WHEN EMPLOYEES LEAVE

What Employers in Asia/Pacific Need to Know about Protecting Company Rights and Confidential Information

Prepared by the Employment Law Alliance

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Dr Chung-Teh Lee and Jaclyn Tsai (who accepted the Executive Yuan's invitation to act as a Minister without Portfolio beginning from November 6, 2013), after working as judges and practicing for extensive periods of time, both had the vision of creating a law firm grounded not only in professionalism, but also compassion. As such, the first office of the Lee Tsai Group was founded in Taipei in 1998 with the professional motto "Reason" and "Compassion." With uncompromising persistence to the professional motto, within two years of foundation, Lee, Tsai & Partners swiftly soared from a firm with slightly more than 10 employees to one of the top 10 firms in Taiwan. In July 2001, the Lee Tsai Group opened its second office in Shanghai to assist multinational and Taiwanese companies in their inbound investments in China. In July 2010, the firm established an office in Beijing to assist multinational companies develop their business in the more integrated economy of the Greater China region and to assist local PRC companies in their outbound investments with a specific focus on investments into Taiwan. The Lee Tsai Group's seamless operation among offices allows its clients full access to the entire professional team, regardless of location.

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See page 36

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WHEN EMPLOYEES LEAVE

What Employers in Asia/Pacific Need to Know about Protecting Company Rights and Confidential Information

This publication is based on a 2015 webinar presented by a representative group of the Asia/Pacific members of the Employment Law Alliance focusing on *"When Employees Leave: What Employers in Asia/Pacific Need to Know about Protecting Company Rights and Confidential Information."* It briefly describes how the issues of non-competition and protection of confidential and proprietary information are handled in 16 jurisdictions across Asia and the Pacific, and the steps companies can take to protect their interests when employees leave.

The three key issues addressed during the webinar – and again by the participating jurisdictions in this publication – are:

- Is it possible to prevent employees from competing? If there is a post-termination non-compete, what are the remedies? Are injunctions available?
- What remedies are possible for a breach of a confidentiality obligation and IP rights?
- What are the considerations if the breach involves cross-border?

Responses to these questions are grouped by country; see list at right for the countries included and the page number for each.

COUNTRIES REPRESENTED

QUESTION 1:
Is it possible to prevent employees from competing? If there is a post-termination non-compete, what are the remedies? Are injunctions available?

Employees can be prevented from competing with their employer (e.g., being involved in a rival business) during employment under the common law-implied term of fidelity and good faith. This obligation does not continue post-employment. However, competition within this context can be prevented where the employment contract of the former employee includes an express restraint clause.

Restraint clauses are subject to the common law doctrine of "restraint of trade," – i.e., to be valid, such a clause must be directed at protecting the legitimate business interests of the employer, such as trade secrets or the goodwill of the business. The courts will not uphold a clause that restricts competition per se, and will not allow unfair limits placed on an employee's employment opportunities.

Restraint clauses typically prohibit an employee from setting up or working for a competitor, "poaching" clients or staff of the business, and/or using the employer's confidential information for a specified period after his or her employment ends.

In determining if a restraint clause is reasonable in scope, and therefore enforceable, courts will consider: (1) its duration/how long it applies; (2) the geographical area in which it applies; and (3) the activities of the former employee that it seeks to control.

If a court finds that a restraint clause is too broad or goes beyond protecting the employer's business interests, there may be a possibility of "severing" or "reading down" the clause to make it enforceable. However, this will depend on how the clause is worded. The courts will not rewrite a restraint clause, but they may strike out the unreasonable terms of one that is "stepped" or "cascading" (i.e., a series of overlapping restraints) so that the remainder is enforceable against the former employee.

In the state of New South Wales, specific legislation (Restraints of Trade Act 1976 (NSW)) enables the courts of that state to "read down" an invalid restraint clause to give it the extent of operation that the court considers reasonable (irrespective of whether the clause contains "cascading" provisions).

Enforcement of a valid restraint clause against a former employee is usually done by way of an application for an interlocutory injunction. In this type of proceeding, the employer would need to show that the restraint clause is enforceable; is being, or is likely to be, breached by the former employee; and that the balance of convenience favours granting an injunction.

Monetary damages may also be available where the employer can show that damage to its business interests has in fact occurred (e.g., loss of clients to the former employee's new company).

QUESTION 2:

What remedies are possible for a breach of a confidentiality obligation and IP rights?

An employer is protected against unauthorised use or disclosure of confidential information communicated to or acquired by an employee in the course of employment, during or after the employment relationship.

An employee's obligations with respect to confidentiality are derived from the common law implied duty of fidelity and good faith, and the equitable obligation of confidence. Confidentiality restrictions are also commonly imposed through express contractual provisions.

The post-employment constraints on an employee's use of the employer's confidential information will only apply to information that is genuinely "secret" or "confidential." This includes, for example, formulas or manufacturing processes, marketing plans, business strategies, client lists, etc.

However, information that employees naturally acquire during their employment, or the "know-how" they acquire over a number of years, will not be protected (i.e., the employee will be allowed to use that kind of information post-employment).

An employer whose confidential information has been misused by an employee/former employee may be entitled to remedies, including damages for breach of express or implied contractual obligations, compensation for breach of the equitable duty, an account of profits, or injunctive relief. A court may also order the delivery up and destruction of documents containing the relevant confidential information.

In general, IP rights vest in the employer where the work/material/inventions protected by patents, copyright, trade marks, or designs are created in the course of an employee's employment. This general position will be subject to any agreement reached between the employer and employee (e.g., most universities allow academics to retain copyright in books, journal articles, etc. that they author).

QUESTION 3:

What are the considerations if the breach involves cross-border?

a. Choice between Australian and foreign law: This could arise, for example, in relation to enforcement of a post-employment restraint against an employee of an overseas-based company working in Australia. In this situation, it is likely that an Australian state or territory court would apply the law applicable to restraint clauses in that state or territory – even if the contract had been entered into in an overseas jurisdiction. In some instances, however, an Australian court will be guided by the law nominated by the parties in their contract (i.e., the proper law of the contract).

b. Choice of law among Australian jurisdictions: This is generally not a major issue given the similarities in restraint of trade laws operating throughout Australia, with the exception of the specific legislation operating in New South Wales (see above). Further, an Australian state or territory court is obliged to give full faith and credit to the judgments of courts in other states and territories. Therefore, any order made with respect to a breach of a restraint clause or confidentiality obligations may be enforced in a different state or territory to that where the order was made.

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QUESTION 1:

Is it possible to prevent employees from competing? If there is a post-termination non-compete, what are the remedies? Are injunctions available?

Generally, non-compete clauses in Bangladesh are inserted into employment agreements to prevent employees from joining a rival company or starting a similar business, either during the course of employment or after termination or resignation from the company. In law, however, non-compete agreements are subject to the principle of restraint of trade. Section 27 of the Contract Act 1872 rigidly invalidates all agreements in restraint of trade, including any profession or service, whether totally or partially, subject to the limited exception where goodwill is sold. This exception of goodwill is in turn subject to the test of reasonableness.

Accordingly, the existence of a non-compete clause during the course of employment is enforceable in Bangladesh, but is void post–termination, as it will be considered a restraint of trade. It therefore follows that injunctive relief will be available against employees for breach of a non-compete clause during the subsistence of their employment agreement, but not beyond that.

QUESTION 2:

What remedies are possible for a breach of a confidentiality obligation and IP rights?

Unlike non-compete clauses, confidentiality obligations are enforceable by law following termination of employment if duly protected through a written agreement. Confidentiality obligations can be enforced by litigation or arbitration.

If the employment agreement expressly includes a provision to settle a dispute by way of arbitration, the parties can proceed accordingly. In Bangladesh, arbitration is mainly governed by the Arbitration Act 2001. If no arbitration agreement exists, the parties can settle their dispute through litigation.

According to Section 73 of the Contract Act 1872, the party who has suffered (due to the breach of the contract) is entitled to seek compensation for the loss or damage suffered, provided that the loss or damage arose naturally in the usual course of things, and is not too remote.

When damages are inadequate, parties can also seek relief by way of specific performance of the contract or an injunction. Section 12 of the Specific Relief Act 1877 states that specific performance or injunction is enforceable at the discretion of the court for situations when, inter alia, pecuniary compensation for its non-performance is not an adequate remedy.

Protection of Intellectual Property Rights (IPR) in a country such as Bangladesh is necessary to protect the company's rights. The laws governing IPR are the Trademarks Act 2009, Copyright Act 2000 and the Patents and Designs Act 1911. The IPR has to be registered in Bangladesh for the company to seek a remedy under the relevant Acts. Additionally, the company may contractually protect its information from employees by inserting clauses into the employment agreement related to IPR. By including appropriate clauses the company can, for example, restrict terminated employees from using trademarks belonging to the company and/or require departing employees not to share or use confidential information related to the company in another business or employment.

A return of property clause in an employment agreement puts departing employees under an obligation to return the company's properties, both tangible and intangible. As such, on or before the termination date, the employee shall be obliged to return data, records, lists, proposals, correspondence, blueprints, and other such documents, as well as any physical properties belonging to the company.

Although the clauses may vary from one contract to another, violation of such clauses would entitle the company to seek damages or specific relief such as injunction or specific performance.

QUESTION 3:
What are the considerations if the breach involves cross-border?

There are no written laws in Bangladesh regarding cross-border issues; thus there are no considerations for employees or employers.

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QUESTION 1:

Is it possible to prevent employees from competing? If there is a post-termination non-compete, what are the remedies? Are injunctions available?

Post-termination non-competes are permitted and often enforced by PRC arbitrators and courts. Strictly speaking, an employee must have access to confidential information to be subject to a non-compete. Thus, a non-compete agreement is often combined with a confidentiality agreement or the employee acknowledges in the non-compete agreement having access to confidential information.

Compensation must be provided to a former employee to enforce a non-compete. The compensation must generally be paid during the non-compete term (most employers will pay it monthly) and it may not be deemed part of the employee's salary during employment. The default amount of compensation under national law is 30% of the employee's previous compensation if the employee and employer did not otherwise agree on an amount. Agreed amounts below 30% may be enforceable, provided the compensation is still reasonable. Some local jurisdictions may require a higher amount of compensation than the national rules.

The maximum post-termination period is two years, although it may be tolled if the former employee is in breach.

The scope of a non-compete can be relatively broad and does not need to be limited to only the job activities of the former employee or any specific information to which the employee may have had access. Generally speaking, the registered business scopes of the former and current employers can be compared to determine whether the former employee is engaging in competing activities.

Liquidated damages for breach of a post-termination non-compete obligation are permitted under the Labor Contract Law. Liquidated damage clauses are common in non-compete agreements, given the difficulty of showing actual damages for a breach. Arbitrators and courts have the right to reduce the amount of liquidated damages if they determine the contracted amounts are unreasonable.

Waiver of a post-termination non-compete is permitted during the non-compete period, provided the former employee is paid three months' compensation. National law is silent if a waiver is made when the employee is still employed. Some local jurisdictions have regulations providing that a waiver made during employment without compensation is permitted if the required notice is given to the employee.

Injunctions for breach of a non-compete are not available in the PRC.

COUNTRIES REPRESENTED

QUESTION 2:

What remedies are possible for a breach of a confidentiality obligation and IP rights?

Termination of an employee for breach of a confidentiality obligation or misuse of IP rights is permitted if the breach is deemed a "serious" breach of company rules. Thus, a best practice is to stipulate in company rules that a breach of confidential obligations and misuse of IP rights are considered a "serious" breach of company rules, and may result in immediate termination.

The Labor Contract Law is silent on using liquidated damage provisions for breach of a confidentiality obligation. However, certain local jurisdictions have rules that precede the Labor Contract Law, thus leaving open the possibility that such clauses are enforceable. Absent liquidated damages, a suit for monetary damages would be possible, but showing actual damages is often quite difficult in practice.

An employer may be able to claim damages from a third party, such as a subsequent employer, if the confidential information is considered a trade secret and is used by the third party. Criminal penalties for violation of trade secrets are also possible, but not common.

Seizure of products for violation of IP rights may be permitted.

QUESTION 3:

What are the considerations if the breach involves cross-border?

Overseas judgments are generally not enforceable in China; thus a new action may be required in a PRC court to enforce rights under contract or law. Likewise, enforcement of PRC judgments overseas is generally not possible.

A common practice for employers sending seconded employees to China is to have non-compete, confidentiality, and IP agreements governed only by home country law with jurisdiction in the home country. If the employer anticipates that the employee may breach the obligations in China, particularly if the employee may settle in China, then having separate agreements governed by PRC law with jurisdiction of PRC courts may be advisable.

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QUESTION 1:

Is it possible to prevent employees from competing? If there is a post-termination non-compete, what are the remedies? Are injunctions available?

The extent to which an employer can prevent employees from competing varies, depending on whether it is during employment or post-employment.

During employment, employees have a duty of fidelity and good faith not to act in conflict with the interest of their employer. This includes not engaging in a competing business. Outside employment that is not related to and/or not inconsistent with the current employer can only be bound by express contractual provisions. The duty of fidelity will also extend to keeping company information confidential and not soliciting/inducing customers or clients to cease using the employer's service.

Post-employment, non-compete provisions are enforceable only if they are reasonable in duration, scope, and geographical area for protecting the legitimate interest of the employer. There is no requirement to make payment during the restricted period, but payment of some consideration throughout the restricted period would go towards showing reasonableness. Case law has indicated that any restriction longer than six months will be enforced only in extreme cases.

Non-dealing or non-solicitation provisions are generally enforceable, but collecting evidence for this purpose sometimes can be difficult. Many employers therefore now impose non-competes as conditions for bonuses and long-term incentive plans.

Seeking an injunction to stop the infringing conduct is possible, but it would only be a practical step if the employer's interests are significantly at risk, the situation is dire, and the employer has a very strong case (because court injunctions are extremely difficult to obtain). Other remedies may include a claim for damages.

QUESTION 2:

What remedies are possible for a breach of a confidentiality obligation and IP rights?

An aggrieved employer can seek equitable relief (injunction) or damages. An action will have to be taken in a court of law and not Labour Tribunal if seeking equitable relief. The obligation to maintain confidential information does not automatically survive the post-employment period. Instead, there needs to be a contractual obligation. The employer's position is slightly better if the confidential information amounts to trade secrets, but it is recommended in any case that the employer impose an express contractual obligation on the employee to ensure adequate protection.

As with many other jurisdictions, the employer must be able to show with evidence that the employee acted in breach of his or her confidential obligation in order to obtain any remedies. If the breach of confidential information involves an infringement of intellectual property, the employer may seek remedies, including an injunction or, if it can prove a loss has been suffered, damages.

QUESTION 3:

What are the considerations if the breach involves cross-border?

When there is a post-employment breach involving cross-border, the main consideration is the enforceability of remedies.

An injunctive relief obtained in Hong Kong will likely not be enforceable elsewhere, including the PRC. On the other hand, an award for damages may be enforceable in another jurisdiction if there is a reciprocal agreement subject to condition, such as jurisdiction clauses.

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QUESTION 1:

Is it possible to prevent employees from competing? If there is a post-termination non-compete, what are the remedies? Are injunctions available?

Under Section 27 of the Indian Contract Act, 1872, any agreement that restrains a person from exercising a lawful trade, profession, or business is not enforceable.

A non-compete clause that is in effect during the course of the employment contract is generally enforceable and not considered to be in restraint of trade under the Indian Contract Act, 1872 provided that it is reasonable and not wholly one-sided.

On the other hand, post-employment non-compete provisions are held to be unenforceable under Section 27 of the Indian Contract Act, 1872. The law does not even permit "reasonable" non-compete restrictions if they extend beyond the term of the contract, irrespective of the duration and geographical scope of the restriction. Courts have held that such restrictions affect the freedom and mobility of employees to seek employment at a place of their choosing and therefore should be unenforceable.

It has also been held that post-employment restraints cannot be enforced regardless of whether an employee leaves voluntarily or as a result of his/her services being terminated. Having said that, companies in India generally retain post-termination non-compete clauses in the employment contract since they serve as a deterrent to employees.

While employers can approach civil courts for injunctive relief, Indian courts do not normally grant injunctions restraining employees from taking up new employment. Therefore, companies tend to adopt alternative approaches to address concerns around competition; for example, they may build in longer notice periods and garden leave provisions, during which employees remain on the payroll and are prohibited from joining competition.

QUESTION 2:

What remedies are possible for a breach of a confidentiality obligation and IP rights?

Employers can initiate disciplinary action and terminate the employment of an employee if he/she is found to be in breach of the confidentiality obligations. Additionally, employers can also approach courts to obtain damages for the breach; injunctive relief for the breach or threatened breach of a confidentiality obligation; and specific performance of certain clauses such as assignment of copyright.

Copyright infringement is punishable with imprisonment under the Indian Copyright Act, 1957. Employers may also choose to initiate criminal action against employees either under the Indian Penal Code, 1860 or the Information Technology Act, 2000.

Evidence plays a critical role in any legal proceedings that claim a breach of confidentiality or IP rights. Therefore, the employer must be able to demonstrate that an employee in fact acted in breach of his/her obligations.

QUESTION 3:

What are the considerations if the breach involves cross-border?

For breach of confidential obligation and IP rights in a cross-border scenario, the employer can initiate appropriate legal proceedings before an Indian court for injunctive relief and damages. This would be enforceable only in a foreign country with which India has a reciprocal agreement. However, such enforcement is likely to take time, during which the confidential information could be compromised.

Alternatively, the employer could initiate appropriate legal proceedings before the appropriate forum in the jurisdiction where the employee currently resides, provided the law of that jurisdiction allows for the same. However, this may not be entirely feasible considering the costs of litigation and the possible conflict(s) that may arise in the laws of both jurisdictions.

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QUESTION 1:

Is it possible to prevent employees from competing? If there is a post-termination non-compete, what are the remedies? Are injunctions available?

Indonesian labour and employment laws do not expressly impose or regulate non-competition obligations of employees, with the exception of the Chief Representative of the local representative office of an overseas principal (as discussed below). However, Indonesian law recognizes the principle of freedom of contract, codified in Articles 1337 and 1338 of the Indonesian Civil Code (the Civil Code). The parties to a contract can include any provisions they wish, subject only to the mandatory provisions of Indonesian law, as well as the general principles that contract terms must be implemented in good faith and not contrary to public order.

With regard to non-competition during the employment period, it is essential to include a provision in the employment agreement that imposes a duty on the employee not to compete or otherwise act in conflict with the interests of the employer. The same provision may be included in the so-called "Company Regulation," which sets forth the employer's work rules registered with the Ministry of Labour and is updated every two years, or in the Collective Labour Agreement (CLA) if there is a union or unions representing a majority of employees. Violation of that contractual duty would be grounds for termination. Interestingly, the rules with regard to the appointment of a Chief Representative of a representative office expressly require the candidate to sign an undertaking to be solely devoted to the interests of the overseas principal and not to have any other employment whatsoever.

With regard to non-competition following the period of employment, employers may wish to include non-compete and non-solicitation clauses in their employment contracts and Company Regulations. However, the enforceability of such post-employment constraints is less clear. There is no jurisprudence in Indonesia on the issue and thus no clear guidelines as to the requirements for these clauses to be enforceable. Depending on the circumstances, such constraints may violate Article 27(2) of the Indonesian Constitution, which vaguely guarantees every citizen the right to work and a decent livelihood. Non-compete and non-solicitation clauses are not routinely included in the employment contracts of ordinary employees. However, for senior executives and other high risk employees, such constraints may be commercially warranted. In that case, given the constitutional right to work and the lack of judicial guidance, the clauses should set reasonable geographic and time limitations and, for greater certainty, include some compensation during the restraint period.

The enforceability of non-competition and non-solicitation covenants would likely depend on the particular factual context. In practice, at least for multinationals operating in Indonesia, it is quite common for the former employer to alert the new employer about the existence of such constraints, as well as any confidentiality obligations of the former employee, and address the concern amicably, recognizing that most companies face the same challenge from time to time with regard to their former key employees.

Injunctive relief is not generally available in the Indonesian courts. In principle, an employer could sue its former employee in the District Court system – not the Labour Courts – for direct damages under Articles 1243 – 1252 of the Civil Code.

QUESTION 2:

What remedies are possible for a breach of a confidentiality obligation and IP rights?

The Indonesian Labour Law provides for summary termination due to serious misconduct, which includes disclosure of confidential information. However, the serious misconduct section of the law was struck down by the Constitutional Court given the lack of due process. As a result, all employers are advised to include a serious misconduct clause – including disclosure of confidential information and misuse of intellectual property – in their employment agreements and Company Regulations or CLAs, provided that such terminations are subject to Labour Court approval as per all other terminations. The employee would be entitled to untaken leave and a modest separation payment depending on the employment documentation (e.g., typically one month base salary regardless of the period of service), but forfeits any other accrued severance, long-service pay, and health and housing allowance entitlements.

Under Law No. 30 of 2000 regarding Trade Secrets, employers also enjoy protection of their trade secrets for methods of production, processing, and sale, as well as other information in the area of technology and/or business that has economic value, and is not otherwise available to the general public.

Under the Trade Secrets Law, the employer can commence an action in the District Court for direct damages and injunctive relief in connection with any person's unauthorized disclosure of trade secrets. In addition, anyone who deliberately and without entitlement uses a company's trade secrets is also subject to criminal prosecution and sanctions of up to two years' imprisonment and/or a fine of up to IDR 300 million.

QUESTION 3:

What are the considerations if the breach involves cross-border?

Indonesia is not a party to any reciprocal enforcement of judgments treaties. If a former employee was successfully sued in the home jurisdiction overseas, but is now domiciled in Indonesia, it would not be possible to enforce the foreign judgment. It would be necessary to commence a fresh action in the Indonesian courts; the foreign judgment would be introduced in evidence and given the weight deemed appropriate by the Indonesian District Court. Similarly, if the former employee was successfully sued in the Indonesian courts, but is now domiciled outside of Indonesia, it would not be possible to enforce the judgment of the Indonesian court overseas.

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QUESTION 1:
Is it possible to prevent employees from competing? If there is a post-termination non-compete, what are the remedies? Are injunctions available?

In general, a non-compete obligation after termination of the employment agreement can be imposed only by a specific agreement (or by a specific provision in the work rules, also known as "rules of employment," prepared by an employer, announced to the employees, and filed with the appropriate labor standards inspection office). However, Japanese courts would carefully scrutinize such post-termination non-compete agreements (or provisions in the work rules) and determine, on a case-by-case basis, whether or not they are valid and enforceable. There is no statute providing conditions for such validity or enforceability.

The practical conditions gathered from many judicial precedents are as follows:

- Agreed to on a free-will basis (or provided in properly established work rules);
- Employer's legitimate rights or interests are protected;
- Limited only to individuals involved in business relevant to the above rights or interests; and
- Reasonable restrictions in view of the freedom to choose one's occupation.

The reasonableness of restrictions would be determined based on the following factors:

(a) Time period (one year or less vs. two years or more);
(b) Range (territory/industry);
(c) Limited/specific vs. broad/abstract; and
(d) Compensation (specially provided allowance/considerably high remuneration).

Among other items, Japanese courts tend to pay a great deal of attention to an employer's legitimate rights or interests to be protected. The key point in any "proof and evidence" is to persuade a judge that a post-termination non-compete agreement (or a provision in the work rules) was agreed (or prepared) to protect an employer's "trade secrets" under the Unfair Competition Prevention Act, (UCPA) or at least other types of confidential and proprietary information or know-how. Courts' judgements as to whether or not compensation is enough will tend to vary, depending on the strength and extent of the employer's rights or interests to be protected.

Assuming that a Japanese court holds a non-compete agreement (or provision in the work rules) to be valid and enforceable, an injunctive order can be granted by either provisional disposition (a summary proceeding similar to petition for preliminary injunction) or formal litigation (suit for permanent injunction). The former should be used in those instances where there is an urgent need. For an employer to claim damage compensation for a breach of non-compete agreement (or provision in the work rules), it will need to file formal litigation; it cannot use a provisional disposition.

QUESTION 2:

What remedies are possible for a breach of a confidentiality obligation and IP rights?

As long as a breach of confidential obligation falls under the infringement of "trade secrets" under the UCPA or other IP rights, it is subject to, among other things, the following remedies or sanctions:

- Injunction;
- Presumption of amount of, and formula for calculating, damages in specific situations; and
- Criminal punishment (dual liability for individual and company).

Theoretically, an injunctive order based on a confidentiality agreement may be granted; practically, however, it is very difficult. Thus, it is important for the employer that a court hold that the relevant information is deemed a "trade secret" under the UCPA.

To mitigate any difficulty in proving damage amounts, the infringer's actual volume of sales and its actual profits or license fee in the market may be used in the calculation.

Both individuals and companies are subject to criminal punishments. An individual who infringes on "trade secrets" may be punished by imprisonment of up to 10 years and/or a fine of up to 20 million yen (or 30 million yen for cross-border offenses). The company where such individual is employed may be fined up to 500 million yen (or 1 billion yen for cross-border offenses).

In addition to these remedies or sanctions, various special measures for claiming protection of "trade secrets" are available in the court procedure, including a protective order on the parties to the procedure and the attorney(s) representing such parties.

Practically speaking, however, it is not easy to obtain an injunctive order against infringement of "trade secrets"; therefore, confidentiality agreements and non-compete covenants should be used to strengthen the protection of trade secrets.

QUESTION 3:

What are the considerations if the breach involves cross-border?

The so-called "territoriality principle" applies to civil cases concerning infringement of IP rights and those involving breach of non-compete covenants or infringement of "trade secrets."

Furthermore, since the freedom to choose an occupation is one of the fundamental human rights under the Constitution of Japan, it is viewed as a public policy issue, which may cause Japanese courts to refuse to recognize the choice of law between the contractual parties.

On the other hand, since 2005, cross-border infringement of "trade secrets" has become subject to criminal penalty under the UCPA. Previously, only use or disclosure outside Japan was subject to criminal sanctions in connection with "trade secrets" under control within Japan at the time of the act of fraud, the usurpation of control, or when the trade secret was disclosed by its owner.

However, considering the recent global expansion of business and the ICT environment (such as the increase in servers located overseas, i.e., cloud computing), the 2015 amendment to the UCPA has expanded and strengthened criminal sanctions; among other things, acquisition of "trade secrets" outside Japan that belong to business operators in Japan has been criminalized as of January 1, 2016.

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QUESTION 1:
Is it possible to prevent employees from competing? If there is a post-termination non-compete, what are the remedies? Are injunctions available?

A non-competition agreement is generally valid under Korean law provided that the scope of the non-compete obligation is reasonable. Korean courts, however, have increasingly limited the enforceability of excessively restrictive non-competition agreements on the basis that they violate the constitutionally guaranteed right of freedom of choice of employment. Such agreements would be contrary to "good morals and social order" under Article 103 of the Korean Civil Code.

In determining the reasonableness of a non-competition covenant, courts take into consideration the following factors:

- The employer's interest that is to be protected by the non-competition covenant;
- The employee's position prior to termination of his/her employment;
- The scope of the restriction, including the length of the restriction period, geographical limitations, and nature of the restricted work;
- Any payment(s) in consideration for the non-competition covenant;
- The facts surrounding termination of employment (including, without limitation, whether or not the termination was voluntary); and
- The general public interest.[1]

While compensation is not a required condition of a valid non-competition covenant,[2] courts consider it an important factor in determining the covenant's reasonableness. In particular, for employees who do not possess trade secret information, lack of compensation could be weighed against the validity of the non-competition covenant. Compensation also need not be a monetary benefit but can instead take a non-monetary form. A promotion or an opportunity to study abroad, for example, can constitute consideration in connection with the non-competition covenant.

Even where courts find that non-competition covenants are enforceable, in many cases they tend to limit the duration of the covenants to periods from six months to two years. Further, the higher an employee's title or position in the company, or the more technically important the information to which he/she has access, the greater the likelihood that a court will recognize a longer period for the employee's non-competition obligations. The scope of competitors to which non-competition covenants generally apply is determined on a case-by-case basis. In one case, a court included companies that engaged in the type of business similar to that of the former employer;[3] in another case, the court included affiliates of a company that was a direct competitor of the employer.[4]

When an employee violates a restrictive covenant, the most common remedy employers seek is injunctive relief because it is generally difficult for an employer to compute the actual amount of damages from such a violation. However, if the relevant employment agreement contains a liquidated damages clause that is triggered by a violation of a post-termination restrictive covenant, the employer may prefer asserting a claim for damages. Even in such a case, a court, at its discretion, may reduce the amount of liquidated damages to what is reasonable under the circumstances.[5] Further, a liquidated damages clause that is triggered by a breach of a restrictive covenant by an employee during the term of his/her employment is void under the Labor Standards Act ("LSA").[6]

1. Supreme Court, Case No. 2009Da82244, Mar. 11, 2010.
2. Suwon District Court, Case No. 2012Kahap26, Jan. 9, 2013.
3. Seoul Central District Court, Case No. 2010Kahap2199, Oct. 29, 2010.
4. Seoul High Court, Case no. 2009Ra610, Jan. 26, 2010.
5. Civil Code Article 398(2).
6. LSA Article 20.

QUESTION 2:

What remedies are possible for a breach of a confidentiality obligation and IP rights?

Civil Remedies. A trade secret holder can apply to a court for a preliminary or permanent injunction to prohibit or prevent trade secret misappropriation by an infringer. He or she may also request a court order for destruction of the infringing products and removal of the production facilities used for misappropriation.

A trade secret holder can seek monetary compensation against an intentional or negligent infringer (punitive damages are not available). The plaintiff of a damages action may also request preliminary attachment on the defendant's assets.

Criminal Remedies. An infringer of a trade secret is subject to imprisonment not exceeding five years, and/or a fine of up to KRW50 million (about US $42,000) where the proprietary profit does not exceed KRW5 million, or not less than two times but not more than 10 times the proprietary profit amount, where the proprietary profit exceeds KRW5 million. The trade secret holder would not be directly awarded remedies in a criminal action.

In Korea, it is not uncommon for a trade secret holder to first file a criminal complaint alleging trade secret breach prior to filing a civil lawsuit. Discovery in a civil action is relatively limited in Korea, and by filing a criminal complaint the trade secret holder may gain access to evidence gathered in the course of a criminal investigation (e.g., through the search and seizure by the police or prosecutor's office) that it would otherwise not have been able to obtain. If a criminal investigation leads to an indictment, the trade secret holder may bring a civil lawsuit and request the civil court to ask for the evidence gathered for the criminal lawsuit. A significant portion of the evidence from a criminal action is often allowed to be transferred to the civil action.

QUESTION 3:

What are the considerations if the breach involves cross-border?

The criminal penalty is exacerbated if the trade secret is used overseas, or disclosed to a third party knowing that the trade secret will be used overseas.

If a criminal case involves an overseas individual (such as headquarters personnel working directly with a suspect at a Korean subsidiary), the police/prosecutors may request that the immigration office put in place an exit ban on suspects.

Under the Act on Prevention of Leakage and Protection of Industrial Technology (the "ITA"), any export of national core technology requires the exporter to obtain approval of or report to the Ministry of Knowledge Economy, and is subject to strict regulation regardless of any contractual arrangement. Violation of this requirement under the ITA can be deemed as illegal technology leakage subject to criminal sanctions, even if it is not technically "trade secret" infringement.

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QUESTION 1:
Is it possible to prevent employees from competing? If there is a post-termination non-compete, what are the remedies? Are injunctions available?

Yes, it is possible to prevent employees from competing, but there are no specific injunctions available for this purpose. In fact, since the establishment of non-competition covenants may represent a deprivation of an employee's right to choose a profession and to work, for a covenant such as this to be valid under Macau law, it must be: i) agreed in writing between the parties; ii) limited to activities that are competitive with those developed by the employer and, therefore, prone to harm it; iii) limited to a certain geographic area in which the competitive activity may in fact harm the employer; and iv) remunerated.

QUESTION 2:
What remedies are possible for a breach of a confidentiality obligation and IP rights?

Depending on the facts surrounding the breach – which can only be assessed on a case-by-case basis – criminal and civil liability actions can be pursued in court. However, in most cases, any awards by the court based on breach of a confidentiality obligation and IP rights will depend on the employer being able to prove the violation or breach of the obligation caused an effective damage.

Examples of remedies that can be used in these situations, depending on the specific facts of the case, include: civil law action for unfair competition, civil liability action, and the non-specified injunction.

QUESTION 3:
What are the considerations if the breach involves cross-border?

Considerations on any case, and if claimed in a Macau court, will depend on the facts surrounding the specific breach and what is proven in court.

If the considerations were already awarded by a foreign court, any final and conclusive monetary judgment for a definite sum would be treated by the Courts of Macau as a cause of action in itself so that no retrial or further review of the merits would be necessary. However, for its enforcement in Macau jurisdiction, the award of a foreign court would be subject to the prior confirmation of the Macau Court of Appeal and the verification of the following cumulative requirements:

- There are no doubts regarding the authenticity of the document supporting the foreign court's decision, and the decision is intelligible;
- The judgment given by the foreign court is final and conclusive;
- The jurisdiction of the foreign court was not attained through fraud and the decision of the foreign court does not concern matters that are the exclusive jurisdiction of the Macau courts (property rights over real estate located in Macau and bankruptcy of companies with a registered head office in Macau);
- There is no previous judgment of, or proceedings pending in, Macau courts between the same parties to decide on the same issues as those decided by the foreign court, except if the foreign court reserved the jurisdiction;

- The defendant was properly served, and the right to contradict and the equal treatment of the parties within the foreign proceedings were respected; and
- The recognition or enforcement of the foreign judgment in Macau would not be contrary to public policy in Macau.

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QUESTION 1:

Is it possible to prevent employees from competing? If there is a post-termination non-compete, what are the remedies? Are injunctions available?

During employment, employees are expected to not act in conflict with the interests of their employer. This would extend to being engaged, either directly or indirectly, in any other activity, business, or occupation without the prior written consent of the employer, whether or not such activity, business, or occupation is of a competing business.

Post-employment, section 28 of the Contracts Act 1950 operates to render a non-compete provision on illegal restraint on trade:

> *"Every agreement by which anyone is restrained from exercising a lawful profession, trade, or business of any kind, is to that extent void."*

There are three exceptions to the general rule of restraint. The first applies where a party who has sold the goodwill of a business may be refrained from carrying on a similar business within specified local limits, as long as the buyer or any person deriving title to the goodwill from him carries on a like business therein. The second applies to a situation where partners may, upon or in anticipation of a dissolution of the partnership, agree that some or all of them will not carry on a business similar to that of the partnership within such local limits that are reasonable, having regard to the nature of the business. The third exception applies where partners of a firm may agree that someone individually, or all of them together, will not carry on any business, other than that of the partnership, during the continuance of the partnership.

Post-employment, any anti-competition clause that prevents a former employee from working for a competitor, or setting up a competitor company or firm in absolute terms, would be subject to section 28, and the Malaysian Courts will deem such a clause to be void and unenforceable.

QUESTION 2:

What remedies are possible for a breach of a confidentiality obligation and IP rights?

Malaysian Courts will act to prevent the exploitation of trade secrets learned by an employee in the course of his or her employment. The obligation to maintain confidential information survives the post-employment period even in the absence of any contractual obligations to do so.

Where the company can show that a former employee has acted in breach of his or her confidentiality obligations, the company can obtain a court order to prevent the former employee from using and/or disclosing such information, including obtaining injunctive relief.

QUESTION 3:

What are the considerations if the breach involves cross-border?

Post-employment, there is no remedy in Malaysia for employers whose former employees have crossed an international border.

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QUESTION 1:

Is it possible to prevent employees from competing? If there is a post-termination non-compete, what are the remedies? Are injunctions available?

Yes, it is possible to prevent employees from competing by including restraint of trade provisions in employment agreements. These can prohibit competition and/or solicitation of employees/customers/suppliers, etc. for a defined period.

To be valid and enforceable, restraints of trade must be both reasonable and necessary to protect the employer's genuine proprietary interests. In determining whether a restraint is reasonable, the Employment Relations Authority will consider factors such as:

- Whether the employer had a genuine proprietary interest worthy of protection;
- The scope, duration (between three and six months is fairly standard), and geographical area of the restraint;
- The nature of the business;
- The seniority of the employee;
- Whether any consideration has been paid to compensate for such restrictions; and
- The impact of the restraint on the individual (for example, the ability to earn a living).

To increase the likelihood that a restraint of trade will be deemed reasonable (and thus, enforceable), the restraint should be individually tailored to cover only what is necessary and reasonable for the employer's protection of its proprietary interests with respect to scope, duration, and geographical coverage.

Including a restraint among the terms and conditions contained in the employment agreement from the outset (including the remuneration) will likely constitute sufficient consideration for entering into a restraint of trade. Separate consideration, however, will be necessary for current employees with whom an employer wishes to negotiate restraints (or more onerous restraints) after the commencement of employment.

Employers seeking to enforce a restraint of trade can apply to the Employment Relations Authority for an injunction to prohibit an employee from breaching his or her restraint of trade obligations. An employer can also seek damages if it is able to show that it has suffered financial losses as a direct result of the employee's breach. Penalties of up to $10,000 can be awarded against employees for breaching their employment agreement and against their new employer (up to $20,000 for a company) for inciting, instigating, aiding, or abetting a breach of an employment agreement.

QUESTION 2:

What remedies are possible for a breach of a confidentiality obligation and IP rights?

Regardless of any post-employment restraints included in an employment agreement, it is implied in all employment agreements that employees owe ongoing confidentiality obligations to their employer.

Where an employer believes that there has been a breach of a confidentiality obligation and/or intellectual property rights, it may demand the employee to cease and desist from continuing the breach(es). The usual course of action is to seek undertakings that the employee will comply with his or her confidentiality and/or intellectual property obligations.

An employer may also apply to the Employment Court for a search order if it can sufficiently establish that an employee has removed confidential information and there is a significant potential for damage/loss. Remedies granted by the courts for such breaches can include a compliance order or injunction, damages or account of profits, penalties, or a declaration.

QUESTION 3:
What are the considerations if the breach involves cross-border?

There are two primary considerations. The first is to ascertain the proper governing law of the contract, which often will be set out in the employment agreement. The conduct of the parties, the nature and location of performance, the residence of the parties, and the legal terminology in the contract should all be taken into account when determining which system of law has the closest and most real connection with the employment agreement.

The other consideration is to identify the most appropriate forum (or jurisdiction) to pursue any breach of the employment agreement. This should be the forum with the most real and substantial connection in terms of convenience and expense, and taking into account where the contract was performed and the law governing the agreement. The New Zealand courts can decline to determine a matter on the grounds that there is another competent forum in which the case may be tried more suitably.

In terms of enforcing a foreign judgment within New Zealand or enforcing a New Zealand judgment overseas, New Zealand has reciprocal judgment treaties with a number of countries under the Reciprocal Enforcement of Judgments Act 1934, with Commonwealth countries (provided the judgment is for a sum of money), and most easily with Australia under the Trans-Tasman Proceedings Act 2010.

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QUESTION 1:

Is it possible to prevent employees from competing? If there is a post-termination non-compete, what are the remedies? Are injunctions available?

The Philippine Supreme Court has ruled that the validity of restraints upon trade or employment is to be determined by the intrinsic reasonableness of the restriction in each case rather than by any fixed rule, and that such restrictions may be upheld when not contrary to the public welfare, and not greater than is necessary to afford a fair and reasonable protection to the party in whose favor it is imposed.

In general, for a non-compete clause to be valid, it must be limited as to time, place, and trade. The determination of reasonableness is made on the particular facts and circumstances. In this connection, the Supreme Court has not limited the length of a valid non-compete restriction in terms of a fixed period.

In a more recent case, the Supreme Court noted that, in determining whether a restrictive covenant (prohibiting an employee from accepting post-termination competitive employment) is reasonable, the trial court should consider whether:

(a) The covenant protects a legitimate business interest of the employer;
(b) The covenant creates an undue burden on the employee;
(c) The covenant is injurious to the public welfare;
(d) The time and territorial limitations contained in the covenant are reasonable; and
(e) The restraint is reasonable from the standpoint of public policy.

Assuming that the non-compete clause is valid, its breach can give rise to a cause of action on the part of the employer, and enforced through a variety of ways.

On the basis of a breach of contract, the employer can file a complaint for injunction and damages. As a provisional remedy, the prayer for injunction seeks to restrain the employee from working for the competitor company during the restricted period.

Essentially, the requisites that must be shown are:

- The applicant must have a clear and unmistakable right to be protected, that is, a right in esse;
- There is a material and substantial invasion of such right;
- There is an urgent need for the writ to prevent irreparable injury to the applicant; and
- No other ordinary, speedy, and adequate remedy exists to prevent the infliction of irreparable injury.[1]

The following examples demonstrate the cases where an injunction is proper:

- When the employee's services are extraordinary, unique, or special;[2]
- If the employee possesses trade secrets or confidential customers' lists;[3]
- The employee is in a position to transmit secret formulae to the new employer;[4]
- The employee is in a position to draw customers away from the former employer;[5] and
- When the services of the employee are of such a character as to make him or her irreplaceable.[6]

1. St. James College of Paranaque v. Equitable PCI Bank, G.R. No. 179441, August 9, 2010.
2. Purchasing Associates v. Weitz, 196 NE2d 245.
3. Id.
4. Alabama Binder v. Pennsylvania Chemical, 189 A2d 180.
5. Id.
6. Purchasing Associates, 196 NE2d 245.

If the restricted period expires without the request for injunction being acted upon, the case will be reduced to the main action for damages. Furthermore, upon expiration, the issue of preliminary injunction will be moot, as the employee is now free to seek employment wherever he or she wants.[7]

The employer can also recover from the employee any damages it can prove to have actually suffered. If the employer is unable to demonstrate any actual damage, at the court's discretion it may still recover nominal damages. Under Article 2221 of the Civil Code, "nominal damages are adjudicated in order that a right of the plaintiff, which has been violated or invaded by the defendant, may be vindicated or recognized."

QUESTION 2:
What remedies are possible for a breach of a confidentiality obligation and IP rights?

Breach of a confidentiality obligation by an employee may be considered as serious misconduct, which constitutes a just cause for termination. An employer may also file an action for damages against an employee who breaches his or her confidentiality obligation under the terms of the employment contract.

The employer may also file a criminal action for Revelation of Industrial Secrets under Article 292 of the Revised Penal Code, which is punishable by imprisonment for a period of six months to four years maximum.

Under the Intellectual Property Code of the Philippines, the owner of a registered mark or patent may recover damages from any person who infringes his or her rights. The measure of the damages suffered shall be either the reasonable profit that the complaining party would have made had the defendant not infringed that party's rights, or the profit the defendant actually made out of the infringement. If the extent of damages cannot be readily ascertained with reasonable certainty, the court may award as damages a reasonable percentage based on the amount of the defendant's gross sales or the value of the services in connection with which the mark or trade name was used in the infringement of the rights of the complaining party

QUESTION 3:
What are the considerations if the breach involves cross-border?

If the breach involves cross-border, the question of where to sue – the jurisdiction, as well as the governing law – will have to be taken into consideration.

A final judgment rendered against an employee by a foreign court may be enforced before a Philippine court without a rehearing on the merits, notwithstanding that the judgment may be repelled by evidence that: (i) the foreign court did not have jurisdiction in accordance with the jurisdictional rules of such court; (ii) the party against whom the judgment was rendered had no notice of the proceedings; or (iii) the judgment of such foreign court was obtained through collusion or fraud, or was based on clear mistake of law or fact.

Any action for the enforcement or recognition of foreign judgments must be filed with the courts in accordance with the Rules of Court, specifically, *Section 48, Rule 39 of the 1997 Revised Rules of Civil Procedure*.

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7. Ticzon v. Video Post Manila, Inc., G.R. No. 136342, June 15, 2000.

QUESTION 1:

Is it possible to prevent employees from competing? If there is a post-termination non-compete, what are the remedies? Are injunctions available?

Yes, it is possible to impose covenants in restraint of trade to prevent employees from competing post-termination, provided that such clauses are properly and carefully drafted.

This is because such clauses are on the face of it unenforceable unless the party seeking to impose them shows that it has some legitimate proprietary interest meriting protection, and that the covenants are reasonable. Hence, it is important to ensure that the clauses are delicately crafted to ensure the effectiveness of the restraints.

Recognised protectable legitimate interests include confidential information, maintenance of a stable work force, and trade connections. Reasonableness is determined by the interests of the parties concerned and the interests of the public. The public's interest is in securing an environment in which freedom of trade and competition can thrive. Covenants that are too wide (e.g., with no geographical restraints, for an extended period of time, or seeking to cover a broad scope of activities including those not integral to the operations of the company) are likely to be deemed not reasonable. In such cases, the covenants will be void.

Possible remedies for breach of a restraint of trade covenant include: an action for damages, suing the employee for an account of profits made, or seeking an injunction. The employer may also sue the new employer in circumstances where the breach of restraint of trade covenant was induced by the new employer.

As alluded to above, injunctions are available in the Singapore courts. Employers commonly seek interlocutory injunctions (i.e., an interim injunction, pending the final resolution of the matter) when suing for breach of a post-termination non-compete covenant. For such an injunction to be granted, the former employer has to satisfy the court that: (a) there is a serious question to be tried; (b) damages are not an adequate remedy for a party injured by the court's grant of, or its failure to grant, an injunction; and (c) the balance of convenience lies with granting an injunction.

In ascertaining where the balance of convenience lies, the court will invariably assess the relative strength of each case and take the course of action that appears to carry the lower risk of injustice should it turn out that it was "wrong" in either granting or refusing the injunction. When a court grants an interlocutory injunction, the party seeking the injunction often needs to provide an undertaking as to damages, i.e., agree that it will compensate the other party should it eventuate that the interim injunction was not justified.

QUESTION 2:

What remedies are possible for a breach of a confidentiality obligation and IP rights?

The possible remedies for breach of a confidentiality obligation are:

- Damages;
- An account of profits;
- An injunction from making use of that information; and/or
- A delivery up or destruction order pertaining to the materials containing the confidential information.

For breaches of IP rights relating to copyright, patents, registered designs, and trademarks, an employer can seek essentially the same civil remedies – injunctions, damages, account of profits, delivery up, or destruction orders. Each of these breaches is also primarily regulated by specific Acts – the Copyright Act, Patents Act, Registered Designs Act, and the Trade Marks Act, respectively.

The employer may also wish to consider an action for "passing off" for breaches relating to trademarks if the necessary elements are satisfied. Similarly, a successful action for passing off would entitle the employer to civil remedies such as damages and injunction.

QUESTION 3:
What are the considerations if the breach involves cross-border?

If the breach involves cross-border issues, the key issue would be in which country the employer should commence an action against the employee.

If a contractual duty of confidentiality is breached, the Singapore court will generally hear the case if the employment contract contains a clause selecting Singapore as the forum for disputes arising under the contract. In the absence of such a clause, the court will consider whether Singapore is the natural forum and whether it has the closest and most real connection with the dispute. This involves such considerations as: where the employee resides, where the contract was formed or breached, where the witnesses and/or evidence are located, etc.

Where the breach is of a tortious nature, for it to be actionable in Singapore courts, the alleged breach must be actionable under both Singapore law and the law of the country where the tort was committed. Exceptions may apply depending on the facts and circumstances of each case.

Further, if the alleged wrong constitutes a breach of Singapore legislation, there is a general presumption against the legislation having extra-territorial effect unless there is an express or implied statutory intention for its provisions to have such effect.

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QUESTION 1:

Is it possible to prevent employees from competing? If there is a post-termination non-compete, what are the remedies? Are injunctions available?

Post-termination non-compete terms are known within the Sri Lankan legal system. However, there are no express statutory provisions governing post-termination non-compete terms/restrictive covenants. The applicable law in Sri Lanka is the law of contract, which is a mixture of the Roman Dutch law (the common law of the country) as modified by the application of English common law principles in decided cases.

There is little reported case law in Sri Lanka addressing restrictive covenants, and the legal position in regard to the validity of restraint of trade clauses is neither clear nor well settled. Given the considerable uncertainty in this area of law, it is likely that a court would be guided by English law principles and follow the persuasive authority of decisions of the courts in England regarding restraint of trade disputes. In general terms, English common law appears to recognize the category of agreements in restraint of trade as illegal and void unless reasonable. Courts in Sri Lanka have held that all contracts in restraint of trade are prima facie void, and each case must be examined taking into account any special circumstances to ascertain whether or not the restraint is justified The only ground of justification is that the restraint is reasonable with respect to the interests of both contracting parties, as well as the public.

A non-compete restrictive covenant may be justifiable if it is designed to protect a legitimate business interest, such as confidential information, and if it is reasonable as between the parties, as well as in the public interest. A covenant that restrains an employee from competition would likely be deemed unreasonable and therefore held to be void, unless there is some exceptional proprietary interest on the part of the employer (e.g., a trade connection or trade secret) that requires protection. A restraint against competition by an employee has been held to be justifiable if its purpose is to prevent the exploitation of trade secrets learned by the employee in the course of employment.

Sri Lankan law also follows the English remedy for breach of a restrictive covenant, which is injunctive relief. A court in Sri Lanka may issue either an interim or final injunction. Enjoining orders are also available under certain circumstances. In order to issue an injunction, the court would have to be satisfied, amongst other matters, that there is a serious question to be tried at the hearing and a probability, based on the facts before it, the plaintiff is entitled to relief.

The Court would also take into consideration whether the decree that may ultimately be entered in favor of the party seeking the injunction would be inconsequential or ineffective if the injunction is not issued. Courts in Sri Lanka have long followed English law authority that an injunction will not be allowed against an employee if the consequences would put the employee in a position of having to continue working for the former employer or starve.

Further, the remedies available for breach of a contract under contract law would also be applicable.

QUESTION 2:

What remedies are possible for a breach of a confidentiality obligation and IP rights?

Section 160 of the Intellectual Property Act no. 36 of 2003 contains provisions governing unfair competition and undisclosed information. Specifically, section 160(7) provides that "any person or enterprise or association of producers, manufacturers or traders aggrieved by any act or practice referred to in section 160 of the Act may institute proceedings in Court to prohibit the continuance of such act or practice and obtain damages for loses suffered as a result of such act or practice."

Further, where there has been an infringement of a relevant IP right recognized in the Act, the court can grant an injunction restraining any person from commencing or continuing such infringement or performing such acts, and may order damages and other relief as it deems just and equitable. The injunction may be granted along with an award of damages, and shall not be denied only for the reason that the applicant is entitled to damages.

QUESTION 3:

What are the considerations if the breach involves cross-border?

If the governing law is foreign law that recognizes restrictive covenants, a Sri Lankan court would have to decide whether the choice of foreign law is valid and if as a matter of public policy there would be any bar to enforcing the covenant.

A choice of law would generally be upheld. In *International Science and Technological Institute (ISTI) v. Rosa and Others*,[1] for example, the court had to ascertain the proper law of contract since it was unclear whether U.S. or Sri Lankan law ought to apply. There was no choice of law clause in the contract. The court discussed at some length how choice of law could be ascertained within the context of a contractual agreement. Ultimately, it formally adopted both English and Australian private international law principles, and held that the proper law may be ascertained through express selection of the parties, inferred selection from the circumstances, or a determination by the court of the system of law with which the transaction has the closest and most real connection. The judgment demonstrates the possibility and willingness of Sri Lankan Courts to adopt international standards in private international law when resolving such issues that arise in Sri Lanka.

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1. *International Science and Technological Institute (ISTI) v. Rosa and Others*, reported in (1994) 1 S.L.R. 413.

QUESTION 1:
Is it possible to prevent employees from competing? If there is a post-termination non-compete, what are the remedies? Are injunctions available?

Yes. It is possible to prevent employees from competing via a non-compete clause in the employment agreement.

The Ministry of Labor has outlined certain factors by which a post-employment non-compete clause will be judged as fair and enforceable. These factors have been adopted by Taiwan courts and integrated, pursuant to Article 9-1 of the Labor Standards Act (LSA):

(1) Whether the enterprise has a legitimate interest to protect through a non-compete clause;

(2) Whether the employee held a certain job or position at his/her former employer's enterprise under which trade secrets are accessible/usable;

(3) Whether the restrictions on who, where, and when the employee may seek his/her next employment and the type of employment activities prohibited are reasonable; and

(4) Whether compensation is provided to the employee in consideration of the losses resulting from such restrictions.

The quantifiable guidelines with respect to the above four factors, as stipulated in Article 9-1 of the LSA, as well as the "Reference Principles Regarding Post-Employment Non-Compete Clauses between Employers and Employees" are that a non-compete clause shall not be longer than two years, and the compensation provided per month shall not be lower than one-half of the average monthly wages of the employee at the time of departure.

If a non-compete clause is included in an employment agreement, remedies in the form of money damages may be claimed for nonperformance of this clause. Liquidated damages may also be claimed if expressly stipulated in the employment agreement, and subject to the court's finding whether the amount is reasonable based on factors such as the overall socioeconomic environment, the employer's damages as a result of the breach, the former employee's gains from the breach, etc.

The courts in Taiwan have used the following factors to determine whether to grant injunctive relief for breach of a non-compete clause:

1. The damages suffered by the employer if the preliminary injunction is not granted are greater than the damages suffered by the former employee if the preliminary injunction is granted; and
2. The preliminary injunction order is necessary to prevent serious harm or imminent danger.

Regarding the first factor, the court has looked at the potential harm to the employer based on the legitimate business interest at issue (e.g., loss of business operations) versus harm to the former employee (e.g., the scope of the restrictive covenant). The key issue for the second factor is whether it is necessary for a court to take action before reviewing the merits of the case to prevent serious harm or imminent danger. Under Taiwan law, the court may, at its discretion, order the petitioner-employer to post a monetary security against the harm suffered by the former employee before granting the injunctive relief. In practice, however, the amount of security required is often based on the salary the employee would have received during the injunction period.

QUESTION 2:

What remedies are possible for a breach of a confidentiality obligation and IP rights?

Money damages, liquidated damages, preliminary injunctions, and criminal liabilities are all possible remedies.

Money damages are available for breach of a confidentiality obligation expressly established in an agreement, or if such a breach falls under the scope of trade secret protections based on the Trade Secrets Act. Liquidated damages may be claimed if such terms were also stipulated in the agreement. The same applies if there is a breach of IP rights pursuant to the relevant IP laws in Taiwan (the Patent Act, Copyright Act, Trademark Act, etc.) and the related obligations in the agreements.

Injunctive relief is available to stop the breach of confidentiality and infringement of IP rights, but the court may also require the petitioner to provide a monetary security before granting the request. In addition, according to related IP laws and the Trade Secrets Act, criminal punishments will be imposed on infringements of copyrights, trademark rights, and trade secrets.

QUESTION 3:

What are the considerations if the breach involves cross-border?

If a former employee was successfully sued in the home jurisdiction overseas, but is currently living in Taiwan, according to Article 402 of the Taiwan Code of Civil Procedure, as well as Article 4-1 of the Compulsory Enforcement Act, it is possible that a final and binding judgment/ruling rendered by a foreign court will be recognized and enforced in Taiwan under certain statutory circumstances. For those foreign judgements that are not recognized and enforced, a lawsuit concerning the same claim shall be filed in a Taiwan court instead.

On the other hand, if a former employee was successfully sued in Taiwan courts, but is living abroad, whether a judgement made by the Taiwan court will be recognized and enforced abroad is subject to the laws and regulations of the particular jurisdiction.

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QUESTION 1:

Is it possible to prevent employees from competing? If there is a post-termination non-compete, what are the remedies? Are injunctions available?

Yes, a contractual non-compete provision that prohibits an employee from working for a competitor for the duration of employment will usually be upheld. A breach would be considered a violation of the employment contract, and the employer would generally have the right to terminate the employment relationship. In some cases this might require the employer to give severance pay under the law, depending on whether or not the breach was considered a dishonest performance of the employee's duties.

However, post-termination non-compete provisions may not necessarily be fully enforceable. The Courts take into consideration the following issues in determining enforceability.

- *Does the employer have a proprietary interest that it is entitled to protect?*

The employer must be able to show that its trade secrets and other relevant intellectual property need to be protected from disclosure to competitors by the former employee. Courts may also take into consideration the need to maintain stability of the employer's organization, which could be disrupted if the non-compete provision cannot be enforced.

- *Is the provision reasonable?*

The Thai courts are given authority by Thai law to rule on the reasonableness of a non-competition clause, including any geographical restrictions and the duration of the limitation. The courts will consider each case on its own merits, taking into consideration whatever they consider relevant.

In principle, geographical restrictions should not cover an area greater than necessary to protect the interests of the employer. The courts have many times upheld a restriction within Bangkok and its perimeter, but in one case, for example, ruled that a prohibition from working with competitors in Thailand, Vietnam, Cambodia, Laos, and Myanmar was enforceable.

A non-compete provision without a specified duration is unenforceable, as it would exceed the need to protect the legitimate interests of the employer and create too great a burden for the employee. The Thai courts have held that restrictions on employees from working for competitors for six months are enforceable, and have even upheld a two-year limitation period. Consequently, a non-compete period of two or fewer years may be acceptable to the Thai courts, subject to consideration of the length of limitation in relation to the need to protect the employer's intellectual property. The Thai courts have the discretion to uphold a non-competition clause in practice to the extent that they determine it to be fair and reasonable, i.e., they are not required to strike down such a clause altogether if they find that its provisions are excessive.

The Thai courts seldom grant interim or temporary injunctive relief, i.e., relief prior to judgment.

QUESTION 2:

What remedies are possible for a breach of a confidentiality obligation and IP rights?

In accordance with the Labour Protection Act, an employer can terminate the employment of a current employee for breach of a confidentiality obligation or IP rights. Depending on the severity of the breach, the termination may be made on the limited grounds available "with cause" (i.e., without severance payment), but can be made in all other cases "without cause" (i.e., with severance payment).

Disclosure of an employer's confidential information and breaches of IP rights may also be subject to Thailand's Penal Code, Trade Secrets Act, Patent Act and Copyright Act. Remedies may first include temporary restraining orders or injunctions – although in practice such orders are rarely awarded – and the courts will instead award one or more of the four types of final remedies: payment of a sum of money as compensation (monetary damages); delivery of property; specific performance; and restraint from performing an act (injunction).

QUESTION 3:

What are the considerations if the breach involves cross-border?

Thai law does not provide for the enforcement or recognition of a foreign judgment in Thailand, nor is Thailand a party to any treaty or agreement by which a foreign court judgment may be entitled to recognition and enforcement in Thailand.

Consequently, a judgment against a former employee obtained in the home jurisdiction could not be enforced in Thailand. At best – if enforcement in Thailand is required – a new action against the former employee sued in the home jurisdiction would need to be initiated in Thailand, whereupon the judgment and documentary evidence from the foreign litigation might be admissible as evidence in Thailand.

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