

Employer out of pocket despite damages for IP breach

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An employer has been awarded damages after a former employee copied confidential files and worked for a competitor while on gardening leave, but is nearly \$80k out of pocket after failing to recover all of its costs.

The former employee joined SAI Global Property Division as a business development manager in August 2015, but secured work with a competitor a few months later and resigned.

SAI's HR manager put him on gardening leave for his two-week notice period, gave him a written reminder of the confidentiality and post-employment restraint clauses in his employment contract, and stressed the need to destroy any copies of company records or documents still in his possession.

Three days later, the manager commenced work with his new employer, and accessed and copied SAI computer files on multiple occasions, using a spreadsheet to ascertain which SAI customers were also customers of his new employer.

In December 2015, SAI obtained orders for the manager to deliver any storage devices he used during his employment, and an affidavit from the manager.

In a hearing four days later, he surrendered a USB device and laptop, and admitted to breaching the Commonwealth [Corporations Act 2001](#) and his fiduciary duties to SAI.

The employer sought – and Federal Court Judge **Mark Moshinsky** awarded – \$4,230 in damages for breach of contract (the amount paid in wages during gardening leave), \$1 in nominal damages for copyright infringement, and additional damages of \$5,000.

Judge Moshinsky stopped short, however, of awarding SAI the full \$275,469 it sought in costs, accepting the manager's claim the employer's expenses were "disproportionate to the importance and complexity" of the matters in dispute.

Instead, he ordered the manager to pay all costs up until 11 December 2015 and, with the exception of a subsequent forensic report, halved all subsequent costs. Consequently, the manager was ordered to pay \$196,416 in costs, leaving the employer to pay the remaining \$79,053.

Costs must be proportionate

[Bespoke](#) special counsel **Ryan Solomons** says the Court's decision to make the employer pay 50 per cent of its costs after 11 December highlights the importance of ensuring legal action and costs incurred can be justified.

"Early on in the case, the employee admitted all the material allegations against him – that he took the information, that he breached the employment contract, that he breached the Corporations Act, that he engaged in copyright infringement – all those things were admitted," he says, *and* the laptop and USB device were surrendered.

Up until this point, SAI did "all the right things", but after admissions were made and confidential information was returned, "that should be the end of the matter", he says.

"To then proceed to incur further cost and go to trial is disproportionate, and the court may punish you as a consequence."

"The second lesson to learn from this case is that prevention is better than a cure," Solomons says.

Employers must make it "very difficult for employees to actually take confidential information". In addition to policies and contractual measures, they can consider physical precautions, such as regularly monitoring emails and USB devices or removing the ability to connect USBs to laptops altogether – there should be no need for employees to back up information on external devices, he says.

He also notes that it is vital for employers to remind employees of their [post-employment obligations](#) before they leave. In some cases, it might be worth sending a separate letter spelling out the details and requesting they sign an acknowledgement.

Solomons says he "can only speculate" about why Judge Moshinsky only awarded \$1 in copyright damages, but he suspects it was due to the fact the breach hadn't actually caused any damage yet.

"The employee made admissions he hadn't used the information as yet; he did take the information to make a customer list that he was going to use to solicit some clients, but hadn't actually made any use of it [or] shared it with anybody else at his new employment.

"However, the Judge did award the employer damages under s115(4) of the Commonwealth Copyright Act 1968, which addresses the flagrancy of the infringement, and the need to deter similar copyright infringement.

"Because the employee intentionally and knowingly took this information in a flagrant way, and was going to use this information, the Court made a further award of \$5,000."

[SAI Global Property Division Pty Ltd v Johnstone \[2016\] FCA 1333 \(14 November 2016\)](#)

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