

HONG KONG / JUDGMENT

POAD GROUP LTD AND ANOTHER v. S CUBE MEDIA LTD AND ANOTHER

COURT

Court of First Instance

DECIDED

26 June 2014

CASE / FILE NUMBER

HCA761/2014

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HCA 761/2014

IN THE HIGH COURT OF THE

HONG KONG SPECIAL ADMINISTRATIVE REGION

COURT OF FIRST INSTANCE

ACTION NO 761 OF 2014

BETWEEN

POAD GROUP LIMITED

1st Plaintiff

POLARLINE DEVELOPMENTS LIMITED

2nd Plaintiff

and

S CUBE MEDIA LIMITED

1st Defendant

CHEUNG TAT CHUN, TAY

2nd Defendant

Before:

Deputy High Court Judge Saunders in Chambers (Open to the public)

Date of Hearing: 24 June 2014

Date of Decision: 26 June 2014

DECISION

Introduction

This is an application for an interim injunction to restrain the Defendants (S Cube Media and Mr Tay Cheung) from using certain information, said by the Plaintiffs (collectively POAD) to constitute confidential information. The application seeks also to restrain S Cube Media and Mr Tay Cheung from accepting business from any client who has been approached by Mr Tay Cheung in breach of a confidentiality agreement contained in his employment agreement with POAD. In the usual way disclosure orders in respect of the confidential information alleged to be in possession of S Cube Media and Mr Tay Cheung, are sought in conjunction with the restraint provisions.

The matter first came before Deputy Judge Wilson Chan on 9 May 2014. The Judge declined to grant an interim injunction, and set a timetable for the filing of affirmations.

Background

POAD Group Limited is the holding company of a well-known Group of companies in Hong Kong carrying on the business of outdoor advertising. It is convenient to refer to them collectively, even when referring to only one, as the Group. The Group, particularly the 2nd Plaintiff (Polarline), deals in billboard advertising at various vehicle tunnels, and tram shelters and also various forms of taxi advertising, both on the body of the taxi and in the taxi interior.

S Cube Media was established in 2013 and operates a business similar to that of POAD. Ms Yau Hoi Yi, Katie (Ms Yau) was previously an employee of POAD, having joined the Group in about June 2008. She left the Group on 3 August 2012, at which time she was employed as a senior business development executive. Since 20 June 2013, Ms Yau has been a director and founding member of S Cube Media. Mr Tay Cheung was an employee of the Polarline, as a senior account executive. He left the Group on 5 November 2013. He is now employed by S Cube Media as a senior sales executive.

The evidence is that three other former employees of Polarline are now working for S Cube Media, however no orders are sought against those three persons.

Both Ms Yau and Mr Tay Cheung had employment agreements with Polarline which contained a confidentiality agreement in which confidential information was defined in the following manner:

“‘Confidential Information’ shall include without limitation all confidential information or trade secret of the Company or any Affiliate including, without limitation, their financial information, pricing policy, contact details and requirements of customers, marketing and business plan, the financial information and marketing or business plan of their customers.”

The employment agreement in respect of both Ms Yau and Mr Tay Cheung contained the following non-solicitation provision:

“The Employee agrees that during a twelve (12) month period immediately following the termination of his/her employment with the Company, he/she will not:-

(i)

either on his/her own account or for any other person, firm or corporation solicit, interfere with any person, firm or company with whom the Employee has had contact as a representative during his/her employment by the Company and from whom the Employee has received Confidential Information or to whom the Employee has provided Confidential Information, for the primary purpose of providing them with services substantially similar to those provided by the Company or any of its Affiliates;

(ii)

either on his/her own account or for any other person, firm or corporation solicit, interfere with or endeavour to entice away any employees who are in the employment of the Company.”

The 12 month non-solicitation period in respect of Ms Yau has expired. The 12 month period in respect of Mr Tay Cheung has a little over 4 months to run.

I should note that Mr Hon was careful to remind me that the injunction sought is not an injunction in restraint of trade, but merely a restriction upon the use of confidential information.

I note further, that although allegations were made that S Cube Media and Mr Tay Cheung had plagiarised material contained in POAD’s sales kit and proposals, in their own sales kit and proposals, no injunction was sought to restrain that use on the basis of a breach of copyright.

The factual matrix

Through the different operating arms of the POAD Group potential carriers of advertising space are sourced. Not only must the owner of the space, for example a blank wall on a building, be identified but it is necessary also to identify the particular person, who will be associated with either an owner or a tenant, who has authority to deal with the space for advertising purposes. And that is so whether the space is on a building, or on, or in, a taxi. The evidence from a Ms Yiu Pui Man, Jo, (Ms Yiu) the managing director of POAD Media Ltd, a company within the Group, and authorised by POAD to make the affirmation, in relation to the collection of that information, was in the following terms:

“In this respect, (POAD) have kept a database of, inter-alia, these information.” (sic)

That, with a description as to how the information was sourced, is the sum total of the evidence in relation to the identification of the confidential information at issue in these proceedings.

Ms Yiu says that on 15 January 2014, her attention was drawn to an e-mail chain which had been received by POAD, plainly in error. The e-mail chain indicated that on 7 January 2014, there had been a meeting between Mr Tay Cheung and a Ms Flossie Lo, of a company called Wai Fat, in respect of taxi advertising booking. It is helpful to set out the entire chain:

(1)

7 January 2014: Mr Tay Cheung to Ms Lo:

“Dear Flossie,

Nice to catch up with you. The last thing I would like to is to disturb your packed schedule, but here I would like to inform you our special package.

As I recall the taxi booking will be ended soon in February, I would like to ask if there is any plan for your next booking? Would it be 3/6/12 months, Superside + rear windscreen? I will prepare a tailor-made package for you. As you know, I must prepare the package with a very competitive price for you.” (sic) (My emphasis)

(2)

9 January 2014: Mr Tay Cheung to Ms Lo (in this email Mr Tay Cheung attaches a proposal):

“Well understood your concern, please see below some promises that we are confident to made to ease your concern.” (sic)

The email then refers to matters of quality, price and after sales service.

(3)

15 January 2014: Ms Lo to Mr Tay Cheung (Ms Lo, plainly in error, addresses this to Mr Tay Cheung’s old email address at POAD):

“Hi Tay,

For tomorrow’s meeting, we need to schedule and please arrange it with my colleague Sally cos she would be the one to take care of the project. Hope you guys had a good chat!”

As a result of the error in the use of Mr Tay Cheung’s old email address, the e-mail chain was received by POAD. On the day it was received at POAD, 15 January 2014, the e-mail chain was forwarded to Ms Yiu. Her evidence was that Wai Fat had been a client of POAD during Mr Tay Cheung’s employment with POAD, and that the “booking” referred to in the e-mail of 7 January 2014 was a booking that had been made through a subsidiary of POAD, POAD Taxi.

Ms Yiu was suspicious that someone in S Cube Media’s organisation who had previously worked with POAD had taken a copy of the database. She began investigating the matter.

In her affirmation Ms Yau, by her description of the business, appeared to accept that S Cube Media's business was at the very least very similar to that of POAD. She said however that the S Cube Media developed its own database by gathering information from public resources. Her description of the manner in which the details of owners of outside walls of different buildings were ascertained was similar to the method used by POAD. Her description of obtaining contact details of owners of taxis was similar to the method used by POAD. In both cases, publicly available resources were the source of the information.

Ms Yau said that because S Cube Media did not know the scope or form of the alleged confidential information it was impossible to deliver up any documents, and that in any event such documents did not exist.

Mr Tay Cheung explained that he contacted Flossie Lo because he had seen an advertisement published on a taxi on the street, searched for the product online and found a contact number of Wai Fat which distributed the product. Thus he was able to contact Flossie Lo. He said he learned that the contract between Wai Fat and POAD was due to expire from his telephone conversation with Ms Lo. The inference is that his reference to the recollection is a recollection of the telephone conversation.

There was no evidence from Ms Lo.

The relevant law

It is not necessary for me to repeat the American Cyanamid principles which are well known.

Ms Shek, for the defendants, did not challenge Mr Hon's submission that the law on confidential information in an employer and employee relationship is set out in the Neil LJ's five propositions in *Faccenda Chicken v Fowler* [1987] 1 Ch 117 at 135F137F.

Ms Shek drew my attention to the evidence from S Cube Media that the information said to be contained in the database could also be obtained from public sources. That was plainly so, even from POAD's own evidence. Mr Hon was obliged to acknowledge that POAD could not restrain S Cube Media from seeking that information from public sources, and using it once it was obtained, even if it might be on POAD's database.

I accept of course that if there is evidence that POAD has assembled the component parts of information from public sources into a database, then the database is confidential and can be protected as a matter of law. But for that protection, it must be POAD's database it must be shown to be being used, and not merely the information obtained from public sources.

Ms Shek drew my attention to a number of propositions concerning confidentiality taken from the decision in *Gilman Engineering Ltd v Ho Shek On Simon* [1986] HKC 523:

“(i)

A former employee would only be bound not to use or disclose trade secrets and information of a highly confidential nature equivalent to trade secrets. His obligation after the contract of employment would not extend to cover information which is only confidential in the sense that an unauthorized disclosure of such information while the employment subsisted would be a clear breach of the duty of good faith. *Faccenda Chicken v Fowler* [1986] FSR 291 applied.

(ii)

Lists of customers have always been jealously guarded by the courts and lists of suppliers or manufacturers would rank *pari passu* with a list of customers and agents, but no criticism could be levelled at an ex-employee approaching and engaging the tried services of his ex-employers whom he merely happened to remember; and in the absence of a written list, it would be difficult to establish the alleged nature of any name.

(iii)

The courts have been astute to preserve a former employee's full right of choice of employment and his full freedom of competition. The use of ordinary stock of knowledge and experience will not be disturbed. This comprises skill and information acquired in his work or generalized bodies of information learned as a part of his business and experience in the course of earning his living with the ex-employer.

(iv)

If highly confidential information equivalent to trade secrets cannot be easily isolated from the ordinary stock of knowledge and experience of an ex-employee, the courts would be reluctant to come to the ex-employer's aid with an injunction. An injunction order should therefore be couched in specific and precise terms as to what must not be disclosed or used.

(v)

The names of the 18 companies with which the plaintiff was concerned could not be regarded collectively as if there had been some list. *Baker v Gibbons* [1972] 2 All ER 759 applied.

(vi)

The plaintiff was left with its alleged trade secrets or highly confidential information equivalent to trade secrets. But the alleged materials were all empty headings. The defendant claimed that they were all part of his business and experience learned in the course of earning his living as an executive with the plaintiff. It was impossible to tell whether materials claimed by the plaintiff to be trade secrets or equivalent were readily separable from information which the defendant was free to use.

(vii)

The plaintiff's application in regard to the alleged materials was unsustainable without further particulars and the defendant's request for further information in respect of the 12 companies was necessary and reasonable. There was no way in which the court could determine whether there was any serious question to be tried as the plaintiff had not even disclosed any prima facie right to be protected."

Mr Hon accepted that the injunction sought was a mandatory interlocutory injunction and a higher standard of proof is required than in the case of a prohibitory injunction. He referred me to the explanation by Deputy High Court Judge Lisa Wong SC in *Wu Wei v Liu Yi Ping* (unreported, 30 January 2009, HCA 1452/2004) of the decision of Ma CJHC (as he then was) in *Music Advance Ltd v Incorporated Owners of Argyll Centre Phase 1* (unreported, 20 August 2002, HCA 2574/2002).

I have had regard to all of these matters in reaching my decision.

A good arguable case

I accept that a database containing the information this database is said to contain, would constitute confidential information: *Roger Bullivant Ltd v Ellis* [1987] IRLR 491. But what must be established to the standard of a good arguable case in this matter, is whether or not S Cube Media or Mr Tay Cheung are in possession of the database, and using the database, rather than information sourced from public sources.

Although the evidence did not specifically establish that the database maintained by POAD was on a computer (see para 10 above), I was told from the bar that the database was on a computer. Notwithstanding Ms Yiu's suspicion that someone in S Cube Media's organisation who had previously worked with POAD had taken a copy of the database, no forensic examination of computers had been undertaken. Mr Hon attempted to say to me from the bar that the computer logs could not be checked. In the absence of a forensic examination of the computers and proper evidence of the assertion, the submission was not open to him.

Other than any inference that might be open arising from Mr Tay Cheung's comment in the e-mail; "as I recall", there was no evidence whatsoever that either S Cube Media or Mr Tay Cheung were using confidential information from the database. It does not follow from the fact that S Cube Media might have plagiarised POAD's documentation that the database has been taken so that the confidential information it contains might be wrongly used.

In fact, the expression "as I recall" is equivocal. It may indicate that Mr Tay Cheung recalls the information from the database. It would be a breach of confidentiality for Mr Tay Cheung to use the information in that circumstance. It may indicate that Ms Lo told Mr Tay Cheung in the telephone conversation of the date the contract ended, and that the reference in the e-mail is to that telephone conversation. It would not be a breach of confidentiality for Mr Tay Cheung to use the information in that circumstance.

The use of the expression does not raise a strong inference that either S Cube Media or Mr Tay Cheung are in possession of the database, and that Mr Tay Cheung has learned that information from that possession of the database.

Mr Hon specifically disavowed any reliance upon a contention that either Mr Tay Cheung or anybody at S Cube Media were in breach of their confidentiality obligations by using their memory of the content of the database. His position was that three elements, the statement “as I recall” in the e-mail, what he described as an unbelievable explanation of that expression in the e-mail, and the use of plagiarised documents, were sufficient to say that a good arguable case existed that S Cube Media and Mr Tay Cheung were in possession of the database, and were using it in breach of confidence.

There was no forensic evidence in relation to access to the computers. This is a glaring gap in the evidence in this case. There has been more than ample time within which to undertake a forensic examination of the computers used by the five persons in S Cube Media who were previously employed by POAD. The absence of forensic information is telling.

If, as is alleged, S Cube Media is in possession of POAD’s database and is using it to entice clients away from POAD by offering reduced fees, then it would be expected that there would be a reduction in POAD’s advertising billing during the period, at least since Mr Tay Cheung left POAD, and potentially since Ms Yau left POAD. There is no evidence at all of any such reduction.

As I have indicated, I find the use of the expression as “I recall”, to be equivocal. The explanation of the circumstances by which Mr Tay Cheung came to contact Ms Lo is not inherently unbelievable.

Having regard to the matters in paragraphs 27-33, I am not satisfied that there is a good arguable case that either S Cube Media or Mr Tay Cheung, or anyone else formerly employed by POAD and now at S Cube Media, has wrongfully taken the database and is using it. At best it can be said that a suspicion arises of that fact, but that suspicion does not reach the appropriate standard of a good arguable case.

Would an injunction on the terms sought be enforceable

I am not satisfied that an injunction on the terms sought would be enforceable. In the absence of any real evidence suggesting that S Cube Media or Mr Tay Cheung are in possession of the database it would be impossible to say in the event of an alleged breach, whether in the alleged breach arose from information from the database, or information properly and independently sourced from public resources. Mr Hon was obliged, as I have noted, to accept that much of the information in the database could be sourced from such resources.

It is well established that the court will not grant an injunction in terms that are too wide and vague to be enforceable: see Hong Kong Civil Procedure 2014, para 29/1/33. The list of clients of POAD in 2013, and 252 pages containing a single column of taxi registration numbers, apparently in use by POAD as long ago as 2010, does not go anywhere to confine the terms of the proposed injunction or to clarify it.

I accept Ms Shek's submission that the expressions used in an attempt to confine or clarify the injunction; "past transaction records and log records of the clients of POAD", and "sales enquiry by potential customers of POAD" are too wide and vague to be enforceable.

Delay

An application for an interim injunction, particularly a mandatory interim injunction, must be made promptly: see King Fung Vacuum Ltd v Toto Toys [2006] 2 HKLRD 785 CA. In that case Rogers VP stated that "promptly" was commonly understood as a period of 6 weeks or so of unexplained delay, and 3 months with an explanation given for the delay. If the application is not made promptly, the inference arises that there is no irreparable damage. The matter was aptly put by Rogers VP in King Fung Vacuum Ltd at para 20:

"Since the American Cyanamid decision the importance of irreparable damage in an application for an interlocutory injunction is paramount. If there is no irreparable damage demonstrated then the need for an interlocutory injunction has not been shown. This is important because of the approach that the courts take to interlocutory injunctions. They are not the trial of the action and the court is concerned with whether irreparable damage will occur before a trial can take place. It stands to reason that if a party is prepared to allow matters to proceed and takes no action with respect to matters which have been extant for lengthy periods, it lies ill in their mouth to say that there is likely to be irreparable damage and that is the case here."

POAD discovered the e-mails on 15 January 2014. The writ was not issued until 29 April 2014, 3½ months later. Ms Yiu attempts to explain the delay by saying that she could not delegate the investigation of the matter to anyone else and that it took time to obtain copies of S Cube Media's sales kits.

It is entirely unclear to me why the investigation could not be delegated to somebody else, or why any investigation would take the time this has. There is no explanation at all for the complete absence of any forensic examination of the computers, a matter that could be undertaken quickly and promptly once the e-mails were received.

It is no answer to say that the POAD required a copy of S Cube Media's sales kit before bringing these proceedings. No breach of copyright injunction was being sought, and any plagiarism of POAD's sales kit does not assist in improving any inference there might be that the database is wrongly in use.

In the whole of the circumstances I am not satisfied that the delay in commencing proceedings has been satisfactorily explained.

Conclusion

For the foregoing reasons I am not satisfied that this is a case where an interim injunction should be granted. The summons is dismissed.

Costs

The usual order if an interim injunction is granted in circumstances such as this is to order costs in the cause, because the good arguable case that has been established will be tested in the trial. But if a plaintiff is unsuccessful in seeking an interim injunction it must expect costs to be awarded against it.

There will be an order nisi that the defendant will have its costs on the application for the interim injunction, to be taxed on a party and party basis.

(John Saunders)

Deputy High Court Judge

Mr Kevin Hon, instructed by Ho & Partners, for the plaintiffs

Ms Emerald Shek, instructed by Louis K Y Pau & Co, for the defendants

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Prepared on 29 October 2026 · Esheria