Neutral Citation [2012] IEHC 391

THE HIGH COURT

[2012 No. 1590P]

BETWEEN

TEKENABLE LIMITED

PLAINTIFF

AND

MICHAEL MORRISSEY, JOHN GHENT AND CRITICAL VILLAGE LIMITED

DEFENDANTS

Judgment of Miss Justice Laffoy delivered on 1st day of October, 2012.

The application and its context

1. This judgment relates to an application by the plaintiff for the costs of a motion for an interlocutory injunction, which it brought against the defendants and which was resolved by an undertaking given to the Court by the defendants on foot of an agreement between the parties.

2. The plaintiff is a company involved in the design and construction of bespoke computer software programmes. Until 6th February, 2012 the first and second named defendants were employees of the plaintiff, the first named defendant having been employed from August 2005 as the sales director of the plaintiff, and the second named defendant having been employed from 1st February, 2008 and latterly having been the head of consulting at the plaintiff's business. The third named defendant is a limited company through the medium of which the first and second named defendants have carried on their business since leaving the employment of the plaintiff. On 6th February, 2012 the directors of the plaintiff were made aware that the first and second named defendants intended leaving the employment of the plaintiff to set up their own business. By agreement between the parties the first and second named defendants left on that day and prior to leaving they handed up their laptops to the plaintiff's directors. As one would expect, the contracts of employment of the first and second named defendants with the plaintiff contained confidentiality clauses, which imposed an obligation on each of them to respect the complete confidentiality and security of the plaintiff's affairs on the basis that the obligation would be indefinite and would apply both while they were in the employment of the plaintiff and at any time after they left such employment.

3. The pre-litigation correspondence between the parties commenced with a letter dated 14th February, 2012 from the plaintiff's solicitors to each of the defendants, in which, having outlined certain factual matters, it was contended that the first and second named defendants were in flagrant breach of the terms of their respective contracts of employment and, in particular, in breach of the confidentiality clause in each contract. Certain information, for example, the name of each of the clients of the plaintiff from whom they had solicited or attempted to solicit business prior to 6th February, 2012, was sought by the defendants. Legal proceedings were threatened. The response to that letter was an e-mail from the first named defendant directly to the directors of the plaintiff on the night of 14th February, 2012 asserting that the directors had misread the situation and stating that the defendants "would appreciate the opportunity to sit down to discuss the matter" with the plaintiff's directors. The response of the plaintiff's solicitors, by letter dated 15th February, 2012, was that they required a reply to the letter of 14th February, 2012, before considering whether any benefit would be derived from a meeting. On the same day, the directors of the plaintiff became aware that the Irish Insurance Federation (IIF) had entered into a contract with the defendants to provide a software computer programme for that organisation. By an e-mail of 15th February, 2012, the first named defendant, without the benefit of legal advice, responded to the matters raised in the letter of 14th February, 2012 from the plaintiff's solicitors and once again suggested a meeting. On the following day, the solicitors on record for the defendants in these proceedings became involved on their behalf and notified the plaintiff's solicitors of that. On the following day, 17th February, 2012, the defendants' solicitors wrote to the plaintiff's solicitor setting out comprehensively the defendants' position and denying any past, or intended future, use of any trade secret or confidential information, being the property of the plaintiff, by the defendants. It was stated that any proceedings initiated would be fully contested.

4. These proceedings were commenced by plenary summons which issued on 17th February, 2012.

5. On 20th February, 2012 the plaintiff issued a notice of motion returnable for 27th February, 2012 in which interlocutory injunctions were sought against the defendants in the following terms –

> (i) restraining them from making use of any information relating to the plaintiff or its affairs of which they became aware through employment with the plaintiff;
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> (ii) restraining them from soliciting business from any client of the plaintiff through use of any information relating to the plaintiff or its affairs of which they became aware or possessed through employment with the plaintiff;
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> (iii) restraining them from entering into and/or concluding contracts for the provision of services with any person, firm or entity solicited by the first and/or second named defendant whilst full-time employees of the plaintiff; and
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> (iv) directing them to return to the plaintiff all information in their possession, power or procurement relating to the plaintiff or its affairs of which they became aware or possessed through employment with the plaintiff.

6. The plaintiff's motion was grounded on an extensive affidavit of Peter Rose, a director of the plaintiff, which ran to seventeen pages.

7. In response to the motion, three affidavits were filed on behalf of the defendants: an affidavit of the first named defendant sworn on 24th February, 2012; an affidavit of the second named defendant sworn on the same day; and an affidavit of Niall Doyle, Corporate Affairs Manager of IIF, also sworn on 24th February, 2012, in which Mr. Doyle averred that he was not aware of any

confidential information or other intellectual property of the plaintiff being used in connection with the work the subject matter of IIF's contract of 13th February, 2012 with the third named defendant. A copy of that contract was exhibited.

8. On 27th February, 2012 the motion was adjourned on the basis of an agreement between the parties that an expert would be appointed to inspect the defendants' personal and business computers for the purpose of identifying any information confidential to the plaintiff thereon. The Court was informed that, in the event, that inspection did not happen before 23rd March, 2012.

9. Mr. Rose swore another extensive affidavit on 7th March, 2012, which was responded to by a further affidavit of the first named defendant sworn on 14th March, 2012. In Mr. Rose's affidavit, it was made clear that the alleged breach by the first and second named defendants of their legal obligations to the plaintiff in relation to the contract with IIF would be the subject of the plaintiff's claim for damages and was not the subject of the application for interlocutory relief. In his affidavit, the first named defendant denied that the defendants had used confidential business information, the property of the plaintiff, for their own purposes. The first defendant reiterated the position of both the first and the second named defendants that they would not use any information confidential to the plaintiff, asserting that they did not believe that any such information existed.

10. When the matter was before the Court on 23rd March, 2012, the Court was informed that the interlocutory motion, save as to costs, had been settled on the terms of an undertaking to be given by the defendants. The undertaking was annexed as a schedule to the order of the Court of 23rd March, 2012 perfected on that day. In the undertaking the expression "Confidential Information" was defined with some particularity and, in general, related to information of which the first and second named defendants came into possession in the course of their employment with the plaintiff and prior to 6th February, 2012. The undertaking given by the defendants to the Court was that –

> (i) they would on or before 13th April, 2012 deliver to the plaintiff any "such Confidential Information";
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> (ii) subsequent to delivering the documentation mentioned, they would "hold no documentation whatsoever containing Confidential Information"; and
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> (iii) they would "retain all Confidential Information known by them with complete confidentiality and security, indefinitely into the future, and would not utilise the same for their own benefit or for the benefit of any one of them, or for the benefit of any other party".

It would appear that the undertaking in paragraph (iii) was intended to be, and is, a perpetual undertaking.

11. The Court made the order in the terms sought. Insofar as the perfected order has not been subsequently amended under the "slip" rule, to bring it into conformity with the intentions of the parties and the order made, I propose to do so by –

> (a) making the undertaking a rule of court; and
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> (b) deleting the reference therein to all further proceedings being stayed.

12. It is clear on the face of the undertaking, which was executed by Mr. Rose and by the first and second named defendants on their own behalf and on behalf of the third named defendant, that it was envisaged that the main proceedings would continue, because there is reference in the undertaking, in the definition of what constitutes "Confidential Information", to the plaintiff bringing an application for discovery in the proceedings.

13. That is what has happened. A statement of claim was delivered on behalf of the plaintiff on 26th April, 2012 in which, having alleged various breaches of contract and of duty, which are alleged by reference to various third parties who were mentioned in Mr. Rose's affidavit, not just IIF, the plaintiff seeks damages for breach of contract and for breach of trust and confidence.

The respective positions of the parties on the application

14. The plaintiff seeks the costs of the interlocutory application as against the defendants.

15. Counsel for the plaintiff submitted that the undertaking given to the Court was, in essence, equivalent to an order of the Court, citing the decision of the English High Court in *Biba Ltd. v. Stratford Investments Ltd.* [1973] Ch 281 and the decision of this Court (Cooke J.) in *Wadria v. Minister for Justice, Equality and Law Reform* [2011] IEHC 60. The issue in the *Biba* case was whether a provision in the Rules of the Superior Courts then in force in the United Kingdom providing for committal for contempt of court applied only to a case where an order had been disobeyed and not to the breach of an undertaking, the undertaking in issue in that case being an undertaking not to infringe a registered trademark. It was held that the undertaking given to the Court was equivalent to an injunction for the purposes of the rule in question. In the *Wadria* case, Cooke J. stated that, by consenting to an injunction, a respondent places himself in the same position vis-à-vis the Court and the opposing party as when offering an undertaking to the Court and the undertaking has the same effect in law as an order granting an injunction, following the *Biba* decision. I respectfully agree with that proposition. However, the fact that the undertaking given by the defendants in this case, if breached, is enforceable in the same way as an order of the Court to the same effect has no bearing, in my view, on the issue of the costs of the interlocutory injunction.

16. The position adopted by counsel for the defendants was that the defendants were not seeking their costs of the application for the interlocutory injunction. Their position was that no order for costs should be made in relation to that application. The alternative position they adopted was that, at worst, the costs should be reserved to the trial Judge.

17. However, in answering the plaintiff's application for costs, counsel for the defendants, of necessity, entered on the merits of the application for the interlocutory injunction. She even went so far as to submit that the application should not have been brought and that, in any event, if it had been pursued, the plaintiff would not have been granted the injunctive relief claimed. She also relied heavily on the fact that the terms of the undertaking given by the defendants differ from what was sought in the notice of motion.

The law

18. This Court's jurisdiction to award costs is governed by Order 99 of the Rules of the Superior Courts 1986 (the Rules). As I pointed out in *O'Dea v. Dublin City Council* [2011] IEHC 100, there are a number of fundamental rubrics embodied in rule 1 of Order 99: that costs shall be at the discretion of the Court; and, unless the Court otherwise orders, that costs shall follow the event. In the case of interlocutory applications, a new rule, rule 1(4A) of Order 99 came into operation on 21st February, 2008 which provides:

> "The High Court or the Supreme Court, upon determining any interlocutory application, shall make an award of costs save

where it is not possible justly to adjudicate upon liability for costs on the basis of the interlocutory application."

That amendment appears to remove the discretion of the Court to postpone making a determination in relation to costs of interlocutory applications except in cases where it is not possible to justly adjudicate upon liability for costs, in which case, presumably, the costs should be reserved to the trial Judge on the basis that the determination of the substantive action will produce an "event". There is a wide range of interlocutory applications the costs of which are now governed by rule 1(4A), in many of which there is not the remotest possibility of injustice if costs are awarded in a particular manner. An obvious example is the award of costs to a plaintiff on a motion for judgment in default of defence. Other situations give rise to genuine concerns that to determine where the burden of costs shall lie in relation to an interlocutory application at the interlocutory stage may perpetrate an injustice. One such situation is at the conclusion of an application for an interlocutory injunction.

19. In the case of interlocutory injunction applications the diversity of outcomes following which the Court may be asked to determine where the burden of costs should lie is a factor which is inevitably going to bear on the Court's determination. Another factor, in my view, is the inherent nature of an application for an interlocutory injunction, in relation to which it is necessary to go back to basics, that is to say, to the judgment of the Supreme Court in *Campus Oil v. Minister for* Industry (No. 2) [1983] I.R. 88. As O'Higgins C.J. stated in his judgment (at p. 105), relief in the form of an interlocutory injunction is given because a period must necessarily elapse before the action can come to trial and for the purpose of keeping matters *in statu quo* until the hearing. As I stated in the *O'Dea* case, the rationale underlying the approach frequently adopted prior to the coming into operation of rule 1(4A) – that costs were reserved to the trial Judge to determine at the conclusion of the substantive hearing – was explained by Keane J., as he then was, in *Dubcap Ltd. v. Microchip Ltd*. (Unreported, the Supreme Court, 9th December, 1997) as follows:

> "It is right to say, of course, that while there is no rule of court or even a practice to that effect, the normal procedure on the hearing of an interlocutory application is to reserve the costs to the trial judge. The reason for that is obvious: there may and very frequently will be matters which can only be resolved by the court of trial on oral evidence at a plenary hearing of the action and indeed matters may come to light by way of discovery or by way of new evidence not available to the parties at the time of the hearing of an interlocutory application which will bring about a result which seemed unlikely or improbable at the time of the hearing of the interlocutory application, so for that reason it is quite normal on the hearing of the interlocutory applications to reserve the costs."

The factors outlined in that passage, which informed the "normal procedure" prior to the coming into operation of rule 1(4A), are the very factors which a court is likely to have regard to in considering whether, having decided either to grant the interlocutory injunction on the terms sought or to refuse the application, it is possible to justly adjudicate at that stage on whom liability for the costs of the application should lie.

20. Counsel for the defendants referred the Court to the *ex tempore* ruling of Clarke J. in *Allied Irish Banks and Ors. v. Diamond* given on 7th November, 2011, which is referred to in Delany and McGrath on *Civil Procedure in the Superior Courts* (3rd Ed.) at paras. 23 – 43 and 23 – 49, in which he expressed views on the application of rule 1(4A) to interlocutory injunction applications and identified a range of different issues which arise at interlocutory injunction hearings. The application for costs which he was considering was an application by one defendant against whom the plaintiff had not obtained an interlocutory injunction, although it had obtained injunctions against other defendants. Clarke J. made an order reserving the costs to the trial Judge, pointing out that it could transpire that the Court at the trial of the action would find that the plaintiff had made out its case, which was largely an issue of pure fact, against the defendant in question on the balance of probabilities.

21. The circumstances in which the Court is not required to determine an application for an interlocutory injunction but may be requested to adjudicate on the costs of the application are varied. For example, the interlocutory injunction may be adjourned to the trial of the action, leaving the costs to be dealt with by the trial Judge, in which case the trial Judge, having dealt with the substantive proceedings, may have to deal with the costs of the interlocutory application, as happened in *Kavanagh & Ors. v. Córas Iompair Éireann* [2009] IEHC 625. Another example is where the plaintiff and the defendant resolve their differences by agreement, rendering it unnecessary for the Court to determine the issues on the interlocutory application and resulting in the strike-out of, not only the interlocutory application, but also of the substantive action, as happened in the O'Dea case. Where both the application for the interlocutory injunction and the substantive proceedings have become moot because the plaintiff is not proceeding, the Court can have no function in determining liability for the costs of the interlocutory application.

22. This case is another different circumstance, although, in one respect, the situation here is analogous to the situation which arose in the *O'Dea* case. That is because, by reason of the agreement between the plaintiff and the defendants which is reflected in the Court order of 23rd March, 2010, the Court was not required to determine the issues on the interlocutory application. However, this case differs from the *O'Dea* case in other respects in that, first, the substantive proceedings are continuing and, secondly, the interlocutory injunction was disposed of on terms that the defendants gave the undertaking to the Court in the terms scheduled to the order of the Court. The first difference is obviously material to the question whether the Court should adjudicate on the costs of the interlocutory injunction, because it gives the Court the option to reserve the question of the adjudication of the costs of the interlocutory application to the trial Judge, which may be a tenable proposition if the trial Judge has to determine the substantive issue.

23. On this application, it was urged by counsel for the plaintiff that, notwithstanding that the Court has made no determination on the issues on the interlocutory application, the Court should award the costs of the application to the plaintiff at this juncture. It was urged that the Court should follow the approach adopted by the High Court (Herbert J.) in *Garibov v. Minister for Justice, Equality and Law Reform and Ors*. [2006] IEHC 371. The applicants in that case were seeking leave under Order 84, rule 20(1) of the Rules to apply for judicial review by way of certiorari quashing deportation notices. Eventually, after a considerable length of time, the applicants' solicitors were informed that the deportation orders had been revoked and that the applicants had been granted temporary leave to remain in the State, as a result of which the applicants decided to withdraw the application for leave. However, the applicants applied for their costs of the proceedings up to that point, arguing that they had succeeded in their claim, which rendered further proceedings unnecessary. The test which Herbert J. applied, which it is urged the Court should apply in this case, was set out in the following passage in his judgment:

"What is before the court is an application to seek judicial review. Without dealing with the application fully on its merits it would be impossible and, indeed improper for the court to endeavour to predict the outcome of the application. It appears to me that the question which the court must ask in considering this application for costs is, whether in the circumstances it was reasonable for the applicants to have commenced their application for leave to seek judicial review."

24. In applying that test, Herbert J. found that it was reasonable for the applicants in the particular circumstances of the case to have sought leave from the Court to apply for judicial review, which they had done on 24th October, 2003, and thereafter at all times

to have persisted in that application. He went on to find that, in the light of the events which occurred, the respondents could have rendered the application redundant in January or February 2004 rather than in March 2006. In the special circumstances, he awarded the applicants the costs against the respondents of the proceedings up to that date. In my view, the test applied by Herbert J. in the *Garibov* case is not the appropriate test to apply in determining on whom liability for the costs of an application for an interlocutory injunction lie, where the parties have by agreement sought consent interlocutory orders from the Court but the substantive action is to proceed to a hearing, which is an entirely different situation to that where a public body makes a decision which renders the prosecution of an application for leave for judicial review of an earlier decision wholly unnecessary.

Conclusion

25. This is a case in which I think it would be inappropriate to adjudicate on the issue of who should bear the burden of the costs of the interlocutory injunction, either by awarding the costs to the plaintiff or by making no order for costs, for a number of reasons. First, the Court has not been required to adjudicate and has not adjudicated on whether an interlocutory injunction in the terms sought by the plaintiff would have been granted or refused, if the application had proceeded. In particular, in my view, the fact that the Court made a consent order accepting the undertaking in the terms given by the defendants does not amount to an adjudication on the plaintiff's application such as would allow the Court to form a view as to whether there was an "event" in consequence of which liability for costs could be attributed. Secondly, because of the supervening agreement between the plaintiff and the defendants scheduled to the Court order of 23rd March, 2012, the issues which arose on the interlocutory application, the objective of which was to keep matters in *statu quo* pending the hearing of the substantive action, have become moot and it would serve no purpose and, in my view, it would be inappropriate for the Court to express a view at this juncture as to whether an injunction in the terms sought would have been granted or refused. Thirdly, even if the plaintiff's application had proceeded, given that, like the circumstance which arose in *Allied Irish Banks Plc and Ors. v. Diamond and Ors*., the outcome of the application would have turned, to use the terminology of Clarke J., "on particular aspects of the merits of the case which are based on the facts", irrespective of whether the Court would have decided to grant or refuse an injunction, it would probably have adopted the approach adumbrated by Clarke J. in relation to costs at the end of his judgment. He stated:

> ". . . at least in this type of injunction, which turns on the merits of the case and on particular aspects of the merits of the case which are based on facts, it may well be that the Court should take the view that it would be unsafe to deal with the costs, for the issue might look very different when a court at trial has had an opportunity to hear witnesses, to see what other evidence may be disclosed on discovery and the like. In those circumstances, it seems to me that the appropriate course of action to adopt is to reserve the costs to the trial judge."

26. Finally, there are undoubtedly cases in which the Court will consider it appropriate to exercise its discretion to award costs of an application for an interlocutory injunction which has come to an end either because the defendant has done, or has undertaken to the Court to do, what the plaintiff has requested the Court to order the defendant to do, by awarding the costs to the plaintiff against the defendant, because the Court is satisfied that it can justly adjudicate upon liability for costs at the interlocutory stage. However, this is not such a case because, aside from the reasons set out earlier, the alleged wrongs on the part of the defendants implicit in the notice of motion and asserted in the affidavits filed on behalf of the plaintiff, which are still the subject of the substantive proceedings, albeit on the basis that the remedy the plaintiff seeks is damages, go beyond the undertaking given by the defendants, which was given against the background that the defendants, in the affidavits filed on their behalf, denied wrongdoing. Therefore, I think it would be wholly inappropriate for the Court to do other than reserve the costs to the trial judge, so as to avoid expressly or by implication adjudicating on any issue on which the Court is not required, and is not in the best position, to adjudicate.

Order

27. There will be an order reserving the costs of the application for the interlocutory injunction, including this application for costs, to the trial judge.

28. As regards the reservation of costs of this application to the trial judge, I consider it appropriate to point out that, while every application of this type must be adjudicated on by reference to its own facts and circumstances, the jurisdiction of the Superior Courts in the light of Order 99, rule 1(4A), is becoming more clearly established. The jurisprudence must be reaching the point where a party who, having agreed the terms of a consent order to resolve an application for an interlocutory injunction on all aspects of the application save costs, where the substantive action is proceeding, seeks the costs of the interlocutory injunction in circumstances where they are contested by the other party, would be fixed with liability for the costs of the application for costs, if the outcome of that application was to reserve costs to the trial judge. This application, for instance, took up roughly three-quarters of a High Court hearing day and quite an amount of judicial time apart from that, which, having regard to the outcome, was a waste of time and energy. In short, when parties are compromising an application for an interlocutory injunction in circumstances where they are proceeding with the substantive action and there is a dispute on the facts and the merits, they should give careful consideration to including in their agreement either –

> (a) a provision as to by which of the parties the costs of the application for the interlocutory injunction are to be borne, or
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> (b) alternatively, a provision that those costs be reserved to the trial judge.