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Legal Protection of Computer Programs in the United Kingdom

*Timothy S. Bishop**

I. INTRODUCTION

The computer software and firmware industries spend an enormous sum of money each year¹ on the development of new programs.² Developing, marketing and maintaining an individual program may involve a substantial investment. A potential for profit obviously exists if a successful program can be copied, thereby saving development and other related expenses,³ or if a computer user can run a program without paying the usual fees to its owner. It is hardly surprising that considerable attention is now being focused on the means by which owners may secure legal protection against the copying or unauthorized use of their programs.

In the United Kingdom, a computer program may not be pat-

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¹ An estimated £7500 million was spent worldwide in 1974 on software development and maintenance. WHITFORD COMMITTEE, REPORT OF THE COMMITTEE TO CONSIDER THE LAW ON COPYRIGHT AND DESIGNS, CMD. NO. 6732 (1977). Software development accounts for more than half of the cost of creating the average computer system. THE ECONOMIST, Dec. 18, 1982, at 92.

² The term "program" is used throughout this Article to describe any software or firmware process for giving commands to a computer. It does not imply the use of any particular program medium. Hence, it would include a written program, punched cards, a magnetized tape, or a stream of electronic impulses sent directly to a client's computer. It would also include a firmware program, stored in a chip or memory circuit. This article does not discuss hardwired programs because they form part of the computer itself.

³ An example of a saving in marketing costs appears in *Synercom Tech., Inc. v. University Computing Co.*, 474 F. Supp. 37 (N.D. Tex. 1979). Defendant produced programs with formats for data input that were compatible with those marketed as part of a computer package by the plaintiff. Plaintiff's program price included an element for plaintiff's expenditure on training customers in the use of its input format. Thus, by selling to plaintiff's already trained customers, the defendant was able to undercut plaintiff's prices.

ented.⁴ Other forms of legal protection are, however, available. First, although the courts have not been called on as yet to decide whether programs are protected by copyright, good arguments support the view that the current copyright statute is drafted broadly enough to include most types of software and firmware.⁵ Second, in certain circumstances, a program owner may protect his software from unauthorized disclosure by an action in equity for an injunction to prevent a breach of confidence, or may sue for damages after the breach has occurred. Finally, a program owner who can point to a contractual term imposing an obligation of confidence on the defendant, or who can persuade the court that such a term should be implied in the parties' contract, may bring an action in contract to prevent wrongful disclosure or to obtain damages for a breach. The law governing the protection of intellectual property in equity and by contract generally is referred to as the law of trade secrets.

The purpose of this Article is to explore the availability of legal protection for a published program. Part I outlines the United Kingdom law concerning the availability of copyright and trade secret protection for computer programs. Part II details those situations in which it may be possible to protect a program both in copyright and as a trade secret. This level of protection is ideal for the program owner, but achieving it depends on avoiding the problems that arise as a result of the opposed underpinnings of the two classes of legal protection: for while copyright law is informed by the doctrine of publicity, the antithesis of that doctrine informs the law of trade secrets. Part III explores the availability of remedies for breach of confidence in cases where the plaintiff publishes the program prior to judgment and in such a way as to end its confidentiality.

II. OUTLINE OF THE UNITED KINGDOM LAW

A. Copyright

Copyright law in the United Kingdom is governed by the Copy-

⁴ Patents Act, 1977, ch. 37, § 1(2)(c). On the possibility that patent protection is available in some cases even after the 1977 Act, see B. NIBLETT, *LEGAL PROTECTION OF COMPUTER PROGRAMS* 30-33 (1980).

⁵ See *infra* text accompanying notes 8-11. See WHITFORD COMMITTEE REPORT, *supra* note 1, ¶ 492; E. SKONE JAMES, J. MUMMERY & J. RAYNER JAMES, *COPINGER AND SKONE JAMES ON COPYRIGHT* ¶ 154 (12th ed. 1980) [hereinafter cited as *COPINGER AND SKONE JAMES*]; H. LADDIE, P. PRESCOTT & M. VITORIA, *THE MODERN LAW OF COPYRIGHT* 92-97 (1980); C. TAPPER, *COMPUTER LAW* 18-20 (2nd ed. 1982); Wilson, *The Protection of Computer Programs under Common Law*, in *THE LEGAL PROTECTION OF COMPUTER SOFTWARE* 75, 79-83 (H. Brett & L. Perry eds. 1981).

right Act, 1956.⁶ While the Act makes no specific provision for copyright in computer programs,⁷ it seems likely that programs will enjoy protection under the Act as "literary works." A "literary work" is defined as including any written table or compilation;⁸ and "writing" is defined in section 48(1) as any form of notation by hand, printing, type-writing or by some *similar* process. The similarity between these processes is that they produce a visible notation. Most computer programs consist of notations that are not directly visible to the eye. They generally are recorded on magnetic discs or tapes or on the surface of microcircuit chips. Thus, it is unlikely that a court would hold a non-eye-readable program to be "written" within the meaning of the Act. Such programs may, nevertheless, qualify for copyright protection because the Act defines literary works non-exhaustively, as including written works, and thus leaves open the argument that programs are protected even though not in written form. Support for the view that the Act contemplates protection for non-written works may be found in section 49(4), which provides that literary works are "made" at the time when they are first reduced "to writing or *some other material form*."⁹ Even a program consisting of a pattern of electrical charges on a chip would seem to exist in material form.¹⁰ Alternatively, it might be argued that a program exists in material form whenever it is fixed in a form from which it could be reproduced.¹¹ Either analysis would result in programs being eligible for copyright protection.

The 1956 Act provides protection for both published and unpublished works. No registration is required. Copyright inheres automati-

⁶ Copyright Act, 1956, 4 & 5 Eliz. 2, ch. 74.

⁷ Proposals "to make explicit in new legislation that computer programs attract protection under the same conditions as literary works" are outlined for comment in a recent government Green Paper (consultative document). REFORM OF THE LAW RELATING TO COPYRIGHT, DESIGNS AND PERFORMERS' PROTECTION, CMD. No. 8302, ch. 8, ¶ 2 (1981) [hereinafter cited as Green Paper].

⁸ Copyright Act, 1956, *supra* note 6, § 48(1). Thus, a railway timetable has been held to be a literary work. *H. Blacklock & Co. v. Pearson, Ltd.*, [1915] 2 Ch. 376.

⁹ Copyright Act, 1956, *supra* note 6, § 49(4) (emphasis added).

¹⁰ The concern in section 49(4) of the Copyright Act is that there should be some record of the information claimed to be copyrighted such that the court may inspect it. The record sets the bounds of protection. Information that exists only in the mind of the person claiming copyright lacks the concreteness necessary before the court can step in and say "this information is copyrighted." The requirement of a record in material form is a practical one, and the record of a program on a silicon chip performs the same concretizing function as writing.

¹¹ The government takes the view that any reproducible program should be protected. Green Paper, *supra* note 7, ch. 8, ¶ 3. The government also proposed that it should be made clear by statute that the act of loading a program into a computer constitutes a reproduction of the program. *Id.*

cally in every unpublished literary work at the time it is made.¹² It inheres in published works at the moment of first publication.¹³ Although protection is nominally limited to works authored by statutorily defined "qualified persons,"¹⁴ and to works by other persons that were first published in the United Kingdom, the scope of the Act is extended by international treaties.¹⁵ The Berne Copyright Convention (Paris Revision 1971)¹⁶ provides protection for "literary and artistic works," defined to "include every production in the literary, scientific and artistic domain, whatever may be the mode or form of its expression."¹⁷ This language seems fit to cover computer programs in any form. Under the Berne Convention, protection is afforded unpublished programs authored by habitual residents of the country in which copyright is sought or by nationals of any member country of the Berne Union.¹⁸ Also protected are programs first published in a member country or published in a member country within thirty days of first publication elsewhere.¹⁹ Publication may be by copies, however manufactured, "provided that the availability of such copies has been such as to satisfy the reasonable requirements of the public, having regard to the nature of the work."²⁰ Given the restricted class of persons interested in computer programs, the offer of copies for sale or lease to computer users should amount to publication of a program for the purposes of the Convention.²¹

Protection in member countries of works covered by the Berne

¹² Copyright Act, 1956, *supra* note 6, § 2(1).

¹³ *Id.* § 2(2).

¹⁴ *Id.* § 1(5). A qualified person is a British subject, or any person domiciled or resident in the United Kingdom, or a corporation incorporated under United Kingdom laws.

¹⁵ These treaties are cited *infra* in notes 16, 24. The treaties were made applicable in the United Kingdom by Order in Council by the Copyright (International Conventions) Order, STAT. INST. 1979, No. 1715. For a discussion of the treaties, see generally COPINGER AND SKONE JAMES, *supra* note 5, ch. 28; Kinderman, *Computer Software and Copyright Conventions*, 3 EUR. INTELL. PROP. REV. 6 (1981).

¹⁶ International Convention for the Protection of Literary and Artistic Works, *done at Berne in 1886, revised at Stockholm in 1967*, art. 2(1) 1970 Gr. Brit. T.S. No. 53 (CMD. 4412) [hereinafter cited as Berne Copyright Convention].

¹⁷ Following the recommendation in the WHITFORD COMMITTEE REPORT, *supra* note 1, ¶¶ 50-60, 85, the United Kingdom is expected to ratify the Paris Revision in the near future. Recently, it ratified the Brussels Revision of 1948, and articles 22-38 of the Stockholm Revision of 1967. *Id.*

¹⁸ On authorship of computer programs, see H. LADDIE, P. PRESCOTT & M. VITORIA, *supra* note 5, ¶¶ 2.139-140.

¹⁹ Berne Copyright Convention, arts. 3(1)(6), 3(4), *supra* note 16.

²⁰ *Id.* art. 3(3).

²¹ The meaning of the requirement that publication satisfy the reasonable requirements of the public is discussed *infra* at text accompanying notes 86-92.

Convention is governed by the respective laws of those countries, subject to various minimum protection provisions set out in the Convention.²² Outside the country of origin of the work,²³ protection may not be made subject to any formality.

A number of countries, including the United States and the Soviet Union, are not parties to the Berne Convention, but are signatories of the Universal Copyright Convention (Paris Revision 1971).²⁴ The United Kingdom is a signatory of both conventions. Under the Universal Copyright Convention, each contracting state agrees to give works by nationals of other contracting states that are first published within any contracting state the same protection given to works first published within its own borders; and to give the unpublished works of nationals of other contracting states the same protection as it affords unpublished works by its own nationals.²⁵ Contracting states must, however, provide a certain minimum level of protection for works originating outside their own jurisdiction, as set out in the Convention.²⁶

Eye-readable programs authored by nationals of contracting states and first published outside the United Kingdom have copyright protection in the United Kingdom under the Universal Copyright Convention. Protection is provided only if all copies published bear the symbol "©," accompanied by the name of the copyright proprietor and the year of first publication placed in such a manner and location as to give reasonable notice of the claim of copyright.²⁷ Meeting the notice requirement may demand some ingenuity from software producers relying on the Convention for United Kingdom protection. A more serious problem, however, is that a non-eye-readable program may not be protectable as a published work under the Convention at all, because publication is defined in Article VI as "the reproduction in tangible form and the general distribution to the public of copies of a work from which it can be read or otherwise visually perceived."²⁸ Even though the distribution requirement probably is met whenever programs are offered for sale or lease to the computer-using sector of the public, Article VI seems to envisage protection only for directly readable pro-

²² Berne Copyright Convention, arts. 6^{bis}-15, *supra* note 16.

²³ See *id.* art. 5(4) for a definition of the "country of origin."

²⁴ Universal Copyright Convention, *done at* Paris July 24, 1971, 25 U.S.T. 1341, T.I.A.S. No. 7868 (1975 Gr. Brit. T.S. No. 9, CMD. No. 5844).

²⁵ *Id.* art. II.

²⁶ *Id.* arts. IV, IV^{bis}, V.

²⁷ *Id.* art. III(1).

²⁸ *Id.* art. VI.

grams.²⁹ Therefore, it would be advisable for any United States proprietor of a non-eye-readable program who foresees the need for United Kingdom copyright protection to secure protection under section 2(2) by publishing the program first in the United Kingdom.³⁰

B. Trade Secrets: The Obligation of Confidence

Most contracts for the licensing, lease or sale of programs include an express term providing for confidentiality. A simple term might merely require that the licensee, lessee, or purchaser maintain the confidential nature of the program and related materials provided for its own internal use under the contract. A more imposing clause, calculated as much to impress the customer with the need for secrecy as to provide a firm basis for any claim to legal protection, however, would be more usual. A typical clause might read:

Licensee recognizes that the software furnished under this license agreement and all information furnished with respect thereto are confidential information and trade secrets, disclosed to licensee on a confidential basis and to be used only as expressly permitted by the terms of this license agreement. Licensee, its officers, directors, employees and agents agree to protect the licensed software and all information with respect thereto as the confidential information and trade secret property of licensor and shall not disclose to any person, company, or firm, other than licensor, any information concerning the licensed software: provided that disclosures may be made to licensee's employees when reasonably required for normal use of the licensed software in accordance with the terms of this agreement.

Similarly, a software company's contracts with its employees and independent consultants usually includes express terms imposing obligations of confidence on the employee or consultant in relation to the company's trade secrets disclosed to him in the course of his employment.

Even where no express contractual term as to confidentiality is included,

If two parties make a contract, under which one of them obtains for the purposes of the contract or in connection with it some confidential matter, even though the contract is silent on the matter of confidence, the law will imply an obligation to treat that confidential matter in a confidential way, as one of the implied terms of the contract. . . .³¹

²⁹ For an argument to the contrary, see Kinderman, *supra* note 15, at 10-11.

³⁰ "[A] publication in the United Kingdom . . . shall not be treated as being other than the first publication by reason only of an earlier publication elsewhere, if the two publications took place within a period of not more than thirty days." Copyright Act, 1956, *supra* note 6, § 49(2)(d).

³¹ Saltman Eng'g Co. v. Campbell Eng'g Co., 65 R.P.D. & T.M. Cas. 203, 211 (C.A. 1948) (Lord Greene, M.R.). See also Ackroyds (London) Ltd. v. Islington Plastics Ltd., [1962] R.P.D. &

The courts are unlikely to imply such a term where publication of the program for which protection is being claimed preceded the alleged breach and rendered the software non-confidential. Nonetheless, the courts would not have the same reluctance to imply a term where the defendant published the program himself, or where the publications did not end the confidentiality of the program.

An action on an express or implied contract term providing for confidentiality is governed by the ordinary rules of contract and by the rules governing the availability of remedies for breach of contract.³² In an action for breach of an express confidentiality term, whether the program was in fact confidential at the time of the alleged breach is not a relevant factor to be considered on the issue of liability.³³ But, it is a very important factor when fixing the measure of damages for past breaches and when deciding whether to issue an injunction to prevent future breaches. The availability of damages and an injunction will depend on whether the program's confidentiality was lost prior to the breach as a result of plaintiff's publication.³⁴

The imposition of a duty of confidence does not depend on the existence of any express or implied contract term as to confidentiality. An action in equity for breach of confidence has existed since at least the two early cases of *Prince Albert v. Strange*³⁵ and *Morison v. Moat*.³⁶ This action survives by virtue of section 46(4) of the Copyright Act, 1956, by which "nothing in [the] Act shall affect the operation of any rule of equity relating to breaches of trust or confidence."³⁷ Broadly stated, the rule is that "[i]f a defendant is proved to have used confidential information, directly or indirectly obtained from a plaintiff, without the consent, express or implied, of the plaintiff, he will be guilty of an

T.M. Cas. 97 (Ch.) (confidentiality term implied as necessary to give business efficacy to the contract).

³² See generally H. MCGREGOR, MCGREGOR ON DAMAGES (14th ed. 1980); CHITTY ON CONTRACTS pt. 7 (24th ed. 1977).

³³ A confidentiality term might, however, be unenforceable as an unreasonable restraint of trade, or as contrary to article 85(1) of the EEC Treaty, Treaty Establishing the European Economic Community, entered in force Jan. 1, 1958, 298 U.N.T.S. 11, insofar as it purports to protect information already in the public domain.

³⁴ For a detailed discussion of remedies for breach of confidence, see *infra* notes 93-128 and accompanying text.

³⁵ 18 L.J. Ch. 120 (1849).

³⁶ 20 L.J. Ch. 513 (1851). For a history of the action, see LAW COMMISSION REPORT No. 110, BREACH OF CONFIDENCE, CMD. No. 8388, pt. III (1981) [hereinafter cited as LAW COMMISSION No. 110].

³⁷ Copyright Act, 1956, *supra* note 6, § 46(4).

infringement of the plaintiff's rights."³⁸

The equitable obligation of confidence may be implied from the circumstances of the case. Despite the lack of a generally accepted test to determine if particular circumstances import an obligation of confidence,³⁹ Mr. Justice Megarry has suggested that:

It may be that that hard-worked creature, the reasonable man, may be pressed into service once more. . . . [I]f the circumstances are such that any reasonable man standing in the shoes of the recipient of the information would have realised that upon reasonable grounds the information was being given to him in confidence, then this should suffice to impose upon him the equitable obligation of confidence.⁴⁰

In practice, such a test would give results very similar to those that might be expected under the test proposed by the Law Commission in its report on breach of confidence:⁴¹ that the obligation of confidence be inferred from the nature of any relationship between the parties or from the recipient's conduct in relation to the person who gave him the information.⁴²

Where there is no contract and an action is brought in equity for breach of confidence, the essential question is whether the information was published prior to the alleged breach because "the information to be confidential, must, . . . apart from contract, have the necessary quality of confidence about it, namely, it must not be something which is public property and public knowledge."⁴³ The usual formulation of this requirement is that at the time of the alleged breach the information must not have been in the "public domain."

Even though most software lease, license or sale contracts do include express confidentiality terms, the possibility of an equitable action for breach of confidence remains important in situations involving software because the action may be available against persons with whom the plaintiff has never had any contractual relationship. This may occur where confidential information is disclosed during negotiations that break down before any contract is made,⁴⁴ or where parties

³⁸ *Saltman Eng'g Co. v. Campbell Eng'g Co.*, 65 R.P.D. & T.M. Cas. 203, 213 (C.A. 1948) (Lord Greene, M.R.).

³⁹ See *Duchess of Argyll v. Duke of Argyll*, [1967] Ch. 302, 330 (Ch.).

⁴⁰ *Coco v. A.N. Clark (Eng'rs) Ltd.*, [1969] R.P.D. & T.M. Cas. 48 (Ch.) (dictum).

⁴¹ LAW COMMISSION NO. 110, *supra* note 36.

⁴² Draft Bill, § 3(1)(b), reprinted in LAW COMMISSION NO. 110, *supra* note 36.

⁴³ *Saltman Eng'g Co. v. Campbell Eng'g Co.*, 65 R.P.D. & T.M. Cas. 203, 215 (C.A. 1948) (Lord Greene, M.R.). This requirement can be traced back to *James v. James*, 41 L.J. Ch. 353 (1872), and *Reuters Telegram Co. v. Byron*, 43 L.J. Ch. 661 (1874). The definition of "public domain" is discussed *infra* in text accompanying notes 57-84.

⁴⁴ *E.g.*, *Seager v. Copydex Ltd.*, [1967] R.P.D. & T.M. Cas. 349 (C.A.). In this case, plaintiff inventor revealed a new idea for a stair carpet fixing device during negotiations with defendant

continue to use confidential information even after their licenses are terminated.⁴⁵

III. THE INTERACTION OF TRADE SECRET AND COPYRIGHT LAWS

In many circumstances it is desirable for a program producer to be able to claim both copyright and trade secret protection for its programs. The copyright laws provide redress against the "copying" of a program, that is, against its reproduction in any material form,⁴⁶ its publication⁴⁷ or its adaption⁴⁸ (including adaption by translation,⁴⁹ which would probably include translation of a program from source code to machine or object code). There is no copyright, however, in ideas or in information—only in a particular form of their expression. Thus, the copyright laws do not prevent a competitor's use of an idea from a program. The "idea" versus "expression" distinction is illustrated in a hypothetical situation developed by the United States District Court of Texas in *Synercom Technology, Inc. v. University Computing Co.*:

The familiar "figure-H" pattern of an automobile stick is chosen arbitrarily by an auto manufacturer. Several different patterns may be imagined, some more convenient for the driver or easier to manufacture than others, but all representing possible configurations. . . . The pattern . . . may be expressed in several different ways: by a prose description in a driver's manual, through a diagram, photograph, or driver training film, or otherwise. Each of these expressions may presumably be protected through copyright. But the copyright protects copying of the particular expressions of the pattern, and does not prohibit another manufacturer from marketing a car using the same pattern.⁵⁰

The intricacies of the law in the area of copyright infringement will not be discussed here:⁵¹ it is enough for our present purposes that it be realized that copyright provides no protection for ideas, as such, and

concerning its proposed manufacture of the device. After the negotiations failed, the defendant manufactured a clip very similar to the device described by the plaintiff, who was awarded damages for breach of confidence.

⁴⁵ *E.g.*, *National Broach & Mach. Co. v. Churchill Gear Machs.*, [1965] 1 W.L.R. 1199 (C.A.). The obligation remains so long as the information is confidential, see *infra* notes 93-128 and accompanying text. For the circumstances in which a person may be restrained from using information even after it has ceased to be confidential, see *infra* text accompanying notes 108-17.

⁴⁶ Copyright Act, 1956, *supra* note 6, § 2(5)(a).

⁴⁷ *Id.* § 2(5)(b).

⁴⁸ *Id.* § 2(5)(f).

⁴⁹ *Id.* § 2(6).

⁵⁰ 462 F. Supp. 1003, 1013 (N.D. Tex. 1978).

⁵¹ See generally COPINGER AND SKONE JAMES, *supra* note 5, ch. 12; C. TAPPER, *supra* note 5, at 20-21.

that in many cases the value of a program lies in the idea or concept of the program, rather than in the particular expression of the concept.

While there can be no copyright in an idea, publication or use of an idea may amount to a breach of confidence, and thus give rise to an action in equity or in law for breach of a confidentiality contract.⁵² Maximum protection, therefore, is obtained when a copyrighted program is also protected as a trade secret. Consideration of the circumstances in which this dual protection is available follows.

A. In-House Software

As previously explained, a computer program need not be published to enjoy copyright protection. Thus, a program devised and used only in-house may be copyright under section 2(1) of the 1956 Act as an unpublished work. Additional protection of in-house software usually will be provided by the inclusion of specific terms in the firm's employment contracts. These terms require employees to agree not to disclose any information deemed confidential in the contract or any knowledge they acquire during the time they are in the firm's employ. Even where the employer cannot rely on a contract term providing for confidentiality, often he may have an action in equity for breach of confidence against an employee who discloses in-house programs to a third party.⁵³ Because a program that enjoys copyright protection under section 2(1) is unpublished by definition, the principles of trade secret protection and section 2(1) copyright protection do not conflict.⁵⁴ Where the program is not published by its owners so as to make it public knowledge and to destroy its confidentiality, the program may have copyright protection under section 2(1), protection as a trade secret under the equitable confidentiality doctrine, and also contract protection in cases where employment contracts include confidentiality terms.

In-house programs, in some circumstances may be eligible only for

⁵² *E.g.*, *Fraser v. Evans*, [1969] 1 Q.B. 349, 361-62 (C.A.).

⁵³ Where an employee will inevitably carry away trade secrets in his head, courts have held that the proper course is not to invoke the equitable breach of confidence doctrine, but to obtain contractual promises limiting the employee's field of employment when he changes jobs. *E.g.*, *Thomas Marshall (Exports) Ltd. v. Guinle*, [1979] Ch. 227; *United Sterling Corp. v. Felton & Mannion*, [1974] R.P.D. & T.M. Cas. 162 (Ch.).

⁵⁴ Any publication not sufficient to satisfy the reasonable requirements of the public leaves the work protected in copyright only as an unpublished work. Copyright Act, 1956, *supra* note 6, § 49(2)(b). Given the definitions of the "public domain" used by the courts in trade secret cases (discussed *infra* in text accompanying notes 57-92), it seems unlikely that an unpublished copyrighted program would ever lose its trade secret protection merely because of some publication not sufficient to meet the reasonable requirements of the public.

trade secret protection. Copyright only inheres in works that are original or novel. It appears, however, that a program that is not novel may, nevertheless, be a trade secret. Without express reference to the state of knowledge of the relevant industry as a whole, in cases where clear evidence demonstrated that the employers had made special efforts to keep the information secret, the United Kingdom courts have held that information used only in-house was confidential and a trade secret. In *Amber Size & Chemical Co. v. Menzel*,⁵⁵ a process was held to be a trade secret where the equipment used in the process was kept under secure conditions, and no employees other than those working on the process were allowed on the floor where it was being developed.

To ensure trade secret status for its in-house computer programs—whether novel and so copyright, or non-novel and, therefore, protected as a trade secret or not at all—a firm should keep them under the strictest conditions of security possible.⁵⁶ Access to offices and to computers should be restricted. Software might be kept in special locked rooms, entry to which should be limited to those with special keys. Individual user codes, to be entered into the computer before it will operate, should be used to ensure limited access. Other factors that would convince a court to treat in-house software as a trade secret are the inclusion of confidentiality clauses in employment contracts, logs or even confidentiality contracts for visitors, repeated reminders to employees of the need for secrecy, employment of security guards, controls on the use of photocopying equipment, and the shredding of documents and destruction of software no longer used.

B. Published Software

The antithetical nature of the doctrines informing the law of trade secrets and of copyright renders the availability of dual protection under those laws uncertain in any situation in which copyright attaches to software under section 2(2) of the 1956 Act by virtue of its publication. In such cases, whether the program is also protected as a trade

⁵⁵ 30 R.P.D. & T.M. Cas. 433, 438 (Ch. 1913). It is suggested, see *infra* text accompanying note 70, that the court was wrong not to look at the state of knowledge in the industry as a whole. The degree of knowledge in the industry is an important factor in deciding if the information qualifies as a trade secret. That information is not completely novel, however, may not be a bar to its being treated as confidential.

⁵⁶ For a description of IBM's methods for keeping its trade secrets, see Wall St. J., July 2, 1982, at 1, col. 6. As an example, IBM took over the trash-collection system at Peachtree Software Inc. while Peachtree was developing software for an IBM computer, causing Peachtree employees to name the operation "Project KGB."

secret will depend on whether its publication was such as to make the program non-confidential.

C. Types of publication that will destroy confidentiality

Discussion of the types of publication that destroy the confidentiality of the published program, and the types that meet the statutory criteria for a publication attracting copyright, but that, nevertheless, leave the program a trade secret helps identify those situations in which dual protection is available.

(1) *Publication in general*

English law provides no clear answer to the question of the degree of publication necessary before the published information ceases to be regarded as confidential for the purposes of the law of trade secrets. Two of the leading cases concern the publication of information in a patent specification. In *O. Mustad & Son v. Dosen*,⁵⁷ the plaintiff company sought an injunction to restrain a former employee from communicating to a rival firm information relating to a machine used in the making of fish hooks. The plaintiffs alleged that any such communication would breach the confidentiality term in the defendant's employment contract. Prior to instituting the action, the plaintiffs already had applied in Germany for a patent in respect of the information alleged to be confidential. Before the action came to trial, the plaintiffs also had applied for a patent in the United Kingdom, and the application had become available for public inspection at the Patent Office. Deciding for the defendant, the House of Lords held that "after the disclosure [of the information in the patent specification] had been made by the plaintiffs to the world, it was impossible for them to get an injunction restraining the defendants from disclosing what was common knowledge. The secret, as a secret, had ceased to exist."⁵⁸

The *Mustad* decision has been followed in a case in which the plaintiff's patent specification was published only in Belgium, and was not available to the public in England, on the shelves of the Patent Office Library, until two years later. In *Franchi v. Franchi*,⁵⁹ it appeared that the Belgian patents probably would be inspected in Belgium by United Kingdom patent agents as soon as they were published. The court took the view that by applying for the patent the plaintiffs had begun a process that would inevitably lead to the pat-

⁵⁷ [1963] R.P.D. & T.M. Cas. 41 (H.L. 1928).

⁵⁸ *Id.* at 43 (Lord Buckmaster).

⁵⁹ [1967] R.P.D. & T.M. Cas. 149 (Ch.).

ented information becoming known to their competitors soon after publication in Belgium.⁶⁰

The patenting procedure involves publication to the whole world. Registration of a patent specification is intended to give the public as a whole access to the patented information. Such publicity is the essence of the patent doctrine: confidentiality is given up in return for a limited period of monopoly over the invention. It is not surprising then, that the United Kingdom courts hold that any claim to trade secret protection evaporates on plaintiff's publication of a patent specification. Although computer programs cannot be patented in the United Kingdom, they may be patentable in some other countries, most notably in the United States.⁶¹ The United Kingdom courts, applying *Mustad* and *Franchi*, almost certainly would hold that the publication outside the United Kingdom of a patent specification for a computer program destroys the confidentiality of the program, and with it any possibility of United Kingdom trade secret protection.

The position is less clear where the confidential information appears in a patent specification published by a third party, not by the program owner who is alleging breach of confidence.⁶² In *Cranleigh Precision Engineering Ltd. v. Bryant*,⁶³ a third party had published the allegedly confidential information in a Swiss patent. The court rejected the defense that because the publication was in the public domain it was not confidential. It distinguished *Mustad* on the ground that the publication in that case had been by the plaintiff himself, not by a third party who had arrived at the information independently. It is suggested that this point was decided wrongly⁶⁴ and that it is the fact of publication in a patent specification that destroys secrecy, no matter who publishes the program. Of course, a person may be under a duty not to disclose information even when that information has been published by a third party and, therefore, is in the public domain and not confidential. But such a duty cannot arise from any obligation of confidence under the law of trade secrets.⁶⁵ The decision in *Cranleigh* with-

⁶⁰ *Id.* at 153.

⁶¹ See, e.g., Roberts, *The Current Law of Patents for Computer Software: or Benson Revisited*, 1 COMPUTER L.J. 85 (1978).

⁶² This situation could arise when two producers have independently developed the same program or program elements.

⁶³ [1966] R.P.D. & T.M. Cas. 81 (Ch.).

⁶⁴ The same view is taken by Braithwaite, *Trade Secrets: The Spring-Board Unsprung*, 42 MOD. L. REV. 94, 95-96 (1979), and by the Law Commission, LAW COMMISSION NO. 110, *supra* note 36, ¶ 4.29.

⁶⁵ No duty arises unless the information is such that it does damage only when it is actually known, and not when it merely may become known because it is available in a source to which the

out doubt was correct, but for the reason that the defendant, who was managing director of the plaintiff company, was in breach of the *fiduciary* duty he owed to the company.⁶⁶

The courts probably would apply the reasoning behind *Mustad* and *Franchi* in any case in which confidentiality is claimed for a program that has been copyrighted in a country requiring registration as a condition of copyright protection.⁶⁷ Public access to the copyright register would lead to knowledge of the program amongst the copyright owner's competitors just as certainly as would the publication of a foreign patent specification.⁶⁸ Therefore, programs registered as copyright in the United States cannot be protected as trade secrets in the United Kingdom.

Patent and copyright registration represent one extreme of publication: availability of the information to any person who inspects the register. It is more difficult to decide what lesser degrees of publication are likely to result in a court holding that confidentiality has been lost. It has been seen that a program need not be novel to be confidential, closely guarded programs being trade secrets despite others in the in-

public has access. This distinction explains the decision in *Schering Chemicals Ltd. v. Falkman Ltd.*, [1982] Q.B. 1 (C.A.), where the court held the discloser of information to be in breach of confidence even though the information had been published previously in the press and on television. The information concerned a drug produced by plaintiff, which had allegedly caused deformities in the drug user's babies. The damage this information might cause plaintiff, in the form of loss of public confidence, would depend on actual knowledge of the information, which would increase with each publication. Plaintiff clearly benefited from the continuing confidentiality. Where industrial or commercial information is concerned, however, the damage is complete with the first publication: competitors are on the lookout for such information and can be expected to take full advantage of any appearance of the information in the public domain. *See, e.g.*, *Franchi v. Franchi*, [1967] R.P.D. & T.M. Cas. 149 (Ch.), in which the publication of a patent specification in Belgium was held to have begun a process that would inevitably lead to knowledge of the information amongst competitors in the United Kingdom shortly after publication. Given the competition in the computer industry, programs would often cease to be confidential when they first enter the public domain. *See infra* text accompanying notes 80-81.

⁶⁶ Defendant Bryant did not inform plaintiff company of the existence of the Swiss patents. He "quite deliberately concealed . . . the whole of his knowledge of the dangers to the plaintiffs which the existence of the [Swiss] patent involved . . . intending . . . to turn his knowledge to his own advantage." [1966] R.P.D. & T.M. Cas. at 93. The court concluded that Bryant's "whole purpose was to use the knowledge he thus possessed to damage the plaintiffs." *Id.* A duty not to disclose information already in the public domain could also arise under contract.

⁶⁷ Under the United States Copyright Act, 17 U.S.C. § 102 (1976), copyright inheres in a program as soon as it is fixed in tangible form, but registration within five years of creation is advantageous (e.g., in allowing one to elect statutory rather than actual damages), and is necessary prior to suing an infringer.

⁶⁸ In the United States, the program copy deposited for registration is available for public inspection in the Copyright Office. For long programs, only the first and last twenty pages need be deposited.

dustry having independently developed the same program.⁶⁹ A corollary of the rule that confidentiality is retained even though some other person has developed the same program should be that the confidentiality of a novel program is not lost merely by the publication of the program to *some* other persons. But, in both cases there is a limit to the number of persons who can know of the information—whether by independent development or by publication—before it ceases to be protected as a trade secret. Despite an early case in which the court held that a closely guarded process was confidential without any express reference being made to the state of knowledge of the rest of the industry,⁷⁰ it is submitted that the better view is that irrespective of whether the information in question is non-novel because discovered by others independently, or novel but published to some other persons, one must look at the knowledge of the whole industry to decide if the information remains sufficiently confidential to enjoy protection as a trade secret. If the nature and extent of the knowledge of the information amongst others within the industry is such that a significant commercial benefit would result from preventing wider dissemination of the information, then knowledge within the industry should not destroy confidentiality for the purposes of trade secret law. Under this test, something less than complete secrecy often would be enough to retain trade secret protection.

This view is supported by a number of English cases. In *Franchi v. Franchi*,⁷¹ the court cited with approval the United States case of *Vulcan Detinning Co. v. Assam*,⁷² where it was held that a process was confidential even though it was completely known by a German and by a Dutch company. Mr. Justice Cross said that:

Clearly a claim that the disclosure of some information would be a breach of confidence is not to be defeated simply by proving that there are other people in the world who know the facts in question besides the man as to whom it is said that his disclosure would be a breach of confidence and those to whom he has disclosed them.⁷³

Nothing seems to turn on the means by which other people come to know of the information. Thus, it seems likely that Mr. Justice Cross intended the same confidentiality test, whether the knowledge was achieved independently or resulted from the plaintiff's publication. In

⁶⁹ See *supra* text accompanying note 55.

⁷⁰ *Amber Size & Chem. Co. v. Menzel*, 30 R.P.D. & T.M. Cas. 433 (Ch. 1913).

⁷¹ [1967] R.P.D. & T.M. Cas. 149 (Ch.). See *supra* notes 59-60 and accompanying text for further discussion of this case.

⁷² 185 A.D. 399 (N.Y. App. Div. 1918).

⁷³ *Franchi*, [1967] R.P.D. & T.M. Cas. at 152 (dictum).

either case, whether confidentiality continues is a question of degree, and the plaintiff will succeed if "relative secrecy" remains.⁷⁴

The view that relative as opposed to absolute secrecy is required for information to be confidential receives further support from the decision in *Morris Ltd. v. Gilman (B.S.T.) Ltd.*,⁷⁵ that information could be confidential even though known to persons in Germany. Furthermore, in *Exchange Telegraph Ltd. v. Central News Ltd.*,⁷⁶ the court held that information was confidential where it:

had become public to the world of Manchester But the information was not made known to the whole world; it was no doubt known to a large number of persons, but a great many more were ignorant of it. By the expenditure of labour and money the plaintiffs had acquired this information, and it was in their hands valuable property in this sense—that persons to whom it was not known were willing to pay . . . money to acquire it.⁷⁷

Thus, the *Exchange Telegraph* case seems to show that secrecy may be sufficient for legal confidentiality where, despite the fact that a substantial number of interested persons know of the information, a significant number of persons who would benefit from knowledge of the information remain unfamiliar with it.⁷⁸ If people would still pay for the information, confidentiality is beneficial. Only when nothing worth protecting remains, because the information is so easily obtained that people will not pay for it, is confidentiality lost. Such a rule effectively narrows the interested public whose state of knowledge has to be considered to those who might be prepared to pay for new information; that is, to competitors.⁷⁹

If the interested public consists of the research staffs of highly competitive industries such as the computer software and firmware industries, almost any information capable of being acquired by legitimate means, and without the expenditure of a significant element of labor, skill or money,⁸⁰ will be regarded as insufficiently secret for protection.⁸¹ Confidentiality is not lost, however, simply because pro-

⁷⁴ *Id.* at 153.

⁷⁵ 60 R.P.D. & T.M. Cas. 20 (Ch. 1943).

⁷⁶ [1897] 2 Ch. 48.

⁷⁷ *Id.* at 53.

⁷⁸ See A. TURNER, THE LAW OF TRADE SECRETS 82 (1962).

⁷⁹ See, e.g., *Franchi v. Franchi*, [1967] R.P.D. & T.M. Cas. 149, 153 (Ch.), where the court focused its attention on the ability of competitors to have access to the published patent specification.

⁸⁰ LAW COMMISSION NO. 110, *supra* note 36, ¶ 4.19.

⁸¹ See *Triplex Safety Glass Co. v. Scorah*, 55 R.P.D. & T.M. Cas. 21, 27-28 (Ch. 1937) (court distinguished "general information," obtainable by any legitimate means, from "special information such as secret processes").

grams are widely marketed and are capable of reverse analysis or of being copied, because:

the mere publication of an article by manufacturing it and placing it upon the market, whether by means of work done in it or calculation or measurement which would enable information to be gained, is not necessarily sufficient to make such information available to the public. The question in each case is: Is such information available to the public? It is not, in my view, if work would have to be done upon it to make it available.⁸²

It is submitted that the important question in each case is not "does work have to be done to make the information available?" but "how much work would have to be done, how much money spent, in copying or reverse engineering this particular program?" The more difficult the reverse engineering or copying process, the more likely it is that the program will be held to be confidential.⁸³ Similarly, even though all the separate features of the program have been published, if the whole result has not been achieved yet, and could not be achieved without someone performing the same kind of process as the person who devised the program, then it does not cease to be confidential merely by reason of such publication.⁸⁴

(2) *Publication to Licensees*

No United Kingdom case law deals specifically with the question of the degree of disclosure to licensees that is permissible before the information ceases to be confidential. Whether disclosure under multiple license agreements destroys confidentiality is, it is submitted, a question of degree, centering on the relative secrecy of the information in the interested section of the industry. Protection is much more likely when all disclosures have been confidential than where secrecy has lapsed.⁸⁵ Trade secret status may be more easily retained if multiple disclosures to licensees are made subject to a contract providing for

⁸² *Ackroyds (London) Ltd. v. Islington Plastics Ltd.*, [1962] R.P.D. & T.M. Cas. 97, 104 (Ch.). See also *Saltman Eng'g Co. v. Campbell Eng'g Co.*, 65 R.P.D. & T.M. Cas. 203, 215 (C.A. 1948) (Lord Greene, M.R.) (leather punches available on the market; drawings for making them nevertheless held confidential). *Accord Harvey Tiling Co. v. Rodomac Ltd.*, [1977] R.P.D. & T.M. Cas. 399 (Sup. Ct. South Africa).

⁸³ Currently, many commercially available programs can be copied exactly, even by a novice. There are now plans to prevent easy copying in the next generation of computers and programs, by the use of "serial number matching" and ROM program storage systems. The current position is explained in the N.Y. Times, Feb. 24, 1983, at 28, col. 1.

⁸⁴ *Ansell Rubber Co. v. Allied Rubber Indus., Ltd.*, [1972] R.P.D. & T.M. Cas. 811 (Sup. Ct. Victoria).

⁸⁵ See *Fraser v. Thames Television Ltd.*, [1983] 2 All E.R. 101, 122 (Q.B.) (confidentiality remained intact where later disclosure to third parties was also in confidence). See also A. TURNER, *supra* note 78, at 17.

confidentiality than if the discloser solely relies on the information having been deemed confidential by law because the circumstances in which the disclosure was made imparted an obligation of confidence. Because one of the circumstances the court considers in determining if the law imposes an obligation of confidence is the extent of the publication, multiple disclosures without specifically requiring confidentiality might negate the usual presumption that a licensee owes a duty of confidence to his licensor. If a licensor expects to enter into a significant number of agreements for the licensing of any particular program, each agreement should contain a confidentiality clause; otherwise, multiple publication might result in the loss of trade secret protection.

(3) *Publication and Copyright*

A publication is not sufficient to cause copyright to attach to the published work under section 2(2) of the 1956 Act unless the publication is more than colorable and is "intended to satisfy the reasonable requirements of the public."⁸⁶ Copyright is the form of protection most commonly relied upon for those software programs that are marketed to the general computer using public. When a computer program is put on general sale to computer owners (e.g., a game or educational program for use by those with "home" computers) this clearly constitutes publication for the purposes of the Copyright Act 1956; and yet, such publication does not necessarily end any claims of confidentiality. A program published in this way is protected in copyright and may be protected as a trade secret if significant effort would be required to reverse-engineer or copy the program.

The position is less certain when publication occurs under a license agreement to trade users of programs. It is submitted that the availability of a program to those prepared to enter into a license agreement governing its use constitutes publication sufficient to satisfy the reasonable requirements of the public, for the purposes of the copyright law. First, it is probably not necessary that the program be sold outright before there is a publication to which copyright may attach: by analogy to section 13(10) of the 1956 Act, which provides that "'publication', in relation to a cinematograph film means the sale, letting on hire, or offer for sale or hire, of copies of film to the public,"⁸⁷ licensing ought to be sufficient. Second, software licensees as a class should constitute a "public" for the purposes of the Act. The usual, non-technical meaning given to the phrase "the public" is "the community in gen-

⁸⁶ Copyright Act, 1956, *supra* note 6, § 49(2)(b).

⁸⁷ *Id.* § 13(10).

eral." It is clear, however, that in the context of copyright law, publication to one sector of the general community may be sufficient to satisfy the reasonable requirements of the public and thus attract protection.⁸⁸ Although distribution of a work to a few friends,⁸⁹ or only a colorable publication⁹⁰ are insufficient, publication to a restricted class of persons may form the basis of copyright protection.⁹¹ Licensed program users probably form such a class.

Because publication to licensees will not necessarily put an end to the confidentiality of the licensed software,⁹² particularly if the licenses contain confidentiality clauses, it is likely that many licensed programs will be protected against unauthorized disclosure under the trade secret laws and against unauthorized copying under the Copyright Act.

IV. REMEDIES FOR BREACH OF CONFIDENCE: PUBLISHED PROGRAMS

Consideration will now be given to the effects of publication on trade secret protection in contract generally and then in equity at three different stages in the development of an action for breach of confidence—publication before the original disclosure by the plaintiff which it is claimed was made under circumstances imparting an obligation of confidence; after that original publication but before the disclosure by the defendant which it is claimed was made in breach of that obligation; and after the wrongful disclosure but before judgment.

A. Effect of publication by plaintiff: Actions in contract

In an action for breach of a confidentiality term in a contract, a plaintiff's secrecy-ending publication of the protected software prior to

⁸⁸ See, e.g., *Jennings v. Stephens*, [1936] Ch. 469 (C.A.) (audience consisting of members of a Village Women's Institute sufficient "public").

⁸⁹ *Caird v. Sime*, 12 App. Cas. 326, 345 (H.L. 1887).

⁹⁰ See, e.g., *Francis, Day & Hunter v. Feldman & Co.*, [1914] 2 Ch. 728 (C.A.); *Bodley Head v. Flegan*, [1972] R.P.D. & T.M. Cas. 587 (Ch.).

⁹¹ See *MacMillan Co. v. King*, 223 F. 862 (D. Mass. 1914) (university student body); *Harms (Inc.) Ltd. v. Martans Club Ltd.*, [1926] Ch. 870 (performance at exclusive club held to be in "public"); *Ernest Turner Elec. Instruments Ltd. v. Performing Rights Soc'y*, [1943] Ch. 167 (C.A.) (performance of music in factory held to be in "public"). These are all infringement cases. A defendant infringes copyright by wrongfully "publishing the work," Copyright Act, 1956, *supra* note 6, § 2(5), and such publication technically is not covered by the definition of "publication" as meaning "issued to the public," *id.* § 49(2)(c). It is submitted, however, that there is no substantial difference between publication for the purposes of getting copyright protection, and "publishing the work" for the purposes of the law governing infringement, in regard at least to what constitutes, in each case, the relevant "public." See generally H. LADDIE, P. PRESCOTT & M. VITORIA, *supra* note 5, ¶¶ 2.88-2.90.

⁹² See *supra* text accompanying note 85.

judgment can have no effect on the defendant's technical liability for breach of contract. If the software has been deemed confidential in the contract, whether it is in fact confidential is irrelevant in deciding whether or not there has been a breach.⁹³ A publication that puts an end to the program's confidentiality will, however, be an important factor in the court's decision as to the appropriateness of the requested remedy, and in particular will prevent the issue of an injunction.⁹⁴

(1) Damages for past breaches

A plaintiff's damages for breach of contract are the amount of his loss—generally, the market value of the benefit of which he has been deprived by reason of the breach. If the software ceased to be confidential as the result of the plaintiff's publication before the defendant's disclosure of it to a third party, the "benefit" of confidentiality will have had little or no value and the damages award will reflect this.⁹⁵

If the plaintiff publishes the software after the defendant's wrongful disclosure but before judgment, any proceeds of that publication should be set off against the damage award.⁹⁶ A plaintiff has the duty to take all steps a reasonable and prudent person might in the ordinary course of business properly take to mitigate the loss consequent on the breach. In some circumstances, the court might require plaintiff's publication of the software as a reasonable act in mitigation of the loss.⁹⁷

(2) Injunction to prevent future breaches

The injunction is an equitable remedy, available at law by virtue of the Supreme Court of Judicature (Consolidation) Act, 1925, and ordered by a court when it is just and convenient⁹⁸ to do so. Although the injunction is a discretionary remedy, where the defendant is in breach of contract, as a matter of course the English courts usually will issue an injunction to prevent future breaches. The general rule is that the mere fact of a breach is sufficient grounds for an injunction.⁹⁹

⁹³ But see *supra* note 33.

⁹⁴ See *supra* notes 33-34 and accompanying text.

⁹⁵ *Franchi v. Franchi*, [1967] R.P.D. & T.M. Cas. 149 (Ch.).

⁹⁶ See H. MCGREGOR, *supra* note 32, ch. 7, and cases cited therein.

⁹⁷ See CHITTY ON CONTRACTS, *supra* note 32, ¶¶ 1592-1601.

⁹⁸ Supreme Court of Judicature (Consolidation) Act, 1925, 15 & 16 Geo. 5, ch. 49, § 45(1) says "just or convenient," but it has been held that mere convenience is not enough. *E.g.*, *Beddow v. Beddow*, 9 Ch. D. 89, 93 (1878).

⁹⁹ Thus, the usual rule that damages must be an inadequate remedy before the court will grant an injunction does not apply where plaintiff is claiming a prohibitory injunction against breach of a negative covenant. *E.g.*, *Marco Prod. Ltd. v. Pagola*, [1945] K.B. 111. See generally H. BEALE, REMEDIES FOR BREACH OF CONTRACT 129 (1980); R. MEGARRY & P. BAKER, SNELL'S PRINCIPLES

Thus, it is usually no defense to a request for an injunction to prevent further breaches of contract that the initial breach caused the plaintiff no loss.¹⁰⁰

If these general rules were applied in actions for injunctions to prevent breach of confidentiality terms, a plaintiff's secrecy-destroying publication of the software protected by such a term would not prevent him from obtaining an injunction. Although dicta in the English cases support the application of general contract remedy principles in breach of confidence cases,¹⁰¹ in *Mustad & Son v. Dosen*,¹⁰² the House of Lords seems to have decided that the usual rules as to the availability of an injunction in breach of contract cases do not apply where the claim is based on breach of a term requiring confidentiality. In that case, the defendant had been employed by the plaintiffs and had entered into a written agreement with them in which he expressly promised that he would not disclose, directly or indirectly, information he was exposed to in the course of employment. The defendant did in fact disclose information about a machine used by the plaintiffs; but after the plaintiffs had issued a writ to begin an action for breach of contract, they patented the machine. In deciding for the defendant and affirming the Court of Appeals' decision to lift the injunction against him, the House of Lords held that it was impossible for the plaintiffs to get an injunction restraining the defendants from disclosing what was, as a result of the patent application, common knowledge.¹⁰³

In principle, no reason exists for not applying the general rules governing contract actions to claims for an injunction to prevent breaches of confidentiality clauses. The rule in *Mustad* may be the result of some confusion between actions for breach of confidentiality in contract and those in equity. It has been suggested that in equity actions, information will be regarded as confidential so long as there is some significant benefit in preventing its further publication.¹⁰⁴ By definition, therefore, information that is no longer treated as confidential in equity will be information the continued secrecy of which will be of no benefit to the plaintiff. If no benefit derives from preventing future

PLES OF EQUITY 626 (27th ed. 1973) ("[A] party to a contract has a right to its performance and not merely to compensation for breach, and hence an injunction will be granted to restrain breaches of negative contracts" (footnotes omitted)).

¹⁰⁰ See generally CHITTY ON CONTRACTS, *supra* note 32, ¶¶ 1673-74.

¹⁰¹ *Reid & Sigrist Ltd. v. Moss & Mechanism Ltd.*, 49 R.P.D. & T.M. Cas. 461, 480 (Ch. 1932), citing *Morison v. Moat*, 9 Hare. 241, 258 (Ch. D. 1851); *Lamb v. Evans*, [1893] 1 Ch. 218, 237 (C.A.); *Merryweather & Son v. Moore*, [1892] 2 Ch. 518.

¹⁰² [1963] R.P.D. & T.M. Cas. 41 (H.L. 1928).

¹⁰³ *Id.* at 43 (Lord Buckmaster).

¹⁰⁴ See *supra* text accompanying notes 78-79.

publication, no injunction will be issued in equity to prevent such publication. The courts, however, do not require a plaintiff suing for an injunction to prevent future breaches of a *contract* term to show that a breach will cause him loss—unless the term is one requiring confidentiality. Thus, the court in *Mustad* transferred the equitable requirement that the plaintiff show he would benefit from an injunction to a contractual breach of confidence case.

The *Mustad* case seems to hold that an injunction will not be ordered unless the information protected by the confidentiality clause is confidential in fact at the time of judgment. If this is the rule, an exception probably exists where a secrecy-ending publication occurs after the breach but before judgment. In such circumstances, an injunction may be issued to prevent the defendant or his discloser from wrongfully using the confidential program in any way that would give him a head start over competitors who, as a result of the plaintiff's publication, have access to the previously confidential software. This so-called "springboard" principle has not been discussed in any contract cases. Nonetheless, by analogy to the breach of confidence cases in equity, discussed in the next section, the equitable remedy of an injunction ought to be available to prevent the wrongdoer from benefitting from his head start.

B. Effect of publication by plaintiff—Actions for breach of confidence

In this section, the effect of a publication that destroys confidentiality is discussed in relation to actions in equity for breach of confidence.

(1) Publication prior to plaintiff's original disclosure to the defendant

No action in equity for breach of confidence can succeed unless the software was confidential at the time the plaintiff disclosed it to the defendant. The necessary condition of confidentiality is that the software must have been secret and not in the public domain at that time.¹⁰⁵

(2) Publication after original disclosure to defendant but before defendant's disclosure to a third party

The general rule appears to be that the defendant commits no breach of confidence so long as he does not use or disclose the informa-

¹⁰⁵ See, e.g., *Coco v. A.N. Clark (Eng'rs) Ltd.*, [1969] R.P.D. & T.M. Cas. 41, 47 (Ch.).

tion disclosed to him by the plaintiff contrary to the confidence under which it was imparted, while the information is still confidential (that is, confidential enough for protection).¹⁰⁶ Therefore no damages or injunction will be awarded where secrecy was lost before the defendant's disclosure.

(3) Publication after defendant's disclosure to a third party but before judgment

A plaintiff who publishes previously confidential information after the defendant has disclosed it wrongfully may obtain an injunction in some circumstances to prevent the defendant's continued use of the information; and a plaintiff may obtain damages in equity for past breaches of confidence, even though no injunction is ordered.

(a) Injunction

If a plaintiff's publication of his program destroys its confidentiality (as where he has published a foreign patent specification or copyright registration), then, in general, no injunction will be ordered.¹⁰⁷ Defendant's repetition of the information constitutes no further violation because the obligation of confidence ceases once the information itself is no longer secret.

The general rule is not without exception however. An injunction will be ordered despite publication before judgment where, by reason of his *use* of the information in breach of confidence, the defendant has obtained a head start over competitors. This exception derives from Lord Greene's view in *Saltman Engineering Co. v. Campbell Engineering Co.*,¹⁰⁸ that a person to whom information had been disclosed in confidence could not lawfully shorten his labors by un contemplated use of that information. It has come to be known as the "springboard principle." Mr. Justice Roxburgh has said that:

[T]he essence of this branch of the law . . . is that a person who has obtained information in confidence is not allowed to use it as a springboard for activities detrimental to the person who made the confidential communication, and springboard it remains even when all the features have been published or can be ascertained by actual inspection by any member of the public.¹⁰⁹

¹⁰⁶ See A. TURNER, *supra* note 78, at 427; COPINGER AND SKONE JAMES, *supra* note 5, ¶ 732.

¹⁰⁷ See R. MEGARRY & P. BAKER, *supra* note 99, at 626.

¹⁰⁸ 65 R.P.D. & T.M. Cas. 203, 215 (Ch. 1948).

¹⁰⁹ *Terrapin Ltd. v. Builders' Supply Co.*, [1967] R.P.D. & T.M. Cas. 375, 391 (Ch. 1959), *aff'd*, [1960] R.P.D. & T.M. Cas. 128 (C.A.).

Lord Denning M.R. approved this view in *Seager v. Copydex Ltd.*¹¹⁰ Counsel in *Peter Pan Manufacturing Corp. v. Corsets Silhouette Ltd.*¹¹¹ argued that the "springboard principle" is inconsistent with the decision of the House of Lords in the *Mustad* case. *Mustad* held that no injunction would be issued against a company that apparently had used confidential information obtained from an ex-employee of the plaintiffs to construct a machine similar to that perfected by the plaintiffs, because the plaintiff had later published the details of that machine in a patent specification. Though it would appear from the facts that the defendant may have achieved a head start from its breach of confidence, the case is not an authority against the springboard principle because it was not argued before the court. The point was not decided in *Peter Pan Mfg.*, but in *Cranleigh Precision Engineering v. Bryant*,¹¹² Mr. Justice Roskill said in dicta that *Mustad* was not inconsistent with the springboard analysis.¹¹³

The question arises as to how long the springboard lasts. Dicta in some cases indicate that it is irrelevant that the defendant is put in a worse position than the rest of the world.¹¹⁴ The better view seems to be that once the defendant has lost the advantage over the rest of the world that he obtained through the breach of confidence, the injunction should cease.¹¹⁵ This latter approach was taken by Lord Denning M.R.

¹¹⁰ [1967] R.P.D. & T.M. Cas. 349, 367-68 (C.A.).

¹¹¹ [1963] R.P.D. & T.M. Cas. 45, 46-47 (Ch.).

¹¹² [1964] 3 All E.R. 289, 302 (Ch.). See also *Ackroyds Ltd. v. Islington Plastics Ltd.*, [1962] R.P.D. & T.M. Cas. 97, 103-04 (Ch.).

¹¹³ The Law Commission takes the view that the springboard principle and the rule that information ceases to be confidential once it enters the public domain are not incompatible. LAW COMMISSION NO. 110, *supra* note 36, ¶ 4.31. The springboard principle is retained in the Commission's Draft Bill:

§ 16-(1) The court may, if it thinks fit in the case of a defendant in proceedings for breach of confidence under this Act, grant relief under this section in respect of the future use by him of the information to which the breach relates notwithstanding that such use will occur at a time when the information has, or is likely to have, come into the public domain (and accordingly ceased to be subject to an obligation of confidence).

(2) The relief which may be granted by the court under this section in the case of such defendant [includes]—

(a) an injunction for such period and on such terms as appear to the court to be necessary to prevent the defendant from enjoying an advantage in the exploitation of the information in question over persons able to exploit it only as from its coming into the public domain. . . .

Id. at 222.

¹¹⁴ *E.g.*, *Reid & Sigrist Ltd. v. Moss & Mechanism Ltd.*, 49 R.P.D. & T.M. Cas. 461 (Ch. 1932). This is the view taken in those United States jurisdictions that follow the rule in *Shellmar Prod. Co. v. Allen-Qualley Co.*, 87 F.2d 104 (7th Cir. 1936).

¹¹⁵ A. TURNER, *supra* note 78, at 436-37. Compare the view taken in United States jurisdictions that follow the rule in *Conmar Prod. Corp. v. Universal Slide Fastener Co.*, 172 F.2d 150 (2nd Cir. 1949), that a person who has used information wrongfully cannot be enjoined from using it once it has become public knowledge.

in *Potters-Ballotini Ltd. v. Weston Baker*,¹¹⁶ where he said that: "Although a man must not use [confidential] information as a springboard to get a start over others, nevertheless that springboard does not last for ever. If he does use it, a time may come when so much has happened that he can no longer be restrained."¹¹⁷

(b) Damages

Where an action is brought only in equity it is uncertain whether an independent right to damages for a past breach of confidence is available.¹¹⁸ Equitable rights are usually protected by injunction, with damages granted only in lieu of an injunction,¹¹⁹ under Lord Cairn's Act, 1858.¹²⁰ Under this rule, where there is no case for the grant of an injunction,¹²¹ it seems that no damages ought to be awarded. Nevertheless, the Court of Appeals in *Seager v. Copydex Ltd.*¹²² appears to have held that damages may be awarded for past breaches, independent of any claim for an injunction to prevent future breaches. The measure of damages depends on the nature of the confidential information.¹²³ If it was information that could be obtained by employing a commercial consultant, damages are the fee the consultant would have charged for the information.¹²⁴ But if the information was special, involving an inventive step, then the court may award a sum arrived at by capitalizing the royalty that the plaintiff might expect to receive for the use of such information.¹²⁵ The latter measure is particularly appropriate where the information concerned is a computer program marketed by the defendant. On the other hand, an adaption of the measure based on a consultant's fee is warranted where the defendant has used the program itself: damages equal to the licensing fees the

¹¹⁶ [1977] R.P.D. & T.M. Cas. 202, 206 (C.A.), followed in *Harrison v. Project & Design Co.* (Redcar), [1978] F.S.R. 81 (Ch.).

¹¹⁷ The Law Commission also recommends that the injunction should last only long enough to prevent the defendant from enjoying an advantage over others who have had to wait until the information reached the public domain. Draft Bill, § 16(2)(a), printed in LAW COMMISSION NO. 110, *supra* note 36. See also *supra* note 113.

¹¹⁸ *Nichrotherm Elec. Co. v. Percy*, [1957] R.P.D. & T.M. Cas. 207 (Ch.).

¹¹⁹ *E.g.*, *Malone v. Metropolitan Police Comm'r*, [1979] Ch. 344, 360.

¹²⁰ Chancery Amendment Act, 1858, 21 & 22 Vict. ch. 27, § 2. See now Supreme Court Act, 1981, ch. 54, § 50.

¹²¹ For instance, in a situation where the springboard doctrine does not apply and where information has been published prior to judgment, thus destroying confidentiality, no injunction will be granted.

¹²² [1967] R.P.D. & T.M. Cas. 349 (C.A.).

¹²³ *Seager v. Copydex Ltd.* (No. 2), [1969] R.P.D. & T.M. Cas. 250 (C.A.).

¹²⁴ *Id.* at 256.

¹²⁵ *Id.*

plaintiff would have charged the defendant for its use of the software would be awarded.

Where damages are awarded in lieu of an injunction, this effects a sale of the program to the defendant. "Once a lump sum is assessed and paid, then the confidential information would belong to the defendants in the same way as if they had bought and paid for it by an agreement of sale."¹²⁶ This rule may also operate where the defendant is ordered to pay a royalty on the income it has produced by marketing the plaintiff's program. But it is submitted that when the defendant itself has used the program, without marketing it, damages could be in the amount of the appropriate license fee. Because licenses invariably include confidentiality clauses, it will often be just to award damages that recognize the existence of a continuing obligation of confidence owed by the defendant, but leave ownership of the program in the plaintiff. The defendant may then use the program as a licensee, but would be bound by a licensee's equitable obligation of confidence. This results because the court allows the defendant to continue using the program in return for damages; it has recognized the plaintiff's right to exploit the program in the future by awarding damages commensurate with a fee for a license that includes a confidentiality clause. If there is room for commercial exploitation of the program in the future, there seems to be no reason why the court should not leave ownership in the plaintiff.¹²⁷

In cases where the plaintiff lost confidentiality by publishing the program after the defendant's wrongful disclosure but before judgment, damages should be awarded to cover only the period during which the information remained confidential. In this type of case, "as a matter of right . . . the [plaintiffs] are entitled at their option to claim damages . . . or alternatively, an account of the profits made."¹²⁸

V. CONCLUSION

Even though copyright protection for published computer programs depends on publication that meets the reasonable needs of the public, and trade secrecy protection depends on the information not being in the public domain, it is possible that some computer programs

¹²⁶ *Id.*

¹²⁷ The Law Commission makes no specific recommendations regarding the basis for assessing damages where commercially exploitable information is involved; it prefers flexibility in this area. LAW COMMISSION NO. 110, *supra* note 36, ¶ 6.107.

¹²⁸ *Peter Pan Mfg. Corp. v. Corsets Silhouette Ltd.*, [1963] R.P.D. & T.M. Cas. 45, 58-60 (Ch.) (the report has "defendants" instead of "plaintiffs," an error).

may enjoy both types of protection. This could arise where the reasonable needs of the "public" are met without putting the program in the "public domain." A program owner who can obtain both types of protection ensures not only that his program cannot be copied lawfully, but also that the ideas contained in it cannot be stolen with impunity. Whenever possible, program owners should arrange their United Kingdom operations so as to preserve both types of protection.