



THE UNIVERSITY *of* EDINBURGH

Edinburgh Research Explorer

New Light through Old Windows

Citation for published version:

Cabrelli, D & Floyd, L 2010, 'New Light through Old Windows: Restraint of Trade in English, Scottish, and Australian Employment Laws - Emerging and Enduring Issues' *International Journal of Comparative Labour Law and Industrial Relations*, pp. 167.

Link:

[Link to publication record in Edinburgh Research Explorer](#)

Document Version:

Publisher final version (usually the publisher pdf)

Published In:

International Journal of Comparative Labour Law and Industrial Relations

Publisher Rights Statement:

© Cabrelli, D., & Floyd, L. (2010). New Light through Old Windows: Restraint of Trade in English, Scottish, and Australian Employment Laws - Emerging and Enduring Issues. *International Journal of Comparative Labour Law and Industrial Relations*, 167.

General rights

Copyright for the publications made accessible via the Edinburgh Research Explorer is retained by the author(s) and / or other copyright owners and it is a condition of accessing these publications that users recognise and abide by the legal requirements associated with these rights.

Take down policy

The University of Edinburgh has made every reasonable effort to ensure that Edinburgh Research Explorer content complies with UK legislation. If you believe that the public display of this file breaches copyright please contact openaccess@ed.ac.uk providing details, and we will remove access to the work immediately and investigate your claim.



New Light through Old Windows: Restraint of Trade in English, Scottish, and Australian Employment Laws(-) Emerging and Enduring Issues

David CABRELLI* and Louise FLOYD**

The nature of the study to be pursued in this article concerns the extent to which the common law systems of England and Australia contain principles or rules designed to impinge on an employer's freedom of contract or legitimate trading interests in order to promote the ability of an employee to trade, work freely, and enjoy the benefits of his/her labour and innovations. This will entail spelling out the principal elements of both the English and Australian concepts and outlining the differences between them in light of new problems that have emerged as a result of recent developments in economic and social conditions.

1. INTRODUCTION

The English common law doctrine of restraint of trade, which is based on public policy, has a venerable pedigree, stretching back to the sixteenth century.¹ In English law, prior to the introduction of the *Monopolies and Restrictive Practices (Inquiry and Control) Act 1948*, it was recognized that there were three common law doctrines that regulated arrangements between juristic persons that prohibited or restricted competition.² First, there was the doctrine against monopolies that would be applied to render unlawful arrangements by a legal person that amounted to the formation of a private monopoly and excluded persons from trade. Secondly, there was the doctrine of civil or criminal conspiracy, that is, where two or more persons formed a combination with the wilful or malicious intention of injuring the economic interests of a third party. Finally, the doctrine of restraint of trade operated to control agreements purporting to restrain the ability of a member of the community to exercise his or her trade, profession, or business. The starting point was,

* David Cabrelli is a Lecturer in Commercial Law, University of Edinburgh, Scotland.

** Dr Louise Floyd is a Senior Lecturer in Laws, James Cook University Law School, Australia and Barrister, Supreme Court of Queensland. The authors would like to thank Rebecca Zahn, PhD student, University of Edinburgh for her assistance in the preparation of this article.

¹ H. Beale (ed.), *Chitty on Contracts*, 30th edn (London: Sweet & Maxwell, 2008), para. 16-075, at 1134.

² A. Martin, *Restrictive Trade Practices and Monopolies* (London: Routledge & Kegan Paul, 1957), 2-11.

and is, that such contracts would be, and are, deemed to be unreasonable, injurious to the public interest, and so unenforceable, unless they were, and are, no more than what was or is reasonable and adequate to protect the legitimate commercial interests of the party seeking the protection.³ However, as the law has evolved, the element of public interest has been effectively subordinated to private interests to the extent that if the party seeking to rely on the agreement is able to show that the covenant is no more than reasonably necessary to protect its legitimate business interests, the court will decline to go one stage further and enquire whether the arrangement is nevertheless detrimental to the public.⁴ Once the private aspect has been satisfied, the contractual restriction is valid regardless of the consequences for the public. To that extent, the fact that the doctrine of restraint of trade was and continues to be stated to be grounded in *public* policy was and is slightly contrived.⁵

Of the three of these common law doctrines, this paper focuses on the one that is the most relevant to employment, namely restraint of trade.⁶ Significantly, for the purposes of the comparative analysis pursued in this article, the doctrine of restraint of trade is relevant to the laws of Australia as well as both Scots and English laws. The well-worn pages of the Honourable Justice Dyson Heydon's classic study *The Restraint of Trade Doctrine* demonstrate the reception of the earlier English and Scots laws into the comparatively youthful Australian jurisdiction.⁷ Despite its rich and entrenched place in the law, however, the doctrine of restraint of trade is not bereft of relations with other bodies of law and legal principle. When one considers the original basic purpose of restraint law outlined above, namely controlling agreements that purport to restrain a person from exercising his or her trade and profession of business, there are indeed numerous and separate, albeit allied, bodies of law that in some form or another serve the same end. Common law and equitable duties of master and servant and good faith (respectively) and the laws relating to intellectual property and trade secrets all seek to place parameters around the relationship between employers and workers and their conduct.

Smith once retorted that the 'doctrine of restraint of trade is a strange beast'.⁸ Likewise, when considering the different yet allied area of the law that protects trade secrets, Dr Robert Dean of the Victorian Bar once asked the question: 'Why is this area of

³ *Nordenfjelt v. Maxim Nordenfjelt Guns & Ammunition Co.* [1894] A.C. 535, 565 per Lord Macnaghten and *Esso Petroleum Co. Ltd v. Harper's Garage (Stourport) Ltd* [1968] A.C. 269.

⁴ S. Smith, 'Reconstructing Restraint of Trade', *Oxford Journal of Legal Studies* 15 (1995): 565, at 591–595.

⁵ For example, the only case in recent years to give explicit regard to the public interest and public benefit in considering the reasonableness of a restraint is *Dranez Anstalt v. Hayek* [2003] 1 BCLC 278.

⁶ It is interesting to note that conspiracy remains relevant to varying degrees in British and Australian labour laws insofar as the conduct of trade unions is concerned. For example, in this regard, see *Mogul Steam Ship Co. v. MacGregor, Gow and Co.* [1892] AC 25 and *Ansett Transport Industries (Operations) Pty Ltd v. Australian Federation of Airline Pilots* [1991] 1 VR 637. See also L. Floyd, 'Weipa and the Wharves: Strike Law and Trade Union Power', *University of Tasmania Law Review* 18 (1999): 65.

⁷ J. D. Heydon, *The Restraint of Trade Doctrine*, 2nd edn (Australia: Butterworths, 1999) – the trend is clear even from a reading of the preface at p. xi. The reliance by Australian judges on cases such as *Nordenfjelt v. Maxim Nordenfjelt Co.* [1894] AC 535 is discussed in this article.

⁸ Smith, *supra* n. 4, 565.

law so confusing?’⁹ If one considers the basic principles of Australian and UK laws that restrain employees from plying their trade, the insight in asking that question in a restraint of trade context becomes clear. Essentially, not only are ‘colliding’ bodies of law in evidence, but also two axioms of public policy are in conflict; first, freedom of contract and second, the freedom to trade. Even from the brief outline above, it is obvious that the laws that restrain, in the sense of shaping, employee conduct in the workplace and that limit their rights to ply their trade and profit from their labour and innovation are diffuse in source and effect. There is also an asymmetry in the purposes that the law is designed to serve. Employment restraints are drawn with the objective of protecting business operations and investment and also as a safeguard for the development of human talents and consequently the societies in which those employees work.¹⁰ When one adds to this the reality that these laws are now evolving to govern new information-driven industries such as IT, in which workers can operate throughout global enterprises, it becomes obvious that the norms policing the restraint of employees operate in terms of a ‘legal prism’ by drawing light from many places and sources with these various influences being scattered and far reaching.

2. SCOPE AND OBJECTIVE

The purpose of this article is to examine some topical issues relating to employment restraints in England, Scotland, and Australia. The first topical issue arises in the area that has traditionally been the province of the common law doctrine of restraint of trade, that is to say clauses in contracts of employment that curtail or prohibit the freedom of action of an employee subsequent to the termination of his or her employment. In this context, new problems have emerged. These difficulties are the product of creative lawyers and drafting. Most significantly, there is the question of the validity of cascading restraints and the circumstances in which such clauses ought to be struck down by the courts as unlawful. Aligned thereto are issues relating to the enforceability of clauses that seek to prohibit ex-employees from poaching other key employees of the employer. The second topical issue considered has arisen due to the emergence of industries such as IT. There are questions as to how to deal with circumstances where the significance of employees to an organization increases over time, and how the courts ought to approach the lawfulness of the coverage of restraint clauses in the current era of globalization and the profligate deployment of outsourcing and IT that respects no territorial boundaries. Further, in terms of emerging issues, consideration is also given to the allied area of intellectual property. Recent litigation has examined whether intellectual property laws circumvent the rights of

⁹ R. Dean, *Employers, Ex-employees and Trade Secrets* (Australia: Thomson, 2004), 1.

¹⁰ A. Stewart, ‘Drafting and Enforcing Post-employment Restraints’, *Australian Journal of Labour Law* 10 (1997): 19. Refer also Frances Hanks & Philip Williams, *Trade Practices Act: A Twenty Five Year Stocktake* (Australia: The Federation Press, 2001).

creative employees to commercialize their intellectual and inventive capacities by placing too great a level of significance on the employer's property rights. These issues have arisen especially in the Australian university sector, where inventors of patents have both succeeded and failed to protect their inventions. For some commentators, these issues cause sufficient concern to demand the re-characterization of the employment relationship.¹¹ Such authors argue that we should regard the employment engagement as an employee's opportunity to simply acquire greater skills before moving on to his/her next engagement, which links in with the current policy emphasis at governmental levels on the promotion of employment security rather than job security.¹²

The above issues surely cast new light through old windows. While many new issues are emerging in restraint law, some traditional problems remain. Although Australian law is developing its own character, there is still much that can be gleaned from its traditional Anglo-Scottish roots. Similarly, as both jurisdictions meet emerging novel problems, there is much both jurisdictions can learn from each other. This article seeks to understand those developments within the framework of the standard comparative law method, which recognizes that different jurisdictions must confront the same societal issues and difficulties. Jurisdictions may devise different legal solutions in the sense that the legal institutions the systems carve are formally divergent.¹³ Nevertheless, they may functionally converge in the sense that the nature and source of the laws applied in different jurisdictions diverge in form but their application to a problem results in the same or a broadly similar impact.¹⁴ Thus, it is common for the comparative law method to apply the principle of functionality. For a study to be valid, the principle of functionality posits that laws in different jurisdictions that have been designed to fulfil the same function ought to be contrasted.¹⁵ Approached in terms of the methodological principle of functionality, the nature of the study in this article can be articulated in terms of the following question: To what extent do the common law systems of England and Australia contain principles or rules that are principally designed to impinge on an employer's freedom of contract or legitimate trading interests in order to promote the ability of an employee to trade, work freely, and enjoy the benefits of his/her labour and innovations? This will entail spelling out the principal elements of both the English and Australian concepts and outlining the differences between them.

¹¹ J. Riley, "Capturing the Value of Work": Who Owns Human Capital? A Critical Appraisal of Legal Techniques for Capturing the Value of Work', *Australian Journal of Labour Law* 18, no. 1 (2005): 1.

¹² See J. Rojot, 'Security of Employment and Employability', in *Comparative Labour Law and Industrial Relations in Industrialised Market Economies*, ed. R. Blanpain, 8th edn (Kluwer, 2004), 375–394 and EC Green Paper, 'Modernising Labour Law to Meet the Challenges of the 21st Century' (Brussels, 22 Nov. 2006), COM(2006) 708 final.

¹³ J. N. Gordon & M. J. Roe, 'Introduction', in *Convergence and Persistence in Corporate Governance*, eds J. N. Gordon & M. J. Roe (Cambridge: Cambridge University Press, 2004), 5.

¹⁴ *Ibid.*

¹⁵ See K. Zweigert & H. Kötz, *An Introduction to Comparative Law*, 3rd edn (Oxford: Clarendon Press, 1998), 32–47.

3. CLAUSES IN RESTRAINT OF TRADE—EMERGING ISSUES

3.1. STEP CLAUSES OR CASCADING RESTRAINTS

3.1.1. *Australia*

In *Re Lloyd's Ships Holdings Pty Ltd and Queensland Merchant Holdings Limited v. Davros Pty Ltd*,¹⁶ Spender J of the Federal Court of Australia upheld the use of a cascading restraint (also known as a 'ladder' or 'step' clause). The relevant clause in that case was found in Clause 39 of a sales agreement, but the principles of construction applied in the case, as will be seen, are relevant in an employment context. Importantly, Clause 39 was to 'have effect as if it were several covenants' dealing with activity (that is, not to directly or indirectly build ships, solicit, and so on); time (the clause contained ten potential time periods ranging from one to ten years); and region (these were: United States and Australia, Australia and New Zealand or East Coast Australia).

His Honour found that Clause 39 – with its 120 possible meanings¹⁷ – was not void for uncertainty. Central to His Honour's reasoning was the fact that the clause was a collection of separate restraints such that the invalid options could be eliminated by the courts and the valid options left standing. His Honour made a distinction between *ex ante* and *ex post* application of the reasonableness standard to the clause. Applying the reasonableness test to the clause *ex ante* without modification would result in it being deemed to be void from uncertainty since it would be treated as a single covenant representing the widest restraint possible. However, an *ex post* application of the reasonableness measure of scrutiny would remove any uncertainty since all combinations would be subjected to severance and the clause would operate cumulatively. His Honour followed the earlier reasoning of the Full Court of the Queensland State Supreme Court in *JQAT v. Storm*¹⁸ in this regard.¹⁹

In coming to this conclusion, Spender J distinguished *Austra Tanks Pty Ltd v. Running*²⁰ in which the proposed restraint – ultimately held to be invalid – was a single covenant that was said to have contained internal inconsistencies. In *Austra Tanks*, the term provided that the defendant should 'not for the stipulated period engage in the business of the Partnership or any aspect thereof in the stipulated area'. Terms such as 'business of the partnership' and 'stipulated time and place' were defined through variables. No term of the contract stated that the variables were separate terms. The severance clause included

¹⁶ *Re Lloyd's Ships Holdings Pty Ltd and Queensland Merchant Holdings Limited v. Davros Pty Ltd* [1987] FCA 70.

¹⁷ *Ibid.*, para. 46.

¹⁸ *JQAT Pty Ltd v. Storm* [1987] 2 Qd R. 162 The critical term of the cascading restraint in *JQAT* was 6.3: 'The preceding sub clause 6.2... shall be construed and have effect as if it were the number of separate subclauses which results from combining the commencement of subclause 6.2 with each sub-paragraph of paragraph (a) and combining each such combination with each subparagraph of paragraph (b) and combining each such combination with each subclause being severable from each other such resulting subclause, and it is agreed that if any of such separate resulting subclauses shall be invalid or unenforceable for any reason (its invalidity shall not affect the validity of the remaining clauses)';

¹⁹ *Lloyd's*, *supra* n. 16, paras 66–68.

²⁰ *Austra Tanks v. Running* [1982] 2 NSWLR 840.

the following provision: 'should any provision hereof be unenforceable by reason of its being void at common law on the grounds of public policy as a restraint of trade that provision shall be severed from each and every other provision of this agreement which is not so void'. Obviously, the severance provision linked itself to the uncertain restraint and required a judgment to be formulated by the court before it could operate.²¹

As to the alternative argument in *Lloyd's*, namely that the cascading restraint clause left it to the court to determine its meaning, Spender J was of the view that the fact the clause isolated particular places and times meant the contracting parties had not absolved themselves from actually defining their own obligations. According to His Honour:

Provided the parties have agreed to sever those covenants that constitute an unreasonable restraint of trade, then the paring down of the covenantor's obligation to what the court determines to be not unreasonable does not amount to having the court fix the limits of the restraint...

In my opinion, the question whether a technique of defining covenants in restraint of trade by combining different variables of conduct, time and space, and providing that each of the covenants so 'generated' is subject to severance, is successful in defining enforceable restraints or is unsuccessful in so doing, comes down to whether the exercise amounts to a genuine attempt to define the covenantee's need for protection, with the agreement as to severance as a precaution against the 'all or nothing' nature of the Court's tests for reasonableness, or whether the exercise is simply one where the parties have left to the court the task of making their contract for them.

One might think the more numerous the variables, and the more mechanical and indiscriminate the combinations of variables, the more likely would be the conclusion that the exercise is of the latter kind.

In an illuminating article on restraint of trade, Stewart is highly critical of cases such as *JQAT* and *Lloyd's* in which cascading restraints have been accorded judicial legitimacy:²²

In (my view) all step clauses should be struck down on the ground of uncertainty. Employers and other covenantees should be compelled to be clear as to what activities they wish to restrain, in what location and for what period. If they exceed the limits set by the law, and find that they cannot enforce the restraint in the face of conduct that could on any basis have been the subject of a reasonable covenant, then so be it. That is the price to be paid for taking insufficient care or being overly ambitious as to the scope of the restraint. The risk of losing out in that way does no more than balance the natural advantage that most employers enjoy through superior resources, access to legal advice and the intimidatory effect of the mere presence in a contract of a restraint, valid or not.

[However], it would be a foolish lawyer who failed to at least consider using a step clause when drafting a post-employment restraint especially outside New South Wales. Given the current state of the authorities, properly constructed step clauses confer an advantage on employers that is hard to resist.

At the time of writing those words thirteen years ago, Stewart held out some hope that an attack on step clauses could still be made. Largely, he viewed such an attack as being grounded on the criticism of those clauses by Pincus J in *Schindler Lifts*.²³

²¹ For a good relatively recent consideration of *Austra Tanks*, see *Hydron Pty Ltd v. Harous* [2005] SASC 176 per Bleby J, at 12 and following. *Hydron* is itself discussed further in the body of this article at 173.

²² Stewart, *supra* n. 10, paras 106 et seq.

²³ *Schindler Lifts Australia Pty Ltd v. Debelak* (1989) 15 IPR 129 as discussed by Stewart n. 10, para. 106.

Although the present writers accept Stewart's 'scathingly brilliant' critique of cascading restraints, they are less hopeful that it will be adopted in Australian law. As recently as 2005, judgments such as that of Bleby J in *Hydron*²⁴ accepted the potential validity of the step clause, quoting in full large passages of Spender J's judgment in *Lloyd's*.²⁵ Far from attempting to explore the critiques of the clauses, Bleby J adopts Spender J's approach seemingly without modification. Further, and more disturbingly, it seems common practice for solicitors, especially in the state of Queensland, to 'use a cascading restraint and if there is a problem, let the court strike that part of it out'.²⁶ How exactly that sort of attitude resonates with Spender J's circumspection towards cascading restraints that seem mechanical and indiscriminate is something that leaves the present writers perplexed (discussed above). Thus, it remains the case that one of the few cascading restraint clauses to be invalidated was that considered in *Austra Tanks* where the number of variables was 82,152.²⁷

In the view of the present writers, short of a High Court of Australia appeal on the point, the cascading restraint looks set to remain valid practice in many parts of Australia. The present writers, therefore, see a possibility for law reform in terms of the forum in which these sorts of clauses ought to be considered. It is well known that Australia has traditionally relied on a series of specialized industrial tribunals to settle many types of disputes in employment law.²⁸ Further, some states now have low cost common law jurisdictions within their Magistrates' Courts as well as a Workplace Ombudsman/Fair Work Australia Office charged with the task of negotiating with employers on behalf of employees as regards terms of employment that are legal yet unfair.²⁹ In the view of the present writers, law reform bodies in Australia should consider whether it is possible under Australian civil procedure to invest bodies such as Magistrates' Courts and the Workplace Ombudsman/Fair Work Australia Office with jurisdiction to hear cases challenging restraint clauses. As alluded to by Stewart above, one feature of step clauses is that they require litigation to clearly determine their valid operation. The cost and stress of litigation will often prevent an employee from taking the matter to a court hearing, hence leaving the employer in a strong position to insist on a broad interpretation of the clause. By referring matters of this type to low cost jurisdictions or statutory ombudsmen, there may be some hope of a more reasonable outcome for employees in terms of the interpretation of these clauses.

Further, in the view of the present writers, thought should also be given to whether the professional bodies that administer legislation such as the *Legal Profession Act 2004* (that is, the legislation that governs professional standards in law) may seek to issue guidelines

²⁴ *Hydron Pty Ltd v. Harous* [2005] SASC 176.

²⁵ *Hydron* per Bleby J, paras 72 et seq. in particular, para. 74.

²⁶ J. Hadley, 'Essential Employment Contract Workshop', Lexis Nexis 2nd Annual IR Masterclass (Brisbane, Australia, 30 Jul. 2008).

²⁷ See also *Hydron Pty Ltd v. Harous* [2005] SASC 176, 12.

²⁸ For example, B. Crieghton & A. Stewart, *Labour Law* (Australia: The Federation Press, 2005), 126 et seq.

²⁹ For example, L. Floyd, 'For Everything There Is a Season: Workplace Fairness after the Howard Government – The No Disadvantage Test and Co-operative Federalism', *James Cook University Law Review* 14 (2007): 25, at 45–49. It is the task of the new Fair Work Australia and its predecessors such as the Workplace Ombudsman to attempt to ameliorate the worst excesses of 'unfair contracts'.

about the seemingly mechanical manner in which these clauses are routinely being used. In other words, the professional accrediting bodies should further discourage solicitors from relying on drafting methods that are legal yet seem to mechanically exploit in the extreme the employer's natural bargaining strength. A final tentative suggestion of the present writers is for the clauses to be made subject to Australian unfair contracts legislation.

3.1.2. *Scots Law and English Law*

The attitude of the Australian courts and Australian legal practitioners to cascading restraint clauses is of interest to employment lawyers in the United Kingdom. To date, there have been no cases in English law or Scots law that have considered such clauses. However, it is generally recognized among legal practitioners and academic lawyers that such step clauses would be struck down. There are four particular reasons for this approach. First, it is far from clear whether a UK court would treat such measures as sufficiently certain to warrant protection. Here, the arguments are identical to those advanced by Stewart above in Australia. In the recent case of *TFS Derivatives Ltd v. Morgan*,³⁰ the court reminded employers and employees that the first task of a UK court is to construe the words of the covenant in order to ascertain exactly what it means. While the Court of Appeal stated in the recent case of *Beckett Investment Management v. Hall*³¹ that the court should not adopt a literal approach to the clause and instead should construe it in light of the object and intent of the contract as a whole by not readily seeking to denude it of all practical utility in circumstances where the parties are familiar with the background to and the aim of the clause,³² this is not the same thing as saying that a clause that is capable of tens or hundreds of interpretations should not be set aside for lack of certainty. The underlying rationale for this viewpoint is linked in with the second reason why it is generally recognized among legal practitioners and academic lawyers in the United Kingdom that such step clauses would be held to be invalid. In the case of a discretionary cascading restraint clause, the employer is essentially delegating the task of drawing the parameters of the parties' contractual bargain *ex post facto* to the court. In UK law, the role of the court is first, to interpret the clause, second, to identify the legitimate commercial interests of the employer, and third, finally and most importantly, to ascertain whether the prohibitions and/or restraints in the restrictive covenant are more than (or compatible with) what is reasonably necessary for the protection of the legitimate business interests of the employer.³³ The difficulty with a cascading restraint clause is that, by definition, it merges the first and third requirements and more importantly, as a result, it precludes the court from performing its final and most important role in any meaningful sense; there is nothing in the clause but a series of options

³⁰ [2005] IRLR 246, 251–252, paras [37]–[39] per Cox J.

³¹ [2007] EWCA Civ 613; [2007] I.R.L.R. 793.

³² Similar sentiments were expressed by Chadwick LJ in *Arbuthnot Fund Managers v. Rawlings* [2003] EWCA Civ 518 [2003] All ER (D) 181 (Mar), paras [20]–[24].

³³ *TFS Derivatives Ltd v. Morgan* [2005] IRLR 246, 251–252, paras [37]–[39] per Cox J. See also *Office Angels Ltd v. Rainer-Thomas* [1991] IRLR 214, 219 per Sir Christopher Slade.

against which it can measure the ‘reasonably necessary’ test. Instead, the employer is abdicating its responsibility to set the exact parameters of the prohibitions or restrictions in the clause to the court and is then craving the court to choose whether the parameters – which the court itself has drawn – are more than is reasonably necessary for the protection of the employer’s legitimate commercial interests. For this reason, it is standard not to deploy such clauses in restrictive covenants governed by English or Scots law for a real fear that they will be held to be unenforceable in restraint of trade.

The third rationale for the general understanding that step clauses are unlikely to be enforceable is that there is a clear rule of the common law that directs that what is reasonably necessary for the protection of the employer’s legitimate interests is to be assessed by the court from the perspective of reasonable persons in the position of the contracting parties as at the date of the formation of the contract of employment, having regard to the contractual provisions as a whole and to the factual matrix to which the contract would then realistically have been expected to apply.³⁴ However, this is the exact opposite of what the cascading restraint clause is requesting that the court actually do. Instead, it is enjoining the court to craft the boundaries of the contract for the parties and apply the ‘reasonably necessary’ test at the date of the court hearing. For that reason, it is difficult to understand how such clauses could be valid. A fourth rationale is based on the common law rules for severance of portions of restrictive covenants. In terms of English and Scots laws, the courts will only be prepared to sever part of a restrictive covenant pursuant to the ‘blue pencil’ rule where (1) the ‘offending’ portion of the clause can be excised without rewriting the clause for the parties; and (2) the deletion does not result in the situation whereby the original character of the provision has so changed that it has evolved into something altogether different from what the parties originally entered.³⁵ Alternatively put, the courts have no right to come to the assistance of the drafter by applying their knowledge of the law to carve out the maximum of what the drafter might have validly required to make the contract enforceable. In the context of the cascading restraint clause, it is submitted that the very nature of the task that the parties have delegated to the tribunal or court is such that it is essentially enjoining them to sever and rewrite the restrictive covenant and turn the provision into something that it originally was not. For that reason, it is submitted that the cascading restraint/step clause would breach the English and Scots law rules on severance.

The closest the UK courts have come to considering a cascading restraint/step clause was *Seabrokers Ltd v. Riddell*³⁶ where the employer adopted a *discretionary* sliding scale approach to a non-compete covenant. The covenant purported to enable the employer to select a period of anything up to twelve months for the non-compete covenant, such period to be notified by the employer to the employee at the point of the termination of

³⁴ *TFS Derivatives Ltd v. Morgan* [2005] IRLR 246, 251–252, paras [37]–[39] per Cox J.

³⁵ *Atwood v. Lamont* [1920] 3 K.B. 571; *Mason v. Provident Clothing and Supply Co. Ltd* [1913] A.C. 724, 745 per Lord Moulton; *Hinton & Higgs (UK) Ltd v. Murphy* 1989 S.L.T. 450; *Living Design (Home Improvements) Ltd v. Davidson* 1994 S.L.T. 753.

³⁶ [2007] CSOH 146.

the employee's employment. Essentially, such a clause was an ingenious attempt by the employer to reflect upon and choose a particular period at termination, rather than at the point of the execution of the contract of employment. Thus, the employer introduced a mechanism to defer the difficult question of the appropriate temporal restriction. When the employee resigned, the employer wrote to the employee acknowledging his resignation and purported to engage the non-compete covenant by stating that the employee would be prohibited from competing with the employer for a period of 'up to a maximum of twelve months'. The question was whether the employer had adequately invoked the non-compete covenant.

In the Scottish Court of Session, Lady Paton held that the employer had not properly applied the non-compete covenant, since it envisaged the intimation of a particular fixed period, for example, three months, six months, or twelve months. The employer had failed to do this and so the clause did not 'bite'. Placing that particular point to the side, the court had nothing to say about the general enforceability of such a discretionary sliding scale clause in the event that the employer had adequately complied with its terms and selected an identifiable period of time. In principle, there might appear to be no particular reason why such a clause should be any more unenforceable than a twelve-month non-compete clause that is fixed at the point of the execution of the contract of employment. However, it is submitted that such an approach is inconsistent with the rule that post-termination covenants should be no wider than is reasonably necessary for the protection of the employer's interests. As argued above, what is reasonably necessary is to be assessed with reference to the perspective of what a reasonable person in the position of the contracting parties would make of the clause as at the date of the formation of the contract of employment – not at the point of termination. On this basis, it is doubtful whether such a clause would carry much favour with an English or Scots court of law.

3.2. ANTI-POACHING OF EMPLOYEES CLAUSES

3.2.1. *Australia*

The main Australian case in which clauses limiting the 'poaching' of employees (by former employees) have been considered is *Hartley's Limited v. Martin*.³⁷ That case involved two brothers employed as investment advisors who were leaving their employer for ABN AMRO Morgan – a competitor brokerage house. Significantly, the two brothers intended taking their secretary with them, the effect being that they were leaving as a unit to work for the competitor firm.

Relevantly, the contracts of employment of the brothers contained a restraint of trade, which also included an anti-poaching clause not to:

³⁷ *Hartleys Limited v. Martin* [2002] VSC 301 per Gillard J.

employ, engage, solicit or entice away or endeavour to employ, engage, solicit or entice away from HPL any key employee of HPOL.

In upholding the clause, Gillard J found that the employer had a legitimate interest to protect, namely a proprietary interest in maintaining its client base. The above clause did not operate simply as an unreasonable shield from competition and therefore did not offend the traditional principles laid down by Lord MacNaughten in *Nordenfelt v. Maxim Nordenfelt Guns and Ammunitions Co. Ltd.*³⁸ The Martin brothers had little experience when they arrived at Hartleys, and Hartleys had assisted the pair in building up both expertise and a client base. On the evidence, relationships between advisors and clients were highly significant. Frequently, clients would remain with a particular adviser for years and those advisors would acquire ‘personal knowledge of and influence over clients’ in the course of their work.³⁹ Gillard J also noted that the two brothers had been paid well in exchange for signing the contract containing this clause and that the clause itself was reasonable since it was limited in its duration to three months. Given that their move to ABN was advertised in the financial press, Gillard J concluded it was reasonable that Hartleys restrain the brothers for three months so that the ex-employer could take reasonable steps to protect its business and client base.

With regard to the position in respect of Ms Briggs, the secretary ultimately covered by the anti-poaching clause, Gillard J was willing to consider her as a ‘key employee’ covered by the anti-poaching clause. On the evidence, Gillard J found that Ms Briggs ‘had knowledge of (the Martin brothers) managed funds, their administrative arrangements for managing the funds, and knowledge of and contact with the plaintiff’s clients handled by (the Martin brothers)’.⁴⁰

Subsequent cases such as *Pinnacle Hospitality People Pty Ltd v. Ramasamy & Ors*⁴¹ and *Brilliant Lighting (Aust) Pty Ltd v. Baillieu*⁴² have both followed Gillard J’s statement of principle on restraint of trade,⁴³ Osborn J in *Pinnacle* going so far as to call the *conduct* of the Martin brothers in *Hartley’s* as a ‘flagrant attempt to pirate customers’.⁴⁴ But neither of these cases concentrated on anti-poaching clauses in detail. *Kearney v. Crepaldi and Ors*⁴⁵ did raise the specific issue of anti-poaching clauses. The judge in the case, Justice McDougall, questioned (but did not definitely determine) whether maintaining a stable workforce was a sufficient interest to justify an anti-poaching restraint. However, His Honour suggested anti-poaching clauses may be sustainable where the former employee who seeks to poach other staff has a special knowledge of the workplace that allows them to target staff.⁴⁶

³⁸ *Nordenfelt v. Maxim Nordenfelt Guns and Ammunitions Co. Ltd* [1894] AC 535.

³⁹ *Hartley’s*, para. 116.

⁴⁰ *Hartley’s*, para. 12.

⁴¹ *Pinnacle Hospitality People Pty Ltd v. Ramasay & Ors* [2007] VSC 433.

⁴² *Brilliant Lighting (Aust) Pty Ltd v. Baillieu* [2004] VSC 248.

⁴³ *Pinnacle*, para. 3 and *Brilliant*, para. 7.

⁴⁴ *Pinnacle*, para. 28.

⁴⁵ [2006] NSWSC 23 (10 Feb. 2006) per McDougall J.

⁴⁶ *Kearney* at paras 57–58, 64–69, 80–83, 87 and 90.

The recent 2009 decision of *Integrated Group Limited v. Dillon*⁴⁷ seems to accept that employers do have a sufficient interest in maintaining a stable workforce for anti-poaching clauses to be valid.

The main critique of *Hartleys v. Martin* comes from Riley.⁴⁸ Riley views Gillard J's judgment as being similar to the decisions of the Court of Appeal in *Office Angels Ltd v. Rainer-Thomas*⁴⁹ and *Dawnay Day & Co. Ltd v. De Braconier D'Alphen*,⁵⁰ both of which upheld terms preventing the recruitment of staff. Riley insists this is a 'worrying line of authority'.⁵¹ She states that 'the rot has begun',⁵² in Australia after *Hartley's*,⁵³ and alternatively that the harm 'has been done'.⁵⁴ Relying on the work of American commentators such as Stone,⁵⁵ Riley argues that today's workplace can no longer be viewed in terms of 'womb to tomb' employment. Rather, employees take on employment as a means of enabling themselves to continually up-skill in order to facilitate their onward movement to the next opportunity. Further, Riley posits that there is no proprietary interest in clients – rather they are free agents who can do business with whomsoever they please.⁵⁶ In Riley's opinion, there is no special significance to be attached to a business organization contemporaneously losing an entire team of employees.⁵⁷

It is difficult to see how these decisions on 'poaching' staff can stand beside the established principle that an employer cannot prevent staff from leaving and taking with them to a competitor the 'skill, experience, know-how and general knowledge inevitably gained' during the initial employment. If one cannot stop another employee from leaving, how can one purport to stop another employee from inviting her to leave? These cases go too far and seek to arrogate to the employer a benefit to which the employer has no legitimate claim, especially in the new boundaryless workplace where there are no promises of long-term employment security as reciprocation for such loyalty.

In the course of her argument, Riley also seeks to place reliance: on the works of the Honourable Justice Dyson Heydon; on the British case of *Kores Manufacturing Co. Ltd v. Kolak Manufacturing Co. Ltd*;⁵⁸ and an article by Sales.⁵⁹ Riley is also strongly critical of Gillard J's treatment of the Martin brothers' secretary, whom Riley basically perceives to have been 'cut adrift'.⁶⁰

There is no doubt that Riley's arguments are both thought-provoking and topical and that parts of her book on the common law of the contract of employment make an

⁴⁷ [2009] VSC 361 (25 Aug. 2009).

⁴⁸ J. Riley, *Employee Protection at Common Law* (Australia: The Federation Press, 2005) and J. Riley, 'Who Owns Human Capital? A Critical Appraisal of Legal Techniques for Capturing the Value of Work', *Australian Journal of Labour Law* 18, no. 1 (2005). This latter article of Riley is substantially similar to Ch. 6 of her book.

⁴⁹ [1991] IRLR 214.

⁵⁰ [1997] IRLR 442.

⁵¹ *Employee Protection at Common Law*, *supra* n. 45, 187.

⁵² *Ibid.*, 190.

⁵³ *Ibid.*

⁵⁴ *Ibid.*, 189.

⁵⁵ *Ibid.*, 168.

⁵⁶ *Ibid.*, 184.

⁵⁷ *Ibid.*, 189–190.

⁵⁸ [1957] 1 WLR 1012.

⁵⁹ P. Sales, 'Covenants Restricting Recruitment of Employees and the Doctrine of Restraint of Trade', *Law Quarterly Review* 104 (1988): 600.

⁶⁰ *Employee Protection at Common Law*, *supra* n. 45, 190.

extremely rich contribution to scholarship. However, the present writers respectfully disagree with her criticism of *Hartley's v. Martin* and her interpretation of anti-poaching clauses. Some aspects of Riley's case may be countered in fairly brief terms. In his most illuminating of works, *The Restraint of Trade Doctrine*, the Honourable Justice Heydon is not quite, as Riley suggests, silent as to anti-poaching clauses. Alluding to the clauses in what seems to have been their earlier guises, His Honour states: 'There is no reason to suggest that the list of legitimate interests is closed'.⁶¹ Second, the *Kores* decision does not deal with clauses that limit the capacity of ex-employees to recruit their former colleagues but rather considered a clause between two companies in which those *corporate entities* sought to restrict their capacity to recruit from each other. Therefore, the case is distinguishable from *Hartley's*.

The Sales article⁶² is largely directed at the *Kores* decision from the perspective of the law of England and Wales. Even so, Sales is circumspect as to whether an anti-poaching clause is valid – although he leaves the ultimate view as to their validity an open question. According to Sales, if an anti-poaching clause is to be found valid, then it would be on the grounds that it protects the goodwill of the original business. If the clause is to be found invalid, it is because it unreasonably prevents the former employee from plying his or her trade.⁶³ Indeed, since the publication of Sales' article, cases such as *Dawnay Day & Co. Ltd and Another v. D'Alphen and Others*⁶⁴ and *TSC Europe (UK) Ltd v. Massey*⁶⁵ have since been decided and the English courts have recognized the legitimate interest of an employer in protecting and maintaining a stable and well-trained workforce.⁶⁶

When an entire section of an employer's workforce departs, the relevant question is no longer confined to whether the employee's capacity to work is being unreasonably interfered with. Rather, the question is whether the original employer is able to function when a large section of its business no longer exists. The issue of poaching staff goes well and truly beyond the unreasonable limitation of an employee from working or utilizing reasonable skills he or she has built up in his or her career. Instead, it goes to the very essence of business goodwill, the maintenance of client relationships, and the basic capacity to function commercially in the marketplace. Employers may often spend thousands of dollars in developing young staff – as the employer did in the case of the Martin brothers. Thus, the departure of the entire section of the business of the employer that such staff has led not only negates that investment, but may also operate to effectively cripple that sector of the employer's business. The question then surely becomes – at a public policy level – will it not be the case that businesses will be reticent to take on employees and invest in their training and development if their investment does not carry with it a particular form of reasonable restraint?

⁶¹ Heydon, *supra* n. 7, 101. For a similar sentiment to the effect that there is no *numerus clausus* of legitimate commercial interests that an employer may legitimately seek to protect by a clause in restraint of trade, see *Bridge v. Deacons* [1984] AC 705, 714 per Lord Fraser of Tullybelton.

⁶² Sales, *supra* n. 56, 600.

⁶³ *Ibid.*, 610–611 as opposed to 603.

⁶⁴ [1998] ICR 1068.

⁶⁵ [1999] IRLR 22.

⁶⁶ See below for further discussion.

Rather than engage in arguments against anti-poaching clauses, it is submitted that the real issue is whether they are in fact worth the paper they are written on. One might conjecture that one of the reasons why decisions examining the validity of such clauses are scarce on the ground is attributable to the real possibility that employers are reluctant to lay themselves open to the particular commercial vulnerability of having indirectly divulged to the marketplace that they may lack the capacity to service clients once a team has gone. Further, it is significant that these clauses will only be held valid if they are reasonable. If staff were friendly, then in all likelihood after the reasonable period of time passes, they will move across to the new workplace in any event.⁶⁷

One final note regarding Riley's argument concerns the Martin brother's secretary. In the view of the present writers, Riley omits one very significant point. In asking their secretary to join them, the Martin brothers knew *they* were breaching their anti-poaching clause. Therefore, they knew their actions may have been invalidated by a court such that the secretary may have been made vulnerable.⁶⁸

3.2.2. *Scots Law and English Law*

The position with regard to anti-poaching clauses in English law and Scots law is that they are valid and enforceable insofar as the employer is able to demonstrate that they are no more than what is reasonably necessary to protect its legitimate business interest in maintaining a stable and well-trained workforce. The recognition by the UK courts that an employer will indeed have a legitimate business interest in protecting a stable and well-trained workforce by introducing a non-poaching of employees clause into contracts of employment is a recent common law innovation. In the first case to consider the issue, namely *Hanover Insurance Brokers Ltd v. Schapiro*,⁶⁹ the Court of Appeal took the view that an insurance broking firm had no entitlement to impose a covenant against competition on a former employee. Although the goodwill of an insurance broker's business might depend on its staff, that did not make the staff an asset of the broker and the staff had a right to work that the covenant could not defeat. However, three months later in November 1993, the Court of Appeal handed down another judgment in the case of *Ingham v. ABC Contract Services Ltd*.⁷⁰ In *Ingham*, the Court of Appeal took the opposite view to that in *Hanover Insurance Brokers* and ruled that an employer did indeed have a legitimate business interest in maintaining its staff base. When the Court of Appeal revisited the issue four years later in the case of *Dawnay Day & Co. Ltd and Another v. D'Alphen and Others*,⁷¹ Evans LJ considered each of the competing decisions in *Ingham* and *Hanover Insurance Brokers* and opted in favour of the principle in *Ingham* that employers do indeed have a legitimate

⁶⁷ Heydon, *supra* n. 7, 100 on friendship not being something that can be restrained.

⁶⁸ See generally J. Birch, 'Breach of Confidence: Dividing the Cause of Action along Proprietary Lines', *Australian Law Journal* 81 (2007): 338 for a discussion of proprietary interests in the slightly different context.

⁶⁹ [1994] IRLR 82.

⁷⁰ (Unreported) 12 Nov. 1993.

⁷¹ [1998] ICR 1068.

business interest to protect in relation to their staff.⁷² However, it was emphasized that the principle was subject to the restraint of trade doctrine. The effect of this is that a covenant can be struck down if it exceeds what is reasonably necessary to protect the employer's legitimate business interests.

*TSC Europe (UK) Ltd v. Massey*⁷³ followed *Dawnay Day* by holding that the employer had a right to protect its legitimate interests in maintaining a stable, trained workforce. Under his contract of employment, the employee had agreed that, for a period of three years from the date of the agreement or one year following the effective date of termination of his employment, whichever was the later, he would not 'solicit, procure or induce or endeavour to procure or induce, any employee of his employer to leave his employment with such company'. The question was whether that clause was too wide to protect the legitimate business interests of TSC. In the High Court, Whiteman J ruled that since the non-poaching covenant applied to all employees, rather than being limited to key or senior employees, and that it applied to any employee who joined the company during the prohibited period, it was wider than was reasonably necessary to protect the employer's legitimate interests.

In the recent case of *UBS Wealth Management (UK) Ltd and Another v. Vestra Wealth LLP and Others*,⁷⁴ the High Court granted a springboard injunction against Vestra as a result of mass poaching of staff from UBS that was in breach of a restrictive covenant prohibiting the founder of Vestra from poaching or soliciting the staff of UBS. Pending full trial, the High Court ruled that Vestra were prohibited from, among other things, poaching any more UBS employees or doing business with existing UBS clients. Thus, in recent times, like the Australian case of *Hartley's Limited v. Martin*, it is particularly clear that this area has also seen a shift towards a greater willingness on the part of the courts to find covenants prohibiting or restricting former employees from poaching or soliciting the staff of the employer duly enforceable. However, further groundbreaking developments in this area remain to be seen.

4. RESTRAINT OF TRADE IN EVOLVING SPHERES – INFORMATION TECHNOLOGY; INTELLECTUAL PROPERTY; AND THE COMMERCIALIZATION OF RESEARCH

4.1. IN A CHANGING, GLOBALIZED IT INDUSTRY, WHAT IS REASONABLE?

4.1.1. *Australia*

At the heart of this article is the metaphor of seeing new light through old windows or, in other words, how the restraint of trade doctrine, with its pedigree evolving from cases and

⁷² [1998] ICR 1068, 1110–1111 per Evans LJ.

⁷³ [1999] IRLR 22.

⁷⁴ [2008] EWHC 1974 (QB); [2008] I.R.L.R. 965.

policies dating back to the sixteenth century, is dealing with the employment issues of the twenty-first century. Indeed, some 'new' industries such as IT are almost ephemeral in terms of the frequency and magnitude of developments they have spawned. The inherent relevance, to IT, of knowledge rather than physical labour may not have been in the ready contemplation of the original doctrine of restraint. As Freedland has noted, the identification of a commercial interest on the part of the employer has become particularly problematic:

as the economic activity in question, whether in the manufacturing or service sector, becomes more and more heavily invested in highly specific knowledge and information technology.⁷⁵

In such a changing commercial environment, the Australian decision of *Portal Software v. Bodsworth*⁷⁶ is of interest. In that case, a restraint of six months, which was applied against a computer programmer, was upheld by the New South Wales Supreme Court.

At first blush, six months may seem a long period of restraint in the computing industry. After all, it is not uncommon for the life of a new computer program to be measured by reference to short-term impact.⁷⁷ However, certain crucial factors arose in *Bodsworth*. First, the employee was in a position through which he gained intimate knowledge of customers' business requirements. Second, the employee could also tailor products to suit the needs of particular customers. While the employee was negotiating a new job with a competitor of his employer, he was also sitting in on highly confidential and sensitive meetings at which his employer was developing new products. In those circumstances, a six-month restraint was reasonable to protect the business of the employer.

The enforceability of such a restraint is particularly interesting given recent Australian decisions that have cast doubt on the efficacy and enforceability of garden leave clauses used in conjunction with restraints – or as an alternative to restraints.⁷⁸

4.1.2. *Scots Law and English Law*

Bodsworth can be contrasted with the Scottish case of *Axiom Business Computers Ltd v. Frederick*,⁷⁹ which is one of the few cases in the United Kingdom to have considered restrictive covenants in the field of IT. In *Axiom*, the employer was engaged in selling computerized time recording systems to firms of accountants and lawyers. The contract of

⁷⁵ M. Freedland, *The Personal Employment Contract* (Oxford: Oxford University Press, 2003), 182.

⁷⁶ *Portal Software v. Bodsworth* [2005] NSWSC 631 per White J. The authors thank Dr Max Spry of the Brisbane Bar for suggesting a short study of this case and the notion that trade restraint has different nuances in different industries.

⁷⁷ The short life of some technologies is notorious. One everyday Australian example includes the practice of some department stores in not allowing purchase of some IT goods by the traditional lay-by (that is where customers pay off an item interest free while the goods remain in store). Instead, they will only allow credit or cash sales so that the title to the goods passes immediately. (Title to goods does not so pass with lay-by).

⁷⁸ A. Coulthard, 'Garden Leave, the Right to Work and Restraints on Trade', *Australian Journal of Labour Law* 22 (2009): 87. This note considers the decisions of: *Bearing Point Australia Pty Ltd v. Hillard* [2008] VSC 115 and *Tullett Prebon (Australia) Pty Ltd v. Purcell* (2008) 175 IR 414. *Bearing Point* involved the managing director of information management of a management technology consulting company.

⁷⁹ 2003 GWD 37-1021.

employment of a software developer employed by Axiom prohibited her from competing with her employer in the following terms:

you will not seek or accept employment (whether as employee, agent, director or otherwise) with any of the employer's competitors in the field of computer systems for a period of one year after termination of your employment with the employer.

The Scottish Court of Session ruled that this covenant was unenforceable for four principal reasons. First, the generality of the employer's market described in the above clause rendered the clause unenforceable. Rather than restricting the scope of the market to 'the field of the sale and supply of computer systems and software to the legal profession and the commercial market', it extended to 'the field of computer systems'. Thus, it was beyond what was reasonable to protect the legitimate commercial interests of the employer. Second, the clause did not prevent the employee from being self-employed in the field of computer systems. On this basis, Lord Bracadale held that it was difficult to see why the employee should be prevented from working for a competitor. Third, the court recognized that, in comparison with post-termination covenants restricting the solicitation of customers, the common law had adopted a stricter approach with respect to the enforcement of post-termination restraints on the employment of a former employee. A classic example of this in terms of Scots law is the case of *Scottish Dairy Farmers Co. (Glasgow) Ltd v. McGhee*⁸⁰ and in terms of English law, the case of *Bridge v. Deacons*.⁸¹ Post-termination restraints on the employment of a former employee are only justified where it is considered necessary to protect the trade secrets or the customer base of the employer.⁸² In *Axiom*, the court held that such protection was already afforded by the existence of the post-termination covenants in other parts of the employee's contract, which provided protection for the employer with respect to the preservation of trade secrets and solicitation of customers. As a result, the non-competition covenant represented additional unwarranted protection for the employer, which was not legitimate in the circumstances. Finally, the absence of any territorial restriction meant that the restriction could be construed to be worldwide in scope. The absence of a territorial restriction resulted in the clause being deemed to be too wide. However, it ought to be mentioned that in other cases decided in accordance with English and Scots laws, it has not always been the case that the absence of a geographical limit has been fatal to the validity of a non-compete covenant.⁸³

Apart from the cases of *Bodsworth* and *Axiom*, it is noteworthy that there appear to be few restraint cases dealing with IT in the United Kingdom or Australia. One might speculate that that fact is attributable to the use by many businesses of independent contractors in IT service provision.⁸⁴ There are limits on the extent to which an independent contractor can be restrained as their essential nature is to contract out their services.

⁸⁰ [1933] S.L.T. 142.

⁸¹ [1984] AC 705, 713 per Lord Fraser of Tullybelton.

⁸² *Herbert Morris Ltd v. Saxelby* [1916] 1 AC 688, 701–702 per Lord Atkinson.

⁸³ *Intercall Conferencing Services Ltd v. Steer* (2007) EWHC 519 and *Cynus Energy Ltd v. Stewart* [2009] CSOH 53; 2009 GWD 15–235.

⁸⁴ *Forms of Employment* (Australian Bureau of Statistics Report Number 6359, 2008).

In those circumstances, however, the problem of confidential information is significant – so that contractors themselves cannot lay claim to, for example, trade secrets and cannot take for themselves the intellectual property of another.

4.2. INTELLECTUAL PROPERTY LAWS: AN UNREASONABLE LIMITATION ON THE RIGHTS OF CREATIVE EMPLOYEES AND THEREFORE A RESTRAINT OF TRADE?

Although section 51(3) of the *Trade Practices Act 1974* in Australia seeks to exempt a number of intellectual property rights from the prohibitions of the Act, there is an obvious interface between competition law and intellectual property. Authors Oddie and Evers have written: ‘intellectual property laws propagate and endorse limited monopolies to encourage innovations. In contrast, competition law often regards monopoly rights as inefficient in the allocation of scarce resources’.⁸⁵ Those authors report what they see as an increasing tendency for alleged copyright infringers to raise restraint of trade issues against the holders of intellectual property rights.⁸⁶ The notion of restraint of trade, therefore, becomes relevant to intellectual property both in terms of the doctrine itself, and in terms of the broader suite of laws that curtail and therefore restrain an employee’s freedom to utilize his or her professional skills. The matter also goes to the basic policy question as to the reasonableness of the parameters those laws place around the employment relationship.

An important issue has been recently litigated in Australia relates to the extent to which an employer (especially a University) can claim intellectual property in its employee’s inventions. This issue arose in *University of Western Australia v. Gray*.⁸⁷ In 1985, Dr Bruce Gray was appointed a Professor of Surgery at the University of Western Australia (‘UWA’). Importantly, at the time of his appointment, Dr Gray had been engaged for many years in researching the treatment of liver cancer. Dr Gray had worked with Dr Mark Burton previously at the University of Melbourne. The pair was working together again at the UWA.⁸⁸ Around the year 2000, UWA became aware of Dr Gray’s involvement with an external company and the prospect of commercialization of the technologies on which he was working. UWA sent letters to Dr Gray stating that the university might have some claim to the intellectual property rights being developed by Dr Gray with the company.⁸⁹

Ultimately, the matter escalated into litigation. UWA alleged that Dr Gray had breached his contract of employment by failing to comply with disclosure and associated obligations imposed by the UWA patent regulations. UWA’s case against Dr Gray was

⁸⁵ C. Oddie & P. Evers, ‘Erosion of Rights – Redressing the Balance: Competition Challenges to Intellectual Property Rights’, *Trade Practices Law Journal* 12 (2004): 6.

⁸⁶ *Ibid.*, 14.

⁸⁷ *University of Western Australia v. Gray* [2008] FCA 498 (This first instance judgment of French J was subsequently upheld – see below). In terms of the obvious links between restraint of trade and intellectual property, note also Professor Andrew Stewart: it is not uncommon for contract of employment to have confidentiality agreement and intellectual property clauses. See also M. Jackson, *A Practical Guide to Protecting Confidential Business Information* and J. McKeough, A. Stewart & P. Griffith, *Intellectual Property in Australia*, 3rd edn (Sydney: Butterworths, 2004).

⁸⁸ *University of Western Australia v. Gray*, para. 1.

⁸⁹ *Ibid.*, 5.

‘critically dependent’ on the proposition that there was an implied term in Dr Gray’s contract of employment that intellectual property developed in the course of his employment belonged to the university.⁹⁰

The Honourable Justice French⁹¹ rejected the University’s arguments. Critical to the rejection of the claim in contract (as to implied terms) was His Honour’s finding that the function Dr Gray was actually employed to do at the University was to research – and research did not carry with it an obligation to commercially invent. That being the case, the inventions of Dr Gray remained precisely that – the inventions of Dr Gray.⁹²

His Honour urged an approach by Universities that acknowledges the rights of both parties to the employment relationship:

It would seem that the only secure way for UWA to acquire property rights from its academic staff of intellectual property developed by them in the course of research at UWA is by express provision in their contracts of employment. Even then, as this case demonstrates, the transaction costs of administering and enforcing such provisions and the uncertainty surrounding their scope and application, raises a real question as to their utility. The length and complexity of this litigation has been exceptional. However any claim by a university to intellectual property rights whose creation has involved a team of research workers, external funding, collaborative arrangements and extended periods of conceptual and practical development is likely to pose similar difficulties. UWA and other universities might well consider the alternative of deriving benefits from inventions produced by their staff by offering highly competent and experienced commercialisation services in exchange for a negotiated interest in the relevant intellectual property. That alternative offers many benefits in terms of incentives, harmony and certainty that are not available through the enforcement of legal rights unlikely to be capable of precise definition.⁹³

On 3 September 2009, Justices Lindgren, Finn, and Bennett of the Federal Court of Australia (Full Court) unanimously rejected UWA’s appeal against the judgment of French J.⁹⁴

Crucially, their Honours found that there was no implied duty incumbent on Dr Gray to invent. This was not only due to the wording of his contract of employment but also due to the nature of *academic* employment. Academics are to add to the greater stock of knowledge; they have a large discretion over the topics they will research; they are to disseminate information, work collaboratively, and in the modern era, seek funding from external sources.⁹⁵ All these basic features of academic life are a sharp contrast to a commercial entity developing an invention, the ‘fruits’ of which it aimed to keep for itself.⁹⁶

On that latter point, the Court found UWA’s argument lacking in that it did not fully appreciate the relationship between the strands of law relevant to restraint, confidentiality,

⁹⁰ *Ibid.*, paras 9 and 12.

⁹¹ As he then was. He is now the Chief Justice of the High Court of Australia.

⁹² *University of Western Australia v. Gray*, para. 12.

⁹³ *Ibid.*, para. 13.

⁹⁴ [2009] FCAFC 116 (3 Sep. 2009).

⁹⁵ *Ibid.*, paras 165–218.

⁹⁶ On the question of implication of contractual terms, their Honours considered the test of necessity and the relevance of surrounding circumstance, cf. *Codelfa Construction Pty Ltd v. State Rail Authority of NSW* (1982) 149 CLR 337 and *Lister v. Romford Ice and Cold Storage Co. Pty Ltd* [1957] AC 555. Their Honours also considered relevant scholarship and critiques such as Pedan, ‘Policy Concerns behind Implication of Terms in Law’, *Law Quarterly Review* 117 (2001): 459 – referred to at, e.g., [2009] Federal Court of Australia: Full Court [Neutral Citation] 116 (3 Sep. 2009), para. 135.

implied terms, and inventions. Reminiscent of the words of Dr Robert Dean cited earlier in this article (namely, why is this area of law so confusing?), their Honours noted that UWA had seemed to isolate its argument as to implied terms from any argument about secrecy owed by the employee to the employer. By so doing, they had not understood the multifaceted nature of this area of the law and had not established that the inventions Dr Gray was working on were being developed (confidentially) *for the university*.⁹⁷

Their Honours, similar to French J, acknowledged that UWA had not kept its policies and copyright mechanisms up-to-date and some had fallen into disuse (or even been abandoned).⁹⁸ In contrast, the environment in which universities were operating had altered substantially in Australia in recent times – especially in terms of the commercialization of research. Perhaps, therefore, what was needed to deal with these changes were legislative provisions or revised contractual drafting in the university sector.⁹⁹

Interestingly, there is one piece of scholarly writing that is pertinent to a discussion of the case, which was written well before the dispute between Dr Gray and the University arose. According to Monotti,¹⁰⁰ there is a very strong argument that Australian universities are overreaching in their claim for intellectual property rights of their academic staff. First, universities operate under enabling acts. Although such acts enable delegated legislation to be promulgated, under section 109 of the *Australian Constitution*, those ‘laws’ will be overruled by numerous federal statutes, which aim to safeguard the rights of originators of intellectual property. Second, and of direct relevance to *Gray’s case*, Monotti noted that universities attempt to rely on the legal (contractual) doctrine of the implied terms of the contract of employment as a means of contending that the intellectual property of employees vests in their employer. Monotti notes the very difficulty that arose in *Gray*, whereby ‘the emphasis [can be diverted] from the difficult factual questions that can arise in determining whether an intellectual creation is produced in the course of employment’.¹⁰¹ Another problem identified by Monotti lies at the centre of gravity and complexity of intellectual property law in the academy. Patents, copyright, and moral rights are all governed differently; so any university policy or agreement would have to identify not only staff functions within an institution but also the type of intellectual property concerned. In *Gray*, to this were added the overarching questions of trade restraint, academic freedom, and the more philosophical question of what is the basic purpose of a university. In other words, do intellectual property law and its associated

⁹⁷ [2009] Federal Court of Australia: Full Court [Neutral Citation] 116 (3 Sep. 2009), at paras 190, 165 et seq. It is interesting to note that the court relied on the work of Dr Robert Dean, *The Law of Trade Secrets and Personal Secrets* throughout its judgment. Refer, e.g., [2009] Federal Court of Australia: Full Court [Neutral Citation] 116 (3 Sep. 2009), para. 195.

⁹⁸ [2009] Federal Court of Australia: Full Court [Neutral Citation] 116 (3 Sep. 2009), para. 106 et seq.

⁹⁹ *Ibid.*, paras 210–211. UWA applied for leave to appeal to the High Court of Australia. This application was rejected on 12 Feb. 2010, see High Court of Australia Bulletin [2010] HCAB 1 (19 Feb. 2010).

¹⁰⁰ A. Monotti, ‘Who Owns My Research and Teaching Materials – My University or Me?’, *Sydney Law Review* 19 (1997): 425.

¹⁰¹ *Ibid.*, 445. In fact, the subsequent work of Monotti and Ricketson, *Universities and Intellectual Property*, was cited by the court in *Gray’s case*; see, e.g., [2009] Federal Court of Australia: Full Court [Neutral Citation] 116 (3 Sep. 2009), para. 169.

legal doctrines function to unreasonably curtail an employee's capacity to work as an academic, duly breaching public policy considerations concerning the nature of the limits on employees that are reasonable?

UWA v. Gray stands as something of a contrast to *Victoria University of Technology v. Wilson*.¹⁰² In the latter case, an academic's claim against his employer University was unsuccessful. While the case did involve issues of contract, the decision particularly rested on equitable considerations. In *Wilson*, a number of academics were brought to account by the University in relation to an invention they made while they were employed by the University. Essentially, the academics had advanced their invention through a private company so that they gained profits to the exclusion of the University. Nettle J of the Victorian Supreme Court rejected a number of the University's arguments. His Honour found that the intellectual property policy of the institution was not part of the employment contract since it had not been properly disseminated. Further, the two academics were not *per se* employed to invent but to research, so they had not failed to comply with their basic job description. However, it was held that one of the academics owed the University a specific fiduciary duty not to allow his personal interests to conflict with those of the University. The court found that this duty had been breached.

Essentially, the matter turned on the means and circumstances through which the academics had come upon the commercial opportunity. The opportunity had emerged from a former student whose intention was to exploit the *University's capacity* to enhance his idea. Likewise, most of the presentations made by the academics to persons who could invest and assist in progressing the project all made reference to the academics in senior positions within the University and most correspondence was on University letter head noting the academics' senior positions.¹⁰³ As one judge was ultimately to suggest in a later related judgment, the 'cachet of the University's reputation' was a significant factor in the venture.¹⁰⁴

As the Full Court of the Federal Court of Australia stated in *Gray*, the *Wilson* decision is easily distinguishable from *Gray* because *Wilson* was a 'clear case of misappropriation of a corporate opportunity in breach of fiduciary duty'.¹⁰⁵ Unlike *Gray*, who was commercializing ideas he had worked on throughout his career and brought with him to UWA, *Wilson* used his university as a springboard for his attempt at commercialization.

Some commentators, such as Riley, argue that *Wilson* 'demonstrates that the equitable jurisdiction presents a deeply conservative force in our legal system – a force oriented towards perpetuating an ancient bias in favour of the employer side of the employment contract'.¹⁰⁶ Riley continues that 'employment contract law must recognise that the employee has a legitimate claim to take away into a new job... the fruits of their own

¹⁰² *Victoria University of Technology v. Wilson* [2004] Victorian Supreme Court 33 – per Nettle J.

¹⁰³ *Ibid.*

¹⁰⁴ *Victoria University v. Wilson* [2006] VSC 186 per Harper J.

¹⁰⁵ [2009] Federal Court of Australia: Full Court [Neutral Citation] 116 (3 Sep. 2009), paras 210–211.

¹⁰⁶ Riley, 'Who Owns Human Capital?', 22.

talent, skill and knowledge developed during an earlier engagement'.¹⁰⁷ While such criticisms are no doubt a continuation of her basic ideology discussed earlier (that in an era in which employees are easily made redundant, the law should support their capacity to continually acquire new skills), in the respectful view of the present writers, such an approach does not acknowledge the fact that Wilson had permanent tenure in his employment at the University. Further, it mitigates the correlative nature of equity – that he who comes to equity must do so with clean hands.

4.2.1. *Scots Law and English Law*

The arguments raised above in the context of Australian law are also encountered, albeit in a different form, in connection with the ownership of patents and copyright in respect of written, literary, dramatic, musical, or artistic works in UK law. The ownership of patents and copyright is governed by statute, namely section 39 of the Patents Act 1977 and section 11 of the Copyright, Designs, and Patents Act 1988. The pre-existing common law that regulated the ownership of inventions and patents was swept aside by the introduction of these pieces of legislation. In *Harris' Patent*, Falconer J held that the common law was superseded by section 39 of the Patents Act 1977 ('the Act').¹⁰⁸ Like the current Australian law, the common law obligations of employers and employees in England and Scotland were based on the implied terms of the contract of service. The general rule that applied was that an employer held rights of ownership in the inventions made by its employees during the course of the employee's employment by virtue of an implied term of the contract of employment, which arose as a normal incident of the employment relationship. That implied term could only be displaced by virtue of an express term of the contract of service or an agreement that could be implied from the facts of the case. As the facts of *Sterling Engineering Co. Ltd v. Patchett*¹⁰⁹ demonstrate, it was particularly difficult for an employee to establish the existence of such an express term or agreement to the contrary. A general understanding was insufficient. The nature of the historical common law test was therefore more or less identical to the current Australian position with the emphasis being placed on whether the invention was created during the course of the employee's employment.

In terms of English law and Scots law, clear statutory criteria now exist that must be satisfied before an employee will be deemed to be the owner of a patent or copyright. While the common law is superseded, it has been recognized by the judiciary that the statutory test does not differ a great deal from the previous common law.¹¹⁰ The general balance is tilted in favour of the employer. However, that is not equivalent to a statement that an employer will own a patent made by an employee in every case. Section 39(1)(a) of

¹⁰⁷ *Ibid.*, 2.

¹⁰⁸ *Harris' Patent* [1985] R.P.C. 19, 28 per Falconer J.

¹⁰⁹ [1955] A.C. 534.

¹¹⁰ *LIFFE Administration & Management v. Pinkava* [2007] 4 All ER 981, 1011, para. [92] per Sir Andrew Morritt.

the Act directs that an employer will own a patent invented by an employee if it was made (a) in the course of the employee's duties or (b) outside his normal duties but in respect of duties specifically assigned to him by the employer and where the circumstances in each of the cases (a) and (b) are such that an invention might reasonably be expected to result. In terms of section 39(1)(b) of the Act, an employer will be also entitled to the patent where it was made in the course of the duties of an employee who has a special obligation to further the interests of the employer's business.

Insofar as the construction of section 39 of the Act is concerned, there are a number of pertinent issues to be addressed. First, in what circumstances will the employee be engaged in the course of his normal duties where the circumstances dictate that an invention might reasonably be expected to result? Second, in what circumstances will an employee not be engaged in the course of his normal duties but have certain duties specifically assigned to him where the circumstances dictate that an invention might reasonably be expected to result? The distinction between normal duties and specifically assigned duties in section 39(1) of the Act closely resembles the discussion concerning the role of university researchers in *University of Western Australia v. Gray*¹¹¹ and *Victoria University of Technology v. Wilson*¹¹² and whether they are employed to research or invent. One will recall that Australian law prioritizes the importance of the functional role of the employee. Thus, employees who are employed to research are not necessarily deemed to be employed to invent. By applying a functional test, the Australian courts enquire whether it was part of the employee's actual day-to-day duties to invent at the point in time that the invention was created. If not, the invention will become the property of the employee and will not automatically be deemed to vest in the employer.

For the purposes of ascertaining the difference between normal duties and specifically assigned duties in the context of section 39(1)(a) of the Act, the recent case of the Court of Appeal in *LIFFE Administration & Management v. Pinkava*¹¹³ is particularly instructive. Pinkava was employed as a manager within the interest rates team of his employer, which operated an electronic futures trading exchange. During the course of his employment, he invented a system that enabled swap-based futures contracts to be exchange tradable. The question was whether the invention had been made during the course of his normal duties, specifically assigned duties, or duties falling outside his employment.

Although it was clear that Pinkava's invention did not relate to his duties as manager as described in his written service contract, it was held that the distinction between the normal duties and specially assigned duties of the employee is predicated on a mixed functional/contractual test. Thus, neither the written or oral terms of the contract of employment¹¹⁴ nor the actual day-to-day or ordinary duties of the employee¹¹⁵ will be determinative of the issue. Sir Andrew Morritt and Lord Justice Jacob examined this

¹¹¹ *University of Western Australia v. Gray* (No. 20) [2008] Federal Court of Australia 498 – 17 Apr. 2008 per French J.

¹¹² *Victoria University of Technology v. Wilson* [2004] Victorian Supreme Court 33 – per Nettle J.

¹¹³ [2007] EWCA Civ. 217; [2007] 4 All ER 981.

¹¹⁴ [2007] 4 All ER 981, 1002 and 1012, paras [56], [98] and [99] per Sir Andrew Morritt and Jacob LJ.

¹¹⁵ [2007] 4 All ER 981, 1002 and 1012, paras [57], [97] and [98] per Sir Andrew Morritt and Jacob LJ.

requirement for a mixed functional/contractual test by exhorting that the nature of the day-to-day work of the employee would be relevant but not the end of the enquiry. They took the view that it was important to be pragmatic and recognize that one must look beyond the duties of the employee as set out in writing in the contract. Here, the contrast with Australian law is clear. Implicit within the mixed functional/contractual test is a recognition in UK law that what constitutes the normal duties of the employee may fluctuate over time and that they are not static. Thus, while one begins the analysis of the employee's duties by examining the description of those duties in a written contract of employment, that is not in itself conclusive. It is important to assess how those duties have changed over time. Thus, in the case of *Pinkava*, the court ruled that the duties of the employee that were deemed to have been outside his duties before December 2003 had then been specifically assigned to him in December 2003 and had subsequently transformed into normal duties seven months later. Such is the effect of a mixed functional and contractual test. Moreover, in *Pinkava*, the Court of Appeal held that whether the circumstances of the employee are such that an invention might reasonably be expected to result is assessed by reference to an objective test. The subjective views of the employee and the employer are therefore irrelevant. Another useful case is *Greater Glasgow Health Board's Application*,¹¹⁶ which concerned a doctor who had created a new form of medical equipment that represented a new and better way of diagnosing and treating patients. He was employed by the Health Board as a Registrar and his written job description stated that his duties were clinical responsibilities in the outpatient department and in casualty and ophthalmic and general care of inpatients including ophthalmic surgery. Thus, his duties were to treat patients. The question was whether the invention vested in the employer. It was held that it did not, since the production of inventions did not form part of the employee's duties and he had conceived of the original idea for the invention not during clinical work but while he was involved in a private study at home.

Third, when will an employee be engaged in such a way that he owes a special obligation to further the interests of the employer's undertaking in terms of section 39(1)(b) of the Act? The Banks Committee,¹¹⁷ whose recommendations were largely implemented by the Act, envisaged that section 39(1)(b) of the Act would be engaged where the employees were directors or managers of companies in the sense that they would owe a special obligation to further the interests of the employer's business. This analysis is reflected in the two most relevant cases, which are *Harris' Patent*¹¹⁸ and *Staeng Ltd's Patents*.¹¹⁹ *Harris' Patent* concerned a manager of a company that sold valves. The manager's primary duty was to sell the valves and to use his specialist knowledge of such valves to deal with problems experienced by the company's customers by forwarding on problems to a Swiss company for solution. He was not involved in developing valve products. His powers did not involve

¹¹⁶ [1996] RPC 207.

¹¹⁷ 'Report of the Committee to Examine the Patent System and Patent Law' (Banks Committee), Cmnd. 4407 (1970), 132 et seq., para. 443.

¹¹⁸ [1985] RPC 19.

¹¹⁹ [1996] RPC 183.

the hiring or discharge of staff or even the approval of holiday dates. He did not attend board meetings of his employer even as a manager when his department might have been under discussion. The court ruled that the extent and nature of an employee's obligation to further the interests of the employer's undertaking depended on the employee's status and the attendant duties and responsibilities of that status. Since the manager had only an obligation to effect sales of the valves and to ensure after-sales service to customers of valves supplied, his invention did not fall within paragraph (b) of section 39(1). *Harris' Patent* can be contrasted with *Staeng Ltd's Patents* where the relevant employee was involved in the marketing of the employer's products. Part of the employee's role was to generate novel ideas for new products. The employee was held to be sufficiently senior to fall within section 39(1)(b) of the Act and thus the invention produced by the employee was deemed to vest in the employer. Perhaps one means of distinguishing the differing results in *Harris' Patent* and *Staeng Ltd's Patents* is that the manager in *Harris' Patent* would pass on problems to a third party for resolution, while in *Staeng Ltd's Patents*, there was an expectation that the employee would solve problems 'by identifying the need for new products or the modification of existing ones'.¹²⁰

5. CONCLUSION

The early stages of this article began by considering two basic themes that unify its analysis. One posed a simple question that pondered the reason why the area of the law relating to restraint of trade was so confusing – in the sense that a proper understanding of the applicable law entails the consideration of allied fields and conflicting policies. The other theme is this article's underlying metaphor – that new light can shine through old windows and refract rays of light over many issues and new developments. Throughout this article, attention has been drawn to the fact that new issues continue to evolve in the centuries old doctrine of restraint of trade. Questions have arisen as to whether former employees can lure away (from their former employer) former colleagues (the anti-poaching clause issue) and consideration has been given to the use of cascading restraints, which provide the employer with so many options of restraint.

As new industries emerge, which are information-driven, attention focuses on what is a reasonable restraint in terms of time and place. Further, the relevance of potential *mala fides* by employees becomes important especially in the field of IT, where knowledge can be utilized by employees in businesses that operate throughout the globe. Finally, the emergence of a strong body of intellectual property laws shows the relationship between questions as to restraint of trade, the implied contractual doctrine as to who owns intellectual property, and the relevance of good faith.

While Scots and English laws and Australian law display certain similarities in terms of the manner in which they deal with anti-poaching clauses, there remain dissimilarities

¹²⁰ P. A. Chandler, 'Employees' Inventions: Inventorship and Ownership', *European Intellectual Property Review* 262 (1997): 266.

especially in terms of cascading restraints. A potential rationale for the apparent bias in Australia in favour of employers in the treatment of cascading restraint clauses relates to Australia's traditional labour law background. It is highly regulated by legislation and collective agreements, as previously acknowledged in this work. As Heydon notes,¹²¹ the courts are more likely to be vigilant as to breaches of the restraint of trade doctrine in circumstances where an employee has unequal bargaining power and has been denied the opportunity to bargain over the terms of the restraint clause. However, in cases where the terms of employment 'are prescribed with meticulous exactitude', there is a strong union presence in the workplace or where the employee is an executive, the perception of the tribunal or court might be that the worker is less deserving of 'protection'.¹²² This can be contrasted with UK law where the extent of the bargaining power of the employee plays no role in the issue of the reasonableness of a restraint of trade clause, since the focus of the enquiry is on the nature of the commercial interest of the employer that the clause seeks to protect and whether it is no more than reasonably necessary to achieve such protection. Thus, the very nature of the reasonableness test is such that there is more emphasis or focus on the employer's interests, position, and the potential harm to the employer in the absence of the covenant rather than the converse.

Traditionally, Australia has had many instances of working conditions that had been prescribed meticulously well. Even with the new Fair Work Act 2009, which is based on 'third way' principles of flexibility and fairness, there are many safety nets for employees in Australia. Perhaps the protective dimension of legislation spawns conservatism in some judicial considerations of restraint issues. However, the fact that labour laws mediated through the source of legislation are in the process of reform should, as Godfrey suggests,¹²³ result in the Australian courts becoming more readily prepared to expand the common law as a means of safeguarding employee rights by analogy with statutory rights – in much the same way as has occurred in Scots and English laws.¹²⁴ So, there is much to be gained from an Australian perspective in examining Scots and English laws.

Likewise, there is much to be gained from an analysis of Australian law by a Scots or English lawyer. On the subject of anti-poaching clauses and in the IT area, novel questions arise, which require a novel and comparative approach to the basic issues of reasonable restraint that have been with us for years. Particularly insofar as the notion of legitimate interest and what is reasonable in terms of restraints for globalized and information-driven industries reveals, much can be gained from comparative research.

¹²¹ Albeit speaking in more general terms about the approach of the courts to restraint.

¹²² Heydon, *supra* n. 7, 68.

¹²³ K. Godfrey, 'Contract of Employment: Renaissance of the Implied Term of Trust and Confidence', *Australian Law Journal* 77 (2003): 764, 776.

¹²⁴ *Johnson v. Unisys Ltd* [2001] UKHL 13; [2001] 2 All ER 801, para. 35 per Lord Hoffmann.