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Protecting Confidential Information and IP in the Digital Age

Juris Technologies Sdn Bhd & Anor v Foo Tiang Sin & Ors
[2020] MLJU 157 (HC)

In the recent case of *Juris Technologies*, the High Court sent a clear message that, in a knowledge-based economy, the court will not hesitate to award the appropriate remedy in the interest of justice when an employer's confidential information has been misappropriated by an employee.

Facts

The first plaintiff is a company specialising in the development and sale of software solutions, while the second plaintiff is its parent company. The defendants were employees of the first plaintiff and had access to the plaintiffs' confidential information and clients list.

During their employment period, the first and third to fifth defendants set up a company (**D6**) to conduct a similar business as the first plaintiff.

Even after their employments with the first plaintiff had terminated, the first to fifth defendants retained copies of the plaintiffs' confidential information, including copyrighted works such as source codes, object codes, design documents, system architecture, user interface and workflow engine design program.

By using this confidential information, the first to fifth defendants enabled D6 to develop and market various software programs, and successfully bid for a contract which the first plaintiff had competed for.

Decision

The court held in favour of the plaintiff's claims for each of the following:

(a) Breach of employment contract — “Outside employment prohibition” clause:

By working for D6, the first to fifth defendants had breached this clause notwithstanding that the work for the D6 was done after office hours or during their free time, public holidays, weekly holidays or leave days.

(b) Breach of employment contract — Implied duty of fiduciary:

By hijacking the first plaintiff’s prospective contract and poaching the first plaintiff’s prospective client, the first to fifth defendants had breached this duty. While the general rule is that an employee is not a fiduciary of the employer, this case is an exception because firstly, the employment contract stipulated specific confidentiality obligations and secondly, the first to fifth defendants were employed specifically to develop and market the first plaintiff’s software using the first plaintiff’s confidential information.

(c) Infringement of copyright

(d) Tort of breach of confidence

(e) Tort of conspiracy to injure the plaintiffs by unlawful means

(f) Tort of unlawful interference with the plaintiff’s business.

Remedies

Generally, in intellectual property (**IP**) infringement cases, the owner of the IP rights has to elect whether to claim compensatory damages for the IP infringement or for the IP infringer to account to the IP owner for all profits enjoyed as a result of the IP infringement.

However, the court in this case held that the plaintiffs were not required to make such election because the defendants had not only infringed the IP rights of the plaintiffs, but had also breached their fiduciary duties owed to the plaintiffs. Therefore, the plaintiffs could claim for both.

In addition, the court granted a springboard Injunction to restrain the defendants from developing and exploiting commercially the plaintiffs’ confidential Information for three years from the date of the court decision.

Key takeaways

The court expressly stated that this decision was made with the cognisance of the following:

- (a) The growing trend of employees working from home and on flexible hours; and
- (b) This digital age and knowledge-based economy depends on the creation, commercial exploitation and protection of confidential information.

It is more important now than ever that employment contracts have clear terms on confidentiality obligations and “outside employment prohibition” to protect the employer’s interest. The confidentiality terms must also be expressed as surviving for a period of time post-termination of the employment to avoid confidential information from being misused by the employer’s competitors.

Echoing the court’s statements, these are important in this age and time where work mobility (and working from home) is a growing trend and the company’s confidential information is its primary asset.

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