

Court File No. CV-24-00000869-0000

**ONTARIO
SUPERIOR COURT OF JUSTICE**

B E T W E E N:

**GULED WARSAME and SHELLI SAREEN on their own behalf and on
behalf of all members of UNITE HERE Local 75**

Plaintiffs (Moving Parties)

and

**DAVID SANDERS, ASHLEY HAYES, RAFUNZEL KORNGUT AND ALLAN PACE
on his own behalf and on behalf of all members of THE TORONTO HOSPITALITY
EMPLOYEES UNION – CSN (THEU-CSN)**

Defendants (Responding Parties)

**ABBREVIATED BOOK OF AUTHORITIES OF THE PLAINTIFFS / MOVING
PARTIES**

June 5, 2024

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**CLARK DOOR OF CANADA LTD. (plaintiff/moving Party)
v. INLINE FIBERGLASS LTD. (defendant/responding party)**

Molloy J.

Judgment: January 29, 1996

Docket: Doc. 95-CU-94298

Counsel: *Thomas G. Andrews*, for moving party (plaintiff).

Gordon Capern, for responding party (defendant).

Subject: Torts; Civil Practice and Procedure; Corporate and Commercial

Headnote

Torts --- Replevin — Practice and procedure — Replevin bond — Amount

Torts --- Replevin — Practice and procedure — Evidence

Practice --- Pre-trial procedures — Miscellaneous procedures

Pre-trial procedures — Interim recovery of personal property — Plaintiff claiming ownership of dies used in manufacture of fibreglass doors — Defendant in possession of dies — Possession in dispute — Plaintiff showing substantial grounds for claim to ownership — Defendant alleging investment in dies as proprietary technology — Balance of convenience favouring defendant — Defendant to retain possession pending trial if posting security — [Courts of Justice Act, R.S.O. 1990, c. C.43, s. 104](#) — [Ontario, Rules of Civil Procedure, r. 44, 44.01](#).

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Torts — Replevin — Practice and procedure — Replevin bond — Amount — Motion for interim order for recovery of dies used in manufacture of fibreglass doors — Plaintiff showing substantial grounds for claim to ownership but defendant having balance of convenience in its favour — Defendant to retain possession pending trial upon posting of security in amount of \$150,000, failing which, plaintiff could post security and regain possession pending trial or further order.

Pursuant to an agreement, the defendant was to manufacture pultrusion dies for the making of fibreglass door frames for the plaintiff. The defendant received \$75,000 for the manufacturing of the dies. The parties had an ongoing business relationship for several years whereby the plaintiff would make purchases from the defendant of fibreglass door frames made from the dies. The business relationship deteriorated. The plaintiff wanted to start its own manufacturing process. The plaintiff asked the defendant to return the dies. The defendant refused to give the plaintiff possession of the dies, and took the position that although the plaintiff had ownership, the defendant was entitled to possession of the dies under the agreement. The defendant also asserted proprietary technology in the dies and the manufacturing process involved in producing the fibreglass door frames. The defendant contended that if it lost control of the proprietary technology, it would suffer the loss of trade secrets and would sustain consequential damage.

The plaintiff commenced an action, and obtained an interim injunction restraining the defendant from disposing of the dies. However, the plaintiff's stock of fibreglass door frames became exhausted, and the plaintiff wished to commence manufacturing its own frames using the dies. The plaintiff alleged that it would suffer a loss of profits from the expense and time involved in the purchase and manufacture of new dies. The plaintiff brought a motion for interim recovery of the dies.

Held:

1996 CarswellOnt 193
Ontario Court of Justice (General Division)

Clark Door of Canada Ltd. v. Inline Fiberglass Ltd.

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The plaintiff commenced an action, and obtained an interim injunction restraining the defendant from disposing of the dies. However, the plaintiff's stock of fibreglass door frames became exhausted, and the plaintiff wished to commence manufacturing its own frames using the dies. The plaintiff alleged that it would suffer a loss of profits from the expense and time involved in the purchase and manufacture of new dies. The plaintiff brought a motion for interim recovery of the dies.

Held:

The motion was dismissed; the defendant was entitled to retain possession of the dies pending trial, upon the posting of security in the amount of \$150,000.

The authority for a judge to make an order for the interim recovery of personal property was found in s. 104 of the *Courts of Justice Act (Ont.)*, and the procedure was governed by R. 44 of the *Rules of Civil Procedure*. Rule 44 specifically contemplated that a party with possession of disputed property might be required to post security equal to twice the value of the property. The provisions of R. 44 made it clear that either a plaintiff or a defendant could be required to post security as a condition for possession.

In order for the plaintiff to obtain possession of the dies, it was required to show that it could meet the "substantial grounds" test to support its claims to ownership under the *Courts of Justice Act* and r. 44.01. The plaintiff was required to show more than a probability of success at trial or simply that the plaintiff was more likely to succeed than the defendant. The test was "substantial grounds" not "reasonable grounds" or "probable grounds." The plaintiff was required to not only prove ownership or lawful entitlement to possession of the disputed property but was also required to show that the property was unlawfully taken or was unlawfully detained by the opposing party.

The plaintiff had substantial grounds for its claim to ownership of the property. The defendant was wrongfully detaining the dies. A "benefits versus harm" analysis and the balance of convenience favoured the defendant's being allowed to retain possession of the dies. However, the defendant was only permitted to retain possession if adequate security was posted with the court to protect the plaintiff's claim. The defendant was entitled to retain possession of the dies pending trial upon the payment into court of \$150,000 within 14 days of the order, failing which, the plaintiff could post security in the amount of \$150,000, whereupon it would regain possession of the dies pending trial or further order of the court.

Motion by plaintiff for interim recovery of personal property.

Molloy J.:

1 This is a motion brought by the plaintiff Clark Door of Canada Ltd. ("Clark Door") for interim recovery of personal property currently in the possession of the defendant, Inline Fiberglass Ltd. ("Inline"). The subject matter of the application is certain pultrusion dies used in making fiberglass door frames.

Background Facts

2 Clark Door sells doors and related products. Inline is a manufacturer of fiberglass doors and windows using a method of fiberglass pultrusion. This is a process whereby fiberglass is injected with resins and pulled through a heated die into a form created by the shape of the die. Inline manufactures the dies used in the pultrusion process but this is as an adjunct to its pultrusion business. It is the pultrusion business itself (i.e. the manufacturing of doors, windows and frames) which Inline looks to as its main profit centre. Also, Inline sells doors and windows directly to builders.

3 In 1992 Clark Door entered into an agreement with Inline whereby Inline was to manufacture pultrusion dies and thereafter use those dies to manufacture fiberglass door frames for Clark Door. As agreed, Clark Door paid approximately \$75,000 to Inline in respect of the agreement for the manufacture of the dies. Thereafter Clark Doors for a period of years purchased fiberglass products from Inline, including products manufactured using the dies. These transactions were separately invoiced and paid for. The business relationship between Clark Doors and Inline began to deteriorate and ultimately Clark Doors decided to manufacture its own door frames. Clark Door asked Inline to return the dies so that Clark Doors could use them in its own manufacturing process. Inline refused taking the position that although Clark Door had "ownership" of the dies, it was a term of their agreement that only Inline would ever be entitled to possession of them. Inline maintains that it used a highly confidential secret technology to manufacture the dies and that this process is unique. Inline asserts that it has spent many years and \$15 million of capital investment developing this technology. Further, Inline says that if others are able to look at and examine the dies they will be able to figure out the process and Inline will thereby have lost its competitive advantage arising from this proprietary technology.

4 Clark Doors commenced an action against Inline in November of 1995 and served along with the statement of claim a motion for interim relief. On the consent of Inline, an interim injunction was granted by Lissaman J. on November 29, 1995

restraining Inline from disposing of the dies until further order of the court. Inline is prepared to continue that injunction until the final resolution of the action or, alternatively, is prepared to place the dies in the hands of somebody else for safekeeping pending trial. Clark Doors, on the other hand, has brought this motion for interim recovery of the dies. Clark Doors says it has exhausted its supply of fiberglass door frames and wishes to begin immediately to manufacture its own frames using the dies. Clark Doors has already purchased the equipment it needs to do the manufacturing. It objects to being required to purchase new dies and the new dies manufactured and the lost profits resulting from the time that would take.

The Legal Test for Interim Replevin

5 The authority of a judge to make an order for interim recovery of personal property is set out in s. 104 of the *Courts of Justice Act* which provides:

104.-(1) In an action in which the recovery of possession of personal property is claimed and it is alleged that the property,

(a) was unlawfully taken from the possession of the plaintiff; or

(b) is unlawfully detained by the defendant,

the court, on motion, may make an interim order for recovery of possession of the property.

(2) A person who obtains possession of personal property by obtaining or setting aside an interim order under subsection (1) is liable for any loss suffered by the person ultimately found to be entitled to possession of the property.

6 The essential evidence to be put before the Court on a motion for interim recovery is listed in [Rule 44.01\(1\)](#) as follows:

44.01(1) An interim order under [section 104 of the *Courts of Justice Act*](#) for recovery of possession of personal property may be obtained on motion by the plaintiff, supported by an affidavit setting out,

(a) a description of the property sufficient to make it readily identifiable;

(b) the value of the property;

(c) that the plaintiff is the owner or lawfully entitled to possession of the property;

(d) that the property was unlawfully taken from the possession of the plaintiff or is unlawfully detained by the defendant; and

(e) the facts and circumstances giving rise to the unlawful taking or detention.

7 The powers of the judge on disposition of the interim recovery motion are set out in [Rule 44.03\(1\)](#) which provides:

44.03(1) On a motion for an interim order for recovery of possession of personal property made on notice to the defendant, the court may,

(a) order the plaintiff to pay into court as security twice the value of the property as stated in the order, or such other amount as the court directs, or to give the appropriate sheriff security in such form and amount as the court approves, and direct the sheriff to take the property from the defendant and give it to the plaintiff;

(b) order the defendant to pay into court as security twice the value of the property as stated in the order, or such other amount as the court directs, or to give the plaintiff security in such form and amount as the court approves, and direct that the property remain in the possession of the defendant; or

(c) make such other order as is just.

8 It is to be noted that there is a broad residual discretion under [Rule 44](#) to make whatever order is just. However, the Rule specifically contemplates that the party obtaining possession may be required to post security. Whether the security is in fact required and, if so, the amount of the security to be ordered is within the discretion of the judge hearing the motion. However the amount of security suggested by the Rule is twice the value of the property. Further, it is significant that the Rule contemplates the possibility of requiring a defendant to pay security if the defendant is to retain the property pending trial. These provisions are consistent with [s. 104\(2\) of the Courts of Justice Act](#) as well as with the general principle that a person obtaining an injunction is generally required to give an undertaking as to damages caused by the injunction if it is subsequently found to have been unwarranted. (As will be referred to below, there are some overlaps in the law relating to interim injunctions and the law on interim replevin).

9 The classic and oft quoted statement of the test to be applied before making an interim recovery order is that propounded by the Senior Master in [Ryder Truck Rental Ltd. v. Walker \(1959\)](#), [1960] O.W.N. 70 (H.C.), a case involving the disputed ownership of 20 trucks under the [Replevin Act R.S.O. 1950, c. 339, s. 2](#) and Rules 359 and 360 (the precursors of the current legislation and Rules set out above). The Senior Master ruled:

The first matter for consideration is the scope of the enquiry under Rules 359-60. Having regard to the nature of the relief obtainable in a replevin action, which allows a preliminary taking of possession before trial, in my view it is not contemplated that the Court at this stage should embark upon a trial of the issues raised but only require the plaintiff to show the facts upon which it bases its claim, and if these facts afford substantial grounds for the plaintiff's claim, then the order should be granted. ...

Therefore, in my opinion the enquiry is limited to determining whether there are substantial grounds for the plaintiff's allegations, which if proved, bring the case within the statute.

10 The Senior Master's Order was upheld on appeal by Ferguson J., [1960 O.W.N. 114 (H.C.)] who held at p. 114:

The plaintiff had shown *prima facie* that it had a right to possession that it had the legal title of the vehicles. The documents supported the plaintiff's case and they did not support the defendant's case.

11 The "substantial grounds" test has been consistently applied by the courts since 1960: See e.g. [Businex Business Centres \(Can.\) Inc. v. TR Services Ltd. \(1992\)](#), 17 C.P.C. (3d) 313 (Ont. Gen. Div.); [R.N. Holdings Ltd. \(Receiver of\) v. Wong \(1990\)](#), 45 C.P.C. (2d) 101 (Ont. Master); [Employers Liability Assurance Corp. v. Metropolitan Toronto \(Municipality\)](#), [1966] 2 O.R. 485, [1966] 4 C.C.C. 334 (Co.Ct.); [Robert Cooper Productions Inc. v. J.S. Kastner Associates Ltd. \(1982\)](#), 24 C.P.C. 269 (Ont. Master); [Peco Tool & Die Ltd. v. 939991 Ontario Ltd. \(1993\)](#), 19 C.P.C. (3d) 123 (Ont. Gen. Div.).

12 The defendant Inline concedes that "substantial grounds" is the proper test but argues that when the question of ownership is contested and cannot be foretold and especially when findings as to credibility must be made, the substantial grounds test is not satisfied. Reliance is placed primarily on three cases: [Robert Cooper Productions Inc. v. J.S. Kastner Associates Ltd.](#); [Peco Tool & Die Ltd. v. 939991 Ontario Ltd.](#); and [Tuffy v. Schloendorf](#), [1993] O.J. No. 1581 (Gen. Div.). Although in each of those cases the plaintiff's motion for interim recovery was denied, the reasoning applied does not in my view deviate from the substantial grounds test set down in [Ryder Trucks](#) and the cases that followed it.

13 In [Robert Cooper Productions](#) the plaintiff a movie producer, entered into a contract with the defendant writers to write a "treatment" for a screen play. The agreement provided that the plaintiff was granted all rights to the products of the writers' services. The finished product "treatment" was turned over to the plaintiff. The plaintiff also claimed entitlement to the defendant's tapes and notes of interviews and this was the subject of the replevin action. Master Donkin held at p. 271-272:

In this case we are concerned not with goods which ever were in the possession of the plaintiff but rather goods that were created in the course of doing the work called for by the contract between the parties, and the whole case falls to be determined on the interpretation of the agreement which will be done either by an arbitration under the I.P.A. agreement or as a result of a trial, or other final disposition of this action. It is not a case involving goods in which the title is obviously or

apparently or most likely vested in the plaintiff and where the defendant sets up a contrary claim by way of lien or charge, but rather a situation where the whole case will turn on the ownership of the chattels and that in turn will depend on the interpretation of the contract. In my view, the plaintiff has not shown to me that he has any more likelihood of success than the defendant. It is my view that it is not appropriate nor consistent with the whole idea of replevin to make an order at this stage which must be based on the finding that the plaintiff is the owner when that proposition is contested and where the outcome of the contest cannot be foretold.

The defendant relies on this case as supporting its argument that where the whole case turns on the ownership question and the interpretation of a contract, then an interim recovery order should not be made. I do not agree. A great many replevin actions turn on the ownership or right to possession of chattels and the interpretation of the agreement between the parties. That is, indeed, the very nature of replevin actions. I believe Master Donkin's decision in this case really turned on his finding that he could not say that the plaintiff had shown more likelihood of success than the defendant and that therefore the plaintiff did not meet the substantial grounds test.

14 Likewise, in *Peco Tool & Die* the motions judge accepted the substantial grounds test but found that the test was not met by the plaintiff.

15 Again, to a similar effect is the decision in *Tuffy v. Schloendorf* in which Carter J. held:

Because of the differing affidavits of the parties as to their intention when the original document was signed, and the several alterations and proposed alterations in terms discussed between the parties, I am satisfied that the question of ownership cannot be determined - or substantial grounds shown — without a full trial, where credibility will certainly play a part.

16 I agree that if it is not possible because of credibility issues and competing affidavit evidence to find that the plaintiff has shown "substantial grounds" then the plaintiff should not be successful on its motion. However, I do not see *Tuffy v. Schloendorf* as going beyond that. Accordingly, in my opinion the plaintiff is required to show substantial grounds supporting the claims advanced to meet the test required under the Act and [Rule 44.01](#). This test is not altered by the three cases referred to by the defendant as discussed above.

17 I accept the submission of Mr. Capern that the plaintiff must satisfy all of the elements listed in [Rule 44.01\(1\)](#). In particular, it is not enough for the plaintiff to prove ownership or lawful entitlement to possession (as required by [Rule 44.01\(1\)\(c\)](#)). The plaintiff must also show that the property was "unlawfully taken" or is "unlawfully detained" ([Rule 44.01\(1\)\(d\)](#)). These are cumulative. Further, it is not enough for the plaintiff to assert that it is the owner and that the right to possession simply flows from that. Rather, there is a positive onus on the plaintiff to establish substantial grounds for its claim that its property is being unlawfully detained by the defendant.

18 It is not easy to articulate precisely the degree of proof which is required to meet the "substantial grounds" test. While the case law consistently identifies "substantial grounds" as the proper test, it is not immediately obvious where that test fits into the broad spectrum. Obviously since the order is only for interim recovery pending trial, the degree of proof is less than would be required on a motion for summary judgment. No final disposition of rights is being made. That is not to say, however, that the rights of the parties are not significantly affected even on an interim basis. In many cases, losing possession of goods for the time it takes to bring an action to trial may have serious, and perhaps irreversible consequences. Accordingly, I believe the plaintiff must show more than a probability of success at trial or simply that the plaintiff is more likely to succeed than the defendant. The test is "substantial" grounds, not reasonable grounds or probable grounds.

19 The nature of a replevin order is in many ways similar to that of an injunction. Accordingly, I find the standard of proof applied in interlocutory injunctions to be useful for comparative purposes. Since *Yule Inc. v. Atlantic Pizza Delight Franchise (1968) Ltd.* (1977), 17 O.R. (2d) 205, 35 C.P.R. (2d) 273, 80 D.L.R. (3d) 725 (Div. Ct.) our courts have required that a party seeking an interlocutory injunction establish a "substantial issue to be tried". This is the threshold question and if it is answered in the affirmative a number of other issues must then be considered before relief should be granted (e.g. whether there would be irreparable harm unless an injunction is granted and the balance of convenience). *Yule v. Atlantic Pizza Delight*

specifically rejected the "strong *prima facie* case" test which had formerly been applied in injunction cases and instead adopted the "substantial issue test" established by the English House of Lords in *American Cyanamid Co. v. Ethicon Ltd.*, [1975] A.C. 396. The reasoning in *American Cyanamid* was essentially adopted by the Supreme Court of Canada in *RJR-Macdonald Inc. v. Canada (Attorney General)* (1994), 111 D.L.R. (4th) 385. The "substantial issue" test for general interlocutory injunctions is not a difficult one to meet. In *RJR-Macdonald* the Supreme Court of Canada observed at p. 402:

What then are the indicators of "a serious question to be tried"? There are no specific requirements which must be met in order to satisfy this test. The threshold is a low one. The judge on the application must make a preliminary assessment of the merits of the case. The decision of a lower court judge on the merits of the Charter claims is a relevant but not necessarily conclusive indication that the issues raised in an appeal are serious: See *Metropolitan Stores, supra*, at p. 350. Similarly, a decision by an appellate court to grant leave on the merits indicates that serious questions are raised, but a refusal of a leave in a case which raises the same issues cannot automatically be taken as an indication of the lack of strength of the merits.

Once satisfied that the application is neither vexatious nor frivolous, the motions judge should proceed to consider the second and third tests, even if of the opinion that the plaintiff is unlikely to succeed at trial. A prolonged examination of the merits is generally neither necessary nor desirable.

20 The "strong *prima facie* test continues to be applied, however, in Mareva injunction cases which, of course, are much more draconian than other forms of interlocutory injunctions. (*Chitel v. Rothbart* (1982), 39 O.R. (2d) 513, 141 D.L.R. (3d) 268, 69 C.P.R. (2d) 62 (C.A.))

21 The impact of an interim replevin order seems to me to fall somewhere between the general interlocutory injunction and the Mareva injunction. It goes further than the interlocutory injunction in that it does not simply restrain the defendant from using the asset but requires delivery up of the asset to the plaintiff. On the other hand, it does not go as far as the Mareva injunction because it extends only to particular assets to which the plaintiff is asserting a proprietary claim. In terms of effect, a replevin order directing the delivery up of property is more like a mandatory injunction than other forms of injunctive relief.

22 Courts have traditionally required a higher standard of proof for mandatory injunctions than for prohibitive injunctions and have therefore not applied the *American Cyanamid* test in those situations (Sharpe, Robert, *Injunctions and Specific Performance*, 2nd ed. Canada Law Book Inc., 1995 at p. 2.19 and 2.38-2.39). The test for an interlocutory mandatory injunction has been described as requiring a "high degree of assurance that at trial it will appear that the injunction was rightly granted" (*Ticketnet Corp. v. Air Canada* (1987), 21 C.P.C. (2d) 38 at 43 (Ont. H.C.))

23 Clearly, the test for whether a replevin order should be made is not going to be exactly the same as the test for any type of injunction. However, the term "substantial grounds" is somewhat vague and it helps, in my opinion, to put it in a contextual framework. As I have said earlier, it is obvious that the substantial grounds test is a lesser standard than the test for summary judgment. Similarly, I consider the Mareva injunction "strong *prima facie* case" requirement to be too high a standard for replevin orders which are much less draconian and far reaching. On the other hand, the "substantial issue" test (not frivolous or vexatious) applied generally in prohibitive injunction cases is, in my view, too low a standard for a replevin order which requires one party to actually deliver up possession of property to the other. It must be remembered that before obtaining a prohibitive injunction, a party must satisfy other requirements not imposed on applicants for replevin (eg. the requirement of demonstrating irreparable harm which damages cannot remedy). As the replevin order is more in the nature of a mandatory injunction and is a greater interference with responding parties' rights than a prohibitive injunction, a stronger standard is required. Accordingly, I am of the view that the "substantial grounds" test for interim recovery of property requires a high degree of assurance that the plaintiff will be successful at trial.

24 Cases in which there is clear documentation supporting the plaintiff are more likely to meet the substantial grounds test. Cases in which straight issues of credibility will determine the action are less likely to meet the test. However, that is not to say that the presence of a credibility issue is fatal to the plaintiff's success or that a solid "paper trail" is un rebuttable by a defendant. Most cases will fall somewhere in the middle with some but not perfect, documentation and some issues of credibility. The case before me falls into that category.

Has the Plaintiff Clark Door Met the Substantial Grounds Test?

25 It is recognized by the parties that the plaintiff has met the requirements of Rule 44.01(1)(a)(b)(c) and (e). The main dispute between them is with respect to subparagraph (d) dealing with whether the defendant is unlawfully detaining the dies. The defendant Inline concedes that it was agreed between the parties that Clark Door would be the owner of the dies. However, Inline insists that ownership did not include a right to possession and that it was orally agreed between the principal of Inline (Mr. Rokicki) and the principal of Clark Door (Mr. Zafir) that possession of the dies would rest forever with Inline. Inline maintains that Clark Door's ownership rights in the dies extends only to prevent Inline from using the dies for any customers other than Clark Door. Mr. Rokicki's version of this oral agreement is flatly contradicted by Mr. Zafir. More significantly, Mr. Rokicki's characterization of the agreement is also contradicted by the documentary evidence.

26 The first document relating to the agreement between the parties is a price quotation given by Inline to Clark Door. Prices are quoted for dies, followed by the statement, "Delivery of the first die from the date of the orders is 6-8 weeks". Prices are then quoted on a per foot basis for the production of fiberglass products using the dies. The payment terms are stated to be 50% upon placing the order and 50% upon receiving goods. The plaintiff argues that the references to "delivery" and "receiving goods" are consistent with the plaintiff's claim to possession. I agree that these references are suggestive. However, since it was common ground that the dies were in fact manufactured at Inline's plant and were intended to be used there immediately in the manufacturing of door frames, rather than delivered to Clark Door, the reference to "delivery" and "receiving" could equally apply to delivery into the manufacturing process. Therefore, in my view this document is of little assistance in resolving the right to possession issue.

27 The dies which are the subject matter of this action were ordered by Clark Door under two purchase orders — one dated April 22, 1992 for die profile #130 and the other dated October 15, 1992 for die profile #125. The April purchase order specified:

Tooling will be the property of Clark Door Ltd. Maintenance of Tooling is the responsibility of Inline Fiberglass Ltd.

The October purchase order contained virtually identical provisions as follows:

Tooling is property of Clark Door Co. Die maintenance is the responsibility of Inline.

28 (It was accepted by both counsel before me that the words "tooling" and "dies" are used interchangeably).

29 A letter from Mr. Rokicki at Inline to Mr. Zafir at Clark Door dated July 27, 1992 (after the first purchase order but before the second) confirms Clark Door's property interest in the dies. He wrote:

As per our discussion, Inline Fiberglass Ltd. confirms being paid in full \$17,449.60 + G.S.T. Inline Fiberglass Ltd. verifies that we will hold the tool on our premises, and that the die is the property of Clark Door. Furthermore, Inline Fiberglass Ltd. would like to bring to your attention that this tooling is proprietary technology, which can't be transferred to anyone else. Inline Fiberglass Ltd. will be the custom pultruder for your profiles.

30 This letter is the closest Inline can come to any corroboration of its position that Clark Door would never be entitled to possession of the dies. However, in my view, the statement that the tooling is proprietary and cannot be transferred to anyone else is a far cry from saying that Clark Door cannot itself use the dies for its own purposes. Furthermore, the language of this sentence is to be contrasted to the beginning sentences which purport to confirm prior discussions. The term "would like to bring to your attention" suggests that this condition is being raised after the fact and is not consistent with this provision having been a term of the agreement between the parties from the outset.

31 The right to possess goods is a normal incident of ownership. Indeed, counsel were unable to give me any example of a situation where the owner of property (free and clear from any charge, pledge or lien interest) could be prohibited from *ever* being in possession of it. If, the defendant was requiring as a term of its agreement that the plaintiff, although owner of the dies, would never actually get them even upon termination of the manufacturing agreement, then it was incumbent upon the defendant to express that clearly. This is a condition so inconsistent with ownership that it could not be presumed or imposed.

in the absence of clear language. Verification by Inline that it "will hold the tool on our premises" cannot be seen as a clear condition that all possessory rights of Clark Door to its own property were relinquished for all time.

32 Inline claims that it has \$15 million tied up in research and development costs, the benefit of which will be lost if it is forced to give up possession of these dies and thereby give access to others to its proprietary technology. If this is an issue of such magnitude to Inline it is incomprehensible to me that it would not have protected its rights by strong language in its contracts. At the very least, it is difficult to accept that in this situation Inline would simply agree that the dies were the "property of Clark Door" without stipulating protection for its trade secrets.

33 Further, even if Inline gave Clark Door a substantial price reduction on the dies (as alleged by Mr. Rokicki) I am not persuaded that this could have any affect on rights of possession. There were good business reasons to cut the price on the dies because Inline's main source of profit was in the pultrusion manufacturing process and this was the business it wanted to attract from Clark Door. The documentation relating to pricing is consistent with price reductions having been given by Inline to Clark Door. However, it is clear that Clark Door was the purchaser. This was not a shared cost venture.

34 The only evidence supporting the defendant's position is the evidence of Mr. Rokicki who says that he made it clear to Mr. Zafir that Inline would always retain possession of the dies. It may be the case that Mr. Rokicki's evidence will be accepted at trial. I am obviously not in nearly as good a position to assess credibility as a trial judge would be. However, I cannot ignore the fact that Mr. Rokicki swore in his affidavit dated January 5, 1996 that he had never told Zafir that he would destroy the dies before he would give them to Clark Door. However, when confronted on cross examination with a transcript of a conversation he had with Mr. Zafir Mr. Rokicki admitted that he had made such a remark on two occasions. The plaintiff also pointed out other contradictions in his evidence. His credibility is therefore seriously in question.

35 Counsel for Inline argued that the failure of the documents to clearly set out the agreement with respect to possession rights can be attributed to the fact that English is not Mr. Rokicki's first language. I do not accept that this is a plausible explanation. Mr. Rokicki is obviously intelligent and well educated. He has a Master's degree in Mechanical Engineering from the Polytechnical Institute in Poznan, Poland and has lived in Canada since 1962. The letters which he has written in connection with this matter are well constructed and literate and show a fluent command of the English language.

36 In my opinion the documentary evidence is consistent with the plaintiff's position and inconsistent with the defendant's position. Accordingly, since all of the documentation as well as logic and common sense favour the plaintiff, and since the only evidence substantially contradicting the plaintiff is that of Mr. Rokicki whose reliability is suspect, I find that the plaintiff has demonstrated a high degree of likelihood that it will be successful at trial or, to use the words of Master Donkin in *Robert Cooper*, title is apparently or most likely vested in the plaintiff". Thus, the plaintiff has satisfied the substantial grounds test required for an interim recovery order.

Balance of Convenience

37 Having found that the plaintiff has substantial grounds for its claim to ownership of the dies and that the defendant is wrongfully detaining them, I must now consider whether or not to order that the dies be turned over to the plaintiff. It does not automatically follow that the plaintiff will be awarded possession. Indeed, the Rules specifically contemplate that the order can require that the defendant keep possession. The posting of security can be required of either party.

38 If possession is awarded to the plaintiff, the defendant argues that it will have lost control of its proprietary technology and its trade secrets will be lost for all time. Although I have found that the plaintiff has established substantial grounds for its claim, I would not have been prepared to award summary judgment to the plaintiff in this situation. I believe that the defendant has raised a genuine issue for trial. The difficulty for the defendant is that if the plaintiff obtains possession, any success which the defendant might have at trial would be illusory. The trade secrets would no longer be secret and the consequent damages would be extremely difficult, if not impossible, to calculate.

39 On the other hand, if the defendant retains possession, the plaintiff will also clearly incur costs in that it will have to pay for the manufacture of new dies, costs which essentially will have been thrown away if in fact the plaintiff is entitled to

possession of the dies now held by the defendant. Further, there will be a delay of some months while the new dies are being manufactured during which time the plaintiff will have lost profits and potentially lost customers and/or business share. For the most part, these are damages which can be readily calculated and for which monetary compensation can be awarded. However, the plaintiff is concerned that any damages awarded in its favour in the future might not be recoverable from the defendant.

40 Regardless of which party is awarded possession, therefore, it is appropriate that security be posted. The defendant has vigorously challenged the plaintiff's motives and argues that the plaintiff is really trying to use the defendant's technology to set itself up in direct competition to the defendant. There is no evidence that this is indeed Clark Door's motivation. However Clark Doors has agreed readily that as a condition to obtaining possession of the dies, it will abide by an injunction restraining it from showing the dies or communicating information about the dies to anybody outside its own related companies and from using the dies for any purpose other than the manufacture of its own fiberglass products previously manufactured for it by Inline. Clark Doors also will undertake not to manufacture any dies similar in nature to those which are the subject of this action. The plaintiff is also prepared to post security of \$150,000 or such other amount ordered by the Court. Although these terms are objected to by the defendant as not adequate to safeguard its interest, in my opinion they go a very long way to protecting the defendant's confidential information.

41 The defendant on the other hand offers to continue the existing interim injunction until trial or to place the dies in the hands of a neutral party for safekeeping. This does not solve the plaintiff's problem at all. When I asked counsel for Inline whether his client would be prepared to post security if given possession, I was told that Inline was prepared to post security of \$100,000.00 but could not do so until the end of March because it was now in the process of refinancing. This is not acceptable security for the plaintiff.

42 In my view, a benefits vs harm analysis and the balance of convenience favour permitting the defendant to retain possession of the dies, all other things being equal. The potential harm which the defendant would sustain if it is successful at trial and if the plaintiff has had possession of the dies in the interim is greater and more difficult to compensate than if the situation is reversed. However, when the security offered by each party is entered into the equation, quite a different picture emerges. The plaintiff offers substantial and immediate security whereas the defendant vacillates. Accordingly, I am only prepared to permit the defendant to retain possession if adequate security is posted to protect the plaintiff's claim. If the defendant fails to post the security as required, possession shall be transferred to the plaintiff subject to the plaintiff posting security and subject to an injunction protecting the confidentiality claimed for the defendant's trade secrets.

Delay

43 I have considered the defendant's argument that the plaintiff should be disentitled to relief because of its delay in commencing this action. In the circumstances of this case, I do not consider the delay to have been inordinate. Further, the delay is largely explainable because of the plaintiff's need to reflect on its options and get its own manufacturing machinery and because of the defendant's threats to destroy the dies rather than give them to the plaintiff. Accordingly, I do not consider the complaint of delay to have any impact on the plaintiff's rights to relief.

Disposition

44 For the foregoing reasons, an order shall issue on the following terms:

1. Inline shall pay into court or post security in the amount of \$150,000.00 within 14 days of the date of this Order, and upon doing so shall be entitled to retain possession of the subject property pending trial or further order of the Court;
2. If Inline does not post security as required under paragraph 1, the plaintiff Clark Door shall pay into court or post security in the amount of \$150,000.00 and upon doing so, the subject property shall be taken from the defendant and given to the plaintiff to be held pending trial or further order of the Court;
3. Upon obtaining possession of the property, the plaintiff shall be bound by the following terms pending trial or further order of the court;

(i) the plaintiff is restrained from showing the property or communicating information about the property to anybody outside its own related companies

(ii) the plaintiff is restrained from using the dies for any purpose other than the manufacture of its own products

(iii) the plaintiff is restrained from reproducing or copying the dies or manufacturing or causing to be manufactured any dies of a similar nature.

4. The party with possession of the dies shall strictly comply with all time limits set out in the Rules and shall cooperate with the other party to expedite the trial of the action.

5. Costs of this motion are reserved to the trial judge.

45 The wording I have set out above is not meant to be definitive as to the wording of the final Order. If counsel are not able to agree on the appropriate wording of the Order, each counsel shall submit a draft Order to me for approval.

Motion dismissed; defendant entitled to retain possession pending trial, upon posting security.

IN THE HIGH COURT OF JUSTICE—CHANCERY DIVISION.

Before VAISEY, J.

15th, 16th, 17th, 18th, 22nd, 23rd and 24th July, to 13th October, 1947.

Before THE COURT OF APPEAL.

5 THE MASTER OF THE ROLLS (LORD GREENE), SOMERVELL AND COHEN, L.JJ.

3rd, 4th, 5th, 6th, 7th, 10th, 11th and 13th May, 1948.

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COY. (MITCHAM), LD. v. CAMPBELL ENGINEERING COY., LD.

10 *Obligation of confidence—Implied term that confidential documents or information com-*
municated in connection with a contract should be treated confidentially—Rights of a plaintiff
apart from contract in case of misuse of confidential information obtained directly or indirectly
from him—Nature of a confidential document—Copyright—Claim that Defendants had broken
contract and obligation of confidence, and had infringed Plaintiffs' copyright—Held that no
15 *contract had been proved between any of Plaintiffs and Defendants and that no breach of*
copyright had been established—Action dismissed—Appeal to Court of Appeal—Contract held
to be established—Breach of contract and of obligation of confidence—Appeal allowed—
Relief—Damages in lieu of injunction—Damages to cover both past and future acts of
20 *Defendants—Costs—Leave to appeal to House of Lords refused.*

20 *The re-amended statement of claim in this action alleged, inter alia, that the first Plaintiffs,*
or alternatively the second Plaintiffs, were the owners of the copyright in certain drawings
of tools for the manufacture of leather punches; that such drawings were delivered to the
Defendants by R a Director of the third Plaintiffs on their behalf, such third Plaintiffs acting
as agents, or alternatively as sub-contractors, for the first Plaintiffs; that R acting as aforesaid
25 *instructed the Defendants to manufacture such tools and the Defendants accepted such order;*
that subsequently R acting as aforesaid, instructed the Defendants to manufacture 5,000 leather
punches at an agreed price; that it was an implied condition of the delivery of the said drawings
and of the said contract that the Defendants should not use such drawings except for the
construction of such tools and such punches, and that the Defendants should return A470
30 *said drawings, tools and punches to the third Plaintiffs who would have transmitted them to the*
first Plaintiffs.

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It was further alleged that, in breach of the said contract and of their obligations of confidence, the Defendants had detained and converted the said drawings to their own use, and that in infringement of the aforesaid copyright they had reproduced and used the same for their own purposes by constructing tools therefrom for the manufacture of punches, and had constructed and sold for their own account large numbers of such punches.

5

The Plaintiffs further claimed that all reproductions of the drawings and the tools made therefrom were, by virtue of Sec. 7 of the Copyright Act, 1911, the property of the Plaintiffs, and that the Defendants had wrongfully detained the same or converted them to their own use; or alternatively that the Defendants had held such drawings and tools as Trustees, and that all sales of punches by the Defendants must be deemed to have been made on the Plaintiffs' behalf.

10

The relief claimed included an order for delivery up to the first Plaintiffs of the drawings and all tools made from them, an injunction restraining the Defendants from manufacturing or selling punches made with tools constructed from the drawings, and an inquiry as to damages or an account of profits.

15

The Defendants denied the alleged copyright; alleged that drawings, purporting to have been made by one D, either on his own behalf or on behalf of the second Plaintiffs, were handed to them by R with instructions to make press tools therefrom to the order of either M.E. Coy. (an unincorporated firm) or of another firm R.E. Coy. They denied that they had ever accepted the further order for the manufacture of punches, or that any price had been agreed for the tools. Tools made in accordance with the drawings would not function, and no tools were so made or were used by the Defendants without modifications not shown in the drawings.

20

The defence further stated that the Defendants had manufactured 8,700 punches with the modified tools, but that these were sold at a loss, and that the Defendants had ceased to use the said tools and did not intend to use them in the future. The Defendants had always been ready and willing to deliver up the said tools and the drawings, subject to the production of authority from D and the second Plaintiffs and the payment of a reasonable price, and that they had also been willing so to deliver up the punches.

25

The Defendants further pleaded (inter alia) that at a meeting in November 1945 they agreed with R that they should retain the tools, &c., and manufacture punches on their own account, paying the first Plaintiffs compensation to be agreed in respect of orders for punches obtained by such Plaintiffs.

30

Held by Vaisey, J. (i) That it had not been established that R, when delivering the drawings and placing the order for the construction of the tools, was acting on behalf of any of the Plaintiffs, and that the claim in contract consequently failed.

35

(ii) That D, who had made the drawings, was prima facie the owner of the copyright, and that it had not been established that such copyright had been transferred to any of the Plaintiffs, further it had not been shown that the Defendants had made any wrongful use of such drawings.

40

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(iii) *That in the circumstances he could not make an order for the delivery of the drawings or tools to any person.*

(iv) *That the action must be dismissed, but that in view of the Defendants having known that the tools were being ordered for the use of the first Plaintiffs, the Plaintiffs should only*
5 *be ordered to pay to the Defendants two-thirds of their general costs.*

The Plaintiffs appealed to the Court of Appeal, and also gave notice of motion for leave to introduce further evidence by the witness R as to certain matters from which Vaisey, J., had drawn inferences unfavourable to such witness.

Held by the Court of Appeal (i) *That there was in fact a contract with the Defendants for*
10 *the construction of the tools, such contract being made by R on behalf of the third Plaintiffs as agents for the first Plaintiffs.*

(ii) *That it was an implied term of the contract that the drawings entrusted to the Defendants for the purposes of such contract should be treated as confidential.*

(iii) *That, apart from any question of contract, an obligation of confidence was placed on*
15 *the Defendants by the delivery of the drawings, since they knew that such drawings were the property of the first Plaintiffs, and had been placed in the Defendants' hands for a limited purpose, viz., the manufacture of tools for the use of the first Plaintiffs.*

(iv) *That a document may be confidential if it is the result of work done by its maker, even if the matters on which he worked were matters of public knowledge.*

(v) *That the Defendants had broken the obligation of confidence by using the drawings for*
20 *purposes other than those for which they were confided to them.*

(vi) *That there had been no concluded agreement in November, 1945, which relieved the Defendants from their obligation of confidence.*

(vii) *That the appeal must be allowed and an order made for the return of the drawings to*
25 *the first Plaintiffs.*

(viii) *That as it was not desirable to order the destruction of the tools, or to interfere with their use, no injunction would be granted, but an inquiry would be ordered as to the damages suffered or to be suffered by the first Plaintiffs by reason of the Defendants' past or future use of such tools.*

(ix) *That the Plaintiffs should have the general costs of the action and the appeal, the*
30 *costs of the inquiry being reserved, and that there should be no costs in respect of the Plaintiffs' application for leave to introduce further evidence.*

Leave to appeal to the House of Lords was refused.

Observed by the Court of Appeal (i) *If two parties make a contract, under which one of*
35 *them obtains for the purpose of the contract, or in connection with it, some confidential matter, then, even though the contract is silent on the matter of confidence, the law will imply an obligation to treat such confidential matter in a confidential way.*

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(ii) If a defendant is proved to have used confidential information, obtained directly or indirectly from a plaintiff, without the consent, express or implied, of the plaintiff, he will be guilty of an infringement of the plaintiffs' rights.

This action came on for hearing before **Vaisey, J.**, on the 15th July, 1947.

Guy Aldous (instructed by *Woodham Smith, Borradaile & Martin*) appeared for the Plaintiffs, **5**
Lionel F. Heald, K.C., *J. C. Strangman & Geoffrey Everington* (instructed by *James & Charles Dodd*) appeared for the Defendants.

The arguments of Counsel appear sufficiently from the judgment and from the report of the proceeding in the Court of Appeal.

Judgment was reserved and delivered on the 13th October, 1947. **10**

Vaisey, J.—This action, instituted by writ on the 4th April, 1946, was transferred from the King's Bench Division to the Chancery Division by an order of the 14th May, 1946. Three causes of action are said to be involved, that is to say, breach of contract, breach of confidence, and breach of copyright. The Plaintiffs are three limited companies, namely, *Saltman Engineering Coy., Ltd., Ferotec, Ltd., and Monarch Engineering (Mitcham), Ltd.*, the two last named **15**
having been added by amendment on the 26th October, 1946. I will refer to them respectively as "*Saltmans*", "*Ferotec*" and the "*Monarch Company*". The Defendants are the *Campbell Engineering Coy., Ltd.*

The pleadings, which were with my leave re-amended during the course of the hearing, raise, as they stood at its conclusion, the following issues. The Plaintiffs allege that *Saltmans*, or, alternatively, *Ferotec*, were, and had at all material times been, the owners of the copyright in certain drawings of tools for the manufacture of leather punches. They allege that such drawings were delivered to the Defendants by a Mr. *Ransom* on behalf of the *Monarch Company* acting as agents, or, alternatively as sub-contractors for manufacturing such tools, for *Saltmans*, or, alternatively, for *Ferotec*, and that the Defendants were instructed by him, acting as aforesaid, in writing on or about the 30th June, 1945, to manufacture the same, and that the Defendants agreed thereto and accepted such order. They say further that *Ransom*, acting as aforesaid, instructed the Defendants in writing on or about the 22nd August, 1945, to make such tools and to supply 5,000 leather punches at a price of 3s. 6d. each. The Plaintiffs then say that it was an implied condition of the delivery of the said drawings, and of the contract for the manufacture of the tools, that the Defendants should treat the same as confidential, and should not use them otherwise than to construct the tools and any leather punches they might make and supply pursuant to the instructions for the manufacture of 5,000 of such punches, and should hand the tools with the drawings to the *Monarch Company* from whom they would have been transmitted to *Saltmans*. They go on to say that in breach of the implied condition and duty of confidence the Defendants have detained the drawings and converted them to their own use, and have, in infringement of the copyright of *Saltmans*, or, alternatively, of *Ferotec*, reproduced and used the same for their own purposes, namely, by constructing from such drawings tools for the manufacture of leather punches, and have sold large numbers of such punches made therefrom on their own account, and have wrongfully detained both the drawings and the tools. The Plaintiffs then raise a further or alternative plea that by reason of Sec. 7 of the Copyright Act, 1911, all reproductions of the drawings, including the tools, are the property either of *Saltmans* or of *Ferotec*, and, as a further alternative, they allege a trust, and say that all sales of punches made by the Defendant must be deemed to have been made on behalf of the Plaintiffs. Finally, they allege a threat and intention on the part of the Defendants to continue to infringe the Plaintiffs' copyright and to detain their drawings and tools, and in breach of the said condition and duty to make and sell leather-punches constructed as previously mentioned. **40**
45

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I will not particularise the relief sought by the claim, and will next consider the defence. In the first place the Defendants deny the existence of the alleged copyright either in *Saltmans* or in *Ferotec*. They then plead that certain drawings purporting to have been made by a Mr. *Dibbern*, either on his own behalf or on behalf of *Ferotec* (being drawings of six press tools for use in the process of manufacture of leather-punches) were in or about the month of June, 1945, delivered to the Defendants by Mr. *Ransom* with instructions to make and supply either to *Ransom Engineering Company* or to *Monarch Engineering Company* (of which firms I shall presently make further mention) at prices to be agreed, press tools in accordance with the said drawings, and two prototype punches manufactured partly by such tools. The Defendants do not admit that there was anything original in such drawings, but that is probably immaterial. They refer to the instructions dated the 22nd August, 1945, which were from the *Monarch Company* and were never, they say, accepted by them. They allege that tools made in accordance with some of the said drawings would not work, and were either scrapped or modified and re-made, and that no such tools not so modified and re-made were ever used by the Defendants in the manufacture of punches; that no price was ever agreed between the Defendants and *Ransom* either for the tools or for the punches; and that about 8,700 punches made partly by the said tools were so made by the Defendants between September, 1945, and February, 1946, all of which were sold between December, 1945, and April, 1946, at a loss of about £1,300. They say that they ceased to use the tools in February, 1946, and have never since used or intended to use them. There is a general traverse of the Plaintiffs' claim, and though there is no counterclaim the Defendants (in Par. 7 of the defence) say that they are and have at all material times been ready and willing to deliver the tools and drawings to Mr. *Ransom* or to any person, firm or company nominated by him (subject to his producing any requisite authority of Mr. *Dibbern* and *Ferotec*) against payment of a reasonable price for the tools, and were also at all material times willing so to deliver any of the punches made by them.

Upon the delivery of that defence it became evident that one of the issues raised between the parties was whether Mr. *Ransom* was acting in the matter on behalf of the *Monarch Company* or on behalf of one or other of the two firms named in the defence, namely, *Ransom Engineering Company* and *Monarch Engineering Company*. I may mention a further possibility—that he was acting for himself. Mr. *Ransom*, whose name is *Harry Ransom*, was called as a witness on behalf of the Plaintiffs, and on this aspect of the case I confess that I regard his evidence as extremely unsatisfactory. He told me that he was a Director of the *Monarch Company*; that it was formed about April, 1945; and that it took over the existing business of the *Monarch Engineering Company*. Neither the second nor the third of these statements is true. The *Monarch Company* was in fact incorporated on the 3rd February, 1943. As regards the *Monarch Engineering Company*, I have before me a certified copy, dated the 23rd July, 1947, of the application for the registration of that firm under the Registration of Business Names Act, 1916, which was dated the 26th September, 1942, and signed by Mr. *Ransom* himself, by a Mr. *Wheatley*, and a Mr. *Woodhams*. It states that the principal place of the business was at 53, Monarch Parade, Mitcham (which is in fact now the registered office of the *Monarch Company*), and that the business of the firm was commenced on the 1st September, 1942. So far so good, but then I have also a certified copy, dated the 23rd July, 1947, of a statement under Sec. 6 of the same Act dated the 29th February, 1944, and signed by the same three persons that the said Mr. *Wheatley* ceased to be a partner with the other two on the 7th October, 1943. This is a clear indication that this firm was in active existence more than a year after the formation of the *Monarch Company*. Indeed, I am entitled, if not bound, to assume that *Monarch Engineering Company* (that is, the firm) was continuing to carry on business right down to the date of the trial, for if it had ceased to do so the fact should have been notified for registration and record pursuant to Sec. 13 of the Act, under a penalty of not exceeding £20 in case of a failure to do so, and I see no reason for attributing this criminal offence either to Mr. *Ransom* or to his partner Mr. *Woodhams*, both of whom had shown themselves to be quite familiar with the provisions of the statute. As regards the *Ransom Engineering Company*, Mr. *Ransom* told me that it was his brother's firm. This is untrue, for the particulars registered under the Act on the 17th October, 1945, show that its place of business was the same as the others, namely, 53, Monarch Parade, that

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it commenced business on the 1st October, 1945, and that the individuals who constituted the firm were *Harry Ransom* himself (not his brother at all), and one *Arthur Norman Thompson*, both of whom signed the application for the registration, of which a certified copy dated the 24th July, 1947, was supplied to me, and it is they who are (I must assume) still carrying on business under that firm name. 5

When the documents in this case are examined it is seen that Mr. *Ransom* purported to be acting either for the *Monarch Company*, or for the *Monarch Engineering Company*, or for the *Ransom Engineering Company* (all of whom, be it noted, had the same business address) quite indiscriminately. I need not enter into particulars, but such is undoubtedly the fact. Whether he did this fraudulently or designedly in order to be able to attribute the business to whichever of the three concerns might be most convenient to him, or whether it was due to carelessness and an utter lack of businesslike method, I need not pause to enquire. I will say, however, that I regard his explanation of why he did it as completely unconvincing. The burden of proof, rests, of course, upon the Plaintiffs, and their case, as I understand it, must necessarily depend on their proving what they have pleaded, namely, that Mr. *Ransom* was acting for the *Monarch Company* and not for any firm of which he was a member, nor for himself. Neither Mr. *Ransom* nor either of the two firms is a party to the action. No entry in any book of the *Monarch Company*, no record of any Board Meeting at which this matter was discussed (he told me that there were two other directors) or of any authority given to Mr. *Ransom* to pledge its credit has been produced to me. He was asked in chief whether he was placing the order personally or on behalf of the Company, a very leading question, no mention being made of the two firms. His answer was "On behalf of Monarch". Pressed further, he said that by "Monarch" he meant the *Monarch Company*. Later, in cross-examination, he said: "All through the trade they know me as 'Monarch'", and this is confirmed by other witnesses. 10 15 20

I have come to the conclusion that the Plaintiffs have utterly failed to prove that the *Monarch Company* had anything to do with this case either as principals, or as agents, or as sub-contractors, or otherwise. Mr. *Ransom* seems to have used its name, along with the names of the two firms, quite recklessly. If such firms, and Mr. *Ransom* himself, had been joined in this action with the other Plaintiffs, a cause of action might have been established in some or one of them. But, for reasons which it is not difficult to imagine, no such joinder was made. It is not, I think, without significance that the name of the *Monarch Engineering Company* appears in the telephone directory of March, 1947, with 53, Monarch Parade as its address; the name of the *Monarch Company* does not appear there at all. 25 30

I should add this. The certified copies supplied to me under the Registration of Business Names Act, 1916, are undoubtedly receivable in evidence (see Sec. 16 of the Act), but they were only so supplied (by the Defendants) at the conclusion of the hearing, when the Plaintiffs' Counsel had no opportunity of specifically dealing with them. He suggested, though not with any apparent conviction, that such an opportunity ought to be given to him. I did not, and do not, agree, because, quite apart from these documents and what they disclose, I should feel bound to hold that Mr. *Ransom's* authority to represent the *Monarch Company* has not been established affirmatively, and that the burden of proving it, which falls upon the Plaintiffs, has not been discharged to my satisfaction. 35 40

So far as this action rests upon breach of contract, it is obvious that I should have to be satisfied (and I am not satisfied) that there was a contract between the Plaintiffs, or one of the Plaintiffs, and the Defendants. I think that the issue of breach of confidence involves the same difficulty, that is, of discovering by whom the confidence was imposed. It may equally well have been by Mr. *Ransom*, or by one or other of the two firms in which he was a partner, or by the *Monarch Company*. I do not accept Mr. *Ransom's* evidence as establishing that the *Monarch Company* was either a contracting or a confiding party. It is not necessary for me to impute to him deliberate falsehood, but I refuse to consider his uncorroborated testimony as worthy of credence. Par. 2 of the statement of claim contains, as I read it, no 45 50

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allegation of any direct contractual relationship between *Saltmans* and the Defendants, and I have no reason to suppose that any such relationship ever existed. The plea in Par. 3 that the tools " would have been transmitted " to *Saltmans* by the *Monarch Company* is somewhat strange, but in this connection highly significant.

- 5 The issue of breach of copyright appeared to assume comparative unimportance as the case proceeded, but here again I find a similar difficulty in the way of the Plaintiffs, for the drawings were the work of a Mr. *Dibbern*, not a party to the action, who is *prima facie* entitled to the copyright in them. It was argued, rather faintly, that *Ferotec* was the owner of such copyright, but while I am, on the whole, not of that opinion, I do not propose to come to any definite conclusion on the point, for I cannot myself see that there has been any actual or
10 threatened infringement of any copyright, or that the Defendants have made any unauthorised use of the drawings for any purpose. The making of the tools was not in itself an infringement, for it is what the Defendants were ordered (by someone) to do. The evidence as to the actual extent of the Defendants' user of the tools is very unsatisfactory. In any case the
15 drawings are not now regarded as of any value or importance, and I understand that the Defendants are quite prepared to hand them over to anyone who wants them. I should have thought that they could safely hand them over to Mr. *Dibbern*, but I do not propose to make any order to that effect, or to express any definite view on the point. Nor can I see any ground on which I can order the tools to be handed over to anyone, either with or without any
20 payment. But again the tools are not apparently regarded as of any value or importance at the present time. The Defendants do not specifically ask that they be paid for by any of the Plaintiffs, and as between the parties to the action I can see no good reason for supposing that the Defendants continued retention of them is wrongful; that is to say, none of the Plaintiffs can, in my judgment, object to, or complain of it.
- 25 Many interesting points of law were discussed during the hearing, but in the view which I take of the case none of them arise, and I do not intend to deal with them. There were disputes on various matters of fact which equally do not now concern me. One thing is clear, that business companies or firms which conduct their businesses in the slipshod fashion which the parties to this action have thought proper to adopt are not likely to earn the approbation
30 either of a court of law, or of business men who have any conception of what it means to be " businesslike ".

The result is that the action fails and must be dismissed.

- The question of the costs has given me some serious thought. It is, of course, a general rule that unsuccessful Plaintiffs ought to pay the costs of successful Defendants, but there are certain
35 features in the present case which may justify, and indeed require, some departure from that rule. I have adverted, not I hope with undue severity, to the almost incredible carelessness with which the business was conducted on the side of the Plaintiffs, or of those with whom the Plaintiffs were, or were supposed to be, associated. But the Defendants appear to me to have handled the matter at their end with an almost equal lack of prudence and care, and in an
40 equally unbusinesslike fashion. They wrote inconsequent letters and kept no record of what was undoubtedly an important interview which took place on the 22nd November, 1945, and as to which I have heard a great deal of wholly inconclusive evidence. They took no notice of requests for an invoice of the tools which they had made and gave me no intelligible reason for that omission, and they made some use of such tools for the manufacture of punches which
45 they afterwards sold with a view to making profits for themselves, although they may thereby in actual fact have suffered a loss. The witnesses called on their behalf gave me very little help, and on its commercial side seemed not to understand the position in which the Defendants had placed themselves, or had been placed. They knew that such tools had been ordered from them with a view to their use by *Saltmans*, who were their rivals in trade, and though (as
50 I have said) no contractual relationship between *Saltmans* and the Defendants, in my judgment, has been proved (since the position of the *Monarch Company* as agents or sub-contractors for

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Saltmans has not been established and no other agency or sub-contract is pleaded), I cannot regard the conduct of *Campbells* as being particularly creditable. But creditable or not, it is plain that they must share the responsibility for much of the misunderstanding, confusion and muddle in which the whole case is involved. On the whole, then, after giving the matter the best consideration that I can, I propose after dismissing the action to order that the Defendants' costs of the action should be taxed, and that the Plaintiffs should pay (1) the Defendants' costs of the application for the transfer to this Division which, by the order of the 14th May, 1946, were to be theirs in any event; (2) their costs of and occasioned by the two amendments of the pleadings, namely, on the 26th October, 1946, and the 25th July, 1947, respectively, and (3) two-thirds of their remaining costs of the action. The Defendants must bear the other one-third of such last mentioned costs; the Plaintiffs must, of course, bear the whole of their own costs.

The Plaintiffs appealed to the Court of Appeal, and also gave notice of motion for leave to introduce further evidence of the witness *Harry Ransom*.

The appeal came on for hearing on the 3rd May, 1948, before the **Master of the Rolls**, and **Somervell** and **Cohen, L.JJ.** The parties were represented as in the Court below.

Guy Aldous for the Appellants (Plaintiffs).—*Vaisey, J.* gave judgment for the Defendants on the ground that the Plaintiffs did not prove for whom *Ransom*, who handed the drawings to the Defendants, was acting. Even if this were so, the Plaintiffs are entitled to damages for the use of these drawings by the Defendants for their own purposes. Such a use would be a breach of a duty of confidence imposed by law and not based on contract (*Morrison v. Moat*, 9 Hare 241; 68 E.R. 498). In so far as an action for breach of confidence can be said to be based on contract it is based on a constructive contract imposed by law (7 Halsbury's Laws of England § 361 and § 362). *Vaisey, J.* found that it was not proved that *Monarch, Ltd.* was the "confiding party" but did not consider whether an obligation of confidence can be imposed upon a third party and therefore upon the Defendants without the interposition of *Monarch, Ltd.* (*Prince Albert v. Strange*, 1 Hale & Twells 1, *Abernetky v. Hutchison*, 3 L.J. (O.S.) Ch. 209; 1 Hale & Twells 28, *Lord Ashburton v. Pope*, [1913] 2 Ch. 469). Such an obligation of confidence is imposed upon any person who makes an unauthorised use of information given to him for a particular purpose. I can find no reported case where damages or an account of profits has been ordered for a breach of confidence by a defendant not in direct relationship with the plaintiff, but under Sec. 2 of Lord Cairns' Act damages can be awarded wherever an injunction can be ordered even if damages could not have been awarded previously. Lord Cairns' Act is still applicable (*Mayne on Damages* p. 639).

Alternatively there was a contractual relationship between the Defendants and the Plaintiffs *Monarch Ltd.*, and *Vaisey, J.* ought to have held that *Ransom* was acting for *Monarch Ltd.* There is an implied term of that contract that the Defendants should not use the drawings for their own purposes.

(Leave was asked to admit further evidence relating to the documents admitted by *Vaisey, J.* at the end of the trial of the action, and the Court deferred their decision until they had heard the Respondents' submissions, and subsequently leave was refused.)

The Appellants' case can also be put upon:—(A) Infringement of Copyright: any doubts as to who are the owners of the copyright are resolved by the Copyright Act, 1911, Sec. 6 (3), as the drawings bear the names of either the first or second named Plaintiffs (B) Conversion; the act of conversion being the use by the Plaintiffs of the drawings for the purpose of making the second set of tools for their own use.

These courses of action are alternative, and if the Appellants obtain damages for breach of confidence they cannot obtain additional damages under any other head.

Heald, K.C. for the Respondents (Defendants).—The serious point to be decided in this case is whether there has been a breach of confidence between *Saltmans* and *Campbells*. I do

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not suggest, and never have suggested, that *Ransom* was acting in a fraudulent manner, and I do not ask the Court to reject his evidence on the basis of the documents produced at the last stage at the trial.

This is a case based upon a constructive trust arising out of the surrounding circumstances. That is a doctrine which ought not to be extended further than is absolutely necessary. The Plaintiffs are seeking equitable relief, and to establish breach of confidence the Defendants must be proved to have used, or to be intending to use, confidential information, directly or indirectly obtained from the Plaintiffs, without their consent (express or implied) and in such a wrong or improper manner that a Court of Equity regards it against conscience that they should hold or profit by it except as Trustees. The evidence does not establish this.

The transactions from the beginning were informal and at the meeting of 22nd November there was a "consent express or implied" by the Plaintiffs to the Defendants using the information for their own purposes. There was never any enforceable agreement to which the Defendants were parties, and the Plaintiffs have suffered no damage.

Strangman.—The essentials of a duty of confidence are that there should be (1) some subject matter of a confidential nature (2) of which the property was in the plaintiff and (3) that it should be surreptitiously acquired by the defendant, or used by him in breach of faith. So far as (1) is concerned the drawings were based upon a well-known form of punch and cost only £80. So far as (2) is concerned the main drawing No. 1 is not included in those pleaded in the statement of claim. [**The Master of the Rolls.**—There has been no mention of this point by your leader. It is a purely technical point and if it were to have been taken, it should have been taken before when Mr. *Aldous* referred to Drawing No. 1. Throughout his appeal and in the Court below Drawing No. 1 was treated as being part of the drawings pleaded.] So far as (3) is concerned there was no breach of faith having regard to what took place at the meeting between the parties on 22nd November, 1945.

No reply was called for.

The Master of the Rolls (Lord Greene).—This case has been very fully discussed before us, and some matters involving considerable complication (and I might almost say confusion) have been introduced into the case, I am not suggesting for a moment otherwise than properly; but, in my view, when the case is really understood, it comes down to a few matters of comparative simplicity.

Vaisey, J. dealt with the case in this way. He, first of all, declined to find that there was any contract made between the third Plaintiffs, *Monarch Engineering Coy. (Mitcham), Ltd.*, to whom I will refer as *Monarch, Ltd.*, and the Defendants. There was no question of any contractual relationship between the Defendants and either of the other two Plaintiffs and accordingly, so far as contract was concerned, it was essential to find a contract between *Monarch, Ltd.*, and the Defendants. That the learned judge refused to find.

The main part of the claim is based on breach of confidence, in respect of which a right may be infringed without the necessity of there being any contractual relationship. I will explain what I mean. If two parties make a contract, under which one of them obtains for the purpose of the contract or in connection with it some confidential matter, even though the contract is silent on the matter of confidence the law will imply an obligation to treat that confidential matter in a confidential way, as one of the implied terms of the contract; but the obligation to respect confidence is not limited to cases where the parties are in contractual relationship.

The learned judge, having declined to find any contract between *Monarch, Ltd.*, and the Defendants, went on, if I understand his judgment correctly, to hold that for that reason there could be no relationship of confidence between any of the Plaintiffs and the Defendants.

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In my opinion, the learned judge erred in law in coming to that conclusion. He did not deal with the really substantial point in the case, namely, whether or not the Defendants had committed a breach of confidence which infringed the right of the first Plaintiffs, who owned the confidential matter. Into that question he did not go and the consequence is, from our point of view, that we have not the advantage of any findings of his on matters of fact which are relevant to the issue of breach of confidence as between the first Plaintiffs, *Saltman Engineering Coy., Ltd.*, and the Defendants; and, largely for that reason, the investigation of this case in this Court has taken a very considerable time. 5

There is, however, one matter in connection with his finding on which I must say a word. In declining to find a contract between *Monarch, Ltd.*, and the Defendants, he based himself largely, if not entirely, on a view of this description. The contract, if contract there was, was negotiated with the Defendants by a Mr. *Ransom*, who was a Director of *Monarch, Ltd.* Quite late in the case, after the evidence had been closed and arguments had been completed, certain documents were produced, and quite properly produced, by Counsel for the Defendants at the request of the learned judge. To those documents the learned judge did not appear at the time to attach very great importance, and a request by Mr. *Aldous*, on behalf of the Plaintiffs, for leave to recall Mr. *Ransom* was not dealt with by the judge, and Mr. *Aldous* naturally went away with the idea that the judge was not going to place any reliance on those documents. 10 15

What the documents appeared to show was that Mr. *Ransom* was interested in another undertaking, carried on by a firm in which he was a partner, although the firm was not in fact formed until after the relevant date apparently, and, further, that a firm, in which Mr. *Ransom* had been a partner, under the name of *Monarch Engineering Coy.*, was still in existence, in the sense that its name had not been removed from the Register of Business Names. 20 25

I need not go into it more than that. The point, in the learned judge's view, was that he was not satisfied that Mr. *Ransom* in placing an order with the Defendants was acting on behalf of *Monarch, Ltd.*, but that he thought that the facts were consistent with his having been acting either on his own behalf as an individual or on behalf of one or other of the two firms which I have mentioned. 30

I think it is unfortunate that it must have slipped from the learned judge's mind that Mr. *Ransom* had not been afforded an opportunity of explaining these matters. I say that it was unfortunate for this reason. Although the judge does not find that Mr. *Ransom* was defrauding *Monarch Ltd.* in placing the order with the Defendants, in the sense that he was acting as an individual when he ought to have placed the order on behalf of his company, *Monarch Ltd.*—although the judge did not find that, what the judge thought was that it was possible that Mr. *Ransom* was trying to retain the benefit of this order for himself, or for a firm in which he was interested. He did not find that he was doing so; he found that it was possible that he was trying to do so. To find that it is possible that a man may have been defrauding his own company is not so serious as to find that he was in fact defrauding his own company, but it is a very serious matter; and, if the learned judge had recalled the circumstances to his mind, I have no doubt that he would have put the case back into the List in order to give Mr. *Ransom* a chance of dealing with the matter. 35 40

There is before us an application for leave to call further evidence, namely, to call Mr. *Ransom* to explain these matters. We have not thought it necessary to grant that application. On the view that we take, the evidence and other documents show to our satisfaction that Mr. *Ransom* in making this contract with the Defendants was acting on behalf of *Monarch, Ltd.*, and was not acting on behalf of either of the firms which I have mentioned or of himself individually. That appears to me to emerge from the evidence and the other documents in the case and, to my mind, the additional documents which were handed to the learned judge at the conclusion of the trial do not displace that conclusion. I need say no more about that. 45 50

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The other point is this: that, even if Mr. Ransom did not make a contract with the Defendants, it does not alter the fact that the confidential drawings handed to the Defendants for the purpose of executing the order placed with them were the property of *Saltman Engineering Company*, and the Defendants knew that at a comparatively early date in this history. They knew that they were drawings belonging to *Saltman Engineering Company*. *Saltman Engineering Company* had not in fact paid for them, but that did not alter the fact that they were *Saltman Engineering Company's* drawings. The Defendants knew that those drawings had been placed in their possession for a limited purpose, namely, the purpose only of making certain tools in accordance with them, the tools being tools required for the purpose of manufacturing leather punches.

Without going further into the matter, it seems to me that the existence of a confidential obligation in relation to those drawings, as between *Saltman* and the Defendants, is abundantly proved; in fact it is not disputed. I need only refer to one or two answers of Mr. *Frampton*, who was the Works Manager of the Defendants, in which he quite frankly admitted that he would not be entitled to make use of those drawings for any purpose of his own. For instance, on p. 17 of the Fourth Day, Mr. *Aldous* asked him, talking about the 30th June, which was the date when the order for the making of these tools was placed with the Defendants: "Did you think at that time that you would be entitled to make some tools from them for your own purposes? (A): No. (Q): In fact you knew on that date that it would be wrong for you to do so, if you thought about it? (*Vaisey, J.*): Well, he never thought about it. (The witness): I should not have done it".

It is perfectly clear that Mr. *Frampton* was an honest man and would have repudiated the suggestion that, the drawings having come into his possession for those purposes, he would have been entitled to use them for any purpose other than that for which he obtained them.

I need not go into the law, which I think is correctly stated in a formula which Mr. *Heald* himself accepted. I will read it: "If a defendant is proved to have used confidential information, directly or indirectly obtained from a plaintiff, without the consent, express or implied, of the plaintiff, he will be guilty of an infringement of the plaintiff's rights."

There are several cases, of course, which deal with that (*Morrison v. Moat* is one of the better known of them) and I need not examine them further. The principle is established and is not disputed; and it is perfectly clear that that obligation, based on confidence, existed and bound the conscience of the Defendants down to the 22nd November, 1945.

At that date a meeting took place between representatives of *Saltmans* and the Defendants; and I think that Mr. *Ransom* was there and Mr. *Dibbern*, the man who had been responsible for the making of the drawings, either by his own hand or by associates. The position from the commercial point of view at that date had developed in rather a curious way and, indeed, a rather unfortunate way. I have gained from the evidence the strong impression that most, if not all, of the parties interested in this matter thought at the time—at any rate when the history began away back in the middle of 1945, and I think probably down to a later date—that this was a very good commercial proposition, namely, the manufacture of these leather punches, of which there appears to have been a scarcity on the market. Mr. *Ransom* had painted for the Defendants a very attractive picture of the possibility of getting orders for tens of thousands, actually up to 50,000, leather punches for sale. One thing is perfectly clear: at that date the Defendants had got a contract for one purpose and one purpose only, namely, to make dies and punching tools in accordance with those drawings, into which certain modifications had been introduced by agreement. That was the only contract that they had got. That was a contract with *Monarch, Ltd.*, alone. *Monarch, Ltd.*, were bound to take delivery of those dies when ready and to pay for them; and the Defendants were bound to deliver them.

The situation from the business point of view apparently changed in this way. The Defendants contemplated with satisfaction the possibility of entering into the business of manufacturing leather punches to this design. Of course, in order to do that, they would

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require, first of all, to use the tools that they had made under the contract. They would require raw materials and labour; and they would require also, what was perhaps more important in the history of this case, to make a number of supplementary tools which would be needed in addition to the main tools comprised in the drawings.

Unfortunately they did not wait to get a firm order for the manufacture of any leather punches, much less 50,000 leather punches; but, apparently in a wave of optimism and in the expectation that they would be able to get these orders, they proceeded to make the supplementary tools and to start manufacturing a number of leather punches, which afterwards were very largely increased in number. They also set about making other drawings and they incurred expense in making the supplementary tools and in making preparations for the production of a large number of leather punches, for which they had not got any firm order, and, if no firm order eventuated (as was the case), they would have been left with these punches on their hands. 5 10

That, I think, is one of the sources of the whole of this trouble. They were in a weak position for that reason: that they had incurred that expense and they were naturally anxious to get it back; but, for some reason which I am still unable to understand, that situation is relied on in some way as a justification for other things that they did, and in particular for retaining and using the tools which they had made pursuant to the contract. 15

If, on the 22nd November, something had happened by reason of which the Defendants obtained a release from the obligation of confidence, which was binding upon them down to that moment in respect of the drawings and the tools made in accordance with them, the whole picture would have been changed. Nothing of the kind happened. It would appear that at that date the Plaintiffs *Saltman*, at any rate, were not anxious to get the tools and themselves embark on manufacture of leather punches. It would appear, on the other hand, that the Defendants were anxious to retain them and to make leather punches in accordance with them, remembering always that it was only by making leather punches that they could recoup themselves for the expense which they had incurred in making the supplementary tools. 20 25

Those were some of the principal considerations that must have been in the minds of the parties on the 22nd November. 30

I can summarise, almost in a sentence, what happened at that meeting. The Plaintiffs, *Saltman*, were willing to consider an offer by the Defendants to clear up the whole matter, they were willing to consider an offer under which, if accepted, the Defendants would be entitled to keep and make use of the drawings and the tools made in accordance with them. *Saltmans* were willing to consider an offer which was to include compensation. An offer was made. It was not accepted. How, in those circumstances, it can be suggested that something happened at that interview by reason of which the Defendants became entitled to do something, which on their own admission they would only have been entitled to do if the offer of compensation had been accepted, I do not appreciate. 35

A great deal of time has been spent in examining that aspect of the matter; but, as I said at the opening of this judgment, it is a perfectly simple point. No doubt the Defendants had acted as many business men would act. When they left the meeting of the 22nd they thought: This matter is going to be settled and we will now at once make preparations to make use of the settlement. They took a business risk. It may have been a very good business risk; I dare say that it was; but the risk consisted in this: that, unless a settlement satisfactory to *Saltmans* was arrived at, they would have no right to deal with these tools or to make use of them in any way, in which case their position would have been a very serious one. They took the risk. It did not come off. *Saltmans* were left in their original position with their rights to demand respect for their confidential documents intact. 45

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The Defendants in point of fact not merely made use of the tools made in accordance with the original drawings as modified, but they also manufactured a second set of tools. I do not want to say anything more about that than this: I am satisfied that in manufacturing the second set of tools or some of them use was made of the confidential information contained
5 in the original drawings, or in the set of tools made from them under the original contract. They made a second set of drawings and, in order to make those drawings, they had recourse to some material derived from the original drawings.

I think that I shall not be stating the principle wrongly if I say this with regard to the use of confidential information. The information, to be confidential, must, I apprehend, apart
10 from contract, have the necessary quality of confidence about it, namely, it must not be something which is public property and public knowledge. On the other hand, it is perfectly possible to have a confidential document, be it a formula, a plan, a sketch, or something of that kind, which is the result of work done by the maker upon materials which may be available for the use of anybody; but what makes it confidential is the fact that the maker
15 of the document has used his brain and thus produced a result which can only be produced by somebody who goes through the same process.

What the Defendants did in this case was to dispense in certain material respects with the necessity of going through the process which had been gone through in compiling these drawings, and thereby to save themselves a great deal of labour and calculation and careful
20 draughtsmanship. No doubt, if they had taken the finished article, namely, the leather punch, which they might have bought in a shop, and given it to an expert draughtsman, that draughtsman could have produced the necessary drawings for the manufacture of machine tools required for making that particular finished article. In at any rate a very material respect they saved themselves that trouble by obtaining the necessary information either from
25 the original drawings or from the tools made in accordance with them. That, in my opinion, was a breach of confidence.

In the view that I take the case is a simple one: there has been a breach of confidence, the duty of confidence owed in the circumstances of this case by the Defendants to *Saltmans*. It is not necessary to go into the question whether there was an implied obligation of confidence
30 as between the two contracting parties: *Monarch, Ld.*, and the Defendants. I need say nothing about that, because quite obviously in the circumstances, if *Monarch, Ld.*, obtained any relief based upon that, they could only hold it for the benefit of *Saltmans*, who are the owners of the confidential matter.

The question of conversion was raised and some argument was advanced about it; and also
35 the question of copyright. In the view that I take it is unnecessary to go into either of those two questions and, in fact, they were not fully argued at all. The matter can be decided entirely on the ground of breach of confidence.

There is, however, one matter which I should mention. It really comes in earlier in the argument which I have been pursuing. It relates to the original contract placed by Mr.
40 *Ransom* with the Defendants for the making of tools in accordance with the drawings. It was strenuously argued by Mr. *Lionel Heald* and his Junior that no contract was made. I may be forgiven if I say that that appears to me to be, not only a fantastic inference to draw, but one which is in flat contradiction of evidence given by the Defendants own witnesses. Mr. *Ransom* goes to the Defendants. He hands to them drawings and he says:
45 Will you undertake to make tools in accordance with those drawings? The Defendants say that they will. No prices are settled, for the perfectly intelligible reason that in this kind of business it is not practicable to give an estimate, at any rate a final estimate, of what the things will cost, because nobody can tell until they have been actually produced and tested. The contract, however, is perfectly clear. It is to my mind, as I have said, fantastic
50 to suppose that business people would have entered into a relationship like that under

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which the Defendants incurred expense in making tools when there was no contract to remunerate them and no contract under which they were bound to deliver the tools when made. The inference would involve imputing to these parties the most ridiculous conduct that it is impossible to imagine.

I need say no more about that except to say—I do not think that this is the only reference to it in the evidence, but this happens to be the one that I have under my hand in Mr. *Frampton's* evidence, on the same page as I referred to previously—that at p. 17—he was asked this question: “You would never have undertaken that order unless you knew that you were entitled to be paid a reasonable price in due course? (A): Quite.” 5

The suggestion that no contract was made is used for some purpose which, again, I am afraid that I do not understand. It is suggested that the absence of a contract at that time in some way, at some time, modified or discharged the obligation of the Defendants to treat the drawings as confidential matter. It seems to me that it would not matter the least bit whether there was a contract or whether there was not a contract. I find as a fact, without hesitation, that there was a contract; but, contract or no contract, the Defendants got those drawings into their hands knowing, or knowing shortly afterwards, that they belonged to *Saltmans*, that they were obviously confidential matter, and they knew that they had got them into their hands for a strictly limited purpose. How on that basis they could say that the fact that there was no contract released them from any obligation of confidence I do not know, nor can I see how the fact, if it had been the fact, that there was no contract in June 1945 could in any way have affected their position after the 22nd November. I have already said what the position was, in my opinion and, indeed, in the opinion of the Defendants' own witnesses at that date. I have already said that nothing happened at or after that date which could justify the Defendants in thinking that they were relieved from their obligation of confidence. 10 15 20 25

In my opinion, the Plaintiffs are entitled to appropriate relief in respect of the infringement of their right. The actual form of order is one which we shall have to discuss hereafter.

Somervell LJ.: I agree.

In this case there are three Plaintiffs, and in the statement of claim and in the argument the facts complained of were made the basis of four possible causes of action: the first, breach of confidence; the second, copyright; the third, breach of contract; and the fourth, conversion. 30

The case concerns the manufacture of leather punches, not of any novel design, but a form of punch which was, I think, originally made in Germany and was on the market in this country before the war. There is no dispute at all that it was the first Plaintiffs, the *Saltman Engineering Coy. Ltd.*, who had the idea of getting punches similar to that model manufactured and placed on the market, and on the 14th March, 1945, they obtained leave from the Ministry of Supply to construct and sell leather punches of this kind. 35

The second Plaintiffs come into the story in this way. Having got that licence, the first Plaintiffs came to an agreement with the second Plaintiffs, by which the second Plaintiffs agreed to make the drawings which are in question in this action: drawings for dies which were to be manufactured and which would enable the punches to be made. The drawings were duly made and the second Plaintiffs then placed an order with the third Plaintiffs, the original idea being, or at any rate it being a possibility envisaged at that time, that the third Plaintiffs might themselves manufacture the dies which the first Plaintiffs required to manufacture the leather punches. For some reason or other the third Plaintiffs were not in a position, or did not wish, to undertake the making of these dies and on or about the 16th June Mr. *Ransom*, the Managing Director of the third Plaintiffs, took the drawings to the Defendants and asked them to make the dies. 40 45

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As my Lord has said, as far as the claim of breach of contract is concerned, that could only be made by the party who had a contract with the Defendants and it is not suggested that the first Plaintiff or, indeed, the second Plaintiffs had a contract with the Defendants.

The trouble and discussion arose from this fact: that in the first instance Mr. *Ransom* took round the drawings and the discussion was oral. According to his evidence, which I see no reason to doubt, when he was visiting the Defendants' works on about 30th June, someone said to him words to this effect: We have the drawings and I suppose it is quite a big job; but we have nothing in writing. Mr. *Ransom* then went to his car and got out an order book, which had forms in it which were not appropriate to the limited company, but to the *Monarch Engineering Company*, a firm the business of which the limited company had taken over at some earlier date. He scribbled out something in writing, but it was not very specific. He scribbled out "Pressed tools as Mr. *Ransom's* instructions, to drawings supplied" and another slip for a prototype. The heading of the slips was originally "*Monarch Engineering Company*". "*Monarch*" had been scratched out and "*Ransom*" was written in.

Mr. *Ransom's* explanation was that this was, as it clearly was, an old book of forms that were being used up for different purposes; he made slips of them to hand to his typist, who dealt with the accounts or dealt with the accountant, and this may have been and probably was a slip which he had intended to fill up for something that he wanted personally for himself.

Anyhow, it is, I think, clear that this was not regarded by either side as more than something in writing, and I see no reason to doubt that Mr. *Ransom* was intending to contract on behalf of the limited company, and that the Defendants were intending to contract with Mr. *Ransom* on behalf of the limited company. I think that that is clearly borne out by the fact that when later, in July, the question of the Defendants making leather punches arose, which clearly arose out of the order for the dies that they made from the drawings, letters passed between *Monarch Engineering Coy., Ltd.*, and the Defendants.

I therefore agree as to that with my Lord, and in that matter I disagree with the learned judge.

I have only one thing that I wish to add with regard to what my Lord has said as to the application to call fresh evidence and the comments which the learned judge made on Mr. *Ransom*, or in so far as those comments were based on inferences which the learned judge drew from these documents which were put in dealing with the date when the company was incorporated and what appeared on the Register of Business Names with regard to the two firms to which reference has been made. I asked Mr. *Heald* in the course of the argument whether he wished to criticise Mr. *Ransom* as a witness on inferences to be drawn from those documents which were before the learned judge and with which Mr. *Ransom* did not have a chance of dealing. Mr. *Heald* said that he did not in any way wish to put forward any criticism of Mr. *Ransom* as a witness based on any inference to be drawn, whether right or wrong, from those documents.

I would only also like to add that I am quite ready to believe that the inferences which the learned judge drew from those documents might not and may well not be justified, and that Mr. *Ransom* could have cleared up these matters if he had had an opportunity of dealing with them.

Having said so much by way of preliminary, I agree with my Lord that this seems to be on the evidence, particularly that given by Mr. *Frampton*, a simple case.

It is unnecessary to deal with the three causes of action which I put second, third and fourth, namely, breach of copyright, breach of contract and conversion, because Mr. *Aldous* agreed that, if he can succeed on breach of confidence, he does not desire to rely on any of the other three. I think that he was quite right about that, if I may say so, because, if he is entitled to relief for breach of confidence, he could not get greater relief (and it might be less) under any of the other heads.

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The first question in a breach of confidence case is whether the circumstances are such that the defendant owes this duty to the person who is asserting that the information in the hands of the defendant was his confidential information.

As to that we are fortunate, because there is no dispute about it. Mr. *Frampton* in more than one passage agreed that when the order was originally placed his company would have done wrong if they had used this information for their own purposes. I will read a short passage which follows on the one which my Lord read, because that really crystallises the matter so far as Mr. *Frampton's* evidence is concerned. Mr. *Aldous* put to him: "You said that you never took any steps with a view to marketing the punches on your own behalf until after the meeting of the 22nd November? (A.) Yes; definitely. (Q.) Is it your case that, but for that meeting, you never would have done so? (A.) No; definitely not. (Vaisey, J.)—You mean you would not? (A.) No, my Lord; I would not." There, I think, is a very satisfactory and frank explanation. The Defendant says: Up to the date of that meeting it would have been wrong to have used these drawings and the machines made from them in any way for our own purposes. I think that that was not only a proper attitude but it was, in my opinion, in accordance with the law, and it would have been a breach of the law to have used the documents for their own purposes.

Therefore, the only question in the case, as I see it, is: 'Was there anything that happened at the meeting on the 22nd November which altered the position?'

In that, again, we are assisted by the evidence of Mr. *Frampton*. It seems to me perfectly plain that the position could not have been altered, except by some alteration of the legal position. There might have been an agreement for good consideration which would have entitled the Defendants to say: As from this date we can use these documents for our own purposes. There might have been an express consent. It is unnecessary to decide whether, if an express consent had been given and clearly given, although without consideration, that would have precluded the Plaintiffs from thereafter complaining. Speaking for myself, I should have thought that probably it would have done; but that is not the position in this case. Mr. *Frampton* neither suggests that there was a concluded agreement, nor does he suggest that there was any express consent.

I think that it is quite clear what the position was. Mr. *Frampton* was anxious, and I dare say thought that it would be much the most satisfactory to all parties if his company, who were by this time in a position to make these leather punches, having all the tools, presses and so on, took over this idea of manufacturing and selling these punches, which had originated with the Plaintiffs, paying compensation to the Plaintiffs. He may have been right; but, of course, it depended on his offering the Plaintiffs a sum of compensation which they were prepared to accept. Here, again, I will read one passage from his evidence. The learned judge sums it up and the witness agrees. "Do you say that any terms of any sort or kind were arranged, except an idea that someone should make an offer to someone else which that someone else could either accept to reject? (A). That was really the position."

I think that it is perfectly plain that, that being the position, there was no alteration in the legal position and the Defendants were in no way relieved from the obligation, which Mr. *Frampton* agreed that they were under up to that date, not to use for their own purposes these drawings or machines which had been made with their assistance.

That view is fully borne out, I think, by the subsequent letters. The Defendants wrote on the 28th November offering a sum of £50 in full settlement. On the 5th December the Plaintiffs wrote, and with regard to that offer they suggested that the words "in full settlement" were perhaps a typist's error; and suggested that that surely was not a figure arrived at after careful consideration. They rejected that offer out of hand. They go on to say: "We are awaiting your invoice for the tools". That is a perfectly consistent suggestion: "Your suggestion as to how the matter should be dealt with has broken down, you have made a derisive offer; please invoice the tools; tell us what we owe you for them; alternatively let us have your quotation for delivering 5,000 punches complete."

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That is a subsidiary matter into the details of which I think that it is not necessary for me to go. That was a suggestion to which they, the Defendants, never agreed, *viz.*, that they should make 5,000 punches for *Monarch Ltd.*, who, I understand, would have handed them on to the Plaintiffs. The Plaintiffs are saying: If you are willing to quote for those 5,000 punches, no doubt you will retain the machines until they are made.

The Defendants' reply to that is on the 10th December. They do not invoice the tools and they try to get the Plaintiffs to make a counter offer to the £50. On the 12th December the Plaintiffs write, and this letter is perfectly clear, "We are now impatiently awaiting your invoice for the tools and the punches, according to the original arrangement; alternatively compensation of a sufficient amount for dropping the project."

I do not think that that in any way weakens in law the Plaintiffs' position. In fact I think that it was quite a reasonable attitude to take up. They say: You made an offer which we could not accept; we insist on having the tools immediately, but, if you like to make us a further offer, we would still be prepared to consider the compromise which was talked about on the 22nd November.

The Defendants wrote back on the 15th December and said: "As you are aware, we are not considering the invoicing of the tools and punches."

By that time I think that the Defendants were substantially embarked in the business of manufacturing punches to be sold for their own account, which would, of course, have been a perfectly proper thing if they had been able to settle and compromise with the Plaintiffs, and offer compensation which the Plaintiffs were prepared to accept on the basis which had been discussed on the 22nd November.

There having been no settlement arrived at, it seems to me quite plain that what the Defendants did was in breach of confidence, applying the principle, which I will not re-state, as laid down by my Lord in the judgment which has just been delivered.

For these reasons, I think that the appeal should succeed.

Cohen, J.—I agree and I have nothing to add.

In the course of the discussion on the relief to be given to the Plaintiffs, their Lordships expressed reluctance to make any order which would involve the destruction or sterilisation of tools which might serve a useful purpose, since under Lord Cairns' Act the Court could award damages, to cover both past and future acts, in lieu of an injunction.

The form of order for relief as finally agreed was as follows:—

"(1) An order that the Defendants do forthwith deliver up to the first-named Plaintiffs the drawings handed to them by Harry Ransom.
"(2) An inquiry as to what damages have been and may be suffered by the first-named Plaintiffs by reason of the Defendants' breaches of confidence in retaining for their own use and using for the construction of leather punches to be sold by the Defendants on their own account the said drawings and any tools in the making whereof any drawings were used or reproduced to any substantial extent, and in selling such leather punches."

The Plaintiffs were given the costs of the action and of the appeal, with the exception of the costs of certain interlocutory proceedings which they were ordered to pay to the Defendants. The costs of the inquiry were reserved. No order was made as to the costs of the Plaintiffs' application for leave to introduce further evidence before the Court of Appeal.

Counsel for the Defendants asked for leave to appeal to the House of Lords.
(Their Lordships conferred.)

The Master of the Rolls.—No; we do not think that it is a case for appeal to the House of Lords. On the point on which the judge decided you did not attempt to support his decision, so there is no difference of judicial opinion in that respect because you did not try to support it. On the issues of fact there is no controversy between the trial judge and ourselves, because the trial judge did not deal with those issues. You therefore have a unanimous decision of this Court on questions of fact involving, as it fortunately turns out, matters of no real importance and depending entirely on the particular facts of this case. We think that it is not a suitable case to go to the House of Lords.

[No. 27]

Ansell Rubber Co. Pty. Ltd. v.
Allied Rubber Industries Pty. Ltd.

[1972] R.P.C.

IN THE SUPREME COURT OF VICTORIA

*Before: MR. JUSTICE GOWANS*14th to 18th, 21st to 25th, 28th February, 4th, 7th to 11th, 15th to 18th,
22nd to 25th, 28th, 29th March, 29th April 1966.

5

ANSELL RUBBER CO. PTY. LTD. v.
ALLIED RUBBER INDUSTRIES PTY. LTD.*Trade secrets—Confidential information obtained by employees during employment—Use of such information to set up in competition to former employer—Master and servant—Breach of confidence.*

- 10 *The plaintiff, a company producing rubber gloves in Melbourne, had, shortly before 1950, evolved from its own resources a machine for the production of household rubber gloves by an automatic and continuous process, and, in the same way, by 1954, an ancillary contrivance, called a dryer-blower, and by 1956 another ancillary apparatus for flock-lining the gloves, integrated into the machine. By 1963, by the use of its machines, it*
- 15 *had acquired nearly the whole of the Australian market for household rubber gloves and a substantial export trade. As to the glove-making machine, prior to its production and thereafter, there had been publication in patent specifications and technical literature of some of the features of its design, construction and operation, and some user of some of them; as to the flock-lining apparatus there had been some publication as to the process*
- 20 *itself, which was well known, but not of the design, construction or operation of the apparatus; and as to the dryer-blower there had been no publication of its design, construction or operation, although it made use of a known principle.*

- The plaintiff, in evolving its machines, owed nothing to the specifications published, and none described them or any of the machines as a whole. Although the machines made*
- 25 *use of well-known engineering principles referred to in technical literature and in use in industry generally, each taken as a unit (and the glove-making machine and the flocking apparatus were an integrated unit), possessed a degree of novelty, discovery and utility, if not invention, and, being efficient, economic and valuable, put the plaintiff in a position of special advantage for competition in the glove-making trade.*

- 30 *Held: the design, construction and operation of the machines were capable of being the subject of confidential information or trade secrets.*

The plaintiff had not made public or disclosed to any competitor or potential competitor the subject-matter of the design, construction and operation of the machines, and had been

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concerned to keep it private, and had imposed a rule against the admission of unauthorised persons into its factory; the rule and the reason for it had in fact been communicated to its employees in positions of authority for implementation by them; the communication had been made directly or indirectly to any employees who were likely to appreciate and evaluate the operations of the machines and be capable of disclosing information leading to their production, and they had understood that there should be no disclosure; although the machines could be observed in operation, through openings in the factory, or by visiting contractors or tradesmen, or lower skilled employees who came and went, or by employees in other departments, or relations or friends seeking out employees, or persons seeking jobs, so that there was not a system of close secrecy, those facts represented no real danger of disclosure to competitors, and the precautions were in fact effective until the actions of the defendants.

Held: there was a sufficiently substantial element of secrecy about the design, construction and operation of the machines, and a reasonable protection of it, for the purpose of confidential information or trade secrets.

The defendant G, a fitter by trade, had, prior to July 1963, been employed by the plaintiff for 12 years in connexion with its manufacture of household rubber gloves, and latterly as a supervisor in its latex dipping department, and knew of the policy of secrecy and his obligations in relation to it. The defendant A, an engineer, had, at that time, been employed for 15 months as its production manager, and knew of the policy and his obligations. Both were possessed of information about the design, construction and operation of the machines. A decided to enter into a venture to manufacture household rubber gloves in competition with the plaintiff, and before leaving its employment in July 1963, invited G to join him. On leaving his employment, A evolved a design for a plant comprising a glove-making machine and an integrated flock-lining apparatus and a dryer-blower. In this he had assistance, in his spare time, from G who continued in the employ of the plaintiff. These activities were kept secret from the plaintiff. A, and to a lesser degree G, made a substantial contribution to contrivance, ingenuity and inventiveness in producing the result, but it was achieved in a substantial measure by the use of information as to the plaintiff's machines acquired by them, and each of them, in the course of their employment by the plaintiff. They were joined in the venture by the defendant P, an accountant and merchandising manager, who knew of A's former employment and G's existing employment with the plaintiff, and knew of the secrecy, and had some limited knowledge of the correlation between the units of the plant constructed by the defendants and those of the plaintiff's plant. He formed the defendant company, with the authority of G and A to take over the plant evolved by A, and manufacture gloves in competition with the plaintiff.

Held: the information used by the defendants G and A constituted confidential information and trade secrets; G had committed breaches of his contract as an employee, to which A was a party; A had committed breaches of contract to which G was a party, and P and the defendant company had been the recipients of confidential information and had misused it.

Duties of employees and former employees, confidential information and trade secrets, and form of relief, discussed.

[U.K. Editorial note—This case is reproduced from the Victorian Reports ([1967] V.R. 37) by kind permission of The Council of Law Reporting in Victoria and Butterworth & Co. (Australia) Ltd.]

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- 35 *Commercial Plastics v. Vincent* [1964] 3 W.L.R. 820; [1964] 3 All E.R. 546.
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- 40 *Peter Pan Manufacturing Co. v. Corsets Silhouette Ltd.* [1964] 1 W.L.R. 96; [1963] 3 All E.R. 402; [1963] R.P.C. 45.
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Printers and Finishers Ltd. v. Holloway [1965] R.P.C. 239; [1964] 3 All E.R. 731.]

45 **Trial of Action**

- The plaintiff, the Ansell Rubber Co. Pty. Ltd., was a company incorporated in Victoria which carried on business at Richmond as a manufacturer of rubber goods. The defendants were Allied Rubber Industries Pty. Ltd., Edward William Ashcroft, John William Grigg and Frank Cecil Parker. Of the four defendants, Ashcroft and Grigg were formerly employees of the plaintiff. The plaintiff alleged against them both during their employment and after it had ceased, trade secrets and confidential

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information, gained by them from the plaintiff in the course of and by reason of their employment, was used by them in an unauthorised manner, thereby committing a breach of contract and a breach of confidence. The first defendant, Allied Rubber Industries Pty. Ltd., was a company also incorporated in Victoria for the manufacture of rubber goods, and the last defendant, Palmer, was a director of it and a substantial shareholder. It was alleged against Palmer that, in association with the other two individual defendants, he caused the defendant company to be incorporated, intending that it should make rubber goods in competition with the plaintiff with the use of the confidential information obtained by those other defendants, and it was alleged against both the defendant company and the defendant Palmer that they were party in various ways to the breach of contract and breach of confidence they committed. It was alleged against all the defendants that they intended that the defendant company should make rubber gloves with the use of the trade secrets and confidential information thus obtained. Various injunctions and other relief were sought.

Fullagar, Q.C., and *A. C. King*, for the plaintiff.

Harris, Q.C., and *C. Tadgell*, for the defendants.

Cur. adv. vult.

Gowans, J., delivered the following written judgment: [After dealing with the facts which, for the purposes of this report, are sufficiently set out in the headnote and that part of the judgment printed, *infra*, his Honour continued:—]

I think the weight of the evidence justifies these findings and I make them. The plaintiff has been concerned from the time it made its automatic glove-making machines about 1946 or 1947 to keep private information about those machines and their operations, because it considered them unique and that disclosure in such a way as to permit them to be used in competition would damage its business. It sought to keep that information private by imposing a rule against the admission of unauthorised persons into the factory, which was in fact communicated to its employees in positions of authority for implementation by them, as was also the reason for the rule. It was understood by them, and by those to whom they communicated it, that it was intended that there should be no disclosure by them of information about the design, construction or operation of any of the machines producing goods by dipping, and that included the No. 2 glove-making machine and the dryer-blower. The communication was made directly or indirectly to any employees who were likely to appreciate and evaluate the operations of the machines and to be capable of disclosing information leading to their reproduction. It was in fact effective until Ashcroft left the plaintiff's employ. There was a sufficiently substantial element of secrecy and a reasonable protection of it.

I find that Grigg must have known of the policy and his obligations in relation to it, in the same way as Bruce, his fellow foreman, knew of them, by their being passed on by Dale [the manager of the plaintiff's latex division] to the foremen under him, as Dale said they were. I am unable to accept Grigg's denial of any knowledge of them. [His Honour then set out his reasons and continued:—]

I find that Ashcroft knew of the policy and his obligations in relation to it, as More [the general manager of the plaintiff] said he did, and I am unable to accept his denials, and the submission made on his behalf that it was not likely that he would act in breach of known obligations. [His Honour then set out his reasons and continued:—]

The point I have reached in the examination of the evidence is that Grigg, while in the employ of the plaintiff, assisted Ashcroft in the production of plant to be used by the defendant company in a venture in competition with his employer, and in the course of doing so made use of and communicated information about the plaintiff's
5 No. 2 glove-making machine which he had acquired in the course of his employment by the plaintiff, and in particular made use of and communicated to Ashcroft, for incorporation in the production of the plant, information so acquired about the batten assembly of that machine of the plaintiff; and about the dryer-blower; and the information so used by Grigg was the subject of a confidence, as he knew and Ashcroft
10 knew; Ashcroft had, after he had ceased to be employed by the plaintiff, used, by incorporating it in the production of the plant, information about the glove-making machine and the dryer-blower which he and Grigg had acquired in the course of their employment by the plaintiff and which was the subject of a confidence, as he knew.

The defendants, however, contend that, even if this were so, the plaintiff is not
15 entitled to protection for a further reason. Reliance is placed on the principle that the courts will refuse to prevent a man earning his living by using the knowledge, skill and experience he has acquired as his own and will refuse to treat its use as an actionable breach of contract or confidence. Any use made by either of these two defendants of information was, it is said, a use of knowledge and experience of that kind.

20 In this field a distinction has to be maintained between information and knowledge acquired in confidence by an employee during his employment which he uses or discloses for his own advantage while he is still an employee, and information and knowledge so acquired which he uses for his own advantage after his employment is finished. A further distinction has to be drawn between information which forms part
25 of the employee's stock of general knowledge, skill and experience, and that which should fairly be regarded as a separate part of the employee's stock of knowledge (whether it be identifiable as "particular" or "detailed" or "special") which a man of ordinary intelligence and honesty would regard as the property of the former employer. I will endeavour later to locate the line of this demarcation as it has been drawn in
30 the legal authorities. It will be sufficient at present to indicate my conclusions that information made use of by Grigg and communicated by him to Ashcroft for incorporation in the production of the defendant company's plant, while Grigg was still an employee of the plaintiff, was of a kind which was not withdrawn from protection by the application of the principle relied upon by the defendants, and further that
35 there was information made use of by Ashcroft in the production of the defendant company's plant which is not withdrawn from protection by reason of that principle.

The nature of the subject-matter and the conflicts that have emerged on so many issues have involved me in this detailed, and I am afraid over-long, examination of the facts. I now turn to a consideration of the legal principles which have to be applied.

40 At the outset I acknowledge my indebtedness to the assistance of counsel and their industry in referring me to the many authorities which bear on the matter. I have also been greatly helped by reference to the treasury of material from English and American and Commonwealth sources contained in the recently published textbook, *The Law of Trade Secrets* (Turner), and also by reference to the *American Restatement*
45 *of the Law of Torts* (1st ed.), ch. 36, and the *Restatement of the Law of Agency* (2nd ed.), ch. 131, ss. 395 et seq.

The starting point is said to be the equitable doctrine laid down in *Keech v. Sandford* (1726) Sel. Cas. Cha. 61; 22 E.R. 629, that a trustee cannot be allowed to make a

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profit out of his trust, and its expansion to all persons standing in a fiduciary relation to another: *Keith Henry & Co. Pty. Ltd. v. Walker* (1958) 100 C.L.R. 342 at 350. It has been applied to many different kinds of such relationships whether created by contract or otherwise: *Argyle v. Argyle* [1965] 3 W.L.R. 790, and to many different conceptions of property. It has been applied to rights in respect of the publication of works of art: *Prince Albert v. Strange* (1849) 64 E.R. 293; and rights in secret formulae: *Morison v. Moat* (1851) 68 E.R. 492. 5

It has been extended to breaches of confidence as well as breaches of trust or contract: *Abernethy v. Hutchinson* (1825) 3 L.J. Ch. 219, and the obligation of confidence may be express or implied: *Argyle v. Argyle*, supra, at p. 801. That obligation may come into existence by reason of the terms of an agreement, or what is implicit in them, by reason of the nature of the relationship between persons, or by reason of the subject-matter and the circumstances in which the subject-matter has come into the hands of the person charged with the breach. 10

At this stage I turn more particularly to the first way in which the plaintiff's claim to relief is put, and the law relating thereto. It is concerned primarily with Grigg's conduct during his employment. The doctrine I have referred to has been applied to the position of a servant in relation to his master and his property, and to the obligations of the servant in relation to information obtained in the employment. "And where a person is by virtue of his employment charged with the duty of furthering his employer's interest, he is also charged with the duty of not using the information obtained by him as their employé to their detriment": *Prebble v. Reeves* [1910] V.L.R. 88 at 108. What the obligation really involves is that the employee must not take advantage to his own profit of what he has learned confidentially in the service of his employer: *The Modern Law of Employment* (Fridman), p. 455; and see *Halsbury*, 3rd ed., vol. 25, p. 462, s. 894. In *Merryweather & Sons v. Moore* [1892] 2 Ch. 518; [1891-4] All E.R. Rep. 563, Kekewich, J., used the language: 15 20 25

"an abuse of confidence necessarily existing between him and his employers—a confidence arising out of the mere fact of employment, the confidence being shortly this, that the servant shall not use, except for the purposes of service, the opportunities which that service gives him of gaining information" ([1892] 2 Ch., at p. 524), and 30

"perhaps the real solution is that the confidence postulates an implied contract; that where the Court is satisfied of the confidential relation, then it at once infers or implies the contract arising from that confidential relation a contract which thus calls into exercise the jurisdiction to which I have referred" (at p. 522). 35

See also *Robb v. Green* [1895] 2 Q.B. 215; [1895-9] All E.R. Rep. 1053; *Measures v. Measures* [1910] 1 Ch. 336; *British Reinforced Concrete Engineering Co. v. Lind* (1917) 34 R.P.C. 101; *Reid and Sigrist Ltd. v. Moss and Mechanism Ltd.* (1932) 49 R.P.C. 461; *Wessex Dairies Ltd. v. Smith* [1933] 2 K.B. 80; [1935] All E.R. Rep. 75; *Vokes v. Heather* (1945) 62 R.P.C. 135 at 141-2, and *Bent's Brewery Co. Ltd. v. Hogan* [1945] 2 All E.R. 570. 40

These were cases concerned with conduct during employment in breach of the duty of fidelity which a servant owes to his master, and in breach of contract or confidence. In many of them the confidential nature of the information was apparent from the nature of the subject-matter, e.g. names of customers, weekly sales, total wages; or 45

from the circumstances in which it came into existence, e.g. a private conference. In most cases it was recorded in some tangible form the use of which could be enjoined and required to be delivered up. Where it was not, difficulty was sometimes felt and expressed as to what effective form of injunction could be granted against its use. But in *Amber Size Chemical Co. v. Mensel* [1913] 2 Ch. 239, Astbury, J., considered that the use of a memorized secret process could be restrained, and in *Printers and Finishers Ltd. v. Holloway* [1965] R.P.C. 239; [1964] 3 All E.R.7 31, an injunction was granted against the use of a machine improperly copied at the instance of a servant for the benefit of another. In that case Cross, J., said, at p. 255:

10 “The mere fact that the confidential information is not embodied in a document but is carried away by the employee in his head is not of course, of itself a reason against the granting of an injunction to prevent its use or disclosure by him. If the information in question can fairly be regarded as a separate part of the employee’s stock of knowledge which a man of ordinary honesty and intelligence would recognise to be the property of his old employer, and not his own to do as he likes with, then, the Court, if it thinks that there is a danger of the information being used or disclosed by the ex-employee to the detriment of the old employer, will do what it can to prevent that result by granting an injunction. Thus an ex-employee will be restrained from using or disclosing a chemical formula or a list of customers which he has committed to memory.”

Then after referring to the facts in *Reid and Sigrist Ltd. v. Moss and Mechanism Ltd.* (1932) 49 R.P.C. 461, he added:

25 “It appears, indeed, that after the discussions, and while he was still in the plaintiff’s employ, the defendant made and later took away with him drawings embracing the matters discussed. But even if he had not done so and relied simply on his memory of the confidential discussions I think that an injunction would still have been granted.”

Given the kind of information described by Cross, J., I think it is immaterial that it is not recorded in a tangible form.

30 The cases also show that anyone who aids, abets in or procures the breach of contract of confidence may be enjoined together with the servant against the use of the information.

The *American Restatement of the Law of Agency* (2nd ed.), ch. 13, s. 395, states the principle in terms which accord with the English authorities:

35 “Unless otherwise agreed, an agent is subject to a duty to the principal not to use or to communicate information confidentially given him by the principal or acquired by him during the course of or on account of his agency or in violation of his duties as agent, in competition with or to the injury of the principal, on his own account or on behalf of another, although such information does not relate to the transaction in which he is then employed, unless the information is a matter of general knowledge.”

The “Comment” says:

45 “The agent also has a duty not to use information . . . acquired by him through a breach of duty to the principal, for any purpose likely to cause his principal harm or to interfere with his business . . .”

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And again:

“The rule stated in this Section applies not only to those communications which are stated to be confidential, but also to information which the agent should know his principal would not care to have revealed to others or used in competition with him. It applies to unique business methods of the employer, trade secrets, lists of names, and all other matters which are peculiarly known in the employer’s business. It does not apply to matters of common knowledge in the community nor to special skill which the employee has acquired because of his employment.”

I have applied these conceptions to the detailed knowledge of the plaintiff’s batten assembly, and the knowledge of the dryer-blower, which I have found made its way through the medium of Grigg to use in the defendants’ company’s plant, and have reached the conclusions that it does not represent the kind of skill which Grigg had acquired because of his employment, while it does represent a matter peculiarly known in the plaintiff’s business, and that it was used by him in violation of his duty.

The conduct in which Grigg engaged, even if no confidential information had been shown to have been disclosed and used, would, having regard to his position with the plaintiff and the opportunities he possessed for passing on particular and detailed information of a confidential nature, constitute a breach of his duty to his employer not to act contrary to its interests. In *Hivac Ltd. v. Park Royal Scientific Instruments Ltd.* [1946] 1 Ch. 169; [1946] 1 All E.R. 350, that was held to be the position in a case which concerned a production engineer and his wife, a forewoman, and other skilled manual workers, who employed their spare time in helping a competitor of their employer make scientific instruments. The case (as reported) concerned the position of the manual workers, the production engineer and his forewoman wife having been summarily dismissed. The breach of duty on the part of those two could hardly have been in doubt.

“Conduct which in respect of important matters is incompatible with the fulfilment of an employee’s duty, or involves an opposition, or conflict between his interest and his duty to his employer, or impedes the faithful performance of his obligations, or is destructive of the necessary confidence between employer and employee, is a ground of dismissal” (per Dixon and McTiernan, J.J., in *Blyth Chemicals Ltd. v. Bushnell* (1933) 49 C.L.R. 66, at 81.)

In that case the learned justices went on to say that if a finding had been made that in all he did the manager concerned was actuated by one design, namely, to prepare a position to which he could retreat with a considerable part of his employee’s business, the court would have been entitled, if not bound, to hold he had been guilty of misconduct.

Such misconduct must create a liability in damages.

Where there has been an actual use or disclosure of confidential information the case for relief is quite clear. In *Ormonoid Roofing and Asphalts Ltd. v. Bitumenoids Ltd.* (1930) 31 S.R. (N.S.W.) 347, an employee was associated in his work with two machines of his employer, the plaintiff, a damp course machine and a roofing machine. He subsequently left the employment and, with another employee, formed a company to make these machines and use them in production in competition with the plaintiff. It was held that in carrying away a recollection of the damp course machine, and

subsequently assisting to reproduce it, no misuse of confidential matter was involved
But Harvey, C.J. in Eq., added, at p. 359:

5 “Had I been satisfied that the information which was required to make the
damp course machine had not been acquired by Prussing in the ordinary course
of his duties as employed by the plaintiff company but that he had only acquired
it for his own purposes with a view to using it after he left the plaintiff company’s
employ possibly different considerations might have arisen. I am inclined to think
10 that there is an implied contract between an employer and an employee that the
employee will not make use of his master’s time and the opportunities which are
afforded to him during his hours of employment to obtain for his own use
information with regard to his master’s business which is not required by him
for the purposes of carrying out those duties on which he is employed.”

On the other hand, with respect to the roofing machine it was found that the employee
had made measurements of the machine which were quite unnecessary for the purpose
15 of his employment by the plaintiff, and that he had expended a great deal of care and
time in the acquisition of details (reproducing with extraordinary exactitude in the
defendants’ machine, he having prepared drawings from the measurements) which were
the basis of the drawings for the defendants’ machine. That having been done for his
own purpose to be used for his own benefit in the future, there was held to be a breach
20 of his implied contract with his employer; and the defendant company having notice
of it, orders were made for an injunction and for the dismantling of the machine, and
the delivery up to the plaintiff for destruction of so much of it as was not constructed
by the defendant company according to its own designs. In *Tabor v. Hoffmann* (1889)
118 N.Y. 30, a temporary employee or independent contractor engaged to repair
25 patterns of a pump apparatus of the plaintiff surreptitiously copied the patterns at
the instance of and for the benefit of the defendant. The pump itself had been patented
by the plaintiff, and the patent had expired. But the patterns were of mechanical means
which were indispensable in, or aided, the manufacture of the parts and the pump,
and these had not been published. There was a finding that “a competent pattern
30 maker can make a set of patterns from measurements taken from the pump itself
without the aid of the plaintiff’s patterns”, but the judge had refused to find it could
be done “with little more expense and trouble than from measurements taken from the
plaintiff’s patterns”. The Court of Appeals held there was a secret and upheld an
injunction saying, at p. 37:

35 “The fact that one secret can be discovered more easily than another, does not
affect the principle. Even if resort to the patterns of the plaintiff was more of a
convenience than a necessity, still if there was a secret, it belonged to him, and
the defendant had no right to obtain it by unfair means, or to use it after it was
obtained. We think that the patterns were a secret device that was not disclosed
40 by the publication of the pump, and that the plaintiff was entitled to the preventive
remedies of the court. While the defendant could lawfully copy the pump, because
it had been published to the world, he could not lawfully copy the patterns
because they had not been published, but were still, in every sense, the property
of the plaintiff, who owned not only the material substance, but the discovery
45 which they embodied.”

In *R. L. Crain Ltd. v. Ashton* (1950) D.L.R. 601, component parts of machine presses
and the methods of their assembly were held to be protectable trade secrets until they
became known to others who were interested in the construction or sale of such
presses, i.e. to the trade. In *Saltman Engineering Co. Ltd. v. Campbell Engineering Co.*

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Ltd. (1948) 65 R.P.C. 203, the Court of Appeal through Greene, M.R., stated the relevant principles in two passages:

“I need not go into the law, which I think is correctly stated in a formula which Mr. Heald himself accepted. I will read it: ‘If a defendant is proved to have used confidential information, directly or indirectly obtained from a plaintiff, without the consent, express or implied, of the plaintiff, he will be guilty of an infringement of the plaintiff’s rights.’” 5

“I think that I shall not be stating the principle wrongly if I say this with regard to the use of confidential information. The information, to be confidential, must, I apprehend, apart from contract, have the necessary quality of confidence about it, namely, it must not be something which is public property and public knowledge. On the other hand, it is perfectly possible to have a confidential document be it a formula, a plan, a sketch, or something of that kind, which is the result of work done by the maker upon materials which may be available for the use of anybody; but what makes it confidential is the fact that the maker of the document has used his brain and thus produced a result which can only be produced by somebody who goes through the same process.” 10 15

In this last passage, I think, the reference to “a document” is adventitious. There could equally have been a reference to “a completed device”. In *Terrapin Ltd. v. Builders’ Supply Co. (Hayes) Ltd.* [1960] R.P.C. 128, Roxburgh, J., in a passage (which is more fully set out in the judgment of Roskill, J., in *Cranleigh Precision Engineering Ltd. v. Bryant* [1965] 1 W.L.R. 1293 at 1317–8; [1964] 3 All E.R. 289 said this: 20

“Frankly [Mr. Aldous] admitted that there is no suggestion of such a doctrine in any reported case. I go further and say that it is inconsistent with the principles stated by Lord Greene in *Saltman Case*. As I understand it, the essence of this branch of the law, whatever the origin of it may be, is that a person who has obtained information in confidence is not allowed to use it as a springboard for activities detrimental to the person who made the confidential communication, and springboard it remains even when all the features have been published or can be ascertained by actual inspection by any member of the public. The brochures are certainly not equivalent to the publication of the plans, specifications, other technical information and know-how. The dismantling of a unit might enable a person to proceed without plans or specifications, or other technical information, but not, I think, without some of the know-how, and certainly not without taking the trouble to dismantle. I think it is broadly true to say that a member of the public to whom the confidential information had not been imparted would still have to prepare plans and specifications. He would probably have to construct a prototype, and he would certainly have to conduct tests. Therefore, the possessor of the confidential information still has a long start over any member of the public. The design may be as important as the features. It is, in my view, inherent in the principle upon which the *Saltman Case* rests that the possessor of such information must be placed under a special disability in the field of competition in order to ensure that he does not get an unfair start; or, in other words, to preclude the tactics which the first defendants and the third defendants and the managing director of both of those companies employed in this case.” 25 30 35 40 45

I read this passage as drawing a distinction between publication of features of a device, or ascertainment of those features by inspection by a member of the public, on the

one hand, and, on the other hand, publication of the whole plan or design of the complete device.

In the *Cranleigh Case* Roskill, J., adopted the passage as correctly stating the law. It is clear he gave effect to it for the purposes of the first action in that case ([1965] 5 I W.L.R. 1309). Whether he was right in applying it, for the purposes of the second action, to a case where there has been a publication of the complete specification of a patent, which covers the whole subject-matter of the alleged confidential information, and treating such a publication as not destroying the confidential character of the subject-matter, so long as it was not the act of the plaintiff (thereby distinguishing 10 *Mustad & Son v. Allcock & Co. Ltd. and Dosen* [1964] 1 W.L.R. 109; [1963] 3 All E.R. 416), it is not necessary for me to say. For there is no such situation in the present case. Perhaps I may add a reference to an unreported judgment of Fullagar, J. (as a judge of this Court) in *Fraser v. Williams* (3rd October 1947) where he applied the principle of *Morison v. Moat* (1851) 68 E.R. 492, to a disclosure to a third party 15 (prohibited by contract) by an inventor of improvements to a non-drip beer tap:

“It is argued that no such principle could be applied where the information in question related not to a secret process but to matters which could be subject matter for letters patent, and where some of the information in question actually was the subject matter of an application for letters patent. I can see no reason 20 for drawing any such distinction.”

In the present case, as I have pointed out, none of the specifications relied on, whether in relation to patents granted in Australia or in relation to purported English patents displayed in the Public Library, covered the plaintiff's machines. The most that could be said is that they exhibited features of those machines; e.g. the batten assembly 25 does not appear anywhere in them, nor the flocking unit, nor the dryer-blower. The same applies to what was said to be the subject of prior user or common knowledge in engineering or physics.

On the finding I have made and the principles I have examined, a case for relief by way of both damages and injunction is made out against the defendant Grigg in 30 respect of his breach of duty as an employee and against the defendant Ashcroft who procured and was party to his breach. The defendant Palmer knew at all material times of Grigg's continued employment with the plaintiff and of the fact that he was assisting Ashcroft, and of Grigg's production of a prototype of the batten assembly, and he was the recipient of confidential information to some extent and in some form 35 or other, although it was not made to appear that Palmer knew of the extent of Grigg's contribution. He was at least put on inquiry to ascertain whether the circumstances involved a breach of the terms of Grigg's employment; instead he was party to his concealing his activities from the plaintiff, and saw no objection to them. It is difficult to believe that Palmer was not fully aware of them. In any event he is a director and 40 officer of the defendant company. I think he is liable to be enjoined. The defendant company is now the owner of the machines. Its rights cannot be put any higher than those of Grigg, Ashcroft, and Palmer, who became its committee of management. Its title to the machines derived from the syndicate or from Grigg or Ashcroft. In *Fraser v. Williams*, supra, Fullagar, J., said he thought that the onus lay on the defendant 45 Kimpton (who claimed to be entitled to the benefit of the inventions and ideas of the other defendant, Williams, the disclosing inventor) of proving that he had no knowledge of the agreement binding the latter, and he cited *Mills v. Renwick* (1901) 1 S.R. (N.S.W.) (Eq.) 173, at p. 176, and *General Finance Agency & Guarantee Co. of Aust. Ltd. (in liq.) v. Perpetual Executors & Trustees Association of Aust.* (1902) 27 V.L.R. 739, at p. 743.

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But like him, I find that the defendant concerned, here the defendant company took the property in the machines with notice of the equity. It adopted Grigg's conduct, and was infected by his and Ashcroft's knowledge. It, too, is liable to injunctive relief. What form that relief should take I will defer for the present.

I turn now to the second way in which the plaintiff's claim for relief is put. In its formulation, it places emphasis on the conception of "trade secrets". But this is only a particular subject-matter to which the principles relating to breach of confidence have been applied. It is a subject-matter associated with what is loosely called "trade", and it might, as aptly, have been called "commercial confidences". The English authorities are more disposed to refer to "confidential information" and not to resort to definitions of the term "trade secret", while the American authorities tend to use the expression "trade secret" as a term of art.

This submission of the plaintiff is better understood as placing emphasis primarily on the conduct of Ashcroft after his employment with the plaintiff had ceased. Because his activities occupied a wider field than Grigg's, the scope of the matter dealt with is enlarged.

In *Helmore v. Smith* (1887) 35 Ch. D. 499 at 456, Bowen, L.J., said he could not

"countenance the doctrine that the confidential information received by a servant to advance his master's business may be used afterwards by him to advance his own business to the injury of his master's interests. It is part of the implied contract between the master and the servant that such confidential information is not to be used to the master's disadvantage."

(See also *Kirchner & Co. v. Gruban* [1909] 1 Ch. 413, at p. 422; [1908-10] All E.R. Rep. 242.)

I have found that at the commencement of his employment Ashcroft was told by More that the success of the plaintiff company was largely tied up with its dipping operations and the unique methods the plaintiff employed and which it had itself developed, and for that reason the secrets of those methods were jealously guarded; and that Ashcroft knew of the plaintiff's policy of keeping information about its glove-making machines private (including the No. 2 glove machine and the dryer-blower); and he knew of its intention that there should not be any disclosure of information about their design, construction or operation. In my opinion, this is sufficient to justify the implied contract not to use the information to the detriment of the employer spoken of in *Helmore v. Smith* and *Kirchner v. Gruban*, supra. On the face of it, the information I have referred to was confidential information.

But since the implied contract concerns the use of the servant's labour skill or talent, it is subject to the rule of public policy that a man is not to be restrained, either by contract or without it, from using after his employment his personal skill, knowledge and experience. That conception includes "the skill and knowledge in his trade or profession which he had no right to reveal to anyone else—matters which depend to some extent on good faith . . . it would be a breach of confidence to reveal trade secrets, such as prices etc. or any secret process or things of a nature which the man was not intended to reveal": per Farwell, L.J., in *Leng v. Andrews* [1909] 1 Ch. 763, at p. 774. This was approved by Lord Atkinson in *Herbert Morris v. Saxelby* [1916] 1 A.C. 688, at p. 704; [1916-17] All E.R. Rep. 305, and he also (at A.C. pp. 702-3)

spoke of “trade secrets such as secret processes of manufacture” and “documents highly confidential” and “drawings of special machines” as being protected. Lord Parker (at p. 709) also referred to “such an acquaintance with his employer’s trade secrets as would enable him, if competition were allowed, to take advantage of his employer’s trade connection or utilise information confidentially advanced”. Lord Shaw (at p. 714) said:

10 “Trade secrets, the names of customers, all such things which in sound philosophical language are denominated objective knowledge—these may not be given away by a servant; they are his master’s property, and there is no rule of public interest which prevents a transfer of them against his master’s will being restrained. On the other hand, a man’s aptitudes, his skill, his dexterity, his manual or mental ability—all those things which in sound philosophical language are not objective, but subjective—they may and ought not to be relinquished by a servant; they are not his master’s property—they are his own property; they are himself.”

15 It is in this way that the concept of “trade secrets” comes into the English authorities.

20 But what are the indicia of a “trade secret” or “highly confidential information” or “objective knowledge” so referred to by the learned law lords, and in particular can the terms be applied, and how do they apply to machines, particularly where there is no express contract of restraint?

In the first instance, at all events, I must endeavour to ascertain what English law says about these concepts, and particularly in the latter connexion. There is nothing in the way of definition.

25 In *Amber Size Chemical Co. v. Menzel* [1913] 2 Ch. 239, the subject-matter was a process, and it was found as a fact that the plaintiff possessed and exercised a secret process, but by reference to what criteria does not appear. There were however three observations made by Astbury, J., in arguendo (at pp. 241–2), which are of significance:

30 “Surely if the servant is told it is a secret process and is employed on that footing, there is an implied obligation not to use or disclose it?” and—“Possession of tangible materials cannot be a sine qua non in the case of a secret which the employee can commit to memory?”; and again—“None of these cases really touch the question of information as to a secret process acquired during a confidential employment. How can it possibly matter whether the servant learns the process by heart or writes it down? It is an equal breach of confidence to use or disclose it in either case?”.

40 In *B. O. Morris Ltd. v. Gillman* (1943) 60 R.P.C. 20, it was found that information as to the details of a milling machine were confidential and a trade secret, and the property of the plaintiff, but on what evidence does not appear except that the machine was capable of turning out a variety of products by trifling adjustments in the mechanism, that the plaintiff alone used it in England, and that it had been reproduced by the plaintiff from a machine imported by it from Germany. I have already referred to *Saltman Engineering Co. Ltd. v. Campbell Engineering* (1948) 65 R.P.C. 203, and to *Terrapin Ltd. v. Builders (Hayes) Ltd.* [1960] R.P.C. 128. In the latter case the subject-matter was a modification of a design for making prefabricated folding houses consisting of a flat roof and a roof made of stressed (wooden) skin. It was held, notwith-

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standing an attack on its “novelty”, that the conjunction of these two items was “something new if it were workable”, and that the information about it was given in confidence.

In *Mustad & Son v. Allcock & Son Ltd. and Dosen* [1964] 1 W.L.R. 109; [1963] 3 All E.R. 416, the subject was information about the construction of a machine 5 perfected by a Norwegian firm whose business was purchased by the plaintiffs. The machine was “an extremely unique and clever arrangement by which fish hooks can be produced at the rate of 75 per minute”. There was an express agreement against disclosing information. Lord Buckmaster observed that “it might well be that, had nothing more happened, the circumstances connected with this case, would have been 10 sufficient to support the claim which the appellant put forward”. But it was held, the secret as a secret had ceased to exist by its having been precisely and fully disclosed in a specification for a patent applied for by the plaintiff.

In *Commercial Plastics v. Vincent* [1964] 3 W.L.R. 820; [1964] 3 All E.R. 546, the Court of Appeal, in deciding whether the plaintiffs had any trade secrets or confidential 15 information in relation to the manufacture of sheeting for adhesive tape, held that even though it was difficult to classify any particular item of information in the plaintiffs’ possession as being confidential (other than information contained in documents which could be protected by other appropriate legal remedies), the fact that the defendant could probably remember in general in relation to any matter concerning 20 adhesive tape what was the problem and what was the solution, what experiments were made, and whether the results were positive or negative, meant that the plaintiffs had confidential information capable of being protected by a suitably drafted condition or covenant.

I have already referred to *Cranleigh Precision Engineering Ltd. v. Bryant* [1965] 25 1 W.L.R. 1293; [1964] 3 All E.R. 289, where the subject-matter, in the first action, was certain features of above-ground swimming pools. Roskill, J., said:

“I think the knowledge that the particular clamping strip was the right type of clamping strip to use for this particular purpose, coupled with the knowledge of how to define to a plastics manufacturer what was required for that particular 30 purpose, and that a plastics manufacturer could readily supply the particular form of strip, is and was a trade secret of the plaintiff. I take the same view in relation to the interfit of the plate, which, it is worth noting, Bryant and the defendant company in their leaflet D.3. have described as ‘unique’.”

Finally, in *Printers and Finishers Ltd. v. Holloway* [1965] R.P.C. 239; [1964] 3 All 35 E.R. 731, from which I have already set out some of the observations of Cross, J., that learned judge observed [1965] R.P.C., at p. 253) that

“not all information which is given to a servant in confidence and which it would be a breach of his duty for him to disclose to another person during his employment is a trade secret which he can be prevented from using for his own 40 advantage after the employment is over, even though he has entered into no express covenant with regard to the matter on hand”.

He gave an example of printing instructions given to the employee, many of which were not “trade secrets” as all, and which, in so far as they would not be called “trade 45 secrets”, and could be carried in his head, he was entitled to use for the benefit of a

subsequent employer. One of the subject-matters in the case was a piece of equipment for collecting surplus flock, called a cyclone. It was said (at p. 245):

5 “Cyclones are well-known items of equipment, but how precisely any given cyclone should be shaped internally in order to carry out the particular job which it is to do, is a matter which, unless you are told, you can only discover by trial and error. The plaintiff’s cyclones were constructed in accordance with information given to them by United Merchants [an American firm] as modified in the light of experience of their own particular requirements. There is no doubt that in having his cyclone copied from that of the plaintiff’s, Penny was saving Vita-
10 Tex [one of the defendants] a certain amount of time, trouble and expense.”

There was held to be a breach of duty by the employee during his employment and although no damages were given against the defendant Vita-Tex, for whose benefit the cyclone had been copied, because no use had been made of it (at p. 252), an injunction was granted against its use (at p. 257). On the other hand, an injunction was
15 refused against use or disclosure of information about plant and processes, that was in the employee’s head alone, and which in terms would have prevented him, when employed by others who used plant and machinery similar to the plaintiff’s, from using his recollection of a corresponding piece of machinery of his former employers to resolve some difficulty.

20 There is very little in these English cases to enable one to identify a “trade secret”. But some collation of the characteristics may be attempted, without trying to make it an exhaustive statement. Its subject-matter may not be a process in common use, or something which is public property and public knowledge, but if it is the result of work done by the maker upon materials which may be available for the use of anybody,
25 so as to achieve a result which can only be produced by somebody who goes through the same process, it will be sufficient. All of its separate features may have been published, or capable of being ascertained by actual inspection by any member of the public, but if the whole result has not been achieved, and could not be achieved, except by someone going through the same kind of process as the owner, it will not fail to
30 qualify by reason of the publication. It may derive from a maker in another country without losing its character, if it is used, or entitled to be used, by the owner alone in the country in which the owner operates. There is no suggestion of the need for invention. Little can be gathered of the degree of secrecy required beyond what is implied in what is said. But it is a fair inference from what is said that the employer must have
35 kept the matter to himself and from his competitors. The emphasis in the cases is on the confidence.

American law is rather more explicit. The *Restatement of the Law of Torts* (1st ed.), art. 757, states in the “Comment” :—

40 “*Secrecy.* The subject-matter of a trade secret must be secret. Matters of public knowledge or of general knowledge in an industry cannot be appropriated by one as his secret. Matters which are completely disclosed by the goods which one markets cannot be his secret. Substantially, a trade secret is known only in the particular business in which it is used. It is not requisite that only the proprietor of the business know it. He may, without losing his protection, communicate it
45 to employees involved in its use. He may likewise communicate it to others pledged to secrecy. Others may also know of it independently, as, for example, when they have discovered the formula by independent invention and are keeping it secret. Nevertheless, a substantial element of secrecy must exist, so that, except

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by the use of improper means, there would be difficulty in acquiring the information. An exact definition of a trade secret is not possible. Some factors to be considered in determining whether given information is one's trade secret are: (1) the extent to which the information is known outside of his business; (2) the extent to which it is known by employees and others involved in his business; (3) the extent of measures taken by him to guard the secrecy of the information; (4) the value of the information to him and to his competitors; (5) the amount of effort or money expended by him in developing the information; (6) the ease or difficulty with which the information could be properly acquired or duplicated by others.

“Novelty and prior art. A trade secret may be a device or process which is patentable; but it need not be that. It may be a device or process which is clearly anticipated in the prior art or one which is merely a mechanical improvement that a good mechanic can make. Novelty and invention are not requisite for a trade secret as they are for patentability. These requirements are essential to patentability because a patent protects against unlicensed use of the patented device or process even by one who discovers it properly through independent research. The patent monopoly is a reward to the inventor. But such is not the case with a trade secret. Its protection is not based on a policy of rewarding or otherwise encouraging the development of secret processes or devices. The protection is merely against breach of faith and reprehensible means of learning another's secret. For this limited protection it is not appropriate to require also the kind of novelty and invention which is a requisite of patentability.”

Reference may also be made in this connexion to the extracts from the American cases set out in *The Law of Trade Secrets* (Turner), ch. 2B, pp. 21 et seq.; and in particular (for the resemblance to the circumstances of the present case) to the judgment of the Supreme Judicial Court of Massachusetts in *Junker v. Plummer* (1946) 320 Mass. 76; 165 Am. L.R. 1449. The case was concerned with a combining machine evolved by the plaintiff after considerable experimental work: although it was of such simple mechanical principle and open construction that anyone possessed of average manual skill who had the opportunity to work with it and note its purpose could build a duplicate, the fact was that there was no other machine faintly resembling it in use anywhere, although other combining machines, using the same principle but differing in certain features and costing much more, were known; the plaintiff's employees had been told the machine was his idea, that nobody else had one and that he did not want its operation broadcast to the world and, although no contract of secrecy was required or mentioned, it was made plain to them that the plaintiff had an idea which he considered of value, unprotected by patent, and that it might cause loss to him if it got to others; although friends of the plaintiff's employees from time to time, came to the plaintiff's premises where the machines were in sight and in operation, there was no evidence that any of these persons interested themselves sufficiently to learn the details of the construction and operation of the machine so as to produce it. An employee of the plaintiff left his employment and went into competition with him building a machine which was “substantially a replica” of his. Two others did the same using a machine “substantially similar” to his. All their knowledge of the plaintiff's machine had been acquired solely by reason of their employment by the plaintiff. They were found to have “appropriated the plaintiff's special knowledge, skill and brain child”. It was held on appeal that the plaintiff had rightly been awarded an injunction and damages.

The general rule is stated in the *Restatement of the Law of Agency* (2nd ed.), s. 396, in these terms:—

“Unless otherwise agreed, after the termination of the agency, the agent—

- (a) has no duty to compete with the principal;
- 5 (b) has a duty to the principal not to use or disclose to third persons, on his own account or on account of others, in competition with the principal or to his injury, trade secrets, written lists of names, or other similar confidential matters given to him only for the principal's use or acquired by the agent in violation of duty. The agent is entitled to use general
- 10 information concerning the method of business of the principal and the names of customers retained in his memory, if not acquired in violation of his duty as agent.
- (c) . . .
- (d) . . .”

15 This accords with the English authorities.

I have applied these principles of law as I understand them to the facts I have found, and, in my judgment, the design, construction and operation of the plaintiff's No. 2 glove-making machine (including the flocking apparatus) and of the dryer-blower were trade secrets of the plaintiff, and Ashcroft's knowledge of them acquired during

20 his employment was confidential information, and he knew that that was so. I have not had evidence that Ashcroft deliberately recorded or memorised this information during his employment for his own use afterwards, although I do not exclude it as a possibility. But I am not prepared to find that in creating the defendants' machines, he merely made use of what lay in his recollection. On the other hand, I have found

25 that he had Grigg's assistance and made use of Grigg's opportunities in his employment for obtaining information of the plaintiff's plant, and in particular in relation to the particulars of the batten assembly and the blower-dryer. Ashcroft was, therefore, not merely using his personal skill, knowledge and experience. He used information of a special or particular nature belonging to the plaintiff. He committed a breach of

30 confidence and breach of contract in making use, for the benefit of the syndicate and the defendant company, of trade secrets and confidential information which were the property of his former employer, the plaintiff. Grigg, of course, was party to this. On this basis, they are liable in damages and to be enjoined. So also is Palmer liable to be enjoined for substantially the same reasons as I have given in relation to the first

35 submission. The defendant company is equally liable for the same reasons as before.

In my opinion, therefore, the plaintiff has succeeded, on both branches of its submission, in establishing its right to relief against all the defendants.

I would wish to make it clear that nothing I have said is intended to deny the right of a former employee to compete with his former employer by the use of proper

40 means, or to restrict him in the exercise of such right. I regard this case as one in which an employee and a former employee have transgressed the liberty permitted by the law.

There remains to consider the appropriate form of relief. The plaintiff has established a breach of contract on the part of Grigg during the period of his employment after

45 Ashcroft relinquished his employment with the plaintiff and that Ashcroft was party

Gowans, J.

Ansell Rubber Co. Pty. Ltd. v.
Allied Rubber Industries Pty. Ltd.

[1972] R.P.C.

to it. There should be an appropriate declaration and it should have an inquiry, at its own risk as to costs, as to any damages suffered in consequence of this breach up to the date of the writ.

It has also established a breach of contract on the part of Ashcroft during the period after his employment to which Grigg was a party, and it should have an inquiry, at its own risk as to costs, as to any damages suffered in consequence of this breach up to the date of the writ. 5

The plaintiff has also established the misuse by the defendant company of confidential information, and, the cause of action being of a continuing nature, is entitled to damages until judgment, but, having elected to take an account of the profits derived by the defendant company, is entitled to such an account: *Peter Pan Manufacturing Co. v. Corsets Silhouette Ltd.* [1964] 1 W.L.R. 96, at p. 105; [1963] 3 All E.R. 402. There should be a taking of an account accordingly. 10

It is also entitled to injunctions against all defendants. The injunctions should cover the use of any information relating to the plaintiff's machines obtained by Grigg or Ashcroft. They should also include orders in a mandatory form relating to the defendants' machines. But since I have found (or I do find) that neither the framework and its mounting and driving system, nor the tanks and their agitating systems, nor the oven or the formers, were the product of misuse of confidential information, they should not be included in the subject of the orders. As to the rest, I think I should order that the defendant company by its secretary or other proper officer should make a full and proper affidavit of what it holds, and that it should within a specified time dismantle the machines and deliver up the parts to the plaintiff for destruction. The nature of the parts, particularly the batten assembly, is such that they should not be left in the hands of the defendant company. They cannot, however, be retained or made use of by the plaintiff, which has no property in them. If the parties should come to an agreement by which the plaintiff is to retain them, that is a matter for them. 15
20
25

The defendants must pay the costs.

Judgment for plaintiff.

Solicitors for the plaintiff: *Arthur Robinson & Co.*

Solicitors for the defendants: *Corr & Corr.*

DARYL WRAITH
BARRISTER-AT-LAW

FILE DIRECTION/ORDER - page 1 of 2

A505

Court File Number: CV 2000652523

Jack Oliveira v Mario Oliveira -
M Wright / Y Kody - self-sep

This is the TIs motion for injunctive relief. The D has a wrongful dismissal action against the TI. The TI disclosed a # of docs to the D including confidential docs. The D's defamation against the TI resulted in a separate claim which led to summary judgment against the D and \$31,153.53 awarded. As part of the enforcement the D alleged that he was going to send certain communications to the 10000 local BS members (the TIs) and others. (This is found in a Nov 17, 2020 email) in which he referenced certain damaging audio recordings. The D was provided with notice that if he did not respond to whether he would return privileged documents, would whether he

DATE: Dec 23 2020


JUDGE'S SIGNATURE

A505

Court File Number: _____

had retained or transferred copies & that he would not use such materials. That this action would be started. He did not respond and this action was started.

Today I heard submission. The A largely consented to the relief being sought but was concerned that his privacy interests not be violated. I ordered the relief

sought in (a) (b) and (c) with some details to be provided about the forensic computer person. The proposed revised order was sent which I have signed. The matter can come back to me at any time if necessary. I

ordered that any appeal time of this order ~~is waived~~ ^{does not run} until the forensic computer person has continued his attempts. I can be contacted by email if necessary. Costs can be dealt w/m at a later point by quiet written submission.

DATE: Dec 23, 2020


JUDGE'S SIGNATURE



**ONTARIO
SUPERIOR COURT OF JUSTICE**

Electronically issued : 09-Nov-2021
Délivré par voie électronique : 09-Nov-2021
Toronto

JUSTICE FERGUSON

)
)
)

MONDAY, THE 21ST

DAY OF DECEMBER, 2020

B E T W E E N:

**JACK OLIVEIRA AND LUIS CAMARA ON THEIR OWN BEHALF AND
ON BEHALF OF ALL MEMBERS OF LABOURERS INTERNATIONAL
UNION OF NORTH AMERICA, LOCAL 183**

Plaintiffs

and

MARIO OLIVEIRA

Defendant

ORDER

ON READING the motion material of the Plaintiffs and Defendant, and on hearing the submissions of counsel for the Plaintiffs, and on hearing the submissions of the Defendant,

1. **THIS COURT ORDERS** that the Defendant is required to return all confidential contact information, including that which he attached to an email from himself to counsel for Labourers' International Union of North America, Local 183 ("LiUNA Local 183") on December 2, 2020 at 12:34 AM (the "Confidential List"). The confidential information is to be returned to counsel for the Plaintiffs to the e-mail address: mwright@wrighthenry.ca by December 22, 2020 at 11:59PM.
2. **THIS COURT MAKES A FURTHER ORDER** that the Defendant is enjoined from disseminating the Confidential List or from using the Confidential List in any way and cannot

retain any copies of the Confidential List or any other confidential contact information for LiUNA Local 183. This order is in effect until the final disposition of the trial of this matter unless modified on consent or by further order of this court.

3. **THIS COURT MAKES A FURTHER ORDER** appointing Computer Forensics Inc. as an independent third party forensic inspector to conduct a forensic inspection of the Defendant's electronic devices and email accounts to ensure that all confidential contact information for LiUNA Local 183 has been permanently and irrevocably deleted from the Defendant's devices and accounts. Computer Forensics Inc. must conduct this inspection while ensuring that the Defendant's privacy interests are respected and intruded upon as minimally as possible. Attached to this Order as Schedule "A" is counsel for the Plaintiffs' letter to Computer Forensics Inc. Attached to this Order as Schedule "B" is the responding email from Computer Forensics Inc.

4. **THIS COURT MAKES A FURTHER ORDER** abridging the time for service of these motion materials.

5. **THIS COURT MAKES A FURTHER ORDER** for substituted service of the Notice of Action, Statement of Claim, this Notice of Motion and all other court documents related to this action and the present motion on the Defendant at mariopdo2002@yahoo.ca.

6. **THIS COURT MAKES A FURTHER ORDER** that the time for filing the Statement of Claim is extended from January 2, 2021 to January 31, 2021, pursuant to Rule 14.03(3).

7. **THIS COURT MAKES A FURTHER ORDER** that the time for filing the Statement of Defence is extended to March 2, 2021.

8. **THIS COURT** will address the issue of costs upon completion of the inspection by Computer Forensics Inc. and at the request of one or both of the parties.

9. **THIS COURT ORDERS** that a scanned and electronic form of this Order is operative, enforceable and binding from its date of signing without the need to be issued and entered which shall occur once this Court fully reopens.

DATED: December 23, 2020.



J. E. Ferguson J.

Schedule "A"

From: [Youssef Kodsy](#)
To: mmusters@computerforensics.ca
Subject: Court Appointed Independent Third Party Forensic Inspector
Date: Thursday, December 17, 2020 2:35:36 PM
Attachments: [image002.png](#)
[WH_Logo-Email_5f750727-ce1c-418e-85e9-a97192c564f3.png](#)
[Letter to Computer Forensics Inc.pdf](#)

Dear Mr. Musters,

Please find enclosed a letter requesting your firm's services.

Sincerely,



Youssef Kodsy

Lawyer

Wright Henry LLP

[416 306 8278](tel:4163068278)

ykodsy@wrighthenry.ca

wrighthenry.ca

200 Wellington St. West, Suite 602 Toronto, ON M5V 3C7



Youssef Kodsy

Lawyer

Wright Henry LLP

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YKodsy@wrighthenry.ca

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200 Wellington St. West, Suite 602 Toronto, ON M5V 3C7



200 Wellington St. West
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Youssef Kodsy
O (416) 306-8278
F (416) 306 8281
ykodsy@wrighthenry.ca

December 17, 2020

Via Email

Mr. Marty Musters
Computer Forensics Inc.
1011 Upper Middle Rd E, Suite 1431
Oakville, ON L6H 5Z9

Dear Mr. Musters:

Re: Court Appointed Independent Third Party Forensic Inspector

I am a lawyer with the law firm Wright Henry LLP in Toronto, Ontario. I received your contact information from my colleague Brendan McCutchen.

I act as counsel for the Labourers' International Union of North America, Local 183 ("LiUNA Local 183"). LiUNA Local 183 has recently learned that a former employee is in possession of a list of confidential contact information of its membership. As of the date of writing this letter, it is our understanding that the confidential information is contained in a list on a Microsoft Excel Spreadsheet.

On Monday December 21, 2020, LiUNA Local 183 will be appearing before the Ontario Superior Court of Justice seeking an order for the appointment of an independent third party forensic inspector to conduct a forensic inspection of this former employee's electronic devices and email accounts to ensure that all confidential contact information of LiUNA Local 183 has been permanently and irrevocably deleted from his devices and accounts.

I write to you to inquire if your firm, Computer Forensics Inc., would be ready, willing, and able to act as such an independent third party forensic inspector while ensuring that that the former employee's privacy interests are respected and intruded upon as minimally as possible.

I look forward to your response.

Yours very truly,

A handwritten signature in black ink, appearing to read 'YK'.

Youssef Kodsy

Schedule "B"

From: [Marty Musters](#)
To: [Youssef Kodsy](#)
Cc: "tom"; "Matthew Musters"
Subject: FW: Court Appointed Independent Third Party Forensic Inspector
Date: Thursday, December 17, 2020 3:00:43 PM
Attachments: [image002.png](#)
[image003.png](#)
[Letter to Computer Forensics Inc.pdf](#)

Youssef

Thank you for your letter. We confirm that Computer Forensics Inc. would be ready, willing, and able to act as such an independent third party forensic inspector while ensuring that that the former employee's privacy interests are respected and intruded upon as minimally as possible.

Marty

Marty Musters B.Math, CISSP, CFE, CISA, PI
Director of Forensics
Computer Forensics Inc.
1011 Upper Middle Road East
Suite 1431
Oakville, Ontario
L6H 5Z9
Cell 647 302-0067



From: Youssef Kodsy <YKodsy@wrighthenry.ca>
Sent: Thursday, December 17, 2020 2:36 PM
To: mmusters@computerforensics.ca
Subject: Court Appointed Independent Third Party Forensic Inspector

Dear Mr. Musters,

Please find enclosed a letter requesting your firm's services.

Sincerely,

Youssef Kodsy



Lawyer
Wright Henry LLP

[416 306 8278](tel:4163068278)
ykodsy@wrighthenry.ca
wrighthenry.ca
200 Wellington St. West, Suite 602 Toronto, ON M5V 3C7



Youssef Kodsy
Lawyer
Wright Henry LLP

[416 306 8280](tel:4163068280)
YKodsy@wrighthenry.ca
wrighthenry.ca
200 Wellington St. West, Suite 602 Toronto, ON M5V 3C7

**JACK OLIVEIRA AND LUIS CAMARA ON THEIR OWN
BEHALF AND ON BEHALF OF ALL MEMBERS OF
LABOURERS INTERNATIONAL UNION OF NORTH
AMERICA, LOCAL 183**
Plaintiffs

-and- **MARIO OLIVEIRA**

Defendant

Court File No. CV-20-652528

**ONTARIO
SUPERIOR COURT OF JUSTICE
PROCEEDING COMMENCED AT
TORONTO**

ORDER

WRIGHT HENRY LLP
200 Wellington Street West, Suite 602
Toronto ON M5V 3C7

Michael D. Wright, LSO# 32522T
mwright@wrighthenry.ca

Youssef Kodsy, LSO# 800360
ykodsy@wrighthenry.ca
Tel: (416) 306-8280
Fax: (416) 306-8281

Lawyers for the Plaintiffs

[HTO-19 Categories of trespass.](#)

Halsbury's Laws of Canada - Torts (2020 Reissue)

Bruce Feldthusen, Louise Bélanger-Hardy (Main Title Contributors)

HTO-19

Halsbury's Laws of Canada - Torts (2020 Reissue) (Feldthusen, Bélanger-Hardy) > II. Intentional Torts > 3. Specific Torts > (8) Trespass

II. Intentional Torts

3. Specific Torts

(8) Trespass

Categories of trespass.

There are three categories of trespass: trespass to the person, trespass to land and trespass to goods. There are in turn three forms of trespass to the person, including battery,¹ assault² and false imprisonment.³ Trespass involves the use of force, which must be applied directly by the defendant against the person, goods or land in question. This distinguishes trespass from torts which may result from the indirect infliction of harm. Unlike such other torts based on indirect harm, actual damage to the plaintiff is presumed to have occurred in the case of trespass. To establish a *prima facie* case of trespass, it is not necessary for the plaintiff to prove that the defendant acted negligently or with the intention of causing harm.

Trespass to land. Trespass to land occurs when a person directly and unlawfully applies force to the land of another. Any intrusion upon another person's land constitutes trespass if it is not justified by law.⁴ It is not necessary for damage to have occurred. A person commits trespass to land if he or she enters another person's land without permission, or enters with permission but then engages in conduct beyond the scope of such permission.⁵ As soon as permission to enter the land is terminated by the landowner, any persons who have received such permission become trespassers, although the landowner must give them a reasonable period of time to vacate the property before the landowner can take steps to remove them.⁶ Standing on a road owned by the plaintiff, for the purpose of conducting surveillance on the plaintiff's property, constitutes trespass.⁷ Picketers engaged in a trade dispute who are acting without lawful authority may commit trespass.⁸ A landowner's property rights include the airspace above the land, to a reasonable height.⁹ On this basis, a plaintiff was able to dispute a sign that was planted on the defendant's land but encroached upon the plaintiff's airspace.¹⁰ One does not have to own the land to maintain an action for trespass. Hence, anyone with immediate and exclusive possession of land can bring an action for trespass unless the trespasser is the owner of the land, or someone who acts under the authority of the landowner. The parties who perpetrate trespass of land are jointly liable for it.¹¹ Damages for trespass of land may be determined by mesne profits, which are unliquidated damages suffered by a landowner for having been wrongfully put out of his or her property.¹²

Defences to trespass to land. A person may be excused from committing trespass if he or she did not intend to do so and did not act negligently.¹³ For example, trespass to land does not occur where the alleged trespasser is involved in a car crash that is not his or her own fault and is thrown from the car onto the landowner's property.¹⁴ However, the defendant will not be excused from a trespass to land that occurs as the result of a mistake, such as the honest but mistaken belief that the defendant owns the land.¹⁵ Entering onto another person's land for the

[HTO-19 Categories of trespass.](#)

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Bruce Feldthusen, Louise Bélanger-Hardy (Main Title Contributors)

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purpose of recovering one's own goods is not a trespass to land, provided that the other person caused the goods to be on the land, and the person entering the land limits the entry to what is reasonable and necessary to reclaim the goods. One would also be relieved of liability if the trespass was caused by necessity.¹⁶ Entry onto land may be authorized by law, such as when the police are executing a search warrant. However, the police would be liable for trespass to the extent that they exceed the powers granted by the warrant, and defences of mistake and necessity would not be available in such circumstances.¹⁷

Trespass to goods. "Chattel" or "goods" refers to tangible personal property, as opposed to real property or intellectual property. Any direct touching of another person's chattel constitutes a trespass to goods, unless such touching is justified by law. Forms of trespass to goods include depriving a person of possession of the goods, improperly handling of them, causing non-trivial damage to them, or destroying them. A person may escape liability by establishing that he or she neither acted with the intent of committing trespass nor in a negligent manner.¹⁸ Mistake will not generally constitute a defence for trespass to goods, except if the mistake was induced by the plaintiff.¹⁹ The plaintiff does not have to establish ownership of the goods, merely that he or she was in possession of the goods at the material time. Some statutes confer a right to possession of goods that would otherwise constitute trespass.²⁰ For example, if the police have obtained a search warrant, the *Criminal Code*²¹ authorizes them to retain goods found while exercising the warrant if such goods were either specified in the warrant or were reasonably believed to have been used in the commission of an offence.

Footnote(s)

- 1 See Subsection II.3.(1) ("Battery").
- 2 See Subsection II.3.(2) ("Assault"). See s. 3 of the (SK) *Trespass to Property Act*, [S.S. 2009, c. T-20.2](#).
- 3 See Subsection II.3.(3) ("False Imprisonment").
- 4 *Entick v. Carrington* (1765), 19 State Tr. 1029. See also *A.L. Sott Financial (FIR) Inc. v. PDF Training Inc.*, [\[2008\] B.C.J. No. 111](#), [2008 BCCA 35](#) (B.C.C.A.), award of damages for trespass to land was upheld against the tenant, who had entered the landlord's premises and began performing demolition work prior to entering into a lease; *BCM International (Canada) Inc. v. Joannette*, [\[2008\] O.J. No. 756](#), [2008 ONCA 156](#) (Ont. C.A.), holding a reunion on a neighbour's land without obtaining the neighbour's permission constituted a trespass to land; and *Arnold v. Mercer*, [\[2008\] N.J. No. 303](#), 3008 NLCA 41 (N.L.C.A.), defendant was found to have trespassed on the plaintiff's adjacent property by removing a fence from the property. See also *Lahti v. Chateaufort*, [\[2019\] B.C.J. No. 1243](#), [2019 BCSC 1081](#) (B.C.S.C.), where the defendant was held liable in trespass for cutting down trees on the plaintiff neighbour's property in the honest but mistaken belief that the neighbour had consented.
- 5 See, e.g., *Regal Realty Ltd. v. Pentagon Holding Ltd.*, [\[2013\] N.J. No. 317](#), [2013 NLCA 45](#), [338 Nfld. & P.E.I.R. 66](#) (N.L.C.A.), finding trespass and awarding punitive damages, where the defendant had a right-of-way to enter on the land, but knew or ought to have known that this did not include the right to store propane tanks on the land.
- 6 *Winter Garden Theatre (London) Ltd. v. Millennium Productions Ltd.*, [1948] A.C. 173; *Cottreau v. Rodgerson and Saulnier*, [\[1965\] N.S.J. No. 20](#), [53 D.L.R. \(2d\) 549](#) (N.S.S.C.).
- 7 *Hickman v. Maisey*, [1900] 1 Q.B. 752.
- 8 *Harrison v. Carswell*, [\[1975\] S.C.J. No. 73](#), [\[1976\] 2 S.C.R. 200](#) (S.C.C.); *281856 B.C. Ltd. v. Kamloops Revelstoke Okanagan Building Trades Union*, [\[1986\] B.C.J. No. 307](#), [37 C.C.L.T. 262](#) (B.C.C.A.).
- 9 *Atlantic Aviation Ltd. v. Nova Scotia Light & Power Co.*, [\[1965\] N.S.J. No. 29](#), [55 D.L.R. \(2d\) 554](#) (N.S.S.C.).
- 10 *Kelsen v. Imperial Tobacco Co. Ltd.*, [1957] 2 Q.B. 334; *Woollerton and Wilson v. Costain*, [1970] 1 W.L.R. 411; *Didow v. Alberta Power Ltd.*, [\[1988\] A.J. No. 620](#), [\[1988\] 5 W.W.R. 606](#) (Alta. C.A.); *Lewvest Ltd. v. Scotia Towers Ltd.*, [\[1981\] N.J. No. 220](#), [126 D.L.R. \(3d\) 239](#) (Nfld. T.D.).
- 11 *Initiate School of the Canadian Rocky Mountains Ltd. v. Wolfenden Ventures Ltd.*, [\[2013\] B.C.J. No. 286](#), [2013 BCSC 257](#) (B.C.S.C.).

HTO-19 Categories of trespass.

A518

- 12** *Initiate School of the Canadian Rocky Mountains Ltd. v. Wolfenden Ventures Ltd.*, [\[2013\] B.C.J. No. 286](#), [2013 BCSC 257](#) (B.C.S.C.).
- 13** See *Manitoba Hydro v. Minsky*, [\[1998\] M.J. No. 457](#), [130 Man. R. \(2d\) 274](#) (Man. Q.B.); but see *Costello v. Calgary (City) (No. 2)*, [\[1997\] A.J. No. 888](#), [53 Alta. L.R. \(3d\) 15](#) (Alta. C.A.).
- 14** *Smith v. Stone* (1647), Style 65.
- 15** *Basely v. Clarkson* (1681), 3 Lev. 37; *Turner v. Thorne*, [\[1960\] O.W.N. 20](#), [21 D.L.R. \(2d\) 29](#) (Ont. H.C.J.). But see also (SK) *Trespass to Property Act*, [S.S. 2009, c. T-20.2](#).
- 16** *King's Prerogative in Saltpetre* (1606), 12 Co. Rep. 12.
- 17** *Elias v. Pasmore*, [1934] 2 K.B. 164; *Chich Fashions Ltd. v. Jones*, [1968] 2 Q.B. 299. See also ss. 5 and 6 of the (SK) *Trespass to Property Act*, [S.S. 2009, c. T-20.2](#).
- 18** *384238 Ontario Ltd. v. Canada*, [\[1983\] F.C.J. No. 153](#), [8 D.L.R. \(4th\) 676](#) (F.C.A.).
- 19** *384238 Ontario Ltd. v. Canada*, [\[1983\] F.C.J. No. 153](#), [8 D.L.R. \(4th\) 676](#) (F.C.A.).
- 20** *Mandziuk v. Manitoba*, [\[1997\] M.J. No. 602](#), [124 Man. R. \(2d\) 199](#) (Man. Q.B.).
- 21** (CAN) *Criminal Code*, [R.S.C. 1985, c. C-46, s. 489](#).

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