Two Perspectives for Protection Against Breach of Confidence in Employment Relationships

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Introduction

Every employer has some confidential information whether mundane or highly confidential. These secrets may constitute significant advantages for the employer, which enable him/her to compete in the market. However, an employer sometimes cannot avail of the advantages of the secrets without disclosing them to his/her employees. The employees will then have a duty not to disclose or use them without the consent of employer. Accordingly, the employer will always have the risk of suffering from the breach of confidence by his/her employees and should be protected. However, the business secrets are not regarded as intellectual property. All confidential information which do not fall under one statutory regime of intellectual property rights are called business secrets and have a different protection from intellectual property rights. The obligation of fidelity appears as an independent secondary obligation when it comprises the employee's behaviors, which are irrelevant with the obligation to perform a job. The duty of confidence is an example for this issue.[1]

This paper submits two perspectives for the protection of business secrets of an employer against the breach of confidence by an employee. These two perspectives are one provided in English law symbolizing common law and one in Turkish law symbolizing civil

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1 Tuncay, C., 'İşçinin Sadakat (Bağlılık) Yükümlülüğü', [2001], Prof. Dr. Hayri Domaniç'e 80. Yaş Günü Armağanı, Volume 2, Beta, at 1047

duty of good faith will be broken if the employee makes or copies a list of customers of the employer for use after his employment ends or deliberately memorizes such a list[9].

By relying on *Vokes* v *Heather*[10] which had held that equitable principles should not be applied if there existed a contract, it was concluded that the sole source to determine the obligation of confidence was the contract of employment[11]. The Court of Appeal was in the view that the obligation of confidence was based on an implied term under the contract due to the contractual character of the employment relationship. However, apart from the contract, the basis of the obligation can be seen as at the same time the fiduciary duty (equitable duty of good faith), accordingly equity. This is due to the affinity of a duty of fidelity to a fiduciary duty arisen in relationships of clients and doctors, agents and principals, trustees and beneficiaries. At least, the duty of confidence of senior employees is based on a fiduciary duty imposed by equity to act in the interests of the employer, as was held in *Normalec* v *Britton*[12] where the senior employee sold the same goods as his employer to the same customers while he was still working and the employee was restricted by reason of his fiduciary duty. Even if the approach of fiduciary duty is not accepted, the equity is another basis for employment relationships by the reason that in case-law, the basis of the law of confidence is established as equity and in accordance with equitable principles, duty of confidence arises where a person is disclosed an information in circumstances that a reasonable person would consider as confidential. Adopting two sources, namely contract and equity enables the employer to sue in either or both of them[13]. This has the advantage of making avail of different remedies, which are not available in both of them.

To make the boundaries of the duty, it was held in *Faccenda*

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9 ibid. at 293

10 *Vokes* v *Heather*, [1945] 62 RPC 135

11 Hull, J., '*Faccenda Chicken Ltd.* v *Fowler* Fowl Play in the Court of Appeal', [1986] 10 EIPR 321

12 *Normalec* v *Britton*, [1983] FSR 318

13 Cornish, W. R., n.5 above, at 276-277; Stewart, A., 'Confidential Information and Departing Employees', [1989] 3 EIPR 89; Edenborough, M., *Intellectual Property Law*, Cavendish, 1995, at 349

Chicken that an employee should not copy or deliberately memories the information for use after departure. However, the court failed in determining how to prove the deliberate memorizing. On the other hand, provided that there is no valid covenant, the employee is allowed to take away the information he/she can normally remember without any special effort, for instance names of the customers and their requirements. The second boundary is the nature of the employee's duties. Thus, the skilled employees are under close examination of their actions and their obligation of confidence will be at a higher level[14].

It can be concluded that the employee is not liable for using the confidential information of which he/she has no fault or intention to break his/her duty of confidence. Moreover, the employee will in every case has a duty of confidence even if it is not expressly stated and it will have a broad scope which means that the employee should be very careful not to be in breach of his/her duty of confidence.

b) Duty of Confidence of Ex-employee

The Court of First Instance in *Faccenda Chicken*[15] made a classification of information learned by an employee during the employment. First category comprises of information that cannot be considered as confidential by reasonable persons due to its trivial character or easy accessibility from public sources. An employee will not be in breach of confidence if he/she discloses or uses such information during employment or after the termination of employment. An example given by the court was a 'published patent specification well known to people in the industry concerned.'

In the second category there are information that should, due to their characters or employer's pointing out, be regarded as confidential but when they are learned stay in the employee's head as a part of his/her skill and knowledge (is also called his/her "know-how[16]"). An employee is not free to use or disclose them during employment but unless there is an express covenant in the contract

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14 Hull, J., n.11 above; Cornish, W. R., n.5 above, at 278; Stewart, A., 'Confidential Information and Departing Employees', [1989] 3 EIPR 88

15 [1985] 1 All ER 724, Ch.D.

16 Hull, J., 'Employees' Know-how and Secrecy Covenants', [1988] 12 EIPR 387

restraining the use and disclosure thereof, he/she cannot be restrained from using them for his/her benefit or for another employer after the termination of employment. As the duty of fidelity does not protect such information after the termination of employment, an employer should better include an express covenant in restraint of trade if he/she has significant business secrets. The manufacturing process and trade information are examples given by the court.

Third category covers specific trade secrets that are highly confidential and thus cannot be used or disclosed at all times, even after the termination of employment.

Goulding J has diminished the confidential information because he has not adopted the equity as a basis for the duty of confidence. However in *Printers and Finishers* v *Holloway (No. 2)*[17], the test was whether a piece of information would be recognized by a reasonable man as the property of his/her former employer and not as his/her own. Instead of the perception of employee, in *Thomas Marshall* v *Guinle*[18], the belief of a reasonable owner was adopted as a test of confidence. According to these tests, some of the information that were regarded as general skill and knowledge in *Faccenda Chicken* would be still subject of the implied duty of fidelity after the termination of employment[19]. The policy behind forming a new class of general skill and knowledge is to give a chance to the employee to earn his/her living[20] by using his/her general knowledge at another company or at his/her own business. A balance between the interest of the employee and the employer was established by allowing for express covenants. Accordingly, the test in *Faccenda Chicken* is more reasonable. However, one must admit that there are some difficulties for the employers. First, it is sometimes difficult to distinguish between the trade secrets and general skill and knowledge because 'there is no list of trade secrets[21].' This problem was emphasized in

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17 [1965] RPC 239

18 *Thomas Marshall* v *Guinle*, [1978] 3 All ER 193

19 Coleman, A., '*Faccenda Chicken Ltd.* v *Fowler* A New Classification of Confidential Information?', [1984] 6 EIPR 172

20 Samuels, A., 'Confidential Information: A Review of the Case-law', 17 [1998] 5 TL 417

21 Jefferson, M., 'Should the Use and Disclosure of Trade Secrets Be Criminalised?', 27 [1998] 2 ILJ 149

Ocular Sciences Ltd. v *Aspect Vision Care Ltd.*[22] where the public policy for the employee's skill and knowledge was recognized. However the judgment went so far by holding that the freedom for the employee to place his knowledge and skill at new employers was so even when it was secret. The court has forgotten that trade secrets of the employee will be protected if the policy for general skill and knowledge collides with the interest of employer to preserve confidentiality. Apart from the difficulty of drawing a line between second category and third category, it is a problem to separate general skill and knowledge of the employee from the former employer's confidential information that does not amount to a trade secret. Another problem is that if there is no express covenant in the contract, as stated in *Printers and Finishers* v *Holloway (No. 2)*[23], the employer will not be able to protect the confidential information in respect of particular features of his/her plant that were in the memory of employee[24]. Nevertheless, the employer is not without remedy against these problems: He/she can list his/her confidential information under the employment contract and state that the employee is restricted from using and disclosing them even after the termination of employment.

In *Faccenda Chicken*, the employer's business was to sell fresh chickens and the employee Fowler gave an idea of van sales operation. After leaving his employment, Fowler started operating in the same business in the same routes with the same customers but by cutting prices. The alleged confidential information was sales information. There was no covenant with respect to non-competition or duty of confidence after the termination of employment. Since there was no covenant in the contract, the plaintiff was not entitled to an injunction because sales information was not considered as a trade secret. In relation to ex-employees, the Court of Appeal determined the following principles:

> *The implied term, which imposes an obligation on the employees as to his conduct after the determination of the employment, is more restricted in its scope than that which imposes a general duty of good faith. (...) To determine whether any particular item of*

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22 *Ocular Sciences Ltd.* v *Aspect Vision Care Ltd.*, [1997] RPC 289

23 [1965] RPC 239

24 Bainbridge, D., n.7 above, at 302

information falls within the implied term (...) it is necessary to consider all the circumstances of the case. (...) The following matters are among those to which attention must be paid:

(a) The nature of the employment. Employment in a capacity where 'confidential' material is habitually handled may impose a high obligation of confidentiality.

(b) The nature of the information itself. (...) information will only be protected if it can properly be classed as a trade secret or as material which while not properly to be described as a trade secret, is in all the circumstances of such a highly confidential nature as to require the same protection as a trade secret.

(c) Whether the employer impressed on the employee the confidentiality of the information.

(d) Whether the relevant information can be easily isolated from other information, which the employee is free to use or disclose[25].

c) Express Covenants in Restraint of Trade

The Court of Appeal in *Faccenda Chicken* rejected the opinion of the court of first instance by concluding that a restrictive covenant can only be enforced if it is reasonably necessary to protect a trade secret. This raised uncertainty in relation to covenants because there is no need for a restrictive covenant if a trade secret is protected under the implied term. Thus, the judgment in *Balston* v *Headline Filters*[26] did not follow such an approach and concluded that express covenants will be used when an obligation of confidence after the termination of employment cannot be implied. It is also difficult to understand how a restrictive covenant can be established as necessary if trade secrets are in any case protected. In *Herbert Morris* v *Saxelby*[27], it was held that a restrictive covenant would not be enforced unless it was reasonably necessary to protect a trade secret and the Court of Appeal in *Faccenda Chicken* relied on this phrase. However, the term 'trade secret' here should not be understood as the

25 [1986] FSR 291, at 293-294

26 *Balston* v *Headline Filters*, [1987] FSR 330

27 *Herbert Morris* v *Saxelby*, [1916] 1 AC 688

highly confidential information categorized under third category. Trade secret here refers to commercial or business secrets of an employer[28].

Hull supports the Court of Appeal and states that the purposes of such covenants are to focus the attention of employee to the trade secrets and to protect the employer by non-competition covenants against potential breaches of confidence[29]. Purvis and Turner objects to Hull's opinion because there is inconsistency in his opinion. Although he supports the judgment of the Court of Appeal, at the same time he submits that it was unnecessary in *Printers and Finishers* v *Holloway (No. 2)*[30] to conclude that an employer who wanted to protect the trade secrets that might be carried away in the head of the employee should include a covenant. According to Hull, there was no need to refer to a covenant when the implied term would do it. Here again the meaning of the term trade secret was business secrets and not the secrets under third category[31]. The opinion of Purvis and Turner should be preferred because the employer should have a right to protect his/her sensitive confidential information that is inseparable from general skill or knowledge of the employee. This interest can be realized by a covenant.

It is noteworthy that these covenants will be held valid if only they are reasonable in scope, time and geographical area. The courts will not enforce covenants that purport to restrict just prospective competition rather than to protect the interest of the employer to preserve the confidentiality. The employer loses nothing by including a covenant because even if it is held invalid, his/her business secrets that are as highly confidential as to amount to trade secrets will be protected under the implied term of the contract of employment[32]. It can be seen that covenants are not without any limits. The court can always hold them invalid. Therefore the Court of Appeal's approach is not reasonable.

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28 Purvis, I. and Turner, B., 'More Chicken Pieces', [1989] 1 EIPR 3

29 Hull, J., n.16 above, at 389

30 [1965] RPC 239

31 Purvis, I. and Turner, B., n.28 above, at 4

32 Mehigan, S. And Griffiths, D., *Restraint of Trade and Business Secrets: Law and Practice*, Longman, 2nd ed., 1991, at 103-105; Cornish, W. R., n.5 above, at 277

d) Springboard Doctrine

The courts had to solve the problem of confidential information falling into the public domain. When the information becomes public knowledge, the recipient will have an advantage in practice of earlier knowledge of the information over any other person in the public, since he/she can skip the effort that would be done by others. Springboard doctrine has emerged to rectify the recipient's advantage. The dicta of Roxburgh J. in *Terrapin Ltd.* v *Builders' Supply Co. Ltd, Taylor Woodrow Ltd. and Swiftplan Ltd.*[33] is named as 'springboard doctrine.' It was held that the recipient of confidential information had a 'head start' because unlike others he did not need to prepare plans, construct prototypes and conduct tests to determine the details with respect to the construction of portable building. The court concluded that in order for him not to have an unfair start, he should be placed under a 'special disability' among the other competitors. Accordingly, an injunction can be ordered to restrain the recipient from further use of the information although the third parties are free to use it[34].

It must be noted that there is no need for the springboard doctrine when the discloser of confidential information publishes it fully because in such a case the recipient does not have a head start and others in the public do not need to do any work. *Mustad & Son* v *Allcock & Co. Ltd. and Dosen*[35] illustrates such a case where the plaintiffs were not granted injunction due to the fact that the plaintiffs had published the confidential information in a patent specification before the hearing. This case was distinguished in *Cranleigh Precision Engineering Ltd.* v *Bryant*[36] where *Terrapin*[37] was referred. In this case, an ex-director of the plaintiff company was informed of a foreign patent owned by a third party that could have a serious effect for the plaintiffs products. Later, he resigned from the plaintiff company and obtained the patent for himself, by alleging

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33 *Terrapin Ltd.* v *Builders' Supply Co. Ltd., Taylor Woodrow Ltd. and Swiftplan Ltd.*, [1960] RPC 128 at 130

34 Mehigan, S. and Griffiths, D., n.32 above, at 40-41; Hull, J., '*Speed Seal* v *Paddington* Restraining Use of Information in the Public Domain', [1986] 8 EIPR 249

35 *Mustad & Son* v *Allcock & Co. Ltd. and Dosen*, [1963] 3 All ER 416

36 *Cranleigh Precision Engineering Ltd.* v *Bryant*, [1966] RPC 81

37 [1960] RPC 128

that it was public knowledge. The plaintiff was nevertheless entitled to an injunction for two reasons. First of all, the confidential information was not the information in the patent, but the knowledge of the existence of a patent and the relationship of the information in the patent to the plaintiffs products. The second reason is that the publication was not by the plaintiffs as in *Mustad*[38], but by a third party[39].

Whether it mattered if the information was made public by the discloser or the confidant, was not resolved definitely in the springboard cases. Therefore, the Court of Appeal in *Speed Seal Products Ltd.* v *Paddington*[40] commented upon this issue. Here, the employer manufactured pipe couplings for use at oilrigs and jetties. The first defendant who was an ex-employee in the coupling design committee, after leaving the plaintiffs employment operated in the same field with his ex-employer by forming the second defendant company. Accordingly, the plaintiffs claimed for injunctions to preclude the defendants from using or disclosing their confidential information. The defendants' defense was that they had published a European patent specification and a brochure of couplings.

The Court of Appeal held that where confidential information was published to the world by a defendant, the court could still prevent him/her from using it, if according to the circumstances it was an appropriate remedy. The reasoning given by Fox J. was the defendant's responsibility for wrongfully making it public. Fox J. made a classification for the ways in which confidential information would be published. Such a classification can be useful for other cases as well. First, if the information is published by the discloser, he/she cannot prevent its use or disclosure by the confidant. This rule was made clear in *Mustad*[41]. If the publication is by or with the consent of a third party, the recipient is not released from his/her obligation. *Cranleigh*[42] is an example for such a case where an injunction was

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38 [1963] 3 All ER 416

39 Mehigan, S. and Griffiths, D., n.32 above, at 41-42; Hull, J., '*Speed Seal* v *Paddington* Restraining Use of Information in the Public Domain', [1986] 8 EIPR 250

40 *Speed Seal Products Ltd.* v *Paddington*, [1986] 1 All ER 91

41 [1963] 3 All ER 416

42 [1966] RPC 81

granted although the information was published by a third party. Lastly, if the recipient is responsible for the publication, his/her obligation to respect the secrecy continues because otherwise the recipient would take advantage from his/her breach.

By concluding that a defendant could be prevented from using information which was publicly available, the judgment in *Speed Seal*[43] case contradicted with the judgment in *Mustad*[44] case which stated: "After the disclosure had been made by the plaintiffs to the world, it was impossible for them to get injunction, restraining the defendant from disclosing what was common knowledge." The Court of Appeal in *Speed Seal*[45] adopted the view stated in the judgment of *Cranleigh*[46], thus the defendant was restrained from using the information that was in the public domain. Moreover, according to the court, whether the plaintiffs needed protection might depend on the state of the market. If there existed many competitors in the market after the publication, then the elimination of the defendant might not make any difference. In this case, only the defendant was a competitor for the plaintiff. The judgment would have clarified the law more, if it had held that the contractual duty was so clear that it prevented the defendant from using the information in any circumstances. The court of first instance held that the advantage of the defendant had lapsed. If this was correct, then the Court of Appeal should only grant damages[47].

To make some boundaries for the artificial 'special disability,' in *Potters-Ballotini Ltd.* v *Weston Baker*[48], it was emphasized that the springboard injunction had a limited duration[49]. However, the length of duration was not clarified in this judgment. It was more clearly

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43 [1986] 1 All ER 91

44 [1963] 3 All ER 416

45 [1986] 1 All ER 91

46 [1966] RPC 81

47 Hull, J., '*Speed Seal* v *Paddington* Restraining Use of Information in the Public Domain', [1986] 8 EIPR 249; Firth, A., 'News Section: European Digest: United Kingdom', [1985] 9 EIPR D-155

48 *Potters-Ballotini Ltd.* v *Weston Baker*, [1977] RPC 202

49 Mehigan, S. and Griffiths, D., n.32 above, at 41; Hull, J., '*Speed Seal* v *Paddington* Restraining Use of Information in the Public Domain', [1986] 8 EIPR 251

stated in *Bullivant (Roger) Ltd.* v *Ellis*[50] where the court concluded that the term of injunction should not extend beyond the period for which the advantage might reasonably be expected to continue. The term of injunction here was held to be one year, because under the contract there was a covenant to restrain competition, which was considered as the reasonable period needed by the employer. As the purpose in granting an injunction is only to protect the employer from employee's using his/her knowledge as a springboard, the employer should not be given more protection than it is necessary to deprive the employee of his/her advantage[51].

It is clear from above that the springboard doctrine applies to employment relationships as well. However, as it was held in *Faccenda Chicken*[52], in employment relationships, the springboard doctrine should be limited by the freedom of ex-employee to compete with his former employer[53] provided that there is no express covenant in the contract.

d) Public Interest Defense

It is still not clarified whether public interest is a defense or an exception to obligation of confidence. The view that it is a defense should be preferred because it is always raised by the defendant to avoid liability when the plaintiff seeks to prevent disclosure of the confidential information. The courts do not restrain disclosure that is made in the public interest. The purpose is to balance the employer's interest in upholding confidence with the public's interest in being informed of the information. To establish this balance, a definition of 'public interest disclosure' would be useful. *Gartside* v *Outram*[54] states the principle: "There is no confidence as to the disclosure of iniquity." Recent cases define the public interest in a broader scope

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50 *Bullivant (Roger) Ltd.* v *Ellis*, [1987] FSR 172

51 Mehigan, S. and Griffiths, D., n.32 above, at 41; Firth, A., 'News Section: European Digest: United Kingdom- Confidential Information', [1986] 7 EIPR D-118

52 [1985] 1 All ER 724, Ch.D.

53 Firth, A., 'News Section: European Digest: United Kingdom- Confidential Information', [1986] 2 EIPR D-22

54 *Gartside* v *Outram*, [1856] 26 LJ Ch 113 at 114

and *Lion Laboratories* v *Evans*[55] reflects such an approach[56].

As an early case, in *Initial Services* v *Putterill*[57], an ex-employee passed information to the *Daily Mail* that there was an agreement by a group of laundries for price-fixing. The agreement was not registered under the Restrictive Trade Practices Act 1956. Also, the ex-employer hid the price rise behind the selective employment tax although his real intention was to make profit. It was held that public interest disclosure included not only crime or fraud but extended to any misconduct. So the need to prove unlawful act was abolished. However the concept of iniquity was maintained. Therefore the misconduct of an employer was the basic issue, and crimes, frauds and misdeeds were listed within the exception of public interest. What is meant by misconduct is not clear but clearly the level of iniquity sought was quite high[58].

In *Schering Chemicals* v *Falkman Ltd.*[59], the concept moved towards balancing of the private interest in preserving the confidence and the public interest in making the information available to the public. Such a judgment indicates that a case which is unrelated with the employment relationships may affect the case-law related to employment relationships due to the general protection of confidential information without making distinction between the types of information. Recently, only in *Beloff* v *Pressdram Ltd.*[60], the public interest was confined to the misdeed of the employer[61].

British Steel Corporation v *Granada Television*[62] also referred to the iniquity but did not abolish the established broad scope for public interest[63]. In this case, the employee was in breach of his duty of confidence because of taking confidential documents and giving them

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55 *Lion Laboratories* v *Evans*, [1984] 2 All ER 417

56 Carty, H., 'Employee Confidentiality and Disclosure in the Public Interest', [1985] 7 EIPR 195

57 *Initial Services Ltd.* v *Putterill*, [1968] 1 QB 396

58 Carty, H., n.56 above, at 196

59 *Schering Chemicals* v *Falkman Ltd.*, [1982] QB 1

60 *Beloff* v *Pressdram Ltd.*, [1973] 1 All ER 241

61 Carty, H., n.56 above, at 196

62 *British Steel Corporation* v *Granada Television*, [1981] 1 All ER 417

63 Carty, H., n.56 above, at 196

to a journalist for it to make comments about his employers. The Court of Appeal did not accept the public interest defense. The House of Lords dismissed the appeal because it limited the public interest to iniquity. Moreover, in its view iniquity extended to crimes, frauds and misdeeds, as adopted in *Initial Services* v *Putterill*[64]. It also held that the rule in *Initial Services* v *Putterill*[65] did not extend mismanagement and government intervention[66].

As a more recent case, in *Lion Laboratories* v *Evans*[67], the ex-employees took a confidential document indicating the inaccuracy of an instrument, which tested the breath of the drivers who were suspected of driving with a concentration of alcohol above the certain limit. The ex-employees disclosed this information to the *Daily Express*. The interlocutory injunction was granted but on appeal the defendants raised the public interest defense. It was clear that no misconduct or misdeed of the employer was in issue. Stephenson LJ just adopted the approach that iniquity was not the basic element of public interest. The judgment indicates that disclosure in the public interest cannot be restricted to iniquities, that is, crimes or improper conducts of the plaintiff. The Court also remarked that the courts should separate two issues - something that was interesting to the public and something that was in the public interest. The public interest in this case was in the accuracy and reliability of the instrument, since innocent people could be convicted wrongfully for serious offences by relying on the sole evidence of Lion Intoximeter[68].

If the disclosure in the public interest is justified, the courts may consider two factors: whether the information is revealed to a proper body and whether the motive of the defendant in disclosure is only for a reward. With respect to the appropriateness of the recipient, in *Initial Services* v *Putterill*[69] it was suggested that a crime should be disclosed to the police and a breach of the Restrictive Trade Practices

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64 [1968] 1 QB 396

65 ibid.

66 Jefferson, M., 'Confidentiality in the Employment Relationship', (1982) JBL 369, at 370-371

67 [1984] 2 All ER 417

68 Carty, H., n.56 above, at 197; Coleman, A., *'Cork* v *McVicar* Confidential Information and the Public Interest in Disclosure', [1985] 8 EIPR 235

69 [1968] 1 QB 396

Act to the registrar. However, Lord Denning added that the public interest 'may demand, or at least excuse, publication' to the press[70]. Therefore, although in *Lion Laboratories* v *Evans*[71] the publication was to the press, it was justified by adopting the approach of Lord Denning because the Home Office was not the appropriate authority since it had supported the instrument[72]. In *Re A Company Application*[73], where the company's business was subject to the regulatory scheme imposed by FIMBRA, the defendant was not restrained from disclosing the breaches of the regulatory scheme to FIMBRA, as the duty of confidentiality should not have extended to the prevention of disclosure to a responsible body[74]. With respect to the motive of the confidant, in *Initial Services* v *Putterill*[75], it was regarded to be relevant. On the contrary, in *Lion Laboratories* v *Evans*[76], it was concluded that the press had a right and a duty for publication irrespective of the motive of the confidant and the manner of acquisition. The judgment of *British Steel Corporation* v *Granada Television*[77] confirmed this approach[78]. The mere fact that there is a public interest should be enough without taking the motive of the confidant into consideration.

To avoid an injunction, which is sought by the plaintiff, the defendant must not only raise public interest defense but also produce evidence for the serious public interest defense. Then, it is at the discretion of the court when deciding whether damages would be sufficient for the plaintiff if he/she succeeded at the trial but was not granted interlocutory injunction. It is noteworthy that public interest defense which is not related to iniquity will be accepted only in exceptional cases that are serious enough to outweigh breach of confidentiality and to refuse injunction[79].

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70 ibid. at 406

71 [1984] 2 All ER 417

72 Carty, H., n. 56 above, at 197

73 *Re A Company Application*, [1989] 3 WLR 265

74 Mehigan, S. and Griffiths, D., n.32 above, at 53-54

75 [1968] 1 QB 396

76 [1984] 2 All ER 417

77 [1981] 1 All ER 417

78 Carty, H., n.56 above, at 197

79 ibid. at 198

The Law Commission in the report of Breach of Confidence[80] proposes that a defendant should not be held responsible for breach of confidence if the public interest in disclosure is raised and the plaintiff is unsuccessful to establish that the public interest in disclosure is outweighed by the public interest in preserving the duty of confidence. Accordingly, the public interest is not seen as only a defense but also something that shifts the burden of proof to the plaintiff[81]. By accepting the same approach as the judgment in *Lion Laboratories* v *Evans*[82], the Law Commission does not base the notion of public interest upon the concept of iniquity in the sense of "misconduct", suggested in *British Steel Corporation* v *Granada*[83]. Instead it recommends the approach of weighing the interest in disclosure and interest in confidentiality. According to the Law Commission, the courts, in balancing the competing public interests, should consider all the circumstances of the case, including the manner of acquisition of the information. This makes reference to improper acquisition[84]. According to Jefferson, if this approach were accepted in *British Steel Corporation* v *Granada*[85], then even no obligation of confidence would exist because the disclosure of information would have more significance[86]. However, Coleman follows an opposite approach that should be preferred. The Law Commission is probably mistaken in not separating the two different issues- the public interest in disclosure and improper acquisition[87]. Besides, Stephenson LJ emphasized that the public interest in disclosure may exist albeit an unlawful acquisition[88]. The Report also emphasizes that the confidant should disclose to the appropriate person or authority[89].

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80 *Breach of Confidence (Law Commission Report)*, No. 110, Cmnd 8388, 1981

81 Coleman, A., '*Cork* v *McVicar* Confidential Information and the Public Interest in Disclosure', [1985] 8 EIPR 235

82 [1984] 2 All ER 417

83 [1981] 1 All ER 417

84 Carty, H., n.56 above, at 198; Jefferson, M., n.66 above, at 375; Coleman, n. 81 above

85 [1981] 1 All ER 417

86 Jefferson, M., n.66 above, at 375-376

87 Coleman, A., n.81 above

88 [1984] 2 All ER 417, at 422

89 Carty, H., n.56 above, at 198

e) Remedies

There are remedies stemming from the law of contract and the equity. These are both for actual breaches and prospective breaches. Apart from the remedies against the confidant, the tort of inducing breach of contract enables the employer to secure remedies against third party employers that persuade employees to work in their companies and disclose the confidential information of the employer. Injunctions are equitable remedies, thus it is always at the court's discretion to grant them. They purport to prevent the plaintiff against a prospective breach. That is, when an injunction is sought, the information has not been disclosed or used yet but there are some evidences that the information is in the danger of an unauthorized disclosure or use. Accordingly, the employer must be quick enough to maintain the confidentiality and to prevent the use of the information; otherwise he/she can only claim damages. As a result of injunction, use and/or publication or unauthorized disclosure by the defendant can be restrained. If the information is in the public domain, then an injunction can in springboard cases restrain the exploitation of the information by the confidant. In the case of information falling into the public domain in breach of confidence, in general injunctions are not granted. There are two exceptions to this general proposition. First one is if the parties are the only competing parties in a market and second one is a case where the springboard doctrine applies. When deciding whether an injunction should be granted, the court must conclude that monetary compensation would not be sufficient to protect the plaintiff for such a serious prospective damage. However, when the injunctions are discharged, they bring in a risk for the plaintiff, of paying damages to the defendant in the case of losing the action. To grant an injunction does not preclude a court to grant also damages or account of profits. In an appropriate case, the court might only grant an injunction with a limited life span. This can happen in the case of information falling into the public domain where the defendant is either restrained from use in springboard cases or allowed to use the information. The courts in granting an injunction take into account whether the confidant was using the information unintentionally, whether the plaintiff took any measures to maintain the secrecy, whether the plaintiff disclosed the information gratuitously, whether the information was not significant enough to be protected as confidential information, whether the information was in the public domain, whether a patent application

should have been made by the plaintiff and whether the plaintiff was fast enough to bring action[90].

When use or revelation has taken place, compensatory damages are available both as an equitable remedy and a contractual one. Damages can be granted also in the case of a tort inducing a breach of contract. Damages are a kind of monetary compensation for breach of confidence, which are granted the most among the remedies. In some cases, damages may be awarded for the injuries occurred together with the future infringements. If the employer's business secret has lost its commercial value, then a valuable amount of damages shall be awarded so as to put the plaintiff in his/her position he had been in before the breach of confidence[91]. In *Dawson and Mason Ltd.* v *Potter and Others*[92], the defendant company used a list of suppliers of components disclosed by an employee of the plaintiff, to manufacture a competing product. The plaintiff brought an action for damages on the basis of his lost profits. The Court of Appeal refused to accept the defendant's assertion that the damages should be assessed upon the basis of cost of employing a competent consultant. Moreover, it held that the damages should be equal to the amount of money, which will restore the position of aggrieved party he had been in before the breach of confidence. According to the Court of Appeal, the determination of value of the damages to be awarded necessitated to take into account of the position of an aggrieved party. As it was concluded that the information was such that it would make

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90 Phillips, J. and Firth, A., *Introduction to Intellectual Property Law*, Butterworths, 1995, at 259, 270-271; Campbell, D. and Gotter, S. (eds.), *International Intellectual Property Law- European Jurisdictions*, Wiley, 1995, at 114; Stuckey-Clarke, J., 'Remedies for the Misappropriation of Creative Ideas', [1989] 9 EIPR 336; Stuckey-Clarke, J. 'Breach of Confidence and Trade Secrets', [1989] 24 Intellectual Property in Asia and the Pacific 31; Jefferson, M., n.21 above, at 151; Samuels, A., n.20 above, at 420; White, T: A: B: and Jacob, R., *Patents, Trade Marks, Copyright and Industrial Designs*, Sweet & Maxwell, 3rd ed., 1986, at 168-169; Bainbridge, D., n.7 above, at 312-313; Cornish, W. R., n.5 above, at 285-287

91 Phillips, J. and Firth, A., *Introduction to Intellectual Property Law*, Butterworths, 1995, at 271; Stuckey-Clarke, J., 'Remedies for the Misappropriation of Creative Ideas', [1989] 9 EIPR 336; Stuckey-Clarke, J. 'Breach of Confidence and Trade Secrets', [1989] 24 Intellectual Property in Asia and the Pacific 31; Bainbridge, D., n.7 above, at 313-314; Cornish, W. R., n.5 above, at 287-288

92 *Dawson and Mason Ltd.* v *Potter and Others*, [1986] 1 All ER 418

the parties competing companies in the same business, the plaintiff was awarded damages on the basis of its loss of manufacturing profits. This judgment reflects clearly an approach, which accepts a remedy based in restitution. Accordingly, to award the plaintiff damages based on his/her loss can be seen as the most appropriate view for determining the value of the damages. By this way, the courts will need to examine the facts of the case in detail. The basis of plaintiffs loss is not derived from law of contract but only from equity[93].

An account of the employee's profits is an alternative remedy to damages, which is rarely sought by the plaintiffs. However it differs from damages in its determination of quantum because, while damages are directed towards the plaintiffs loss, an account of profits aims to strip of the defendant's profit. Since it is an equitable remedy, it is again at the discretion of the court to award it. It arises from equity because it is unfair for the confidant who is in breach of confidence to procure gains, which he/she has wrongfully obtained. It is more advantageous to seek for an account of the defendant's profits when the employee has exploited the information without the consent of the employer. An account of profits is assessed on the basis of the profit, which the defendant made by using the confidential information, and its purpose is to give to the plaintiff the profit he/she would have made if there were no breach of confidence. The difficulty in determining the exact sum has given rise to the fact that case law could not develop widely in respect of this remedy. It can be argued that an account of profits is not an appropriate remedy when the plaintiff has suffered a financial loss by the breach of confidence[94].

Another rarely used equitable remedy is an order for the destruction under oath by the defendant or an order for delivery up by the employee or ex-employee for destruction by the plaintiff of

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93 Plibersek, R., 'Assessment of Damages for Breach of Confidence in England or Australia', [1991] 8 EIPR 285

94 Phillips, J. and Firth, A., *Introduction to Intellectual Property Law*, Butterworths, 1995, at 272; Campbell, D. and Gotter, S. (eds.), *International Intellectual Property Law- European Jurisdictions*, Wiley, 1995, at 114; Stuckey-Clarke, J., 'Remedies for the Misappropriation of Creative Ideas', [1989] 9 EIPR 336; Stuckey-Clarke, J. 'Breach of Confidence and Trade Secrets', [1989] 24 Intellectual Property in Asia and the Pacific 31; Bainbridge, D., n.7 above, at 314; Plibersek, R., n.93 above, at 286

information held or products which incorporate the information (e.g. unlawful documents, customer lists) or are made as a result of the unauthorized use. The third parties will not be ordered to deliver up the goods lawfully owned by them, provided that they are not involved in the unauthorized use. It is again at the court's discretion to order for delivery up, as it is an equitable remedy. There is no such remedy under the law of contract[95]. Thus, Phillips and Firth submits that as the duty of confidence in an employment relationship is regulated under the law of contract, the court at its discretion will not award the delivery up for destruction by an employee or an ex-employee[96]. However, this view is not justified because it is clear that one source for the duty of confidence in employment relationships is equity which gives rise to the application of equitable principles.

f) Liability of Third Parties

As the cases are few in this area, there are no definite boundaries for the circumstances where the indirect recipients will be held liable. When an employer discloses information to the employee by imposing an obligation of confidence and the employee reveals the confidential information to an indirect recipient, there are several circumstances to be distinguished in order to determine whether injunctions and damages will be available against the third party as well. If the third party is aware of the secrecy of the information or due to the circumstances the knowledge of confidence is imputed to him, then the indirect recipient will also have the obligation of confidence, thus an injunction may be awarded against him/her. In the case that the employee discloses to the third party in confidence but without telling him/her that the information belongs to the employer, if he/she is in breach of confidence then even the employer may bring action against him/her. However, if the third party does not know or cannot be assumed to have known the confidence at the time of the disclosure,

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95 Phillips, J. and Firth, A., *Introduction to Intellectual Property Law*, Butterworths, 1995, at 259, 272; Campbell, D. and Gotter, S. (eds.), *International Intellectual Property Law- European Jurisdictions*, Wiley, 1995, at 114; Stuckey-Clarke, J. 'Breach of Confidence and Trade Secrets', [1989] 24 Intellectual Property in Asia and the Pacific 31; Samuels, A., n.20 above, at 420; Bainbridge, D., n.7 above, at 314

96 Phillips, J. and Firth, A., *Introduction to Intellectual Property Law*, Butterworths, 1995, at 272

law is not clear in respect of this circumstance and it is difficult to determine the liability of the third party. The third party should not be liable for his/her use during which he/she did not know the confidential nature of the information. It would not be fair to order an injunction in a case where the indirect recipient was innocent. Such a person will be entitled to use or disclose the information. It is at the discretion of the court whether to grant any injunction and the court may find it inappropriate for the third party when it considers two factors: whether the third party has paid for the information in good faith and whether the third party has taken initiatives for contracts and made investment and expenditure which are so substantial that it would create a hardship for him/her if an injunction is granted. Accordingly, even if the third party is unaware of the confidence, he may still be liable in some circumstances. If, for example a firm pays for information to an employee of a rival firm, as the third party has not acted in bad faith it would be restrained from use or disclosure. Moreover, if the information is acquired as a gift without any payment, then again an injunction may be granted[97]. However, Stuckey-Clarke maintains that a bona fide purchaser defense does not exist since the courts have held the information as non-proprietary; accordingly in his view all innocent purchasers may be held liable.[98] It is hard to accept this view because to be a purchaser is not enough for liability but the third party should also have a good faith and good faith is protected under equitable principles. As it is established that the basis of law of breach of confidence is equity, equitable principles should be applicable.

The circumstance in which the third party is informed of the secrecy some time after the disclosure of the confidential information, is less certain than the circumstance where he/she has no actual or imputed knowledge of the confidential nature of the information. According to the some judgments in case law, an innocent party should be liable after he becomes aware of the confidence and breach of confidence by the employee. The judgment in *Printers & Finishers*

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97 Mehigan, S. and Griffiths, D., n.32 above, at 56-57; Cornish, W. R., n.5 above, at 280; White, T. A. B. and Jacob, R., *Patents, Trade Marks, Copyright and Industrial Designs*, Sweet & Maxwell, 3rd ed., 1986, at 169; Bainbridge, D., n.7 above, at 308-309

98 Stuckey-Clarke, J., 'Breach of Confidence and Trade Secrets', [1989] 24 Intellectual Property in Asia and the Pacific 32

v *Holloway (No. 2)*[99], reflects this rule, where the manager of the plaintiff company's flock printing plant left his employ after showing a director and employee of Vita-Tex around the plant and an injunction was granted against Vita-Tex. In *Lancashire Fires Ltd.* v *S A Lyons & Co. Ltd.*, the second defendant who was an employee of the company wrongfully disclosed the confidential information in respect of a new system for the manufacture of artificial logs and coal for gas fires to the third defendant who was a financial manager in the company. Later the second and third defendants formed a new company to operate in the same business by using the confidential information. The third defendant was held to be liable to an injunction by the Court of Appeal because the interest of preserving the confidence prevailed[100].

It must be noted that a third party can never be restrained from use if the information has become public[101].

2- Turkish Law

The employee's duty not to use or disclose information is regulated under unfair competition regulations. The provisions for unfair competition can be seen under two codes in Turkish law: The Code of Obligations[102] and the Commercial Code[103]. TCOO was adopted from the Swiss Code of Obligations. Later in Switzerland, a separate Unfair Competition Code was adopted and the provision in the Code of Obligations was annulled. In drafting TCC, the provisions of Swiss Unfair Competition Code were mainly adopted for the unfair competition provisions. However, TCOO Article 48 was not annulled. Moreover, a provision was added to Article 48 according to which TCC provisions concerning unfair competition with respect to commercial affairs were reserved. Accordingly, the unfair competition cases in commercial affairs are subject to TCC and the unfair competition

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99 [1965] RPC 239, at 253

100 Mehigan, S. and Griffiths, D., n.32 above, at 56-57; Cornish, W. R., n.5 above, at 281; White, T. A. B. and Jacob, R., *Patents, Trade Marks, Copyright and Industrial Designs*, Sweet & Maxwell, 3rd ed., 1986, at 169; Bainbridge, D., n.7 above, at 308-309

101 Bainbridge, D., n.7 above, at 309

102 Hereinafter referred to as "TCOO"

103 Hereinafter referred to as "TCC"

cases in non-commercial affairs are subject to TCOO[104].

According to TCC Article 21(2), the contracts that are commercial in nature for only one party are considered as commercial affairs for the other party as well, unless otherwise stated under the code. If an employer is a trader, an employment contract will constitute a commercial affair for him/her. By applying TCC Article 21(2), the employment contract will be a commercial affair for the employee as well. Accordingly, the breach of confidence of the employee will be subject to the unfair competition provisions of TCC. However, if an employer is a craftsman, artisan or an independent businessman such as a doctor or an attorney-at-law, then TCOO Article 48 will be applicable.

a) Protection Under Unfair Competition Law

ii) Definition and Requirements of Unfair Competition

Unfair competition is regulated under TCC Articles 56-63. Firstly, unfair competition is generally defined under TCC Article 56. Then, some unfair competition cases that are found frequently in practice are listed under TCC Article 57 as examples of acts against the principles of good faith. Since they are not limited in number, the courts are given a discretionary power. According to TCC Article 56, an unfair competition is a deceptive act or every sort of abuse of economic competition in other manners that are against the principles of good faith. Thus, the right of competition should be used in accordance with the principles of good faith. To draw the boundaries of the right of competition in this way is not an easy task. The following principle might be useful: Competition should be based on the person's own effort and labor. To compete by trying to benefit from someone else's effort and labor is considered as unfair competition[105].

It is of consequence that unfair competition is a special type of tort. This is because it is the abuse of normal competition[106].

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104 Karayalçın, Y., *Ticaret Hukuku- I. Giriş- Ticari İşletme*, GİM, 3rd ed., 1968, at 450-451

105 Arkan, S., *Ticari İşletme Hukuku*, Banka ve Ticaret Hukuku Araştırma Enstitüsü, 7th ed., 2004, at 297

106 Domaniç, H., *Türk Ticaret Kanunu Şerhi- Cilt 1*, Temel, 1988, at 199

Therefore, the general rules of tort law will be applicable to unfair competition cases as well.

The matter of abuse of economic competition in any manner may be based on a fault or may be faultless. In accordance with TCC Article 56, the wrongdoer's fault is not required in order to deem an act as unfair competition. The unfair competition can even come into existence in bona fides, that is, without the wrongdoer's intention. Accordingly, the employee may be liable even if he/she does not deliberately memorize the confidential information of his/her employer. To demand the prohibition or removal of the unfair competition, the plaintiff does not have to claim and prove the fault of defendant. Whether the wrongdoer is faulty or not is significant only in determining what kind of actions to be taken as a result of unfair competition[107].

Since the objective of unfair competition provisions is to protect not only the economic interests of rivals but also the economic order based on competition, a competition relation between a wrongdoer and an aggrieved person is not required in order to mention unfair competition[108]. In the case where the contract of employment has not terminated or that the ex-employee uses the confidential information of his/her former employer for his/her new employer, there is no competition between the employer and employee or between the former employer and ex-employee. As a competition relation is not required, unfair competition provisions will be applicable to such cases as well.

iii) Regulation for Breach of Confidence of an Employee or Ex-employee

The headquarters and branch organization of a business enterprise and its operation system and form of procuring primitive goods may be an extremely significant secret for that enterprise, thus, the employees shall not disclose such secrets that they have learned.[109]

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[107] ibid. at 201

[108] Mimaroğlu, S. K., *Ticaret Hukuku- 1. Cilt- İşletme Hukuku*, Sevinç, 3rd ed., 1978, at 386-387

[109] Doğanay, İ., 'Türk Ticaret Kanunu'nun Haksız Rekabete Dair Hükümleri Yargıtay'ca Nasıl Uygulanıyor?', [1970] 5 Batider 531

According to TCC Article 57(8), it is unfair competition to get an unjust profit from or disclose to others the production or trade secrets that are learned or acquired in a manner that is against the principles of good faith. Clearly, an employee does not learn or obtain the production or trade secrets in a manner that is against the principles of good faith, instead he/she learns legally in the course of employment. However, although it is here stated that the production or trade secrets should be learned in a manner which is against the principles of good faith, the significant issue for the application of the provision is not the acquisition of the secret in a manner which is against the principles of good faith but the unjustly use of learned secret, usually for the purpose of procuring personal benefit. Therefore, the case in which an employee learns the secrets concerning a business enterprise by reason of his/her duty, then passes to a rival firm by receiving a high transfer fee and uses these secrets there, will constitute an unfair competition[110]. In this case, even one cannot come to the conclusion of an unfair competition under TCC Article 57(8), he/she can allege an unfair competition under the general definition of TCC Article 56. The reason is that it is an abuse of economic competition that is in breach of principles of good faith. Accordingly, both ex-employees and employees who disclose or use their employer's business secrets without his/her consent can be sued by him/her under the unfair competition provisions.

This approach was confirmed by the judgment of the Court of Cassation where the allegation was the establishment by the defendants of a plant, which was a copy of the plaintiffs that produced sodium hypochlorite. The plaintiff claimed that this situation constituted an unfair competition and sought for the prevention of unfair competition, for damages and for an injunction of the defendants' plant from operation. The Court of Cassation held that there was no claim of unfair competition in respect of the product and that to establish a plant related to the production of sodium hypochlorite, which might be produced in different systems, did not constitute an unfair competition by itself. The reason for this was that the customers were concerned with the products produced by both

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110 Arkan, S., n.105 above, at 305; Pinner, H. L., *World Unfair Competition Law- Volume I*, Sijthoff, 1965, at 957; Doğanay, İ., *Türk Ticaret Kanunu Şerhi- Cilt 1*, Feryal, 3rd ed., 1990, at 346

parties and their reason of preference was not whether the plants resembled each other in form. The customers would not generally even know this fact. The Court of Cassation disapproved the judgment of the Court of First Instance for holding that there was an unfair competition between plants and that the defendants had to modify their plant. In fact, there was a different unfair competition act, which only required for holding to material damages. It was established that the two defendants, who were ex-employees at the plaintiffs plant, acquired wrongfully the plaintiffs plan and project and the plant was established using these plans and project. The defendants' act appeared as benefiting wrongfully from the plaintiffs effort and labor to prepare the plan and project. Therefore, the Court of First Instance should have taken into account the fact that the defendants' act required only the assessment of material damages[111]. This case is interesting since the ex-employees had not only used the production secrets unjustly but also had acquired them unjustly. However, even if the ex-employees had not acquired the secrets unjustly, the Court of Cassation would probably render the same decision, as the use was wrongful.

A secret in the sense of TCC Article 57(8) conveys not only the unknown information, but also the information that can be obtained only as a result of long and costly work. The secret needs not to be new (original). It must be known only by a restricted group. Documents that are available to everyone do not have the nature of secret. Moreover, maintaining documents and information as secrets should be asked from the employee and the necessary measures with respect to this issue should be taken. For information to be regarded as a secret, it should also be asked to keep the information confidential. A customer list containing names and addresses, central or branch organization, marketing means, manufacturing and construction methods of a business enterprise can be regarded as secrets in this sense. Learning the technical-commercial information and experiences of a business enterprise in the areas of manufacture, distribution, organization and management is also in the scope of TCC Article 57(8). It should be noted that the patentable production secrets are protected under the Decree Having the Force of Law

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111 Court of Cassation, 11th Civil Chamber, 28.12.1990, file no. 6523, decision no. 8468 (Eriş, G., *Açıklamalı İçtihatlı Türk Ticaret Kanunu- Ticari İşletme ve Şirketler*, EN-KAY, 2nd ed., 1992, at 414)

Concerning the Protection of Patent Rights[112]. Lastly, the duty of confidence shall concern the justified economic benefits of an employer. For example, the disclosure of confidential information shall be in the nature of affecting the competition power of the employer. However, illegal benefits, which constitute an offense or are in breach of legislation cannot be protected.[113]

One can remark that the business secrets of an employer are divided into two, as trade secrets and production secrets. The production secrets have probably the meaning of technical secrets. The trade secrets do not have a meaning of highly confidential information but only comprise of secrets other than production secrets. Such a separation of secrets does not have significance in practice, as it just indicates that all business secrets of an employer are protected under TCC Article 57(8). Moreover, no classification has been made within trade and production secrets. Accordingly, both the employee and the ex-employee must observe the duty of confidence in respect of all business secrets without any distinction. However, clearly, mundane information will not be secret, thus they will not be protected. It should also be concluded that there is no difference as per the scope, between the duty of confidence during employment and the duty of confidence after the termination of employment.

iv) Remedies

The person, who has suffered loss or been subjected to risk of suffering loss in respect of his/her customers, business enterprise or economic benefits, is entitled to bring action (TCC, Art. 58(1)). As in all torts, there must also be a proximate causal relation between the unfair competition and damage or risk of damage[114]. Clearly, in the case of a breach of confidence by the employee or ex-employee, the employer can suffer loss or be subjected to the risk of suffering loss in respect of his/her customers and business enterprise.

Under TCC Article 58, the civil actions that can be taken are listed as declaratory action, action for prohibitory order, action for

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112 Arkan, S., n.105 above, at 304-305; Doğanay, İ., *Türk Ticaret Kanunu Şerhi- Cilt 1*, Feryal, 3rd ed., 1990, at 346

113 Tuncay, C., n.1 above, at 1069

114 Domaniç, H., n.106 above, at 201

relief in the nature of an injunction, action for material damages and action for moral damages. Moreover, TCC Article 63 states that a person who has a right to take action can also ask from the court for the preservation of the present condition as it is and for taking other necessary measures while the actions continue. For this concern, the provisions of the Civil Procedural Code with respect to the precautionary measures shall be applied. These measures may be to stop the acts of unfair competition until the end of the action and to do away with the physical states[115].

In order to bring declaratory action, action for prohibitory order and action for relief in the nature of an injunction, the wrongdoer's fault is not required. However, the wrongdoer's fault is an obligatory condition to take an action for damages (TCC, Art. 58(1)(d), (e)). The burden of proof of the fault is on the plaintiff due to the general rule applicable to torts. In tortious liability, the plaintiff must prove the fault of the wrongdoer because according to the Turkish Civil Code Article 6, the burden of proof is on the person who claims something, unless otherwise stated under the codes. Article 6 is not a rule only for the Civil Code since the first seven articles of the Civil Code are the general principles of law. Thus, if the employee simply remembers the names of the customers without any deliberate effort or copying, the employer will not be able to prove the fault of the employee, accordingly will not be able to take action for damages.

Through a declaratory action, the court concludes whether the act of the defendant constitutes an unfair competition or not (TCC, Art. 58(1)(a)). In this action, the plaintiff does not demand damages but only the qualification of the act. After this judgment, the action for damages may be brought as a separate action or two actions (declaratory action and action for damages, or declaratory action and action or prohibitory order) may be taken together[116].

The plaintiff of an action for relief in the nature of an injunction asks from the court to stop an unfair competition case that is continuing or has a risk of recurrence. The purpose is to prevent the continuation of the unfair competition act. The act should be qualified as unfair competition for the success of this action.

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[115] Poroy, R., *Ticari İşletme Hukuku*, Beta, 4th ed., 1984, at 207

[116] Domaniç, H., n.106 above, at 213

With the action for prohibitory order, the plaintiff seeks for doing away with the unfair physical state that is an effect of the unfair competition. Its difference from an action for relief in the nature of an action is that its subject is the removal of state which happened through an unfair competition in the past and which gave rise to damages and risk. The return of the formulas and documents containing the production and trade secrets can be sought for by this action.

The requirements for an action for material damages are an unfair act, damages, fault and proximate causal relation. In an action for material damages, the burden of proof for the damages is upon the plaintiff (TCOO, Art. 42(1)). This is a general rule for torts so will be applicable to unfair competition as well. However, in practice it is seen that in unfair competition cases it is very difficult and even impossible for the plaintiff to prove the amount of his/her damages and that it gives rise to unsatisfactory results when the damages are assessed by the judge at his/her discretion by relying on the authority given by TCOO Article 42(2). Moreover, it is established that if only the damages suffered by the aggrieved party were compensated, it would result in the wrongdoer's benefiting from the earnings of unfair competition that exceeded such amount of damages. In order to avoid such an unjust situation, a provision was added to TCC Article 58(1) according to which a judge can, for the damages, hold also to the equivalent of the profit that is seen to be probable for the defendant to obtain as a result of unfair competition. Thus, the plaintiff is released from the obligation to prove the amount of damages he/she has suffered due to unfair competition. However, the plaintiff cannot demand both the compensation of profit he/she has been deprived of and the payment of earnings that is seen to be probable for the defendant to obtain. He/she must choose one of these options. Examining the books of account of the defendant can concretize the material benefit that is seen to be probable to obtain[117]. If the defendant avoids submitting his/her books of account, the plaintiff who relies on the defendant's books has to take an oath concerning the truth of his/her claim in accordance with TCC Article 83(2)[118]. In

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117 Court of Cassation, 11th Civil Chamber, 18.10.1982, file no. 4115, decision no. 3971 (Eriş, G., *Açıklamalı İçtihatlı Türk Ticaret Kanunu- Ticari İşletme ve Şirketler*, EN-KAY, 2nd ed., 1992, at 391)

118 Court of Cassation, 11th Civil Chamber, 17.11.1977, file no. 4848, decision no. 5119 (Arkan, S., n.105 above, at 308)

a decision dated December 16, 1999, the 11th Civil Chamber of the Court of Cassation has emphasized that the compensation to be held pursuant to TCC Article 58(1) shall be limited to the benefit that is seen probable to be obtained by the defendant as a result of unfair competition. It means that the whole profit of the defendant is acquired as a result of unfair competition.[119]

The 11th Civil Chamber of the Court of Cassation explained in its decision dated 3.11.1988 with file no. 7315, decision no. 6357, that the objective in payment of the benefit which is seen to be probable to obtain is to hold to the benefit the defendant can obtain through selling goods in the amount of which the plaintiff could not sell due to unfair competition. By taking into account, in calculating the damages, of the amount of goods of which the plaintiff could not sell due to unfair competition, the Court of Cassation gives place to an element that is not provided for in TCC Article 58[120]. The employer might not have suffered any loss but has a potential risk of suffering loss in relation to his/her business enterprise and customers due to the breach of confidence. However, the ex-employee might obtain a substantial amount of profits by using the trade and production secrets of the employer. Another case is that the ex-employee's profits might exceed the amount of damages of the former employer. In such cases, the better option is to demand the payment of the benefit that is seen to be probable for the ex-employee to obtain as a result of disclosure or use of the employer's secrets. It is also more advantageous for the employer since it is easier to prove the earnings of the employee that to prove his/her loss.

In the case of unfair competition, in addition to the material damages, moral damages can be claimed for if the conditions stated under TCOO Article 49 are satisfied (TCC, Art. 58(1)(e)). The judge will take into account the position, capacity and other social and economic states of the parties (TCOO, Art. 49). The violation of the right of personality through unfair competition occurs in the cases listed under Paragraphs 7 and 8 of Article 57 of TCC. For instance, a decrease in number of the customers is a ground to hold to moral damages[121].

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[119] file no. 5830, decision no. 10402 (Batider, 2001, Volume 21, no. 1, at 290-291)

[120] Arkan, S., n.105 above, at 308

[121] Dönmez, İ., *Markalar ve Haksız Rekabet Davaları*, Beta, 2nd ed., 1992, at 187

Another remedy is the publication of judgment. With respect to all actions listed under TCC Article 58(1), the court may, upon the request of the party who has succeeded in the action, decide for the publication of judgment (TCC, Art. 61). Accordingly, this remedy is available for both the employer and the employee.

The actions of unfair competition should be taken within one year as from the employer's being informed of the arise of his/her right to sue and in any case within three years as from the arise of such rights (TCC, Art. 62(1)). However, if the act of unfair competition constitutes an offense that is subject to a longer duration of lapse of time according to the Criminal Code, the same duration will be effective also for the civil actions (TCC, Art. 62(2)). If no criminal case is brought, the qualification of the act will be assessed by the judge of the civil court.[122] According to TCC Article 64, to commit intentionally the act stated under Article 57(8) is an offense and the duration of lapse of time is five years in accordance with the Turkish Criminal Code Article 102[123]. There is no duration of lapse of time for actions for 'relief in the nature of an injunction', because the duration of lapse of time does not start as long as the act of unfair competition continues. Moreover, in the cases where the unfair competition is over and there is no risk of recurrence, an action for relief in the nature of an injunction cannot be taken. For this reason, duration for lapse of time starts at the date when the unfair competition act is over[124]. In employment relationships, if the ex-employee is working for a rival firm, then the duration of lapse of time never starts since the risk of disclosure of the secrets continues as long as he/she works there. The Court of Cassation has also established that the duration of lapse of time ceases and restarts at every time the act of unfair competition recurs. In this case, the Court of Cassation held that, since an unfair competition was at the same a tort and since in the actions of tort law the duration of lapse of time would restart over and over again when

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122 Court of Cassation, 4th Civil Chamber, 27.1.2003, file no. 2002/10674, decision no. 844 (Arkan, S., n.105 above, at 313)

123 Karayalçın, Y., n.104 above, at 477

124 Court of Cassation, General Assembly of Civil Chambers, 19.12.1969, file no. 1966/T-485, decision no. 130 (Eriş, G., *Açıklamalı İçtihatlı Türk Ticaret Kanunu- Ticari İşletme ve Şirketler*, EN-KAY, 2nd ed., 1992, at 368); Court of Cassation, Chamber of Commerce, 2.5.1964, file no. 5649, decision no. 1938 (Eriş, G., *Açıklamalı İçtihatlı Türk Ticaret Kanunu- Ticari İşletme ve Şirketler*, EN-KAY, 2nd ed., 1992, at 415)

the tort recurred everyday, the court could hold to the damages for one year to be calculated retrospectively as from the day ay which the action was taken[125].

v) Liability of Third Parties

There are also some provisions with respect to the liability of third parties. According to TCC Article 57(7), it is unfair competition to cause divulgation of trade or production secrets of an employer, or obtaining them by inciting personnel. For instance, if a person incites an employee (by employing him/her) to disclose the secrets that are confided to him/her for his/her job, third party will be deemed to have acted against the principles of good faith[126]. From the expression of the article, one might conclude that it will not be unfair competition by third parties if these secrets are obtained without inciting employees, for instance if the employees offer to disclose secrets. However, the definition under Article 56 does not allow such an interpretation[127].

TCC Article 57(8) is a provision expressly stated for third parties. The Court of Cassation dismissed the request for revision, in a case where both the employer and the third party operated for years in the manufacture of machines such as the ones that were the subject of the action. The reasons for the dismissal were as follows: The employer had fired his employees (second defendant) and he did not claim that the first defendant (third party), Hadi, had persuaded and recruited these employees. Moreover, the machines manufactured by the parties did not exactly resemble each other. In accordance with TCC Article 57(8), only if getting an unjust profit from the information that is acquired in bad faith will constitute an unfair competition. However, the plaintiff could not prove that the second defendant, Hadi, had acted in bad faith. The Court of Cassation also remarked that the cogwheels, which were manufactured from polyamide by the plaintiff since 1977, had started being manufactured in Europe before

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125 Court of Cassation, Chamber of Commerce, 16.9.1988, file no. 5219, decision no. 5008 (Dönmez, İ., n.121 above, at 388)

126 Doğanay, İ., *Türk Ticaret Kanunu Şerhi- Cilt 1*, Feryal, 3rd ed., 1990, at 346; Pinner, H. L., *World Unfair Competition Law- Volume I*, Sijthoff, 1965, at 957

127 Poroy, R. and Yasaman, H., *Ticari İşletme Hukuku*, Beta, 9th ed., 2001, at 213

1977[128]. This judgment indicates that the acquisition in bad faith is an important requirement for the liability of third parties in the case of getting unjust profit from confidential information. The burden of proof is upon the plaintiff to prove the bad faith. This is reasonable as it is very difficult for a person to establish something negative such as not having bad faith. The Court of Cassation also emphasized that the alleged production secrets were actually in the public domain and were not secrets as the machines had been manufactured in other countries before the plaintiff started manufacturing them.

In accordance with TCC Article 58(4), the judgment held against the wrongdoer as a result of actions for prohibitory order and relief in the nature of an injunction can be enforced also against the people who have obtained directly or indirectly from the wrongdoer, the goods that constitute the subjects of unfair competition. It is submitted that, such a provision that is adopted in order to protect the rights of aggrieved party efficiently, is contrary to the procedural law principle stating that a judgment that has a *res judicato* effect cannot be enforced against the people that are not parties in the action[129]. In the case of use by the ex-employee of the secrets of his/her former employer or in the case of disclosure by the employee or ex-employee of these secrets to a rival firm where the rival firm manufactures goods using such secrets, the third parties holding the goods might be forced to gave them back by the enforcement of judgment in the action for prohibitory order.

vi) Public Interest Exception

There is no doctrine or judgment in respect of what would happen if there were a public interest defense in the disclosure of the trade and production secrets of the employer or former employer. In fact, there is a gap in this respect for all unfair competition cases. Nevertheless, one can apply the general rules of tort law as unfair competition is considered as a special type of tort. One of the conditions of the tortious liability is an unlawful act. However, if there exists a legitimate reason, the act is not deemed as unlawful. Such

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[128] Court of Cassation, 11th Civil Chamber, 6.11.1981, file no. 3868, decision no. 4664 (Eriş, G., *Açıklamalı İçtihatlı Türk Ticaret Kanunu- Ticari İşletme ve Şirketler*, EN-KAY, 2nd ed., 1992, at 394)

[129] Arkan, S., n.105 above, at 312; Domaniç, H., n.106 above at 215

legitimate reasons are stated under the Turkish Civil Code Article 24(2). According to Article 24(2), every act against personality is unlawful unless it is based on the consent of the aggrieved person, or a public or private interest in the superior nature, or an authority granted by the law. It is clear from this provision that if there is a serious public interest, there will be no unlawful act and thus no tortious liability. However, such a public interest must outweigh a private interest because legitimate reasons mean the preference of one interest to another interest. The right to compete is a part of economic personality rights and the Court of Cassation has underlined that the unfair competition provisions have the purpose of protecting the economic personality rights among other rights.[130] These explanations mean that we can apply Article 24(2) of Turkish Civil Code to unfair competition cases. When we apply this rule to unfair competition cases and employment relationships, clearly the employee or ex-employee will have no liability if there exists a public interest in his/her disclosure of the production or trade secrets of his/her employer or former employer. For such a result, the court should conclude that the public's interest in being informed of the secrets is superior to the private interest of the employer or former employer in the preservation of confidentiality. For instance, if the employee discloses to the police that a food manufactured in the employer's plant contains some ingredients that are dangerous to the public health, the employee will probably be not liable for the breach of confidence.

According to Eren, legitimate reasons are not defenses that abolish the unlawfulness of the act but are exceptions to the unlawfulness. This view can be supported because an act with a legitimate reason is unlawful as from the discharge of the act and is never unlawful[131]. Therefore a public interest is an exception but not defense and the judge will take into consideration *sua sponte* even it is not raised by the employee or ex-employee. Consequently, probably, the motive and the acquisition of the employee will also be not relevant.

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[130] Erdem, E., 'Rekabet Hukuku ve Haksız Rekabet İlişkisi', [2002] Prof. Dr. Ömer Teoman'a 55. Yaş Günü Armağanı, Volume 1, Beta, at 382; Court of Cassation, 4th Civil Chamber, 1.07.1977, file no. 5913, decision no. 7617

[131] Eren, F., *Borçlar Hukuku Genel Hükümler- Volume 2*, Beta, 5th ed., 1994, at 148-149

vii) Secrets Becoming Public Knowledge

There is no doctrine or judgment in respect of secrets falling into public domain. It is not clear whether in this case the employee would be restrained from use when he/she disclosed the trade and production secrets of the employer. It is also not clear what would be the result if a third party or the employer disclosed the trade and production secrets. However, one can always apply the principle of good faith in the Turkish Civil Code Article 2. As the first seven articles in the Turkish Civil Code are general principles of law, they can be applied to all parts of law including unfair competition law. According to Article 2, everyone must observe the principles of good faith in using his/her rights and in performing his/her obligations. One can remark that an employee, who uses the secrets after disclosing them to public or after the disclosure to public by a third party, will not have good faith in observing his/her duty not to disclose or use the production and trade secrets. Therefore, the employer may in an appropriate case take an action for relief in the nature of an injunction. It is not clear for how long the employee would be restrained from use. The courts will grant a relief in the nature of an injunction as long as the risk of use of the secrets by the employee continues.

b) Protection Under Law of Obligations

i) Provisions of TCOO Article 48

The provision concerning unfair competition provided under TCOO Article 48 was prepared for the purpose of protecting the economic personalities of rivals. According to TCOO Article 48, a person whose number of customers decreases as a result of incorrect advertisements or other behaviors in conflict with good faith or who is subjected to a fear of losing his/her customers is entitled to bring an action against the wrongdoer and in the case of wrongdoer's fault, is entitled to seek for the compensation of his/her losses. It is clear that such provision guarantees someone's freedom of activity in the economic field. In order to apply TCOO Article 48, the customers shall decrease or the fear of losing them shall arise.[132] In respect of the unfair competition cases where the parties (especially the defendant) are not traders or where in respect of the unfair competition cases

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[132] Arkan, S., n.105 above, at 291, 294

which do not have the nature and qualification of commercial affairs (for example, in respect of the acts in breach of the bona fides rules against the institution operated by a charitable association), TCOO Article 48 shall be applied.[133] Although some writers are in the opinion that the provisions of TCC shall be applied to every kind of unfair competition whether commercial or not, the Court of Cassation applies TCOO Article 48 for the non-commercial affairs or in unfair competition cases where the parties are not traders.[134] By stating that the subject of the provision of Paragraph 1 of TCOO Article 48 is unfair competition just like TCC Article 56,[135] the Court of Cassation has drew the attention to the fact that TCOO Article 48 has still an application area especially for the employers such as doctors, lawyers and artisans.

ii) Express Terms

Another source for the protection of employer against breach of confidence by his/her employee is the contract of employment[136]. The duty not to disclose or use the secrets of employer without his/her consent may be stated expressly under the contract and by this way the scope of duty of confidence may be extended or narrowed. Through a contract, even a clause, which states that everything learned at the workplace will be kept confidential (all clause), may be exacted. In this case, the duty of confidence will be an express term of the contract and protected according to the law of obligations. Accordingly, the employee in service has to observe a duty of confidence. It is easier to prove the duty of confidence and secrets since they are made clear in the contract. Although for unfair competition the courts will not ask for written evidences, as it is a type of unfair act, they will ask for written evidences when the plaintiff relies on the contract of employment[137]. Clearly, the written evidence will be the contract itself.

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133 Court of Cassation, 11th Civil Chamber, 15.5.1989, file no. 2889, decision no. 2929 (Journal of Decisions of Court of Cassation, 1990, Volume 16, no. 1, at 64-65); Doğanay, İ., n.109 above, at 532

134 Erdem, E., n. 130 above, at 380-381

135 Court of Cassation, Chamber of Commerce, 14.11.1968, file no. 1967/3750, decision no. 1968/6047 (Doğanay, İ., n.109 above at 533)

136 Karayalçın, Y., n.104 above, at 464

137 Domaniç, H., n.106 above, at 217; Tuncay, C., n.1 above, at 1069

The duty of confidence is in principle limited to the term of contract, thus ends after the employment relation terminates. However, the duty of confidence continues to the extent necessary to protect the justified benefits of employer under the principle of bona fides (Article 2 of Turkish Civil Code).[138] For example, the ex-employee may use the information and experiences at his/her own business in the future. However, he/she may not obtain benefits by selling these secrets to third parties. The total end of this duty depends upon the employee's position at the workplace, type of job and economic and technological developments. For example, economic and technologic developments may bring a technical secret into ordinary information known by public. However, if the business secret is wished to be kept confidential for a while after the termination of employment contract, then such term shall be determined by a separate contract.[139]

According to TCOO Article 97, when a debtor is in breach of an obligation not to do something, the creditor may bring an action for damages or an action for prohibitory order. Clearly, the duty of confidence is a type of obligation not to do something. Therefore, the employer can only bring action for damages or prohibitory order.

iii) Obligation of Protection

Even if the duty of confidence is not included in the contract, this duty is derived impliedly from the obligation of protection of the employee. Modern doctrine of law of obligations has seen a necessity to protect another benefit in the contractual relations apart from the benefit of performance. The reason is that some obligations arise between people who get in touch to conclude a contract, when such a social relation starts, that is, before the conclusion of contract. These obligations are called obligations of protection and they continue during the discharge of contract and even after the termination of contract. The parties have many material and personal benefits apart from the benefits they can get by the discharge of contract. It is always possible that these benefits may be subjected to a risk of damage during and after the discharge of contract. Accordingly, the people who contact with each other to conclude a contract must, as

138 see below at "Obligation of Protection"

139 Tuncay, C., n.1 above, at 1069-1070

from this time, to make every effort and take great pains in all phases of the relation, in order not to give damages to each other. The basis of obligations of protection is the principle of trust, that is to say, principles of good faith under the Turkish Civil Code Article 2(1). It should be noted that the plaintiff could only bring an action for damages against a person in breach of these obligations[140].

The material and personal values of the parties are protected during the discharge of main obligation. The debtor should not violate such values during the discharge. If he/she violates these values, he/she will be in breach of the debt relation[141]. Therefore, if an employee in service is in breach of confidence, he/she will be in breach of contract.

A debt relation sometimes does not end with the discharge of main obligation. The special relation established between the parties by the social contact maintains its effects sometimes after the discharge of contract and requires the parties to show diligence to each other, to protect the benefits of each other. In particular, the obligations of fidelity after the termination of contract are among such obligations of protection[142]. Therefore, an ex-employee will be in breach of contract if he/she discloses or uses any of the confidential information of the employer.

The scope of the duty of confidence depends on the relations between the parties and the characteristics of the job. For example, the extent of duty of confidence of the production manager of a factory is more than an ordinary employee at that factory. The criterion to balance the interest conflicts will be Article 2 of the Turkish Civil Code. It does not matter in respect of breach whether the business secrets are learned by reason of working or by chance or by means in conflict with law or ethics.[143]

Although these obligations could be protected under the tort law, the application of tort law principles might not satisfy the aggrieved party. Consequently, against the breaches of such obligations, the

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[140] Eren, F., *Borçlar Hukuku Genel Hükümler- Volume 1*, Beta, 5th ed., 1994, at 46-47

[141] Eren, F., *Borçlar Hukuku Genel Hükümler- Volume 3*, Beta, 5th ed., 1994, at 217-218

[142] ibid.

[143] Tuncay, C., n.1 above, at 1049-1050, 1067

application of contract law provisions produce fairer results even if there exists no contract anymore[144].

iv) Express Covenants in Restraint of Trade

Among the provisions for employment contract, there are some articles under TCOO concerning the covenants restricting the employee from competition. In fact, the duty of confidence is a special type of restraints of trade. Although it is allowed to include covenants that restrict the employee from establishing his/her own business or working in another rival firm after the termination of contract, the following conditions must be satisfied in accordance with TCOO Articles 348, 349, 350:

1) The employer should have a benefit in the non-competition of employee.

2) The contract shall be made in writing.

3) The employee shall be major at the time of conclusion of the contract.

4) It should be agreed by a written contract apart from an employment contract or included in the employment contract.

5) There should be a service enabling to penetrate to the business secrets of employer. The business secrets include all confidential information of the employer with respect to his/her business enterprise.

6) There should be a serious reason to restrict competition. A probable competition act should be in the nature that might give a serious damage to the employer.

7) There should be no specific legislation barring the conclusion of such covenants.

8) The express covenant should be exacted within reasonable boundaries in accordance with the requirements of case in respect of time, area and type of job. According to Article 349, the covenant will not be valid if it includes provisions that put the economic future of

144 Eren, F., n.140 above, at 48

employee into risk[145].

According to Article 351 of TCOO, if the employee acts in breach of express covenant, he/she must compensate the damages of his/her ex-employee. If there is a penalty clause for the act in breach of covenant, then he/she will be free from the restriction upon the payment of such amount. However, if the loss exceeds such amount, then he/she must pay the exceeding amount as well. The employer may also demand the prohibition of breach if the employee's act and breach or the significance of benefits in threat justifies and if such right is reserved under a written contract.[146]

v) Proving Fault

There is a difference from unfair competition law in respect of the burden of proof of fault. The burden of proof is shifted to the defendant in the contract law. According to TCOO Article 96, to prove the faultlessness falls upon the debtor. The lawmaker has established a presumption of fault against the debtor. Therefore, the employer is released from proving the fault of employee in any action.

vi) Lapse of Time

Duration for lapse of time determined for the actions is also different from the one under unfair competition law. According to TCOO Article 125, the duration of lapse of time for all actions is ten years unless otherwise stated in this code. Therefore, the employer should bring an action for damages or an action for prohibitory order in 10 years as from the breach of duty of confidence. Clearly, this is longer than the period stated under unfair competition law.

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145 Olgaç, S., *Kazai ve İlmi İçtihatlarla Türk Borçlar Kanunu- Cilt 2*, İsmail Akgün, 1966, at 661-664; Kazancı, F., Dalamanlı, L. and Kazancı, M., *İlmi ve Kazai İçtihatlarla Açıklamalı Borçlar Kanunu- Volume 3*, Kazancı, 1990, at 839-841; Tuncay, C., n.1 above, at 1060; Polat, M., Rekabet Yasağı sözleşmesi (BK m.348-352), 1994, Dokuz Eylul University

146 Polat, M., Rekabet Yasağı sözleşmesi (BK m.348-352), 1994, Dokuz Eylul University

c) Protection under Labor Code

Article 25 (II) (e) of the Turkish Labor Code entitles an employer to terminate the employment contract immediately (on justified ground) without any compensation or notification, if the employee discloses the business secrets of the employer. Such an act is deemed as an example of behaviors in contradiction with honesty and fidelity. Therefore, it is a justified termination ground for the employer. If the employer has subjected to some losses, he/she may demand compensation from the employee.

3- Comparison of Two Perspectives

Although the types of protection provided in two laws are different in form, there are some similarities between the two perspectives. One of them is in respect of remedies. In Turkish law, under unfair competition law, the employer taking an action of damages will have competing rights. He/she can either choose to prove his/her loss or he/she can prefer to prove the benefit acquired by the defendant, namely the employee's profits. Similarly in English law, the return of the benefit obtained by the defendant is accepted by way of "account of profits." However, it is regarded as a different remedy from damages. Another similarity in respect of remedies is that an action for relief in the nature of an injunction in Turkish law and an injunction in English law are more or less in the same nature. The other similarity is in respect of ex-employees. TCOO Article 349 invalidates the contracts containing covenants, which place the economic future of the employee into risk. This provision reminds the concept of general skill and knowledge of an employee in English law. According to the case law, the confidential information that can be regarded as general skill and knowledge of the employee will not be protected under the implied duty of fidelity after the termination of employment, but can be protected by express covenants. However, the Court of Appeal in *Faccenda Chicken* did not accept this approach, so adopted a similar approach to TCOO Article 349 by not allowing for express covenants that restrict the use of general skill and knowledge.

There are also some remarkable differences between the two perspectives. Although in English law the use or divulgation of confidential information is sufficient for the liability of employee or

ex-employee, in Turkish law under unfair competition protection the plaintiff must in every action prove that he/she has been subjected to damage or risk of damage. According to TCC, abuse by an employee is not sufficient for the success of an action. The other substantial difference is with respect to the basis of action for breach of confidence. In Turkish law, three bases are provided (contract law, unfair competition law and labor law) and they are all statutory protections, which means that there is some certainty. On the contrary, English law for breach of confidence is based on contract law and equity. As there is no statutory protection in the UK (in contrast with intellectual property rights), the law is established by cases, which implies that the law is still not certain. The debate about the express covenants is an obvious example for this. Equity is not accepted as a basis in Turkish law, instead a special type of tort (unfair competition) is adopted as an alternative to contract. However, the employer has competing rights (besides the right under the Labor Code); he/she cannot avail of both unfair competition law and contract law remedies. On the other hand, in English law, if the express covenants are invalid, the highly confidential information will still be protected according to equitable principles. Moreover, a plaintiff may avail of both equitable and contractual remedies. Since there is no statutory protection for trade secrets in English law, the business secrets of employers are protected within the breach of confidence law, which covers all confidential information concerning all areas including private secrets and governmental secrets. Therefore, the law in employment relationships is affected by the other areas of law. However, Turkish unfair competition law is exclusive of private law nature. It is noteworthy that there is no classification of confidential information or secrets in Turkish law, thus the scope of duty of confidence of an employee is broader than that of an employee in English law due to the classification of confidential information. "Trade secrets" in Turkish law never imply highly confidential information, but mean the commercial non-technical confidential information of an employer. However, the judgment in *Faccenda Chicken* gave a meaning, which is more than confidential information. There is no lapse of time provided for taking actions against the breach of confidence in English law, however both contract law and unfair competition law provide for a lapse of time in Turkish law.

Although English law does not recognize unfair competition law, the springboard doctrine is an application of unfair competition principles. In Turkish law, there is no definite suggested solution in the doctrine or case law for the information falling in the public domain without the consent of the employer. Nevertheless, these situations can be solved by a general principle of law. There is also no doctrine or case law concerning public interest exception or defense in Turkish law although there is a wide case law in this respect in English law.

Conclusion

In English law, the employers can avail of both equitable principles and contractual obligations to protect their business secrets against the employees. Equity is not a basis for protection under Turkish law. However, equity has some functions. Firstly, it provides for remedies such as account of profits and order for delivery up of information or goods for destruction. These remedies are not available under contract law. Secondly, through equity it becomes possible to sue third parties and to confer a duty of confidence on third parties. Third parties cannot be sued under contract law since they are not parties. Moreover, they can be liable by way of equity even if they do not know the secrecy[147]. Thus, the employer in the UK has the advantage of using two sources for an action against breach of confidence. However, the disadvantage of English law is that there is no statutory protection; therefore, some respects are still not clear. Trade secrets need a separate protection from other confidential information in the UK. The absence of statutory protection on the other hand allows for flexibility and evolving.

Turkish law has the advantage of statutory and special protection for trade secrets. It can be said that unfair competition law provides a protection, which is similar to intellectual property rights. However, when the judge is determining whether the act is unfair, he/she uses his/her discretion. This involves a subjective assessment, which creates some uncertainty. Perhaps, as the cases increase in this area, the judges will have some guidance.

147 Stewart, A., 'Confidential Information and Departing Employees', [1989] 3 EIPR 89

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