

WHEN A FORMER EMPLOYEE PINCHES CUSTOMER LISTS – THE EMPLOYER HAS ENFORCEABLE RIGHTS

The Federal Court of Australia delivered its decision on 14 November 2016 in the case of [SAI Global Property Division Pty Ltd v Johnstone \[2016\] FCA 1333](#). The decision allowed the Employer SAI Global Property Division Pty Ltd (“SAI”) to enforce its rights for confidential information theft against a former employee (Johnstone). However, the financial costs of enforcement were high.

The Court declared that by copying confidential information belonging to SAI that Johnstone had:-

- (a) infringed SAI’s copyright;
- (b) breached his employment contracts and breached his fiduciary duties owed to SAI; and
- (c) breached duties under the Corporations Act.

Further, Johnstone had breached his employment contract with SAI which had not expired by commencing work with a new employer whilst he was on paid “garden leave”.

The Court ordered that Johnstone:-

- (a) be restrained from disclosing or making any use of the confidential information;
- (b) permanently deleting all electronic copies of SAI confidential information; and
- (c) pay SAI the following:-
 - damages of \$4,230 for breach of contract;
 - damages of \$1 for infringement of copyright;

- additional damages of \$5,000 for breach of the [Copyright Act 1968](#); and
- SAI's legal costs which amounted to \$275,459 but the amount payable was reduced significantly by the Court.

SAI is a major operator in the legal market providing title and company searches, conveyancing and property search services. Johnstone resigned his employment to join InfoTrack, a major competitor to SAI with the requisite notice period. However, before the notice period was served Johnstone commenced employment with InfoTrack. SAI had paid Johnstone for the notice period.

Johnstone returned the SAI provided laptop but SAI were suspicious and had the laptop forensically examined. It appeared that Johnstone had downloaded SAI confidential information including SAI customer lists. SAI took immediate legal action against Johnstone in the Federal Court. Johnstone then signed an Affidavit admitting that he had copied SAI's information to use in his new job. He handed to the Court the relevant USB stick and a new laptop provided by his new employer. There was no suggestion that InfoTrack was aware of Johnstone's conduct.

The Court made the orders listed above. However, on the question of costs it was argued by Johnstone that a substantial part of the costs were unnecessarily incurred after he had sworn the Affidavit and returned the USB and his new laptop. The Court partly agreed and reduced the costs in the latter part of proceedings by 50%.

It is believed that Johnstone was liable for costs of \$196,416.54 plus his own legal costs plus the damages totaling a further \$9,231.

Despite SAI winning the case comprehensively, they suffered a shortfall in their own legal costs of at least \$79,056.

Lessons

1. Prompt action is required by an employer (if deciding to act).
2. The costs of enforcing an employer's right against a former employee may be expensive, perhaps prohibitive for SME's.
3. The Courts will punish former employees for stealing information and breaching their fiduciary responsibilities to their employers.
4. Employers should consider ways to prevent the theft of confidential information such as client lists.

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