

THE LAW OF TRADE SECRETS A SHORT REVIEW

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What is a trade secret?¹ Most firms which have been in operation for any period of time acquire some expertise in their business, otherwise they do not survive. If the firm is a manufacturer, it may have unusual manufacturing plant which it may have developed itself or modified from ordinarily available plant. It may have developed special recipes for doing things. Take the formula for Coca-Cola or Listerine or Maggi soups. The composition of all these products is a closely guarded secret. Possibly special plant is also used in blending. Possibly, too, where the constituent products are commonly known, e.g., for Maggi tomato soup, the proportions of the constituents, when they should be added, how long they should be treated, etc., are part of the knowhow possessed by the firm which makes its product a success or gives it a competitive advantage. But secrets are not confined just to such matters. I am content to adopt the description offered by Turner, *The Law of Trade Secrets*, (1962), p.4:

"The subject-matter *capable* of protection may be an industrial secret like a secret machine, process, or formula, or it may be industrial knowhow (an increasingly important ancillary of patented inventions); it may be information of any sort; it may be an idea of a scientific nature, or of a literary nature (such as the plot of a story or the theme of a television series), or it may be a slogan or suggestion for a method of advertising; lastly the subject-matter may be the product of work, or expenditure of money, or of trial and error, or the expenditure of time."

In addition there must be some element of secrecy. Matters of public knowledge or of general knowledge in an industry cannot be the subject-matter of a trade secret. Relevant factors seem to be (1) the extent to which the information is known outside the business; (2) the extent to which it is known by employees and others involved in the business; (3) the extent of measures taken to guard the secrecy of the information; (4) the value of the information to the holder of the secret, and to his competitors; (5) the amount of effort or money expended in developing the information; and (6) the ease or difficulty with which the information could be properly acquired or duplicated by others.²

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1. The leading textbook is A. Turner, *The Law of Trade Secrets* (1962). Useful treatments are also included in The English Law Commission's Working Paper No. 58, *Breach of Confidence* (1974); The N.Z. Torts and General Law Reform Committee's *Report on Protection of Trade Secrets* (1973); Jones, "Restitution of Benefits obtained in Breach of another's Confidence" (1970) 86 L.O.R. 463; North, "Breach of Confidence: is there a New Tort?" (1972) 12 J.S.P.T.L. 149; Forrai, "Confidential Information - A General Survey" (1971) 6 Sydney L. Rev. 382; Cornish, "Protection of Confidential Information in English Law" (1975) 6 I.I.C. 43.

2. Restatement on Torts, 1st ed. art. 757; followed in *Ansell Rubber Co. v Allied Rubber Industries* [1967] V.R. 37; *Mense v Milenkovic* [1973] V.R. 784.

Rationale

Why does the law grant protection to such things at all? After all, we have a fairly sophisticated patent system whereby the State grants 16-year monopolies for novel processes and manufactures. The system has existed in England for centuries and in this country since the early colonial days. The purpose of the patent law is primarily not to grant monopolies as such. It is to advance the economic life of the State by requiring public disclosure of new inventions so that others may learn of them and be spurred on to further discovery to the public good. Nor can the inventor play "dog in the manger". He cannot indefinitely prevent others from using the disclosed invention when he himself does not. A system of compulsory licensing of the invention is included in the legislation to prevent this sort of patent abuse. The price the State is prepared to pay for such disclosure is the grant of a limited monopoly to the discloser of the invention.

Trade secret law on the other hand works in the opposite direction. It permits the holder of the secret to keep it clandestine and use it for his own purposes. It does not oblige him to disclose or use the secret. It does all it can to assist him in keeping knowledge private. It calls the secret "property" and talks in terms of the holder of the secret having "proprietary rights" in it. He can play "dog in the manger" and trade secret law is prepared to use all its resources to allow him to do so. What possible justification is there for such an apparent contradiction?

The legal basis of the jurisdiction has been variously put. Occasionally, there is an express contract requiring confidence. In such cases the court's strong pull towards sanctity of contract (note the religious overtones) is the avowed policy favouring protection of the secret. The familiar covenants against disclosing confidential information entered into by employees with their employer are the prototype here. In other cases, there is no express contract of confidence between the parties but the relationship between the parties exudes the odour of confidence. Again, the employer-employee relationship provides a good example. Even where there is no express covenant regulating the position, the employee is held to owe a duty of good faith arising out of his contract not to use or disclose his employer's trade secrets during or after the termination of his employment.³ The courts have little hesitation in implying a term to this effect in the contract of employment. But there are situations where there is no contract between the parties and, strain as it might, a court cannot erect or imply one without driving a coach-and-four through the contract text books. The classic case here is *Prince Albert v Strange*.⁴ Queen Victoria and Prince Albert had made drawings and etchings for their private amusement. Impressions of them came into the hands of the defendant who proposed to exhibit and publish them, and also to make and publish a catalogue of them. Prince Albert succeeded in obtaining an injunction against this proposed activity. The court seems to have drawn the inference that the defendant must have known that the impressions had been obtained without authority. Lord Cottenham LC gave a number of grounds for his decision. One of them was that equity would restrain breaches of confidence independently of contract. The right to hold the drawings private was treated as a property right.

3. see, e.g., *N.Z. Needle Manufacturers Ltd v Taylor* [1975] 2 N.Z.L.R. 33, 41-2.

4. (1849) 1 M. & G. 25; 41 E.R. 1171.

This theme was elaborated by Holmes J. in *E.I. Dupont de Nemours Powder Co. v Masland*⁵: "The word 'property' as applied to trade marks and trade secrets is an unanalyzed expression of certain secondary consequences of the primary fact that the law makes some rudimentary requirements of good faith." More recently Lord Denning MR has said: "The jurisdiction is based not so much on property or on contract as on the duty to be of good faith"⁶. And again: "The law on this subject does not depend on any implied contract. It depends upon the broad principle of equity that he who has received information in confidence shall not take unfair advantage of it"⁷. So on this view the court is enforcing here, as in other areas of the law, a minimum standard of good commercial ethics – of fair dealing. There is also the tacit recognition that many trade secrets play, at a different but not necessarily lower level from patents, a significant economic role. If protection were not given, encouragement would be given to the faithless employee and the industrial spy; knowledge would necessarily be fragmented amongst many employees instead of concentrated in a few, thereby creating inefficiencies and higher costs; the spread of technology through licensing would be discouraged.

One further comment should be made here. Basing himself on the more modern cases, one commentator has suggested that we may be seeing the birth of a new tort of breach of confidence, rather than the mere development of the old equitable principles.⁸ This uncertainty as to the true basis of the jurisdiction has led the English Law Commission to recommend in its Working Paper the introduction by legislation of a new statutory tort of breach of confidence in replacement of the current doctrines.⁹ It is no mere academic argument to establish whether the cause of action sounds in equity or tort. If the action is equitable, then equitable defences such as lack of clean hands, laches, etc., will be relevant to the proceedings in all their phases: e.g., lack of clean hands will be an absolute defence to the action whether an injunction or damages are claimed.¹⁰ The cases themselves have done little to clear up the confusion. This paper is not the place to attempt such a reconciliation, but the matter will again be noticed when we return to the question of remedies.

The Law

The following requirements appear essential to the cause of action:

1. The information must be confidential.
 2. It must have been imparted in confidence by the plaintiff to the defendant, or the defendant must have acquired it in breach of a duty of confidence.
 3. The defendant must have used or disclosed the information without consent, and possibly also to the defendant's detriment.
 4. The disclosure or use cannot be excused or justified.
- Let us examine each of these requirements one by one.

5. (1917) 244 U.S. 100, 102.

6. *Fraser v Evans* [1969] 1 Q.B. 349, 361.

7. *Seager v Copydex Ltd* [1967] 1 W.L.R. 923, 931; *Conveyor Co. v Cameron Bros* [1973] 2 N.Z.L.R. 38; *Dunford v Johnson* [1977] 1 Lloyd's Rep. 505.

8. North (1972) 12 J.S.P.T.L. 149.

9. Working Paper No. 58, *Breach of Confidence* (1974).

10. See Forrai (1971) 6 Sydney L. Rev. 383, 385.

1. Information Must Be Confidential

Note that novelty is not required. The information need not be such as would support a patent application.¹¹ Frequently it is mere "knowhow" or a customer list. Also there are confidences which cannot be industrially applied, e.g., secrets about a person's private life, which are equally entitled to protection.¹²

Difficulties may however arise where the information is partly private and partly public. If the information is generally known initially, it cannot be confidential. But what if part only is known? In *Seager v Copydex Ltd*¹³ the plaintiff had invented and patented a carpet grip called the "Klent" grip. He later also invented an improved version called the "Invisigrip" which he did not patent. The plaintiff went on television and talked about his "Klent" grip, and the defendant contacted him about it. Negotiations occurred between them with a view to the defendant's marketing the "Klent" grip, but in the course of them the plaintiff revealed information (oral and written) about his "Invisigrip". The negotiations broke down, but the defendant marketed a grip which resembled the "Invisigrip" and even applied for a patent in its own name for it. The plaintiff sued claiming an injunction and an inquiry as to damages, basing his claim on a breach of the duty of confidence. The English Court of Appeal found the defendant liable. No doubt the defendant could have used information available to the public, e.g., by inspecting the patent register or by examining the "Klent" grip which the plaintiff had put on the market. But part of the product which it produced was made as a result of information imparted to it by the plaintiff in confidence. Lord Denning MR said: "When the information is mixed, being partly public and partly private, then the recipient must take special care to use only the material which is in the public domain. He should go to the public source and get it: or at any rate, not be in a better position than if he had gone to the public source. He should not get a start over others by using the information which he received in confidence".¹⁴

Suppose information is imparted in confidence but it subsequently becomes public knowledge. Is it any longer confidential information? It appears not. In *Lysnar v Gisborne Harbour Board*¹⁵ the plaintiff imparted in confidence to the defendant a plan for improving the defendant's harbour, but he subsequently published full particulars of it in a locally circulating newspaper. The Court of Appeal held that any confidentiality in the plan was thereby lost. As Sim J. put it: "The respondent thus communicated his scheme to the whole world. It thereupon became public property, and each member of the public was entitled to make any use he pleased of the scheme. . ."¹⁶ Similarly if the information is revealed in a published patent specification. The House of Lords has held that such publication by the owners of the confidential information removes the cloak of confidentiality from the information, so that no action will lie for breach of confidence: *Mustad v Allcock*¹⁷. There an ex-employee had joined

11. *N.Z. Needle Manufacturers Ltd v Taylor* [1975] 2 N.Z.L.R. 33, 43-4.

12. *Argyll v Argyll* [1967] Ch. 302; cf *Woodward v Hutchins* [1977] 2 All E.R. 751.

13. [1967] 1 WLR 923 where the facts are more fully reported than in [1967] 2 All E.R. 415.

14. [1967] 1 W.L.R. at 931-2.

15. [1924] N.Z.L.R. 13.

16. *ibid.*, 53

17. [1963] 3 All E.R. 416 (1928).

another company and informed them of a method of constructing a machine for making fish-hooks. His former employer had kept this information secret and the employee had signed an agreement against disclosing such information. The plaintiff brought an action against the ex-employee and his new employer seeking an injunction and damages. Before trial the plaintiffs obtained a patent for the invention. The House of Lords held that this prevented an injunction being obtained against the defendant employee disclosing the information revealed by the patent to his new employer. Insofar as he might disclose matters not revealed by the patent, an injunction might lie for those: but the onus was on the plaintiffs to prove that such separate information might be imparted, which they had failed to do. The House did not deal with the question of damages: possibly insofar as information had been disclosed before the patent was published giving the defendant company a headstart, damages might have been claimed for that.

On the other hand, knowledge of the grant of a patent itself might be confidential information. In *Cranleigh Precision Engineering Ltd v Bryant*¹⁸ the defendant employee had invented a method of constructing above-ground swimming pools. In the course of his employment he learnt of a patent for a similar swimming pool, but did not tell his company about it. He left the plaintiff's employ and set up in business for himself, buying the other patent. In an action for breach of his duty of confidence, he claimed that the information he had acquired was not confidential because of the existence of the other patent. The court granted the plaintiff an injunction against the defendant's use of the patent he had acquired. Knowledge of the existence of the patent had come to him in the course of his employment with plaintiff. He had used this knowledge to the detriment of the plaintiffs in breach of the duty of confidence which he owed them. *Mustad's* case was distinguished on the ground that there the employee could not be restrained from divulging trade secrets of the employer: what the employer had himself made public through the patent was no longer a trade secret. In a similar American case¹⁹, the court decreed that the defendant assign the patent he had acquired to plaintiff upon payment of the price for which defendant had acquired it.

The problem as to what amounts to confidential information often arises in the context of an employment contract. When an employee moves on to new employment, what knowledge can he legitimately take with him to his new employer? The factors set out at the beginning of this article are relevant here in determining what the first employer is entitled to regard as being his property. The law here must attempt to balance interests favouring the mobility of labour against the quasi-proprietary rights protected by the law of trade secrets. Broadly speaking, the line seems to be drawn at the sort of information an able employee might acquire in the course of his experience in the trade (which he is entitled to carry away with him) and information which is secret to the extent that an employee would not have acquired it had he not been in the employment of that employer.²⁰

18. [1964] 3 All E.R. 289.

19. *Shellmar Products Ltd v Allen-Qualley* 36 F.2d 623 (1929).

20. *Westminster Chemical NZ Ltd v McKinley* [1973] 1 N.Z.L.R. 659, 665; *NZ Needle Manufacturers Ltd v Taylor (supra)*.

2. The Information Must be Imparted in Circumstances Importing an Obligation of Confidence

On most occasions this should not present any great difficulty. Information given in a commercial or industrial context with some avowed object in mind, such as a joint venture or the manufacture of articles by one party, would obviously be considered to be given in confidence.²¹ Similarly with information passing under a licence to manufacture goods.²² Away from the commercial sphere information imparted during contractual relationships such as that of a client and his banker, accountant or solicitor, or that of a patient and his doctor, is obviously imparted in confidence. A good working test has been suggested by Megarry J.: "It may be that, that hard-worked creature, the reasonable man, may be pressed into service once more; for I do not see why he should not labour in equity as well as law. It seems to me that if the circumstances are such that any reasonable man standing in the shoes of the recipient of the information would have realised that upon reasonable grounds the information was being given him in confidence, then this should suffice to impose upon him the equitable obligation of confidence."²³ This will not be a universal solvent. Suppose someone, without solicitation, sends in an idea for an advertising campaign to an advertising agency which subsequently uses the idea: would this be sent under an obligation of confidence? Would the agency be bound to pay a reasonable price for the idea? The answer is by no means easy in English law. Such problems have been solved in the United States by using theories of unjust enrichment and implied contracts.²⁴ Perhaps a New Zealand court would be prepared to imply a contract: the offer of an idea and the acceptance by use of the idea would imply a contract to pay a reasonable sum for its use.

3. Unauthorised Use of Information

Again this causes little theoretical problem, although proving that the defendant has in fact used one's trade secret when the plaintiff is not permitted to inspect his factory is frequently quite difficult in practice. Theoretical and practical difficulties do however arise with what has become known as the "springboard" type of case. Suppose A gives B an idea in confidence which B does not use, but which gives B another idea which he does use? The courts have held that this may amount to a breach of the duty of confidence. The authorities are fully reviewed in *Conveyor Co. v Cameron Bros*²⁵ where Moller J. stated the applicable principles as follows: (a) It is enough to provide a plaintiff with a cause of action if the offending article is "evolved" from the plaintiff's designs, so long as the particular defendant has "made use of" the confidential information. (b) Although a defendant may honestly believe that the offending article is the result of his own ideas, he will be liable to the plaintiff if he has unconsciously made use of confidential information given to him by the plaintiff as a springboard for activities detrimental to the latter. In the *Conveyor Co.* case the licensee had disassembled a conveyor trolley which it wished to manufacture. Assisted by drawings from the plaintiff supplied at the licensee's request,

21. *Coco v A.N. Clark (Engineers) Ltd* [1969] R.P.C. 41,48.

22. *Conveyor Co. v Cameron Bros* [1973] 2 N.Z.L.R. 38.

23. *Coco v Clark (supra)*, 48.

24. Dawson & Palmer, *Cases on Restitution*, 2nd ed. (1969), 210ff.

25. [1973] 2 N.Z.L.R. 38.

the licensee made the trolley. Some amendments in design were made by the licensee. The court enjoined the licensee from continuing manufacture of the trolleys after the termination of the agreement.²⁶ Although the trolley was in the public domain, the licensee would have had great difficulty in manufacturing it simply from its stripping down of the trolley and proceeding by "reverse engineering": it had "benefited to no small extent" from the confidential information given it by plaintiff.

The problem here, of course, is how the defendant is to shake himself of the confidential information. Suppose that in the *Conveyor Co.* case the defendant could physically have managed to manufacture the trolley through reverse engineering and by a process of trial and error had got everything right. Suppose that the trial and error amounted to 3 months' work and \$20,000 worth of time. It is clear that plaintiff would have had no cause of action against the defendant. And suppose that in the course of all that the defendant had made substantial improvements to the design? Again, no liability. But suppose that the information had been imparted during negotiations which broke off? What is the defendant then to do? How can he rid his mind of the ideas which plaintiff has imparted to him? Is he supposed to hire a designer to go over the same ground again? Is he somehow to give instructions to that designer free of the information he has acquired? Or is he simply to pay over the \$20,000 it would have taken him in research and development to reach the result? Or a reasonable royalty? Megarry J. adverted to these problems in *Coco v A.N. Clark*²⁷: "I also recognise that a conscientious and law-abiding citizen, having received confidential information in confidence, may accept that when negotiations break down the only honourable course is to withdraw altogether from the field in question until his informant or someone else has put the information into the public domain and he can no longer be said to have any start. Communication thus imposes on him a unique disability. He alone of all men must for an uncertain time abjure this field of endeavour, however great his interest I find this scarcely more reasonable than the artificiality and uncertainty of postponing the use of the information until others would have discovered it."

4. Just Cause for Use or Disclosure

The obligation of confidence is not absolute. Occasions may arise when confidentially acquired information may be used or disclosed. If, e.g., the use of the trade secret involves the use of ingredients in a manner or in proportions forbidden by law, the holder of the secret may be unable to obtain an injunction against an unauthorised acquirer and user of the secret.²⁸ Instances when information may be revealed are multiplying. It is undoubtedly too restrictive to say, as one judge has, that disclosure is only permitted when it is in the public interest, and "public interest, as now recognised by law, does not extend beyond misdeeds of a serious nature and importance to the country".²⁹ The secret love-lives of the pop singers Tom Jones and Engelbert Humperdinck (the

26. In some cases the court is prepared to hold that a licensee is free to use the information after the termination of the licence, as a matter of construction of the contract: *Regina Glass Fibres v Schuller* [1972] R.P.C. 229.

27. [1969] R.P.C. 41, 49.

28. *Wilson Malt Extract Co. Ltd v Wilson* [1919] N.Z.L.R. 659, 661-2.

29. *Beloff v Pressdram Ltd* [1973] 1 All E.R. 241, 260g.

Second) hardly qualify for this test, and yet disclosure thereof by their ex-manager to a tabloid newspaper has not been enjoined: "If a group of this kind seek publicity which is to their advantage, it seems to me they cannot complain if a servant or employee of theirs afterwards discloses the truth about them. If the image which they fostered was not a true image, it is in the public interest that it should be corrected. . . . As there should be 'truth in advertising', so there should be truth in publicity."³⁰ At the present time the occasions upon which disclosure or use may be permitted remain fluid and the reasons for disclosure will be examined on a case-by-case basis. Lord Denning has compendiously put the matter thus recently:

"[The Court] will enforce the stipulation if it is reasonable in reference to the interests of the parties and reasonable in regard to the interests of the public. . . . But the courts will not enforce it if the stipulation is wider than is reasonable: nor if the possession [sic] of the information afterwards gives it away wide-spread to others and thus himself drives a hole in the blanket of confidence. . . . nor if the keeping of it confidential would be contrary to the public interest: or if there is just cause or excuse for disclosing it. In short, it may perhaps all be summed up thus: The Court will not enforce a stipulation for confidence if it was not reasonable at the time of making it, nor if afterwards, owing to subsequent happenings, it became unreasonable that it should be enforced. . . ."³¹

Remedies

(i) Injunction

Of all the remedies for breach of confidence the injunction is the traditional one. It will certainly lie where the recipient of the information is dishonestly using it. Thus, suppose that in *Seager's* case the defendants had broken off negotiations with the intention of appropriating Seager's secret. The court would most likely have enjoined them from using it. Equally if a new employer urges his employee to disclose the secrets of his former employer. For one thing, this might amount to the tort of inducing breach of contract, i.e., causing the employee to break his contract of fidelity with his old employer, if the new employer knows the employee was under such an obligation, or acted not caring whether he was or not.³² Of course, if the new employer does not know that he is inducing a breach of contract (or does not proceed reckless of the position), the tort is not committed. The question then becomes whether he may be enjoined despite his lack of knowledge that the employee is passing on trade secrets to him. In *Cooksley v Johnson*³³ the New Zealand Court of Appeal held that there was no authority for the proposition that "an innocent person, to whom the information was communicated by the defendant, and who had acted on it without any knowledge that the plaintiffs had any rights in it, would [be] held liable for its use". They denied that there was any analogy between tangible goods and intangibles such as information:

"In the case of chattels the person who deals with them must do so at his

30. *Woodward v Hutchins* [1977] 2 All E.R. 751, 754f-h.

31. *Dunford v Johnson* [1977] 1 Lloyd's Rep 505, 509.

32. This seems the basis of the holding in *NZ Needle Manufacturers Ltd v Taylor* [1975] 2 N.Z.L.R. 33 against the employer.

33. (1905) 25 N.Z.L.R. 834.

own risk, if it should turn out that the person with whom he deals has no title. But chattels can never become public property. There must always be an owner, and a prudent person can protect himself in his dealings with them. Information, on the other hand, is as a general rule public property. The affairs of life could not be carried on if it were incumbent upon every person to whom information has been communicated to inquire before he acted upon it whether or not there were facts which gave some other person a right of property in that information. No case is likely ever to go to this length."³⁴

The same must be true in equity. Equity may well enjoin an innocent recipient before he has acted to his detriment, but the tendency of the modern cases is to deny injunctive relief where the defendant has innocently changed his position to his detriment, e.g., by starting production, building a factory, etc.³⁵ Further, if confidential information involves but a small part of the finished product and the harm of an injunction would outweigh any benefit to the plaintiff, such relief may also be refused, perhaps even in the case of a dishonest defendant. Damages would be an adequate remedy.³⁶

Further problems arise with the length of time an injunction should operate. Suppose the secret is made public. Should not the injunction be discharged at least when the plaintiff himself publishes the secret? And why not if the secret becomes common knowledge from other sources? A slightly more difficult variant is the secret which by the time of action has become public. Should the defendant be enjoined? One might argue that the discretionary remedy of injunction should be refused and the defendant should be made only to pay damages equivalent to the value of the headstart his illegitimate acquisition of the secret gave him over others.³⁷

(ii) Damages

The problem of whether or not the action for breach of confidence is tortious or equitable arises when damages are awarded. If the action is equitable, then the jurisdiction to grant relief arises by virtue of the court's power to grant damages in lieu of an injunction.³⁸ This power is not necessarily co-extensive with the power to award damages at common law.³⁹ Nevertheless in *Seager v Copydex (No.2)*⁴⁰ the English Court of Appeal has laid down that damages should normally be awarded on a tortious conversion basis, i.e., the market value of the information taken, assuming a willing buyer and a willing seller. So, if the information is simple, the sort a consultant might provide, the damages would be a sum equivalent to a reasonable consultancy fee. If, on the other hand, it is special information, e.g., the sort which involved an "inventive step" justifying a patent application, then damages would be much higher. In *Seager's* case where the information seemed to involve an inventive step, the damages might well be calculated in the same way as for the infringement of a patent, e.g., capitalisation of royalties over a period. In addition, the taking of information

34. *ibid.* 852.

35. *Seager v Copydex Ltd* [1967] 1 W.L.R. 923 and *Coco v Clark* [1969] R.P.C. 41; cf *Fraser v Evans* [1969] 1 Q.B. 349, 361.

36. cf *Hubbard v Vosper* [1972] 2 Q.B. 84, 101.

37. *Coco v Clark* [1969] R.P.C. 41, 49.

38. *Ryder v Hall* (1905) 27 N.Z.L.R. 385.

39. *Souster v Epsom Plumbing Ltd* [1974] 2 N.Z.L.R. 515.

40. [1969] 1 W.L.R. 809.

might affect the plaintiff in other ways, e.g., by affecting his own selling programme. This would attract an additional sum of damages. Once damages were paid, the information would become the property of the defendant.

(iii) **Account**

The taking of accounts is a common equitable remedy which frequently supplements the grant of an injunction. By an account the defendant is made to disgorge the profits he has made during the time he knew or ought to have known that he was infringing the plaintiff's rights. It normally does not lie against an innocent acquirer of information or against an acquirer for the period of time that he remains innocent.⁴¹ The purpose of the account is to strip the defendant of the nett profits attributable to the product. If the information was only a minor part of the success story of the product, then an apportionment ought to be made. It is probably for these sorts of reasons that an account is not a popular remedy. Working out nett profits is a complicated business at the best of times. Frequent arguments may arise as to what costs and overheads are properly to be taken in account, and in what proportions.⁴¹ It is often much easier to prove the plaintiff's loss than the defendant's gain, and for this reason damages will generally be a better remedy. And, of course, if the defendant has made a loss on the product, an account is worthless.

(iv) **Delivery Up**

The defendant may be ordered to deliver up any articles made as a result of using the information. Again conceptual problems arise here. If one analogises from patent law, delivery up should be for the purposes of destruction, since the property in the goods themselves (as distinct from any proprietary rights in the ideas from which they were made) lies with the defendant.⁴² On the other hand, if one analogises the breach of confidence action to a breach of trust, then the property in the goods is trust property which belongs to the plaintiff beneficiary. Upon delivery up, the plaintiff is free to deal with the goods as he wills and is not bound to destroy them.⁴³ This area cannot be regarded as settled. It may be that one or other analogy may be available depending upon the nature and uses the information is put to, and the original relationship between the parties.

Conclusion

It is interesting to note that as a result of the uncertainties and complexities surrounding many of the aspects of breach of confidence law the English Law Reform Committee thought in its Working Paper that legislation was needed.⁴⁴ By contrast its New Zealand counterpart the year before⁴⁵ optimistically concluded that "the existing actions available at common law and equity provide a satisfactory remedy in those cases outside the patent system where protection is desirable", and that no change in the law was required. Curiously enough, by

41. *Colbeam Palmer v Stock Affiliates* [1972] R.P.C. 303.

42. *Ansell Rubber Co. v Allied Industries Ltd* [1967] V.R.37.

43. *Industrial Furnaces Ltd v Reaves* [1970] R.P.C.605, 627.

44. Working Paper No. 58, *Breach of Confidence* (1974).

45. N.Z. Torts & General Law Reform Committee, *Report on Protection of Trade Secrets* (1973), 17.

1977 the same New Zealand Committee when dealing with the analogous question of when a witness may be compelled to reveal to a court information given him in confidence considered that legislation was desirable, being somewhat reluctant to concede that the law on the point was reasonably clear and satisfactory.⁴⁶ Perhaps the question of whether legislative interference is necessary to deal with trade secrets should not be considered a closed chapter in New Zealand yet.

46. N.Z. Torts & General Law Reform Committee, *Report on Professional Privilege in the Law of Evidence* (1977), 10; but see *D. v NSPCC* [1977] 2 W.L.R. 201, H.L. which was not available to the Committee.