

For hearing before the Honourable Mr. Justice Rimsky Yuen at 9.30am on 12 January, 2008

**RE: HCA NO. 10001 OF 2007**

**PLAINTIFF'S SKELETON SUBMISSIONS**

**I. The Plaintiff's application for an interlocutory injunction**

1. P is a limited company in the business of sourcing compatible laser printer toner cartridges from manufacturers and suppliers and on-selling them to its customers.
2. D1 was, from 1 January 2005 until 30 June 2007, one of P's staff responsible for handling product returns and interacting with P's customers for any returned or defective products. She also assisted the operations team and was responsible for designing and maintaining P's website.
3. D2 is a sole proprietor in the same line of business as P.  
She is also D1's elder sister.
4. P seeks relief by virtue of an interlocutory prohibitory injunction pursuant to O.29 rr.1 and 2 of the Rules of the High Court and the Court's inherent jurisdiction to prevent the defendants from:
  - (a) disclosing, divulging or otherwise making use of any information contained in or derived from P's supplier lists (exhibits FL-4, FL-8 – the "**Supplier List**"), P's printer toner repair and instruction booklets (exhibits FL-5, FL-8 – the "**Instruction Manual**"), and particularised email correspondence (exhibit FL-9). These will collectively be referred to as the "**Confidential Information**";
  - (b) accepting any order by persons, firms or companies whose name appears in any of the Confidential Information;
  - (c) placing any order with persons, firms or companies whose name appears in any of the Confidential Information;;
  - (d) soliciting any business from persons, firms or companies whose name appears in any of the Confidential Information;; or
  - (e) allowing, assisting, encouraging or conspiring with others to do any of the foregoing acts.

## II. **Dramatis personae**

Ace Toner Co. Ltd. (P)	The Plaintiff company.
Mr. Federer Lee	The Managing Director and shareholder of the Plaintiff company.
Ms. Venus Siu (D1)	The First Defendant, ex-staff of the Plaintiff.
Ms. Serena Siu (D2)	The Second Defendant and sole proprietor of her own business, Grand Slam Toner.
Ms. Maria Chan	Head of Information Technology of the Second Defendant.

## III. **Chronology of events**

1 Jan. 05	D1 joins P as staff, signing an employment contract and confidentiality agreement. See <b>Exhibits VS-1 (p.71)</b> and <b>FL-3 (p.50)</b> .
29 Apr. 07	D2 sends D1 an email remarking that "These suppliers are very good", referring to all 4 suppliers listed in P's Supplier List. See <b>Exhibit FL-9 (p.66)</b> .
25 Jun. 07	D1 sends D2 an email containing two attached documents with the same name of P's Supplier List and Instruction Manual. Later on the same day, D1 sends D2 an email containing the contact information of a printer toner supplier stipulated in P's Supplier List called "Sampras Cartridges". See <b>Exhibit FL-9 (p.68)</b> .
30 Jun. 07	D2 sends D1 an email asking "So what do you think?", referring to an attachment titled "Agassi printing catalogue.pdf". See <b>Exhibit FL-9 (p.67)</b> .
30 Jun. 07	Maria Chan sends an email to undisclosed recipients announcing that all enquiries sent to info@grandslamtoner.com will be answered by D1 as from 1 July 2007. See <b>Exhibit FL-9 (p.69)</b> .
30 Jun. 07	D1 resigns from P's employ. See <b>¶5 of Lee's 1<sup>st</sup> Affirmation at p.14</b> .
18 Jul. 07	P's managing director discovers a brown envelope inside the desk drawer where D1 used to sit before she left P's employ. The relevant contents are exhibited in <b>FL-8 and FL-9</b> containing, inter alia, P's Supplier List, P's Instruction Manual; and email correspondence between D1 and D2. That is collectively, the Confidential Information, which is the subject of the interlocutory injunction that P seeks.
27 Nov. 07	P issues writ of summons against D1 and D2.

#### **IV. Applicable principle**

5. It is well established that the following must be proven by affidavit evidence in order for P to succeed in establishing a right to interlocutory injunction:
  - (a) That there is a serious issue to be tried;
  - (b) That there would be irreparable damage;
  - (c) That the balance of convenience would be in favour of P; and
  - (d) That P is willing to give an undertaking as to damages.

See *American Cyanamid Company v Ethicon Limited* [1975] AC 396 at 407.

#### **V. Cause of action (breach of restrictive covenant / breach of confidence) – Serious issue to be tried**

6. When D1 entered into the employ of P, she signed a confidentiality agreement (the “Confidentiality Agreement”) which prohibited her from allowing a third party from becoming aware or getting hold of any Confidential Information during her employ and within 2 years of leaving her employment.

See Exhibit FL-3 at p.50.

7. A piece of information is confidential / a trade secret and cannot be used for anyone’s benefit but the owner’s if:
  - (a) It is used in a trade or business;
  - (b) It is confidential, i.e. not already in the public domain;
  - (c) It can be easily isolated from other information which the employee is free to use so that any man of average intelligence and honesty would think it is improper to use the information at the disposal of his new employer;
  - (d) If disclosed to a competitor, it would be liable to cause real or significant harm to the owner; and
  - (e) Its owner must have limited its dissemination or at least must not have encouraged or permitted its widespread publication or must have otherwise impressed upon the employee the confidentiality of the information.

See *Toto Toys v Lee Man Shu* [2005] HKEC 561 (unreported) at ¶8.

8. The Supplier List ranks pari passu with a list of customers and is clearly a piece of information to be regarded as confidential by law. P had deliberately separated it from the ordinary stock of information accessible by regular employees, and had

put it on a password-secured file system accessible only by the most senior employees.

See *Gilman Engineering Ltd. v Ho Shek On Simon [1986] 1 HKC 523* at 532I; and also ¶12 of Lee's 1<sup>st</sup> Affirmation at p.16.

9. It is conceded that the Supplier List may contain some information that is available in the public domain, namely the name of various companies that supply printer toners. However, the list of suppliers is collated based on the reliability and quality of the suppliers, and no directory would be able to provide such information. The Supplier List would effectively save any trader seeking toner suppliers much time and expense such as would be necessary to enable him to compile such a list for himself. The list also contains information unobtainable from any public source, e.g. contact persons and credit terms.

See ¶¶6 and 8 of Lee's 1<sup>st</sup> Affirmation at pp.14-15; and *Robb v Green [1895] 2 QB 1* at 18.

10. The Instruction Manual is also a piece of information to be regarded as confidential by law. The Instruction Manual was created by P's Managing Director, Mr. Lee using his longstanding technical knowledge and know-how in relation to P's products. It is kept in password-protected file system and it is clearly stipulated therein that it "shall not be removed from the maintenance workroom of ACE Toner [the plaintiff company]".

See ¶¶10 and 14 of Lee's 1<sup>st</sup> Affirmation at p.16 and Exhibit FL-5 at p.55.

11. The correspondence emails refer heavily to the information contained by the Supplier List and Instruction Manual and should therefore also be considered confidential under the law.
12. All three items comprising the Confidential Information satisfy the criteria in ¶8(a)-(e) and are therefore to be considered confidential and/or trade secrets for all legal purposes.
13. On 18 June 2007, Mr. Lee discovered a brown envelope in the desk shelf in P's office where D1 used to sit.
  - (a) The brown envelope contained the Confidential Information that is subject of this interlocutory application. Printed on the envelope was the name of D1, "Venus Siu" and the trading name of D2, "Grand Slam Toner".
  - (b) The email correspondence contained therein as summarised in the Chronology above, together with the print on the envelope, are indicative of

the fact that the Confidential Information contained within the envelope was passed between D1 and D2 in breach of the Confidentiality Agreement, and in particular, clause 2 of the same. The email correspondence also imputes knowledge upon D2 of D1's breach of its express or implied obligations as employee of P.

14. D1 denies emailing or otherwise sending the Supplier List to D2. However, it is unlikely to be coincidental that item 3 of D2's list of suppliers follows the same spelling error as P's Supplier List: "Rafter Laser Products" [sic]. That is strong inference that information from P's Supplier List was directly copied to the D2's list of suppliers.

See Exhibit SS-2 at p78 (D2's list of suppliers) and Exhibits FL-4 and FL-8 at pp.52 and 62 respectively (P's Supplier List).

15. The latest revision of D2's toner repair guide, updated on 26 November 2007 contains questions and answers 7 and 8, which were not present in an earlier revision, updated on 1 May 2006. Given that:
  - (a) items 7 and 8, in a remarkably similar form, appeared in P's Instruction Manual on 31 May 2007 at the latest; and
  - (b) the email correspondence between D1 and D2 involving the Instruction Manual took place around June 2007,

there is a strong inference that information from P's Instruction Manual was directly or indirectly copied by the defendants.

See Exhibit SS-7 from pp.90-93 (2 versions of D2's toner repair guide) and Exhibit FL-5 at p.55 (P's Instruction Manual).

16. The Confidentiality Agreement is limited in scope and duration. It is therefore reasonable, not a restraint of trade and so is enforceable against D1.
17. Even if the Confidentiality Agreement is held to be a restraint of trade or otherwise unenforceable, D1 may not copy any supplier list or otherwise confidential information of his employer for use after her employment ends. She is furthermore under an implied obligation not to divulge her employer's trade secrets.

See *Faccenda Chicken Ltd. v Fowler and Ors* [1987] Ch. 117 at 136A-C.

18. If either: (i) the confidentiality of the Confidential Information; or (ii) whether there was a breach of any express or implied obligation not to disclose the Confidential Information is contested, there is clearly a serious issue to be tried.

## **VI. Irreparable damage**

19. P is a company set up in 2003 and has, until now, secured 4 reliable suppliers of appropriate quality. If the defendants are not prohibited from soliciting P's suppliers using the confidential trade secrets within the Supplier List, they may gain an unfair competitive advantage that will result in unquantifiable loss irreparable by damages.

See ¶8 of Lee's 1<sup>st</sup> Affirmation at p.15.

20. The flagrant distribution and use of the Instruction Manual or its derived forms by the defendants is unfair free-riding at the expense of P. Such free-riding will give the defendants an unfair competitive advantage that will result in unquantifiable loss irreparable by damages.
21. In any case, even if P's loss is reparable by damages, D2 has not provided credible evidence that it is able to compensate any pecuniary loss. The accompanying notes of D2's income statement have not been filed with the court, and there is no proof that such financial statements have been properly audited. Furthermore, the income statement cannot be conclusive evidence that D2 is able to pay, since information about D2's assets and liabilities are not contained therein.

See D2's income statement, Exhibit SS-3 at p.79.

## **VII. Balance of convenience**

22. It is submitted that the defendants in this case have no arguable defence to the contentions above, and therefore the Court does not have to consider the balance of convenience.

See *Yeko Trading Ltd v Chow Sai Cheong Tony & Others [2000] 2 HKC 612* at 618E.

23. Even if the defendants have an arguable defence, it is submitted that an injunction should be granted unless the Confidentiality Agreement is prima facie invalid since D1's implied and/or express obligation of confidentiality should be upheld once P has established a serious issue to be tried.

See *Fellowes & Son v Fisher [1976] Q.B. 122* at 133H

24. In any case, the defendants have not shown that they would suffer any irreparable damage, if at all.
25. In the case of D1, it is submitted that any loss that might result from an injunction granted against her, if any would be reparable. According to ¶3 of her own

affirmation at p.24, D1 is currently unemployed. An injunction granted according to the terms of the Summons would not, in any way, prevent or encumber her efforts in securing employment or engaging in employment as the case may be.

26. As regards D2, it is submitted that any loss that might result from an injunction granted against her business would be reparable with damages.
- (a) D2 exhibited her business' list of suppliers which coincidentally contains all of P's suppliers in addition to 2 suppliers with which D2 has trading relations since 2002. However, D2 has not shown that it has had continual trading relations with any or all of the 4 suppliers that are contained in P's Supplier List. The only credible evidence of trading relations between D2 and one of P's suppliers, Agassi Printing Equipment Ltd. is an invoice dated 23 December 2004, which is over 3 years from the date of the Writ in this action.
- See D2's list of suppliers, Exhibit SS-2 on p.77.
- (b) D2 alleges that it has trading relations with the other 3 suppliers whom are listed in P's Supplier List, but has not been able to show the same. Pertaining to Sampras Cartridges, D2 has only exhibited a generic catalogue of Sampras' products, dated 31 October 2003. Pertaining to Henman Printing, D2 has only exhibited a business card of its Head of Operations, which is neither here nor there. Pertaining to Rafter Last Products, D2 filed no evidence to show that they were in any trading relationship. This, together with ¶29(a) indicates that any loss that might result from the grant of an injunction would be nominal.
- (c) In relation to D2's sale of 500,000 laser toner cartridges to a Japanese customer as mentioned in ¶15 of Serena's affirmation at p.32, D2 alleges that an injunction would cause irreparable damage to its business. However, any damage that may be caused by the opening of non-resealable boxes to remove any derivative forms of the Instruction Manual is clearly reparable by damages. The precluding of D2 from attaching any form of the Instruction Manual to the toner cartridges would not affect the sale of the 500,000 cartridges to D2's Japanese customer.
27. As neither D1 nor D2 have shown any likelihood of any significant loss arising, or at all as a result of the proposed injunction, it is submitted that the balance of convenience lies in P's favour in any case.

### **VIII. Undertaking as to damages**

28. As indicated in Mr. Lee's affirmations, P is willing to give an undertaking as to damages to compensate the defendants in the event that the Court decides against P. Mr. Lee has gone further to indicate his ability to fortify P's undertaking in the event that it needs to be enforced.

See ¶34 of Lee's 1<sup>st</sup> Affirmation at p.21; ¶6 of Lee's 2<sup>nd</sup> Affirmation; and Exhibit FL-11 thereof at p.98.

29. D1 alleges that P is facing financial difficulties and is thus unable to honour its undertaking because it has not paid D1's salary for the months of March, April and June. However, this allegation is unfounded because on 14 December 2007, P did pay for the three months' salary due to D1, who had signed a receipt for the same.

See Exhibit FL-10 at p.97.

30. It is conceded that P has not provided any evidence that it has the financial resources to honour its undertaking, but it is submitted that such evidence is not necessary in a proper case where the contentions against the defendants are strong.

See *Allen v Jambo Holdings Ltd [1980] 1 WLR 1252* at 1257A.

31. As neither D1 nor D2's affirmations have shown that they are likely to suffer any significant loss as a result of the injunction, any undertaking must therefore be valued accordingly and there is no basis for regarding the claimant's undertaking in damages as being insufficient.

See *Bracken Partners Ltd v Guttridge LTL 16/1/2002 (unreported)*.

### **IX. Delay**

32. There has been a period of some 4 months between the time when the breach of confidence was discovered by P and when the present Writ was issued. This was not explained in any of Lee's affirmations but this case may be distinguished from *King Fung Vacuum Ltd. & ors. v Toto Toys Ltd. & ors. [2006] 2 HKLRD 785* at 793. There, the Court of Appeal stated that where interlocutory injunctions are sought, the plaintiff must show that it has acted promptly and without delay. Promptly in the circumstances of interlocutory injunctions has been commonly understood to be a period of six weeks or so of unexplained delay or three months with an explanation given for the delay.
33. In *King Fung Vacuum*, the reason why delay was fatal to the application for interlocutory injunction was because, taking into account all the circumstances, the



plaintiff could not establish irreparable damage given the one-year delay. In the present case, the delay was only 4 months and although unexplained, P has established a strong case of irreparable damage given potential misuse of the Confidential Information or trade secrets.

**X. Conclusion**

34. Given the foregoing, P humbly asks this Honourable Court to exercise its discretion to grant an interlocutory injunction in terms of the Summons.

Dated this 27<sup>th</sup> day of December, 2007

*Cliff Lui*

Counsel for the Plaintiff

For hearing before the Honourable Mr. Justice Rimsky Yuen at 9.30am on 12 January, 2008

**RE: HCA No. 10001 OF 2007**

**PLAINTIFF'S LIST OF AUTHORITIES**

1. *American Cyanamid Company v Ethicon Limited* [1975] AC 396
2. *Toto Toys v Lee Man Shu* [2005] HKEC 561 (unreported)
3. *Gilman Engineering Ltd. v Ho Shek On Simon* [1986] 1 HKC 523
4. *Robb v Green* [1895] 2 QB 1; [1895] 2 QB 315
5. *Faccenda Chicken Ltd. v Fowler and Ors* [1987] Ch. 117
6. *Yeko Trading Ltd v Chow Sai Cheong Tony & Others* [2000] 2 HKC 612
7. *Fellowes & Son v Fisher* [1976] QB 122
8. *Allen v Jambo Holdings Ltd* [1980] 1 WLR 1252
9. *Bracken Partners Ltd v Guttridge* (2001) LTL 16/1/2002 (unreported)
10. *King Fung Vacuum Ltd. & ors. v Toto Toys Ltd. & ors.* [2006] 2 HKLRD 785

Dated this 27<sup>th</sup> day of December, 2007

*Cliff Lui*

Counsel for the Plaintiff