See para. 8

Case Name:

Robin-Nodwell Mfg. Ltd. v. Foremost Development Ltd.

Between
Robin-Nodwell Mfg. Ltd., and
Foremost Development Ltd. and Nodwell

[1966] A.J. No. 228

1966 CarswellAlta 5

38 Fox Pat. C. 43

52 C.P.R. 244

Supreme Court of Alberta

Milvain J.

Oral judgment: September 28, 1966.

(10 paras.)

Counsel:

J.B. Ballem, Q.C., for the Plaintiff.

G.R. Forsyth, for the Defendants.

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1 MILVAIN J. (orally):-- In the first place, I wish to observe that this has been a very pleasant and refreshing type of lawsuit to try in that counsel on both sides presented their cases so fully, well, and fairly, and that the witnesses produced on both sides were, in my view, frank, honest witnesses. Of course, that does not mean that there would not be divergence of opinions and views both as to facts and as to the conclusions that might be drawn from facts. I say that it is a pleasant thing to try litigation on this basis because in many instances trials come before us in which the parties are obviously untruthful, hesitant, hedging, counsel bicker and instead of being helpful,

endeavour to obscure. Such is certainly not the case here.

2 Stated very simply, this is an action by the plaintiff designed to obtain from the Court an injunction and damages for alleged wrongful disclosure of trade secrets gained by an employee during the course of his employment. The very simple facts within that general concept are these. The defendant Bruce Nodwell, oh, for many years in this community, has been interested in and engaged in the business of developing and selling tracked vehicles. He carried on a business of his own in various forms, corporate and otherwise, until November, I think, 1958, at which time Mr. Nodwell's business was taken over or amalgamated with that of the Robinson Machine Company, I am not sure of the exact name, but, in any event, at that time the Robinson company was being operated here by Mr. Boyd. Following this combination, in November of 1958, the defendant Bruce Nodwell continued to work for the combined company which, in fact, operated you might say, two rather separate departments; one department being that which dealt with tracked vehicles and the other department that dealt with farm machinery and other vehicles or other machinery, and it was with respect of the tracked vehicle branch of the business that Mr. Nodwell was chiefly interested and over which he had the most control and responsibility. The combined companies' name became that of the plaintiff, namely, Robin-Nodwell Mfg. Ltd., and Mr. Nodwell continued in that employ as an employee, as a director, and as a vice-president up until January, 1965. He then left the employ of the plaintiff and became associated with the defendant company Foremost Developments Ltd. which had previously been put into existence in which Mr. Nodwell's son Jack was, I think, the prime mover and in which company Mr. Bruce Nodwell had an interest to the knowledge of and with the approval of the plaintiff.

3 During the year 1964 the plaintiff company through its products development committee, became interested in a project of developing a four-track vehicle with deep snow capabilities that would be used chiefly in connection with ski resorts and sports of that nature. Such a vehicle, of course, would have to have very low bearing pressure on its tracks. It must also have clearance underneath in order that it would not bog down in the snow and, of course, it must have flexibility of control particularly in steering. So the product development committee, having decided that it was going to develop a vehicle with these general characteristics, also concluded the nearest thing they knew of, at that time, to the vehicle they desired to create was one known as a Tucker Sno-Cat because the Tucker Sno-Cat did have the capabilities that the plaintiff company desired to create in its vehicle and, of course, the plaintiff company desired to create a vehicle that would be competitive with the Sno-Cat. The general conception was to contrive the adaption of Robin-Nodwell equipment to the Sno-Cat conception. That is to say that the caterpillar track assemblies of the plaintiff would be used rather than the type of pontoon track mechanism that there were on the Sno-Cat. At this time, Mr. Nodwell, that is Mr. Bruce Nodwell, was in charge of the project development department, of the plaintiff company and the development of this proposed vehicle would be placed in his hands.

4 It appears from the evidence that the firm decision to go ahead with the project was reached by the committee in the month of June, 1964, and an appropriate budget was set aside for the project,

and arrangements were made to procure the various component parts that were going into this proposed machine. It is clear from the evidence that Mr. Nodwell realized as soon as the general concept had been determined upon, that in order to accomplish his ends he was going to get a small size Ford four wheel drive assembly and accommodate it to transmitting power from the motor to the four sets of tracks because, in effect, what we have got now is a four wheel truck having not four wheels on the ground but four track assemblies in place of wheels and so he ordered the parts and he got them and work was done during the summer and fall of 1964 in putting together Mr. Nodwell's conception of the machine which the Products Development Committee had determined upon.

5 The evidence satisfies me that this machine was pretty well completed in October of 1964 and that during November of 1964, actual tests were made. It took some little time to get sufficient snow conditions to test the machine in deep snow. Attempts were made to test it in Banff which had to be abandoned because they couldn't get into the park. It was then tested down in the Kananaskis and then later up at Sunshine, the Sunshine test being performed in January of 1965. The tests were disappointing in that the machine buried itself in the snow. Its bearing pressures were too great. There may have been other reasons that I as an engineer am not capable of defining at the moment, but the fact is, this machine did not serve the purpose for which it had been created and in January of 1965, or very shortly thereafter, the project was abandoned by the plaintiff. And the machine, christened the RN Q 30, was left out in the yard and through the course of time became more and more dismantled.

6 Suffice it to say that during the course of the development of this project, that is to say, during the summer of 1964, and extending up into January of 1965, Mr. Bruce Nodwell was becoming more and more dissatisfied with his position in the plaintiff company in that he felt his authority had been chiselled away and he had determined either he must have more authority or more money and he says, and I believe him, that he was more interested in the authority than he was in the money. It is natural to think that a man of Mr. Nodwell's experience and native independence of thought being irked through limitation of his authority and I can understand why he became restive in the company. I do not say that as being critical of anybody, but the fact is he was restive and I can understand it. He said during the summer to Mr. Boyd and others in the plaintiff company, that he was dissatisfied and he would probably leave. He also discussed it with his son which is a natural thing, too. The son at this time through Foremost Developments Ltd. was out on a land breaking proposition which involved the use of a land breaker created by Mr. Jack Nodwell on a logger machine developed and built by the plaintiff. In other words, Mr. Jack Nodwell had procured one of the plaintiff's products which appeared to him to be suitable for the purpose for which he wished to use it and he put the land breaking apparatus onto this machine as a carrier. During the fall of 1964, he was away most of the time on this work but came back to Calgary on occasion and, naturally, saw his father and he was in and out of the project shop at the plaintiff's premises where the RN Q 30 was being developed and he saw it in various stages of its development. When he, Mr. Jack Nodwell, finished his plowing operations due to the fact that frost terminated him going further, he returned to Calgary in the latter part of October and he had turned his mind to making what he

thought were necessary changes in his land breaking equipment. He had found that the logger which he had purchased from Robin-Nodwell was not quite adequate for his purposes because of the fact that it slewed off into the work. It lacked the necessary steerage capacities or capabilities that he would like to have and he had in mind the development of a machine that would furnish a big enough and strong enough carrier for breaking equipment, and at the same time, furnish the additional facilities of steering and control and as a consequence, he developed a machine which later became built by the defendant Foremost Developments Ltd. in two different sizes, the T6 and T8 indicating generally a six-and eight-ton capacity as the case may be. The T6 and T8 are vehicles or constitute a vehicle which in its general conception is the same as that of the RN Q 30 and it is because of there being this basic similarity between the two machines, that is, the RN Q 30 on the one side and the T6 and 8 vehicles on the other, that this action finds its foundation because it is sought to establish that during the course of the development of the RN Q 30, Mr. Bruce Nodwell became aware of secret processes, secret combinations of mechanisms, the disclosure of which would amount to a breach of that implied term there is in all contracts of hire in the absence of express, written language to the contrary that there shall be good faith on the part of the employee. Suffice it for me to comment at this stage that there is no suggestion of there being a written contract between the plaintiff and Mr. Nodwell, but that it is only the implied term of such a contract of employment which can be relied upon and it is only that which is being relied upon.

7 Now, in approaching the decision of this case, I think I must bear in mind what is my rough conception of the law which applies to such a situation by stating it in this way: I am satisfied that an employee, there being no contract to the contrary, when he leaves his employer is entitled to use any knowledge or skill that he acquired during the course of his employment. He is prohibited, however, from removing from his employer and using any actual material in the shape of plans, lists of customers or things of that nature and then using them to his own advantage. I think it is clear in the law that if an employee merely carries in his memory such material that he is entitled to use his memory. In other words, we cannot blot out a person's memory of matters unless it be that the knowledge he acquired was acquired on a confidential basis. Then that confidential or secret knowledge cannot be used by him though it is carried away only in his memory.

8 Now, applying these principles to the case before me, I think I must be guided by the fact that where a plaintiff seeks to obtain remedy for the use or disclosure of trade secrets, that the onus rests on the plaintiff of establishing that there does, in fact, exist a trade secret which is a secret.

9 Now, a great deal of evidence was called before me as to whether or not the various mechanical conceptions that went into the RN Q 30 were novel, whether they involved an application of skills or whether, in fact, these things amounted to new processes or secret applications of processes which would fall within the category of trade secrets. As I intimated during the trial and argument, the mechanical applications were not new or novel. The idea of transmitting power through a drive shaft, through a member moving in a different plane, is not new. This idea was followed on binders I have operated many years ago and also in running the drive shaft of a truck through a large aperture in the centre cross member of the frame. It has now come out that as recently as last week,

a Canadian patent was issued to the plaintiff for various of the conceptions applied in the RN Q 30 and described in the claims for patent. This brings me to the conclusion that in so far as any remedy to which the plaintiff may be entitled, if it be entitled to any, it is now entitled to the remedy of injunction. I say that for the fact that once the patent has issued the essential element of secrecy has ceased to exist and I am persuaded that what was said in the case of *O. Mustad & Son v. Allcock & Co., Ltd.*, [1963] 3 All E.R. 416, is correct and may be tersely stated as establishing that once the patent is issued there has been disclosure. There is then no secret and, consequently, an injunction would not be possible. Therefore, we are in a position where what I have left to determine is whether or not there has been a breach of the implied contract or implied covenant and if so, what damages flow from it.

10 It seems to me that on the evidence that I must be impressed with these factors: In the first place, Mr. Nodwell carried on the development of tracked vehicles in his own company and then later with the plaintiff company in extremely open fashion because of the fact that he was that type of inventor who would endeavour to satisfy the requirements of a customer. In other words, a customer would see Mr. Nodwell, tell Mr. Nodwell what his requirements were and then Mr. Nodwell would do his best to design and create a machine that would meet those requirements and, consequently, he would invite his customers onto the premises to look them over and in a general way he refused to operate in secret. By that I do not mean to say that he was running out and telling his competitors from the housetops what he was doing but he was not running a very tight security proposition and this he continued while in the employ of the plaintiff. It is clear enough that during the course of the products development committee meetings, when it came to the conception of the RN Q 30, they did talk about a higher degree of security and their minutes would indicate thinking along those lines; but it is significant that no documentary warnings were sent out to anyone as to any change in policy and I am satisfied on the evidence that during the course of the development, there were, notwithstanding restrictions, a large number of people who would come into the shop and see the RN Q 30 in its various stages of development. I think particularly of Mr. Wopnford of the Shell company who gave evidence here and there were other people of this type, on the evidence, that would go in and see this machine. Now, it is true that Mr. Wopnford and others of his ilk, as I say, were not in a competing business but they were knowledgeable people who when looking at a contrivance such as the RN Q 30 as it stood in the project shop, would have little difficulty in comprehending its general conception and the manner in which the mechanical forces were made to function within it. So, regardless of what may have been said in the sacred precincts of the products development committee about security, I think this security was largely on the paper that issued from this committee to a greater extent than appeared from apparent actual application. So in the legal sense, I cannot find that there was ever the secrecy with respect of this project which there must be as an essential ingredient to any case in which the plaintiff could succeed. Such being the case the action is dismissed with costs in double column five, including discoveries, the limiting rule will not apply.

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