

**IN THE HIGH COURT OF MALAYA AT KUALA LUMPUR  
(COMMERCIAL DIVISION)  
IN THE FEDERAL TERRITORY OF KUALA LUMPUR, MALAYSIA  
CIVIL SUIT NO: 22IP-53-10/2015**

**BETWEEN**

**1. JURIS TECHNOLOGIES SDN. BHD.**

(Co. No.: 618486-X)

**2. NATSOFT (M) SDN. BHD.**

(Co. No.: 369362-H)

... **PLAINTIFFS**

**AND**

**1. FOO TIANG SIN**

(NRIC No.: 820814-05-5275)

**2. CHONG HAU YIP**

(NRIC No.: 890806-05-5375)

**3. ENG SHI PING**

(NRIC No.: 850228-10-5441)

**4. YOW YIK SHUEN**

(NRIC No.: 881015-56-6289)

**5. FONG HING YEH**

(NRIC No.: 841212-06-5671)

**6. PHI ORION SDN. BHD.**

(Co. No.: 1019555-V)

... **DEFENDANTS**

## **JUDGMENT**

(after trial)

### **A. Introduction**

1. This is a case of a “*misappropriation*” of an employer’s confidential information by employees who subsequently resign from their employment and misuse the confidential information to poach the employer’s existing and prospective clients.
  
2. The following novel issues arise in this case:
  - (1) when an employer alleges that an employee has misused the employer’s confidential information to compete with the employer’s business, whether the employee can rely on a defence that the employee is merely using his/her own “*free time*” (when the employee is not working for the employer after office hours and when the employee is enjoying public holidays, weekly holidays and leave) to do “*freelance*” work;
  
  - (2) does an employee (who is employed for, among others, the creation and commercial exploitation of his/her employer’s confidential information) owe fiduciary duties to the employer regarding the confidential information?; and
  
  - (3) if an employee has infringed the employer’s copyright in the employer’s works and has misappropriated the employer’s

confidential information, whether the court should exercise its discretion to -

- (a) assign all Intellectual Property (**IP**) rights of the employee in the “works” created by the employee after his/her resignation based on the employer’s confidential information to the employer (**Judicial Assignment**) pursuant to s 37(1)(e) of the Copyright Act 1987 (**CA**) and case law on constructive trust; and
- (b) grant a “*Springboard Injunction*” under s 37(1)(a) CA, ss 50 and s 51(1) of the Specific Relief Act 1950 (**SRA**) to restrain the employee from exploiting commercially the confidential information for a certain number of years after the employee’s resignation.

## **B. Background**

- 3. The first plaintiff company (**1<sup>st</sup> Plaintiff**) specializes in development of software and sales of software solutions. The **1<sup>st</sup> Plaintiff** owns IP rights in “*Business Process Management*” (**BPM**) software. A BPM software enables businesses to combine, among others, automation, execution, control and optimization of their business activities. The **1<sup>st</sup> Plaintiff**’s software has won many awards, locally and abroad.
- 4. The **1<sup>st</sup> Plaintiff** is a wholly owned subsidiary of the second plaintiff company (**2<sup>nd</sup> Plaintiff**). The **2<sup>nd</sup> Plaintiff** conducts business in, among others, information technology (**IT**), software development and sales of software solutions.

5. The first defendant (**1<sup>st</sup> Defendant**) was an employee of the 1<sup>st</sup> Plaintiff from 7.7.2008 to 27.4.2015. The 1<sup>st</sup> Defendant was initially employed as a “*Business Analyst*”. The 1<sup>st</sup> Defendant was promoted to be an “*Associate Director*” of the 1<sup>st</sup> Plaintiff until his resignation with effect from 28.4.2015.
6. The second defendant (**2<sup>nd</sup> Defendant**) was employed by the 1<sup>st</sup> Plaintiff as a “*Professional Service Engineer*” from 1.6.2012 until 31.7.2015.
7. The third defendant (**3<sup>rd</sup> Defendant**) was the 1<sup>st</sup> Plaintiff’s “*Software Engineer*” between 6.10.2008 and 12.4.2013.
8. The fourth defendant (**4<sup>th</sup> Defendant**) was employed as a Software Engineer by the 1<sup>st</sup> Plaintiff from 1.12.2009 until 30.5.2014.
9. The 1<sup>st</sup> Plaintiff appointed the fifth defendant (**5<sup>th</sup> Defendant**) as a Software Engineer from 6.4.2009 until 22.7.2014.
10. The sixth defendant company (**6<sup>th</sup> Defendant**) is incorporated on 4.10.2012. The 1<sup>st</sup> and 3<sup>rd</sup> to 5<sup>th</sup> Defendants are directors and shareholders of the 6<sup>th</sup> Defendant. The 6<sup>th</sup> Defendant is in the IT business which is similar to that of the 1<sup>st</sup> and 2<sup>nd</sup> Plaintiffs (collectively referred to as the “**Plaintiffs**”).

**C. Legal proceedings**

11. The Plaintiffs filed this suit based on the following six causes of action (**Original Action**):

- (1) the 1<sup>st</sup> to 5<sup>th</sup> Defendants have breached their employment contracts with the 1<sup>st</sup> Plaintiff (**Employment Contracts**) with regard to their contractual duties of -
  - (a) not taking up “*outside employment*”;
  - (b) confidentiality; and
  - (c) fidelity;
- (2) the 1<sup>st</sup> to 5<sup>th</sup> Defendants owe fiduciary duties to the Plaintiffs with regard to the Plaintiffs’ confidential information and have breached such duties;
- (3) the 1<sup>st</sup> to 5<sup>th</sup> Defendants have committed a tort of breach of confidence against the Plaintiffs;
- (4) the 1<sup>st</sup> to 6<sup>th</sup> Defendants (collectively referred to as the “**Defendants**”) have infringed the copyright of the 1<sup>st</sup> Plaintiff under s 36(1) CA in the following works -
  - (a) “*Juris PHPLens*” computer program (**Juris PHPLens Program**);
  - (b) “*Juris Software Suites*” computer programs (**Juris Software Suites Programs**). The Juris Software Suites Programs include Juris PHPLens Program;
  - (c) “*Workflow Engine Design*” diagram; and

(d) the following documents of the 1<sup>st</sup> Plaintiff (**1<sup>st</sup> Plaintiff's Documents**) -

- (i) business brochures;
- (ii) business proposals,
- (iii) user requirements;
- (iv) manuals;
- (v) solutions;
- (vi) work flows;
- (vii) legal flows and forms;
- (viii) pricing plans;
- (ix) pricing lists;
- (x) commission structures;
- (xi) project methodology and time; and
- (xii) minutes of meetings;

(5) the Defendants have committed the tort of conspiracy to injure the Plaintiffs by unlawful means; and

- (6) the tort of unlawful interference with the Plaintiffs' business has been committed by the Defendants.
12. The Defendants have filed a counterclaim against the Plaintiffs (**Counterclaim**) based on two causes of action as follows:
- (1) the Plaintiffs have committed the tort of unlawful interference with the business of the Defendants; and
- (2) the tort of malicious prosecution of the Defendants has been committed by the Plaintiffs.
13. The Plaintiffs have obtained an *ex parte* order from my learned predecessor, Azizah Binti Nawawi J (as she then was), which compelled the Defendants to deliver to the Plaintiffs' solicitors their mobile phones, notebooks, iPads, digital and optical storage devices (**Electronic Devices**) in their possession without "*accessing, altering, destroying, removing, transferring or otherwise tampering with*" the Electronic Devices (**Ex Parte Delivery Order**).
14. The Defendants did not apply to the High Court to set aside the *Ex Parte* Delivery Order. Nor did the 1<sup>st</sup> to 5<sup>th</sup> Defendants appeal to the Court of Appeal against the *Ex Parte* Delivery Order. Even if the *Ex Parte* Delivery Order is subsequently set aside by the High Court or reversed by the Court of Appeal, all relevant evidence obtained by the execution of the *Ex Parte* Delivery Order is admissible in this case - please see **Tenaga Nasional Bhd v Api-api Aquaculture Sdn Bhd** [2015] 3 AMR 811, at [56] (this decision has been affirmed by the Court of Appeal).

15. The Electronic Devices delivered by the Defendants to the Plaintiffs have been examined by the Plaintiffs' computer forensic experts (**Forensic Examination**).

**D. Plaintiffs' case**

16. The Plaintiffs have called seven witnesses as follows:

- (1) Mr. John Lim Keong Jin (**SP1**), the Chief Technology Officer of the 1<sup>st</sup> Plaintiff and a director of the Plaintiffs;
- (2) Mr. Naaman Lee Geok San (**SP2**), the 1<sup>st</sup> Plaintiff's Chief Operating Officer. SP2 is also a director of the Plaintiffs;
- (3) Mr. Shaun Ng Weng Loon (**SP3**), a technology technician with the Plaintiffs' solicitors;
- (4) Puan Nurul Aiman Bintai Azmail (**SP4**), a computer forensic analyst with Siaga Informatics Sdn. Bhd. (**Siaga**);
- (5) Mr. Rico Ho Wui Fieng (**SP5**), an expert in software technology;
- (6) Encik Mohd. Shukri Bin Othman (**SP6**), the Chief Forensic Analyst at Siaga; and
- (7) Ms. See Wai Hun (**SP7**). SP7 is the Chief Executive Officer and director of both the Plaintiffs.

17. SP1 gave the following evidence, among others:



- (1) SP1 has been involved in software development for nearly 30 years. SP1 has won many prestigious awards regarding software. It is noted that SP1 testified in this case as a factual witness as well as an expert in computer programs;
- (2) SP1 headed a team of the Plaintiffs' employees which developed the Juris Software Suites Programs;
- (3) the Juris Software Suites Programs have been licensed by the Plaintiffs to many well-known clients in and beyond Malaysia;
- (4) the 1<sup>st</sup> Plaintiff owns the copyright in the Juris Software Suites Programs, Workflow Engine Design diagram and the 1<sup>st</sup> Plaintiff's Documents (**1<sup>st</sup> Plaintiff's Copyrighted Works**);
- (5) the 1<sup>st</sup> to 5<sup>th</sup> Defendants were employees of the 1<sup>st</sup> Plaintiff who had access to -
  - (a) the confidential information which is owned by the Plaintiffs (**Plaintiffs' Confidential Information**); and
  - (b) the Plaintiffs' existing and prospective clients;
- (6) the 1<sup>st</sup> Plaintiff had made presentations to Perbadanan Tabung Amanah Brunei (**TAIB**) with a view to secure a contract with TAIB worth US\$2,000,000.00 regarding the use of Juris Software Suites Programs [**1<sup>st</sup> Plaintiff's Prospective Contract (TAIB)**]. Regarding the 1<sup>st</sup> Plaintiff's Prospective Contract (TAIB) -

- (a) the 1<sup>st</sup> Plaintiff had given a proposal to TAIB [**1<sup>st</sup> Plaintiff's Proposal (TAIB)**];
  - (b) sometime in early May 2015, the 1<sup>st</sup> Plaintiff was informed that TAIB's Board of Directors had approved the 1<sup>st</sup> Plaintiff's Proposal (TAIB); and
  - (c) the Plaintiffs subsequently discovered that TAIB had awarded the same contract to the 6<sup>th</sup> Defendant at a much lower price [**6<sup>th</sup> Defendant's Contract (TAIB)**];
- (7) the results of the Forensic Examination [**Results (Forensic Examination)**] showed that the Electronic Devices of the 1<sup>st</sup> to 5<sup>th</sup> Defendants contained, among others -
- (a) the Plaintiffs' Confidential Information; and
  - (b) "*WhatsApp*" messages between the 1<sup>st</sup> to 5<sup>th</sup> Defendants (**Whatsapp Messages**); and
- (8) the 1<sup>st</sup> to 5<sup>th</sup> Defendants had copied the 1<sup>st</sup> Plaintiff's Copyrighted Works and misappropriated the Plaintiffs' Confidential Information. Such an action by the 1<sup>st</sup> to 5<sup>th</sup> Defendants had enabled the 6<sup>th</sup> Defendant to develop and market "*FusionCore*", "*VPOS*" (Virtual Point of Sales), "*DBO*", "*Shine*", "*BizPro*" (Business Process Manager), "*Hoze*" and "*Moireg*" computer programs (**6<sup>th</sup> Defendant's Programs**).

18. SP2 and SP7 gave testimonies which, among others, corroborated SP1's factual evidence.
19. SP4 and SP6 gave expert evidence regarding the Results (Forensic Examination). According to SP4, among others -
  - (1) during the forensic examination of the 1<sup>st</sup> Defendant's personal laptop, from the keyword search of "*Juris*", SP4 found files with the name "*Juris*" (**Juris Files**). SP4 however could not have access to the Juris Files;
  - (2) the 1<sup>st</sup> Defendant informed SP4 in the presence of the Plaintiffs' solicitors, Defendants' solicitors and supervising solicitors in the office of the supervising solicitors that -
    - (a) the 1<sup>st</sup> Defendant had kept an exact copy of Juris Files in "*Cloud*", an online storage portal; and
    - (b) Cloud was shared by the 1<sup>st</sup> to 5<sup>th</sup> Defendants; and
  - (3) the 1<sup>st</sup> Defendant downloaded the Juris Files from Cloud onto the 1<sup>st</sup> Defendant's personal laptop. SP4 could then have access to the contents of the Juris Files which were adduced as evidence in this case.
20. SP5 is an expert in computer programs. SP5 has given expert testimony, among others, that the system architecture of the 6<sup>th</sup> Defendant's DBO

computer program (**DBO Program**) is substantially similar to the system architecture of Juris PHPLens Program.

21. SP3 testified that he was instructed by the Plaintiffs' solicitors to copy the contents of an external hard disk to a thumb drive which was tendered in court as exhibit P4. Exhibit P4 contained an extraction of the information and documents obtained from the personal laptops of the 1<sup>st</sup> to 5<sup>th</sup> Defendants.

#### **E. Case for Defendants**

22. The 1<sup>st</sup> to 5<sup>th</sup> Defendants testified in this case. According to the 1<sup>st</sup> to 5<sup>th</sup> Defendants, among others -

- (1) although the 1<sup>st</sup> to 5<sup>th</sup> Defendants were the 1<sup>st</sup> Plaintiff's employees, they were entitled to do "*freelance*" work in their own "*free time*", namely when they were not in the office and when they were enjoying public holidays, weekly holidays and when they were on leave. Hence, the 1<sup>st</sup> to 5<sup>th</sup> Defendants denied that they had breached the Employment Contracts. The 1<sup>st</sup> to 5<sup>th</sup> Defendants also denied that they owed fiduciary duties to the 1<sup>st</sup> Plaintiff regarding the Plaintiffs' Confidential Information;

- (2) the 6<sup>th</sup> Defendant's Programs are different from the Juris Software Suites Programs. The customers of the 6<sup>th</sup> Defendant's Programs are also different from the Plaintiffs' clients. The Defendants therefore aver that the 6<sup>th</sup> Defendant has not competed unlawfully with the Plaintiffs' business;

- (3) the 6<sup>th</sup> Defendant's Programs were developed by the 3<sup>rd</sup> to 5<sup>th</sup> Defendants -
  - (a) without any reliance on the Plaintiffs' Confidential Information;  
and
  - (b) based on information freely available in "*Open Sources*";
- (4) the 1<sup>st</sup> to 5<sup>th</sup> Defendants alleged that the WhatsApp Messages retrieved from the Forensic Examination had been tampered with. The 1<sup>st</sup> to 5<sup>th</sup> Defendants also explained at length that the WhatsApp Messages did not mean that they had committed any wrong against the Plaintiffs;
- (5) the 1<sup>st</sup> to 5<sup>th</sup> Defendants strongly denied that -
  - (a) the 6<sup>th</sup> Defendant had hijacked the 1<sup>st</sup> Plaintiff's Prospective Contract (TAIB);
  - (b) the 1<sup>st</sup> to 5<sup>th</sup> Defendants had committed a tort of breach of confidence against the Plaintiffs; and
  - (c) the Defendants had -
    - (i) infringed the copyright in the 1<sup>st</sup> Plaintiff's Copyrighted Works;

- (ii) committed a tort of conspiracy to injure the Plaintiffs by unlawful means; and
  - (iii) committed a tort of unlawful interference with the Plaintiffs' business; and
- (6) the Plaintiffs have caused and continued to cause loss and damage to the Defendants by committing the following two torts against the Defendants -
  - (a) the tort of unlawful interference with the Defendants' business; and
  - (b) the tort of malicious prosecution of the Defendants.
- 23. The 3<sup>rd</sup> to 5<sup>th</sup> Defendants gave factual testimonies as well as expert opinions regarding the 6<sup>th</sup> Defendant's Programs and Juris Software Suites Programs (especially regarding PHPLens Program).
- 24. The Defendants also called a computer expert, Mr. Marshall Yung Pui Sze (**SD6**), to give expert evidence to support their contention that the Defendants did not infringe the 1<sup>st</sup> Plaintiff's copyright in Juris PHPLens Program.

**F. Whether weight should be attached to Results (Forensic Examination)**

- 25. Firstly, the Results (Forensic Examination) are admissible in this case because the Plaintiffs and Defendants have agreed to classify the

Results (Forensic Examination) as “*Part B*” documents under O 34 r 2(2)(e)(i) of the Rules of Court 2012 - please see **KTL Sdn Bhd & Anor v Leong Oow Lai and other cases** [2014] MLJU 1405, at [32(b)] and [33].

26. The Defendants’ learned lead counsel, Mr. Steven Cheok Hou Cher, has contended that no weight should be attached to the WhatsApp Messages for the following reasons:

- (1) the WhatsApp Messages had been tampered with;
- (2) the WhatsApp Messages had been sent by close friends to each other;
- (3) the 1<sup>st</sup> to 5<sup>th</sup> Defendants sent the WhatsApp Messages in jest; and
- (4) the 1<sup>st</sup> to 5<sup>th</sup> Defendants were merely “*keyboard warriors*” who did not intend what they stated in the WhatsApp Messages.

27. I cannot accept the above submission by Mr. Steven Cheok. On the contrary, this court attaches great weight to the Results (Forensic Examination), especially the WhatsApp Messages. This finding of fact is premised on the following reasons:

- (1) the integrity of the Results (Forensic Examination) had been safeguarded as follows -
  - (a) the Results (Forensic Examination) had been extracted by SP4 from the Electronic Devices in the presence of the Plaintiffs’

solicitors, Defendants' solicitors and supervising solicitors in the office of the supervising solicitors; and

- (b) there was no complaint by the Defendants' solicitors or the supervising solicitors that the Results (Forensic Examination) had been tampered with. It is to be noted that tampering with evidence which is adduced in court, constitutes an offence of fabricating false evidence which is punishable under s 193 of the Penal Code with an imprisonment up to 7 years and/or a fine;
- (2) the Defendants have applied to the supervising solicitors to redact the Whatsapp Messages (**Defendants' Redaction Application**). The supervising solicitors allowed the Defendants' Redaction Application. It is to be noted that neither the Plaintiffs nor their solicitors have sight of the matters redacted by the supervising solicitors (**Redacted Materials**). If the Results (Forensic Examination) had been tampered with, the Defendants' Redaction Application would not have been made;
- (3) during the trial, the Plaintiffs applied to court to unredact certain Redacted Materials (**Plaintiffs' Unredaction Application**). The Defendants opposed the Plaintiffs' Unredaction Application. I disallowed the Plaintiffs' Unredaction Application on the ground that the Plaintiffs' Unredaction Application should have been made before the commencement of trial. If there was tampering with the



Results (Forensic Examination), the Defendants would not have objected to the Plaintiffs' Unredaction Application; and

- (4) the contents of the Whatsapp Messages are true because -
- (a) the contents of the Whatsapp Messages have been corroborated by the following events -
- (i) the incorporation of the 6<sup>th</sup> Defendant;
  - (ii) the 1<sup>st</sup> and 3<sup>rd</sup> to 5<sup>th</sup> Defendants are appointed as the 6<sup>th</sup> Defendant's directors and are still its directors [until the date of the oral decision of this suit (**Oral Decision**)];
  - (iii) the 1<sup>st</sup> and 3<sup>rd</sup> to 5<sup>th</sup> Defendants become shareholders of the 6<sup>th</sup> Defendant and they still own shares in the 6<sup>th</sup> Defendant until the date of the Oral Decision;
  - (iv) the 1<sup>st</sup> to 5<sup>th</sup> Defendants worked for the 6<sup>th</sup> Defendant while the 1<sup>st</sup> to 5<sup>th</sup> Defendants were still employed by the 1<sup>st</sup> Plaintiff;
  - (v) the 1<sup>st</sup> to 5<sup>th</sup> Defendants resigned one by one from the employment of the 1<sup>st</sup> Plaintiff (so as not to alert the 1<sup>st</sup> Plaintiff);
  - (vi) the 1<sup>st</sup> to 5<sup>th</sup> Defendants enabled the 6<sup>th</sup> Defendant to "*hijack*" the 1<sup>st</sup> Plaintiff's Prospective Contract (TAIB)

- when the 6<sup>th</sup> Defendant entered into a contract with TAIB [**6<sup>th</sup> Defendant's Contract (TAIB)**] at a much lower price;
- (vii) the 1<sup>st</sup> to 5<sup>th</sup> Defendants developed the 6<sup>th</sup> Defendant's Programs based on a misuse of the Plaintiffs' Confidential Information;
  - (viii) the 1<sup>st</sup> to 5<sup>th</sup> Defendants enabled the 6<sup>th</sup> Defendant's Programs to compete unlawfully with Juris Software Suites Programs; and
  - (ix) the 1<sup>st</sup> to 5<sup>th</sup> Defendants enabled the 6<sup>th</sup> Defendant to poach the Plaintiffs' existing and prospective clients; and
- (b) the Whatsapp Messages are contemporaneous records of the communication between the 1<sup>st</sup> to 5<sup>th</sup> Defendants;
- (c) the Whatsapp Messages could not have been fabricated by the Plaintiffs because -
- (i) the Whatsapp Messages were detailed and contained intimate matters concerning the 1<sup>st</sup> to 5<sup>th</sup> Defendants which could not be known by the Plaintiffs; and
  - (ii) the timing of the Whatsapp Messages and the sequence of events which unfolded in this case, could not be coincidental but true; and

- (d) the 1<sup>st</sup> to 5<sup>th</sup> Defendants in their lengthy witness statements and their oral evidence (adduced during their cross-examination and re-examination) did not identify a single WhatsApp Message which is false or erroneous.

**G. Credibility of witnesses**

28. I have no hesitation to accept the expert evidence of SP4 and SP6 regarding the Forensic Examination because -

- (1) SP4 and SP6 are independent experts; and
- (2) as explained in the above paragraph 27, this court attaches great weight to the Results (Forensic Examination).

29. This court finds as a fact that SP1, SP2 and SP7 are witnesses to the truth. This finding of fact is based on the following evidence and reasons:

- (1) the testimonies of SP1, SP2 and SP7 are corroborated by the following -
  - (a) the Results (Forensic Examination), in particular the WhatsApp Messages;
  - (b) the incorporation of the 6<sup>th</sup> Defendant and the fact that the 1<sup>st</sup> and 3<sup>rd</sup> to 5<sup>th</sup> Defendants become the 6<sup>th</sup> Defendant's directors and shareholders; and

- (c) the hijacking of the 1<sup>st</sup> Plaintiff's Prospective Contract (TAIB) by the 6<sup>th</sup> Defendant;
  - (2) the cross-examination of SP1, SP2 and SP7 does not reveal any reason to doubt their veracity; and
  - (3) the testimonies of SP1, SP2 and SP7 mutually corroborate each other.
30. I have no hesitation to find as a fact that the 1<sup>st</sup> to 5<sup>th</sup> Defendants are not reliable witnesses. This factual finding is substantiated by the following evidence and reasons:
- (1) the WhatsApp Messages clearly undermine the credibility of the 1<sup>st</sup> to 5<sup>th</sup> Defendants;
  - (2) when the 1<sup>st</sup> to 5<sup>th</sup> Defendants resigned as the 1<sup>st</sup> Plaintiff's employees, they each signed an "*Employee Exit Checklist*" which stated as follows, among others -
    - (a) the 1<sup>st</sup> to 5<sup>th</sup> Defendants agreed to "*maintain strict confidentiality*" of the 1<sup>st</sup> Plaintiff's information and would not divulge the 1<sup>st</sup> Plaintiff's information to any third party (**Confidentiality Undertaking**); and
    - (b) the 1<sup>st</sup> to 5<sup>th</sup> Defendants agreed that they had deleted the 1<sup>st</sup> Plaintiff's information from their "*personal possession*" (**Confirmation of Deletion**).

The Confirmation of Deletion by each of the 1<sup>st</sup> to 5<sup>th</sup> Defendants was not true because the Results (Forensic Examination) showed that the Electronic Devices belonging to the 1<sup>st</sup> to 5<sup>th</sup> Defendants, contained, among others, confidential information belonging to the 1<sup>st</sup> Plaintiff; and

(3) the 1<sup>st</sup> to 5<sup>th</sup> Defendants had breached the Confidentiality Undertaking by divulging the 1<sup>st</sup> Plaintiff's confidential information to the 6<sup>th</sup> Defendant.

31. I accept the expert opinions of SP1 and SP5 that the system architecture of the 6<sup>th</sup> Defendant's DBO Program [**System Architecture (DBO Program)**] is substantially similar to the system architecture of Juris PHPLens Program [**System Architecture (PHPLens Program)**]. In this respect, I reject the expert testimonies of the 3<sup>rd</sup> to 5<sup>th</sup> Defendants and SD6. This decision is based on the following reasons:

(1) the expertise of SP1 and SP5 is impeccable;

(2) SP1 and SP5 had given credible reasons for their expert testimonies. The credibility of SP1 and SP5 had not been adversely affected by vigorous cross-examination by Mr. Steven Cheok;

(3) SD6's expertise is severely doubted for the following reasons -

- (a) SD6 identified wrongly Juris PHPLens Program as an “*Application Framework*” when Juris PHPLens Program is a “*Form Builder Engine*”; and
  - (b) initially, SD6 testified erroneously that DBO Program was a “*Database Extraction Layer*”. SD6 subsequently changed his expert evidence and admitted that DBO Program is a Form Builder Engine. It is difficult to accept the expert opinion of SD6 when SD6 could not even identify correctly the nature of DBO Program;
- (4) SD6 did not compare the System Architecture (DBO Program) against the System Architecture (PHPLens Program); and
- (5) as explained in the above paragraph 30, the 3<sup>rd</sup> to 5<sup>th</sup> Defendants are not credible witnesses of fact. If the 3<sup>rd</sup> to 5<sup>th</sup> Defendants are unreliable factual witnesses, it will be incredulous for this court to accept them as credible expert witnesses. In any event, the 3<sup>rd</sup> to 5<sup>th</sup> Defendants are not independent experts and their expert testimonies in this case are wholly self-serving.

#### H. Whether court should pierce 6<sup>th</sup> Defendant’s corporate veil

32. The court has a discretion to pierce a company’s corporate veil so as impose the company’s liability on individuals. It is decided in **Chanel v Melwani<sup>2</sup> International Sdn Bhd & Ors** [2017] 4 AMR 19, at [16(6)], as follows:

“16(6) **to pierce or lift a corporate veil, 3 recent Federal Court judgments require 2 conditions to be fulfilled cumulatively (2 Conditions), namely -**

(a) **the piercing or lifting of a corporate veil is in the interest of justice (1<sup>st</sup> Condition); and**

(b) **there exists special circumstances to pierce or lift the corporate veil (2<sup>nd</sup> Condition), such as -**

(i) *there has been commission of actual fraud or Common Law fraud;*

(ii) *equitable fraud or constructive fraud has been committed;*

(iii) **to prevent evasion of liability; or**

(iv) **to prevent an abuse of corporate personality.**

*I rely on the following 3 Federal Court judgments which have laid down the 2 Conditions -*

(aa) *Hasan Lah FCJ's judgment in **Solid Investment Ltd v Alcatel Lucent (M) Sdn Bhd** [2014] 3 CLJ 73, at 92;*

(bb) *the decision of Richard Malanjum CJ (Sabah & Sarawak) in **Gurbachan Singh s/o Bagawan Singh & Ors v Vellasamy s/o Pennusamy & Ors** [2015] 1 MLJ 773, at paragraphs 96-99; and*

(cc) *the judgment of Richard Malanjum CJ (Sabah & Sarawak) in **Giga Engineering & Construction Sdn Bhd v Yip Chee***

***Seng & Sons Sdn Bhd & Anor [2015] 9 CLJ 537, at paragraphs 39, 44 and 45;***

(emphasis added).

33. This court exercises its discretion to pierce the 6<sup>th</sup> Defendant's corporate veil so as to impose the 6<sup>th</sup> Defendant's liability on the 1<sup>st</sup> to 5<sup>th</sup> Defendants. This decision is premised on the following evidence and reasons:

- (1) the 1<sup>st</sup> to 5<sup>th</sup> Defendants had incorporated and managed the 6<sup>th</sup> Defendant to -
  - (a) “*hijack*” the 1<sup>st</sup> Plaintiff's Prospective Contract (TAIB) at a much lower price;
  - (b) exploit commercially the 6<sup>th</sup> Defendant's Programs based on a misappropriation of the Plaintiffs' Confidential Information; and
  - (c) enable the 6<sup>th</sup> Defendant's Programs to compete unlawfully with Juris Software Suites Programs;
- (2) the 6<sup>th</sup> Defendant is the vehicle employed by the 1<sup>st</sup> to 5<sup>th</sup> Defendants to -
  - (a) commit the wrongs against the Plaintiffs as described in the above sub-paragraphs (1)(a) to (c); and



- (b) evade the personal liability the 1<sup>st</sup> to 5<sup>th</sup> Defendants to the Plaintiffs;
- (3) the 1<sup>st</sup> to 5<sup>th</sup> Defendants have abused the 6<sup>th</sup> Defendant's corporate personality; and
- (4) it is clearly in the interest of justice for this court to pierce the 6<sup>th</sup> Defendant's corporate veil.

**I. Did 1<sup>st</sup> to 5<sup>th</sup> Defendants breach Employment Contracts?**

34. The Employment Contracts provide as follows, among others:

***"E. Confidentiality***

***You acknowledge that any application software developed by [1<sup>st</sup> Plaintiff] or [2<sup>nd</sup> Plaintiff] or any [1<sup>st</sup> Plaintiff] or [2<sup>nd</sup> Plaintiff] joint development with a third party, including source code, object code, modifications, updates or enhancements, and all Copyright ... and other [IP] of [1<sup>st</sup> Plaintiff] or [2<sup>nd</sup> Plaintiff] constitute the confidential and proprietary trade secrets of [1<sup>st</sup> Plaintiff] or [2<sup>nd</sup> Plaintiff] respectively. You agree to keep such confidential and proprietary property in strictest confidence, in order to safeguard the confidentiality of [1<sup>st</sup> Plaintiff] and [2<sup>nd</sup> Plaintiff's] proprietary property.***

***You also agree to maintain strict confidentiality of company information, client information and vendor information. You will not divulge this information to any friends or third party.***

***If you subsequently leave the employment of [1<sup>st</sup> Plaintiff], you***

- (1) **Agree to return and remove from your possession all such confidential material mentioned above when you leave the employment of [1<sup>st</sup> Plaintiff]; and**
- (2) **Agree not to reverse engineer any [1<sup>st</sup> Plaintiff] or [2<sup>nd</sup> Plaintiff] application softwares or develop a competing product to that of [1<sup>st</sup> Plaintiff] and [2<sup>nd</sup> Plaintiff's]. This restriction includes, but is not limited to, modifications which result in a derivative work, a collective work, a new and independent work, a joint work of co-authorship or the use of decompilers or disassemblers.**

...  
**(1<sup>st</sup> Confidentiality Clause).**

F. **Others**

**In addition to the above, all terms and conditions of employment shall be contained in the Terms and Conditions of Employment of [1<sup>st</sup> Plaintiff].**

**Terms and Conditions of Employment of [1<sup>st</sup> Plaintiff], [2<sup>nd</sup> Plaintiff] and EMCRESTA**

...	...
<b>Outside Employment</b>	<b>No employee may be involved in any other business outside [1<sup>st</sup> Plaintiff] without prior permission from management. If any employee violates this clause, instant termination shall be enforced  (Outside Employment Prohibition).</b>

<p><b>Confidentiality &amp; Security</b></p>	<p><b>All employees are required to keep confidential any information disclosed in the course of their work (2<sup>nd</sup> Confidentiality Clause). The employee also agrees not to discuss nor use to his or her advantage such information gained while under the employment of [1<sup>st</sup> Plaintiff] for one year after ceasing employment with the [1<sup>st</sup> Plaintiff] .</b></p> <p>...</p>
<p>...</p>	<p>...”</p> <p>...</p>

(emphasis added).

35. Mr. Steven Cheok had submitted that the 1<sup>st</sup> to 5<sup>th</sup> Defendants were entitled to use their own “*free time*” (when they were not working for the 1<sup>st</sup> Plaintiff after office hours and when they enjoyed public holidays, weekly holidays and leave) to do “*freelance*” work for the 6<sup>th</sup> Defendant. I cannot accept such a submission. The Outside Employment Prohibition applied at all times when the 1<sup>st</sup> to 5<sup>th</sup> Defendants were employed by the 1<sup>st</sup> Plaintiff. The 1<sup>st</sup> to 5<sup>th</sup> Defendants had breached the Outside Employment Prohibition when they worked for the 6<sup>th</sup> Defendant while they were still employed by the 1<sup>st</sup> Plaintiff [**1<sup>st</sup> Breach (Employment Contract)**]. The 1<sup>st</sup> Breach (Employment Contract) had been committed by the 1<sup>st</sup> to 5<sup>th</sup> Defendants even though they worked for the 6<sup>th</sup> Defendant -

(1) after office hours;

(2) during their free time; and

- (3) when they enjoyed their public holidays, weekly holidays and leave.
36. The 1<sup>st</sup> to 5<sup>th</sup> Defendants had committed a second breach of the Employment Contracts [**2<sup>nd</sup> Breach (Employment Contract)**]. An employee owes an implied contractual duty of fidelity to his/her employer - please see the Court of Appeal's judgment delivered by Nallini Pathmanathan JCA (as she then was) in **Soh Chee Gee v Syn Tai Hung Trading Sdn Bhd** [2019] 2 MLJ 379, at [45]. The 1<sup>st</sup> to 5<sup>th</sup> Defendants committed the 2<sup>nd</sup> Breach (Employment Contract) when 1<sup>st</sup> to 5<sup>th</sup> Defendants worked for the 6<sup>th</sup> Defendant -
- (1) who subsequently hijacked the 1<sup>st</sup> Plaintiff's Prospective Contract (TAIB); and
  - (2) who poached the 1<sup>st</sup> Plaintiff's prospective client, SDS Technology Joint Stock Company (**SDS**), when the 6<sup>th</sup> Defendant entered into a joint venture agreement with SDS.
37. The 1<sup>st</sup> Confidentiality Clause had extended the confidentiality obligation of the 1<sup>st</sup> to 5<sup>th</sup> Defendants to include the 2<sup>nd</sup> Plaintiff's confidential information. The 1<sup>st</sup> and 2<sup>nd</sup> Confidentiality Clauses (collectively referred as the "**Confidentiality Clauses**") had been breached by the 1<sup>st</sup> to 5<sup>th</sup> Defendants when they disclosed the Plaintiffs' Confidential Information to the 6<sup>th</sup> Defendant [**3<sup>rd</sup> Breach (Employment Contract)**].
38. The above decision is made with the cognizance of the growing trend of employees working from home (especially homemakers) and those working on "*flexi hours*". Modern employment does not depend on office

hours and employees need not work in offices. An employee may work in “SOHO” (Small Office/Home Office). As explained by SP2 and SP7, the 1<sup>st</sup> to 5<sup>th</sup> Defendants did not work from 9 am to 6 pm on Mondays to Fridays only because they worked based on project timelines which could be round the clock and they could even be required to work on public holidays and weekly holidays (so as to complete the project in question).

**J. Whether 1<sup>st</sup> to 5<sup>th</sup> Defendants owe fiduciary duties to Plaintiffs regarding Plaintiffs’ Confidential Information**

39. Generally, an employee is not a fiduciary of the employer. Exceptionally, case law has recognized that certain employees owe fiduciary duties to their employers. In **Muniandy A/L Nadasan & Ors v Dato’ Prem Krishna Sahgal & Ors** [2016] 11 MLJ 38, I have referred to cases decided in Singapore and the United Kingdom (**UK**). I am of the following view in **Muniandy**, at [47] :

*“[47] Based on Smile Inc Dental Surgeons, Nottingham University, Nagase Singapore Pte Ltd and Canadian Aero Service Ltd, an employee owes fiduciary duties to his or her employer in the following circumstances:*

- (1) when the employment contract imposes specific contractual obligations on the employee which place the employee in a situation where Equity imposes fiduciary duties on the employee;*
- (2) when the employee owes a special duty of “single minded or exclusive loyalty” to the employer; and/or*

- (3) *when the employee is in the “top management” of the employer with duties similar to those owed by company directors.*

***I must add that the above circumstances where an employee owes fiduciary duties to his or her employer, are not exhaustive. The following considerations are relevant in ascertaining whether an employee owes fiduciary duties to his or her employer:***

- (a) *the position of the employee in the organisation, structure and hierarchy of the employer, namely how senior is the employee; and*

- (b) ***the nature and extent of the duties, functions and responsibilities of the employee.”***

(emphasis added).

40. I accept the submission by the Plaintiffs’ learned lead counsel, Ms. Chew Kherk Ying, that the 1<sup>st</sup> to 5<sup>th</sup> Defendants owe fiduciary duties to the 1<sup>st</sup> Plaintiff regarding the 1<sup>st</sup> Plaintiff’s confidential information. This decision is based on the following reasons:

- (1) the Confidentiality Clauses imposed specific contractual obligations on the 1<sup>st</sup> to 5<sup>th</sup> Defendants regarding the 1<sup>st</sup> Plaintiff’s confidential information which placed them in a situation where Equity imposed fiduciary duties on them. This is understandable because the 1<sup>st</sup> Plaintiff’s only business and source of income depends on the

development, marketing and protection of its confidential information regarding software;

- (2) the 1<sup>st</sup> to 5<sup>th</sup> Defendants were specifically employed by the 1<sup>st</sup> Plaintiff to develop and market the 1<sup>st</sup> Plaintiff's software based on the 1<sup>st</sup> Plaintiff's confidential information. For these purposes, the 1<sup>st</sup> to 5<sup>th</sup> Defendants were given access to the 1<sup>st</sup> Plaintiff's confidential information; and
- (3) when the 1<sup>st</sup> to 5<sup>th</sup> Defendants resigned, they gave the Confidentiality Undertaking and Confirmation of Deletion which reiterated their fiduciary obligations to maintain the confidentiality of the 1<sup>st</sup> Plaintiff's confidential information.

I rely on the following judgment of the Court of Appeal delivered by Idrus Harun JCA (as he then was) in **Wong Kar Juat & Anor v S7 Auto Parts (M) Sdn Bhd** [2016] 5 MLJ 527, at [16] -

*“[16] We wish to express our understanding of the law. We apprehend that as regards a breach of trust and breach of fiduciary duty in the context of an employee and employer relationship, where the employee's contract involves receipt of the employer's property, notwithstanding whether the property consists of tangible assets or confidential information, a fiduciary obligation exists (see Attorney General v Blake (Jonathan Cape Ltd Third Party) [2001] 1 AC 268). This obligation would in our view concern with the employee's duty to look after the employer's interest, the duty of fidelity towards the principal and the duty to act in good faith, not to make a profit out of the trust, not to place himself in a position where his duty and his*

*interest may conflict and not to act for his own benefit or for the benefit of a third person without the informed consent of his principal. Who is a fiduciary in law is defined by Millett LJ in Bristol and West Building Society v Mathew [1998] Ch 1 at p 11 as follows:*

*A fiduciary is someone who has undertaken to act for or on behalf of another in a particular matter in circumstances which gives rise to a relationship of trust and confidence. The distinguishing obligation of a fiduciary is the obligation of loyalty. The principal is entitled to the single-minded loyalty of his fiduciary.”*

(emphasis added).

41. The above decision is in consonance with this digital age and knowledge-based economy which depends on the creation, commercial exploitation and protection of confidential information. It is to be emphasized that remedies for a breach of an employment contract may not be sufficient for an employer whose confidential information has been misappropriated by an employee. When a fiduciary duty is owed by an employee and is breached, the following equitable remedies are available to the employer (in addition to statutory and Common Law remedies):

(1) the employee shall be deemed in Equity to be a constructive trustee for the employer regarding the employer’s confidential information. Consequently, the court may order a Judicial Assignment of the employee’s IP rights in any work created by the employee based on the employer’s confidential information;



- (2) the employee shall account to the employer for all profits derived by the employee from the misuse of the employer's confidential information. The employer still has a statutory right under s 74(1) of the Contracts Act 1950 (**CA 1950**) to claim damages for the employee's breach of the employment contract; and
  - (3) the employer has the equitable remedies of "*following*" and "*tracing*" with regard to the employer's confidential information - please see the judgment of Lord Millett in UK's House of Lords in **Foskett v McKeown & Ors** [2001] 1 AC 102, at 129-130.
42. I find as a fact that the 1<sup>st</sup> to 5<sup>th</sup> Defendants have breached their fiduciary duties owed to the 1<sup>st</sup> Plaintiff when they -
- (1) divulged the 1<sup>st</sup> Plaintiff's confidential information to the 6<sup>th</sup> Defendant;
  - (2) misused the 1<sup>st</sup> Plaintiff's confidential information and caused the 6<sup>th</sup> Defendant to "*hijack*" the 1<sup>st</sup> Plaintiff's Prospective Contract (TAIB) at a much lower price; and
  - (3) developed the 6<sup>th</sup> Defendant's Programs based on the 1<sup>st</sup> Plaintiff's confidential information and enabled the 6<sup>th</sup> Defendant's Programs to compete unlawfully with Juris Software Suites Programs.

**K. Had 1<sup>st</sup> to 5<sup>th</sup> Defendants committed tort of breach of confidence?**

43. In the Federal Court case of **Dynacast (Melaka) Sdn Bhd & Ors v Vision Cast Sdn Bhd & Anor** [2016] 6 CLJ 176, at [31], Richard Malanjum CJ (Sabah & Sarawak) (as he then was) has explained that the tort of breach of confidence consists of 3 elements as follows:

- (1) the information in question must have the necessary quality of confidence;
- (2) the information must have been imparted in circumstances importing an obligation of confidence; and
- (3) there must be an unauthorised use of that information to the detriment of the party communicating it.

44. Firstly, as explained by SP1, SP2 and SP7, I have no doubt that the Plaintiffs' Confidential Information has the necessary quality of confidence.

45. Secondly, the 1<sup>st</sup> Plaintiff's Confidential Information had been imparted to the 1<sup>st</sup> to 5<sup>th</sup> Defendants with -

- (1) contractual duties imposed on them to keep confidential such information - please see the Confidentiality Clauses; and
- (2) fiduciary duties imposed on them to keep confidential such information - please see the above paragraphs 40 and 41.

46. Thirdly, the 1<sup>st</sup> to 5<sup>th</sup> Defendants had agreed in the 1<sup>st</sup> Confidentiality Clause to keep confidential the 2<sup>nd</sup> Plaintiff's information. Furthermore, I am of the view that considering the circumstances wherein the 2<sup>nd</sup> Plaintiff's confidential information had been imparted to the 1<sup>st</sup> to 5<sup>th</sup> Defendants, Equity would impose an obligation of confidence on their part regarding such information.

47. Lastly, the 1<sup>st</sup> to 5<sup>th</sup> Defendants have committed a tort of breach of confidence against the Plaintiffs when they misuse the Plaintiffs' Confidential Information as elaborated in the above paragraphs 37 and 42.

**L. Whether Defendants have infringed 1<sup>st</sup> Plaintiff's copyright**

48. Section 36(1) CA provides as follows:

***"Infringements***

***36(1) Copyright is infringed by any person who does, or causes any other person to do, without the licence of the owner of the copyright, an act the doing of which is controlled by copyright under this Act."***

(emphasis added).

49. In **Motordata Research Consortium Sdn Bhd v Ahmad Shahril bin Abdullah & Ors** [2017] 7 AMR 560, at [49], it is decided that s 36(1) CA has the following two limbs:

- (1) when a person (**X**) does an act which is controlled by copyright without a licence from the copyright owner [**1<sup>st</sup> Limb (Copyright Infringement)**]; and
- (2) when a person “causes” X to commit the 1<sup>st</sup> Limb (Copyright Infringement) [**2<sup>nd</sup> Limb (Copyright Infringement)**].

50. The 1<sup>st</sup> Plaintiff is the owner of copyright in the 1<sup>st</sup> Plaintiff's Copyrighted Works. This is clear from SP1's statutory declarations which are admissible under s 42(1) CA - please see the Federal Court's judgment delivered by Jeffrey Tan FCJ in **Dura-Mine Sdn Bhd v Elster Metering Ltd & Anor** [2015] 1 CLJ 887, at [29]. I reproduce below the relevant part of s 42(1) CA:

*“Affidavit admissible in evidence*

*s 42(1) An affidavit, certified extracts of the Register of Copyright referred to in section 26B or **statutory declaration made before any person having authority to administer oath by or on behalf of any person claiming to be -***

- (a) **the owner of the copyright in any works eligible for copyright under this Act stating that -***
  - (i) **at the time specified herein copyright subsisted in such work;***
  - (ii) **he or the person named therein is the owner of the copyright; and***

*(iii) a copy of the work annexed thereto is the true copy thereof;*

*... shall be admissible in evidence in any proceedings under [CA] and shall be prima facie evidence of the facts contained therein.”*

(emphasis added).

51. Regarding the 1<sup>st</sup> Plaintiff's Copyrighted Works -

(1) Juris PHPLens Program and Juris Software Suites Programs fall within the meaning of “*computer program*” in s 3 CA and are therefore “*literary works*” as provided in the definition of “*literary work*” in s 3(h) CA. Literary works are eligible for copyright according to s 7(1)(a) CA.

It is to be noted that Juris PHPLens Program and Juris Software Suites Programs have the following elements -

- (a) the literal elements, namely the source codes, object codes, design documents of Juris PHPLens Program and Juris Software Suites Programs - please see the judgment of Ramly Ali J (as he then was) in the High Court case of **Onestop Software Solutions (M) Sdn Bhd & Anor v Masteritec Sdn Bhd & Ors** [2009] 8 MLJ 528, at [5];
- (b) the non-literal element which is the system architecture of Juris PHPLens Program and Juris Software Suites Programs

(underlying program, structure, abstraction, design features and modularity) - **Onestop Software Solutions**, at [6]; and

(c) the artistic element which is the “*user interface*” - **Onestop Software Solutions**, at [7];

(2) the Workflow Engine Design diagram is a “*graphic work*” [within the meaning of paragraph (a) in the definition of “*graphic work*” in s 3 CA]. Hence, the Workflow Engine Design diagram constitutes an “*artistic work*” [as defined in s 3(a) CA] and is eligible for copyright pursuant to s 7(1)(c) CA; and

(3) the 1<sup>st</sup> Plaintiff’s Documents fall under the definition of “*literary work*” in s 3(a) (*other writings*), 3(c) (*articles*), 3(d) (*other works of reference*), 3(e) (*reports and memoranda*) and 3(g) (*tables or compilations*) CA.

#### **L(1). 1<sup>st</sup> Limb (Copyright Infringement)**

52. Regarding the test to ascertain whether the 1<sup>st</sup> Limb (Copyright Infringement) has been proven in this case, I refer to **Syarikat Faiza Sdn Bhd & Anor v Faiz Rice Sdn Bhd & Anor** [2019] 7 MLJ 175, at [59], as follows:

“59. *Regarding copyright infringement under the 1<sup>st</sup> Limb, my research has shown that case law has not spoken in one voice. Firstly, I refer to the 3 elements of copyright infringement under the 1<sup>st</sup> Limb [3 Elements (1<sup>st</sup> Limb)] as decided by Low Hop Bing J (as he then was) in*

***the High Court in Megnaway Enterprise Sdn Bhd v Soon Lian Hock [2009] 3 MLJ 525, at paragraph 41. The 3 Elements (1<sup>st</sup> Limb) are -***

- (1) ***a plaintiff has to prove sufficient objective similarity between -***
  - (a) ***the plaintiff's copyright work or a substantial part of the copyright work, and***
  - (b) ***the alleged infringing work (Impugned Work)***

***[1<sup>st</sup> Element (1<sup>st</sup> Limb)].***

***Regarding the 1<sup>st</sup> Element (1<sup>st</sup> Limb), a visual comparison between the original work and Impugned Work will be undertaken by the court - Megnaway Enterprise, at paragraph 46.***

***In the Court of Appeal case of Elster Metering Ltd & Anor v Damini Corporation Sdn Bhd & Anor [2012] 1 LNS 595, at paragraphs 9 and 14-15, Ramly Ali JCA (as he then was) referred to the 1<sup>st</sup> Element (1<sup>st</sup> Limb) as held by the following English courts -***

- (i) ***Diplock LJ's (as he then was) judgment in the Court of Appeal case of Francis Day & Hunter Ltd & Anor v Bron & Anor [1963] 1 Ch 471; and***
  - (ii) ***Lord Millett's judgment in the the House of Lords in Designers Guild Ltd v Russell Williams (Textiles) Ltd [2001] 1 All ER 700, at 708-709;***
- (2) ***the plaintiff must prove that there is a causal connection between the copyright work and Impugned Work, namely, the Impugned Work is proven to have been copied from the copyright work, whether directly or indirectly [2<sup>nd</sup> Element (1<sup>st</sup> Limb)]. The 2<sup>nd</sup>***

*Element (1<sup>st</sup> Limb) has been applied in **Elster Metering**, at paragraphs 9-11 and 28.*

*If the 1<sup>st</sup> Element (1<sup>st</sup> Limb) is proven by a plaintiff, there is a rebuttable presumption of copying and the evidential burden then shifts to the defendant to prove that the Impugned Work has not been copied from the copyright work or the Impugned Work has been created by the defendant independently of the copyright work - **Megnaway Enterprise**, at paragraph 43. It should be emphasised that the legal burden under s 101(1) and (2) EA to prove the 3 Elements (1<sup>st</sup> Limb), remains solely on the plaintiff and does not shift at all to the defendant.*

- ...;
- (3) *what has been copied in the Impugned Work must constitute a substantial part of the original work [3<sup>rd</sup> Element (1<sup>st</sup> Limb)]. The 3<sup>rd</sup> Element (1<sup>st</sup> Limb) has been referred to in **Elster Metering**, at paragraph 16.”*

(emphasis added).

53. I find as a fact that the 6<sup>th</sup> Defendant has committed the 1<sup>st</sup> Limb (Copyright Infringement) when the 6<sup>th</sup> Defendant “reproduced” [within the meaning of “reproduction” in s 3 CA read with s 13(1)(a) CA] in a “material form” (defined in s 3 CA) the System Architecture (DBO Program) based on the System Architecture (PHPLens Program). This decision is based on the following evidence and reasons:

- (1) this court accepts the expert opinions of SP1 and SP5 that the System Architecture (DBO Program) is substantially similar to the System Architecture (PHPLens Program) - please see the above



paragraph 31. As explained in the above paragraph 31, I am not able to accept the expert testimonies of the 3<sup>rd</sup> to 5<sup>th</sup> Defendants and SD6 on this matter;

(2) once the 1<sup>st</sup> Plaintiff is able to prove that there is a sufficient objective similarity between the System Architecture (DBO Program) and the System Architecture (PHPLens Program), there arises a rebuttable presumption that the System Architecture (DBO Program) has been copied by the 6<sup>th</sup> Defendant from the System Architecture (PHPLens Program). The evidential burden then shifts to the 6<sup>th</sup> Defendant to prove that the System Architecture (DBO Program) has not been copied from the System Architecture (PHPLens Program) or that the System Architecture (DBO Program) has been created by the 6<sup>th</sup> Defendant independently of the System Architecture (PHPLens Program). I find as a fact that the 6<sup>th</sup> Defendant has failed to rebut the presumption that the System Architecture (DBO Program) has been copied by the 6<sup>th</sup> Defendant from the System Architecture (PHPLens Program) because -

(a) the 1<sup>st</sup> to 5<sup>th</sup> Defendants had access to the 1<sup>st</sup> Plaintiff's confidential information regarding the System Architecture (PHPLens Program) during their employment by the 1<sup>st</sup> Plaintiff;

(b) the Results (Forensic Examination) had revealed that the Electronic Devices of the 1<sup>st</sup> to 5<sup>th</sup> Defendants contained the 1<sup>st</sup> Plaintiff's confidential information regarding the System Architecture (PHPLens Program); and

(c) the 1<sup>st</sup> to 5<sup>th</sup> Defendants are not credible witnesses - please see the above paragraph 30; and

(3) based on the expert opinions of SP1 and SP5, the System Architecture (DBO Program) which has been copied by the 6<sup>th</sup> Defendant, constitutes a substantial part of the System Architecture (PHPLens Program).

54. I accept the submission by Ms. Chew that the test for the 1<sup>st</sup> Limb (Copyright Infringement) has been satisfied when the 6<sup>th</sup> Defendant reproduces the substance of the 1<sup>st</sup> Plaintiff's Copyrighted Works in the 6<sup>th</sup> Defendant's Programs.

**L(2). 2<sup>nd</sup> Limb (Copyright Infringement)**

55. As explained in the above paragraph 33, the 6<sup>th</sup> Defendant is an entity which has been incorporated and managed by the 1<sup>st</sup> to 5<sup>th</sup> Defendants to commit the wrongs against the Plaintiffs in this case. Hence, the 1<sup>st</sup> to 5<sup>th</sup> Defendants had "*caused*" the 6<sup>th</sup> Defendant to commit the 1<sup>st</sup> Limb (Copyright Infringement) regarding the 1<sup>st</sup> Plaintiff's Copyrighted Works. In the circumstances, the 1<sup>st</sup> to 5<sup>th</sup> Defendants have therefore committed the 2<sup>nd</sup> Limb (Copyright Infringement) in respect of the 1<sup>st</sup> Plaintiff's Copyrighted Works.

**M. Have Defendants committed tort of conspiracy to injure Plaintiffs by unlawful means?**

56. In **Muniandy**, I have followed, among others, the Court of Appeal decisions in **Renault SA v Inokom Corp Sdn Bhd & other appeals** [2010] 5 MLJ 394, at [30] to [34], and **SCK Group Bhd & Anor v Sunny Liew Siew Pang & Anor** [2011] 4 MLJ 393, at [13] and [14], regarding the tort of conspiracy to injure a party by unlawful means. It is decided in **Muniandy**, at [21], as follows:

*“21. Based on my understanding of the above cases -*

*(1) **the 3 elements of the tort of conspiracy to injure by unlawful means (3 Elements)**, are as follows:*

*(a) **there must be proof of -***

*(i) **an agreement; and/or***

*(ii) **a combination of efforts***

***of the conspirators to injure the plaintiff. Such an agreement or combination may be -***

*(ai) **formal or informal; or***

*(aii) **in writing** or by word of mouth;*

*(b) **there are acts committed to execute the agreement or combination to injure the plaintiff; and***

*(c) **the plaintiff has suffered damage due to acts done in execution of the agreement or combination to injure the plaintiff.”***

(emphasis added).

57. I am satisfied that the Plaintiffs have proven on a balance of probabilities that the 1<sup>st</sup> to 5<sup>th</sup> Defendants have committed a tort of conspiracy to injure the Plaintiffs by unlawful means. This decision is supported by the following evidence and reasons:

(1) the WhatsApp Messages showed an agreement or a combination of efforts by the 1<sup>st</sup> to 5<sup>th</sup> Defendants [**Agreement (1<sup>st</sup> to 5<sup>th</sup> Defendants)**] to -

- (a) incorporate the 6<sup>th</sup> Defendant;
- (b) misappropriate the Plaintiffs' Confidential Information;
- (c) work for the 6<sup>th</sup> Defendant while the 1<sup>st</sup> to 5<sup>th</sup> Defendants were still employed by the 1<sup>st</sup> Plaintiff;
- (d) resign one by one from the employment of the 1<sup>st</sup> Plaintiff (so as not to alert the 1<sup>st</sup> Plaintiff);
- (e) enable the 6<sup>th</sup> Defendant to "*hijack*" the 1<sup>st</sup> Plaintiff's Prospective Contract (TAIB) at a much lower price;
- (f) develop the 6<sup>th</sup> Defendant's Programs based on the Plaintiffs' Confidential Information so as enable the 6<sup>th</sup> Defendant to compete unlawfully with the Plaintiffs' business; and

- (g) poach the Plaintiffs' existing and prospective clients. The 1<sup>st</sup> Plaintiff's prospective client, SDS, had indeed been poached by the 6<sup>th</sup> Defendant;
- (2) the matters elaborated in the above sub-paragraphs (1)(a) to (g) had been committed pursuant to the Agreement (1<sup>st</sup> to 5<sup>th</sup> Defendants); and
- (3) the Plaintiffs have suffered damage and continue to suffer loss due to the execution of the Agreement (1<sup>st</sup> to 5<sup>th</sup> Defendants). An example of the Plaintiffs' damage is the loss of the 1<sup>st</sup> Plaintiff's Prospective Contract (TAIB) worth US\$2,000,000.00.

**N. Whether Defendants have committed tort of unlawful interference with Plaintiffs' business**

58. The four elements of the tort of unlawful interference with a person's business have been explained by Low Hop Bing J (as he then was) In **Megnaway Enterprise Sdn Bhd v Soon Lian Hock** [2009] 3 MLJ 525, at [48], as follows:

- (1) a defendant has interfered with the plaintiff's trade or business;
- (2) by unlawful means;
- (3) the defendant has an intention to injure the plaintiff; and
- (4) the plaintiff is injured by the defendant's interference.

59. This court finds as a fact that the 6<sup>th</sup> Defendant has committed the tort of unlawful interference with the Plaintiffs' business because -

(1) the 6<sup>th</sup> Defendant has interfered with the Plaintiffs' business (**6<sup>th</sup> Defendant's Interference**) by -

(a) developing the 6<sup>th</sup> Defendant's Programs which compete unlawfully with Juris Software Suites Programs;

(b) hijacking the 1<sup>st</sup> Plaintiff's Prospective Contract (TAIB); and

(c) poaching the Plaintiffs' prospective client, SDS;

(2) the 6<sup>th</sup> Defendant's Interference is unlawful because the 6<sup>th</sup> Defendant's Interference is based on -

(a) the 1<sup>st</sup> to 3<sup>rd</sup> Breaches (Employment Contract);

(b) a breach of fiduciary duties owed to the Plaintiffs by the 1<sup>st</sup> to 5<sup>th</sup> Defendants;

(c) a tort of breach of confidence committed by the 1<sup>st</sup> to 5<sup>th</sup> Defendants;

(d) an infringement of the 1<sup>st</sup> Plaintiff's Copyrighted Works by the 6<sup>th</sup> Defendant [under the 1<sup>st</sup> Limb (Copyright Infringement)] and the 1<sup>st</sup> to 5<sup>th</sup> Defendants [pursuant to the 2<sup>nd</sup> Limb (Copyright Infringement)]; and

(e) the commission by the 1<sup>st</sup> to 5<sup>th</sup> Defendants of the tort of conspiracy to injure the Plaintiffs by unlawful means;

(3) premised on the WhatsApp Messages, the 1<sup>st</sup> to 5<sup>th</sup> Defendants had an intention to injure the Plaintiffs. Such an intention is imputed to the 6<sup>th</sup> Defendant because the court has pierced the 6<sup>th</sup> Defendant's corporate veil to reveal that the 1<sup>st</sup> to 5<sup>th</sup> Defendants are the 6<sup>th</sup> Defendant's *alter ego* - please see the above paragraph 33; and

(4) the Plaintiffs have been injured by the 6<sup>th</sup> Defendant's Interference, eg. the loss of the 1<sup>st</sup> Plaintiff's Prospective Contract (TAIB) worth US\$2,000,000.00.

60. The 1<sup>st</sup> to 5<sup>th</sup> Defendants are jointly and severally liable for the 6<sup>th</sup> Defendant's Interference because of the piercing of the 6<sup>th</sup> Defendant's corporate veil - please see the above paragraph 33.

**O. Counterclaim**

61. Based on the evidence and reasons stated in the above Parts F to N, this court has no hesitation to dismiss the Counterclaim with costs.

**P. What is appropriate remedy for Plaintiffs?**

**P(1). Whether Judicial Assignment should be ordered in this case**

62. The court has the power under s 37 CA to grant relief for an infringement of copyright. I reproduce below s 37(1), (7) and (8) CA:

**“Action by owner of copyright and relief**

**37(1) Infringements of copyrights ..., shall be actionable at the suit of the owner of the copyright and, in any action for such an infringement ..., the court may grant the following types of relief:**

- (a) an order for injunction;**
- (b) damages;**
- (c) an account of profits;**
- (d) statutory damages of not more than twenty-five thousand ringgit for each work, but not more than five hundred thousand ringgit in the aggregate; or**
- (e) any other order as the court deems fit.**

...

**(7) Where in an action under this section an infringement of copyright ..., the court may, in assessing damages for the infringement or commission of the prohibited act, award such additional damages as it may consider appropriate in the circumstances if it is satisfied that it is proper to do so having regard to -**

- (a) the flagrancy of the infringement or prohibited act;**
- (b) any benefit shown to have accrued to the defendant by reason of the infringement or prohibited act; and**
- (c) all other relevant matters.**

**(8) In awarding statutory damages under paragraph (1)(d), the court shall have regard to -**



- (a) *the nature and purpose of the infringing act or prohibited act, including whether the infringing act or prohibited act was of a commercial nature or otherwise;*
- (b) *the flagrancy of the infringement or prohibited act;*
- (c) *whether the defendant acted in bad faith;*
- (d) *any loss that the plaintiff has suffered or is likely to suffer by reason of the infringement or prohibited act;*
- (e) *any benefit shown to have accrued to the defendant by reason of the infringement or prohibited act;*
- (f) *the conduct of the parties before and during the proceedings;*
- (g) *the need to deter other similar infringement or prohibited act; and*
- (h) *all other relevant matters. ...”*

(emphasis added).

63. In this case, as explained in the above Parts L(1) and L(2), the Defendants have infringed the 1<sup>st</sup> Plaintiff’s copyright [**Defendants’ Copyright Infringement**]. I exercise my discretion under s 37(1)(e) CA to order a Judicial Assignment of the 6<sup>th</sup> Defendant’s Programs to the 1<sup>st</sup> Plaintiff. This exercise of discretion is premised on the following reasons:

- (1) the 1<sup>st</sup> Plaintiff has undertaken to this court to take over all the existing obligations of the 6<sup>th</sup> Defendant owed by the 6<sup>th</sup> Defendant to

third parties regarding the 6<sup>th</sup> Defendant's Programs (**6<sup>th</sup> Defendant's Contracts**). Hence, innocent third parties who have entered into the 6<sup>th</sup> Defendant's Contracts, will not suffer any adverse effect from the Judicial Assignment;

- (2) it is in the interest of justice for this court to grant a Judicial Assignment so as to deprive the Defendants of their ill-gotten gains in the form of the 6<sup>th</sup> Defendant's Programs;
- (3) with the Judicial Assignment, the 1<sup>st</sup> Plaintiff can carry on the 6<sup>th</sup> Defendant's Contracts and mitigate the 1<sup>st</sup> Plaintiff's loss due to the Defendants' Copyright Infringement;
- (4) when the 1<sup>st</sup> Plaintiff mitigates its loss due to the Defendants' Copyright Infringement, the Defendants' liability to pay compensatory damages for the Defendants' Copyright Infringement [s 37(1)(b) CA] as well as their duty to account for profits derived from the Defendants' Copyright Infringement [s 37(1)(c) CA] are correspondingly reduced; and
- (5) a Judicial Assignment sends a clear message to all employees that the court shall not tolerate an employee's pre-meditated infringement of the employer's copyright. In this manner, employees are deterred from infringing their employers' copyright in the future.

64. There is another basis for this court to grant a Judicial Assignment. As explained in the above paragraphs 40 and 41, the 1<sup>st</sup> to 5<sup>th</sup> Defendants have breached their fiduciary duties owed to the 1<sup>st</sup> Plaintiff regarding the

1<sup>st</sup> Plaintiff's confidential information. Upon a breach of such fiduciary duties, Equity deems the 1<sup>st</sup> to 5<sup>th</sup> Defendants to be constructive trustees for the 1<sup>st</sup> Plaintiff regarding the 1<sup>st</sup> Plaintiff's confidential information (which has been misappropriated by the 1<sup>st</sup> to 5<sup>th</sup> Defendants and wrongly converted by them to be the 6<sup>th</sup> Defendant's Programs). The court has pierced the corporate veil of the 6<sup>th</sup> Defendant to reveal the 1<sup>st</sup> to 5<sup>th</sup> Defendants as the 6<sup>th</sup> Defendant's *alter ego* (please see the above paragraph 33). Accordingly, the 6<sup>th</sup> Defendant (together with the 1<sup>st</sup> to 5<sup>th</sup> Defendants) is a constructive trustee of the 1<sup>st</sup> Plaintiff's confidential information (in the converted form of the 6<sup>th</sup> Defendant's Programs) for the sole benefit of the 1<sup>st</sup> Plaintiff. On this ground of constructive trusteeship, the Judicial Assignment is made. I rely on the following cases regarding the court's discretionary power to grant a Judicial Assignment in cases involving constructive trust:

- (1) in **Soon Seng Palm Oil (Gemas) Sdn Bhd & Ors v Jang Kim Luang @ Yeo Kim Luang & Ors** [2011] 9 MLJ 496, at [46], Azahar Mohamed J (as he then was) decided as follows -

*"[46] ... In my view, from the moment the first defendant was entrusted to look into ways of converting EFB into fiber, from that point in time, she was imposed with an obligation to carry out all activities for the benefit of the plaintiff companies and is therefore caught under s 20(1) of the Act (see British Reinforce Concrete Engineering Company Ltd v Lind (1917) 34 RPC 101). The first defendant is in fact a trustee of the invention and bound to give the benefit of all steps taken by her to her*

*employer (see **Triplex Safety Glass Co Ltd v Scorah (1938) 55 RPC 21**).*”

(emphasis added);

- (2) in **Sterling Engineering Co Ltd v Patchett** [1955] AC 534, at 543, Viscount Simonds gave the following judgment of UK’s House of Lords -

*“It is elementary that, where the employee in the course of his employment (i.e., in his employer’s time and with his materials) makes an invention which it falls within his duty to make (as was the case here) he holds his interest in the invention and in any resulting patent as trustee for the employer unless he can show that he has a beneficial interest which the law recognizes.”*

(emphasis added);

- (3) the above judgment in **Sterling Engineering** has been applied by Paul Baker J in UK’s High Court case of **Missing Link Software v Magee** [1989] 1 FSR 361, at 365; and

- (4) in **Vitof Ltd v Altoft** [2006] EWHC 1678, at [144] to [147], Deputy High Court Judge Richard Arnold QC (as he then was) in UK’s High Court decided as follows -

*“[144] The second stage in counsel’s argument was to submit that, given that Mr Altoft accepts that 8–9% of the PDFM source code was created after the incorporation of Vitof,*

***although Mr Altoft was the legal owner of the copyright in the resulting literary work (assuming that he was not an employee, so that section 11(2) of the Copyright, Designs and Patents Act 1988 did not apply), Vitof was the equitable owner since Mr Altoft had created that work in the course of his duties as a director and in fulfilment of clause 7.3 of the Shareholders' Agreement. In support of this counsel relied upon Copinger & Skone James on Copyright (15th ed) §§5–15 and 5–176. The latter states (omitting footnotes):***

***“Where the work is created by someone who stands in a fiduciary relationship with another, such that he cannot be heard to say that he created the work for his own benefit, he will usually hold the copyright in trust for that other person. So, for example, a director or de facto director of a company who is not employed under a contract of service may nevertheless hold the copyright in works he makes for the company on trust and will have to assign the copyright to the company when called upon to do so. This will usually be so because the director will have created the work for the company's business, using the company's property and in the company's property and in the company's time. There is, however, no rule that works created by a director for his company are always held on trust: it will depend on what, if anything has been agreed. In particular, it is always open to the shareholders of a company to agree that a director should retain property he has created or to relieve him of any liability for any breach of duty, provided that to do so is not ultra vires the company or a fraud on its creditors. In the case of a sole***

shareholder-director, however, it will often be difficult to show that the company has agreed to this. **Again, where a work is made by an employee outside office hours, but in breach of his fiduciary duty to his employer, the employer may be entitled to the copyright in equity.”**

...  
[145] ... To these may be added the unreported case of *Charly Acquisitions Ltd v Immediate Records Inc* (Pumfrey J, 7 February 2002), at [78]–[79]. The trade mark case of *Ball v The Eden Project Ltd* [2002] FSR 43, which is mentioned in *Ultraframe v Fielding* and to which I drew the parties' attention, is also supportive of this analysis. ...

*In that case Mr Ball had applied to register THE EDEN PROJECT as a trade mark while a director of The Eden Project Ltd, a company set up by the Eden Trust to run the now well-known attraction. Laddie J held that this was a clear breach of fiduciary duty, that Mr Ball held that the registration on trust for the company and that he would be ordered to assign it to the company.*

[146] *In my judgment counsel's submission is correct for the following reasons:*

i) *Mr Altoft was one of Vitof's two directors, and as such owed it fiduciary duties. ...*

[147] *I have no doubt that Mr Altoft holds the copyright in the source code on trust for Vitof, and must assign it to the company. ...”*

(emphasis added).

**P(2). Should Defendants be restrained by “Springboard Injunction”?**

65. The Plaintiffs have prayed for a Springboard Injunction against the Defendants, namely an injunction to restrain the Defendants from developing and exploiting commercially the 6<sup>th</sup> Defendant’s Programs for 9 years from the date of the Oral Decision.

66. In the High Court case of **Electro Cad Australia Pty Ltd & Ors v Mejati RCS Sdn Bhd & Ors** [1998] 3 MLJ 422, at 444, Kamalanathan Ratnam J gave the following judgment:

***“The Springboard Doctrine***

***The springboard doctrine was the brainchild of Roxburgh J as propounded by him in Terrapin Ltd v Builders' Supply Co (Hayes) Ltd [1960] RPC 128. ... The learned judge said:***

***As I understand it, the essence of this branch of the law, whatever the origin of it may be, is that a person who has obtained information in confidence is not allowed to use it as a springboard for activities detrimental to the person who made the confidential communication and springboard it remains, even when all the features have been published or can be ascertained by actual inspection by any member of the public.***

***However, Roger Bullivant Ltd v Ellis [1987] FSR 172, the Court of Appeal held that an injunction in a 'springboard' case should not normally extend beyond the period for which the unfair advantage may reasonably be expected to continue. It is obvious therefore that***

*the effect of the 'springboard' doctrine is that it is open to the court to restrict the use of the plaintiff's information for such time as it is reasonable to expect the defendant to have used its own labour and skill to produce the same information, possibly by way of reverse engineering. In the case before me, since I accept the evidence of PW1, Keith Russell, that it is not possible to reverse engineer the product because the idea is in the chip, I am constrained to hold that the principle of springboard doctrine cannot assist the defendants herein."*

(emphasis added).

67. I am of the view that the court has a discretion under s 37(1)(a) CA, ss 50 and s 51(1) SRA to grant a Springboard Injunction for a certain period of time to restrain a defendant from exploiting the defendant's wrong to "springboard" the defendant's interest to the detriment of the plaintiff. Sections 50 and 51(1) SRA provide as follows:

***"Preventive relief how granted***

***50. Preventive relief is granted at the discretion of the court by injunction, temporary or perpetual.***

***Temporary and perpetual injunctions***

***51(1) Temporary injunctions are such as are to continue until a specified time, or until the further order of the court. They may be granted at any period of a suit, and are regulated by the law relating to civil procedure."***

(emphasis added).



The following two UK High Court cases show that Springboard Injunctions are not confined to cases of breaches of confidence and may be granted in other breaches of employment contracts -

(1) in **UBS Wealth Management (UK) Ltd & Anor v Vestra Wealth LLP & Ors** [2008] EWHC 1974, Openshaw J gave the following decision -

*“In my judgment, springboard relief is not confined to cases where former employees threaten to abuse confidential information acquired during the currency of their employment. It is available to prevent any future or further serious economic loss to a previous employer caused by former staff members taking an unfair advantage, an 'unfair start', of any serious breaches of their contract of employment (or if they are acting in concert with others, of any breach by any of those others). That unfair advantage must still exist at the time that the injunction is sought, and it must be shown that it would continue unless restrained. I accept that injunctions are to protect against and to prevent future and further losses and must not be used merely to punish past breaches of contract.”*

(emphasis added); and

(2) in **Clear Edge-UK Ltd & Anor v Elliot & Ors** [2011] EWHC 3376, at [53] to [55], Popplewell J agreed with **UBS Wealth Management** as follows -

*“53. There have been a number of examples where breaches of obligations of confidentiality, both prior breaches*

*and threatened breaches, have justified springboard injunctions. A question arises whether breaches of other obligations might also justify springboard relief. The earliest example of their doing so which has been drawn to my attention was a decision of Blackburn J in Midas IT Services v. Opus Portfolio Limited 21st December 1999 unreported.*

54. A more recent example is the case of **UBS Wealth Management (UK) Ltd & anor v Vestra Wealth LLP and others**. That involved a mass defection of a team of those involved in the financial services industry from UBS which, as Openshaw J found, had arguably occurred by orchestrated activities by a number of employees including a number of senior managers who had thereby committed breaches of their duties of fidelity and, indeed, the torts of inducing breach of contract and unlawful means conspiracy. **Openshaw J said at paragraph 4: ...**

55. ***I agree with Openshaw J.***

(emphasis added).

68. In **Smith & Nephew Ltd plc v Convatec Technologies Inc & Anor (No 2)** [2014] RPC 22, at [133], Birss J held as follows in UK's High Court:

***“[133] Overall in my judgment that the following factors are relevant in considering final springboard relief in a patent case:***

***(i) Caution is required before a final injunction is granted restraining an otherwise lawful activity. Nevertheless in a proper case it will be.***

- (ii) *The nature of any unwarranted advantage relied on should be identified. The precise relationship between the unlawful activity in the past and the later acts which are said to exploit that unwarranted advantage needs to be considered.*
- (iii) *If an injunction is to be granted it must be in an appropriate form and for a duration which is commensurate with the unwarranted advantage relied on.*
- (iv) *The court must be particularly careful not to put the claimant in a better position than it would be if there had been no infringement at all, especially if otherwise lawful competitive activity will be restrained.*
- (v) *In considering what relief to grant, the availability of other remedies apart from an injunction needs to be taken into account, not only damages but, as in Vestergaard, the availability of an account of profits should be considered too. ”*

(emphasis added).

69. **Smith & Nephew Ltd** has been applied with modifications and additions by Beach J in Australia’s Federal Court in **Streetworx Pty Ltd v Artcraft Urban Group Pty Ltd (No 2)** [2015] FCA 140. It is decided in **Streetworx**, at [73] to [79], as follows:

“[73] *In considering whether to grant such an injunction in a final form, the following factors are significant. I have drawn some of these factors from Birss J’s analysis with some modifications and additions.*

[74] *First, the nature and quality of any unwarranted advantage needs to be identified. One needs to identify with precision the relationship between the past unlawful activity and the threatened otherwise lawful conduct but unwarranted advantage. I will elaborate on the question of causation shortly (see [80]).*

[75] *Second, the injunction must be framed in a form and with a duration that is proportionate to and linked with the unwarranted advantage such that the injunction does no more than to enjoin the conduct conferring such an unwarranted advantage.*

[76] *Third, and relatedly, the injunction must not put the applicant in a better position than the applicant would have been in absent the prior unlawful activity. Such an injunction is not to be used as a back door means for the patentee to restrain otherwise lawful competitive activity by a rival.*

[77] *Fourth, such an injunction usually ought not to be granted if there are other available and apposite remedies such as damages or an account of profits. To state such a proposition is unremarkable if one was dealing with an interlocutory injunction. But in the case of a final injunction where one is considering enjoining otherwise lawful activity, such a stricture should also apply, as distinct from the availability of alternative remedies merely being a matter to consider in the mix, particularly where innocent third parties may be affected. If damages or an account of profits are an adequate remedy, detriment to third parties can be avoided by refusing the injunction and leaving the patentee to such remedies.*

[78] *Fifth and relatedly, the need to exercise considerable restraint is required where the effect of such an injunction would be to adversely affect innocent third parties, such as a party to a*

***contract who would then be precluded from receiving supply of an otherwise lawful product (ie non-infringing product) under the contract from the counter-party.***

***[79] Sixth and generally, great care should be exercised in granting a final injunction restraining otherwise lawful activity.”***

(emphasis added).

It is to be noted that the Federal Court of Australia is not its apex court.

70. I adopt **Smith & Nephew Ltd** and in **Streetworx** in deciding -

- (1) whether the court should exercise its discretion under s 37(1)(a) CA, ss 50 and s 51(1) SRA to grant a Springboard Injunction or otherwise; and
- (2) if the court decides to order a Springboard Injunction, what should be its form and duration?

71. Based on **Smith & Nephew Ltd** and in **Streetworx**, I exercise my discretion pursuant to s 37(1)(a) CA, ss 50 and s 51(1) SRA to grant a Springboard Injunction to restrain the Defendants from developing and exploiting commercially the 6<sup>th</sup> Defendant's Programs for a period of **three years** from the date of the Oral Decision (**Three-Year Springboard Injunction**). This exercise of discretion is premised on the following evidence and reasons:

- (1) due to the wrongs committed by the Defendants against the Plaintiffs as explained in the above Parts I to N (**Defendants' Wrongs**), the Defendants enjoy two "*unwarranted advantages*" (**2 Unwarranted Advantages**) as follows -
  - (a) the Defendants have actual knowledge of the Plaintiffs' Confidential Information; and
  - (b) the Defendants know the identities of the Plaintiffs' existing and prospective clients;
- (2) without a Springboard Injunction, the Defendants can easily exploit commercially the 2 Unwarranted Advantages in the future to the detriment of the Plaintiffs; and
- (3) in granting a Three-Year Springboard Injunction in this case, I have considered the following relevant factors -
  - (a) SP1 has given expert evidence that an experienced software developer would take at least three years to develop from scratch a fully functional computer program for a specific business. Hence, the Three-Year Springboard Injunction;
  - (b) the Three-Year Springboard Injunction is proportionate to and "*commensurate*" with the 2 Unwarranted Advantages in a manner that the Three-Year Springboard Injunction only restrains the Defendants from capitalising on the 2 Unwarranted Advantages to the Plaintiffs' detriment;

- (c) the Three-Year Springboard Injunction does not put the Plaintiffs in a better position than the Plaintiffs would have been in the absence of the Defendants' Wrongs;
- (d) the Three-Year Springboard Injunction is not used as a backdoor means for the Plaintiffs to restrain the Defendants' lawful activities which can compete with the Plaintiffs' business;
- (e) if the court does not grant the Three-Year Springboard Injunction, the Defendants may undermine, if not defeat, the Judicial Assignment;
- (f) the following monetary remedies -
  - (i) compensatory damages under s 74(1) CA 1950 and s 37(1)(b) CA (**Compensatory Damages**);
  - (ii) statutory damages under s 37(1)(d) and (8) CA (**Statutory Damages**);
  - (iii) additional damages under s 37(1)(7) CA (**Additional Damages**);
  - (iv) exemplary damages;
  - (v) punitive damages, and

(vi) account of profits under s 37(1)(c) CA and case law on constructive trust

- are not adequate to prevent the Defendants from capitalising on the 2 Unwarranted Advantages to the detriment of the Plaintiffs; and

(g) no innocent third party will be adversely affected by the Three-Year Springboard Injunction.

**P(3). Whether court should grant perpetual mandatory and prohibitory injunctions**

72. The court has a discretion to grant perpetual restraining and mandatory injunctions under s 37(1)(a) CA, ss 52(1) and s 53 SRA. Sections 52(1) and 53 SRA state as follows:

*“s 52(1) Subject to the other provisions contained in, or referred to by, this Chapter, a perpetual injunction may be granted to prevent the breach of an obligation existing in favour of the applicant, whether expressly or by implication.*

***Mandatory injunctions***

***53. When, to prevent the breach of an obligation, it is necessary to compel the performance of certain acts which the court is capable of enforcing, the court may in its discretion grant an injunction to prevent the breach complained of, and also to compel performance of the requisite acts.”***

(emphasis added).



73. This court exercises its discretion pursuant to s 37(1)(a) CA and s 53 SRA to award the following perpetual mandatory injunctions to compel the Defendants to -

- (1) deliver to the Plaintiffs within 14 days from the date of the sealed judgment of this case (**Sealed Judgment**) all documentation regarding the 6<sup>th</sup> Defendant's Programs (**Delivery Order**);
- (2) affirm an affidavit that after the execution of the Delivery Order, the Defendants do not have possession of any documentation regarding the 6<sup>th</sup> Defendant's Programs; and
- (3) disclose and deliver to the Plaintiffs within 14 days from the date of the Sealed Judgment all accounts, sales records, invoices, purchase orders, delivery orders and receipts of the 6<sup>th</sup> Defendant regarding the 6<sup>th</sup> Defendant's Programs for the purposes of assessment of compensatory damages and account of profits which are ordered in this case (**Inquiry**).

74. I award a perpetual prohibitory injunction under s 37(1)(a) CA and s 52(1) SRA to restrain the Defendants from committing the Defendants' Wrongs in any manner in the future.

**P(4). Monetary relief**

75. I order an Inquiry -

- (1) to assess the amount of Compensatory Damages to be paid by the Defendants to the Plaintiffs; and
  - (2) for the Defendants to account to the Plaintiffs for all the profits derived by the Defendants from the Defendants' Wrongs.
76. Generally, in IP infringement cases, an owner of IP rights (**IP Owner**) has to elect whether to claim for compensatory damages for the IP infringement or for the IP infringer (**Infringer**) to account to the IP Owner for all profits enjoyed by the Infringer as a result of the IP infringement (**Election**) - please see **Kingtime International Ltd & Anor v Petrofac E & C Sdn Bhd** [2019] MLJU 731, at [6]. In this case, the 1<sup>st</sup> to 5<sup>th</sup> Defendants have breached fiduciary duties owed to the Plaintiffs - please see the above paragraphs 40 and 41. Accordingly, the Plaintiffs are not required to make the Election and may claim in this case for both Compensatory Damages and account of profits from the Defendants.
77. As decided in **Motordata Research Consortium**, at [75](2)(b) and (3)], the court may exercise its discretion to give a global award of Statutory Damages, Additional Damages, exemplary and punitive damages to avoid -
- (1) an unjustifiable windfall for the Plaintiffs; and
  - (2) a financial destruction of the Defendants in an unjust manner
- (2 Considerations).**

78. This court exercises its discretion to award RM600,000.00 as a global sum of Statutory Damages, Additional Damages, exemplary and punitive damages to be paid by by the Defendants to the Plaintiffs (**Global Sum**). The Global Sum is awarded based on the following evidence and reasons:

- (1) the 1<sup>st</sup> to 5<sup>th</sup> Defendants have breached their fiduciary duties owed to the Plaintiffs;
- (2) the Defendants' Wrongs have been committed in bad faith;
- (3) the extent of the Defendants' Wrongs is great as more than 9,000 documents of the 1<sup>st</sup> Plaintiff's Copyrighted Works had been copied by the 1<sup>st</sup> Defendant. The Plaintiffs' loss in this case is enormous. This is clear from, among others, the loss of the US\$2,000,000.00 worth of the 1<sup>st</sup> Plaintiff's Prospective Contract (TAIB);
- (4) the 1<sup>st</sup> to 5<sup>th</sup> Defendants lied blatantly in their Employee Exit Checklists;
- (5) the Defendants' Wrongs have been committed purely for monetary reasons;
- (6) there is no mitigation of the Defendants' Wrongs in this case;
- (7) there is a need for the court to impose a substantial Global Sum so as to deter similar wrongs from being committed by employees in the future;

(8) the Defendants not only resisted the Original Action to the hilt but also had the audacity to file a baseless Counterclaim; and

(9) 2 Considerations.

**Q. Summary of court's decision**

79. Based on the above evidence and reasons, the Original Action is allowed and the Counterclaim is dismissed with costs to be paid by the Defendants to the Plaintiffs.

80. A summary of this judgment is as follows:

(1) on the particular facts of this case, the court exercises its discretion to pierce the 6<sup>th</sup> Defendant's corporate veil so as to impose the 6<sup>th</sup> Defendant's liability on the 1<sup>st</sup> to 5<sup>th</sup> Defendants;

(2) the 1<sup>st</sup> to 5<sup>th</sup> Defendants had breached the Employment Contracts as follows -

(a) the 1<sup>st</sup> to 5<sup>th</sup> Defendants breached the Outside Employment Prohibition when they worked for the 6<sup>th</sup> Defendant (even in their own free time) when they were still employed by the 1<sup>st</sup> Plaintiff;

(b) the 1<sup>st</sup> to 5<sup>th</sup> Defendants breached the implied contractual duty of fidelity owed to the 1<sup>st</sup> Plaintiff when they worked for the 6<sup>th</sup> Defendant who -

- (i) hijacked the 1<sup>st</sup> Plaintiff's Prospective Contract (TAIB); and
  - (ii) poached the 1<sup>st</sup> Plaintiff's prospective client, SDS; and
- (c) the Confidentiality Clauses were breached by the 1<sup>st</sup> to 5<sup>th</sup> Defendants when they disclosed the Plaintiffs' Confidential Information to the 6<sup>th</sup> Defendant;
- (3) on the particular facts of this case, the 1<sup>st</sup> to 5<sup>th</sup> Defendants owed fiduciary duties to the 1<sup>st</sup> Plaintiff regarding the 1<sup>st</sup> Plaintiff's confidential information and such duties had been breached by the 1<sup>st</sup> to 5<sup>th</sup> Defendants;
- (4) the 1<sup>st</sup> to 5<sup>th</sup> Defendants are liable for the tort of breach of confidence to the Plaintiffs;
- (5) regarding the 1<sup>st</sup> Plaintiff's Copyrighted Works -
  - (a) the 6<sup>th</sup> Defendant has committed the 1<sup>st</sup> Limb (Copyright Infringement); and
  - (b) the 1<sup>st</sup> to 5<sup>th</sup> Defendants are liable for the 2<sup>nd</sup> Limb (Copyright Infringement) for causing the 6<sup>th</sup> Defendant's commission of the 1<sup>st</sup> Limb (Copyright Infringement);
- (6) the 1<sup>st</sup> to 5<sup>th</sup> Defendants have committed the tort of conspiracy to injure the Plaintiffs by unlawful means;

- (7) the tort of unlawful interference with the Plaintiffs' business has been committed by the Defendants; and
- (8) in the interest of justice and on the particular facts of this case, the court exercises its discretion to grant, among others, the following remedies to the Plaintiffs -
  - (a) a Judicial Assignment of the 6<sup>th</sup> Defendant's Programs to the 1<sup>st</sup> Plaintiff pursuant to s 37(1)(e) CA and case law on constructive trust; and
  - (b) a Springboard Injunction under s 37(1)(a) CA, ss 50 and 51(1) SRA to restrain the Defendants from developing and exploiting commercially the Plaintiffs' Confidential Information for a period of 3 years from the date of the Oral Decision.

81. I must thank all learned counsel in this case for their high level of advocacy and persuasive written submission.

82. This judgment sends a clear message that in a knowledge-based economy, the court will not hesitate to award any appropriate remedy in the interest of justice (including a Judicial Assignment and a Springboard Injunction) when an employer's confidential information has been misappropriated by an employee.

**WONG KIAN KHEONG**

Judge

High Court (Intellectual Property)

Kuala Lumpur

**DATE: 2 JANUARY 2020**

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