

[1980–87 Gib LR 111]

**INTERNATIONAL ENGINEERING SERVICES (MED.)
LIMITED v. COLD AIRE ENGINEERING LIMITED,
MILES and D. & M. SERVICES LIMITED**

SUPREME COURT (Davis, C.J.): November 12th, 1982

Employment—restraint of competition—nature of interest protected—if no covenant, ex-employee can use skill/knowledge honestly acquired during employment to tender for project in competition with previous employer—unfair advantage gained by ex-employee if uses confidential information to compete with former employer

Employment—restraint of competition—protection of confidential information—court may restrain ex-employee’s disclosure in later employment—test to determine if employee improperly divulged confidential information is if man of average intelligence and honesty would think improper

The plaintiff company sought an interlocutory injunction to restrain the second defendant from disclosing or using confidential information obtained by him whilst in its employment in relation to a particular project.

The second defendant was employed by the plaintiff to design air conditioning, heating and ventilation plants. He worked on various projects for the plaintiff including an unsuccessful tender for the Gibraltar Airport project. Subsequently he terminated his full-time employment with the plaintiff and became a director of D. & M. Services Ltd., which also specialized in air conditioning, heating and ventilation. He continued working for the plaintiff on certain projects and drew up further plans for the Gibraltar Airport project on its behalf. D. & M. Services Ltd. then entered into an agreement with Cold Aire Engineering Ltd. to work together on subsequent projects and the second defendant submitted plans and estimates in tendering for the Airport project on behalf of Cold Aire Engineering Ltd.

The plaintiff company submitted that (a) the second defendant, whilst in its employment, acquired confidential information about the Gibraltar Airport project which he should be restrained from using in his current employment; (b) unless restrained, he would, in breach of an implied term in his contract of employment, use this confidential information, and the equitable principle that “he who has received information in confidence must not take unfair advantage of it” was applicable in the circumstances;

(c) in tendering for the Gibraltar Airport project, he had broken a personal undertaking that he would not disclose or use any information relating to contracts being negotiated by the plaintiff; and (d) in making use of the knowledge he had acquired in working for the plaintiff, he had an unfair advantage in tendering for the project.

The second defendant submitted in reply that (a) the terms of his contract with the plaintiff did not prevent him from using information acquired whilst in their employment; (b) he had not given an undertaking to refrain from later use of information concerning contracts under negotiation by the plaintiff; and (c) the designs submitted on behalf of Cold Aire Engineering simply followed the specifications prescribed in the tender.

Held, dismissing the application for an interlocutory injunction:

(1) In the absence of a covenant restraining the second defendant, he and his new employer could not be prevented from tendering for the Gibraltar Airport project in direct competition with the plaintiff. He was simply making use of skills and knowledge honestly acquired in the course of his employment with the plaintiff, which he was entitled to do. He would only have had an unfair advantage in tendering for the project if he had made use of confidential information acquired whilst working for the plaintiff, which he had not done (paras. 17–22).

(2) A distinction had always to be drawn between the type of knowledge generally acquired by an employee in the course of his employment and specific information which was clearly of a confidential nature (such as chemical formulae or lists of customers). The test to be applied to determine whether an individual had improperly divulged confidential information was whether it would be thought improper by a man of average intelligence and honesty. In circumstances in which this was so, the court would prevent disclosure of the information through the grant of an injunction, but it was unnecessary for the court to intervene in this case (para. 23).

Cases cited:

- (1) *Cranleigh Precision Engr. Ltd. v. Bryant*, [1965] 1 W.L.R. 1293; [1964] 3 All E.R. 289; [1966] R.P.C. 81, considered.
- (2) *Printers & Finishers Ltd. v. Holloway (No. 2)*, [1965] 1 W.L.R. 1; [1964] 3 All E.R. 731; [1965] R.P.C. 239, followed.
- (3) *Saltman Engr. Co. Ltd. v. Campbell Engr. Co. Ltd.*, [1963] 3 All E.R. 413, considered.
- (4) *Seager v. Copydex*, [1967] 1 W.L.R. 923; [1967] 2 All E.R. 415; [1967] F.S.R. 211, considered.
- (5) *Thomas Marshall (Exports) Ltd. v. Guinle*, [1979] Ch. 227; [1978] 3 W.L.R. 116; [1978] 3 All E.R. 193, considered.

1 **DAVIS, C.J.:** This is an application for an interlocutory injunction by the plaintiff company that the second defendant, Ian Miles, be restrained

from disclosing or using confidential information obtained whilst employed by the plaintiff, and that the first and third defendants be restrained from disclosing or using any such confidential information as they may have obtained from the second defendant until trial of the action between the parties or until further order.

2 The application is supported by two affidavits sworn by Mr. Albert Caetano, the general manager of the plaintiff company. The second defendant, Mr. Ian Miles, filed two affidavits in reply with a number of documentary exhibits attached and a supporting affidavit sworn by Mr. Steven Hillary, an employee of the first defendant company. Mr. Caetano for the plaintiff swore an affidavit with exhibits attached replying to those of the second defendant, and the second defendant filed a further affidavit, with exhibits attached, replying to Mr. Caetano's third affidavit.

3 From these affidavits and the documents produced with them it appears that the plaintiff company is an engineering company, incorporated in Gibraltar, specializing in the installation of air conditioning equipment. The second defendant describes himself as an environmental engineer and an Associate of the Chartered Institute of Building Services with special expertise as a design and project engineer in all forms of air conditioning, heating and ventilation plants. In September 1978, the second defendant entered into employment in England of the G.A.B. Yard Group Ltd., the parent company of the plaintiff company. In October 1978, he came to Gibraltar and entered the employment of the plaintiff company as an engineer. In his first affidavit, Mr. Miles says that he was employed by the plaintiff designing all forms of air conditioning, heating and ventilation plants and for their subsequent contracting (by which I take it he means costing or marketing) and maintenance requirements. He was employed on numerous projects including that for the ventilation and air conditioning of Gibraltar Airport, a project put out to tender by the Government of Gibraltar. It appears that in 1979 the plaintiff company submitted its plans and estimates for this project based on the work done by the second defendant, but that these plans were returned to the plaintiff by the Government, requesting that the estimated costs be reduced.

4 The plaintiff alleges that it was while the second defendant was employed by them on the Gibraltar Airport project, and by virtue of the work and research carried out by them on this project, on which the second defendant was engaged, that he acquired a substantial amount of confidential information about the project, about the engineering skills required for it, its likely cost and other pertinent and confidential information relating to the installation of air conditioning and ventilation plants at the airport.

5 In July 1980, the second defendant terminated his employment with the plaintiff. He then became a director of the third defendants, D. & M.

Services Ltd., a Gibraltar company also specializing in air conditioning, heating and ventilation. It seems, however, that from July 1980, until the determination of this relationship in March 1981, the second and third defendants undertook certain work for the plaintiff. Further, it appears that in August 1980, the second defendant drew up for the plaintiff further plans and drawings for the Gibraltar Airport project pursuant to a direction of the Government that this should comprise a ventilation system, a toilet extractor system and, for the V.I.P. suite only, an air conditioning system. In his first affidavit, Mr. Miles states that as far as he is aware these plans and drawings made pursuant to the Government's directions, were the ones submitted by the plaintiff in tendering for the Gibraltar Airport project contract.

6 In April 1981, the third defendant (of whom, as we have seen, the second defendant was a director) entered into an agreement to work with the first defendants, Cold Aire Engineering Ltd., which is also a company specializing in air conditioning, heating and ventilation.

7 In his second affidavit, sworn on October 5th, 1981, Mr. Miles states that on August 16th, 1981 he enquired from Mr. William Smith, an architect in the Public Works Department of the Gibraltar Government, whether there was any work in his field for which he could tender. He says that Mr. Smith told him that the Gibraltar Airport project was still open and at a meeting the following day Mr. Miles was given the Government's letter dated August 20th, 1981. Mr. Miles, for Cold Aire Engineering Ltd., the first defendant, submitted plans and estimates for the Gibraltar Airport project.

8 In his first affidavit, sworn on September 7th, 1981, Mr. Caetano of the plaintiff company claims that Mr. Miles, whether by himself, his servants or agents, unless restrained by the court, will, in breach of his contract of employment with the plaintiff, disclose or use confidential information obtained in the course of his employment with the plaintiff. Counsel for the plaintiff concedes, however, that the second defendant's contract contained no specific covenant against the non-disclosure of confidential information. The plaintiff bases its application for an injunction on the principle of equity that he who has received information in confidence must not take unfair advantage of it—see 16 *Halsbury's Laws of England*, 4th ed., at para. 1455, citing Lord Denning, M.R. in *Seager v. Copydex Ltd.* (4) ([1967] 2 All E.R. at 417)—and on the implied terms of their contract with the second defendant that he would not disclose confidential information obtained in the course of and as a result of his employment with the plaintiff.

9 In para. 548 of the same volume of *Halsbury's Laws* under the heading "The Contract of Employment" it is stated: "An employee is under an obligation not to disclose confidential information obtained by him in the

course of and as a result of his employment.” And the succeeding para. 549 reads:

“Employee’s duty not to disclose confidential information.

The principle that an employee is under a duty not to disclose confidential information obtained in the course of his employment continues to apply after he has left the employment. Accordingly the employer is entitled to an injunction or damages, or both, if, after leaving his employment and against his interests, his former employee uses confidential information gained by him during that employment. The employee may be ordered to deliver up to his employer any document containing such confidential information to which he is not entitled.

A former employee is, however, entitled to make use of knowledge and skill acquired otherwise.”

10 In para. 551, however, it is stated:

“An employee is entitled to set up in business in competition with his former employer after leaving his employment, and to use the skill and knowledge in his trade or profession, or knowledge as to business methods, honestly acquired by him during that employment.”

11 In his second affidavit, sworn on September 18th, 1981, Mr. Caetano states that soon after the second defendant had terminated all contractual relations with the plaintiffs in March 1981, he was helping the second defendant to repair his car, when he came across a box full of files, confidential and otherwise, from the offices of the plaintiff company, in the boot of the second defendant’s car. It was not until September 7th, 1981, however—the date of the summons in respect of this application and of Mr. Caetano’s first affidavit in support of this application—that Mr. Caetano told the second defendant that he should return any books that he had taken from the offices of the plaintiff company, and on September 9th the second defendant returned to the plaintiff what Mr. Caetano describes in his affidavit as a confidential manual.

12 Mr. Caetano also alleges in the same affidavit that in March 1981, the second defendant gave to him a personal undertaking that he would not make use of any confidential information which he had obtained whilst employed by the plaintiff in relation to contracts which were being negotiated. He claims that the second defendant broke this undertaking when, on behalf of the first defendants, the second defendant tendered for the Gibraltar Airport project, on which the second defendant had been working while in the plaintiff’s employment and on which in the course of that employment he had acquired confidential and specialized information.

13 In his first affidavit, sworn on October 2nd, 1981, the second defendant, while not disputing that in March 1981 Mr. Caetano may have seen a box of files and books in the boot of his car, denied that the files belonged to the plaintiff, maintaining that they were his own files of college notes and that the books were his own text books relating to air conditioning and ventilation and sales literature which he had obtained for himself personally. He admitted having inadvertently taken a book belonging to the plaintiff and stated that this was returned to them at Mr. Caetano's request on September 9th, but he denied that this book was a confidential publication and stated that it was a text book obtainable from named booksellers in New York and London.

14 The second defendant denied that he had given any undertaking to the plaintiff that he would not use confidential information obtained during his employment with the plaintiff in relation to contracts which were in the course of negotiation. He stated that the terms of his contract with the plaintiff did not prevent him from using information acquired in the course of his employment with them, after the termination of employment. He states that the designs, plans and drawings which he had used in tendering for the Gibraltar Airport project followed the requirements and specifications given to him in August 1981 by Mr. Smith, the Public Works Department architect responsible for the project.

15 The question I have to decide in relation to this application for an interlocutory injunction is not whether the plaintiff has satisfied me that the second defendant unfairly made use of confidential information obtained in the course of his employment with them in tendering for the Gibraltar Airport project, so as to be in breach of his equitable obligation to the plaintiff. The question is whether the plaintiff has satisfied me that there is a serious matter to be tried and that they have a real prospect of succeeding in their claim for an injunction at the trial.

16 In his third affidavit sworn on October 23rd, 1981 (but originally served in draft on October 7th, 1981), Mr. Caetano sets out in relation to the second defendant's tender letter to the Public Works Department numerous items which he maintains clearly derived from confidential information obtained by the second defendant in the course of his employment with the plaintiff on the Gibraltar Airport project.

17 In his third affidavit, the second defendant replies in detail to the points made in Mr. Caetano's third affidavit. I do not consider that it is necessary for me to refer in detail to the items specified by Mr. Caetano and the comments made by Mr. Miles, as it appears to me quite clear that all the matters referred to by Mr. Caetano were matters of which the second defendant was perfectly entitled to make use in the exercise of his skill and knowledge as an engineer specializing in air conditioning, heating and ventilation. Knowledge of these matters acquired by him in

the course of his employment with the plaintiff and as a result of his work for the plaintiff on the Gibraltar Airport project was knowledge honestly acquired during that employment which, in the absence of any covenant restraining the second defendant from working in competition with the plaintiff, it is not open to the plaintiff to prevent his exercising.

18 It does not appear to me that any of the matters referred to by Mr. Caetano in his third affidavit are matters of confidential information peculiar to the plaintiff, all are matters of skill and knowledge relating to the profession and trade carried on by the second defendant, albeit that he may have acquired additional knowledge from his work for the plaintiff on the Gibraltar Airport project. Counsel for the plaintiff has argued that it is the making use in his tender for the Airport project of the knowledge and skill the second defendant gained in working for the plaintiff on the project that has given him an unfair advantage in competing with them in tendering for the project. But the use of skill and knowledge acquired in the course of his employment with the plaintiff only gives to the second defendant an unfair advantage if he has made use of confidential information acquired during his employment with the plaintiff.

19 Except in what appears to me to be the peripheral matter of the ordering and retention by the second defendant of confidential technical literature and trade catalogues belonging to the plaintiff company (referred to in para. 10 of his third affidavit), Mr. Caetano does not attempt to show that the second defendant made use of confidential information peculiar to the plaintiff. And in relation to the literature and trade catalogues, the second defendant denies that he removed from the plaintiff company any confidential documents, and in any event Mr. Caetano's allegations in this respect are much too vague to support this application.

20 I have been referred to the cases of *Saltman Engr. Co. Ltd. v. Campbell Engr. Co. Ltd.* (3), a case in which the defendants made use of confidential drawings belonging to the plaintiffs to make leather punches; *Cranleigh Precision Engr. Ltd. v. Bryant* (1), a case in which the defendant, an ex-employee of the plaintiff company made use of trade secrets relating to the construction of an above-ground swimming pool obtained by him whilst in the employment of the plaintiff company; *Printers & Finishers Ltd. v. Holloway (No. 2)* (2), a case in which the plaintiffs applied unsuccessfully for an injunction against the defendant to restrain him from using knowledge of flock printing processes acquired by him whilst in their employment; and *Seager v. Copydex Ltd.* (4), a case in which the defendants used information relating to a special carpet grip given to them in confidence by the plaintiff.

21 In both the *Saltman* (3) and *Cranleigh Precision* (1) cases, the defendant made use of specific confidential information obtained during the course of employment by the plaintiffs. Counsel for the plaintiff in the

present application, argues that the work done by the second defendant on the Airport project for the plaintiff, comprising plans, specifications, *etc.* and submitted by them to the Public Works Department, was confidential. This may be so, but that does not prevent the second defendant, after leaving the employment of the plaintiff company, from making use of the skill and knowledge he has honestly acquired while working for the plaintiff on the Airport project in competition to them.

22 I refer in this connection to the judgment of Cross, J. in *Printers & Finishers Ltd. v. Holloway* (2) ([1965] 1 W.L.R. at 5):

“The mere fact that the confidential information is not embodied in a document but is carried away by the employee in his head is not, of course, of itself a reason against the granting of an injunction to prevent its use or disclosure by him. If the information in question can fairly be regarded as a separate part of the employee’s stock of knowledge which a man of ordinary honesty and intelligence would recognize to be the property of his old employer and not his own to do as he likes with, then the court, if it thinks that there is a danger of the information being used or disclosed by the ex-employee to the detriment of the old employer, will do what it can to prevent that result by granting an injunction. Thus an ex-employee will be restrained from using or disclosing a chemical formula or a list of customers which has committed to memory. Again in *Reid & Sigrist Ltd. v. Moss & Mechanisms Ltd.* the defendant was restrained from disclosing any methods of construction or features of design of turn indicators for use in aeroplanes evolved by the plaintiffs and made known to the defendant or evolved by him whilst in their employment. The salient point there was that in the course of the development of the instrument by the plaintiffs the defendant took part in confidential discussions with an outside expert called in to advise the plaintiffs as to the best methods of dealing with certain problems which had arisen. It appears, indeed, that after the discussions and while he was still in the plaintiffs’ employ the defendant made and later took away with him drawings embracing the various matters discussed. But even if he had not done so, however, and had relied simply on his memory of the confidential discussions I think that an injunction would still have been granted.”

23 See also the remarks of Megarry, V.-C. on the judgment of Cross, J. in the *Printers & Finishers* case, in the course of his judgment in *Thomas Marshall (Exports) Ltd. v. Guinle* (5) ([1979] Ch. at 246):

“[Counsel for the defendant] also relied on *Printers & Finishers Ltd. v. Holloway*, a case concerning a secret printing process. The plaintiff company employed a manager and instructed him to preserve the secrecy of the process, but took no covenant from him to

restrict him from working for competitors when he left them. Cross, J. held that in those circumstances no injunction should be granted to restrain the manager from using information that he had acquired while working for the plaintiff company. The basis of this decision was that it would put the manager in an impossible position if, after leaving the plaintiff company and starting to work for a rival concern, he were to be obliged to refrain from making any use of information or skills that he had acquired while working for the plaintiff company. This, said counsel for the defendant, should be applied in the case before me: if the defendant was free to work for a rival concern, it was unrealistic to say that he must not use his stock of knowledge of methods of work, even if he had acquired much of it while working for the company.

I can see much force in this. At the same time, I observe that Cross, J. ([1965] 1 W.L.R. 1 at 6) pointed out that to recall information or skills was quite unlike memorizing a formula or a list of customers, or what was said in confidence at a particular meeting: and he drew a distinction between such matters on the one hand and, on the other hand, drawing on a fund of knowledge and experience which the employee might well not realize that it was improper to use. The test that I think he indicated was whether a man of average intelligence and honesty would think that there was anything improper in his putting his memory on the matters in question at the disposal of his new employers.”

24 It appears to me from the affidavits filed in support and against this application that the present case falls within principles that may be derived from *Printers & Finishers Ltd. v. Holloway* (2). I find that the plaintiff has not satisfied me that there is a serious question between them to be tried or that they have any probability of their succeeding in their claim against the defendants. Accordingly this application for an interlocutory injunction pending trial is dismissed.

Application dismissed.
