

# HIGH COURT OF AUSTRALIA

GLEESON CJ,  
GUMMOW, KIRBY, HAYNE AND CALLINAN JJ

---

MAGGBURY PTY LTD & ANOR

APPELLANTS

AND

HAFELE AUSTRALIA PTY LTD & ANOR

RESPONDENTS

*Maggbury Pty Ltd v Hafele Australia Pty Ltd*  
[2001] HCA 70  
13 December 2001  
B36/2001

## ORDER

*Appeal dismissed with costs.*

On appeal from the Supreme Court of Queensland

### Representation:

S J Lee for the appellants (instructed by O'Shea Corser & Wadley)

J S Douglas QC with G C McGowan for the respondents (instructed by Aitken Walker & Strachan)

Notice: This copy of the Court's Reasons for Judgment is subject to formal revision prior to publication in the Commonwealth Law Reports.



## **CATCHWORDS**

### **Maggbury Pty Ltd v Hafele Australia Pty Ltd**

Contract – Confidential information – Contractual restraint upon use of "Information" – Restraint expressed to be perpetual – Information disclosed in patent application – Proper construction of contract – Whether restraint to apply once information disclosed to public – Whether contract in restraint of trade.

Restraint of trade – Contractual restraint upon use of information concerning invention – Whether confidentiality agreement constitutes an unenforceable contractual restriction on trade – Whether the restraint imposed is more than that required to protect the interests of the parties.

Injunction – Confidentiality agreement between inventor and potential marketer – Substantial copying of invention found contrary to agreement – Whether injunction granted unacceptably wide – Whether injunction would involve excessive supervision by court – Permissible scope and duration of injunctive relief.

Words and phrases – "quality of confidence".



1 GLEESON CJ, GUMMOW AND HAYNE JJ. Mr G W Allen is a director of the first appellant, Maggbury Pty Ltd ("Maggbury"). It appears from his oral evidence that he also is a shareholder in both Maggbury and the second appellant, Gisma Pty Ltd ("Gisma"). Mr Allen's wife, Mrs Ines Allen, is the sole director of Gisma. The second respondent, Hafele GmbH & Co ("Hafele"), is a commercial partnership registered under German law. Hafele is the sole shareholder of Hafele Holding GmbH, which in turn is the majority shareholder of the first respondent, Hafele Australia Pty Ltd ("Hafele Australia").

2 Mr Allen has worked as a cabinet maker since 1968; he has owned and operated several businesses which at one stage employed about 130 people. In about 1984, whilst he was working on a job that required the fixing of ironing boards into laundries, Mr Allen became interested in the space-saving possibilities of wall and drawer-mounted ironing boards which could open out in a fashion which differed from that of the boards with which he was then working. All of these emerged at right angles from their housing. By 1988, Mr Allen had built a prototype for a parallel-opening foldaway ironing board. Folding ironing boards were not new when this first prototype was assembled. Since the early 1980s, Hafele had made a drawer-mounted ironing board which, for convenient storage, folded in half.

3 By 1994, Mr Allen had retained professional designers, Prototype Design Pty Ltd ("Prototype"), to assist with modifications and to advise on commercial exploitation of the product by Maggbury. These designers produced drawings from which three prototypes were built, a wall assembly, a "vertical assembly" capable of mounting on a kitchen unit or cupboard bench support, and an assembly to be mounted in a mobile cabinet or in a drawer.

4 Maggbury took an assignment of any intellectual property rights that Prototype might have acquired in respect of the drawings and prototypes. Mr Allen also procured the taking of steps to obtain Australian and international patent protection for his companies.

5 On 14 July 1995, Maggbury's patent attorneys filed an application pursuant to s 29 of the *Patents Act* 1990 (Cth) ("the Patents Act") for a patent for an invention stated to relate to a foldaway ironing board assembly and, in particular, a foldaway ironing board assembly mounted to a support structure such as a wall, kitchen unit, cupboard bench support, mobile cabinet or drawer. The application was accompanied by a provisional specification. The effect of s 38 of the Patents Act was to require the filing of a complete specification on or before 14 July 1996. The application was given the number PN4147.

6 The applicant in respect of PN4147 was Maggbury but the inventor was identified as Mr Allen. By deed of assignment dated 29 April 1996, Maggbury

assigned its right, title and interest in PN4147 to Gisma. In the meantime, on 4 August 1995, Maggbury's patent attorneys had filed an application with a provisional application given the number PN4592 in respect of an invention stated to relate to a pivotal support assembly particularly useful for, but not limited to, folding furniture, kitchen units, foldaway household items and the like. Again Maggbury was the applicant and Mr Allen was identified as the inventor. PN4592 also was assigned by the deed of 29 April 1996 by Maggbury to Gisma.

7        The respective priority dates for PN4147 and PN4592 were 14 July 1995 and 4 August 1995. Approximately 12 months after the making of the first Australian application, an international application was made by Gisma under the Patent Cooperation Treaty ("the PCT application"). The international application number was PCT/AU96/00443 and priority dates were claimed by reference to PN4147 and PN4592. The inventor was again shown as Mr Allen. The title given to the invention was "PIVOTAL SUPPORT AND FOLDAWAY WINGS". The PCT application describes the invention by reference to particular embodiments disclosed in 24 drawings and concludes with 13 claims. It appears that the invention claimed is for a combination, a mechanical device comprising the interaction of known mechanical integers to make a new thing<sup>1</sup>.

8        The abstract of the PCT application, omitting references to numbers in the supporting drawing, read:

"A hinge for wings such as ironing board supports the board off a support on pairs of links which engage to limit angular movement beyond a working disposition. The board may be folded and collapsed into a wall mounted cover. The wall mounted unit might be fitted to a height adjustment mechanism. The links may be combined with a means increasing the angular extent of the folding action to collapse the folded board into a drawer unit. The board may be mounted to a turntable to allow for angular movement. The board may be supported on supports attached to sliding tracks to enable movement to a storage position in a cabinet."

The Designated States in respect of the PCT application included Germany and the United States. The international publication date in respect of the PCT application was 6 February 1997. The publication date in Australia was 12 days later.

---

1     cf *Welch Perrin & Co Pty Ltd v Worrel* (1961) 106 CLR 588 at 611.

3.

9       No patent grant has been made in respect of any of the applications identified above; in particular, the PCT application has not been determined. It is accepted that any publication, whether by Gisma or any other party, after the priority dates of 14 July 1995 and 4 August 1995 of the material claimed in the respective applications would not destroy any novelty they otherwise possessed and would not supply a ground of opposition to grant.

10       Thus, after the respective application dates, it was open to Mr Allen and his companies to seek commercial partners for the development of the claimed inventions and to make disclosures to prospective partners without placing in peril the validity the claims to the inventions otherwise would possess. The importance to commercial partners of the existence of intellectual property rights was considerable. There was a finding at trial that it was to be expected that Hafele, like its competitors, would hesitate to pay for that which competitors might lawfully take without payment. Evidence was given by Mr Hogan, a witness from California whose company, Hogan Manufacturing Inc, had been in negotiations with Maggbury since April 1998. In cross-examination, there was the following exchange:

"That's the situation at present, that any agreement with Mr Allen's organisation or organisations is subject to you carrying out a market appraisal and satisfying yourself in relation to the patents?—That's accurate.

And that's simply prudent on your part, isn't it?—Yes.

You don't want to pay good money for something that anybody could copy for nothing?—I'd say that's accurate."

It is against that background that there falls for consideration the dealings with the respondents which gave rise to this litigation.

11       Interpretation of a written contract involves, as Lord Hoffmann has put it<sup>2</sup>:

"the ascertainment of the meaning which the document would convey to a reasonable person having all the background knowledge which would

---

2   *Investors Compensation Scheme Ltd v West Bromwich Building Society* [1998] 1 WLR 896 at 912; [1998] 1 All ER 98 at 114. See also the remarks of Mason J in *Codelfa Construction Pty Ltd v State Rail Authority of NSW* (1982) 149 CLR 337 at 350-352, and of Lord Bingham of Cornhill in *Bank of Credit and Commerce International SA v Ali* [2001] 2 WLR 735 at 739; [2001] 1 All ER 961 at 965.

4.

reasonably have been available to the parties in the situation in which they were at the time of the contract".

That knowledge may include matters of law, as in this case where the obtaining of intellectual property protection was of central importance to the commercial development of Mr Allen's ironing board<sup>3</sup>.

12 Mr Allen wished to obtain a commercial partner to produce and market worldwide the ironing board in its variations represented by the three prototypes which had been built. Hafele and Hafele Australia were known to him through his cabinet-making. Three days after the lodgment of application PN4147, that is to say on 17 July 1995, Mr R Spaetauf, an employee of Hafele Australia, and the Queensland State Manager of that company, Mr Ploschke, visited the premises of Maggbury at Nerang. Mr Allen insisted on the execution by Hafele Australia of a "confidentiality agreement" which he presented to the visitors before they would be permitted to inspect the prototypes. Mr Spaetauf and Mr Ploschke lacked the authority to commit their company to such an undertaking and the result was that they were not then shown the prototypes.

13 After some negotiation about its terms, Hafele Australia executed an agreement with Maggbury dated 25 July 1995 and headed "DEED OF CONFIDENTIALITY" ("the first agreement"). Later in that year, an agreement in relevantly similar terms and bearing the date 13 November 1995 was executed by Maggbury and Hafele ("the second agreement"). The agreements were in a form proffered by Mr Allen and had been prepared by the solicitors for Maggbury.

14 Unless otherwise indicated, it will be sufficient for present purposes to refer to the text of the first agreement. However, it should be noted that cl 16.12 of each agreement stated that, notwithstanding the domicile or residence of any of the parties, the agreement was to be governed by and construed in accordance with Queensland law, and the parties submitted to "the non-exclusive jurisdiction" of the Queensland courts.

15 Maggbury was defined as "the Inventor". The recitals were set out in cl 2. They stated:

"2.1 The Inventor wishes to commercially exploit the Product.

---

3 cf *Bank of Credit and Commerce International SA v Ali* [2001] 2 WLR 735 at 762 per Lord Clyde; [2001] 1 All ER 961 at 987.

5.

- 2.2 The Inventor and Hafele [Australia] wish to hold discussions to consider mutually advantageous ways of commercially exploiting the Product (the 'Purpose').
- 2.3 In the course of these discussions the Inventor or his representatives may disclose information about the Product to Hafele [Australia].
- 2.4 The Inventor and Hafele [Australia] have entered into this Deed so as to set out the terms and conditions governing any disclosure by the Inventor about the Product.
- 2.5 Hafele [Australia] has agreed to enter into this Deed to acknowledge the right title and interest of the Inventor in the Product and to scrupulously observe a strict code of confidentiality in relation to the Product."

The expression "Product" was defined in par (e) of cl 3.1. The elements in the definition included "the product identified by patent application no [PN4147]"; "all future patent applications"; "secrets and know how"; and:

"the invention created by the Inventor being a foldaway ironing board assembly and in particular a folding ironing board mounted to a support structure such as a wall, kitchen unit, cupboard bench support, mobile cabinet or drawer".

16 It will be apparent from the foregoing, particularly the definition of "Product", that the parties to the first and second agreements entered into them with an appreciation that Maggbury (later replaced by Gisma) had embarked upon a course, the objective of which was to obtain patent protection which would provide the legal basis for the commercial exploitation of the Product. Maggbury would have the monopoly rights for licence to the Hafele companies.

17 On the other hand, it might transpire that no patent grant was made; the disclosure might provoke from a third party a successful opposition to grant. Further, if granted, the patent thereafter might be revoked, for example at the instance of the defendant to an infringement action. The likelihood of these outcomes, turning upon an evaluation of the novelty and subject-matter of the claimed invention which Maggbury asserted, was a matter for assessment and professional advice to the Hafele companies. As will appear, the Hafele companies later sought and acted upon that advice.

18 However, the price of obtaining patent protection would be public disclosure in respect of the claimed invention. Depending upon the extent of the public disclosure, third parties including competitors of the Hafele companies

would have access without charge to the relevant subject-matter. The Hafele companies, by reason of the earlier dealings with Maggbury, may have obtained a "head start" in the utilisation of the information. This earlier disclosure to the Hafele companies would assist them in their determination of whether they wished to join in the commercial exploitation of the Product. For the pursuit of that end, identified in the agreements as "the Purpose", the Hafele companies were to be supplied with what was identified in the agreements as "the Information".

19       The term "Information" was defined in par (a) of cl 3.1 in terms which identified documents and other materials recording information rather than the information itself and which took as its subject-matter those records of information disclosed, shown or provided to Hafele Australia. The definition read:

"'Information' means each and every record of information whatsoever disclosed, shown or provided to Hafele [Australia] by the Inventor in relation to the Product and, without limiting the generality thereof, includes any writing, sketches, diagrams, models, film, video tape, plans, designs, drawings, manufactured prototypes, layouts, schedules or photographs."

20       The pursuit of the Purpose was to be kept secret. Thus, cl 4 of the first agreement stated:

"Hafele [Australia] shall not disclose nor permit to be disclosed nor cause to be disclosed without the prior, written consent of the Inventor, to any person the fact that discussions are taking place between the Inventor and Hafele [Australia] in relation to the Purpose."

Immediately upon any decision by Hafele Australia not to pursue the Purpose, it was to return to Maggbury all copies of the Information in its custody, power, control or possession (cll 8.2, 10.1).

21       The agreements went on to make further provision in respect of the treatment and use of the Information. They did so in terms which Maggbury and Gisma sought to enforce in the present litigation. The provisions of particular significance are found in cll 5.1, 5.2, 5.3 and 5.6. These state:

"5.1 Hafele [Australia] shall treat the Information as private and confidential.

7.

- 5.2 Hafele [Australia] shall not use the information, or any part thereof, for any purpose other than to fairly and properly assess proposals canvassed with the Inventor in relation to the Purpose.
- 5.3 Hafele [Australia] shall take all reasonable steps to ensure that the Information is made known only to [particular officers or employees of Hafele Australia identified as the 'Permitted Persons'].
- ...
- 5.6 Hafele [Australia] shall not *at any time hereafter* use the Information for any purpose whatsoever except with the Inventor's informed prior written consent." (emphasis added)

Clause 11 was headed "DURATION". It stated:

"It is a condition of this agreement that Hafele [Australia] will *forever* observe the obligations of confidence set out in this Agreement, unless released from such obligations in writing by the Inventor. Without limiting the generality of this condition, Hafele [Australia] agrees to continue to observe its obligations as to confidentiality:

- (a) upon the signing of this agreement;
- (b) while the Purpose is being carried out;
- (c) after the Information is returned; or
- (d) after Hafele [Australia] becomes liable to return the Information." (emphasis added)

The second sentence of cl 11 may have been included with an eye to reading down or severing the otherwise unlimited obligation imposed in the first sentence. Clause 16.10 was headed "Severance" and stated:

"If any provision of this Agreement cannot be given effect or full force and effect by reason of statutory invalidity or other invalidity that provision shall be severed or read down but so as to maintain and uphold so far as possible the remaining provisions of this Agreement."

It may be noted that the statute law of Queensland does not have an equivalent of the modifications of the common law rules respecting invalidity and severance

which are made by the *Restraints of Trade Act* 1976 (NSW) and were considered by the New South Wales Court of Appeal in *Wright v Gasweld Pty Ltd*<sup>4</sup>.

22 The second agreement was signed for Hafele by Mr Volker Haisch, its Marketing Manager. He gave affidavit and oral evidence (the latter through an interpreter) at the trial. Asked why he had not insisted on the inclusion of a specific term in the second agreement which would have excluded protection of publicly known information, Mr Haisch responded:

"I have been doing this work for 15 years now and I have received hundreds of offers from inventors about inventions they made. Here in Europe it is a fact that a confidentiality agreement only covers information that is not in the public domain and is not publicly known. Let me add that it does not make sense to be obliged to keep something secret which is publicly known."

23 After the execution of the two agreements, various negotiations and dealings proceeded between the appellants and the respondents. In early July 1996, a fair was held in Sydney for the building and related trades. At the suggestion of the Managing Director of Hafele Australia, Mr Hengstler, versions of the Maggbury boards were displayed to help gauge market potential. Mr Allen attended, demonstrating features of the boards to visitors to the fair. Between 21 and 24 July 1996, a trade fair attracting architects and interior designers was held in Melbourne. Again Mr Allen attended to show the product to prospective customers. Visitors to the Melbourne fair were able to inspect the assembly that included a turntable of Mr Allen's design.

24 Negotiations between the parties eventually broke down. They never made any agreement for the commercial exploitation of ironing boards. Hafele spoke to Mr Allen of the necessity of a "positive" report from its patent attorney. Advice was received by Hafele on 28 April 1997. On 10 June 1997, Hafele wrote to Mr Allen. After referring to the discussions in May at the Interzum trade fair in Cologne the letter continued:

"Since our conversation on that occasion, we have been giving thought to some design considerations of our own, with the result that we will not be making use of characteristics claimed by you in accordance with your PCT registration. Furthermore, since our last discussion at the Interzum, we have received a detailed statement from our patent lawyers which

---

4 (1991) 22 NSWLR 317. See also Heydon, *The Restraint of Trade Doctrine*, 2nd ed (1999) at 233-236.

9.

points towards the fact that your claim to industrial property rights rests on a very weak foundation which would make it very difficult indeed to defend it against any possible opposition.

Based on these facts, we have now reached a decision not to take you up on your licence offer. This naturally leaves you free to utilize your industrial property yourself or to sell them to another interested party."

Thereafter, Mr Allen demanded return of the prototype, photographs and documents provided during the course of the negotiations.

25        On 29 September 1997, Mr Allen signed a document on behalf of Maggbury which declared "that all claims arising from or in connection with the negotiations regarding possible utilization under licence of the foldaway ironing board in accordance with [the PCT application] performed between Mr Gary Allen of the company [Maggbury] and the company [Hafele], are deemed settled and compensated against payment of the sum of AUD 20,000". Maggbury received payment on or about 7 October 1997. That acceptance of payment had been preceded by a letter from Hafele to Maggbury's solicitors dated 25 September 1997. Hafele had stated therein:

"It shall also be understood that, by paying the sum of AUD 20,000, we will not acquire any rights of use to your client's invention and that we shall not make any use of the invention to the extent that your client should establish legally-valid patent protection for the invention concerned."

26        As was pointed out by the primary judge (Byrne J), no mention was made of the restraints concerning use of the Information which had been accepted in the confidentiality agreements. The litigation turns upon the nature, extent and validity of those restraints.

27        In October 1997, Hafele Australia began distributing a wall-mounted foldaway ironing board. Mr Allen first became aware of this on 31 July 1998 and thereafter became aware that Hafele was manufacturing in Germany a wall-mounted ironing board along with a new drawer-mounted version.

28        By a writ filed 21 September 1998, Maggbury and Gisma instituted litigation in the Supreme Court of Queensland against Hafele Australia and Hafele. By their further amended statement of claim, Maggbury and Gisma pleaded the restraints in the two agreements which have been set out earlier in these reasons and went on in par 6 to state:

"Alternatively, it was an implied term of each said Deed of Confidentiality that each of the obligations relating to the use and disclosure of the Information was limited to subject matter which was confidential at the time of breach or threatened or intended breach."

In effect, Hafele Australia and Hafele by par 7 of their further amended defence admitted that implied term. Two points should be made here. The first is that what was said to be an implied term may better be understood as an express term derived on a proper construction of the text of the agreements. The second is that, in framing their pleading as they did, Maggbury and Gisma appear to have assumed that the placing of information in the public domain, at the latest by the publication of the PCT application in February 1997, did not have the consequence that at the time of the later alleged breaches by the Hafele companies, in particular the activities which the plaintiffs now sought to restrain, the confidential quality of the disclosures which had been made by Maggbury had been lost or destroyed.

29       After a trial in November 1998 and the delivery of detailed reasons for judgment on 22 January 1999, Byrne J ordered that Maggbury recover from Hafele Australia and Hafele the sum of \$25,000. However, the principal relief was injunctive in nature. Hafele Australia and Hafele were restrained from manufacturing or distributing the Hafele wall-mounted ironing board, being the current Hafele wall-mounted product. The injunction extended to any other wall-mounted ironing board designed or manufactured using wholly or in part information derived directly or indirectly from the documents or prototype supplied by Maggbury and Gisma to Hafele Australia and Hafele.

30       Byrne J emphasised that the agreements did not prevent the defendants from using information "that [had] a particular content"; rather, they constrained "the use of information derived from a designated source"<sup>5</sup>. His Honour emphasised that the agreements did not restrict the use of information sourced elsewhere, for example in the public domain or in Hafele's existing stock of knowledge. From these premises, his Honour concluded that if, as a matter of fact, there had been use of information derived from the specified source, the disclosures by Maggbury, no question would arise that the restraints imposed by the agreements were unlawful restraints of trade; nor would there be any occasion to imply a term that the restraints could not operate in respect of information which, at the time of use, was in the public domain.

---

5   cf *Wright v Gasweld Pty Ltd* (1991) 22 NSWLR 317 at 326-327, 329, 338.

11.

31        However, these conclusions rested on an assumption that, upon their proper construction, the restraints in the agreements did apply where the use complained of occurred at a time when, as a result of activities of the plaintiffs themselves, the information had become publicly available. If the restraints did so apply then, contrary to the approach taken by the primary judge, there would be a question whether those contractual restraints upon the use of the information required justification under the restraint of trade doctrine where enforcement was sought after entry of the information into the public domain. Further, different considerations might apply, particularly with respect to the provision of equitable relief, where the entry into the public domain was brought about by the activity, not of a third party, but of the party seeking to enjoin further use of the information.

32        The primary judge accepted evidence that there was a multiplicity of corresponding discretionary features or choices between the Hafele wall-mounted board and the information supplied by Mr Allen as to be too remarkable for coincidence. His Honour decided that that information was reflected in a substantial way, especially by the combination of features but also in some component parts (for example the carousel) in the current Hafele wall-mounted board. From that finding his Honour concluded that, by manufacturing that product, Hafele had used "the Information" for a purpose other than that permitted by the second agreement and that Hafele Australia had done likewise in respect of the obligations in the first agreement by importing the units and distributing them in this country. His Honour then held that no features of the Hafele drawer-mounted version involved the use of what he described as "Maggbury information", with the result that the claim to relief in respect of the drawer-mounted board failed. Hence, the injunction was limited to wall-mounted ironing boards.

33        An appeal by Hafele Australia and Hafele to the Queensland Court of Appeal was successful<sup>6</sup>. The Court of Appeal (de Jersey CJ, Pincus and Davies JJA) replaced the award of damages by one in the sum of \$5,000 and otherwise set aside the orders made by Byrne J. Their Honours said that there appeared to be no good ground for differing from the factual findings of the primary judge. Rather, the reasoning of the Court of Appeal turned upon the effect in law of the provisions of the two agreements which were relied upon to support the injunctive relief. Their Honours gave the following summary of their reasoning:

---

6    *Maggbury Pty Ltd v Hafele Aust Pty Ltd* [2000] QCA 172.

12.

"1. In our opinion, the agreement not to use information is unenforceable, because it has no time limit and it covers all information whether or not publicly disclosed.

2. No injunction should be granted under the general law, because the information has been made public, so far as it is of significant value.

3. If an injunction were granted, it would have had to be in a form which confined its operation to information not publicly available."

34

Earlier in their reasons, their Honours said:

"Although the details of the invention evolved with time, it seems evident that those aspects of it which were then considered to be of particular value must have been included in [the PCT application] which Maggbury published under the [PCT] on 18 February 1997. On the second day of the trial counsel for Maggbury made reference to that publication, saying in effect that most of the features of the board in issue would have been disclosed by the publication of the specification in February 1997, but that a number of features 'being the specific design detail of the ironing board' were not disclosed.

The judge made no findings on this point; some indication of what turned out to be significant in the Allen designs is to be found at p 15 of the judge's reasons:

1. Leaves constructed of perforated metal with a tubular steel frame.
2. Supported on U shaped wall brackets.
3. Multiple key-holed mounting points.
4. Two-plate carousel.
5. U shaped intermediate support frame with a flat plate welded across it.

The judge also referred to some more trivial similarities which it is not necessary to discuss.

It appears to us that all these features except possibly the last are present in the published specification. Looking at the matter more generally, it would be surprising if a patent specification intended to protect a number of different embodiments of the invention would fail to set out, with a view to obtaining protection for them, all aspects of the invention thought

13.

by the inventor to be of value. It was common ground that no aspects of the Allen design were considered individually inventive. The argument which was put forward and accepted by the primary judge was that the **combination** of features was worthy of protection. But no attempt was made to show that the combination disclosed in the patent specification published in 1997 kept from the public any worthwhile aspect of the various combinations of features it disclosed."

35 The Court of Appeal then turned to consider the significance of the display at the trade fairs in Sydney and Melbourne in July 1996. Their Honours said:

"Mr Allen demonstrated the advantages of the boards to the people who came to the fairs. When asked by the judge what features of the ironing board would the people who came to the Sydney fair not be able to see from the demonstration Mr Allen gave, he answered 'probably none, I would think'."

36 The Court of Appeal also referred to a significant statement made by the trial judge concerning the prospects of obtaining patent protection. Referring to the evidence under cross-examination of a patent attorney, Mr D E Barr, called by Maggbury and Gisma, Byrne J said that the evidence indicated:

"that there is a pretty slim chance that the patent applications might succeed in deterring manufacturers from copying essential features. Moreover, the main (if not the only) idea which Maggbury hopes has protection is the linkage arrangement between the wall mounting and the U-shaped support arm. Hafele abandoned this mechanism for a safer, probably cheaper, pivoting arrangement, which other manufacturers will likely find more attractive."

37 The Court of Appeal went on to refer to the effect of the evidence given by Mr A W Chaseling, a consulting mechanical engineer called by Maggbury and Gisma. The Court of Appeal said:

"Maggbury won the case because the judge found that their wall-mounted board copied some aspects of the Maggbury design. Insofar as the features copied were not what Mr Chaseling described as 'arbitrary' – referring to such matters as the use of a particular rather than a slightly different gauge of steel – it seems probable that they had all, or substantially all, been disclosed by the patent specification and the exposure at trade fairs. We were not asked, if of opinion that what was disclosed by the patent specification or what was disclosed at the trade fairs, or the combination of both, could not be protected as confidential, to

reduce the scope of the injunction accordingly. Nor, in our opinion, would it be right to do so. Insofar as the patent specification failed to disclose any information about the invention, it is likely to have been either commonplace or of no real significance."

38 In this Court, Maggbury and Gisma seek orders which would have the effect of restoring the position established by the orders of Byrne J, in particular the injunctive relief against Hafele Australia and Hafele. Of that injunctive relief, it should be observed that the restraints imposed upon Hafele Australia and Hafele are not conditioned by any limitation reflecting the need for existing and continued confidentiality of the information conveyed by the documents and prototype referred to in the injunction. Indeed, Maggbury and Gisma submit as a principal plank of their appeal that the injunctions enforce negative stipulations contained in the first and second agreements which, on their proper construction, continue "forever" and do not depend upon the continuation of secrecy or lack of public disclosure.

39 Given the conclusions reached in the Court of Appeal as to the quantum and significance of the public disclosure, which should be accepted, it is essential for the appellants in this Court to put their case in that way. Nevertheless, their submission should be rejected and the attempt to reinstate the injunctive relief given by the primary judge should fail.

40 It is necessary first to construe the provisions of the two agreements upon which the primary judge founded the injunctive relief. The evident and primary purpose of the agreements was to facilitate discussions to consider the commercial exploitation of the invention claimed in PN4147, PN4592 and later in the PCT application. The Recitals indicate this. The fact that the discussions were taking place was to be kept secret (cl 4).

41 There was no express obligation imposed upon Maggbury to make any disclosures for the purposes of the discussions with the Hafele companies. Rather, the two agreements assume that this will occur and that Maggbury will show or provide items within the definition of the Information. The agreements do impose specific obligations upon the Hafele companies respecting the use of the Information. At one level these are concerned with the treatment of the very items themselves. The requirement for their return to Maggbury if the discussions collapse is an example. At another level, the restraints fix not upon objects or chattels, but operate more broadly upon the information embodied therein (for example, in the prototypes) or stated or otherwise communicated (as in the drawings).

42 It is apparent from the references in the agreements to patent applications that the agreements contemplated the placing in the public domain of significant

15.

features of the information in this second and broader sense. The agreements impose no express obligation upon Maggbury to pursue PN4147 to grant or to make and pursue any other applications. But they assume Maggbury's intention to do so and thereby provide in patent monopoly rights a legal foundation for the commercial exploitation of the Product. However, the discussions between the parties might never come to fruition. The agreements also contemplated that eventuality with the Hafele companies being obliged to return materials to Maggbury when the Purpose was spent. That is what in fact came to pass after, in the meantime, what the Court of Appeal found was, for practical purposes, full public disclosure of the substance of the claimed invention.

43        Upon the proper construction of the agreements, did the restraints upon use continue to operate after the public disclosure and the collapse of negotiations? It was said by Lord Diplock that<sup>7</sup>:

"if detailed semantic and syntactical analysis of words in a commercial contract is going to lead to a conclusion that flouts business commonsense, it must be made to yield to business commonsense".

Of course, what in respect of a particular contract comprises "business commonsense", as an apparently objectively ascertained matter, may itself be a topic upon which minds may differ and in respect of which an imputed consensus is impossible. Here the difficulty arises not from the need for detailed semantic and syntactical analysis of the language used in the agreements, but from the use therein of simple terms such as "at any time hereafter" and "forever". Is this a case where "something must have gone wrong with the language"<sup>8</sup>?

44        In *Staffordshire Area Health Authority v South Staffordshire Waterworks Co*<sup>9</sup>, the English Court of Appeal construed the phrase "at all times hereafter" in the price-fixing provision of a water supply contract made in 1929 between a hospital and a water authority as importing an obligation to supply only until the agreement had been terminated on reasonable notice; there was no express power

---

7    *Antaios Compania Naviera SA v Salen Rederierna AB* [1985] AC 191 at 201.

8    *Investors Compensation Scheme Ltd v West Bromwich Building Society* [1998] 1 WLR 896 at 913 per Lord Hoffmann; [1998] 1 All ER 98 at 115.

9    [1978] 1 WLR 1387; [1978] 3 All ER 769.

of termination<sup>10</sup>. In *Harbinger UK Ltd v GE Information Services Ltd*<sup>11</sup>, the same court construed an obligation in a software supply contract to provide after sales service "in perpetuity" and in return for an annual payment as continuing until the customer and the end users no longer were willing to pay for these services; that willingness might be expected to diminish as the software became obsolescent.

45 Ordinarily, the obligations relating to the use and disclosure of the Information would be construed as limited to subject-matter which retained the quality of confidentiality at the time of breach or threatened breach of those obligations. An expression of a contrary intent should, as Judge Learned Hand put it in *Picard v United Aircraft Corporation*<sup>12</sup>, be explicit. This is because<sup>13</sup>:

"the applicant is proposing to broadcast the invention to the world at large, reserving as his protection only the claims which he may secure; and there is ordinarily no reason to suppose that he means to exact any greater protection against the promisor than he will have against others. At any rate, if he does, he should say so."

The same judge later expressed the point slightly differently in *Conmar Products Corporation v Universal Slide Fastener Co*<sup>14</sup>. Speaking of the relationship between employer and employee, his Honour said<sup>15</sup>:

"Conceivably an employer might exact from his employees a contract not to disclose the information even after the patent issued. Of what possible value such a contract could be, we find it hard to conceive; but, if an employer did exact it, others would perhaps be obliged to turn to the specifications, if they would use the information. Be that as it may, we

---

10 Earlier authorities are noted by Menzies J and Windeyer J in *Amalgamated Television Services Pty Ltd v Television Corporation Ltd* (1969) 123 CLR 648 at 654, 655 and discussed in Carnegie, "Terminability of Contracts of Unspecified Duration", (1969) 85 *Law Quarterly Review* 392.

11 [2000] 1 All ER (Comm) 166.

12 128 F 2d 632 (1942).

13 128 F 2d 632 at 637 (1942).

14 172 F 2d 150 (1949).

15 172 F 2d 150 at 156 (1949).

17.

should not so construe any secrecy contract unless the intent were put in the most inescapable terms; and the plaintiff's contract had none such."

46

Similar reasoning may be discerned in the litigation which in 1928 reached the House of Lords as *O Mustad & Son v Dosen* but which was not reported until 1963<sup>16</sup>. The House of Lords dismissed the appeal from the English Court of Appeal. The judgments in the Court of Appeal are not reported but extracts, particularly from the judgment of Atkin LJ, are set out in the judgment of Roskill J in *Cranleigh Precision Engineering Ltd v Bryant*<sup>17</sup>. Dosen, as Roskill J put it<sup>18</sup>:

"had entered into a written agreement under which he expressly agreed that he would not disclose information of which he might get an insight in consequence of his work".

After the commencement of the action in England seeking injunctive relief against Dosen, the appellants, upon legal advice and thinking that the step would protect their position, made a patent application, the specification in respect of which was published in the United Kingdom. Dosen successfully contended that the secret the subject of the patent application thus had been published to the world and that he was free from any obligation of secrecy under the contract or otherwise. In the Court of Appeal, Atkin LJ construed the contractual obligation as one "not to acquaint strangers with [the employer's] trade secrets"<sup>19</sup>. His Lordship concluded<sup>20</sup>:

"It seems to me, therefore, that there was a complete publication to the public of the construction and operation of the machine, the construction and operation of which was alleged in the proceedings to be a trade secret, and from that moment it appears to me quite plain that that which before might have been a trade secret, was a trade secret no longer. Now, what is the result of that? It appears to me that the result is that there is no longer any subject matter upon which the agreement could operate."

---

16 [1964] 1 WLR 109 (n); [1963] 3 All ER 416; [1963] RPC 41.

17 [1965] 1 WLR 1293 at 1314-1315; [1964] 3 All ER 289 at 298-299.

18 [1965] 1 WLR 1293 at 1314; [1964] 3 All ER 289 at 298.

19 [1965] 1 WLR 1293 at 1315; [1964] 3 All ER 289 at 299.

20 [1965] 1 WLR 1293 at 1315; [1964] 3 All ER 289 at 299.

That statement is to be read with the later remark by Lord Buckmaster in the House of Lords<sup>21</sup>:

"Of course, the important point about the patent is not whether it was valid or invalid, but what it was that it disclosed, because after the disclosure had been made by the appellants to the world, it was impossible for them to get an injunction restraining the respondents from disclosing what was common knowledge. The secret, as a secret, had ceased to exist."

In the Court of Appeal, Lawrence LJ had put the matter slightly differently by emphasising that it was the plaintiffs who, by their own act, had made public the essential part of the trade secret which they then sought to restrain Dosen from communicating. His Lordship said<sup>22</sup>:

"[B]y applying for a patent, it seems to me that they have destroyed the foundation of their action."

47 *Cranleigh* is authority that different considerations apply where (i) the publication was in a patent granted to an unrelated third party and (ii) the relationship between the litigants is that of employer and employee and therefore involves fiduciary or other equitable obligations as well as those founded simply in contract<sup>23</sup>.

48 However, in *Attorney-General v Guardian Newspapers Ltd (No 2)*, Lord Goff of Chieveley said that *Cranleigh* did not<sup>24</sup>:

"support any general principle that, if it is a third party who puts the confidential information into the public domain, as opposed to the confider, the confidant will not be released from his duty of confidence".

His Lordship added that he recognised<sup>25</sup>:

---

21 [1964] 1 WLR 109 at 111; [1963] 3 All ER 416 at 418; [1963] RPC 41 at 43.

22 [1965] 1 WLR 1293 at 1316; [1964] 3 All ER 289 at 299.

23 *Concut Pty Ltd v Worrell* (2000) 75 ALJR 312 at 317-318 [26]; 176 ALR 693 at 700-701.

24 [1990] 1 AC 109 at 285.

25 [1990] 1 AC 109 at 285.

19.

"that a case where the confider himself publishes the information might be distinguished from other cases on the basis that the confider, by publishing the information, may have implicitly released the confidant from his obligation".

Those remarks respecting release are readily applicable where the relationship is equitable rather than contractual, as is the present case.

49 The present appeal does not involve the putting of the Information into the public domain by a third party or a relationship between the plaintiff and the defendant which is governed purely by equitable principles. Here, the first question is one of construction of the two agreements. It may be that the legal rights to which the agreements, so construed, give rise may, in particular circumstances, for example concerning the conduct of the plaintiff, not attract equitable relief. But that would be another matter.

50 A construction of the restraints in the two agreements which gave them a limited temporal operation after public disclosure and after failure of the negotiations might be supported as the contractual imposition upon the Hafele companies of a "head start" handicap. This would reflect the advantage to those companies, over the position of competitors who had not dealt with Maggbury, in having had access to the Information over a period preceding its public disclosure<sup>26</sup>. Public disclosure occurred at the latest in February 1997. It may be accepted for present purposes that a contractual restraint of this nature upon the Hafele companies would not exceed the reasonable protection of the interests of Maggbury. It is unnecessary to determine the point. This is because what the appellants seek from this Court is the restoration of an absolute perpetual and unconditional injunction, granted as if the confidential quality of the information in question still persists.

51 What then is the effect, upon their proper construction, of the contractual restraints in question here? Three provisions are particularly in point. Clause 5.1 obliged the Hafele companies to "treat" the Information as "confidential". The agreements contained no warranty by Maggbury that the Information had this character at the date of the agreements or that it would have that character when disclosed or supplied by Maggbury during the negotiations with respect to the Purpose. Clause 5.1 obliged the Hafele companies to deal with the Information when supplied or disclosed during the negotiations on the agreed footing that it

---

26 cf *United States Surgical Corporation v Hospital Products International Pty Ltd* [1983] 2 NSWLR 157 at 228-233 (revd on other grounds (1984) 156 CLR 41).

had this confidential character. However, were it not for the provisions of cl 11.1, cl 5.1 might properly be construed as not obliging the disclosees to continue to accept that the Information had the confidential character after it had been disclosed publicly by Maggbury itself. The obligation to "treat" the Information as "confidential" answers the description in the first sentence of cl 11.1 as one of the "obligations of confidence set out in this Agreement". Clause 11.1 states it as a condition of the agreement that the Hafele companies "forever" observe those obligations.

52 Further, cl 5.6 forbids the use without consent of the Information "for any purpose" "at any time" thereafter. Both cl 5.1 and cl 5.6 use "Information" in the broader of the senses referred to earlier in these reasons. Thus they do not proceed on the footing that, for example, after the prototypes had been returned no further obligations subsist with respect to the information derived from inspection of the prototypes.

53 The terms of cll 5.1 and 5.6 as so construed would, on the findings of Byrne J, found the injunctive relief, unlimited in time, respecting the wall-mounted Hafele model. It is not fairly open to avoid that result by construing these provisions as having as their subject-matter only information which at the time of the alleged breach of covenant retains a confidential character which it had when first disclosed by Maggbury. The emphatic temporal extensions applied to cl 5.1 by cl 11.1 and the terms of cl 5.6 are expressions of "explicit" intent<sup>27</sup> and are put in "inescapable terms"<sup>28</sup>. Any implied term to other effect would contradict the express terms.

54 The question then arises as to whether these contractual terms are subjected to and survive the application of the restraint of trade doctrine. Undoubtedly the provisions impose restraints upon the activities of the Hafele companies, as is apparent from the terms of the injunction. They restrict the liberty of the Hafele companies in the future to conduct their operations and dealings with third parties in such manner as they think fit. The Hafele parties undoubtedly are in "trade" and the activities restrained are part of that trade. Contrary to the submissions pressed for the appellants, the restraints which they seek to have enforced in this litigation are not of the same character as terms of licences to use intellectual property. In the judgments in *Breen v Williams*<sup>29</sup> there

---

27 *Picard v United Aircraft Corporation* 128 F 2d 632 at 637 (1942).

28 *Conmar Products Corporation v Universal Slide Fastener Co* 172 F 2d 150 at 156 (1949).

29 (1996) 186 CLR 71.

is discussion of the distinction between property in particular records or other chattels and the protection of the information conveyed thereby or embodied therein<sup>30</sup>. Whatever else may be said of the notion that confidential information is to be regarded as proprietary in nature, that analysis cannot be sustained where the information has become available from public sources as a result of disclosures by the party asserting that quality of confidence. Other intangible proprietary rights such as those conferred by the law of copyright are not involved. Allegations of the subsistence and the infringement of copyright were removed from the further amended statement of claim. The source of the rights which the appellants seek to enforce is found in contract. In particular in the contractual obligation imposed upon the Hafele companies to treat or deal with the Information as having the quality of confidence.

55       Why then does the common law doctrine respecting restraint of trade not apply? The appellants submit that the doctrine does not apply because the Hafele companies could carry on their trade without relying upon the particular disclosures by Maggbury by, for example, having recourse to the public domain and their own previously acquired skills and experience. But that circumstance does not demonstrate that the doctrine has no application. In *Peters (WA) Ltd v Petersville Ltd*<sup>31</sup>, the Court has recently considered the cases in which it has been said that some restraints are not of a nature to which the doctrine applies. In particular, the Court rejected the criterion of "fettering existing freedom" associated with statements in the speeches of Lord Reid, Lord Morris of Borth-y-Gest and Lord Hodson in *Esso Petroleum Co Ltd v Harper's Garage (Stourport) Ltd*<sup>32</sup>. The Court also rejected the principle of exclusion by reference to "sterilisation" associated with the speech of Lord Pearce in *Esso*<sup>33</sup>. The Court left open for further consideration in an appropriate case the identification by Lord Wilberforce in *Esso*<sup>34</sup> of species of restraint which have become generally accepted as part of the structure of a trading society. The present appeal is not the occasion for dealing with that subject. This is because, as is apparent from the tenor of submissions throughout this litigation, the notion of a contractual restraint in respect of publicly available information is far from attaining general acceptance of the kind of which Lord Wilberforce spoke.

---

30 See the judgments of Brennan CJ (1996) 186 CLR 71 at 80-82, Dawson and Toohey JJ at 88-90, Gaudron and McHugh JJ at 101-102, Gummow J at 126-129.

31 (2001) 75 ALJR 1385; 181 ALR 337.

32 [1968] AC 269 at 298, 306-309, 316-317.

33 [1968] AC 269 at 328-329.

34 [1968] AC 269 at 335.

56           The fact that the restraint can be said to have freely been bargained for by the parties to the contract provides no sufficient reason for concluding that the doctrine should not apply. All contractual restraints can be said to be of that character.

57           The result is that the doctrine applied to the restraints we have identified and rendered them invalid, subject to their justification as reasonable in the interests of the public and the parties. The respondents correctly emphasise that such an enterprise was not undertaken at the trial. Further, it may be added that there would be substantial difficulty in doing so.

58           Reference has been made earlier in these reasons to the provision respecting severance in cl 16.10. It is unnecessary to determine whether the restraints in question here could be severed or read down. If read down, this would be on the footing that the restraints did not operate where, at the time of the breach or threatened breach in question, the subject-matter had lost its confidential quality and had entered the public domain as the result of steps taken by or to be attributed to Maggbury.

59           The appeal against the orders made by the Court of Appeal should be dismissed with costs. There has been no cross-appeal by the respondents against the award of \$5,000 damages made by the Court of Appeal.

60 KIRBY J. The facts in this appeal<sup>35</sup> are stated in the reasons of the other members of the Court. I will avoid unnecessary repetition.

The issues

61 The appeal presents three issues. By reason of a notice of contention filed by the respondents, a fourth issue is added, although in a sense it is an aspect of the third. The issues are:

- (1) Within the "confidentiality agreements" executed by Hafele<sup>36</sup>, was it shown that Hafele was in breach of the agreements when account is taken of the public availability of the information said to have been confidential? In other words did the initiatives of the first appellant, Maggbury Pty Ltd ("Maggbury"), in disclosing that information publicly, by making Australian and international applications for patents in 1995 and 1996, deprive it of any basis for complaint about anything that Hafele did?
- (2) If Hafele was in breach of the confidentiality agreements, does the common law doctrine of restraint of trade apply to relieve Hafele of its obligations otherwise under the agreements by rendering such agreements, or the offending restraints on trade contained within them, unenforceable in law?
- (3) If not, was it open to the primary judge to conclude that an injunction was a necessary and appropriate remedy in the circumstances to restrain Hafele from breaching the covenants contained in the confidentiality agreements?
- (4) Was the injunction framed by the primary judge so wide in its terms and extended in its duration and application as to indicate a miscarriage of discretion so as to sustain the decision of the Court of Appeal on additional grounds?

---

35 From a judgment of the Court of Appeal of the Supreme Court of Queensland: *Maggbury Pty Ltd v Hafele Australia Pty Ltd* [2000] QCA 172.

36 There were two such agreements and two Hafele companies (the respondents to the appeal) as explained in the reasons of Gleeson CJ, Gummow and Hayne JJ at [1], [13] ("the joint reasons"). For the purpose of my analysis differentiation between them will, for the most part, be unnecessary. Otherwise they are referred to as "Hafele Australia" and "Hafele Germany".

The confidentiality agreements were breached

62 So far as the first issue is concerned, I agree with the joint reasons<sup>37</sup> and with Callinan J<sup>38</sup> that, in their terms, the confidentiality agreements restrained Hafele from dealing with the information when supplied or disclosed during negotiations on the basis that such information was confidential. As the joint reasons point out, the meaning of cl 11 – that Hafele would *forever* observe obligations of confidence – is quite clear<sup>39</sup>. These express terms make it impossible for Hafele to contend successfully that the information was not in truth "private and confidential". The mainstay of Hafele's arguments before this Court therefore founders on the explicit language of the agreements that were executed by the parties.

63 Where there is a written contract, the first step in analysis is to construe its language. The language of cll 5.1, 5.2, 5.3 and 5.6<sup>40</sup> cannot be reconciled with the primary proposition that Hafele advanced. The subject matter of Hafele's covenants was not "information" in a generic sense but "the Information", as defined. By cl 5.1 of the agreements, Hafele promised to *treat* "the Information" as "private and confidential". This meant to do so whether or not it was private and confidential *in fact*. The construction of the agreements therefore defeats Hafele's primary submission.

The restraint of trade doctrine is inapplicable

64 This conclusion makes it necessary to consider whether the restraint of trade doctrine of the common law comes to the rescue of Hafele so as to deprive the confidentiality agreements of enforceability at the suit of Maggbury.

65 As Callinan J points out<sup>41</sup>, on the face of things, such a conclusion would be a somewhat surprising one in the circumstances of this case. Normally, the common law upholds contractual promises. That is an important, even fundamental, aspect of economic freedom as it is exercised in an economy such as ours. Hafele freely negotiated the agreements with Maggbury. The contracting parties were at arm's length. This is not a case where advantage was taken of Hafele as a party in a vulnerable economic position. Indeed, Hafele was

---

37 Joint reasons at [53].

38 Reasons of Callinan J at [89].

39 Clause 11 is set out in the joint reasons at [21].

40 The relevant subclauses of cl 5 are set out in the joint reasons at [21].

41 Reasons of Callinan J at [94].

in a much stronger economic situation than Maggbury. Both parties to the confidentiality agreements were advised by lawyers and other experts. Hafele executed the agreements with its eyes wide open. It made highly specific promises of a particular character. By the execution of the confidentiality agreements, it agreed to be bound to those promises.

66 The sequence of events, as found by the primary judge, suggested nothing in the conduct of Hafele that demanded relief from its promises based on a doctrine of the common law designed to defend the public interest. Hafele knew that the combination of features in Maggbury's foldaway ironing board involved a claim to a trade secret which Maggbury was determined (and taking pains) to protect<sup>42</sup>. Hafele acknowledged that the advantages of Maggbury's invention included the utility of its design and its use in confined spaces as well as its cheaper price in comparison to other foldaway ironing boards then on the market<sup>43</sup>. Hafele's own internal correspondence so described the Maggbury product. Hafele knew that Maggbury was looking for a co-venturer to exploit its invention commercially. Hafele was aware that restrictions on access to the prototype, photographs, diagrams and specifications were imposed until after the confidentiality agreements were executed. Hafele Germany received the final production drawings of the new prototype "in accordance with our confidentiality agreement". At the very least, this gave Hafele a head start in development of its own products based upon those materials. In May 1997, at the Cologne Interzum trade fair, Hafele displayed a version of the wall-mounted ironing board which was admitted to be based on the Maggbury information, except that it utilised a smaller Hafele board to save production costs. Only weeks later, by letter of 10 June 1997, Hafele terminated its negotiations with Maggbury. Soon after, by October 1997, Hafele Australia began distributing a wall-mounted foldaway ironing board containing "minor" differences from the one displayed by Hafele in Cologne. Clearly, one of the reasons for the minor variations was the advice received by Hafele on 16 May 1997 (admitted into evidence) to the effect that adopting such variations would help circumvent any proceedings brought based on Maggbury's patent applications.

67 On the face of things, this was therefore a case where Hafele, having agreed to explicit, limited and particular restrictions on the use it could make of "the Information", proceeded, in clear breach of its covenants, to do exactly what it had promised not to do. Hafele was interested in Maggbury's idea. At all

---

42 As held by the primary judge: *Maggbury Pty Ltd v Hafele Australia Pty Ltd* unreported, Supreme Court of Queensland, 22 January 1999 at 25 per Byrne J.

43 The "Robinhood Ironing Centre", which featured a foldaway ironing board inside a box mounted on a wall or in between studs, without a carousel, retailed at \$250-\$330, whereas the potential for the appellants' version was to retail at \$150.

relevant times it was a participant in the affected market. It wanted to get "the Information". It was not itself content to rely on the public disclosure made in connection with the patent applications. It wanted access to the prototypes, photographs, designs and other related information. When this could not be secured without execution of the confidentiality agreements, it executed them. It thereby procured what it wanted. It promptly proceeded to manufacture and market a substantially identical product. Its appeal to public policy and the common law to protect it from its freely entered contractual obligations does not therefore have an immediate attractiveness.

68 However, the principle of freedom of contract is not of itself an answer<sup>44</sup> to the suggestion that a particular restraint upon freedom of trade is impermissible when measured against the common law doctrine against "unreasonable contractual restriction"<sup>45</sup>. It is necessary to consider the ambit and application of the doctrine now understood in the context of detailed legislation designed to maintain trading freedom and competitiveness in Australia<sup>46</sup>. In the present appeal it was not suggested that any provision of the *Trade Practices Act* 1974 (Cth) or any other statute was applicable to determine the rights and obligations of the parties.

69 The common law is vigilant against contractual promises that hamper freedom of labour, skill or talent contrary to the interests of the community<sup>47</sup>. This is especially so where the restraint imposed is "more than that which is required (in the judgment of the court) to protect the interests of the parties"<sup>48</sup>. However, there was nothing in the confidentiality agreements executed by it that hampered Hafele's economic freedom in such an impermissible or unreasonable way. This is because the definition of the prohibited acts, contained in the agreements, was quite narrow. Hafele could carry on its trade, including in the

---

44 *Bacchus Marsh Concentrated Milk Co Ltd (in Liq) v Joseph Nathan & Co Ltd* (1919) 26 CLR 410 at 440 per Isaacs J; *Peters (WA) Ltd v Petersville Ltd* (2001) 75 ALJR 1385 at 1394 [37]; 181 ALR 337 at 348.

45 *Peters American Delicacy Co Ltd v Patricia's Chocolates and Candies Pty Ltd* (1947) 77 CLR 574 at 590 per Dixon J.

46 *Peters (WA) Ltd v Petersville Ltd* (2001) 75 ALJR 1385 at 1392 [29]-[32]; 181 ALR 337 at 346.

47 *Esso Petroleum Co Ltd v Harper's Garage (Stourport) Ltd* [1968] AC 269 at 324 per Lord Pearce.

48 *Amoco Australia Pty Ltd v Rocca Bros Motor Engineering Co Pty Ltd* (1973) 133 CLR 288 at 307; affd on other issues by the Privy Council: (1975) 133 CLR 331; [1975] AC 561.

manufacture and marketing of foldaway ironing boards, so long as it did not use any of "the Information" disclosed to it by Maggbury. Hafele could proceed, independently of that "Information", to invent such boards and to market them without restriction, so long as it used its own internal ideas or information acquired without legal inhibition from third parties or from data in the public domain unaffected by the restriction to which it had agreed in the use of "the Information" acquired from Maggbury.

70 Hafele could also have used information conveyed orally on behalf of Maggbury without restriction. But in so far as it used "the Information" received from Maggbury it was bound by the covenants in the confidentiality agreements it had executed. In this respect, the promises in the present case differ substantially from covenants commonly examined in restraint of trade cases by which an employee promises not to use or disclose information acquired during the course of employment without the use of which the employee could not carry on his or her trade<sup>49</sup>. The restraints upon Hafele were much more limited and defined, only restricting the use of identified materials. Those materials were "the Information" provided by Maggbury, nothing more.

71 The restraint of trade doctrine, being an invention of the common law, must be applied to the facts "with a broad and flexible rule of reason"<sup>50</sup>. In the present case, the promises sought by Maggbury and given by Hafele tend, in my view, to advance the efficient operation of the market rather than to restrict it. Upholding the promises tends to encourage inventors to disclose to potential competitors and collaborators innovative ideas that may or may not ultimately secure patent protection. In circumstances such as those in this case, to find that the promises are unenforceable on the ground of the common law doctrine prohibiting restraint of trade is to discourage inventors of modest means from dealing with much larger manufacturers and marketing organisations upon terms that protect the interests of the inventor, whatever may be the ultimate outcome of its patent application. It is to discourage inventors from negotiating with those who can market their ideas, under conditions that protect the ideas from exploitation by others immediately after disclosure. I do not consider that this

---

49 *Wright v Gasweld Pty Ltd* (1991) 22 NSWLR 317; cf *Triplex Safety Glass Co v Scorah* [1938] Ch 211 at 216-217; *Lindner v Murdock's Garage* (1950) 83 CLR 628 at 640.

50 *Howard F Hudson Pty Ltd v Ronayne* (1972) 126 CLR 449 at 453 citing *Esso Petroleum Co Ltd v Harper's Garage (Stourport) Ltd* [1968] AC 269 at 331; *Adamson v New South Wales Rugby League Ltd* (1991) 31 FCR 242 at 292 per Gummow J.

Court should support such a view of the scope of the law on restraint of trade. To do so would<sup>51</sup>:

"have a halting effect on commercial transactions. The owners of new and unpatented products would hesitate before transmitting the information and making the disclosures essential to bring about meaningful negotiations."

72 Of course, in every case, it would be a question for decision as to whether, properly construed, the party exploiting the idea has agreed with the inventor in such a way as to give rise to a breach of contract. In each case, there would be factual questions to be determined as to whether the exploiter's conduct did, as a matter of fact, involve use of the inventor's ideas, prototypes, photographs, models, designs and so forth. But if these premises are established, I see no reason of legal principle or legal policy why the law should not hold the exploiter to the confidentiality agreement that it executed. Least of all do I see a reason why the law should declare such agreements unenforceable for supposed public policy reasons where the position of the parties is that disclosed by the evidence in this case and the sequence of events is that which I have described.

73 It follows that the primary judge correctly found in the circumstances that Hafele should be held to its covenants and that it was not relieved from such obligations by the common law doctrine of restraint of trade.

The provision of injunctive relief was proper

74 In relation to the general question as to whether an injunction would be futile or should have been refused in this case on equitable grounds, I am in agreement with Callinan J that this argument also fails<sup>52</sup>.

75 It is worth noting that, in the Court of Appeal, Hafele did not, as such, challenge the grant of injunctive relief. Its attack there was rather on the terms of par 2(b) of the injunction actually granted at trial. That attack has been continued in this Court. Nevertheless, because Hafele has contended that an injunction could never be granted to restrain the use of information that is publicly available, it is necessary to address the third issue.

76 With respect to the Court of Appeal<sup>53</sup>, I regard the suggestion that injunctions may never be granted to restrain the use of publicly available

---

51 *Biodynamic Technologies Inc v Chattanooga Corp* 644 F Supp 607 at 611 (1986).

52 Reasons of Callinan J at [99]-[107].

53 [2000] QCA 172 at [22], [32]-[34], [36].

information as too widely stated. The grant of a permanent injunction is a discretionary remedy<sup>54</sup>. The discretion is not infrequently exercised in favour of restraining a breach of express negative contractual stipulations, agreed to by a party. Callinan J has cited judicial and textual support for the availability of injunctive relief to restrain a breach of a negative covenant<sup>55</sup>. There are many other authorities that support the availability of such relief in such a case<sup>56</sup>. In the present matter, Hafele not only agreed, in terms, that it would not use "the Information" irrespective of whether it was, or became, publicly available. Hafele also expressly agreed, in cl 13.3, that Maggbury "shall be entitled to" an injunction in the event of a breach. Why should Hafele now be heard to resist the remedy to which it expressly agreed in respect of the precise circumstances that have occurred?

77 The extent of the damage that would be suffered by Maggbury, if Hafele were not restrained by injunction, is certainly a consideration that might be taken into account in deciding whether or not to grant that discretionary remedy. However, in the present case, the primary judge made explicit findings of fact as to the hardship to Maggbury if the injunction were not granted. He addressed explicitly the utility of the injunction in terms that the Court of Appeal appeared, elsewhere in its reasons, to accept<sup>57</sup>.

78 A number of considerations, taken into account by the primary judge, supported the injunctive relief which he granted. Hafele had expressly promised not to use "the Information". Yet the primary judge found that Hafele did so. The contract was fully executed. The judge found that clear breaches of the confidentiality agreements had been proved, concluding that outright copying was "compelled by the evidence, especially that of Hafele's witnesses". There was no doubt that, unless restrained, continuing breaches were threatened. Such breaches would arise with every sale of the Hafele copy product, including by Hafele Australia in Australia. It was therefore abundantly clear that Hafele intended to continue to act as it asserted it was entitled to do. Maggbury would

---

54 eg *Mikasa (NSW) Pty Ltd v Festival Stores* (1972) 127 CLR 617 at 651; *Cardile v LED Builders Pty Ltd* (1999) 198 CLR 380 at 396 [32]; Spry, *Equitable Remedies*, 6th ed (2001) at 4-18.

55 eg *Broken Hill Proprietary Co Ltd v Hapag-Lloyd Aktiengesellschaft* [1980] 2 NSWLR 572 at 581; Meagher, Gummow and Lehane, *Equity: Doctrines and Remedies*, 3rd ed (1992) at 619-620 [21 100]: see reasons of Callinan J at [102]-[104].

56 eg *Queensland Co-operative Milling Association v Pamag Pty Ltd* (1973) 133 CLR 260.

57 [2000] QCA 172 at [1], [8], [12].

then have been obliged to pursue successive actions at law to uphold the confidentiality agreements with Hafele. This would have imposed great hardship on Maggbury. Before granting an injunction in relation to information, a court will consider the extent of the dissemination of the information. If the information has become publicly available, a court may nevertheless order an injunction to prevent the defendant using the information. The court might elect to order a temporary "springboard" injunction to prevent the defendant gaining an unfair advantage<sup>58</sup> if a permanent injunction would be pointless<sup>59</sup>. Yet here, the primary judge found that dissemination of Hafele's wall-mounted foldaway ironing board was "small" and a comparable product had not previously been seen on the market. The primary judge also found that Hafele's conduct in breach of the agreements diminished Maggbury's capacity to exploit its designs<sup>60</sup>.

79 In circumstances where the copying was found to be "substantial"<sup>61</sup> and where the injunction granted was confined to preventing the use of "the Information" embodied in the materials provided by Maggbury on the strength of the agreements, the justification for injunctive relief is overwhelming.

80 I reach this conclusion without deciding whether an additional justification lies in the fact that the breaches of the confidentiality agreements proved against Hafele were deliberate and flagrant. The primary judge held back from making express findings on that claim by Maggbury. Yet, to say the least, the evidence suggests that that was the case. Otherwise, it is difficult to reconcile the primary judge's finding that there was "substantial" evidence of copying, on the one hand, and Hafele's explicit denial of use of "the Information" admittedly supplied under the conditions of confidentiality. Indeed, the fact that Hafele, in its internal communications, addressed the very question of whether Maggbury should be paid for using "the Information" seems to confirm that a real question arises as to the deliberate and flagrant character of Hafele's conduct in the circumstances.

---

58 *British Franco Electric Pty Ltd v Dowling Plastics Pty Ltd* [1981] 1 NSWLR 448 at 451.

59 Dean, *The Law of Trade Secrets*, (1990) at 305-307.

60 Byrne J found that distribution of the respondents' board would have a "special [adverse] impact" on the appellants: *Maggbury Pty Ltd v Hafele Australia Pty Ltd* unreported, Supreme Court of Queensland, 22 January 1999 at 29.

61 *Maggbury Pty Ltd v Hafele Australia Pty Ltd* unreported, Supreme Court of Queensland, 22 January 1999 at 21 per Byrne J.

The injunction granted was not impermissibly wide

81 The foregoing conclusions leave only the issue of whether the terms of the injunction, as granted by the primary judge, were unacceptably wide, warranting, on that ground, the orders made by the Court of Appeal. This is the primary point raised in Hafele's notice of contention in this Court.

82 Hafele argued that the injunction was so wide that it was "embarrassing". On this point, I agree with the reasoning of Callinan J<sup>62</sup>. It is impossible to reconcile this contention with the approach which this Court took in *Patrick Stevedores Operations No 2 Pty Ltd v Maritime Union of Australia*<sup>63</sup>. There the circumstances were infinitely more complex. The prospect of difficulty in curial supervision of the conduct of the parties was much more real. In the present case, all that was ordered was that Hafele be restrained permanently from manufacturing or distributing the particular wall-mounted ironing board which was found to be the product of substantial copying and any other ironing board designed or manufactured by using "the Information". That expression was defined in cl 3.1 of the confidentiality agreements<sup>64</sup> in precise terms to include any "writing, sketches, diagrams, models, film, video tape, plans, designs, drawings, manufactured prototypes, layouts, schedules or photographs". The definition is wide but quite specific. The matters referred to in it are, on the face of the confidentiality agreements, the items Maggbury supplied to Hafele at its request and subject to the express promises that Hafele made.

83 Hafele cannot really complain about being restrained from using such "Information". The terms of the injunction would not restrain Hafele from manufacturing and distributing another wall-mounted ironing board designed differently without use of the novel ideas contained in Maggbury's design and demonstrated or illustrated in "the Information" supplied by Maggbury to Hafele. But it would be held to its promise – as in such circumstances would and should normally happen.

84 As with any injunctive relief, it would always be open to Hafele, if conditions changed, to seek the dissolution of the injunction or to demonstrate that some modification of its ambit or duration was warranted by new circumstances not fully appreciated at the time of trial. The injunction granted was, in my view, valid. It was within the proper exercise of the discretion of the primary judge.

---

62 Reasons of Callinan J at [103].

63 (1998) 195 CLR 1.

64 Set out in the joint reasons at [19].

85 Hafele's real undoing in this case was the critical sequence of events, objectively proved. Hafele wanted Maggbury's concept. It signed confidentiality agreements. It secured "the Information" on the faith of those agreements. And it then proceeded post-haste to manufacture and distribute a product which the primary judge found was a "substantial" copy from "the Information". In such circumstances, Hafele cannot complain about, and should not have been surprised by, the decision of the primary judge. The law and the justice of the case support the conclusion reached and the orders made at trial. This Court should restore those orders.

#### Orders

86 The appeal should be allowed with costs. The orders of the Court of Appeal of the Supreme Court of Queensland should be set aside. In place thereof, it should be ordered that the appeal to that Court be dismissed with costs.

87 CALLINAN J. The facts, the material terms of the contracts, and the relevant parts of the reasons for judgment of the Court of Appeal of Queensland are stated in the judgment of Gleeson CJ, Gummow and Hayne JJ and need not be repeated.

88 For the appellants to succeed, they must establish three propositions: first, that the contractual restraints in the agreements applied even though the information had become publicly available as a result of their activities; secondly, that the doctrine of restraint of trade did not render those contractual restraints unenforceable; and, thirdly, that an injunction to prevent further use of the information was an appropriate remedy.

89 I respectfully agree with Gleeson CJ, Gummow and Hayne JJ that, on the proper construction of the contracts, the respondents were under an obligation not to use information provided to them by the appellants. There was nothing in terms, in the contracts, which excepted from that obligation information that may have passed into the public domain. And indeed, as Gleeson CJ, Gummow and Hayne JJ point out<sup>65</sup>, the appellants did not covenant that the information had a confidential character. The question, as posed by their Honours, is, therefore, whether the restraint of trade doctrine operates so as to free the respondents from the obligation of confidence which they covenanted to fulfil and for which consideration was given.

#### Restraint of trade doctrine

90 The doctrine of restraint of trade gives effect to the policy that "every man shall be at liberty to work for himself, and shall not be at liberty to deprive himself or the State of his labour, skill, or talent, by any contract that he enters into"<sup>66</sup>. The doctrine derives from a reaction to the guilds and royal monopolies of Tudor and Stuart England. The common law set its face against these from at least the beginning of the 17th century, treating them as nefarious<sup>67</sup>; and the

---

65 Reasons of Gleeson CJ, Gummow and Hayne JJ at [51].

66 *Herbert Morris Ltd v Saxelby* [1916] 1 AC 688 at 701.

67 See *The Ipswich Tailors' Case* (1614) 11 Co Rep 53a at 53b [77 ER 1218 at 1219]:

"[A]t the common law, no man could be prohibited from working in any lawful trade, for the law abhors idleness, the mother of all evil ... and especially in young men, who ought in their youth, (which is their seed time) to learn lawful sciences and trades, which are profitable to the commonwealth, and whereof they might reap the fruit in their old age, for idle in youth, poor in age; and therefore the common law abhors all monopolies, which prohibit any from working in any lawful trade".

doctrine came to extend to other fetters upon an Englishman's liberty to trade<sup>68</sup>. However, in response to commercial realities, the law was forced to relax some of its opposition<sup>69</sup>. It exempted certain classes of restraints from the reach of the doctrine<sup>70</sup>; and it abandoned the prohibition on voluntary, general restraints (which operated throughout the whole of the United Kingdom or beyond)<sup>71</sup>. But although the guilds and royal monopolies of England have long since been consigned to the history books, along with trial by ordeal and the Divine Right of Kings, the ancient distrust persists. It lies at the heart of the presumption that restraints are bad unless proved otherwise<sup>72</sup>. It also underpins the rule that any restraint that goes beyond what the courts consider to be reasonable in the interests of both parties must be struck down, even if there is no evidence of harm to the public<sup>73</sup>.

91 The doctrine continues to operate notwithstanding that after all these years no universal test as to the situations to which it will apply has emerged. In my opinion, the time is ripe for considering whether the doctrine should have any application, or a much more limited application, in modern times. For more than 25 years, businesses in this country to which federal legislative power can extend have been governed by the *Trade Practices Act 1974* (Cth), which establishes a

---

68 See Sanderson, *Restraint of Trade in English Law*, (1926) at 19; Anson's *Law of Contract*, 27th ed (1998) at 360; Heydon, *The Restraint of Trade Doctrine*, 2nd ed (1999) at 3-13.

69 Meltz, *The Common Law Doctrine of Restraint of Trade in Australia*, (1995) at 16; Treitel, *The Law of Contract*, 10th ed (1999) at 415-416.

70 *Esso Petroleum Co Ltd v Harper's Garage (Stourport) Ltd* [1968] AC 269 at 333-335 per Lord Wilberforce.

71 *Nordenfelt v Maxim Nordenfelt Guns and Ammunition Co* [1894] AC 535; Heydon, *The Restraint of Trade Doctrine*, 2nd ed (1999) at 16-19.

72 Sanderson, *Restraint of Trade in English Law*, (1926) at 24 traces the modern presumption against restraints of trade to *Mitchel v Reynolds* (1711) 1 P Wms 181 [24 ER 347].

73 The test of reasonableness between the parties has considerable difficulties. The test requires judges to substitute their own views for the decisions of businessmen and women, thereby overturning the arrangements on which the latter have based their affairs. It asks the courts to engage in a delicate exercise: they must not inquire into the adequacy of consideration or the fairness of the contract, but they can take account of the *quantum* of consideration to determine if a covenant is reasonable. The test also leaves undefined in what circumstances the "public interest" should strike down restraints that surmount the hurdle of reasonableness.

legislative regime to foster and protect competition. That regime is policed by the Australian Competition and Consumer Commission, a statutory body with very considerable powers, some of which reach well beyond those of the courts exercising their common law jurisdiction in applying the doctrine<sup>74</sup>. Parliament regularly adjusts the legislation in the light of community and business needs, and the importance of competition for the economy<sup>75</sup>. That this is so should be taken into account in formulating and applying any contemporary doctrine of restraint of trade<sup>76</sup>.

92 It is also important to remember that the restraint of trade doctrine may inhibit, indeed even strangle, free trade rather than facilitate it. Lord Pearce made the point eloquently in *Esso Petroleum Co Ltd v Harper's Garage (Stourport) Ltd*<sup>77</sup>:

"Undue interference [with contracts], though imposed on the ground of promoting freedom of trade, may in the result hamper and restrict the honest trader and, on a wider view, injure trade more than it helps it. If a man wishes to tie himself for his own good commercial reasons to a particular supplier or customer it may be no kindness to him to subject his contract to the arbitrary rule that the courts will always reserve to him a right to go back on his bargain if the court thinks fit. For such a

---

74 For instance, under s 80(1A) of the *Trade Practices Act*, the Commission alone can seek an injunction to prevent an acquisition which would have the effect of substantially lessening competition. It also has the power under s 88 to make authorisations excepting contracts and arrangements from s 45 and other provisions relating to restrictive trade practices.

75 *Peters (WA) Ltd v Petersville Ltd* (2001) 75 ALJR 1385 at 1392 [28], 1392-1393 [33]; 181 ALR 337 at 345, 347; *Australian Capital Territory v Munday* (2000) 99 FCR 72 at 92. It is worth adding that the relations between employees and employers, and indeed between principals and independent contractors in some matters and circumstances, are closely regulated by statute and the common law: see *Workplace Relations Act* 1996 (Cth); *Stevens v Brodribb Sawmilling Co Pty Ltd* (1986) 160 CLR 16; *Hollis v Vabu Pty Ltd* (2001) 75 ALJR 1356; 181 ALR 263.

76 *Peters (WA) Ltd v Petersville Ltd* (2001) 75 ALJR 1385 at 1392 [28], 1392-1393 [33]; 181 ALR 337 at 345, 347. See also *Esso Petroleum Co Ltd v Harper's Garage (Stourport) Ltd* [1968] AC 269 at 327-328: "One of the mischiefs at which the doctrine was aimed originally was the mischief of monopolies. But this was dealt with by legislation and the executive has from time to time taken efficient steps to prevent it."

77 [1968] AC 269 at 323.

reservation prevents the honest man from getting full value for the tie which he intends, in spite of any reservation imposed by the courts, to honour. And it may enable a less honest man to keep the fruits of a bargain from which he afterwards resiles."

These words were spoken in relation to the question of the reasonableness of restraints. In my opinion, however, they can equally be applied to the entire basis of the doctrine.

93 The law should seek to uphold bargains and enforce restraints other than those which are clearly and demonstrably against the public interest. In other words, a person who wants to break a restrictive covenant should be obliged to show that enforcement of it would substantially reduce competition within a marketplace, result in price fixing, or otherwise cause the public some real and discernible economic detriment of an anti-competitive nature. No less should be required to justify a unique interference with freedom of contract or the giving of a judicial imprimatur to what would otherwise be a flagrant breach of contract when one party decides that he or she has had enough of it. Both this case and the case of *Peters (WA) Ltd v Petersville Ltd*<sup>78</sup> are recent examples of a belated invocation of the doctrine to contracts which are freely negotiated by substantial arms' length parties fully advised by their own lawyers and which are largely performed by the time of that invocation<sup>79</sup>.

94 There is also an inherent contradiction in the idea of a notional reliance on the doctrine by a party seeking relief. People who enter into agreements intended to be legally binding cannot credibly be heard to say that they did so relying on, or conscious of, the existence of the doctrine of restraint of trade in its current form to relieve them of their obligations of performance.

95 There is a further difficulty. The doctrine of restraint of trade, as I earlier suggested, has not been clear in its application. A doctrine that provides no clear criteria for the ascertainment of the situations to which it applies can only be regarded with deep concern. The House of Lords in *Esso Petroleum Co Ltd v Harper's Garage (Stourport) Ltd* suggested no fewer than three different tests for the identification of contracts or situations to which the doctrine might be

---

78 (2001) 75 ALJR 1385; 181 ALR 337.

79 See also *Australian Capital Territory v Munday* (2000) 99 FCR 72 at 92 per Heerey J: "When one party does seek to invoke the doctrine it will usually not be for any lofty motives of public interest. It has not escaped the notice of courts that sometimes parties of relatively equal bargaining strength freely enter into a contract but later one finds a more attractive proposition elsewhere and seeks to be released".

applicable: the sterilisation of capacity test<sup>80</sup>; the pre-existing freedom test<sup>81</sup>; and the trading society test<sup>82</sup>. Other courts have preferred to exempt restraints from the doctrine on the basis of the "public interest"<sup>83</sup>. And although this Court has recently cast doubt on the sterilisation of capacity test<sup>84</sup>, it is not entirely clear what is to be the test in Australia.

96 In this case, the approach that I would prefer if unconstrained by authority would lead to a clear result. The respondents voluntarily entered into contracts with the appellants; armed with legal advice, they agreed to accept limits on the use they might make of information that the appellants provided. They should be held to that bargain unless they can demonstrate that the restraints cause the public significant economic harm of an anti-competitive nature. I find it difficult to see how that could be, particularly as they can continue to trade without relying on the disclosures by the appellants and they can use publicly available information as well as their own skills and experience. Any economic harm to the public would appear to be trivial or non-existent. It would follow that the doctrine of restraint of trade would have no application to the restraint.

97 I am, however, constrained by authority to apply the doctrine. Nonetheless, I would reach a different conclusion from that of the Court of Appeal. It is often said that the doctrine requires a person relying on the restraint to show that it is reasonable in the interests of the parties, and that it requires a person who alleges that the restraint is contrary to public policy to demonstrate that it is so<sup>85</sup>. However, it needs to be borne in mind that the requirement of

---

80 [1968] AC 269 at 328-329 per Lord Pearce.

81 [1968] AC 269 at 298 per Lord Reid, 309 per Lord Morris of Borth-y-Gest, 316 per Lord Hodson.

82 [1968] AC 269 at 332-335 per Lord Wilberforce.

83 *Panayiotou v Sony Music Entertainment (UK) Ltd* [1994] Trading Law Reports 532.

84 *Peters (WA) Ltd v Petersville Ltd* (2001) 75 ALJR 1385 at 1393-1394 [34]-[38]; 181 ALR 337 at 347-348. This Court, while noting criticisms of the pre-existing freedom test, made it clear that it was unnecessary to consider that matter further: see (2001) 75 ALJR 1385 at 1390-1391 [22]; 181 ALR 337 at 344.

85 *Herbert Morris Ltd v Saxelby* [1916] 1 AC 688 at 700; *Amoco Australia Pty Ltd v Rocca Bros Motor Engineering Co Pty Ltd* (1973) 133 CLR 288 at 307 per Walsh J, 316 per Gibbs J.

reasonableness is based on, and intertwined with, public policy. As Lord Pearce explained in *Esso Petroleum Co Ltd v Harper's Garage (Stourport) Ltd*<sup>86</sup>:

"Public policy, like other unruly horses, is apt to change its stance; and public policy is the ultimate basis of the courts' reluctance to enforce restraints. Although the decided cases are almost invariably based on unreasonableness between the parties, it is *ultimately* on the ground of public policy that the court will decline to enforce a restraint as being unreasonable between the parties. And a doctrine based on the general commercial good must always bear in mind the changing face of commerce. There is not, as some cases seem to suggest, a separation between what is reasonable on grounds of public policy and what is reasonable as between the parties. *There is one broad question: is it in the interests of the community that this restraint should, as between the parties, be held to be reasonable and enforceable?*" (second emphasis added)

If the question is framed in these terms, I have no doubt that the restraint is enforceable. It is true that the restraint was unlimited in terms of time and place; but those considerations are not decisive. Courts do grant permanent injunctions from time to time<sup>87</sup>. And as to the absence of any geographical restraint, I point out that the market to which the parties were looking was an international one. A number of other factors, taken together, suggest that the restrictive covenant was reasonable. The parties were engaged in commercial dealings and the respondents were on an equal footing with the appellants, if not on a superior commercial footing to them<sup>88</sup>. They took their own legal advice. The covenant with the appellants that the respondents entered into simply forbade them from making use of information that was provided to them by the appellants: the restraint was designed to prevent the respondents from obtaining the benefit of the appellants' wall-mounted invention in ways that would harm the business of the appellants. The covenant left the respondents with their pre-existing freedom

---

86 [1968] AC 269 at 324. See also Walsh J in *Amoco Australia Pty Ltd v Rocca Bros Motor Engineering Co Pty Ltd* (1973) 133 CLR 288 at 307.

87 See Heydon, *The Restraint of Trade Doctrine*, 2nd ed (1999) at 131-132 for a discussion of cases in which lifelong restraints were held to be good.

88 *North Western Salt Co Ltd v Electrolytic Alkali Co Ltd* [1914] AC 461 at 471 per Viscount Haldane LC; *English Hop Growers v Dering* [1928] 2 KB 174 at 181 per Scrutton LJ; *Esso Petroleum Co Ltd v Harper's Garage (Stourport) Ltd* [1968] AC 269 at 300 per Lord Reid, 320 per Lord Hodson, 324 per Lord Pearce; *Amoco Australia Pty Ltd v Rocca Bros Motor Engineering Co Pty Ltd* (1973) 133 CLR 288 at 316 per Gibbs J.

to trade, and did not otherwise interfere with their business<sup>89</sup>. It could not be said to injure the public by stifling competition. Indeed, as one court has suggested, striking down such restraints might have adverse consequences on trade<sup>90</sup>:

"The owners of new and unpatented products would hesitate before transmitting the information and making the disclosures essential to bring about meaningful negotiations."

All these considerations, in my view, lead to the conclusion that the restraint went no further than was necessary in the interests of both parties and offended no public interest. Even on the current law of restraint of trade, the covenant can and should be given effect.

### *Public disclosure*

98

Something further need be said about the matter of public disclosure upon which the Court of Appeal relied as a factor telling against the utility, and therefore the availability, of an injunction. The appellants had, by the time of their first negotiations with the respondents, applied for both national and international patents. Priority dates of 14 July 1995 and 4 August 1995 applied to the former and were claimed in respect of the latter. Disclosure by any party after the priority date of the subject matter of the applications would not compromise the novelty, and the rights of the appellants to exploit the novelty, of the inventions, under the legislation. No patent has yet been granted. If it is granted, it is the appellants who would be entitled to bring proceedings with respect to infringements committed after the first publication (that is, on the opening of the application for public inspection as notified in the *Australian Official Journal of Patents*<sup>91</sup>). It follows that nothing turns in this case upon the fact that, independently of the exposure of the applications to public inspection by operation of the *Patents Act* 1990 (Cth), a prototype and other matters may have been publicly disclosed. That disclosure would not have prejudiced the appellants' statutory rights of exploitation and protection on the grants of the applications. As to that, the respondents took their chances. They undertook, by covenant, irrespective of whether a patent might emerge or not, not to use or

---

**89** *Esso Petroleum Co Ltd v Harper's Garage (Stourport) Ltd* [1968] AC 269 at 298 per Lord Reid, 309 per Lord Morris of Borth-y-Gest, 316-317 per Lord Hodson. While these comments are directed to the scope of the restraint of trade doctrine, I can see no reason why keeping intact a pre-existing freedom should not factor in the reasonableness of the restraint.

**90** *Biodynamic Technologies Inc v Chattanooga Corporation* 644 F Supp 607 at 611 (1986).

**91** *Patents Act* 1990 (Cth), ss 90(b), 92(3).

reveal what the appellants made available to them. Nothing, therefore, in my opinion, turns upon the public exhibition in which the appellants participated, of matter the subject of the agreements between the parties.

### The injunction

99        There remains the question whether an injunction as granted at first instance could properly have been granted. The trial judge, Byrne J, granted an injunction restraining the respondents from manufacturing or distributing a particular wall-mounted ironing board. His Honour also restrained the respondents from manufacturing or distributing "any other wall mounted ironing board designed or manufactured using wholly or in part information derived directly or indirectly" from documents or prototypes supplied by the appellants to the respondents. The sources of information and the occasions on which information was provided to the respondents were listed in the order.

100       The Court of Appeal (de Jersey CJ, Pincus and Davies JJA) would have declined to issue an injunction preventing the respondents from using information derived from the appellants largely because the task of supervising it would have been "embarrassing". Their Honours explained:

"[I]f the evidence in an application for contempt shows that a particular feature in one of the [respondents'] models is identical with a feature in one of the various versions of [the appellants'] board referred to in the injunction, being a feature which has been publicly disclosed or is commonplace, the Court will have to delve into the process whereby that feature came to be in the [respondents'] board – from one of [the appellants'] versions, on the one hand, or from information published by [the appellants] or common knowledge, on the other.

There is much authority emphasising that an injunction restraining the use of confidential information should not be in such terms as to be likely to give rise to difficult or embarrassing questions when it is sought to prove breach ... Here the problem the Court would encounter would not be to discriminate between confidential and other information, that being the main difficulty in the sorts of cases to which we have referred. It would probably be to determine whether the presence of a feature which is in truth publicly known or commonplace is to be found in the [respondents'] board as a result of, for example, one of its employees having once looked at a drawing supplied by [the appellants]. It appears to us that that task could fairly be described as embarrassing, not least of all because it would seem to make little practical difference to [the appellants] whence the feature was derived."

101       I would make these observations about those passages.

102 This is a case in which the respondents, with their eyes open, agreed to abide by a restraint that prevented them from using information even though the appellants might disclose that information to the public. The restraint is in substance and in form a negative covenant. It is established that, in such cases, the correct approach is to grant the injunction unless there are good reasons to the contrary. Yeldham J in *Broken Hill Proprietary Co Ltd v Hapag-Lloyd Aktiengesellschaft* expressed the matter in terms with which I would agree<sup>92</sup>:

"[I]t is plain, in my opinion, from a long series of cases of authority, that the breach of a negative covenant, especially where private rights only are concerned, 'constitutes a strong foundation for relief by way of injunction'<sup>93</sup>. In *J C Williamson Ltd v Lukey and Mulholland*<sup>94</sup> Dixon J said: 'If ... a clear legal duty is imposed by contract to refrain from some act, then, prima facie, an injunction should go to restrain the doing of that act.'"

103 The Court of Appeal did not start from the view that, prima facie, an injunction should be granted. Instead, it stated that the injunction preventing the respondents from using information derived from the appellants should be refused because it would be embarrassing. That was not, with respect, an appropriate starting point.

104 In any event, in my opinion, the difficulties identified by the Court of Appeal are overstated. It is true that such lack of certainty as exists for the respondents is an important consideration that may warrant a refusal of an injunction<sup>95</sup>. However, much will depend on the actual situation. Excessively narrow formalism in framing the injunction may wreak its own injustice. As Meagher, Gummow and Lehane say<sup>96</sup>:

"In some cases, the practicalities of the facts may make it impossible to frame an injunction in anything but the most general terms; and, in any

---

92 [1980] 2 NSWLR 572 at 581-582.

93 *Dalgety Wine Estates Pty Ltd v Rizzon* (1979) 141 CLR 552 at 576 per Mason J.

94 (1931) 45 CLR 282 at 299.

95 *Redland Bricks Ltd v Morris* [1970] AC 652 at 666 per Lord Upjohn. See also *Electronic Applications (Commercial) Ltd v Toubkin* [1962] RPC 225; *Suhner & Co AG v Transradio Ltd* [1967] RPC 329.

96 Meagher, Gummow and Lehane, *Equity: Doctrines and Remedies*, 3rd ed (1992) at [21 100]. See also Spry, *The Principles of Equitable Remedies*, 4th ed (1990) at 366.

event, the danger of an order couched in overly particular terms is that it may leave the defendant at liberty to indulge in reprehensible conduct which is almost but not quite enjoined, without committing any contempt."

A more precise injunction than the trial judge granted in this case might have readily enabled the respondents to use information obtained from the appellants in violation of their agreement.

105 In *Patrick Stevedores Operations No 2 Pty Ltd v Maritime Union of Australia*<sup>97</sup>, the majority (Brennan CJ, Gaudron, McHugh, Gummow, Kirby and Hayne JJ; Callinan J dissenting) rejected a challenge to interim orders made by the Federal Court on the basis that the Court would be involved in "constant supervision" of conduct. From that case there can, I think, be discerned a judicial tendency to look to, and give effect to, the substantive merits of a party's case when injunctive relief is sought, even though to grant that relief may require further intervention by the court to refine the relief as the situation develops. In rejecting the challenge in *Patrick Stevedores*, their Honours pointed out that courts were "well accustomed to the exercise of supervisory jurisdiction upon applications by trustees, receivers, provisional liquidators and others with the responsibility for the conduct of administrations"<sup>98</sup>. They added that that case was not, as I do not think this one to be, a case in which a court "could never be sure that it was in a position to enforce its order without injustice"<sup>99</sup>.

106 Furthermore, I do not think that any potential for embarrassment for want of certainty here is any greater than in cases in which, for example, courts have restrained defendants from using confidential information or know-how. Courts have long recognised that the boundary between know-how and personal skills or experience can be hard to draw<sup>100</sup>. But that has not prevented them from holding, repeatedly, that covenants not to disclose confidential information or know-how will be enforced if they are reasonable<sup>101</sup>. It seems to me that the enforcement of

---

97 (1998) 195 CLR 1.

98 (1998) 195 CLR 1 at 47 per Brennan CJ, McHugh, Gummow, Kirby and Hayne JJ.

99 (1998) 195 CLR 1 at 47.

100 *Littlewoods Organisation Ltd v Harris* [1977] 1 WLR 1472 at 1479 per Lord Denning MR; [1978] 1 All ER 1026 at 1033. See also Heydon, *The Restraint of Trade Doctrine*, 2nd ed (1999) at 87-91.

101 *Herbert Morris Ltd v Saxelby* [1916] 1 AC 688 at 704 per Lord Atkinson, 709 per Lord Parker of Waddington; *Printers & Finishers Ltd v Holloway* [1965] 1 WLR 1 at 6 per Cross J; [1964] 3 All ER 731 at 736.

43.

the injunction granted by the trial judge here would impose no greater demands than the enforcement of injunctions in such cases.

107       The trial judge therefore had a proper basis for a grant of the injunction in the form that his Honour did. He found clear breaches of the agreements. He found that damages would be difficult to quantify. He also found that the distribution of the respondents' completed product was "likely to have a special impact". These were ample grounds for Byrne J to exercise his discretion to grant an injunction.

108       I would therefore allow the appeal, restore the judgment and orders of the trial judge, and order that the respondents pay the appellants' costs in this Court and the costs of the appeal to the Court of Appeal.