Neutral Citation Number: [2019] EWHC 1733 (IPEC)

Case No: IP-2018-000183

IN THE HIGH COURT OF JUSTICE
BUSINESS AND PROPERTY COURTS OF ENGLAND AND WALES
INTELLECTUAL PROPERTY ENTERPRISE COURT

Royal Courts of Justice, Rolls Building
Fetter Lane, London, EC4A 1NL

Date: 05/07/2019

Before :

HIS HONOUR JUDGE HACON

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Between :

(1) GLENCAIRN IP HOLDINGS LIMITED **(2) GLENCAIRN CRYSTAL STUDIO LIMITED**	**Claimants**
- and -	
(1) PRODUCT SPECIALITIES INC (t/a FINAL TOUCH) **(2) JERAY (SALES) LIMITED (t/a ORIGINAL PRODUCTS)**	**Defendants**

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- -

Theo Barclay (instructed by **Stobbs (IP) Limited**) for the **Claimants**
Stephanie Wickenden (instructed by **Virtuoso Legal Limited**) for the **Defendants**

Hearing dates: 13 June 2019

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Approved Judgment

I direct that pursuant to CPR PD 39A para 6.1 no official shorthand note shall be taken of this Judgment and that copies of this version as handed down may be treated as authentic.

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HIS HONOUR JUDGE HACON

Judge Hacon :

Introduction

1. The claimants ('Glencairn' where I refer to them collectively) apply for an injunction to restrain the defendants' solicitors ('Virtuoso') from acting further for the defendants (collectively 'Final Touch') in these proceedings.

2. Glencairn say that if Virtuoso continue to act for Final Touch, there is a risk that information confidential to Glencairn and known to solicitors within Virtuoso through acting in earlier litigation will inadvertently be passed to Final Touch.

3. Theo Barclay appeared for Glencairn in their application, Stephanie Wickenden for Final Touch.

Background

4. The second claimant is a company with registered offices in Hamilton, South Lanarkshire. It designs, makes and sells glassware. The first claimant is a sister company which holds intellectual property rights used by the second claimant in the course of its business.

5. In September 2018 Glencairn brought an action against Dartington Crystal (Torrington) Limited ('Dartington') for infringement of UK Registered Design No. 2,093,670 ('the Registered Design). The product alleged to infringe was a whisky glass. Dartington were represented by Virtuoso.

6. In September 2018 Glencairn became aware of another glass which in their view was too close to their design. It was manufactured by the first defendant, a Canadian manufacturer of glassware based in Ontario and was imported into and sold in this country by the second defendant. A letter before action was sent on 25 September 2018. Final Touch instructed Virtuoso to represent them.

7. On 8 November 2018 Glencairn issued the claim form in the present action. It is for infringement of the Registered Design and also infringement of an EU Trade Mark for the three-dimensional shape of a whisky glass and for passing off.

8. At about the same time, Glencairn and Dartington agreed to conduct a mediation in an attempt to settle their differences. Position statements were exchanged. As is usual, they were stated to be confidential. The mediation took place on 11 December 2018 under a mediation agreement which expressly bound the parties and the solicitors present to keep confidential information disclosed at the mediation.

9. Following discussions which continued after the mediation agreement was reached. The Dartington litigation was settled by a Tomlin Order dated 8 January 2019.

10. By the time of the mediation Virtuoso had taken the view that it would not be appropriate for their Dartington team to be involved in the Final Touch litigation. An information barrier was set up on 11 December 2018. On 19 December 2018 Mr Partington of Virtuoso, who headed the Dartington team, sent an email to the solicitors acting for Glencairn ('Stobbs') stating that he and his colleagues, Mr Walawage and

Mr Popa would not be acting for Final Touch and that a 'Chinese wall' had been implemented.

11. On 14 February 2019 Stobbs sent a letter to Virtuoso stating that the Chinese wall at Virtuoso was inadequate and expressing the doubt that any set up between the Dartington and Final Touch teams at Virtuoso could be effective. Stobbs requested that Virtuoso should cease to act for Final Touch. On 18 February 2018 Virtuoso declined to stand down. On 8 March 2018 Glencairn filed the application notice for this application.

12. Glencairn's concern is that Virtuoso became aware of information disclosed by Glencairn during the Dartington mediation and during discussions both leading up to it and afterwards. This included Glencairn's negotiating position and the terms on which Glencairn was prepared to settle. Glencairn argues that there is a risk that this information or some of it will become known to Final Touch via Virtuoso and that this will provide Final Touch with an advantage in these proceedings, particularly in any settlement negotiations that may take place.

The principles established in *Bolkiah*

13. *Prince Jefri Bolkiah v KPMG* [1999] 2 AC 222 provides the most authoritative guidance to date in relation to the potential for a conflict of interest arising when professional advisors act for different parties. This was in a particular context: the professional advisors had acted for a first party, had ceased to act, and subsequently wished to act for a second party in litigation against their former client, the first party. The professional advisors were forensic accountants but it was common ground that on the facts of the case their position was to be equated with that of solicitors.

14. In summary, Lord Millett, with whom the remainder of their Lordships agreed, held:

    (a) The basis of the court's jurisdiction to intervene on behalf of a former client of a solicitor to restrain the solicitor from acting for a current client is the protection of information confidential to the former client (at 234G-H). The only duty to the former client which survives the termination of the client relationship is a continuing duty to preserve the confidentiality of information imparted during its subsistence (at 235D).

    (b) The former client must establish (i) that the solicitor is in possession of information which is confidential to him and to the disclosure of which he has not consented and (ii) that information is or may be relevant to the new matter in which the interest of the other client is or may be adverse to his own (at 235D-E).

    (c) The burden of proof on the former client is not a heavy one. Matter (i) may readily be inferred. Matter (ii) will often be obvious. Whether a particular individual is in possession of confidential information is question of fact which must be proved or inferred from the circumstances of the case (at 235E-F).

    (d) The solicitor's duty to preserve confidentiality is unqualified. It is a duty to keep the information confidential, not merely to take all reasonable steps to do so. Moreover, it is not merely a duty not to communicate the information to a

third party. It is a duty not to misuse it, that is to say, without the consent of the former client to make any use of it or to cause any use to be made of it by others otherwise than for his benefit (at 235G-H).

(e) The former client is entitled to prevent his former solicitor from exposing him to any avoidable risk; and this includes the increased risk of the use of the information to his prejudice arising from the acceptance of instructions to act for another client with an adverse interest in a matter to which the information is or may be relevant (at 235H-236A),

(f) The court should intervene unless it is satisfied that the risk of disclosure of confidential information is no more than fanciful or theoretical (at 237A).

(g) It is not appropriate to conduct a balancing exercise. Considerations such as (i) the knowledge of the former client that the solicitor acted for the later client and (ii) the inconvenience and expense to which the later client would be put if he were prevented from employing the solicitor's services are not relevant (at 237B-F).

(h) Once the former client has established that the defendant firm is in possession of information which was imparted in confidence and that the firm is proposing to act for another party with an interest adverse to his in a matter to which the information may be relevant, the evidential burden shifts to the defendant firm to show that even so there is no risk that the information will come into the possession of those now acting for the other party (at 237G).

(i) There is no rule of law that Chinese walls are insufficient to eliminate the risk. But the starting point is that unless special measures are taken, information moves within a firm (at 237H).

(j) Notwithstanding the implementation of a Chinese wall, the court should restrain the firm from acting for the second client unless satisfied on the basis of clear and convincing evidence that effective measures have been taken to ensure that no disclosure will occur (at 237H-238A).

(k) Effective measures in the form a Chinese wall will normally involve some combination of the following organisational arrangements: (i) the physical separation of the various departments in order to insulate them from each other – this often extends to such matters of detail as dining arrangements; (ii) an educational programme, normally recurring, to emphasise the importance of not improperly or inadvertently divulging confidential information; (iii) strict and carefully defined procedures for dealing with a situation where it is felt that the wall should be crossed and the maintaining of proper records where this occurs; (iv) monitoring by compliance officers of the effectiveness of the wall; (v) disciplinary sanctions where there has been a breach of the wall (at 238C-E).

(l) An effective Chinese wall needs to be an established part of the organisational structure of the firm, not created ad hoc and dependent on the acceptance of evidence sworn for the purpose by members of staff engaged on the relevant work (at 239D-E).

15. The judgment of the House of Lords in *Bolkiah* has been explained and developed in several cases since.

Concrete examples of possible leak of information

16. In *Young v Robson Rhodes* [1999] 3 All ER 524 Laddie J held that there was no requirement placed on the former client to give examples of instances where a harmful inadvertent leak of information could take place. The former client may not know enough about the working patterns of the defendant firm to formulate examples (at 539a-c).

Whether an established information barrier is necessary

17. In the same case Laddie J said that Lord Millett's principle that an effective barrier needs to be part of the organisational structure of the firm was not to be taken too literally:

> "The crucial question is 'will the barriers work?' If they do, it does not matter whether they were created before the problem arose or are erected afterwards. It seems to me that all Lord Millett was saying was the Chinese walls which have become part of the fabric of the institution are more likely to work than those artificially put in place to meet a one-off problem." (at 539e-f).

The strength of the link between the two proceedings

18. In *Re Solicitors' Firm* [2000] 1 Lloyd's Rep 31, Timothy Walker J held that the strength or weakness of the link between the first set of proceedings involving the former client and the second set in which the former client seeks to restrain the solicitors acting is a matter to be taken into account when considering the existence of any real, as opposed to theoretical, disclosure adverse to the former client's interest (at p.33 col 1).

The size of the firm

19. In *Halewood International Ltd v Addleshaw Booth & Co* [2000] *Lloyd's Rep* 298 Neuberger J observed (at p.306):

> "As pointed out by Mr Wyand, ABC's IP department in Leeds is relatively small when one looks at the size of the relevant departments in the three very recently reported cases to which I have referred. However, it seems to me that, while one can see an argument for saying that makes it more likely that information will cross a barrier, I believe that it is unrealistic not to conclude that the fewer people are subject to the barrier the less likely the barrier is to be crossed. It appears to me to be self-evidently easier to police a system involving fewer people rather than more people. Statistically, the risk of someone doing something wrong by accident is greater the more people may be subject to the possibility of accident."

20. On the other hand, in the guidance notes to Chapter 4 of the *Solicitors Regulation Authority Handbook* (v.21, Dec. 2018), note O(4.4) speaks of the need to put in place "effective safeguards including information barriers which comply with the common law" where the solicitors hold confidential information about one client with an adverse interest to another client. The notes at the end of that section of Chapter 4 state:

> "The following circumstances may make it difficult to implement effective safeguards and information barriers:
>
> (a) you are a small firm;
>
> (b) the physical structure or layout of the firm means that it will be difficult to preserve confidentiality; or
>
> (c) the clients are not sophisticated users of legal services."

21. *The Solicitor's Handbook 2017*, Hopper and Treverton-Jones, discusses the foregoing Code of Conduct (or its earlier equivalent), noting (at §4.38):

> "It is unsurprising in the circumstances that the guidance notes to Chapter 4 emphasise the difficulty of implementing effective safeguards and information barriers if the firm is small; if the physical structure or layout of the firm means that it will be difficult to preserve confidentiality; or if the clients are not sophisticated users of legal services. While this is not a 'City firm only' rule or '20+ partner only' rule, in reality it is unlikely that any small firm would be able to achieve the necessary protections and effective barriers."

Whether the *Bolkiah* principles apply to the present case

22. The most important difference of fact between *Bolkiah* and the present case is that Virtuoso has never acted for Glencairn. The potential risk posited by Glencairn is the disclosure to Final Touch of information gleaned in the Dartington mediation and thus a breach of the obligation of confidence owed by Virtuoso to Glencairn arising from the mediation. In *Bolkiah* there was an additional risk in play: the possibility of a breach of the continuing fiduciary duty owed by a solicitor to a former client.

23. In *Adex International (Ireland) Limited v IBM United Kingdom*, judgment of 17 November 2000 (unrep.), a claimant ('Time') had brought proceedings against the defendant ('IBM') seeking damages for supply of defective chipsets contained in computers delivered. Following negotiations there was a settlement agreement containing a confidentiality clause. Later, another claimant ('Adex') started proceedings against IBM seeking damages for the delivery of PCs with similarly defective chipsets. The solicitor acting for Adex had earlier acted for Time. IBM sought an order that Adex should be represented by alternative solicitors. HH Judge Hallgarten QC accepted that in negotiations between Adex and IBM the solicitor would not be able to put out of his mind the financial terms on which IBM had been prepared to settle the case with Time, particularly when advising Adex whether to accept any offer that may be made by IBM. The judge concluded that the solicitor could not continue to act for Adex. However, it appears from the end of the judgment that subject to submissions from counsel, the judge might have been prepared to allow the solicitor's firm to continue acting provided an adequate information barrier could be implemented.

24. In *Carter Holt Harvey Forests Ltd v Sunnex Logging Ltd* [2001] 3 NZLR 343 a plaintiff ('Rua') had issued proceedings against a defendant ('CHHF') arising out of the termination of certain contractual arrangements. There was a mediation attended by the parties' lawyers which was subject to a comprehensive confidentiality agreement.

The mediation was successful and the claim was settled. Later another plaintiff ('Sunnex') started an action along the same lines against CHHF. Sunnex instructed the solicitors and counsel who had acted for Rua against CHHF. At first instance the judge held that the lawyers could continue to act for Sunnex as long as they took no part in any settlement negotiations. The New Zealand Court of Appeal allowed CHHF's appeal, restraining Sunnex from instructing the same solicitors or counsel or anyone from their respective offices.

25. Delivering the judgment of the court, Blanchard J (at [21]) distinguished the facts before the Court from those cases (like *Bolkiah*) concerned with whether lawyers or other advisors may act against a former client. The lawyers' obligation in *Carter Holt* arose only from the contractual undertakings of confidence which they had given in the mediation. He noted that although the undertakings had been express, implied undertakings arising from a mediation would probably have been sufficient:

> "[24] The position may well have been much the same even without an express confidentiality clause. The very nature of a mediation requires that, in principle, it be conducted on a confidential basis, with the parties encouraged to 'lay bare their souls' for the purpose of facilitating a conciliation and resolution of the dispute. Understandably, the parties will be cautious about doing so if what they do and say can be used against them for a different purpose by lawyers who happen to be participating."

26. The court did not accept that there was no risk of any relevant disclosure. Blanchard J went on to outline a shifting burden of proof akin to that in *Bolkiah*:

> "[26] … Certainly a party seeking the exclusion of the other side's legal advisor must first show that there is an appearance of risk, going beyond the remote or merely fanciful, of conscious or unconscious use or disclosure by the lawyer of something relevant to the current dispute of which he lawyer gained knowledge as a result of participation in an earlier mediation But if that threshold is reached, it is then for the lawyer to demonstrate that in fact no such risk exists or that, if it does, no damage, other then de minimis, could possibly result from use or disclosure.
>
> [27] The initial threshold is appropriately a low one because of the nature of the obligation of confidentiality which the lawyers accepted in their written agreements when undertaking the mediations. Beyond pointing to the general circumstances of the particular case – here the apparently overlapping claims arising out of a similar factual background of purchases of machinery and equipment on the basis, as alleged, of representations of CHHF – it should not be required of a party seeking to ensure the protection of its confidential information that it must spell out particular matters of concern. To ask it to do so might be to ask it to reveal the very matter it is seeking to keep to itself. Moreover, it may not be able to be sure exactly what the lawyers may have learned from their observations during the mediation process. The disadvantage it is seeking to prevent may be as subtle as something which may have been observed by the lawyers in the body language of one of its representative. Even an observation of that kind might give the lawyers a tactical advantage in deciding how to pursue the claim of their other client."

27. The Court (at [29]) was not much impressed by the argument that the order sought may unjustly deprive litigants of their lawyers of choice since, in the court's view, it will be in a relatively small number of cases that the plaintiff will wish to instruct the same lawyers as were instructed by an earlier plaintiff in a similar case. Where this arises and the mediation in the earlier proceedings has not yet taken place, the lawyers can step aside from the mediation.

28. Both *Adex International* and *Carter Holt* were considered in *Virgin Media Communications Ltd v British Sky Broadcasting Group plc* [2008] EWCA Civ 612; [2008] 1 WLR 2854. The claimants ('Virgin') and the defendants ('Sky') competed in the UK market for pay TV. Three sets of proceedings were set running: an action in the High Court, a review by the Office of Communications ('Ofcom') and proceedings before the Competition Appeal Tribunal ('the CAT'). Virgin instructed the same lawyers in all three proceedings. The team of lawyers instructed by Sky in the High Court was different to that instructed in the other two tribunals. In the High Court disclosure took place, including that of confidential documents that were disclosed to external lawyers only. Sky sought an order restricting the disclosure of their confidential documents to the Virgin lawyers who were not acting in the Ofcom and CAT proceedings.

29. At first instance Lewison J held that to accede to the application would be extremely disruptive of Virgin's preparations for the High Court trial. It would be disproportionate to require Virgin to change their legal team and Sky was adequately protected by the Civil Procedure Rules limiting the use of documents to the purpose for which they had been disclosed and by the confidentiality undertakings entered into by Virgin's lawyers.

30. The Court of Appeal dismissed the appeal primarily because the risk that information disclosed in the High Court proceedings would be improperly used in the CAT or in the Ofcom review was fanciful (at [24]-[27]).

31. Regarding matters of principle, Lord Phillips, giving the judgment of the Court, started with the proposition (at [20]) that it is desirable that a litigant should be free to instruct the lawyer of his choice. He rejected (at [21]) the submission that the duty under the CPR not to make ulterior use of disclosed documents is the same as the obligation of confidentiality which exists between a solicitor and his client, i.e. the circumstance in *Bolkiah*. Lord Phillips then said:

> "[22] The passage in the speech of Lord Millett in *Prince Jefri Bolkiah v KPMG* [1999] 2 AC 222 relied upon by Mr Glick cannot be applied to a solicitor who has obtained information from an opponent by the process of disclosure. It is usually enough to rely upon the recognition by a solicitor of the duty not to make any ulterior use of information obtained by disclosure. The *Adex International* case (unreported) 17 November 2000 was correctly decided, but it is a rare example of a situation where a solicitor was precluded from acting for a different claimant against the same defendant in respect of a similar claim as a result of confidential information obtained about the defendant in the earlier proceedings. The approach of the Court of Appeal of New Zealand in the *Carter Holt Harvey Forests* case [2001] 3 NZLR 343 was adopted in a case involving an express confidentiality agreement in mediation. It is not an approach that can

> be generally applied whenever information has been obtained by lawyers in a case as a result of disclosure."

32. The Court of Appeal thus approved both *Adex International* and *Carter Holt*.

33. After *Virgin Media* the New South Wales Court of Appeal gave judgment in *Worth Recycling Pty Ltd v Waste Recycling and Processing Pty Ltd* [2009] NSWCA 354. The facts were similar to those of *Carter Holt*: a first action was settled by mediation entered into under a written obligation of confidence. The solicitors acting for the claimant were retained to act for a different claimant in a second action against the same defendant. A difference was that the solicitors did not themselves enter into the confidentiality agreement. Hodgson JA, with whom Spigelman CJ and Campbell JA agreed, nonetheless found that the solicitors were bound by an implied duty of confidence.

34. The Court followed *Carter Holt* save for one matter, regarding the burden of proof, discussed further below.

Classes of case

35. At least two classes of case can be discerned from the authorities. The first consists of actions like *Bolkiah* in which a former client seeks to restrain a solicitor (or equivalent professional advisor) from acting for a party with an interest adverse to the former client. In these circumstances there is a continuing fiduciary duty owed by the solicitor to the former client and a risk of disclosure of information which is both confidential to the former client and privileged. Lord Millett explained the policy behind the strict restrictions imposed on the solicitor in such circumstances (*Bolkiah* at 236F-H)

> "It is … difficult to discern any justification in principle for a rule which exposes a former client without his consent to any avoidable risk, however slight, that information which he has imparted in confidence in the course of a fiduciary relationship may come into the possession of a third party and be used to his disadvantage. Where in addition the information in question is not only confidential but also privileged, the case for a strict approach is unanswerable. Anything less fails to give effect to the policy on which legal professional privilege is based. It is of overriding importance for the proper administration of justice that a client should be able to have complete confidence that what he tells his lawyer will remain secret. This is a matter of perception as well as substance. It is of the highest importance to the administration of justice that a solicitor or other person in possession of confidential and privileged information should not act in any way that might appear to put that information at risk of coming into the hands of someone with an adverse interest."

36. In the second class, information confidential to a party has come into the possession of solicitors who are acting for another party with an adverse interest to the first party. The solicitors have never acted for the first party and therefore owe him no fiduciary duty. An example of such a case was *Stiedl v Enyo Law LLP* [2011] EWHC; [2012] PNLR 4 in which Beatson J drew the distinction between the two classes:

> "[39] … I accept Mr Smith's submission that a distinction is to be made between two classes of case. The first class consists of cases in which there has

> been a previous relationship of solicitor and client in which confidential or privileged information is acquired by the solicitor and that solicitor now acts or wishes to act for another person who is in dispute with the former client. The second class consists of cases where, without any such previous relationship, a solicitor becomes possessed of confidential or privileged information belonging to the other party to the dispute. The distinction operates at the level of remedy: see *Solicitors, Re* [1997] Ch. 1; [1995] 3 All E.R. 482 at p.492 of the latter report. In that case, Lightman J. stated that in a 'previous relationship' case, in the ordinary course a court will grant an injunction restraining the solicitor acting, as it did in the earlier case with the same name; *Solicitors (A Firm), Re* [1992] Q.B. 959. In cases where there has been no previous solicitor-client relationship, however, 'in the ordinary course the court will merely grant an injunction restraining the solicitor making use of that information', as it did in *English and American Insurance Co Ltd v Herbert Smith* [1998] F.S.R. 232 and *Goddard v Nationwide Building Society* [1987] Q.B. 670."

37. *Virgin Media* also falls into the second class, with the additional factor that if the confidential information were to be disclosed, such disclosure would also have been in breach of the rules of the court limiting the use of any disclosed document to the purpose of the proceedings in which it is disclosed (CPR 31.22(1)).

38. Two questions arise. First, does the present case falls into either class or alternatively into a third and distinct class? Secondly, if there is a third class, which if any of the approaches set out in *Bolkiah* should be applied to the present case?

39. The relevant class for this case must also accommodate *Adex International*, *Carter Holt* and *Worth Recycling*. In *Carter Holt* the Court said that the present type of case should not be analysed in terms of authorities (like *Bolkiah*) in which the lawyers sought to be restrained are acting against a former client (at [21).

40. That said, there are clearly parallels in the policy underlying the ruling in *Bolkiah* and that behind the decision in *Carter Holt*. This was underlined by the New Zealand Court of Appeal (at [24], quoted above). The policy in both cases is that parties must retain the freedom to be candid, in the one circumstance to their solicitors and in the other, in a mediation. Those freedoms should not be eroded. However, it seems to me that the two freedoms are not identical. Candour in a mediation will take the form of disclosing information to an adversary or potential adversary. Candour on the part of a client to his lawyer, whose duty and interest lies in promoting the cause of his client, is likely to be the product of little or no inhibition and a complete assumption that the information disclosed will go no further without the client's consent. It would follow that higher safeguards against the wrongful disclosure of information are proportionate in the *Bolkiah* type of case when compared to a case of the present type.

41. As to the second class, in *Virgin Media* the Court distinguished *Adex International* and *Carter Holt* from cases in which the risk was the ulterior use of disclosed documents. Cases like those and the present one differ from the second class in that the solicitors are subject to a confidentiality agreement, arising out of a mediation, by which they are bound not to disclose the information in question.

The correct approach

42. Mr Barclay submitted that *Bolkiah* and the cases with similar facts provided the guiding light to the assessment of whether there should be an order restraining Virtuoso from acting. Ms Wickenden argued that I should follow the approach in *Stiedl*.

43. In my view the correct approach lies somewhere between the two. The present case, along with *Adex International*, *Carter Holt* and *Worth Recycling* belongs to a third, intermediate class of cases.

44. I would add that while it is convenient to divide cases into classes for the purpose of explaining why the relief in one class would not be proportionate if granted in relation to another class, it may be that the simpler and more accurate point is that each case must turn on its facts and the proportionate approach to granting relief is liable to vary accordingly.

45. For the foregoing reasons, in my view the *Bolkiah* approach should not be applied with full force to the present case. Equally, I do not believe that the relief can in no circumstances go further than an injunction restraining the solicitor from making use of the confidential information (as in *Stiedl*). Neither of those two approaches would be proportionate. In effect, therefore, I must decide which aspects of *Bolkiah* should be applied to the present case.

Balancing exercise

46. Lord Millett ruled in *Bolkiah* that the assessment was not a balancing exercise. The impact on the solicitor's current client of an order restraining the solicitor from acting was not relevant (see above). This was referred to by Sir Robin Jacob in *Generics (UK) Ltd v Yeda Research & Development Co Ltd* [2012] EWCA Civ 726; [2013] FSR 13, in a passage to which my attention was drawn:

> "[15] It is clear that if *Bolkiah* principles apply there is no question of any balancing, see per Lord Millett at p.237B. The interests of the former client prevail. But if interlocutory injunction principles apply, then the potential harm to the defendant if an injunction is 'wrongly' granted may potentially come into play.
>
> [16] In the end this point did not matter, for even on interlocutory injunction applications (and it should not be forgotten that *Bolkiah* itself was an interlocutory injunction case) the balance of convenience matters little if the reality is that the decision will determine the matter finally. So I say no more about 'balancing'."

47. As Sir Robin Jacob said, the effect of a *Bolkiah* order (and indeed the one sought here) is final. It can be likened to a *quia timet* action for breach of confidence. In such an action, where a risk of breach of confidence is shown the court will grant a final injunction without being concerned with its effect on the defendant. The defendant is threatening to act unlawfully and must take the consequences.

48. However, the final injunction following such an action would go no further than restraining the defendant from acting in breach of confidence, possibly also prohibiting specific acts which would be in breach. A *Bolkiah* order (and the order sought here) is not the same in that it may in addition have a significant and negative impact on a party

who is not obviously threatening to do anything unlawful: the current client of the solicitor.

49. Lord Millett's reason for rejecting a balancing exercise was different (at 237B-F):

> "I would also reject the approach taken by the New Zealand Court of Appeal in *Russell McVeagh McKenzie Bartleet & Co. v. Tower Corporation*, 25 August 1998 and adopted by the Court of Appeal in the present case. In my opinion the balancing exercise which was undertaken was inappropriate. This is not because the considerations which were thought to militate against the granting of injunctive relief were irrelevant: far from it. It is clearly relevant that Prince Jefri retained KPMG in the knowledge that they were the B.I.A.'s auditors, and that the B.I.A. would be put to inconvenience and expense if his retainer were to prevent it from employing KPMG's services in future. But such considerations are relevant to a different question: whether in the circumstances Prince Jefri must be taken to have consented to KPMG's undertaking the further assignment for the B.I.A. For the reasons I have given, he must be taken to have consented to the acceptance by KPMG of the instructions given to Mr. Harrison in June, for these were a natural extension of the audit. But Project Gemma was a very different matter. Absent such consent, the considerations which the Court of Appeal took into account cannot in my opinion affect the nature and extent of KPMG's duty to protect confidentiality or convert it into a duty to do no more than take reasonable steps to protect it. This would run counter to the fundamental principle of equity that a fiduciary may not put his own interest or those of another client before those of his principal. In my view no solicitor should, without the consent of his former client, accept instructions unless, viewed objectively, his doing so will not increase the risk that information which is confidential to the former client may come into the possession of a party with an adverse interest."

50. Thus, there were two strands to Lord Millett's reasoning. First, the impact on the new client of an order restraining the solicitor from acting is relevant only to whether the former client consented to the acceptance by the solicitor of the relevant instructions from the new client. Secondly, a fiduciary, the solicitor, must not put either his own interests or those of another client before the interests of his former client.

51. It seems to me that where there is no relevant fiduciary relationship, Lord Millett's reason for not taking into account the impact of the order on the current client no longer applies. In the present case I must therefore consider any likely impact of the order sought on the current client.

Burden of proof

52. In *Adex International* Judge Hallgarten QC does not seem to have adopted the two-stage approach to the burden of proof adopted in *Bolkiah*, namely that once the former client has established that the solicitors are in possession of information which was imparted in confidence and that the firm is proposing to act for another party with an interest adverse to his in a matter to which the information may be relevant, the evidential burden shifts to the defendant firm to show that there is no risk that the information will cross the information barrier and come into the possession of those now acting for the other party. In *Carter Holt* a shift of burden was adopted by the New

Zealand Court of Appeal (at [28]) similar to that in *Bolkiah*. But the New South Wales Court of Appeal in *Worth Recycling*, although largely following *Carter Holt*, did not agree that there should be a shift in the burden of proof. Hodgson JA, with whom Spigelman CJ and Campbell JA agreed, said:

> "[42] In my opinion, whatever may be the position where solicitors owe a fiduciary duty to the party seeking an injunction, or where (as in *Carter Holt*) they owe an explicit contractual duty, in a case such as the present the onus does lie on the party seeking the injunction to show a threat of misuse sufficient to justify the injunction; and I do not think the existence of a common factual element is sufficient to shift the onus of proof. However, proof of a real and sensible possibility of misuse may be sufficient to justify an injunction."

53. I respectfully agree. In the present case the overall burden of proof remains with Glencairn.

Concrete examples

54. I take the view that for the reasons given by Laddie J in *Young v Robson Rhodes*, likewise in the present type of case there is no requirement placed on Glencairn to give concrete examples of instances where a harmful inadvertent leak of information could take place.

The characteristics of an effective information barrier

55. It seems to me that Lord Millett's characterisation of what makes an effective information barrier is not affected by the difference in the facts of this case and those of Bolkiah. It is therefore relevant for me to consider the factors in the non-exhaustive list he gave at 238C-E (see above).

56. If Laddie J was correct in *Young v Robson Rhodes,* it does not matter whether the information barrier is an established part of the organisational structure of the firm as opposed to an ad hoc arrangement. What matters is whether it works.

The size of the firm

57. As I have indicated, there have been differing views on whether the risk of disclosure across an information barrier is more likely in a small firm or less likely. It seems to me, with great respect, that Neuberger J's observation in *Halewood International* was probably borne of careful guesswork, whereas the suggestion by the authors of both the *SRA Handbook* and the *The Solicitor's Handbook 2017* that there is a greater risk of inadvertent disclosure in a small firm is likely in both instances to be the product of experience, whether their own or that of solicitors to whom they have spoken in the course of preparing their text. I will assume that the risk is greater in a small firm.

The evidence

58. There were four witness statements. The first came from Mark E. Miller who is a partner in a US law firm acting for Glencairn in the United States in a lawsuit filed there by Glencairn against Final Touch. He had discussions with Peter T. Shapiro, a US attorney who acts for Final Touch. Mr Miller said:

> "7. On 13 February 2019, Mr Shapiro telephoned me and referred to the settlement agreement with Dartington. Mr Shapiro said that, as part of Glencairn's settlement with Dartington, Dartington had obtained payment from Glencairn in exchange for their agreement to redesign one of their glasses. Mr Shapiro indicated that his client might be open to similar settlement terms."

59. Mr Shapiro responded in a witness statement of his own. He confirmed that there had been a conversation with Mr Miller but said that it had been on 14, not 13 February 2019. He further said:

> "6. I understand that Mr Miller or Glencairn is asserting that, during my settlement conversation with Mr Miller, I revealed that I was aware of the terms of the settlement between Glencairn and Dartington that had recently been reached in connection with UK legal proceedings. I emphatically deny that I said anything of the sort to Mr Miller. In fact, I told him that I did not know the terms of the settlement, but that there was speculation on the part of the [Final Touch] team about the terms of the settlement, and I stated that, if the speculation was correct, a similar deal might be considered as a basis for productive discussions between [Final Touch] and Glencairn.
>
> 7. Mr Miller told me there was no interest on the part of Glencairn in any such discussions, and no further communications about settlement of the United States dispute have taken place. Mr Miller did not tell me anything about what the terms were of the Dartington-Glencairn settlement.
>
> 8. I am certain that I did not tell Mr Miller that I knew the terms of the settlement both because I have a clear memory of the conversation and because I also have a clear memory of a prior telephone conversation with Ms Ward, in which she confirmed that she herself was not privy to the terms of the Dartington settlement as those terms had been withheld from her by the solicitors who were acting for Dartington in the UK proceedings. I never learned from Ms Ward, any of her colleagues or my client anything about the actual terms of the Dartington-Glencairn settlement at that time or to the present."

60. Elizabeth Ward is the partner at Virtuoso acting for Final Touch. She filed a witness statement, as did Christopher Sleep, who is a solicitor at Stobbs and who has conduct of these proceedings on behalf of Glencairn.

61. Ms Ward explained that Virtuoso has two offices, one in Leeds and one in London. Ms Ward, the founder of Virtuoso, heads the Leeds office along with solicitors Kirsten Toft, Gemma Wilson and consultant solicitor Kate Reid, trainee solicitors Lauren Waterman and Razvan Popa, plus members of the accounts and marketing team. The legal team in London consists of solicitors Philip Partington and Lahiru Walawage, and a trainee solicitor Samuel Gilmer.

62. Those in the Virtuoso team which advised Dartington were Mr Partington, Mr Walawage, Mr Popa plus Jordan Davies who was then a trainee solicitor. Ms Davies left Virtuoso on 22 February 2019.

63. The Final Touch team is based in Leeds, consisting of Ms Ward, Ms Waterman and since February 2019 Ms Wilson. Ms Davies was part of the Final Touch team until she left.

64. Mr Ward stated that Virtuoso has always used an online case management system. All files are saved to cloud-based servers and print is used very sparingly. This allows the use of an encryption system to control access to files. On 11 December 2019 Ms Ward was informed by Mr Partington that an information barrier had been erected to protect access to the Dartington files. By virtue of the encryption system used at Virtuoso, only Mr Partington, Mr Walawage and Mr Popa have access to those files. Ms Ward stated that Ms Davies was replaced by Mr Walawage before the settlement discussions between Glencairn and Dartington took place, i.e. those which led to the mediation.

65. Mr Ward's evidence was that that neither she, Ms Wilson nor Ms Waterman have any knowledge of the terms of the settlement between Glencairn and Dartington.

66. Mr Sleep pointed out that while Ms Ward and her colleagues in Leeds may now have conduct of this litigation on behalf of Final Touch, initially Final Touch were advised primarily by Mr Partington with the help of Mr Popa and Ms Davies. In November 2018 there was correspondence between the solicitors acting on each side which led to an agreement that the dispute between Glencairn and Final Touch should be stayed pending resolution of the Dartington litigation. Mr Partington, Mr Popa and Ms Davies all participated in that correspondence.

67. In or shortly before December 2018 Glencairn and Dartington agreed to conduct a mediation. This marks the time from which confidential information could have been passed to Virtuoso. The mediation took place on 11 December 2018. Before the mediation, in the usual way, the parties exchanged position statements. Mr Sleep said that Glencairn's position statement set out Glencairn's settlement strategy.

68. On 11 December 2018 Mr Partington and Mr Walawage attended the mediation on behalf of Dartington.[1] The mediation agreement was signed by all those attending and it included an obligation of confidentiality. The mediation shortly afterwards led to a settlement agreement ('the Settlement Agreement').

69. Following the Settlement Agreement the present proceedings were revived. The claim form and Particulars of Claim were served on 7 March 2019. The Application Notice seeking an order that Virtuoso be restrained from acting was issued 8 March 2019.

70. Mr Sleep suggested that there was a risk that relevant confidential information may be passed by Virtuoso to Final Touch unless the order sought is made. He supported this suggestion as follows:

    (a) Virtuoso is a small firm, so there is a correspondingly increased risk that the information barrier will not be effective.

[1] I note that Mr Sleep's witness statement says at paragraph 22 that Mr Partington and Mr Walawage attended on behalf of Final Touch. I take this to be a typo. Had Mr Partington and Mr Walawage attended on behalf of Final Touch, by inference Glencairn would have been content that all information disclosed during the mediation would be known to Final Touch and this would have been short judgment.

(b) Before the information barrier was in place, Mr Popa, Ms Davies and Mr Walawage were based in the Leeds office. All worked on the Dartington litigation and are likely to have discussed it with their colleagues who now advise Final Touch. If any of those colleagues were given information confidential to Glencairn there now is a risk that the information could be passed to Final Touch.

(c) Ms Ward is likely to have been privy to this confidential information since she is the principal of the firm.

(d) Ms Davies acted for Dartington before the mediation and at least to some extent for Final Touch afterwards until she left in February 2019. It is possible that wittingly or not she shared confidential information with others in the Final Touch team.

(e) Those on each side of the information barrier still work in close proximity. One member of the Final Touch team, Mr Popa is based in Leeds. Another, Mr Walawage, appears to spend time in Leeds. Such close proximity with the Final Touch team risks disclosure of confidential information.

(f) Ms Ward is the only qualified solicitor on the Final Touch team. She is likely to rely on other qualified solicitors, if only to avoid disproportionate costs, which implies reliance on one or more members of the Dartington team.

(g) The only address Virtuoso has given for service is the Leeds office, which is also the only address on their letterhead. Correspondence in the Dartington matter will be sent to Leeds, presenting a further risk.

Oral argument

71. In oral argument Mr Barclay also drew attention to what he described as a lack of evidence from Final Touch. There was no evidence from the Dartington team. Ms Ward's evidence did not, as required in *Bolkiah*, provide the sort of detail as to the layout of the Leeds office and the patterns of working which would have supported the suggestion that the information barrier erected by Mr Partington is effective.

72. Mr Barclay pointed to Mr Miller's evidence and invited me to conclude that it established a breach of confidence already.

73. Ms Wickenden argued that Glencairn's application was flawed from the start because an injunction could only be granted against a party to the action.

74. Otherwise she made two overall submissions: only the approach in *Stiedl* was relevant to this case and the damage that would be suffered by Glencairn was fanciful; Glencairn had refused to be specific about the confidential information at stake and so inevitably the alleged damage was left vague and insubstantial. Ms Wickenden addressed the arguments on the likelihood of disclosure of any confidential information raised by Mr Sleep and submitted that I should prefer the evidence of Mr Shapiro over that of Mr Miller.

Discussion

Whether an injunction may only be granted against a party to the action

75. I accept that generally speaking an order will not be made against a person who is not party to the proceedings. But as Pumfrey J pointed out in *Re Recover Ltd v Latif Group SL* [2003] EWHC 536 (Ch); [2003] 2 BCLC 186, the court has jurisdiction to do so at least in the case of solicitors:

> "[15] There is no doubt that the court retains a supervisory jurisdiction over solicitors which permits it, in a proper case, to take steps to ensure that a solicitor does not remain on the record for a party in litigation. That jurisdiction must, in my view, be exercised with caution, as in general parties to litigation are entitled to the advisers they have chosen."

76. Had I not been satisfied that this court has jurisdiction to make the order sought with the pleadings as they are, I would have entertained an application by Glencairn to join Virtuoso as a defendant.

The principal issues to be resolved

77. I must consider:

(1) Whether Virtuoso is in possession of information which is confidential to Glencairn.

(2) Whether that information is or may be relevant to the present litigation between Glencairn and Final Touch.

(3) The likelihood that absent the order sought, Final Touch will become aware of that information, particularly having in mind the evidence regarding the information barrier within Virtuoso.

(4) The likely prejudice, if any, to Glencairn if that information became known to Final Touch.

(5) The likely prejudice to Final Touch if I were to make the order sought.

78. Glencairn bears the overall burden of proof. Having considered the foregoing issues, and in so doing taken into account the matters which I have found to be relevant above, I must decide whether the balance of justice favours restraining Virtuoso from acting for Final Touch.

Whether Virtuoso is in possession of information confidential to Glencairn

79. An unusual feature of this case was that the confidential information in issue was not disclosed to the court. Of course it could not form part of the information made openly available in the litigation but neither side attempted to arrange disclosure to Final Touch's counsel only. Argument went ahead by reference only to possible and likely inferences as to what he confidential information might be.

80. Right at the end of the hearing Mr Barclay offered to provide me with a copy of the Settlement Agreement. Ms Wickenden submitted that I should not look at it.

81. I agreed with Ms Wickenden. Even if a copy had been passed to her and the court otherwise emptied on her side, she would not have been in a fair position to address me on it and of course could not have taken instructions to deal with any difficulty. The consequence would have been that this judgment may have turned in part, possibly in significant part, on matters known to me and Glencairn but not to Final Touch and in relation to which their counsel was not given fair chance to make submissions.

82. I must fall back on inferences. It may be that under the Settlement Agreement Dartington paid a stated sum to Glencairn. There may have been terms specifying that Dartington should redesign the glass complained of and how that should be done. If that information were made known to Final Touch it would undoubtedly give Final Touch an unfair advantage in any settlement negotiations which may yet take place. In fact, whatever the terms of settlement were, knowledge of them would give Final Touch an advantage. For instance, if Glencairn was prepared to settle the litigation with no payment at all, no doubt Final Touch would be interested to know.

83. Reference was made in the evidence and by Mr Barclay to the mediation strategy pursued in advance of the litigation. It is far less clear what this might include which would be confidential, not reflected in the main settlement terms and of interest to Final Touch.

84. On the limited information I have I will assume that the Dartington team at Virtuoso is aware of the contents of the Settlement Agreement and that at least some of this is confidential to Glencairn. My assumption goes no further.

Whether the information is relevant to the present litigation

85. The confidential contents of the Settlement Agreement are particularly relevant to potential settlement discussions between Glencairn and Final Touch.

The likely risk that Final Touch will become aware of the information

86. The risk that Final Touch will become aware of any confidential part of the Settlement Agreement depends on the effectiveness of the information barrier installed at Virtuoso. I will deal with the arguments raised by Mr Sleep, giving them the same letters.

    (a) I accept, for reasons already stated, that there is a higher risk that an information barrier in a small firm will be less developed and therefore less effective than one in a large firm. However, it does not follow that a disclosure barrier in a small firm can never be effective. It depends of the facts.

    (b) The short answer to the suggestion that before the installation of the information barrier one or more of Mr Popa, Ms Davies or Mr Walawage may have passed information to others while they were at the Leeds office is Ms Ward's clear evidence that none of the Final Touch team – Ms Ward, Ms Wilson and Ms Waterman – have any knowledge of the confidential terms of the settlement. (Ms Ward rightly qualified her statement by reference to the 'confidential' terms since some terms, such as fact that the parties agreed to end their litigation, are

public.) Mr Barclay did not invite me to decide that Ms Ward was not telling the truth about this. I have no reason to doubt Ms Ward's evidence and I accept it. It does not matter what was said before the information barrier came down. Nothing of relevance reached the Final Touch team.

(c)-(d) The same answer applies to Mr Sleep's points (c) and (d).

(e) Mr Sleep's fifth point concerns the risk of what may happen in the future. I accept that there is regular contact between members of the team on each side of the information barrier and that this is likely to continue. In argument Mr Barclay illustrated this by website pictures of Virtuoso's lawyers attending the same presentation, seated around the same table and other evidence of a similar nature recorded after the barrier was put in place. This is likely to be inevitable in a small firm and is one of the reasons why the risk in a small firm may be greater. But it also seems to me to be likely that all individuals are highly aware that nothing should be said about the Dartington litigation. The fact of this application having been made may well have made that understanding even more acute. It is also relevant that the Final Touch team works in Leeds whereas the Dartington team is for the most part in London. Ms Ward has explained that the Final Touch team cannot access the Dartington documents. Although Virtuoso does not run a completely paperless system, the Dartington litigation is now at an end so I have no reason to believe that there will be many, if any, new documents created on that subject or that they will be created in hard copy to which the Final Touch team will have access. I am satisfied that the likelihood that any confidential part of the Settlement Agreement will become known to any of the Final Touch team is very low.

(f) Ms Ward has answered Mr Sleep's sixth point. Ms Wilson is now a qualified solicitor and Ms Ward apparently feels that this makes for a workable team.

(g) Ms Ward has also answered the principal aspect of Mr Sleep's final point. The London office has moved and its address in Gray's Inn Road has been made public.

87. Mr Barclay rightly pointed out that Final Touch's evidence does not deal in much detail about how the information barrier works. In particular, the five arrangements identified by Lord Millett in *Bolkiah* at 238C-E (see above) were not addressed specifically. However, of those, (i) and (ii) are more appropriate to a firm of the size of KPMG. Arrangement (iii) assumes that some information will cross the barrier. I have found that the likelihood of this is very low. Again, it seems to me to be an arrangement appropriate to the circumstances of a case such as *Bolkiah* where the information in extensive and the number of individuals involved is large, so that some minor leak might be contemplated and may not matter provided that it is stemmed in good time. It would have been helpful for Ms Ward to have said something about (iv) and (v) – i.e. monitoring of the effectiveness of the barrier and disciplinary sanctions if there is a breach – but I can see that on the present facts the setting up of formal monitoring and discipline arrangements may not be necessary. Ms Ward's supervision is likely to be sufficient.

88. I am not able to arrive at a conclusion as to whether anything by way of confidential information was disclosed by Mr Shapiro to Mr Miller. If something of substance was mentioned it did not subsequently reach Ms Ward, Ms Wilson or Ms Waterman.

The likely prejudice to Glencairn

89. If any confidential part of the Settlement Agreement were to come to the knowledge of Final Touch, I do not doubt that this is likely to prejudice Glencairn's position in any negotiations with Final Touch. The extent of the prejudice would depend on the nature of the information leaked.

90. Taking this at its highest, if the entire contents of the Settlement Agreement became known to Final Touch, which I think is extremely unlikely, I cannot say how that would impact Glencairn in financial terms. It would depend in part on the scale of Final Touch's alleged infringement covered by the litigation in this court and I have been told nothing about that.

91. I am therefore left with a clear inference that Glencairn would suffer prejudice if the relevant confidential information were to leak to Final Touch, but little idea of the potential maximum extent of the prejudice.

The likely prejudice to Final Touch

92. Final Touch filed no evidence regarding the cost, inconvenience and other potential damage which they would suffer if Virtuoso were restrained from acting for them in this litigation. I must therefore assume that Final Touch could without much difficulty find an alternative firm of equal competence to act for them in this case.

93. However, just as I have drawn inferences in Glencairn's favour regarding the existence of relevant confidential information in the Settlement Agreement, there are inferences to be drawn in favour of Final Touch. I am entitled to assume that Virtuoso were instructed for good reason and that a good working relationship has developed between Final Touch and the team instructed. If Virtuoso could not act for Final Touch, Final Touch would be put to the cost of instructing new solicitors afresh with whom there may or may not develop a similarly good working relationship.

Conclusion

94. Taking all the foregoing matters into account, I have reached the conclusion that I should not grant an order restraining Virtuoso from acting as the solicitors for Final Touch. The likelihood of any confidential information at all being passed to Final Touch is very low. It may also be that any prejudice caused to Glencairn would only be significant if the entirety of the Settlement Agreement were disclosed and I believe that to be extremely unlikely, to the point of being fanciful.

95. As against that, there would without doubt be prejudice to Final Touch if an injunction were granted. The prejudice may not be great but would be of some financial substance and the working relationship with Virtuoso would be lost.

96. In my view the balance of justice is favour of refusing the order sought. The application is dismissed.