See pp. 718-720

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Seager v Copydex Ltd (No 2)

COURT OF APPEAL, CIVIL DIVISION

LORD DENNING MR, SALMON AND WINN LJJ

10, 11 MARCH 1969

Equity - Confidence - Breach of confidence - Damages - Use of information obtained in confidence - Basis of assessing damages.

The Court of Appeal having found that the defendant company had made use, albeit honestly, of information which they had received in confidence from the plaintiff, the inventor of a carpet grip, which information was not available to the public, held that the plaintiff was entitled to damages for breach of confidence, the damages to be assessed on the basis of reasonable compensation for the use of the confidential information. On motions by the parties as to the principles on which the damages should be assessed,

Held - The damages should be assessed on the market value of the information as between a willing buyer and a willing seller (see p 720, letters *b* and *i*, and p 721, letter *d*, post).

Per Curiam: Once the damages are assessed and paid the property in the confidential information is vested in the defendant company and they have the right to make use of it (see p 720, letters *e* and *i*, and p 721, letter *d*, post).

Notes

As to principles of relief in equity, see 14 *Halsbury's Laws* (3rd Edn) 524, 525, para 992.

Motion

On 18 April 1967, the Court of Appeal (Lord Denning MR Salmon and Winn LJJ) (reported [1967] 2 All ER 415) allowed the appeal of the plaintiff, John Henry Seager,

from an order of Buckley J dated 14 July 1966, dismissing his action against the defendant company, Copydex Ltd claiming an injunction to restrain the defendant company, by themselves, their directors, officers, servants or agents or otherwise howsoever, from making use of information supplied by the plaintiff in person and from selling carpet grips called "Invisigrip", in the manufacture of which information supplied by the plaintiff in confidence had been used; the plaintiff also sought an enquiry as to damages by reason of the defendant company's breaches of confidence, or an account of profits, and other relief. The Court of Appeal granted an order for damages to be assessed by the master on the basis of reasonable compensation for the use of the confidential information which had been given to the defendant company.

On 20 October 1967, Master Heward ordered points of claim as to the computation of damages to be delivered by the plaintiff, which, as amended, claimed in para 1 an amount equal to that which represented the amount of the royalty which the defendant company would have or ought reasonably to have been ready to have paid to him between 31 December 1962 and 31 December 1967, together with the capitalised value of such royalties as the defendant

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company would or ought to have been ready to have paid to him after 31 December 1967 for the use of his invention if it had been patented by him and if he had licensed the defendant company to manufacture the invention, after deducting the proper expenses of obtaining the patents in fact obtained by the defendant company; the proper rate for such royalty being 12 1/2 per cent of the net selling price being the rate which the defendant company were prepared to offer for a similar invention of the plaintiff, the "Klent", and he claimed not less than £57,650. Alternatively, by para 2 the plaintiff claimed that, by reason of the defendant company's competition, using patents based on the confidential information supplied by him, with his established business of the sale of "Klent", his business had been reduced in profitability and value and he claimed £114,100. By para 2 their points of answer, the defendant company claimed that the proper basis on which damages should be assessed was that they should pay to the plaintiff such sum as represented reasonable remuneration to a consultant for the provision by such consultant of the information held to have been derived by them from the plaintiff and used by them in manufacturing the "Invisigrip" on the footing of certain facts. On 26 July 1968, Master Heward directed that the points of claim and answer be considered by the Court of Appeal. The plaintiff applied for an order that the minutes of the order made by the Court of Appeal on 18 April 1967 be varied so that the damages might be assessed in the manner set out in para 1 or alternatively in para 2 of his amended points of claim or alternatively in para 2 of the defendant company's points of answer. The defendant company applied for an order that the minutes be varied so that the damages might be assessed in the manner set out in para 2 of their points of claim or alternatively in para 1 and para 2 of the plaintiff's

amended points of claim. The defendant company also sought a declaration that, the Court of Appeal not having thought fit to grant any injunction, they should henceforth be free to manufacture, use and sell the "Invisigrip" without let or hindrance from the plaintiff or anyone deriving title from him, and in particular without let or hindrance based on any letters patent which might be granted to the plaintiff.

The cases noted below[a]

[a] *Peter Pan Manufacturing Corpn v Corsets Silhouette Ltd* [1963] 3 All ER 402, [1964] 1 WLR 96, *Saltman Engineering Co Ltd v Campbell Engineering Ltd* (1948), [1963] 3 All ER 413, n.

T M Eastham QC and A H Head for the plaintiff.

S Gratwick QC and P Ford for the defendant company.

11 March 1969. The following judgments were delivered.

LORD DENNING MR.

In April 1967 we heard a case which the plaintiff, Mr Seager, brought against the defendant company, Copydex Ltd, alleging that they had taken confidential information relating to a design for a carpet grip. We found in favour of the plaintiff. Now a question has arisen as to the principles on which the damages are to be assessed. They are to be assessed, as we said, at the value of the information which the defendant company took. If I may use an analogy, it is like damages for conversion. Damages for conversion are the value of the goods. Once the damages are paid, the goods become the property of the defendant. A satisfied judgment in trover transfers the property in the goods. So, here, once the damages are assessed and paid, the confidential information belongs to the defendant company.

The difficulty is to assess the value of the information taken by the defendant company. We have had a most helpful discussion about it. The value of the confidential information depends on the

nature of it. If there was nothing very special about it, that is, if it involved no particular inventive step but was the sort of information which could be obtained by employing any competent consultant, then the value of it was the fee which a consultant would charge for it; because in that case the defendant company, by taking the information,

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would only have saved themselves the time and trouble of employing a consultant. But, on the other hand, if the information was something special, as, for instance, if it involved an inventive step or something so unusual that it could not be obtained by just going to a consultant, then the value of it is much higher. It is not merely a consultant's fee, but the price which a willing buyer--desirous of obtaining it--would pay for it. It is the value as between a willing seller and a willing buyer. In this case, the plaintiff says that the information was very special. People had been trying for years to get a carpet grip and then he hit on this idea of a dome-shaped prong. It was, he said, an inventive step. And he is supported in this issue by the fact that the defendant company themselves have applied for a patent for it. Furthermore, if he is to be regarded as a seller, it must be remembered that he had a patent for another carpet grip called "Klent"; and, if he was selling the confidential information (which I will call the "Invisigrip" information), then the sales of the "Klent" might be adversely affected. The sales of the "Klent" would be reduced owing to the competition of the "Invisigrip". So he would ask for a higher price for the confidential information in order to compensate him for the reduction in the "Klent". In these circumstances, if the plaintiff is right in saying that the confidential information was very special indeed, then it may well be right for the value to be assessed on the footing that, in the usual way, it would be remunerated by a royalty. The court, of course, cannot give a royalty by way of damages; but it could give an equivalent by a calculation based on a capitalisation of a royalty. Thus it could arrive at a lump sum. Once a lump sum is assessed and paid, then the confidential information would belong to the defendant company in the same way as if they had bought and paid for it by an agreement of sale. The property, so far as there is property in it, would vest in them. They would have the right to use that confidential information for the manufacture of carpet grips and selling of them. If it is patentable, they would be entitled to the benefit of the patent as if they had bought it. In other words, it would be regarded as a real outright purchase of the confidential information. The value should, therefore, be assessed on that basis; and damages awarded accordingly.

In these circumstances, I do not think that we should make any such declaration as the defendant company ask. It is sufficient for us to say that, on a satisfied judgment for damages, the confidential information belongs to the defendant company.

There is one thing more. We have been told that patent proceedings are pending by the defendant company. They are applying for a patent and the plaintiff is opposing it. That cannot affect directly the matters which we have had to decide today. But the matters are so linked together that I think that the damages should be assessed not by a master in the Chancery Division but by a patent judge.

I hope that one patent judge will deal with the patent proceedings as well as these damages. The only order which I would make on the motion is simply to say that the damages are to be assessed in conformity with our judgments.

SALMON LJ.

I entirely agree and have little to add. The damages, as Lord Denning MR said, are equal to the market value of the confidential information wrongly taken by the defendant company--the market value, that is to say, as between a willing buyer and a willing seller. This depends very much on the true character of the confidential information. If the confidential information was not concerning something which can truly be called an invention, but was the sort of information which the defendant company could for a fee have obtained from any competent consultant, then the damages presumably would be whatever might be a reasonable fee in the circumstances. If, however, the confidential information was information about a true invention, then it would be the value of the invention. Inventions are usually sold on the basis of a royalty; but damages, of course, have to be given once and for all, and would

be the capitalised value of the royalty. Whether this "Invisigrip" is novel and did involve an inventive step will be a matter for the learned judge to decide on the evidence that he hears. It has been argued before us that it is something really very simple and that, therefore, anyone could have thought of it. That may be true. There are, however, many very valuable inventions on the market which are extremely simple; people have been seeking for years to find a solution and then someone hits on the idea and it is a very simple idea. It is easy enough afterwards to say: "Well, anyone could have thought of that." It will be a matter for the judge, and perhaps it is not for me to express an opinion; but I observe that the defendant company have applied for a patent for "Invisigrip", and it may, I suppose, be said on behalf of the plaintiff that, inasmuch as they have applied for a patent, they are saying that it is a novelty, it is an invention. But that, as I say, will be a matter for the judge to decide. He may think that, notwithstanding that they have suggested that it is an invention in the patent proceedings, this does not preclude them from now denying that it is an invention. It is a matter entirely for the judge, and I agree with Lord Denning MR that this question should go before one of the patent judges for decision.

WINN LJ.

I agree entirely with the judgments delivered by my Lords, and for my part would add only two or three very short remarks. I desire to say that I reject the second alternative basis (See p 719, letter *b*,

ante.) on which it was suggested by the plaintiff that these damages should be assessed. I think that the first (See p 718, letter *i*, ante.) of those two is more or less the right basis. I rather regret that my humble attempt to reword it was not taken up, because I think that it would have been clearer than it is as at present worded. Nevertheless, it is more or less somewhat of the nature of that which is to be pursued. I only want to add that, when talking of market value in this case, I feel sure that all members of the court would intend that the special position of the plaintiff as proprietor of the "Klent" should be borne in mind as a factor in calculating that value, since, as Lord Denning MR has said, it might well be that he, because of his other interests, would only be a willing seller at a higher price than the notional chaffering between strangers not possessing an interest would produce as the market value figure.

I only desire to add one more thing. That is that, since the basis on which damages are to be recovered in this case is a tortious basis, where there is insoluble doubt between any two possible versions or assessments, when the tribunal of fact is pursuing the factual issues, it should be borne in mind that there is a general principle that omnia praesumuntur contra spoliatorem.

On the plaintiff's motions: directions that the enquiry as to damages be heard before a patent judge.
No order on the defendant company's motion.

Solicitors: Payne, Hicks Beach & Co (for the plaintiff); Courts & Co (for the defendant company).

F Guttman Esq Barrister.