

Case Name:

Napier Environmental Technologies Inc. v. Vitomir

Between

Napier Environmental Technologies Inc.,
plaintiff, and
Sergio Vitomir, Doug R. White, Sea to Sky
Innovations Limited, Matthew Gammer, Trond
Sivertsen, and ECR A.S., defendants

[2002] B.C.J. No. 1559

2002 BCSC 1026

Vancouver Registry No. S013795

British Columbia Supreme Court

Vancouver, British Columbia

Loo J.

(In Chambers)

Heard: June 24, 2002.

Judgment: July 8, 2002.

(30 paras.)

Master and servant — Duties of servant — Duty of confidentiality — On termination — Competition in business, use of employer's material — Practice — Pleadings — Striking out pleadings — Grounds, insufficient particulars.

Application by Vitomir for an order striking out portions of Napier's claim as being insufficiently particularized, an order striking out other portions of the claim based on trade secrets, and an order vacating an injunction preventing him from producing a product that used Napier's technology. Napier was not advancing a claim for patent infringement. Vitomir was a former employee of Napier. It had been more than one year since Vitomir left the employment of Napier. Napier alleged that everything Vitomir worked on during his employment was owned by Napier, and that as long as Vitomir's products were substantially similar to Napier's, Vitomir was in wrongful competition. Napier's claim was a proprietary one based on the use of confidential information. Vitomir requested particulars of the alleged confidential information. Napier's reply to the demand was vague. Tests showed that Vitomir's products were not identical to Napier's.

HELD: Application allowed. Napier's products were covered by patents and as such, could not be said to be confidential information. Napier failed to sufficiently particularize the alleged confidential

information. It was insufficient for Napier to contend that everything Vitomir did while with Napier was confidential and that everything he did subsequently belonged to Napier. There was nothing in the employment contract or at law preventing Vitomir from competing with Napier as long as he did so fairly.

Counsel:

G.A. Cuttler, for the plaintiff.

M.D. Tevlin and C. Forgyson, for the defendants, Vitomir, White, Sea to Sky Innovations Limited, and Gammer.

W.H. Hum, for the defendant, Sivertsen.

LOO J.:—

INTRODUCTION

¶ 1 This is an action by the plaintiff ("Napier") against its former employees Vitomir, White, and Gammer, and the company for whom they now work, Sea to Sky Innovations Limited ("Sea to Sky").

¶ 2 The defendants apply for the following orders:

1. an order striking out paragraphs 42 to 46 of the amended statement of claim on the basis that the claims are unascertainable as they have not been sufficiently particularized and disclose no claim;
2. an order striking out certain portions of the amended statement of claim on the basis that Napier cannot maintain a claim based on trade secrets with respect to formulae that have been publicly disclosed by Napier through filed and issued patents, published patent applications and/or trade journals; and
3. an order vacating the July 24, 2001 order of Mr. Justice Ralph which enjoined the defendants Vitomir, White, Gammer, and Sea to Sky, from (a) disclosing any of Napier's trade secrets; and (b) producing, manufacturing or developing any paint removal product that uses Napier's SARA technology.

¶ 3 At the conclusion of the hearing of this application, I vacated the injunction with written reasons for judgment to follow. These are my reasons.

THE INJUNCTION

¶ 4 The July 24, 2001 order enjoins the defendants from producing any paint remover product "which has the characteristic of achieving paint removal by way of the chemical reaction of the product with the substrate", or what has been described in this litigation as SARA technology. Since then, Napier has

admitted that SARA technology is the same as "AHP technology", or alcohol hydroxycarboxylic acid peroxide (AHP) stripper technology. Napier's products that use AHP technology are covered by patents and cannot be said to be confidential information. Binnie J. for the Supreme Court of Canada in *Cadbury Schweppes Inc. v. FBI Foods Ltd.*, [1999] 1 S.C.R. 142, stated at para. 46:

... A patent is a statutory monopoly which is given in exchange for a full and complete disclosure by the patentee of his or her invention. The disclosure is the essence of the bargain between the patentee, who obtained at the time a 17-year monopoly on exploiting the invention, and the public, which obtains open access to all of the information necessary to practise the invention. ...

¶ 5 There is no suggestion that Napier advances a claim for patent infringement, and the evidence establishes that the defendants' products do not use AHP technology.

¶ 6 Furthermore, any duty by the defendants not to compete unfairly is limited to a reasonable period of time. The B.C. Court of Appeal in *TCT Logistics Inc. v. Nordeen* (1999), 72 B.C.L.R. (3d) 58 held that save in exceptional circumstances, a reasonable period of time is approximately one year from the date of termination of employment:

27 This case raises an issue that did not arise for consideration in *Barton Insurance Brokers Ltd. v. Irwin* (1999), 40 C.C.E.L. (2d) 159 (B.C. C.A.). That issue concerns the duration of injunctive relief ordered concerning a person determined to be part of senior management or a key employee of an enterprise. As to that, I should think courts ought to be careful to limit the grant of equitable relief to that reasonably necessary to protect the interests threatened. In such circumstances, I believe that generally any injunctive relief should be time limited, perhaps with liberty to the moving party to seek to extend the duration of any such relief granted. Each case will, of course, fall to be decided on its particular circumstances but generally, save in exceptional circumstances, I doubt if it would be easy to persuade a court to initially grant an order extending this sort of equitable relief beyond approximately one year from the date of termination of employment and in many cases, a shorter period may be deemed adequate.

¶ 7 It has been over one year since Vitomir left Napier's employ in April 2001. Coupled with my findings below that Napier has not sufficiently particularized what it alleges is confidential information, other than to say "everything", and my finding, [2002] B.C.J. No. 1003, that the restrictive covenants are unenforceable, the injunction should be set aside.

SUMMARY OF THE BUSINESSES AND THE CLAIMS

¶ 8 Napier's primary business is selling paint remover products to the aviation industry. The paint removers are environmentally friendly and react with the substrate (the underlying surface material) so that the paint is lifted from the substrate. However, Napier has three other manufacturing competitors,

Gage, Turco, and Huntsman Chemical, whose patented paint strippers are also environmentally friendly and react with the substrate.

¶ 9 The process for producing Napier's paint remover products is no longer unique. What makes Napier's patented products unique is the use of hydroxycarboxylic acid. None of Sea to Sky's products use hydroxycarboxylic acid. Not only are Sea to Sky's four products different by their chemical composition from Napier's products, they react differently, and one of them is not a paint remover, but a general purpose solvent designed to clean - but not remove - epoxy based paint. The other three products - unlike Napier's products - are effective at removing rust and salt from marine applications.

¶ 10 A brief summary of the orders and steps in this proceeding is as follows:

- * On December 5, 2001, [2001] B.C.J. No. 2552, I ordered Napier to provide further and better particulars of matters alleged in the amended statement of claim, including what the term "SARA technology means", and what information it alleges is proprietary or confidential, or in the nature of trade secrets, that the defendants are not entitled to use.
- * On December 19, 2001, Napier provided written particulars, but the defendants maintain the particulars are still inadequate.
- * On May 9, 2002 [2002 BCSC 716] I struck out the restrictive covenants contained in (a) the Employee Confidentiality, Non-Competition and Non-Disclosure Agreement signed by each of the defendants Vitomir, White, and Gammer; and (b) the November 1, 1999 Employment Agreement between Napier and Vitomir.
- * On June 20, 2002, Napier filed a further amended statement of claim.

NOVEMBER 1, 1999 EMPLOYMENT AGREEMENT

¶ 11 It is useful to set out the relevant portions of what remains of the three year Employment Agreement dated November 1, 1999 between Napier as "the Company", and Vitomir as "the Employee":

WHEREAS:

A. The Company is a company organized under the laws of the Province of British Columbia and is engaged in the business of manufacturing, marketing and distributing a variety of environmentally friendly strippers and cleaners and wood restoration and refinishing products;

B. The Company is desirous of engaging the services of the Employee as its Director of Technology and the Employee has agreed to accept employment with the Company in such capacity in accordance with the terms of this Agreement;

...

1. Employment and Duties

1.1 The Employee shall be employed by the Company as its Director of Technology

1.2 Throughout the term of this Agreement, the Employee shall diligently and faithfully on a full time basis devote such attention and energy to the business and affairs of the Company as is reasonably necessary for the performance of his duties, to the utmost of his ability and shall use his best efforts to promote the interests and goodwill of the Company. During the term of this Agreement, the Employee shall not be permitted to maintain any employment with any other party except as approved from time to time by the board of directors of the Company.

1.3 The Employee shall be employed as Director of Technology of the Company and his duties shall be those normally carried out by a person holding such office as directed by the Company's Board of Directors. The employee will be based at the Company's Langley Factory premises or such other facility of the Company where the principal manufacturing and research and development takes place.

2. Terms of Employment and Termination

2.1 ... the Employee's employment under this agreement shall be for a term of 36 months commencing November 1, 1999 and terminating on October 31, 2002 (the "Term").

...

4 Confidential Information

...

4.1 The Employee covenants and agrees with the Company that he will not, either during the term of this Agreement or at any time thereafter without specific consent in writing by the Company, disclose or reveal in any manner whatsoever to any other person, firm or corporation, nor will he use, directly or indirectly, for any purpose other than the purposes of the Company, the private affairs of the company or any confidential information which he may acquire during the term of this Agreement with relation to the business and affairs of the Company and also the affairs of its directors and shareholders, unless the Employee shall be specifically ordered to do so by a court of competent jurisdiction or unless required by any statutory authority.

4.2 Upon termination of the Employee's employment, the Employee shall deliver up to the Company all documents, papers, plans, materials and other property of or relating to the affairs of the Company which may then be in his possession or under his control.

FURTHER AMENDED STATEMENT OF CLAIM

¶ 12 The relevant paragraphs of the amended statement of claim are set out at paragraph 5 of my December 5, 2001 reasons for judgment [2001 BCSC 1704]. The further amended statement of claim expands the scope of what Napier alleges is confidential and what the defendants, in particular, Vitomir cannot do. Paragraphs 33A to 33C and 42 to 46 read:

33A. Further, as Vitomir was employed to innovate, research and develop new and improved products for Napier, Napier is the rightful owner of all new or different products or inventions created or developed by Vitomir during the term of his employment, from November 1, 1999 to October 31, 2002. Accordingly, Vitomir holds all such products or inventions in trust for Napier.

33B. In the alternative, Napier is the rightful owner of all new and different products or inventions created or developed by Vitomir during the period of his employment, as well as during the period of reasonable notice of his resignation which Vitomir was required to provide to Napier. Accordingly, Vitomir holds all such products or inventions in trust for Napier.

33C. Further, as White was employed to innovate, research and develop new and improved products for Napier, Napier is the rightful owner of all new and different products or inventions created or developed by White during the period of his employment, as well as during the period of reasonable notice of his resignation which White was required to provide to Napier. Accordingly, White holds all such products or inventions in trust for Napier.

...

42. The Defendants, and each of them, have individually and in concert breached their contractual and fiduciary duties and have, inter alia, wrongfully used Napier's Patents and Napier's Confidential Information for their own benefit and to compete with Napier.

43. Further, and in the alternative, the Defendants, and each of them have participated, acquiesced and assisted in or consented to the breaches of trust and confidence as aforesaid.

44. Further, in breach of their contractual and fiduciary duties, the Defendants and each of them, have individually or in concert, wrongfully taken advantage of Napier's vulnerability and have used Napier's Confidential Information to the detriment of Napier.

45. Further, the Defendants, in breach of their contractual and fiduciary duties, are wrongfully operating Sea to Sky in order to compete with Napier and are wrongfully using Napier's Confidential Information and Napier's Patents.

45A. Further, Vitomir has refused to disclose and transfer to Napier ownership of all new or different products or inventions created or developed by Vitomir during the term of his employment, from November 1, 1999 to October 31, 2002.

45B. Further and in the alternative, Vitomir, White, and each of them have refused to disclose and transfer to Napier ownership of all new or different products or inventions created or developed by Vitomir and/or White during the period of their respective employment, as well as during the period of reasonable notice of their respective resignations which they were each required to provide to Napier.

46. Particulars of the Defendants' wrongful conduct presently known to Napier are as follows:
- (a) In or about January and/or February, 2001, Vitomir travelled to Europe, purportedly on Napier's behalf, to pursue business opportunities on Napier's behalf and at Napier's expense. Vitomir failed to properly report to Napier concerning his activities while on this trip and is using Napier's Confidential Information to pursue and solicit Napier's customers and contacts and to appropriate or divert Napier's business to the account of some or all of the Defendants;
 - (b) In or about March 1, 2001, Vitomir and White renamed and caused Sea to Sky to become an active business in order to wrongfully compete with Napier in breach of their Duties.
 - (c) On or about March 27, 2001, Sivertsen resigned his position with Napier, effective April 30, 2001, and is competing with Napier in concert with Vitomir, White, Gammer and Sea to Sky;
 - (d) On or about April 8, 2001, Vitomir wrongfully resigned from Napier, in breach of the Second Vitomir Employment Agreement, in which he agreed, inter alia, to diligently and faithfully on a full time basis devote his attention and energy to the business and affairs of Napier until October 31, 2002, and delivered resignation letters from himself and White;
 - (d.1) In the alternative, on or about April 8, 2001, Vitomir wrongfully resigned from Napier and failed to provide Napier with reasonable notice of his resignation;
 - (d.2) On or about April 6, 2001, White wrongfully resigned from Napier and failed to provide Napier with reasonable notice of his resignation. White is now working in concert with Vitomir, Gammer, Sea to Sky and Sivertsen in breach of the White Confidentiality Agreement. Further, and in the alternative, White is participating, acquiescing and assisting Vitomir in Vitomir's breaches of contract, fiduciary duty and common law obligations;
 - (e) In or about May 2, 2001, Gammer resigned from Napier and failed to provide Napier with reasonable notice of his resignation. Gammer is now working in concert with Vitomir, White, Sea to Sky, Sivertsen and ECR in breach of the Gammer Confidentiality Agreement. Further, and in the alternative, Gammer is participating, acquiescing and assisting Vitomir and White in their breaches of trust and confidence as aforesaid;
 - (f) In or about April and May, 2001, White, Vitomir and Sea to Sky ordered chemicals which comprise ingredients in formulas produced by and proprietary to Napier utilizing Napier's Trade Secrets, SARA technology and/or Napier's Patents;

- (g) In or about April and May, 2001, White, Vitomir and Sea to Sky purchased pails and drums for the purpose of shipping products to Europe which are substantially similar to Napier's products and which wrongfully use Napier's Trade Secrets and/or Napier's Patents;
- (h) Since no later than in or about May and June, 2001, Vitomir, Sivertsen and Sea to Sky have contacted and solicited Napier's customers and/or have utilized Napier's Customer Information in order to sell products in direct competition with Napier.

PARTICULARS OF THE CONFIDENTIAL AND PROPRIETARY INFORMATION

¶ 13 The defendants complain that in response to their question "what aspects of Napier's manufacturing process are alleged to be confidential and proprietary?", Napier's answer is "the manufacturing processes contained in Napier's proprietary formulas." In response to their question, "what aspects of Napier's knowledge and information are alleged to be confidential and proprietary?", Napier's answer is "the knowledge and information concerning Napier's proprietary formulas". In response to their question "what are claimed to be Napier's proprietary formulas?", Napier's answer is "each of the formulas developed by Vitomir who was responsible for protecting these proprietary formulas and keeping them confidential". The defendants complain, using the words of Southin J.A. in *Murrell v. Simon Fraser University* (1997), 43 B.C.L.R. (3d) 209 (C.A.), at para. 24, that the particulars are "prolix, obfuscatory and mealy mouthed".

¶ 14 Mr. Cuttler for Napier contends that the further amended statement of claim is based on what remains of Vitomir's contract of employment (set out in paragraph 11 of these reasons) and the common law. It amounts to this: where an employee is hired for the purpose of inventing or developing products, then everything the employee works on is confidential, and everything that the employee works on, or develops, prior to the expiry of the contractual term of employment or period of reasonable notice, belongs to the employer. As long as the defendants' products are substantially similar, or "basically do the same thing" as Napier's products, or if the defendants are "pretty much doing what [Napier] does", the defendants are in wrongful competition because "the whole refurbishment and cleaning deal", or (echoing the preamble to Vitomir's 1999 employment agreement) "environmentally friendly strippers and cleaners and wood restoration and refinishing products" belong to Napier. Accordingly, it is argued, Napier is entitled to a proprietary remedy and an accounting for profits during the time that Vitomir ought to have been working for Napier, on the basis that whatever new or different products he has created, he holds in trust for Napier.

¶ 15 In support of its contention on the use of confidential information, Mr. Cuttler relies on *Cadbury Schweppes* (supra). However, in that case, the parties were all agreed that the formula for making Clamato juice was confidential and there was a well-understood obligation of confidentiality in the food industry.

¶ 16 However, there are passages in *Cadbury Schweppes* that are applicable here because Napier

claims it has a proprietary right to the information it labels confidential:

41 The respondents' characterization of confidential information as property is controversial. Traditionally, courts here and in other common law jurisdictions have been at pains to emphasize that the action is rooted in the relationship of confidence rather than the legal characteristics of the information confided. See, for example, Holmes J. in the United States Supreme Court in *E. I. Du Pont de Nemours Powder Co. v. Masland*, 244 U.S. 100 (1917) at p. 102:

The word property as applied to ... trade secrets is an unanalyzed expression of certain secondary consequences of the primary fact that the law makes some rudimentary requirements of good faith. Whether the plaintiffs have any valuable secret or not the defendant knows the facts, whatever they are, through a special confidence that he accepted. The property may be denied but the confidence cannot be. Therefore the starting point for the present matter is not property ... but that the defendant stood in confidential relations with the plaintiffs, or one of them.

42 The same point was made in the High Court of Australia, per Deane J., in *Moorgate Tobacco Co. v. Philip Morris Ltd.* (1984), 156 C.L.R. 414, at p. 438:

Like most heads of exclusive equitable jurisdiction, its rational basis does not lie in proprietary right. It lies in the notion of an obligation of conscience arising from the circumstances in or through which the information was communicated or obtained.

¶ 17 As to whether a proprietary remedy is always appropriate in breach of confidence cases, *Cadbury Schweppes* at paras. 47 to 48:

47 The reluctance of common law courts outside the United States to treat trade secrets as a species of property or quasi-property has been criticised: see, e.g., M. Chromecek and S.C. McCormack, *World Intellectual Property Guidebook: Canada* (1991), wherein it is observed at p. 3-27:

Not all information can be property; only confidential information can. Confidentiality is a condition sine qua non of the information's proprietary status. This view is fully consistent with the essence of other intellectual property rights, patents, copyrights, industrial designs, trade marks, or even personality rights, the value of which lies not in their possession but in the owner's ability to exclude others from exploiting them.

48 I agree, of course, with the author's emphasis on confidentiality. Breach of confidentiality is the gravamen of the complaint. When it comes to a remedy, however, I do not think a proprietary remedy should automatically follow. There are cases (as in *Lac Minerals*, [1989] 2 S.C.R. 574) where it is appropriate. But equity, with its emphasis on flexibility, keeps its options open. It would be contrary to the authorities in this Court already mentioned to allow the choice of remedy to be driven by a label ("property") rather than a case-by-case balancing of the equities. ...

¶ 18 It seems to me that the first hurdle Napier has not been able to overcome is establishing the precise information it seeks to protect as confidential information. Secondly, while the parties did not address the issue, I question whether it follows that simply because a person is employed to research and develop, that person becomes a fiduciary. (see *Wilson J. in Frame v. Smith*, [1987] 2 S.C.R. 99 at 136, and the principles enunciated in *Hodgkinson v. Simms*, [1994] 3 S.C.R. 377 at 404 to 420.) In order for a fiduciary relationship to exist, there must be three general characteristics:

1. the fiduciary has scope for the exercise of some discretion or power;
2. the fiduciary can unilaterally exercise that power or discretion so as to affect the beneficiary's legal or practical interests; and
3. the beneficiary is peculiarly vulnerable to or at the mercy of the fiduciary holding the discretion or power.

¶ 19 At most, some of the indicia may be present, but they are not all present. In the case of *Gammer* who is described in the further amended statement of claim as "in charge of batch making of Napier SARA products", and *White*, who is described as a "senior chemist", it is difficult to see how they or even *Vitomir* come anywhere close to meeting the criteria for being a fiduciary. While Napier may lump *Gammer* and *White* together with *Vitomir* and paint them all with the same brush, it is not proper. Nor is it proper for Napier to lump all of their individual or collective knowledge together and claim that they hold this knowledge in trust for Napier on the basis of a fiduciary relationship when none exists.

¶ 20 What Napier says in its response to the particulars ordered on December 5, 2001 is that "Napier's proprietary formulas" refer to the products listed at paragraph 13 of the amended statement of claim, which *Vitomir* developed, and "was responsible for protecting these proprietary formulas and keeping them confidential".

¶ 21 Paragraph 13 of the amended and the further amended statement of claim reads:

13. Napier's products include:

Hydrostrip series 500, 501, 502, 503, 504 (paste & liquid)
Napier series A, C, M, PMA, (paste & liquid, & Blue)
SV-35 series A, AC, C, E, OA, PMA, (paste & liquid, & Blue)
Napier retail series - concrete strip, masonry strip, metal strip

Miscellaneous - Blitzolve (gel & liquid), Britex (gel & liquid), Paintgun cleaner, Plexiplus (gel & liquid), Timbercote, Nc50, Nc10special
[Emphasis added.]

¶ 22 The products I have emphasized above are covered by patents that Vitomir wrote for Napier, and have therefore been publicly disclosed.

¶ 23 The question then is whether everything else (excluding the patented products) is confidential or proprietary information. It is apparent from both the pleadings and the argument that Napier uses these terms inter-changeably. As stated by Huddart J. (as she then was) in *Cadbury Schweppes Inc. v. FBI Foods Ltd.* (1994), 93 B.C.L.R. (2d) 318 (S.C.), at paras. 38 and 39:

38 To be considered confidential, and thus worthy of a court's protection, it is not necessary that all of the information disclosed be secret or that there be something unique included in it. What is necessary is that the person who compiled the information "used his brain and thus produced a result which can only be produced by somebody who goes through the same process." (per Lord Greene M.R. in *Saltman Engineering Co. v. Campbell Engineering Co. Ltd.* (1948), 65 R.P.C. 203 at 215 (C.A.)). ...

...

39 To this attribute of inaccessibility is added that of identifiability, to use Francis Gurry's terms. To make restraint or some other remedy possible, information must also be

... something that can be traced to a particular source and not something which has become so completely merged in the mind of the person informed that it is impossible to say from what precise quarter he derived the information which led to the knowledge which he is found to possess.

(per Roxburgh J. in *Terrapin Ltd. v. Builders Supply Co. (Hayes) Ltd.* (1959), [1967] 15 R.P.C. 375 at 391 (Ch.D.); affirmed [1960] 5 R.P.C. 128 (C.A.)).

¶ 24 In *Faccenda Chicken Ltd. v. Fowler* [1986] 1 All E.R. 617 (C.A.), a decision on the use of confidential information by a departing employee, the Court of Appeal set out the following passage of the trial judge at pp. 623 to 624:

... In my view information acquired by an employee in the course of this service, and not the subject of any relevant express agreement, may fall as regards confidence into any of three classes. First there is information which, because of its trivial character or its easy accessibility from public sources of information, cannot be regarded by reasonable persons or by the law as confidential at all. The servant is at liberty to impart it during his service or afterwards to anyone he pleases, even his master's competitor. An example might be a published patent specification well known to people in the industry concerned ... Second, there is information which the servant must treat as confidential, either because he is expressly told it is confidential, or because from its character it obviously is so, but which once learned necessarily remains in the servant's head and becomes part of his own skill and knowledge applied in the course of his master's business. So long as the employment continues, he cannot otherwise use or disclose such information without infidelity and therefore breach of contract. But when he is no longer in the same service, the law allows him to use his full skill and knowledge for his own benefit in competition with his former master; ... If an employer wants to protect information of this kind, he can do so by an express stipulation restraining the servant from competing with him (within reasonable limits of time and space) after the termination of his employment.

...

Third, however, there are, to my mind, specific trade secrets so confidential that, even though they may necessarily have been learned by heart and even though the servant may have left the service, they cannot lawfully be used for anyone's benefit but the master's. ...

¶ 25 Napier cannot lump together the first and second classes of information and say that everything is confidential or proprietary. The defendants need to know with some precision what that information is, particularly when Napier seeks to deprive each of them, especially Vitomir, of exactly what it was he did for a living before he was employed by Napier, was hired by Napier to do, and continues to do. As the court in *Faccenda Chicken* stated at page 626:

In order to determine whether any particular item of information falls within the implied term so as to prevent its use or disclosure by an employee after his employment has ceased, it is necessary to consider all the circumstances of the case. We are satisfied that the following matters are among those to which attention must be paid. (a) The nature of the employment. ... (b) The nature of the information itself. In our judgment the information will only be protected if it can properly be classed as a trade secret or as material which, while not properly to be described as a trade secret, is in all the circumstances of such a highly confidential nature as to require the same protection as a trade secret *eo nomine*. The restrictive covenant cases demonstrate that a covenant will not be upheld on the basis of the status of the information which might be disclosed by the former employee if he is not restrained unless it can be regarded as a trade secret or the equivalent of a trade secret [citation omitted].

¶ 26 In *Balston Ltd. v. Headline Filters Ltd.*, [1987] 13 F.S.R. 330, the plaintiff manufactured glass microfibre filter tubes which are used to filter impurities out of materials such as hydraulic oil. The defendants resigned from the plaintiff's employ and set up business in direct competition by soliciting the plaintiff's oldest customer. The plaintiff sought an order prohibiting the defendants from manufacturing products which used "substantially similar" ingredients. In rejecting this claim, the court stated at pp. 350 to 351:

Mr. Pumfrey submitted that, on the evidence before me, the second defendant was not using the plaintiffs' specific fibre blends, he was not using their trade secrets. In the sense that the defendants are not manufacturing filter tubes from a mix identical to any of the plaintiffs' specific mixes, that is true. Mr. Wyand responded by submitting that the second defendant was basing himself on one or other of the plaintiffs' specific mixes in manufacturing tubes from mixes slightly different from those used by the plaintiffs. But this response, in my view, simply puts in another way the point that the second defendant when manufacturing filter tubes to meet certain specifications is using his knowledge of the mixes likely to meet those specifications. This knowledge includes knowledge of the plaintiffs' mixes. It is not, in my view, practicable to regard the second defendant's knowledge of the plaintiffs' mixes as something that can, like cream from milk, be separated from the sum total of his knowledge of the manufacturing process. It is arguable that he can be restrained from using the plaintiffs' mixes. It is not, in my judgment, arguable that he can be restrained from using his knowledge. ...

[Emphasis added.]

¶ 27 Napier now knows from tests conducted on the defendants' products, that they are not identical to Napier's products. It is not enough for Napier to contend, as it has consistently maintained, that virtually everything Vitomir and the other defendants did while they were with Napier was confidential, and that everything the defendants do now, belongs to Napier.

¶ 28 While Napier complains that Sea to Sky's products are "similar to and directly competitive with

Napier products", there is nothing in the contracts of employment, or at law, that prevent the defendants from competing with Napier as long as they do so fairly. They cannot be prevented from using their knowledge.

¶ 29 I find that the wide protection that Napier seeks, is broader than the restrictive covenants I found to be unenforceable, and broader than the law will allow. It is unreasonable. Napier's claim is coming precariously close to, if not already, an oppressive plan to prevent the defendants from earning a livelihood. At the outset of this litigation, Mr. Tevlin rightly forecast that Napier's plan was to force the defendants to disclose precisely what it is they are doing and then to claim that whatever that was it belonged to Napier. Napier may own its patents, but it does not own the defendants.

¶ 30 There will be an order striking paragraphs 42 to 46 (a) to (d), the last sentence of paragraph 46 (e), and 46(f) to (h) of the further amended statement of claim as they have not been sufficiently particularized and disclose no reasonable claim.

LOO J.

QL Update: 20020712
cp/i/qlsng/qlabh/qlbrl