Help! Somebody has stolen my client list

Companies can invest significant sums in the creation and maintenance of their client lists. Unsurprising, their client lists are often closely guarded. But what if protections fail? Under the Copyright and Rights in Databases Regulations 1997, firms can bring actions against those that access and download their client list (for instance, a former employee). The wronged party can demand the return or destruction of the confidential information, an injunction to prevent its use and damages for any losses.

Introduction:

1. In the digital age, a company's secrets, goodwill and core proprietary information tend to be held on electronic databases. Such databases can be extremely valuable, particularly where they contain client contact details or product information.

2. Legislative protection has been afforded to the owners of databases by the Copyright and Rights in Databases Regulations 1997 ("**the Database Regs**"). The Database Regs set out a comprehensive scheme that enables the "owners" or "makers" of the database to bring claims against those that "infringe" their "database rights".

3. The most common scenario occurs where a former employee accesses his former employers' databases to "download" content (such as client information). Typically the former employee knows how to access such information (due to his former employment) and has an inventive to "take' or "use" that information during the course of his future employment.

4. In such a situation, aside from potentially attracting criminal liability under the Computer Misuse Act 1990, the former employee may well have

infringed his former employer's database rights. If he has, the former employer may have a civil action against him for injunctive relief and damages.

The Database

5. **What is a "database"?** A 'database' is a collection of independent works, data or other materials which are arranged in a systematic or methodical way and which are individually accessible by electronic or other means: Reg 6 of the Database Regs and Section 3A of the Copyright, Designs and Patents Act 1988. The relevant investment needs to be in the creation of the database; it does not extend to the investment in the primary creation of the independent materials themselves: see, for example, *British Sky Broadcasting Group Plc v Digital Satellite Warranty Cover Ltd (In Liquidation)* [2011] EWHC 2662 (Ch).

6. **Who is the "maker" of the Database?** The person who takes the initiative in obtaining, verifying or presenting the contents of a database and assumes the risk of investing in that obtaining, verification or presentation shall be regarded as the maker of the database: reg 14(1). Where a database is made by an employee in the course of his employment, his employer shall be regarded as the maker of the database, subject to any agreement to the contrary: reg. 14(2)).

7. **Ownership of the Database Right:** The first owner of the Database Right is the maker of the Database: reg. 15. The Database Right may be transferred via assignment, testamentary disposition or by operation of law: Reg. 23 (Applying section 90(1) of the Copyright, Designs and Patents Act 1988 to the Database Right).

8. **Duration:** Database Right expire 15 years from the end of the calendar year in which the database was made: However, where the database was made

available to the public within that period, the right expires 15 years from the end of the calendar year in which it was first made available to the public: reg. 17. Substantial changes etc. (inc. additions, deletions, alterations etc.) resulting in substantial new investment qualifies the "new" database for its own 15 years' protection: see *British Horseracing Board Ltd v William Hill Organisation Ltd* [2001] RPC 612

9. **Infringement of a Database Right:** A a person infringes database right in a database if, without the consent of the owner of the right, he extracts or re-utilises all or a substantial part of the contents of the database: reg. 16(1). In addition, the repeated and systematic extraction or re-utilisation of insubstantial parts of the contents of a database may amount to the extraction or re-utilisation of a substantial part of those contents: reg. 16(2). Extraction is given a wide meaning, and would appear to include manual copying, as well as photocopying/downloading.

10. **Is a client list a "database"?** It would appear that the definition of "database" is sufficiently broad to incorporate client lists: see *Copinger & Skone James on Copyright* (17th Ed., 2017) at 18-12. In *Crowson Fabrics Limited v Rider* [2007] EWHC 2942 (Ch), the claimant succeeded in establishing that its database rights had been infringed when the defendant accessed a spreadsheet that had been created to include the claimant's sales and client information. However, as the defendants failed to challenge the claimants claim (particularly as to whether there had been "substantial investment") the authority should be treated with some caution.

The Claim

11. The following remedies may be available to a successful claimant:

a. The delivery up and/or destruction of the confidential and/or database information.

b. An injunction to prevent the sale, retention and/or use of the confidential/database information.

c. An account of profits made thereof.

d. Damages (primarily for the loss of business etc.)

12. Often a claim for an account of profits will be more advantegeous than a claim for damages (for instance, where a sole trader is able to attain a greater profit margin by not incurring overhead costs). In other scenarios, the reverse will be true (for instance, where a "new" company is offering cheap services to build a client base). The Claimant may well be able to elect between the two towards the end of any trial.

13. A claimant can include a claim for punitive and/or exemplary damages under section 97(2) Copyright, Designs and Patents Act 1988. Where punitive and/or exemplary damages are claimed the particulars of claim must include: (a) a statement to that effect; and (b) the grounds for claiming them: see PD63, para 22.

14. It will not always be easy to identify the correct Defendant. Although the Database Regs expressly state that an employee is deemed to "make" a Database on behalf of his employer (Reg. 14(2)), the position is less clear with respect to resposibility for infringements. To that end, it is not always clear whether an individual's actions are undertaken on his own behalf or the behalf of his new employer. A claimant should therefore consider identifying multiple defendants (esp. the indivdual involved and their new employer/company) and plead a claim concerning (*inter alia*) accessory liability and/or unlawful means conspiracy. Doing so will also assist in

reducing the prospects of a newly formed company declaring insolvency rather than responding to the claim.

15. A claimant is likely to want to plead a Database Regs claim as an alternative to a number of other causes of action, such as:

    a. Breach of Contract (especially employment contracts)

    b. Breach of their Duty of Good Faith and/or Fidelity

    c. Breach of Confidence

    d. Breach of Fiduciary Duty

    e. Accessory Liability

    f. Unlawful Means Conspiracy

16. In relation to a former employer, the most important alternative cause of action would be a claim for breach of the duty of fidelity as it has been held that an employee breaches that duty where he copies a list of his former employer's customers for use after his employment ends: *Faccenda Chicken Ltd. v Fowler* [1986] 3 W.L.R. 288.

17. The action should be brought in the Chancery Division, the Intellectual Property Enterprise Court or a County Court hearing centre where there is also a Chancery District Registry: CPR r.63.13 and PD63, para 16.

18. The collection and retention of evidence is paramount in cases concerning infringements of Database Rights. In all likelihood, a Claimant will be required to prove the following (on the balance of probabilities):

    a. The existence of a database

    b. That the database has been "infringed" (i.e. accessed)

   c.   That the contents of the database have been "used" (for instance, by using client contact details for unsolicited approached).

19. Undoubtedly the hardest element to prove will concern infringement. Certain firms will have IT systems that record access to their databases (names, locations etc.). Absent that, firms will have to use an iterative process relying on circumstantial evidence such as evidence that could only have been obtained via database infringement. It will also assist a claimant if it can obtain copies of "canvassing" letters etc.

George Mallet