



Neutral Citation Number: [2021] EWCA Civ 38

Case No: A3/2020/0886

IN THE COURT OF APPEAL (CIVIL DIVISION)
ON APPEAL FROM THE HIGH COURT OF JUSTICE, BUSINESS AND PROPERTY
COURTS, INTELLECTUAL PROPERTY ENTERPRISE COURT

His Honour Judge Hacon
[2020] EWHC 591 (IPEC)

Royal Courts of Justice
Strand, London, WC2A 2LL

Date: 19 January 2021

Before :

LORD JUSTICE LEWISON

LADY JUSTICE ASPLIN

and

LORD JUSTICE ARNOLD

Between :

TRAVEL COUNSELLORS LIMITED

Appellant

- and -

TRAILFINDERS LIMITED

Respondent

Ian Mill QC and Tom Cleaver (instructed by Pinsent Masons LLP) for the Appellant
Gavin Mansfield QC and Alexander Robson (instructed by Lewis Silkin LLP) for the Respondent

Hearing date : 13 January 2021

Approved Judgment

Covid-19 Protocol: This judgment was handed down remotely by circulation to the parties' representatives by email, release to BAILII and publication on the Courts and Tribunals Judiciary website. The date and time for hand-down is deemed to be at 10:30am on 19 January 2021

Lord Justice Arnold:

Introduction

1. The Claimant (“Trailfinders”) is a travel agent with 37 branches in the UK and Ireland, employing over 700 sales consultants. The Second, Third, Fourth and Fifth Defendants (“the Individual Defendants”) are former sales consultants at Trailfinders. In 2016 they left to join the First Defendant (“TCL”), as did about 40 others by the date of the Particulars of Claim. TCL is a competitor to Trailfinders which trades using a franchise model. It has around 1,250 franchisee travel consultants.
2. In these proceedings Trailfinders alleges that, when the Individual Defendants left, they took with them names, contact details and other information about their clients which was stored in a Trailfinders computer system called Superfacts. It also alleges that, after they left, they accessed a Trailfinders computer system called Viewtrail to obtain further client information. Trailfinders contends that the Individual Defendants thereby acted in breach of implied terms in their contracts of employment and in breach of equitable obligations of confidence owed to Trailfinders. It also contends that TCL acted in breach of an equitable obligation of confidence.
3. For reasons of economy and to ensure that a trial on liability could be completed in two days, in accordance with normal procedure in the Intellectual Property Enterprise Court, Trailfinders selected two of the Individual Defendants against whom to pursue its case to trial, namely the Second Defendant (“Mr La Gette”) and the Fifth Defendant (“Mr Bishop”). The claim was stayed as against the other two Individual Defendants.
4. His Honour Judge Hacon concluded, for the reasons given in his judgment dated 12 March 2020 [2020] EWHC 591 (IPEC), [2020] IRLR 448, that Mr La Gette and Mr Bishop had both acted in breach of their contracts of employment and in breach of equitable obligations of confidence to Trailfinders and that TCL had acted in breach of an equitable obligation of confidence.
5. TCL now appeals. There is no appeal by Mr La Gette or Mr Bishop. Although formally the Individual Defendants are parties to the appeal, they have not participated in it.
6. Although the judge referred in his judgment to European Parliament and Council Directive 2016/943/EU of 8 June 2016 on the protection of undisclosed know-how and business information (trade secrets) against their unlawful acquisition, use and disclosure, it is common ground that the Directive did not apply to the events in question because they occurred in 2016.

Summary of the judge’s main findings and conclusions

7. It is convenient to begin by summarising the judge’s main findings and conclusions, although I shall have to consider some of the facts in more detail later in this judgment.
8. Superfacts records a wide range of information about clients. Superfacts is of particular value when a client calls a sales consultant. The software recognises the

telephone number of the client and causes other information relating to that client to appear on the consultant's screen. Sales consultants access Superfacts using an identification unique to them and a password.

9. Viewtrail is accessible by clients. At the relevant time, a client could access their details online by using their booking reference number and surname or by using a hyperlink sent by a Trailfinders sales representative.
10. The judge held that Mr La Gette and Mr Bishop had acted in breach of their respective duties to Trailfinders in the following respects:
 - i) Mr La Gette had, on his last day of work at Trailfinders, copied client information about five to eight clients from Superfacts onto an A4 sheet of paper for the purposes of his new role with TCL. Mr La Gette combined this information with client information obtained from other sources (such as his personal accounts and devices and publicly available sources) in order to compile a client list which he subsequently sent by email to TCL ("the List").
 - ii) Mr La Gette had, before leaving Trailfinders, printed two hard copies of client information relating to an individual referred to in the proceedings as "Client A". Client A was a long-standing and high-value client of the Trailfinders' Nottingham office. When Mr La Gette left Trailfinders he was in the process of booking two large trips for Client A. Mr La Gette wanted the information about those trips so that he could complete the bookings for Client A after he left Trailfinders.
 - iii) Mr Bishop had, in the last six months of his employment with Trailfinders, assembled a "contact book". This contained the names, contact details and other information (including booking reference numbers that could be used to access those customers' Viewtrail accounts) about clients he had dealt with. The majority of this information was taken from Superfacts. Mr Bishop took the contact book with him when he left. Mr Bishop supplied the information contained in the contact book to TCL.
 - iv) Mr Bishop had, after the termination of his employment with Trailfinders, accessed the records of 32 of Trailfinders' clients stored on Viewtrail.
11. The judge's principal findings and conclusions with respect to TCL were as follows:
 - i) TCL did not supply new franchisees with potential customers; they were expected to bring their own. In the case of travel consultants coming from the travel business, they were expected by TCL, and positively encouraged, to bring their customer contact list with them. They were not warned by TCL about any risk of breach of confidence in doing so.
 - ii) TCL added the client information brought by Mr La Gette and Mr Bishop from Trailfinders to TCL's computer system for use by Mr La Gette and Mr Bishop.
 - iii) A reasonable person in the position of TCL's CEO, Stephen Byrne, and other persons of significance within TCL's operations would have been aware that at

least part of the contact information brought to TCL by Mr La Gette and Mr Bishop was likely to have been copied from Trailfinders' customer data. Such persons at TCL knew or ought to have known that Trailfinders reasonably regarded the information as confidential.

- iv) Accordingly, TCL received such information subject to an equitable obligation of confidence.
- v) TCL was in breach of that obligation because it used the information for the benefit of its business.

TCL's grounds of appeal

12. TCL appeals on three grounds:

- i) Ground 1 is that the judge applied the wrong legal test in holding that TCL owed an obligation of confidence to Trailfinders in respect of confidential information received by TCL from Mr La Gette and Mr Bishop.
- ii) Ground 2 is that the judge's approach to the question of what TCL ought to have understood about the information provided to it by Mr La Gette and Mr Bishop was wrong and inconsistent with his own conclusions on other issues.
- iii) Ground 3 is that the judge erred in holding TCL liable for breach of confidence despite making no findings that TCL had misused any confidential information.

13. It should be noted before proceeding further that there is no challenge to the judge's conclusion that some of the information disclosed by Mr La Gette and Mr Bishop to TCL was information confidential to Trailfinders. Nor is any issue raised concerning the distinction between confidential information which forms part of an ex-employee's own skill, experience and knowledge and confidential information which amounts to a trade secret of the former employer.

Ground 1

14. In order for an equitable obligation of confidence to arise, confidential information must have been communicated in circumstances importing such an obligation. It is common ground that the correct test is the test that I derived from earlier authorities in *Primary Group (UK) Ltd v Royal Bank of Scotland plc* [2014] EWHC 1082 (Ch), [2014] RPC 26 at [223], which was approved by this Court in *Matalia v Warwickshire County Council* [2017] EWCA Civ 991, [2017] ECC 25 at [46]:

"It follows from the statements of principle I have quoted above that an equitable obligation of confidence will arise not only where confidential information is disclosed in breach of an obligation of confidence (which may itself be contractual or equitable) and the recipient knows, or has notice, that that is the case, but also where confidential information is acquired or received without having been disclosed in breach of confidence and the acquirer or recipient knows, or has notice, that the information is confidential. Either way, whether a person has

notice is to be objectively assessed by reference to a reasonable person standing in the position of the recipient.”

15. Given that this is essentially the same test as that articulated by the judge at [42] and [124] and applied by him at [131]-[132], at first blush ground 1 appears distinctly unpromising. Counsel for TCL submitted, however, that the judge had not correctly applied this test to the facts. In order to put this submission in context, it is necessary to set out a little more fully the facts found by the judge which are relevant to TCL’s state of mind at the relevant time.

16. At the time when TCL was first in contact with Mr La Gette and Mr Bishop, TCL knew that they were employed by Trailfinders as sales consultants. The brochure provided by TCL to potential franchisees such as Mr La Gette and Mr Bishop stated:

“If you’re coming from a travel background already, feel free to bring your old customer contact list along with you. We’ll add them to your Contact Centre ready for your first day – a great start to a rewarding career running your own travel business.”

17. Mr La Gette resigned from Trailfinders on 30 September 2016. On 16 August 2016 he discussed his proposed move from Trailfinders to TCL in a phone conversation with Cathy Oldfield, an employee of TCL. During the course of the conversation Mr La Gette said:

“I mean, I’ve been, I’m a good, decent person, I promise you, but I’ve been taking what I need to take at the moment. I’ve got my, I’m only interested in my clients, I’m not tapping up other people but I’ve got my details and I’ve been keeping email trails clear and stuff cos I’m aware they may be looking. It’s all so exciting. It’s like being a spy.

I feel dreadful, you know, I do not like it. And I’m not, I’m not going to, people get to know me over time and I’m not saying, you know, I’m perfect this, perfect that but I just, it does feel a bit, you do feel a bit sort of, you question yourself I think. Am I being a bit underhand here, but at the end of the day I’m only taking contacts.”

18. The judge found that this passage was too ambiguous for him to conclude that Mr La Gette was saying that he had copied, or that he intended to copy client information, from Trailfinders’ records. He may just have been telling Ms Oldfield that he intended to bring clients with him to TCL, which he did.

19. On 21 September 2016 Mr La Gette had a further phone conversation with Helena Thompson of TCL during which Ms Thompson said:

“Yeah, the only thing we need to have is their title so that’s Mr, Mrs or whatever, first name, surname and email address, there are also fields for their phone number and their postal address if you’ve got them, you can put them in and they will get

uploaded automatically. if you haven't got all their details don't worry about it, it's just the email we need really at this stage."

20. On 14 October 2016 Mr La Gette sent the List to an unidentified person at TCL by email. The recipient replied thanking him, and added "fantastic you have so many contacts". Mr La Gette confirmed in cross-examination that there were more than 200 contacts in the List. (Indeed, according to counsel for TCL, the correct number was 313.)
21. The judge found that it was highly improbable that TCL believed that Trailfinders did not regard such client information as being confidential, since TCL maintained that its own equivalent information was confidential.
22. The judge did not make any specific findings of fact concerning any discussions between Mr Bishop and TCL.
23. Against this background the judge held as follows (emphases added):
 - "131. In my view a reasonable person in the position of Mr Byrne or other person of sufficient significance in TCL's operations would have been aware that *at least part* of the contact information brought to TCL by Mr La Gette and Mr Bishop was *likely to have been* copied from Trailfinders' customer data. There was too much of it to have been carried in their heads. Such persons at TCL knew or ought to have known that Trailfinders would regard the information as confidential. A belief that TCL was thereby receiving confidential information could only have been reversed if Mr La Gette and Mr Bishop had given TCL convincing reasons why this was not the case. They did not and I have the impression that TCL did not wish to inquire.
 132. In those circumstances TCL ought to have known that they were in receipt of information which Trailfinders reasonably regarded as confidential. Equity imposed on TCL an obligation of confidence and it was in breach of that obligation."
24. Although counsel for TCL made a number of specific criticisms of the judge's reasoning which I will address, his central submission was that the judge had fallen into error because an equitable obligation of confidence would only arise if the recipient of information knew or had notice that the information was confidential, and whether the recipient had notice was to be objectively assessed by reference to a reasonable person standing in the position of the recipient. It was not enough, he submitted, that a reasonable person would make enquiries as to whether the information received by him, or some of it, was confidential.
25. As counsel for TCL acknowledged, there is surprisingly little authority which directly addresses this question. The nearest which either counsel was able to find is the following passage in *Primary Group*:

- “238. I have already touched on the position where information confidential to A is disclosed by B to C in circumstances where C knows, or ought to appreciate, that the disclosure is a breach of B’s obligation of confidence to A. As explained above, in those circumstances, C will become subject to an equitable obligation of confidence owed to A. Accordingly, if C makes unauthorised use of the information, C will be liable to A for breach of confidence.
239. What if C knows, or ought to appreciate, that the information is confidential to A, but C believes, and a reasonable person standing in his shoes would also believe, that B is entitled to disclose the information to C for a particular purpose? In these circumstances C will come under an equitable obligation to A only to use the information for that purpose. (It is not necessary for present purposes to consider whether C will also owe a duty to B.) If it turns out that, in fact, B was not entitled to disclose the information to C, then C will not be liable to A for breach of confidence for using the information for that purpose. If, on the other hand, C proceeds to use the information for a different purpose, then C will be liable to A for breach of confidence.
240. In some cases, the circumstances may be such that a reasonable person in the position of C would make further inquiries – and in particular would ask A if he or she consented – before making a particular use of the information. If C makes such use without making such inquiries, then in my judgment C will be liable for breach of confidence: cf. *Volkswagen AG v Garcia* [2013] EWHC 1832 (Ch), [2014] FSR 12 at [38] (Birss J).”
26. Although counsel for TCL argued that the statement of principle in [240] was confined to its specific context and that it was unsupported by the decision in the *Volkswagen* case cited, he did not go so far as to submit that it was wrong. In any event, I see no reason to alter the view which I expressed there.
27. The only other authority cited which touches on the point is *The Racing Partnership Ltd v Done Brothers (Cash Betting) Ltd* [2020] EWCA Civ 1300, [2021] FSR 2. Although counsel for TCL submitted the judgment of the majority on issue 3 in that case supported TCL, I disagree. Lewison LJ, with whom Phillips LJ agreed, said at [206]:
- “... the judge was rejecting the argument that anyone with horseracing knowledge would have known that the Tote [the supplier of the information] could not sub-license the information. If I add to that the fact that SIS [the recipient] both made inquiries of the Tote, and received not only assurances but also a contractual warranty, I find it difficult to see what else a reasonable person should have done. ...”

It is implicit in this reasoning that it is relevant to consider what, if any, enquiries a reasonable person would make.

28. Accordingly, in my judgment, if the circumstances are such as to bring it to the notice of a reasonable person in the position of the recipient that the information, or some of it, may be confidential to another, then the reasonable person's response may be to make enquiries. Whether the reasonable person would make enquiries, and if so what enquiries, is inevitably context- and fact-dependent. If the reasonable person would make enquiries, but the recipient abstains from doing so, then an obligation of confidentiality will arise.
29. Counsel for TCL argued that nothing less than blind-eye knowledge that the information was confidential would suffice. I do not accept this. Blind-eye knowledge is to be equated with actual knowledge, and is subjective. Whether a person has notice is an objective question to be assessed by reference to the standards of the reasonable person. (I should make it clear, however, that the position may be different where the issue is not one of primary liability for misuse of confidential information, but accessory liability for misuse by another person. In the latter case actual knowledge or blind-eye knowledge may be required: see *Vestergaard Frandsen A/S v Bestnet Europe Ltd* [2013] UKSC 31, [2013] 1 WLR 1556 at [40]-[43] and *Primary Group* at [250].)
30. Turning to the detailed criticisms, counsel for TCL first submitted that it was not sufficient that a reasonable person in the position of TCL would have been aware that "at least part of" the information received from Mr La Gette and Mr Bishop was (likely to be) confidential. I do not accept this. There is no reason why an obligation of confidence should only arise if the recipient is on notice that all the information received is likely to be confidential. The obligation will be limited to the information which is confidential, but that is a different point.
31. Secondly, counsel for TCL submitted that it was not sufficient that a reasonable person in the position of TCL would have been aware that (some of) the information received from Mr La Gette and Mr Bishop was "likely" to be confidential. I do not accept this either. If aware that some of the information was likely to be confidential, a reasonable person in TCL's position would make enquiries. TCL did not do so. If it had done so, and Mr La Gette and Mr Bishop had told TCL the truth about the sources of the information, TCL would have discovered that some of the information disclosed to it by Mr La Gette and Mr Bishop came from Trailfinders' client database and hence was confidential to Trailfinders.
32. Thirdly, counsel for TCL submitted that the judge's finding in the first sentence of [131] did not amount to a finding that a reasonable person in TCL's position would have been aware that the information was confidential to Trailfinders. This submission is based on selective quotation. As can be seen, later in the same paragraph the judge said that "[s]uch persons knew or ought to have known that Trailfinders would regard the information as confidential". Moreover, he went on in [132] to hold that "TCL ought to have known that they were in receipt of information which Trailfinders reasonably regarded as confidential".
33. Fourthly, counsel for TCL submitted that the judge's finding in the first sentence of [131] was unsupported by the point made by the judge in the second sentence of

[131], namely that there was too much client information for it to have been carried in their heads. I do not accept this submission for a number of reasons. First, it is an attack on the judge's finding of fact, which TCL does not have permission to appeal, rather than on the legal test applied by him. Secondly, I do not think it is a fair reading of the judgment to conclude that the finding in the first sentence was solely based on the second sentence. On the contrary, I consider that it was also based on the other findings made by the judge which I have set out in paragraphs 16-21 above. Thirdly, I agree with the judge that the quantity of client information disclosed by Mr La Gette and Mr Bishop to TCL was a factor which supported the conclusion that TCL was on notice that at least some of the information was likely to be confidential to Trailfinders. Take the List, which consisted of the titles, first names, surnames, in some cases addresses, email addresses and telephone numbers of 313 individuals. As the judge said, TCL must have appreciated that Mr La Gette could not have carried all that information in his head, which made it probable that he had copied at least some of it from Trailfinders' client database (as was in fact the case). Yet, consistently with its invitation to potential franchisees to bring their old customer contact lists with them, TCL neither warned Mr La Gette not to bring any of Trailfinders' confidential information, nor asked him whether he had done so or even what the source or sources of the List was or were.

34. Fifthly, counsel for TCL pointed out that the judge had recorded at [78] that in closing Trailfinders had "relied only on acts admitted by Mr La Gette, although it maintained the position that there were likely to have been other, similar acts in breach of confidence". The judge only made findings in respect of the acts admitted by Mr La Gette, and did not find that Mr La Gette had committed any other acts in breach of confidence. Furthermore, the judge accepted Mr La Gette's evidence as to what he had done. Counsel for TCL then pointed out that it was Mr La Gette's evidence that the only client information he had copied from Superfacts was the telephone numbers of five to eight clients, whereas the discussion between Mr La Gette and Ms Thompson showed that the important information was the clients' email addresses. Moreover, he submitted that, as discussed below, TCL's only relevant act of misuse of confidential information was the sending of marketing circulars to clients by email. Leaving aside the point that this is another attack on the judge's findings of fact rather than his legal analysis, in my view none of these matters undermines the judge's conclusions in [131]-[132] concerning the information which TCL received from Mr La Gette. The fact remains that TCL received a large quantity of client information from Mr La Gette in circumstances which put it on notice that some of the information was likely to be confidential to Trailfinders. The extent of TCL's use of information which was in fact confidential to Trailfinders is a separate question to which I will return.
35. Sixthly, counsel for TCL repeated a submission he had made to the judge in closing that sales consultants started to leave Trailfinders for TCL in 2015 and by the time Mr La Gette left at least 20 had left, yet Trailfinders had not made any complaint to TCL about misuse of confidential information by the time Mr La Gette and Mr Bishop joined TCL, and so there was no reason for TCL to believe that Trailfinders had any concern about this. Counsel for Trailfinders informed us that this was factually inaccurate, since solicitors acting for Trailfinders had sent a letter before claim to TCL on 28 July 2016, before Mr La Gette and Mr Bishop joined TCL. In reply, counsel for TCL did not dispute that such a letter had been sent, but relied upon the

fact that no claim had been issued by the relevant dates. In my view this is a hopeless argument. For the reasons given by the judge, TCL must have appreciated that Trailfinders was likely to regard such information as confidential. The letter before claim would have confirmed this. The fact that proceedings had not yet been commenced is immaterial. Furthermore, as counsel for Trailfinders pointed out, there was no evidence from TCL's witness Mr Byrne that this had led TCL to conclude that Trailfinders was not concerned.

Ground 2

36. In substance, ground 2 is an attack on the judge's findings of fact. The principal point relied upon counsel for TCL in this regard was an argument that the judge's findings were inconsistent with his finding at [90] concerning a set of data called the "Overlap Data" which consisted of all the customer information that appeared in both (i) Trailfinders' client database and (ii) the client databases maintained by TCL for Mr La Gette and Mr Bishop. The judge did not find this to be of much value. As he put it at [90]:

"By itself, the existence of clients which were common to both Trailfinders and TCL proved nothing. It could mean that names were passed by Mr La Gette and/or Bishop to TCL in breach of confidence, or alternatively that the identities of overlap clients of TCL were within the experience and skills of Mr La Gette or Mr Bishop, or had been acquired from publicly available sources."

37. Counsel for TCL submitted that the judge was correct to reach this conclusion, and that it was inconsistent with his finding that TCL ought to have appreciated that some of customer information supplied by Mr La Gette and Mr Bishop was likely to be confidential to Trailfinders.
38. I do not accept this argument. The key words in the passage quoted above are "By itself". As the judge explained, the Overlap Data were produced by Trailfinders during the course of the proceedings i.e. around three years after the material time. Moreover, the judge went on to consider and make findings as to what TCL knew or ought to have known about the client information it received from Mr La Gette and Mr Bishop at that time, which led him to the findings he set out in [131]-[132]. There is no inconsistency between those findings and what he said at [90].

Ground 3

39. Counsel for TCL did not pursue ground 3 as formulated in TCL's grounds of appeal and set out above. On the contrary, he properly conceded that TCL had made what he described as limited admissions that it had used the confidential information it received from Mr La Gette and Mr Bishop by storing the information in its computer system and by using it to send marketing emails to clients. Furthermore, he confirmed that TCL was not pursuing an argument advanced in its skeleton argument (although not in its grounds of appeal) that Trailfinders had suffered no detriment as a result of TCL's unauthorised use of the confidential information, and that detriment was required to complete the cause of action. Rather, he explained that TCL was concerned that the judge had merely made a general finding at [118] that "TCL used

[the client details it received from Mr La Gette and Mr Bishop] for the benefit of its business”, which left open the question of the *extent* of such use (which affects the quantum of damages payable by TCL). Although counsel for TCL initially submitted that the matter should be remitted to the judge for him to make findings on this question, he subsequently sensibly accepted that it would be more cost efficient for this question to be addressed as part of the inquiry as to damages.

40. This just leaves two points. The first is the point discussed in paragraph 34 above. For the reasons I have explained, this does not affect the judge’s judgment as to liability, but it will be open to TCL to argue on the inquiry that it does affect the assessment of damages.
41. The second is that there is an issue between the parties as to whether any use of the information to conclude contracts with clients constituted use solely by Mr La Gette and Mr Bishop (as TCL contends) or use both by Mr La Gette and Mr Bishop and by TCL (as Trailfinders contends) given that TCL is party to the contracts. For the avoidance of doubt, this is another issue for the inquiry.

Conclusion

42. For the reasons given above, I would dismiss this appeal. It follows that it is not necessary to consider a Respondent’s notice served by Trailfinders.

Asplin LJ:

43. I agree.

Lewison LJ:

44. I also agree.