Company until this date, however you are not required to attend the office. You may however be required to respond to questions and queries until close of business on 12 November 2015.

As your new employer is a direct competitor, I would like to remind you of the confidentiality and the post-employment restraint clauses in your employment contract, both of which are outlined in the attached Schedule A. You continue to be bound by these obligations following your departure from the origination [sic]. I would also like to stress the need for you to destroy any hard or soft copies of company records and documents that you may have in your possession.

1. Mr van der Leest gave evidence in his affidavit that he presented the letter to Mr Johnstone and read it through with him aloud and said further: “You will be on gardening leave. This means that you are still a current employee[.] [H]owever, you are not required to attend the office. Do you understand?” Mr van der Leest also gave evidence in his affidavit that Mr Johnstone acknowledged his question and nodded. Ms Rinehart gave evidence that she attended the meeting, at which she saw Mr van der Leest read through the contents of the letter aloud with Mr Johnstone. Neither Mr van der Leest nor Ms Rinehart was cross-examined.
2. Mr Johnstone in his affidavit evidence accepted that he attended the meeting with Mr van der Leest and Ms Rinehart and that Mr van der Leest handed him a letter. However, Mr Johnstone’s affidavit evidence was that neither Mr van der Leest nor Ms Rinehart read the letter aloud to him and that he filed the envelope at home without reading the letter. During cross-examination, however, Mr Johnstone accepted Mr van der Leest and Ms Rinehart’s version of the meeting. In circumstances where Mr van der Leest and Ms Rinehart were not cross-examined, and in light of Mr Johnstone’s concessions during cross-examination, I accept Mr van der Leest and Ms Rinehart’s account of the meeting.
3. Mr Johnstone accepted during cross-examination that: he did not tell SAI at the meeting that he had copies of the documents; he did not ask if he could keep them; he knew they would strenuously object; and he knew it was wrong and dishonest to keep the documents.
4. On 2 November 2015, Mr Johnstone commenced working for the New Employer. As noted above, Mr Johnstone’s employment with SAI ended on 12 November 2015, being two weeks after the date of resignation. He was paid his salary for the two weeks from 29 October to 12 November 2015 by SAI. I was informed by senior counsel for SAI at the hearing that the salary for the two week period was $4,230.77 pre-tax and $3,042 after tax. There was no dispute about these figures.
5. In the period from 2 November to 4 December 2015, Mr Johnstone made a copy of and accessed the Daily Revenue Report and the Gaye Opportunities document, which he had copied onto his USB device, on a number of occasions. He did this of his own volition; there is no suggestion that the New Employer knew of or sanctioned his conduct. In relation to this period, I make the following further findings:
   1. On 6 November 2015, the Daily Revenue Report was accessed from the USB device on Mr Johnstone’s personal laptop, and a spreadsheet titled “Master SAI List.xlsx” was created on the USB device.
   2. On 9 November 2015, the USB device was plugged into the laptop used by Mr Johnstone at the New Employer. Subsequently, folders titled “SAI” and SAI 1” were created on that laptop by Mr Johnstone; and the Daily Revenue Report and the Gaye Opportunities document were saved on the New Employer’s laptop.
   3. On 9 or 10 November 2015, Mr Johnstone created a spreadsheet titled “Master SAI List.xlsx” on the New Employer’s laptop using information from the Daily Revenue Report. That spreadsheet was accessed by Mr Johnstone on six to 10 occasions after its creation.
   4. Mr Johnstone used the information in the Daily Revenue Report and the Master SAI List he created to ascertain which customers of SAI were also customers of the New Employer.
6. On 4 December 2015, the SAI 1 folder, and the Daily Revenue Report and Gaye Opportunities document residing within that folder, on the New Employer’s laptop were deleted. (The folder was, however, able to be later recovered by Mr McKemmish, SAI’s independent forensic expert.) The documents remained on Mr Johnstone’s USB device.
7. Between 2 and 4 November 2015, SAI had the laptop used by Mr Johnstone during his employment with SAI examined by independent computer experts at PPB Advisory (including Mr McKemmish). SAI took this step as members of the management team had concerns regarding Mr Johnstone’s conduct. The analysis of the SAI laptop indicated that a USB device had been inserted into it three days before Mr Johnstone’s resignation and that a computer file including the words “Daily Revenue Report” in its name had been copied onto the USB device. As a result of this analysis, SAI decided to commence the proceeding.

## The hearing

1. As noted above, Mr Johnstone admitted in his defence that he breached clause 22.3 of the Employment Contract and infringed SAI’s copyright. In his outline of submissions filed in advance of the hearing, he also accepted that his employment with SAI continued until 12 November 2015. He therefore accepted that that he breached the Employment Contract by working for the New Employer in the period 2 to 12 November 2015. At the hearing, Mr Johnstone made clear that he conceded the alleged breaches of clauses 5.1(d), 22.1, 22.3 and 23.1(a), (b) and (c) of the Employment Contract, his obligations under ss 182 and 183 of the *Corporations Act*,and the fiduciary duties he owed to SAI.
2. The submissions at the hearing primarily concerned the relief to be ordered. I will address the issues under the following headings:
   1. Declarations;
   2. Deletion and delivery up;
   3. Injunctive relief;
   4. Damages/compensation;
   5. Additional damages;
   6. Costs.

## Consideration of issues

### Declarations

1. There was no dispute as to SAI’s entitlement to declaratory relief in respect of the causes of action which were admitted by Mr Johnstone. In light of the facts set out above, and the admissions made by Mr Johnstone, I am satisfied that there is a proper basis to make declarations in substance as follows:

(a) by copying and accessing the computer files referred to in the pleadings as the “Daily Revenue Report” and “Gaye Opportunities”, which documents contained information that was confidential to SAI, Mr Johnstone:

* + 1. infringed SAI’s copyright in these works;
    2. breached his employment contract with SAI and breached fiduciary duties owed to SAI;
    3. breached duties arising under ss 182 and 183 of the *Corporations Act*.

(b) by commencing employment with a new employer on 2 November 2015, while still employed by SAI (which employment continued until 12 November 2015), Mr Johnstone breached his employment contract with SAI.

1. SAI contended that Mr Johnstone breached an implied obligation of confidentiality in the Employment Contract and an equitable duty of confidence. Mr Johnstone submitted that these did not arise in circumstances where the Employment Contract contained express terms concerned with confidential information (set out in [25] above); in any event, nothing turned on whether such duties existed and were breached. In relation to breach of an implied obligation of confidentiality in the Employment Contract, this aspect of SAI’s claim was not developed in its outline of submissions. It is difficult to see why it would be necessary to imply a term in circumstances where the contract contained express terms relating to confidentiality. I therefore do not make a finding or declaration in respect of this claim.
2. As for breach of an equitable duty of confidence, a number of cases have discussed whether or not an equitable obligation of confidence can exist alongside a comparable contractual duty of confidence. This issue was considered by a Full Court of this Court (Finn, Sundberg and Jacobson JJ) in *Optus Networks Pty Ltd v Telstra Corporation Ltd* (2010) 265 ALR 281 at [29], [34]-[38]. The Full Court considered the issue in that case to turn on whether the parties, by the relevant agreement, excluded equitable obligations of confidence (at [29]). After referring to a number of cases which may have taken a different view (*Del Casale v Artedomus (Aust) Pty Ltd* (2007) 73 IPR 326 at [118] per Campbell JA; *Coles Supermarkets Australia Pty Ltd v FKP Ltd* [2008] FCA 1915 at [63] per Gordon J), the Full Court said that “[t]he notion that no equitable duty of confidence arises where there is a comparable contractual duty is opposed to much authority” (at [38]). The issue has also been considered by the New South Wales Court of Appeal in *Streetscape Projects (Australia) Pty Ltd v City of Sydney* (2013) 85 NSWLR 196 at [150]-[151] per Barrett JA (Meagher and Ward JJA agreeing). Barrett JA expressed the view that the approach preferred by Gordon J and Campbell JA accords with the residual nature of the equitable duty as recognised by Deane J in *Moorgate Tobacco Company Ltd v Philip Morris (Ltd) (No 2)* (1984) 156 CLR 414 at 437-438. See also *Gold and Copper Resources Pty Ltd v Newcrest Operations Ltd* [2013] NSWSC 281 at [87]-[97] per Stevenson J; JD Heydon, MJ Leeming and PG Turner, *Equity: Doctrines and Remedies*, (5th edition, LexisNexis, 2015) at [42-050]; S Ricketson & C Creswell, *The Law of Intellectual Property: Copyright, Designs & Confidential Information* (Thomson Reuters, loose-leaf) at [25.35]; J Glover, *Commercial Equity: Fiduciary Relationships* (Butterworths, 1995) at [9.6]-[9.7]. In the present case, and proceeding on the basis discussed in *Optus*, there were no submissions as to whether or not the parties had, by the Employment Agreement, excluded equitable obligations of confidence. Further, it is not apparent how the claim that Mr Johnstone breached an equitable duty of confidence adds anything to the other claims. (As discussed below, SAI does not seek an account of profits.) In the circumstances, I do not make a finding or a declaration in relation to this claim.
3. There is an allegation in SAI’s statement of claim that Mr Johnstone brought to SAI’s email system on 7 August 2015 a document containing confidential information pertaining to a former employer of Mr Johnstone. Although Mr Johnstone admits that this constituted a breach of clause 5.1(d) of the Employment Contract, this matter seems extraneous to the substance of the dispute between the parties, which concerns confidential information of SAI rather than of Mr Johnstone’s previous employer. It is not clear to me how a declaration regarding this matter would serve any purpose. In these circumstances, I do not consider it appropriate to make a declaration about this.

### Deletion and delivery up

1. SAI sought an order for the deletion of electronic copies of certain documents. Mr Johnstone accepted there was no prejudice caused by this order being made (although he says there are no such documents). I will make such an order.
2. Although SAI sought orders for delivery up in its amended originating application, these orders cover substantially the same ground as the delivery up orders made at the commencement of the proceeding. There is no suggestion that Mr Johnstone has not complied with those orders. In any event, he remains bound by those orders. I do not see any reason to make orders which are in substance the same as orders already made.

### Injunctive relief

1. SAI sought an order that Mr Johnstone be restrained from disclosing to any person, or making any use of, any “SAI Confidential Information”, except to the extent:
   1. required by law; or
   2. permitted by prior written consent of the applicant.
2. For the purposes of that proposed order, “SAI Confidential Information” was defined as:
   1. the document referred to as the “Daily Revenue Report” in paragraph 39 of the affidavit of Ann Wootton sworn 4 December 2015; and
   2. any other document or electronic file containing any confidential information of SAI including technical or business information of SAI or its related entities, including without limitation any document bearing the name SAI Global Property which Mr Johnstone received, learned, developed or obtained in relation to his employment with SAI,

except documents in the public domain other than in breach of a confidentiality obligation.

1. Mr Johnstone opposed the injunctive relief sought. He submitted that there is no evidence of any ongoing risk of his infringing copyright or breaching confidence, or threats to do so; nor any apparent capacity to do so (in circumstances where all relevant files were delivered up pursuant to the 7 December 2015 orders). Indeed, he submitted, the evidence is entirely to the contrary. He relied on *Multisteps Pty Ltd v Source and Sell Pty Ltd* (2013) 214 FCR 323.
2. In my view, in the circumstances described above, it is appropriate to grant injunctive relief. Mr Johnstone copied confidential computer files before he resigned from SAI. He accepts that the files contained information that he knew was confidential to SAI. He subsequently copied the files to the laptop provided by the New Employer and accessed the files on a number of occasions, to assist him in his new job. In these circumstances, I think it is appropriate to order that he be restrained from disclosing or making use of such information. Further, in circumstances where Mr Johnstone copied and used confidential information of SAI, it is appropriate for the injunction to apply more broadly than the two computer files and to extend to any “SAI Confidential Information” as defined in [47] above.

### Damages/compensation

1. SAI indicated at the hearing that it no longer sought an account of profits. SAI did, however, seek:
   1. the amount of $4,230, representing the salary it paid Mr Johnstone for the two week period following his resignation (including tax withheld and paid to the Australian Taxation Office);
   2. nominal damages of $1 for copyright infringement; and
   3. additional damages of $5,000 pursuant to s 115(4) of the *Copyright Act*.
2. In relation to (a) above, SAI indicated that it only sought “one amount of compensation” ($4,230), by way of damages for breach of contract, compensation under s 1317H of the *Corporations Act* or equitable compensation for breach of confidence, so as to avoid any ‘doubling up’ (these remedies being compensation for, it was submitted, essentially the same wrongdoing). SAI submitted that the amount to which it was entitled was coterminous for each cause of action (that is to say, establishment of any one of these causes of action would entitle it to recover the amount it sought). SAI submitted that what Mr Johnstone received by way of salary equated with what SAI lost; SAI paid Mr Johnstone to work for it but did not receive the benefit that it should have received. (I will deal with the matters raised in (b) and (c) of paragraph [50] above in the next section of these reasons.)
3. Mr Johnstone’s position was that SAI had not suffered any loss or damage. He submitted that:
   1. SAI had not filed any evidence that it had suffered any actual damage by reason of his access to and use of its confidential information, or property; or that he had made any profits thereby. For example, SAI had not adduced any evidence to prove that it suffered any loss of custom from any of its customers to the New Employer after and by reason of his departure.
   2. As to the salary payments, these amount to no more than Mr Johnstone’s contractual entitlements. There is no basis to conclude that SAI suffered any actual damage by reason of Mr Johnstone’s wrongful acts, let alone that any such damage was co-extensive with Mr Johnstone’s lawful salary entitlements. If SAI, having marched Mr Johnstone out of its offices when he resigned, had chosen not to place him on two weeks of ‘gardening leave’, SAI would still have been obliged to pay Mr Johnstone the balance of his entitlements.
4. In my view, SAI is entitled to recover by way of damages for breach of contract the amount it paid Mr Johnstone by way of salary for the two week period. SAI paid Mr Johnstone’s salary for the two week period in return for the benefit of Mr Johnstone’s compliance with his obligations under the Employment Contract, in particular, the obligation not to work for a competitor. However, by reason of Mr Johnstone’s breach, SAI did not obtain that benefit. In these circumstances, the amount is recoverable as damages for breach of contract: cf *McRae v Commonwealth Disposals Commission* (1951) 84 CLR 377 at 412-414 per Dixon and Fullagar JJ; see also NC Seddon & MP Ellinghaus, *Cheshire and Fifoot’s Law of Contract* (10th Aust ed, LexisNexis Butterworths, 2012), at [23.9]; DW Greig & JLR David, *The Law of Contract* (Law Book Co, 1987), pp. 1355-1356. (In light of the way in which SAI indicated that it was content for me to deal with its claim for the amount of $4,230 (see [51] above), it is unnecessary to consider compensation under s 1317H of the *Corporations Act*; and no finding has been made as to an equitable duty of confidence (see [42] above).)

### Additional damages

1. As noted above, SAI contended that there should be an order that Mr Johnstone pay SAI nominal damages of $1 for copyright infringement and additional damages of $5,000 pursuant to s 115(4) of the *Copyright Act*. Section 115(4) provides:

Where, in an action under this section:

(a) an infringement of copyright is established; and

(b) the court is satisfied that it is proper to do so, having regard to:

(i) the flagrancy of the infringement; and

(ia) the need to deter similar infringements of copyright; and

(ib) the conduct of the defendant after the act constituting the infringement or, if relevant, after the defendant was informed that the defendant had allegedly infringed the plaintiff's copyright; and

(ii) whether the infringement involved the conversion of a work or other subject-matter from hardcopy or analog form into a digital or other electronic machine-readable form; and

(iii) any benefit shown to have accrued to the defendant by reason of the infringement; and

(iv) all other relevant matters;

the court may, in assessing damages for the infringement, award such additional damages as it considers appropriate in the circumstances.

1. Mr Johnstone did not oppose nominal damages. In relation to additional damages, he submitted that:
   1. An award of additional damages under s 115(4) of the *Copyright Act* is of similar character to an order for exemplary damages at common law, thus the object is not wholly punishment but also deterrence, including general deterrence (see, eg, *Aristocrat Technologies Australia Pty Ltd v DAP Services (Kempsey) Pty Ltd* (2007) 157 FCR 564 at [42]-[43] per Black CJ and Jacobson J; see also at [114] per Rares J). An element of penalty is an accepted feature of copyright legislation, but the Courts must approach the award of additional damages cautiously (see, eg, *Autodesk Inc v Yee* (1996) 68 FCR 391 at 394 per Burchett J).
   2. The ultimate question is whether the Court is satisfied that it is appropriate to award such damages, having regard to the factors in s 115(4)(b) and all other relevant matters. Insofar as flagrancy is a relevant factor, something in the nature of reprehensible conduct will generally be required (see *Dynamic Supplies Pty Ltd v Tonnex International Pty Ltd (No 3)* (2014) 312 ALR 705 at [44]-[45] per Yates J).
   3. The Court should also have regard to the following matters:
      1. There was no persistence of the infringing conduct by Mr Johnstone after the proceedings were commenced. To the contrary, the evidence is that the conduct had already ceased.
      2. There is no evidence Mr Johnstone disclosed SAI’s information to anyone, or used it other than to the very limited extent stated in his evidence. Mr Johnstone’s explanation, that he used it to compare the customers of SAI and the New Employer to find out which customers of SAI were also customers of the New Employer, is inherently plausible. The fact that the spreadsheets contained other information that was presumably useful or valuable to SAI does not mean the other information was in fact used by Mr Johnstone.
      3. There is no basis to infer that Mr Johnstone has personally benefited in any way from access to the report.
      4. Mr Johnstone has co-operated fully in this litigation, including by immediately delivering up his USB stick and making an affidavit, and also by not contesting copyright subsistence or infringement. The latter step has avoided extensive evidence and argument, and resulting costs, in relation to this issue. Had SAI been put to its proof, it would have been required to prove that the circumstances of compilation of the relevant spreadsheets were such as to give rise to original literary works in which copyright subsists. Given the nature of the works, this would have been a costly and difficult exercise, and there is a serious question whether copyright would have been established (see *Telstra Corporation Limited v Phone Directories Company Pty Ltd* (2010) 194 FCR 142; and *IceTV Pty Ltd v Nine Network Australia Pty Ltd* (2009) 239 CLR 458).
      5. In reality, the case is an ordinary one involving breach of a contractual duty of confidence by an employee by the taking of a compilation of customer data. The case is not analogous to one of piracy of a computer program, or sound recording, for commercial gain or to the detriment of the copyright owner, which cases have resulted in additional damages awards.
2. In my view, the circumstances of Mr Johnstone’s infringement of copyright are such that the infringement is properly characterised as flagrant. Mr Johnstone surreptitiously copied the computer files from his work computer at SAI onto his own USB device. He did not seek permission to do so, knowing that it would have been refused. He did not disclose that he had done this during the exit meeting. He then used the copied document to assist him in his new job. Further, there is a need to deter similar conduct by others. Taking these matters into account, I consider an award of $5,000 by way of additional damages to be appropriate.

### Costs

1. SAI sought an order for payment of its costs of the proceeding on the basis that costs should follow the event. Mr Johnstone submitted that SAI had incurred costs which were disproportionate to the importance and complexity of the matters in dispute, and this should be reflected in the costs order, pursuant to ss 37M and 37N of the *Federal Court of Australia Act*.
2. Sections 37M and 37N provide as follows:

**37M The overarching purpose of civil practice and procedure provisions**

(1) The overarching purpose of the civil practice and procedure provisions is to facilitate the just resolution of disputes:

(a) according to law; and

(b) as quickly, inexpensively and efficiently as possible.

(2) Without limiting the generality of subsection (1), the overarching purpose includes the following objectives:

(a) the just determination of all proceedings before the Court;

(b) the efficient use of the judicial and administrative resources available for the purposes of the Court;

(c) the efficient disposal of the Court’s overall caseload;

(d) the disposal of all proceedings in a timely manner;

**(e) the resolution of disputes at a cost that is proportionate to the importance and complexity of the matters in dispute.**

(3) The civil practice and procedure provisions must be interpreted and applied, and any power conferred or duty imposed by them (including the power to make Rules of Court) must be exercised or carried out, in the way that best promotes the overarching purpose.

(4) The civil practice and procedure provisions are the following, so far as they apply in relation to civil proceedings:

(a) the Rules of Court made under this Act;

(b) any other provision made by or under this Act or any other Act with respect to the practice and procedure of the Court.

**37N Parties to act consistently with the overarching purpose**

**(1) The parties to a civil proceeding before the Court must conduct the proceeding (including negotiations for settlement of the dispute to which the proceeding relates) in a way that is consistent with the overarching purpose.**

(2) A party’s lawyer must, in the conduct of a civil proceeding before the Court (including negotiations for settlement) on the party’s behalf:

(a) take account of the duty imposed on the party by subsection (1); and

(b) assist the party to comply with the duty.

(3) The Court or a Judge may, for the purpose of enabling a party to comply with the duty imposed by subsection (1), require the party’s lawyer to give the party an estimate of:

(a) the likely duration of the proceeding or part of the proceeding; and

(b) the likely amount of costs that the party will have to pay in connection with the proceeding or part of the proceeding, including:

(i) the costs that the lawyer will charge to the party; and

(ii) any other costs that the party will have to pay in the event that the party is unsuccessful in the proceeding or part of the proceeding.

**(4) In exercising the discretion to award costs in a civil proceeding, the Court or a Judge must take account of any failure to comply with the duty imposed by subsection (1) or (2).**

(5) If the Court or a Judge orders a lawyer to bear costs personally because of a failure to comply with the duty imposed by subsection (2), the lawyer must not recover the costs from his or her client.

(Emphasis added.)

1. Sections 37M and 37N were considered by Katzmann J in *Specsavers Pty Ltd v The Optical Superstore Pty Ltd (No 4)* [2012] ATPR 42-403;[2012] FCA 652, whose judgment was affirmed on appeal in *Specsavers Pty Ltd v The Optical Superstore Pty Ltd* (2012) 208 FCR 78. The judgment of Katzmann J concerned costs. There had earlier been a trial on the damages payable under an undertaking as to damages. The result of the trial was that Specsavers was ordered to pay The Optical Superstore damages in the sum of $90,636 including interest. In the costs judgment, Katzmann J concluded that the costs expended in pursuing the damages claim were substantial and greatly exceeded the amount of damages recovered (at [29], [39]) and that The Optical Superstore had failed to comply with the overarching purpose in failing to respond to several overtures to settle the proceeding (at [26]-[28], [39]). Further, the size of the damages awarded in favour of The Optical Superstore was less than the sum of $100,000 referred to in rule 40.08 of the *Federal Court Rules 2011* (at [30], [39]). That rule enables a party to apply to the Court for an order that any costs and disbursements payable to another party be reduced by an amount specified by the Court where the applicant has claimed damages and been awarded a sum of less than $100,000; although Specsavers had not invoked the rule, Katzmann J noted that it was open to the Court to exercise the power on its own initiative (rule 1.40). Her Honour concluded that The Optical Superstore should recover costs, but there should be a reduction of 35% to reflect these matters.
2. There was no appeal against the finding that the costs should be reduced on account of those factors, including the failure to comply with the overarching purpose: see *Specsavers Pty Ltd v The Optical Superstore Pty Ltd* (2012) 208 FCR 78 at [64]. The appeal was in respect of other issues. In the course of the appeal judgment, Foster, Barker and Griffiths JJ noted that, by s 37N(4), in exercising the discretion to award costs in a civil proceeding, the Court must take account of any failure to comply with the duty imposed by subsections (1) or (2). Their Honours stated: “The power, indeed duty, of the Court to regard the failure of a party or its lawyer to comply with the s 37N duties constitutes a powerful mechanism to encourage compliance with those duties” (at [57]).
3. Mr Johnstone submitted that:
   1. SAI substantially obtained what it was seeking in this proceeding within days of commencing it. It nonetheless chose to carry out an extensive and presumably expensive forensic analysis of what was delivered up, then to bring a formal statement of claim, and ultimately to proceed to trial, against a low level sales employee. SAI proceeded despite Mr Johnstone’s affidavit evidence, and its own forensic analysis, showing that there was no ongoing risk to its confidential information, and despite having no evidence that it suffered any damage from his wrongdoing.
   2. The Court is not asked to make any finding about the personal motivations of the relevant officers of SAI. They may well have believed that SAI suffered actual damage. They were evidently concerned about Mr Johnstone going to work for the New Employer, no doubt because it was a competitor. The litigation against Mr Johnstone may also have been a matter of principle.
   3. Whatever their subjective motivations, SAI’s pursuit of this matter after 11 December 2015, when it recovered its confidential information and received Mr Johnstone’s affidavit, was objectively unnecessary. Nothing uncovered by its forensic analysis since then undermined the salient matters referred to in Mr Johnstone’s first affidavit. To the contrary, the independent forensic analysis largely corroborated Mr Johnstone.
4. Mr Johnstone’s initial submission was that there should be no order as to costs. However, in the course of discussion, counsel for Mr Johnstone accepted that SAI was entitled to its costs for the period up to 11 December 2015, but submitted that there should be no order as to costs with respect to the balance of the proceeding.
5. SAI submitted in response that it was plainly reasonable to engage Mr McKemmish to undertake the second analysis, following delivery up of Mr Johnstone’s USB device and computer and the New Employer’s computer; the affidavits of Mr van der Leest, Ms Rinehart and Ms Farago-Diener related to the date when Mr Johnstone’s employment ceased, which was disputed in the defence (a matter raised by SAI’s solicitors in a letter to Mr Johnstone’s solicitors following the filing of the defence); and the costs of the hearing were necessary because Mr Johnstone disputed several causes of action until the filing of his outline of submissions.
6. In the course of discussion with senior counsel for SAI during the hearing, I requested information about SAI’s actual costs of the proceeding, broken down between (a) the period up to 11 December 2015 and (b) the period since 12 December 2015. Subsequently, SAI filed an affidavit of Michael Williams dated 15 July 2016. This provided a breakdown of the costs incurred by SAI together with an explanation of the work done, and an opinion as to the reasonableness of the costs. In summary, the breakdown of costs was as follows:
   1. $82,952.54, in respect of the period up to 11 December 2015;
   2. $158,106, in respect of the period from 12 December 2015 (other than the costs associated with the second McKemmish report); and
   3. $34,411, in respect of the costs associated with the second McKemmish report. This included the solicitor costs associated with that report.

This produced a total figure of $275,469 as the costs incurred by SAI in connection with the proceeding.

1. In my view, these costs are out of proportion to the importance and complexity of the matters that were in dispute in the proceeding, for the following reasons.
2. I accept that the documents in issue contained confidential information and that the Daily Revenue Report contained highly sensitive confidential information. Thus the proceeding had and has an importance to SAI which is not measurable by the amount of damages sought and obtained. Nevertheless, to a large extent, SAI had secured the most important relief it sought by 11 December 2015. By 7 December 2015, SAI had obtained orders for delivery up of relevant devices, computers and documents, and for an affidavit to be made by Mr Johnstone setting out the relevant details. These things and documents were delivered up on 11 December 2015. By this stage, or shortly afterwards (when the New Employer delivered its computer), SAI had secured the confidential information and had obtained admissions from Mr Johnstone about essentially all the material facts.
3. I accept that it was reasonable to engage Mr McKemmish to carry out his second analysis. Given Mr Johnstone’s conduct, it was prudent for SAI to have an independent computer expert examine the USB device and computers delivered up. However, the other costs incurred in the period since 12 December 2015 seem to be out of all proportion to the work involved in that period. The statement of claim was a concise document of eight pages. There was no discovery. There were no interlocutory fights. The affidavits filed since 12 December 2015 were very brief (most were only 2 or 3 pages). Further, in circumstances where SAI had already secured the most important relief it sought, the remaining issues were of limited importance. By his defence, Mr Johnstone conceded liability for breach of the Employment Contract and for infringement of copyright. True it is that he had not conceded all claims made by SAI, but the importance of those additional claims was limited. There was a dispute about whether his employment finished on the day of his resignation or two weeks later. But that dispute was of little importance in the scheme of things; it has produced a declaration and a damages award of only $4,230. The claim for additional damages was for $5,000.
4. In these circumstances, I conclude that SAI did not comply with the obligation in s 37N(1) to conduct the proceeding in a way that was consistent with the overarching purpose, in particular the objective of “the resolution of disputes at a cost that is proportionate to the importance and complexity of the matters in dispute” (s 37M(2)(e)). I think this requires some adjustment to the costs order that would otherwise be made. Ordinarily, there would be an order than Mr Johnstone pay SAI’s costs of the proceeding (on a party-party basis), on the basis that SAI is the successful party and costs usually follow the event. In relation to the costs up to 11 December 2015, there is now no issue in respect of these costs. Accordingly, I will order Mr Johnstone to pay SAI’s party-party costs in respect of that period. In relation to the work associated with Mr McKemmish’s second report, I do not think reason has been shown to depart from the ordinary approach to these costs. Accordingly, I will also make an order that Mr Johnstone pay SAI’s party-party costs in respect of this work. However, in respect of the other costs of the period since 12 December 2015, I think the matters discussed above justify a significant reduction in the costs that would otherwise be ordered to be paid by Mr Johnstone to SAI. Based on my impression of the importance and complexity of the matters in issue, and the extent and nature of the work carried out, I think it appropriate to reduce SAI’s costs by half. Accordingly, I will make an order that Mr Johnstone pay half of SAI’s party-party costs from 12 December 2015 (other than the costs associated with the second affidavit of Mr McKemmish).

## Conclusion

1. For the reasons set out above, I will make declarations as set out in [40] above and will make orders in substance that:

(a) Mr Johnstone be restrained from disclosing to any person, or making any use of, any SAI Confidential Information, except to the extent:

* + 1. required by law; or
    2. permitted by prior written consent of SAI,

where “SAI Confidential Information” in these orders means:

* + 1. the document referred to as the “Daily Revenue Report” in paragraph 39 of the affidavit of Ann Wootton sworn 4 December 2015; and
    2. any other document or electronic file containing any confidential information of SAI (including technical or business information of SAI or its related entities), including without limitation any document bearing the name “SAI Global Property” which Mr Johnstone received, learned, developed or obtained in relation to his employment with SAI,

except documents in the public domain other than in breach of a confidentiality obligation;

(b) Mr Johnstone cause to be permanently deleted any electronic copy or impression of any document in his possession, custody or control which:

(i) is the property of SAI or its related bodies corporate; or

(ii) contains any SAI Confidential Information (as defined in the previous order);

(c) Mr Johnstone pay SAI:

(i) damages of $4,230 for breach of contract;

(ii) damages of $1 for infringement of copyright;

(iii) additional damages of $5,000 pursuant to s 115(4) of the *Copyright Act*;

(d) in relation to the costs of the proceeding, Mr Johnstone pay to SAI the following costs (on a party-party basis, to be taxed if not agreed):

(i) SAI’s costs up to 11 December 2015;

(ii) SAI’s costs associated with the second affidavit of Mr McKemmish;

(iii) half of SAI’s costs from 12 December 2015 (other than the costs associated with the second affidavit of Mr McKemmish).

1. I will also make an order that there be liberty to apply in relation to any things or documents delivered up to the Court or to a party.

|  |
| --- |
| I certify that the preceding seventy (70) numbered paragraphs are a true copy of the Reasons for Judgment herein of the Honourable Justice Moshinsky. |

Associate:

Dated: 14 November 2016