See para. 77

Case Name:

Techform Products Ltd. v. Wolda

Between
Techform Products Limited, plaintiff, and
Tiete O. Wolda, defendant
And between
Tiete O. Wolda, plaintiff by counterclaim, and
Techform Products Limited and M & C Corporation, defendants by counterclaim

[2000] O.J. No. 5676

5 B.L.R. (3d) 111

1 C.C.E.L. (3d) 118

5 C.P.R. (4th) 25

94 A.C.W.S. (3d) 679

2000 CarswellOnt 1402

Court File No. 97-CV-137439CM

Ontario Superior Court of Justice

Sachs J.

Heard: November 29-30 and December 1-3, 6-8, 1999.
Judgment: January 31, 2000.

(79 paras.)

Master and servant -- Nature of relationship -- Contract for services -- Patents of invention -- Ownership of invention, where inventor an employee.

Action by Techform against Wolda, the inventor of a hinge. Wolda had originally worked as an employee for Techform. In 1989, he ceased employment and started working for Techform as an

independent contractor. He signed an employee technology agreement in 1993 stating that Techform would own all the rights to anything he invented while he worked for them. He signed this agreement because otherwise Techform would terminate his contract. In 1996, Wolda invented the 3D Hinge. He told Techform that he would assign the patent to it if Techform increased his hourly rate of pay and paid two cents per hinge sold to the charity of his choice. Techform took the position that Wolda had no rights in the hinge. Wolda no longer worked for Techform. Techform sought a declaration that it owned the 3D Hinge, as well as another mechanism invented by Wolda, the Tailgate Hinge Mechanism, and sought to have Wolda enjoined from using confidential information obtained while at Techform. Wolda had not invented the Tailgate Hinge Mechanism, but had been assigned the task of improving it by Techform. No one had asked him to design the 3D Hinge. Wolda filed a counterclaim for unlawful appropriation of his rights to his inventions. There were pending patent applications.

HELD: Action allowed in part. Wolda's counterclaim was dismissed. Techform was the owner of the Tailgate Hinge Mechanism. However, it was not the owner of the 3D Hinge. Wolda ceased being an employee and worked as an independent contractor at the relevant time. When this happened, both parties intended that Techform would own inventions made by Wolda as the result of a specific assignment but not inventions made on his own initiative. The employee technology agreement was not binding as it was not supported by consideration. Techform could not assert that Wolda was estopped from denying his obligations under the agreement as that was an improper use of the estoppel principle. Techform did not establish that Wolda would misuse confidential information and was thus not entitled to an injunction for breach of confidence. Wolda's counterclaim was not a cause of action known in law.

Statutes, Regulations and Rules Cited:

Patent Act, R.S.C. 1985, c. P.4.

[Quicklaw note: Supplementary reasons for judgment were released May 31, 2000. See [2000] O.J. No. 5677.]

Counsel:

John R. Morrissey and Mark G. Biernacki, for the plaintiff/defendant by counterclaim.
Peter F. Kappel, for the defendant/plaintiff by counterclaim.

SACHS J.:--

1. INTRODUCTION AND OVERVIEW

1 This case is about a hinge -- a hinge with the apparent potential to change the future of many people. At issue is the question of when someone who makes an invention while working for someone else loses the rights to that invention.

2 In 1981 Tiete Wolda went to work for Techform as a mechanical engineer. Techform is a Canadian company that manufactures automotive parts and is one of Penetanguishine, Ontario's largest employers. M & C is a company based in Michigan that acts as the sales representative for Techform within the automotive industry. An American family, the Connellys, owns both companies.

3 In 1989 Mr. Wolda's relationship with Techform changed. He ceased to be a full-time employee and signed a contract that provided that he was to be paid by the hour for the hours that he worked. These hours were flexible as long as he devoted the equivalent of two days per week to Techform's business. He ceased to be eligible for any of Techform's benefits, including its Deferred Profit Sharing Plan, and Techform made no deductions at source from his pay for income tax or other government purposes.

4 By 1989 Techform was conscious that the door-locking rods which represented the majority of its business would one day reach the end of their life cycle. It had started to concentrate on the development of new products, in particular, "deck lid" (trunk) hinges. Deck lid hinges came to represent Techform's greatest potential for growth. By 1989 Mr. Wolda had participated in the invention of one type of deck lid hinge.

5 In 1993 Techform became concerned that Mr. Wolda might assert some rights to products he invented while working for them. Therefore they had him sign an "Employee Technology Agreement" (the "ETA"), whereby he agreed, among other things, that Techform would own all the rights to anything he invented while he worked for them. Mr. Wolda maintained that the Agreement was signed by him for no consideration and under duress.

6 In 1996 Mr. Wolda invented the "3 D Hinge" -- a hinge that finally seemed to meet all the necessary criteria for the perfect deck lid hinge. This was a hinge that appeared capable of being manufactured and installed at a reasonable cost, and that would minimally intrude into the trunk space of a car. The image that emerged during the course of the trial was of a trunk full of egg cartons with no broken eggs when the trunk lid was closed.

7 Over the ensuing months Mr. Wolda raised with Techform the question of what compensation he could expect in return for assigning to M & C or Techform the patent to the 3 D Hinge. Mr. Wolda wanted two things: an increase in his hourly rate, and more importantly, a commitment from Techform that for every hinge sold, two cents per hinge (apparently a very small percentage of Techform's potential profit per hinge) would be paid to the charity of his choice. Mr. Wolda's life had been profoundly affected by a trip he had taken to Bolivia, a trip that exposed him to a

population living in abject poverty. His dream was to use the 3 D Hinge to try and help those people to help themselves. Techform was outraged by Mr. Wolda's demands, which they regarded as a betrayal of their relationship. In September of 1997 Mr. Wolda left Techform and this lawsuit was started.

8 The most important issue I must determine is who owns the 3 D Hinge -- Techform or Mr. Wolda. Answering this question requires me to assess whether the 3 D Hinge was within the expected scope of Mr. Wolda's duties at Techform, whether he was an employee or an independent contractor, whether it was an implied or an express term of his contract with Techform that they were to own his inventions, and whether the Employee Technology Agreement was binding. Of less importance to the parties but also in issue is the ownership of another product invented by Mr. Wolda while at Techform, the "Tailgate Hinge Mechanism". Finally, Techform seeks to have Mr. Wolda enjoined from using or disclosing allegedly confidential information that Mr. Wolda acquired while at Techform.

2. THE LEGAL FRAMEWORK

2.a. Ownership of Inventions and Patents under the Patent Act

9 Immediately upon completing an invention an inventor acquires a right to apply for a patent pursuant to the provisions of the Patent Act, R.S.C. 1985, c. P.4. By providing a statutory scheme for the granting of patents the legislature allows inventors to expose their inventions to the world without at the same time losing their rights to control the use of those inventions. Once an inventor is granted a patent, he or she has the right to exclude the public from using his or her invention (Harold G. Fox, The Canadian Law & Practice Relating to Letters Patent for Inventions, 4th ed. (Toronto: Carswell, 1969) at 280).

10 Under the Patent Act, a patent must be granted to the inventor or the inventor's legal representative unless the inventor has assigned or has bequeathed the right to obtain the patent to someone else (sections 27 and 49). Inventors who have been granted patents may assign them to other people as long as they do so in writing (section 50). Thus, under the provisions of the Patent Act, absent an assignment in writing, it is only inventors or their legal representatives who have the right to apply for patents to their inventions.

2.b. Ownership of Inventions: Employees

11 While the federal patent legislation provides that inventors are the first owners of their inventions, it says nothing about what happens when the inventor is an employee. This is a matter that is left to the common law. The provincial courts have concurrent jurisdiction with the federal court to determine cases where a remedy is sought at common law or in equity regarding the ownership of any patent of invention.

12 The common law rule in Canada is that the mere existence of an employment relationship

does not disqualify employees from patenting inventions made during the course of their employment. This rule holds true even where the invention relates to an aspect of the employer's business, the employee used the employer's time and materials to bring his or her invention to completion, and the employee has allowed the employer to use the invention while he or she was employed (Piper v. Piper (1904), 3 O.W.R. 451 at 455 (Ont. C.A.), Moss C.J.O. (for a five member panel of the court); Worthington Pumping Engine Co. v. Moore, 19 Times L.R. 84 at 87).

13 There are two exceptions to the presumption that employees own their inventions:

(a) An express contract to the contrary; or
(b) Where the person was expressly employed for the purpose of inventing or innovating (Comstock Canada et al. v. Electec Ltd. et al. (1991), 38 C.P.R. (3d) 29 at 53 (F.C.T.D.); Re Equator Mfg. Co. Ex. p. Pendlebury, [1926] 1 D.L.R. 1101 at 1105, 7 C.B.R. 472, 29 O.W.N. 473 (S.C. in Bkcy)).

14 In deciding who owns an employee's invention the court must take into account the "nature and context of the employer-employee relationship" and consider such factors as:

(a) Whether the employee was hired for the express purpose of inventing;
(b) Whether the employee at the time of hiring had previously made inventions;
(c) Whether the employer had incentive plans encouraging product development;
(d) Whether the conduct of the employee once the invention was created suggested ownership was held by the employer;
(e) Whether the invention was the product of the problem the employee was instructed to solve;
(f) Whether the employee's invention arose following his or her consultation through normal company channels (i.e., was help sought?);
(g) Whether the employee was dealing with highly confidential information or confidential work; and
(h) Whether it was a term of the employee's employment that he or she could not use the ideas that he or she developed to his or her own advantage (Comstock Canada et al. v. Electec Ltd. et al. (1991), 38 C.P.R. (3d) 29 at 53-54 (F.C.T.D.), Muldoon J.)

2.c. Ownership of Inventions -- Independent Contractors

15 Two texts from two leading experts on intellectual property law were put before me dealing with the question of what principles apply when the inventor is an independent contractor or consultant rather than an employee. Surprisingly, the texts appear to take opposite positions.

16 The excerpt relied upon by Techform is from David Vaver's book, Intellectual Property Law:

Copyright, Patents, Trademarks, (Concord, Ont.: Irwin Law, 1997). At page 148 Professor Vaver states:

> Freelancers are treated less favourably in patent law than in copyright law .... the Patent Act starts with no presumption favouring the commissioned freelance inventor. It leaves his rights to be worked out entirely by provincial law. The firm that calls in a consultant to help with a problem will usually own the benefit of any invention he develops as a solution. This is especially likely where the consultant is given access to the firm's trade secrets or confidential information, or is employed to put into practice an idea that the firm partly developed. The firm will then be entitled to patent the invention. This prima facie position may, however, be modified by express or implied agreement.

17 The implication of this quote, as applied to the facts of this case, would appear to be that it makes no real difference whether Mr. Wolda was an employee or an independent contractor. If he was hired to invent then his inventions are prima facie owned by Techform.

18 In contrast, Leslie W. Melville (who was relied upon by the Supreme Court of Canada, although not on this point, in Eli Lilly & Co. v. Novotharm Ltd. [1998] 2 S.C.R. 129) states the following at s. 3.05(1) of Forms and Agreements on Intellectual Property and International Licensing, 3rd ed., revised 1998 (New York: West Group, 1979):

> The principles discussed in relation to employees would not appear to be wholly applicable in the case of other contractual relationships. There is no implication that an invention made by a consultant is the property of the client notwithstanding that he is clearly employed to invent. This situation no doubt has its origin in the difference in attitude of the courts toward the bargaining power of a person seeking wholetime employment and a person entering into a business contract relating to a specific project. In the latter case the parties are free to provide for the ownership of any inventions or other property rights arising from the enterprise.
>
> The consultant or other contracting party who makes an invention in relation to his work under the contract will be the true and first inventor according to the ordinary rules, so that if the client applies for a patent based on a method or design obtained from the consultant any patent granted thereon would be void. This matter can be provided for in the contract under which the consultant or specialist is engaged [footnotes omitted].

In other words, according to Melville, if Mr. Wolda was an independent contractor his inventions were his own unless his contract provided otherwise.

19 No authority is cited for the position taken by either author. However, counsel for Techform did put forward a case that he maintained supported the proposition that if a consultant is retained to invent then his or her invention belongs to the client unless otherwise agreed. The case was Re Bogrich and Shape Machines Ltd.'s Application, an unreported English decision of the Chancery Division (Patents Court) released on November 4th, 1994, that was referred to by Lord Cullen in Goddin and Rennie's Application, [1996] R.P.C. 141 at 178. The governing principle that emerges from Re Bogrich is the one articulated at page 7 of the transcript of that decision: an independent consultant who makes an invention owns the invention unless there is an agreement, express or implied, to the contrary. Further, whether a term transferring ownership of an invention to the client is to be implied "depends upon whether such a term is necessary having regard to the circumstances of the case" (Re Bogrich, supra, at page 9).

20 This principle strikes the appropriate balance between two concerns. The first is recognizing and protecting what has been referred to by the United States Supreme Court as "the peculiar nature of the act of invention, which consists neither in finding the laws of nature, nor in fruitful research as to the operation of natural laws, but in discovering how these laws may be utilized or applied for some beneficial purpose, by process, a device or a machine" (United States v. Dubilier Condenser Corp. (1933), 289 U.S. 178 at 188, Roberts J. The second is acknowledging that there are circumstances in which an inventor agrees, either expressly or by necessary implication to give up ownership of his or her invention. Thus, if I find that Mr. Wolda was an independent consultant as opposed to an employee, Techform, in order to establish its ownership of Mr. Wolda's inventions, must demonstrate either:

(a) That there was a valid and binding express agreement the terms of which provided that Techform would own Mr. Wolda's inventions (the agreement relied upon is the Employee Technology Agreement); or

(b) That looking at all the circumstances surrounding the relationship between Mr. Wolda and Techform it is necessary to imply that a term of that relationship was that Techform would own Mr. Wolda's inventions.

3. WAS MR. WOLDA AN EMPLOYEE OR AN INDEPENDENT CONSULTANT?

21 From November of 1981 to August of 1989 Mr. Wolda was a full-time employee of Techform, starting at an annual salary of $32,000.00 that eventually increased to $47,000.00. In the summer of 1989 Mr. Wolda decided to marry a woman whose home and place of work were in Scarborough; Techform is located in Penetanguishine. Mr. Wolda therefore tendered his resignation in writing to Techform, effective September 1st, 1989. His resignation was accepted and Mr. VandenHeuvel, his superior at Techform, suggested that he apply for work at an automotive parts supplier located in Scarborough.

22 At some point during that summer Techform approached Mr. Wolda about the possibility of

retaining him to work for them for a few days per week. On August 4th, 1989, Bill Chope, the assistant and "right-hand man" to Ed Connelly, the President of Techform, wrote Mr. VandenHeuvel a letter stating that it was "very important that we prepare a consultant agreement that can be mutually agreed upon between Techform and Ted Wolda".

23 On August 30th, 1989 Techform issued a Record of Employment to Mr. Wolda that indicated that he had quit and was not returning. In September of 1989 Techform and Mr. Wolda signed a consultancy agreement in the form of a letter dated August 30th, 1989. Techform drafted the document that began with the sentence "This letter is to confirm our discussion with regards to your consulting with Techform on special projects". The following terms were agreed to:

(a) The agreement was to be for one year.
(b) The agreement could be terminated by either party on 60 days written notice.
(c) Mr. Wolda was to work a minimum of two days per week.
(d) Mr. Wolda was to be paid $35.00 for each hour he worked. This rate was calculated to approximate the per hour value of Mr. Wolda's salary at the time and to compensate him for his loss of benefits, including the loss of his right to share in Techform's deferred profit sharing plan.
(e) All of Mr. Wolda's benefits, expenses and income taxes were to be his obligation as a consultant.

24 Mr. VandenHeuvel, who negotiated the arrangement on behalf of Techform, told Mr. Wolda that he would have to register as an independent business and Mr. Wolda did so on October 27th, 1989. In 1991, in response to a written request from Mr. Wolda, his hourly rate under the August 30th, 1989 agreement was increased by $2.00. Mr. Wolda's request for a rate change contained the following phrase: "After serving Techform Prod. Ltd. as an Independent Engineering Contractor for over 2 (two) years ...". In November of 1991 Techform confirmed the fee change in writing without disputing Mr. Wolda's claim that he was an independent contractor.

25 From September 1st, 1989 Techform paid Mr. Wolda in a different manner. He submitted invoices charging G.S.T. and detailing the hours that he worked. He was paid by cheques that were coded by Techform as being for the services of an outside consultant. He prepared and filed income tax returns as though he were an independent consultant and not an employee. Techform ceased to be responsible for any of his benefits and stopped making statutory deductions at source or any statutory remittances on his behalf. It was admitted that the relationship was carefully structured to qualify as an independent contractor relationship for tax purposes.

26 After September of 1989 Mr. Wolda's working hours became considerably more flexible and, unlike the other employees, he had no job description, he was not subject to annual performance reviews and he was not required to attend departmental meetings.

27 Techform had never had this kind of relationship with anyone else. However, in 1996 Techform made a similar arrangement with Linda Ellis, who had formerly been an employee in the

accounting department. Both Ms. Ellis and her manager agreed to use Mr. Wolda's August 30th, 1989 agreement as a precedent for her agreement. Ms. Ellis's agreement was signed in April of 1996 and on discovery Techform admitted that as of that date there was no dispute that Ms. Ellis had become an independent consultant or contractor at Techform.

28 There are a series of tests that have been used to determine whether a particular relationship constitutes an employment relationship. These tests have been developed in a context where what is at issue is whether a worker is entitled to the protections offered to employees both at common law and pursuant to employment related legislation. In such cases, how the parties describe the relationship is not determinative of the issue unless that description actually accords with the economic realities of the particular situation. In a wrongful dismissal or employment standards case, the fact that a person is described as an independent contractor for income tax purposes is a factor relevant to, but not determinative of, whether that person is an employee for the purposes of deciding his or her entitlement to reasonable notice or other employment benefits (G. England et al., Employment Law in Canada, 3rd ed., v. 1 (Toronto and Vancouver: Butterworths, 1998) at 2.1--2.2 and 2.5--2.15).

29 In this case, both parties took great care to set their relationship up as that of a client and an independent consultant. Techform officially terminated its employment relationship with Mr. Wolda by completing a "Record of Employment" and Mr. Wolda, on Techform's advice, registered himself as an independent business. As a result, Techform avoided its responsibilities to remit under the Income Tax Act and the Employment Insurance Act, as well as its responsibilities to pay applicable workers' compensation levies and other payroll taxes such as the Employee Health Tax. Techform is now seeking to retrospectively recharacterize its relationship with Mr. Wolda for the sole purpose of increasing its chances of depriving Mr. Wolda of a benefit to which he may otherwise be entitled. Ironically, in doing so, they are relying on tests that were developed to protect workers from being deprived of rights.

30 Given the way the parties chose to characterize their relationship and given the numerous ways in which that characterization was translated into reality -- more flexible work hours, no deductions, no benefits, no requirement to attend organizational meetings, no job description and no performance reviews -- it is my view that as of September 1st, 1989 Mr. Wolda ceased to be an employee of Techform and became an independent consultant or contractor.

4. WAS IT AN IMPLIED TERM OF THE AUGUST 30TH, 1989 CONTRACT THAT TECHFORM OWNED WOLDA'S INVENTIONS?

31 Techform's pleaded position is that it was an implied term of Mr. Wolda's written contract of employment with Techform prior to August 30th, 1989 that all inventions made by him in the course of his employment were the property of Techform. They assert that this term continued in full force and effect after Mr. Wolda entered into the part-time consultancy agreement of August 30th, 1989. On this analysis, unless it can be said that Mr. Wolda was employed to invent or

innovate prior to August 30th, 1989, it cannot be said that there was any term regarding transferred ownership of inventions to be continued after August 30th, 1989.

32 While Mr. Wolda received what he described as a "technical education" in mechanical engineering in Holland, he is not licensed, nor is he qualified to be licensed, as a professional engineer in Ontario. Techform hired him to help them redesign the equipment or processes that they used to manufacture their main product, door-locking rods. While Mr. Wolda had created patentable products for his previous employer, it was not until 1987 that Mr. Wolda was called upon to do any patentable inventing for Techform. In 1987 Techform assigned to Mr. Wolda, Mr. VandenHeuvel and Mr. Weber the task of inventing a hinge that would be suitable for the trunk of a particular Chrysler car. They completed the project in 1988 by inventing the "Dual Motion Deck Lid Hinge". A patent application was filed, but no patent was ever issued for this product; it was not clear why. Techform claimed that Mr. Wolda assigned his rights to the product to Techform. Mr. Wolda denied ever signing such an assignment.

33 Against this background can it be said that during the period from 1981 to 1989 Mr. Wolda was employed by Techform to invent? In considering this question it is important to keep in mind that an engineer or any other person involved in design work is not by reason of that field of endeavour necessarily regarded as being inventive. This point is made by Hugesson J.A. of the Federal Court of Appeal in Creations 2000 Inc. v. Canper Industrial Products Ltd. (1990), 34 C.P.R. (3d) 178 at 184:

> First, it seems to me to be impossible to establish a general and invariable rule according to which we attribute to any particular discipline the quality of always being inventive. Thus, the simple fact that a witness is an expert in design (or in another field in which creativity is often of primary importance, such as literature, architecture, chemistry, music and so on) does not mean that all practitioners of that discipline always and necessarily demonstrate this creative ability.

34 In reviewing Mr. Wolda's duties prior to August 30th, 1989 it cannot be said that inventing was within the normal scope of those duties. He was primarily a designer of mechanical or processing equipment. However, what can be said is that there was one instance where a specific project was assigned to him that required him to invent a new product, the Dual Motion Deck Lid Hinge. In that circumstance it is appropriate, given the criteria set out in Comstock, supra, to say that Techform, as the employer who instructed Mr. Wolda to develop that product, was entitled to assert that they owned the product. Thus, the only implied term that Techform could claim was continued from their pre-August 30th, 1989 relationship with Mr. Wolda was that when Techform specifically assigned to Mr. Wolda the task of inventing a new product, Techform was entitled to claim ownership of that product.

35 The consulting contract entered into by Techform and Mr. Wolda (the August 30th, 1989

Agreement) did not contain a term that any inventions made by Mr. Wolda while working for Techform were to be owned by Techform. Techform maintained that it was unnecessary to insert such a term because Techform assumed that the obligations Mr. Wolda had while an employee would continue. In part, the reason for this is Techform's position that, as Mr. VandenHeuvel put it, "In actual fact, Ted, Mr. Wolda, did the same work before as he did after his contract". Further, both parties agreed that while the August 30th, 1989 Agreement was initially only for one year, it was renewed each year after that until the termination of their relationship in 1997.

36 Is it appropriate that such a term be implied? The general principles for finding an implied term were outlined by the Supreme Court of Canada in Canadian Pacific Hotels Ltd. v. Bank of Montreal, [1987] 1 S.C.R. 711. Le Dain J., for the majority, held that terms may be implied in a contract:

> (a) Based on custom or usage (at 774). (There was no evidence before me as to the custom in these kinds of business relationships.)
> (b) As the legal incidents of a particular class or kind of contract (at 776). (I was cited no law to suggest that as a matter of law, given the nature of the contract between Techform and Mr. Wolda, Techform was the owner of any inventions made by Mr. Wolda during the term of the contract.)
> (c) Based on the presumed intention of the parties where the implied term must be necessary "to give business efficacy to a contract or as otherwise meeting the officious bystander' test as a term which the parties would say, if questioned, that they had obviously assumed" (at 775, citing Liverpool City Council v. Irwin, [1977] A.C. 239 at 257-8 (H.L.), Cross L.J.).

37 In M.J.B. Enterprises Ltd. v. Defence Construction (1951) Ltd., [1999] 1 S.C.R. 619, Mr. Justice Iacobucci considered the issue of implied contractual terms based on business efficacy as outlined by Le Dain J. in Canadian Pacific, supra, and stated at paragraph 29 that:

> What is important in both formulations is a focus on the intentions of the actual parties. A court, when dealing with terms implied in fact, must be careful not to slide into determining the intentions of reasonable parties. This is why the implication of the term must have a certain degree of obviousness to it, and why, if there is evidence of a contrary intention, on the part of either party, an implied term may not be found on this basis [emphasis in original].

38 In order to imply a term based on the doctrine of business efficacy it is not sufficient that the court feels that the addition of such a term would be reasonable and prudent (Codelfa Construction Pty. Ltd. v. State Rail Authority of N.S.W. (1982), 149 C.L.R. 337 at 401 (H.C. Australia)). As Mason J. states in Codelfa at paragraph 9:

> The conditions necessary to ground the implication of a term were summarized by the majority in B.P. Refinery (Westernport) Pty. Ltd. v. Hastings

> Shire Council (1977), 52 A.L.J.R. 20 at 26: "(1) it must be reasonable and equitable; (2) it must be necessary to give business efficacy to the contract, so that no term will be implied if the contract is effective without it; (3) it must be so obvious that it goes without saying'; (4) it must be capable of clear expression; (5) it must not contradict any express term of the contract" (see also Codelfa Construction, supra at 404, Brennan J.).

39 It is important to emphasize that business efficacy does not mean that a contract would be better if the term were implied; it means that the contract would not be effective unless the term were implied. Further, an implication that may be regarded as obvious to one party may not be so regarded by the party detrimentally affected. Unless it can be said that both parties would have consented to its inclusion a term cannot be implied (Con-Starr Industries of Australia Pty. Ltd. v. Norwich Winterthur Insurance (Australia) Ltd. (1986), 160 C.L.R. 226 (H.C. Australia)).

40 Applying the business efficacy test to the facts of this case I cannot conclude that the August 30th, 1989 agreement between Mr. Wolda and Techform would not have been effective if all the inventions Mr. Wolda made during the course of the contract were not owned by Techform. In trying to assess the intentions of the parties at the time they entered into the agreement it is not obvious that if something were invented by Mr. Wolda that was not the subject of a specific assignment to him by Techform then that invention would be the property of Techform. The evidence read in from the discovery of Techform disclosed that at the time the agreement of August 30th, 1989 was entered into, its purpose was to allow Mr. Wolda to continue his involvement in some specific projects that were not yet finished. There was no suggestion at that time that Mr. Wolda would be inventing a product other than in the context of specific project assignments. The agreement itself refers to Mr. Wolda consulting with Techform on "special projects".

41 Techform's best position, given the factual matrix that existed at the time, is that the doctrine of business efficacy requires me to imply a term into the August 30th, 1989 agreement to the effect that inventions made by Mr. Wolda as the result of specific project assignments were to be owned by Techform.

42 This brings me to the difference between the circumstances surrounding the invention of the Tailgate Hinge Mechanism and the 3 D Hinge. Someone else came up with the idea of the Tailgate Hinge Mechanism before it was handed to Mr. Wolda to develop and make patentable. Specifically, in July of 1987 the supervisor of the Research and Development Department, Dan McLeod, gave Mr. Wolda a picture of a spring mechanism to be used in the tailgate of a truck with instructions to develop it.

43 This is in contrast to the 3 D Hinge. Mr. VandenHeuvel, the chief witness for Techform, was specifically asked, "Did anyone ask Mr. Wolda to develop a 3 D Hinge?" The answer given was "No."

44 This distinction is an important one. I accept that at the time the August 30th, 1989 agreement

was entered into both Mr. Wolda and Techform would have assumed that Techform would own inventions made by him as the result of a specific assignment. I do not, however, for the reasons already given, make the same finding with respect to inventions made by Mr. Wolda on his own initiative.

5. IS THE EMPLOYEE TECHNOLOGY AGREEMENT BINDING ON MR. WOLDA?

5.a. The Terms of the Employee Technology Agreement

45 On February 3rd, 1993 Mr. Wolda signed the Employee Technology Agreement. It contained the following significant provisions:

(a) An agreement to assign all his rights, title and interest in all developments and all patent applications and patents granted on any developments conceived or made by him while employed by Techform, or within one year of the end of his employment if conceived as the result of his employment.

(b) An agreement not to disclose any of the company's confidential information unless the company consented in writing.

(c) An agreement that for one year following the end of his employment with Techform he would not work or contribute his knowledge to any work which was competitive with "a product, process, apparatus or service" on which he worked at any time during the two years immediately prior to the end of his employment. The geographical area covered by this restrictive covenant was North America. The covenant would not apply if Mr. Wolda could provide Techform with clear and convincing written evidence that his work with his new employer would not cause him to "disclose, base judgment upon, or use any confidential information."

5.b. The Events leading up to the ETA

46 Towards the end of 1992 Mr. Wolda and another colleague, Mr. Lewkowski, invented a hinge called the "Boxless Hinge". They worked on this invention on their own time and without Techform's knowledge. Instead of revealing the product to their superiors at Techform in Penetanguishine they arranged to make a direct presentation in Michigan to Techform's president, Ed Connelly. After their presentation Mr. Connelly was concerned -- concerned that Mr. Wolda and Mr. Lewkowski had come to him without the knowledge of the Penetanguishine management, and concerned that Mr. Wolda might seek some royalty payment for the invention. In November of 1992, Mr. Connelly wrote to Mr. VandenHeuvel expressing his concerns and in that letter stated that he told Mr. Wolda and Mr. Lewkowski that Techform did not pay royalties, especially to those they employed, and that any patents would be applied for and owned by the company. He instructed Mr. VandenHeuvel to deal directly with Mr. Wolda and Mr. Lewkowski.

47 Mr. VandenHeuvel's response was to have Techform's lawyers prepare the ETA and to present the agreement for signature to the members of the Research and Development Department (of whom Mr. Wolda was one), the designers in the Manufacturing and Engineering Department and the senior people in all the other departments. According to Mr. VandenHeuvel, the "Boxless Hinge incident" led Techform to put "a more formal method in place to safeguard the confidentiality of new projects for Techform."

5.c. The Circumstances Surrounding Mr. Wolda's Execution of the ETA

48 Mr. VandenHeuvel testified that he had some discussions with Mr. Wolda concerning the ETA, but that he did not recall the particulars of those discussions. He knew that he did request that Mr. Wolda sign the agreement, but did not remember any of the circumstances surrounding that signing.

49 Mr. Wolda testified that when he reviewed the ETA he did not agree with it and did not want to sign it. He put it aside for a few days and then called Mr. VandenHeuvel and asked him whether he wanted him to sign it. The reply was "Yes". He then knew that he had to sign or he would be let go. At that time he was in his middle fifties and was supporting two children, one in high school and the other in university. As he put it he "saw no way out."

50 After Mr. Wolda signed the ETA he testified that he took it to Mr. VandenHeuvel and told him that it was a "useless piece of paper", first, because he did not agree with it and second, because he was not an employee. At the top of the ETA the words "Employee's Name" appeared in typed form. To indicate his protest Mr. Wolda inserted a question mark beside the word "Employee". According to Mr. Wolda he assumed by Mr. VandenHeuvel's silence that he agreed with him that the ETA did not apply to him and that he accepted the question mark.

51 Mr. VandenHeuvel did not recall Mr. Wolda telling him that the ETA was a "useless piece of paper." He stated that if Mr. Wolda had refused to sign the ETA, Mr. Wolda would have been given 60 days' notice. Mr. Wolda was not advised to, and did not seek, independent legal advice.

6. WAS THE ETA SUPPORTED BY CONSIDERATION?

52 The ETA began with the words "As consideration for me continuing employment in any capacity with Techform ...". This is the consideration relied upon by Techform to support the validity of the ETA. Can "continued employment" constitute consideration in the context of an already existing "employment" relationship?

53 This question was indirectly addressed by the Ontario Court of Appeal in Francis v. Canadian Imperial Bank of Commerce (1994), 21 O.R. (3d) 75. In that case the defendant bank was found to have made the plaintiff a binding offer of employment, which was accepted. The offer contained no provision with respect to termination. Approximately one month later the plaintiff was asked to, and did, sign an Employment Agreement that contained nothing of benefit to him and stated that he

could be terminated without cause on one month's notice for each completed year of service, to a maximum of three months. About eight years later the plaintiff was suspended. He sued, claiming wrongful dismissal. The trial judge allowed the action, found that the Employment Agreement was invalid and that the appropriate notice period was twelve months. In sustaining the trial judge's finding with respect to the Employment Agreement, Weiler J.A., writing for the Court, held at page 84 that the general principle is that a modification of a pre-existing contract will not be enforced unless there is a further benefit to both parties. She further found that for the Bank to have changed the notice period from the common law entitlement of reasonable notice to a maximum of three months was a unilateral modification of an existing employment contract with no consideration to support it.

54 In this case it is Techform's position that "continued employment" was synonymous with "forbearance from dismissal". In other words, because Mr. Wolda signed the ETA, Techform did not exercise their right to terminate his services on sixty days' notice.

55 This concept was considered by the British Columbia Court of Appeal in Watson v. Moore Corp. (1996), 20 C.C.E.L. (2d) 21. In paragraph 43 of that decision, Chief Justice McEachern, writing for the majority, made it clear that to constitute consideration there must be evidence that the employer intended to dismiss the employee before he or she signed and returned the agreement. It is not enough to say that the employer had the right all along to give notice of termination and that not having done so provided consideration for an agreement containing a modification that only benefited the employer.

56 In Kadis v. Britt (1944), 29 S.E. 2d 543, the North Carolina Supreme Court also addressed the issue of whether continued employment could constitute consideration. At page 548 of that decision the Court made the following comments:

(a) For the most part cases that feature employment as constituting consideration will be found to deal with initial employment, i.e., "where the employee is for the first time inducted into the service".

(b) The principle has no reasonable application to a situation where the contract containing the negative covenant is exacted from the employee after he or she has been there for some time and where "his position and duties are left unchanged, and the nature of the business remains the same, and where, in the nature of things, he must already have acquired such knowledge of the business as his position afforded".

(c) "Continued Employment" must be understood to mean "further continuance in employment", which implies more than the threat of immediate discharge. "A consideration cannot be constituted out of something that is given and taken in the same breath -- of an employment which need not last longer than the ink is dry upon the signature of the employee, and where the performance of the promise is under the definite

threat of discharge" [emphasis in original].

57 I agree with these observations and find that there was no consideration given by Techform for the ETA.

7. WAS THE ETA ENTERED INTO AS THE RESULT OF DURESS?

58 I appreciate that having found that the ETA was not supported by consideration it may appear that there is no need for me to address this issue. However, duress is relevant to the issue of estoppel (dealt with later in this judgment) and I do wish to record that if I had found for Techform on the consideration issue I would have found for Mr. Wolda on the issue of economic duress.

59 Finlayson J.A. discussed the concept of "economic duress" in Stott v. Merit Investment Corp. (1988), 63 O.R. (2d) 545 at 561-5. It is a concept that recognizes that someone can be pressured into doing something by economic factors that can be "every bit as effective, if improperly used," as threats of physical abuse (at 561). Not all economic pressure will constitute economic duress. It must be pressure that the law does not accept as legitimate and it must be applied to such an extent that the person to whom the pressure is directed has no choice but to submit. In determining the legitimacy of the pressure one must consider the nature of the pressure and the nature of the demand the pressure is applied to support. The following issues are relevant to the decision of whether the party to whom the pressure was directed was deprived of choice:

(a) Did the party protest at the time the contract was entered into?
(b) Was there an effective alternative course open to the party alleging coercion?
(c) Did the party receive independent legal advice?
(d) After entering into the contract did the party take steps to avoid it?

60 Mr. Wolda was in a situation where he thought, apparently correctly, that if he did not sign the ETA he would be terminated on sixty days' notice. By this time he had been working with Techform for approximately twelve years and was in his mid-fifties. Although his legal status was that of an independent consultant the reality was that since the August 30th, 1989 agreement Techform had been his only client. While only required to work two days per week, he worked more, such that in 1992 his income for services rendered to Techform was just under $47,000.00. He had two dependent children to support. He had experience as a mechanical engineer, but no recognized Canadian qualifications as such. He did not receive independent legal advice nor was he advised to do so. I believed him when he stated that he protested to Mr. VandenHeuvel concerning the validity of the ETA as soon as he signed it. His evidence on this point was not contradicted since Mr. VandenHeuvel was frank in his admission that he had no memory of any exchange. He also registered his protest by putting a question mark on the first page of the ETA beside the word "Employee".

61 Mr. Wolda's alternative was to not sign the ETA and risk having his contract terminated on

sixty days' notice. Given his age and lack of qualifications, it would have been difficult for him to replace the income that he was receiving from Techform. Given his obligations at the time, it was essential that he do so. After entering into the ETA he took no steps to avoid it because he thought Mr. VandenHeuvel had accepted that it did not apply to him and because there never was a time when he could have done so without risking the termination of his contract. This is borne out by what happened when Mr. Wolda refused to assign the patent to the 3 D Hinge; his services were suspended.

8. IS MR. WOLDA ESTOPPED FROM DENYING HIS OBLIGATIONS UNDER THE ETA?

62 There are situations in which the law has recognized that it would be unjust to enforce a promise, even a gratuitous one. These are situations where the promise has been relied upon by the promisee. As a result, a remedy has been developed which is often explained as a kind of equity -- estoppel. The essential factors giving rise to a claim of estoppel are:

(a) A representation or conduct amounting to a representation intended to induce a course of conduct on the part of the person to whom the representation is made.
(b) An act or omission resulting from the representation, whether actual or by conduct, by the person to whom the representation is made.
(c) Detriment to such person as a consequence of the act or omission (Greenwood v. Martins Bank, Ltd., [1933] A.C. 51 at 57 (H.L.), Tomlin L.J., cited with approval in C.P. Hotels v. Bank of Montreal, [1987] 1 S.C.R. 711 at 751-752).

63 Techform argued that by signing the ETA and by his subsequent conduct Mr. Wolda induced them to believe that they owned the rights to the 3 D Hinge. He had never claimed ownership of any of the other inventions he made while at Techform. After he invented the 3 D Hinge he participated in a presentation of the product to one of Techform's customers; he did not suggest that he was its owner during that presentation.

64 Assuming that they would own Mr. Wolda's inventions, Techform kept Mr. Wolda on as a consultant, allowed him to work in and among their research and development employees, gave him access to their facilities, paid him for his work in developing and refining the 3 D Hinge, and expended money in seeking patent protection for the invention. Mr. Wolda cooperated with Techform's patent attorney and was paid for the time he spent. As a result, Techform has suffered a loss -- a loss that included the monies they paid to Mr. Wolda for his time (estimated at 1000 hours), the use of their materials and employee time and the sums paid to their patent attorneys. It is Techform's position that these facts lead to the legal conclusion that Mr. Wolda is estopped from denying that Techform owns the 3 D Hinge.

65 Mr. Wolda filed a counterclaim in these proceedings asking for, among other things, a

declaration that as its inventor he is the owner of the 3 D Hinge. Techform purported to raise the issue of estoppel as a defence to that counterclaim. The reason for this is that many courts, including the Ontario Court of Appeal, have held that "estoppel can never be used as a sword but only as a shield. A plaintiff cannot found his claim in estoppel" (Gilbert Steel Ltd. v. University Construction Ltd. (1976), 12 O.R. (2d) 19 at 23 (C.A.), Wilson J.A.).

66 I do not accept that Techform can get around this maxim by purporting to rely on estoppel only in response to Mr. Wolda's counterclaim. If Techform's claim to ownership of the 3 D Hinge is dismissed, then Mr. Wolda, as the inventor, remains the owner of the product. In essence, Techform is relying on estoppel to assert their claim to ownership and in doing so they are using it as a "sword", i.e., as the basis for their cause of action.

67 Stephen M. Waddams in his text The Law of Contracts, 4th ed. (Toronto: Canada Law Book, Inc., 1999) at paragraph 201, comments on the apparent irrationality of making enforceability dependant on the chance of whether the promisee is the plaintiff or the defendant. He suggests that this limitation on the applicability of the doctrine has been grounded in the fact that estoppel has traditionally been set up as an "all or nothing proposition." Either the bargain is enforceable or it is not. Waddams points out, however, that it does not always follow that "enforcement is always justified to the full extent of the enforcement appropriate to bargains" (paragraph 189). The underlying rationale for estoppel is the feeling of injustice created by the promisee's reliance. In some cases, therefore, it might be sufficient to limit the remedy to the extent of that reliance. For example, in this case, one might limit the remedy to the extent of the monies expended by Techform on the 3 D Hinge. As Waddams indicates, this position has been accepted in the United States and was recommended by the Ontario Law Reform Commission in 1987 (paragraph 289).

68 I agree with Professor Waddams' comments on estoppel. Were I to have found that estoppel did apply to the facts of this case, I would have considered (after seeking further submissions on the point) granting Techform a remedy in the form of damages designed to compensate them for the extent of their reliance. However, in my view it would not be unjust in the circumstances of this case that the promises Mr. Wolda gave in the ETA not be enforced. These were promises that were given under duress. Both Mr. Wolda's representations and his subsequent conduct were driven by the knowledge that once he clearly insisted on ownership rights to his inventions, his services with Techform would be terminated on sixty days' notice.

9. FIDUCIARY DUTY AND UNJUST ENRICHMENT

69 I intend to touch on these issues because they were raised by Techform. Techform claimed that Mr. Wolda owed a fiduciary duty to hold all inventions made by him in trust for Techform. The defence to this claim is found in the case of Tombill Gold Mines v. Hamilton, [1954] O.R. 871 (H.C.), aff'd (1956), 5 D.L.R. (2d) 561 (S.C.C.). Once I find that there was no express or implied contractual obligation that Mr. Wolda would transfer ownership of inventions made outside of his specific assignments, that is the end of the issue. As noted by Gale J. (as he then was) at page 893 of

Tombill, supra, "the agent is not prohibited from acting if the transaction does not come into conflict with his engagement as agent, even though such action injuriously affects the principal."

70 Techform also argued unjust enrichment before me. Prior to trial Techform sought leave to amend its Statement of Claim in order to add, as an additional ground of relief, a claim of unjust enrichment. Master Polika denied that right because the claim was not tenable in law. MacFarland J., who found this to be correct, upheld Master Polika.

10. SHOULD MR. WOLDA BE ENJOINED FROM USING OR DISCLOSING CERTAIN CONFIDENTIAL INFORMATION?

71 While at Techform Mr. Wolda helped to design two machines. The first, called the "Modular Tooling System", is used by Techform to manufacture door locking rods; it was designed in the early 1980's. The second, the Rotary Bender, is used to bend "hinge straps" for "gooseneck hinges" (a type of trunk hinge); it was designed in the early 1990's. Techform's position is that both these devices give them a competitive advantage. Techform's concern is that Mr. Wolda will go to a competitor and use his intimate knowledge regarding the design of these machines to help that competitor build similar machines more quickly than would otherwise be possible. Techform suggests that their concern is justified given Mr. Wolda's conduct with respect to the 3 D Hinge.

72 There are three factors that must be present to establish breach of confidence:

(a) The information supplied must have the necessary quality of confidence about it.
(b) The information must be communicated in circumstances in which an obligation of confidence arises.
(c) The recipient of the information must have misused the information to the detriment of the confider of the information (Lac Minerals Ltd. v. International Corona Resources Ltd. (1989), 26 C.P.R. (3d) 97 at 103 (S.C.C.), LaForest J.).

73 It is Techform who has the onus of proving the confidential nature of its information (R.L. Crain Ltd. v. Ashton and Ashton Press Manufacturing Co. Ltd. (1949), 11 C.P.R. 53 at 64 (Ont. C.A.), Hogg J.A.). In making this determination the court will consider the following:

(a) The extent to which the information is known outside the specific business and to the trade generally; information that is extensively known to the other members of the interested community (i.e., the trade) is not protectable.
(b) The extent to which it is known by those involved in the business; information known by a great number of employees is not protectable as a trade secret.
(c) The value of the information to the business and its competitors.

(d) The ease or difficulty with which the information could be properly acquired or duplicated by others.
(e) A trade secret cannot be within the realm of general skills or knowledge.
(f) The steps taken by the business to maintain the secrecy of the information in question.

74 During the course of his testimony Mr. Wolda acknowledged that it would be wrong for him to give the drawings or "specs" for the modular tooling system or the rotary bender to a competitor. I appreciate that there was no suggestion that Mr. Wolda has any such drawings in his possession. However, as one of the designers of these machines he would be in a position to help a competitor of Techform's produce such drawings more quickly than would otherwise be possible. In other words, I am satisfied that Mr. Wolda's knowledge of these devices is such that he can provide a third party with a "springboard" or a "head start" not available to a member of the public who has merely seen the equipment. He can do so because of information that Techform took steps to keep confidential. Thus, I accept that Techform has established the first two factors necessary for a claim of breach of confidence.

75 However, Techform did not satisfy me that, on a balance of probabilities, there was any real likelihood that Mr. Wolda would misuse confidential information. Certainly he has not yet done so, although this is not surprising given the existence of an interim injunction that was obtained on January 8th, 1998 and was made interlocutory on consent on January 30th, 1998.

76 If the injunction were dissolved, would Mr. Wolda seize the opportunity to sell any special knowledge that he has to a competitor of Techform's? Mr. Wolda is now 61 years old and there was no evidence that Mr. Wolda had approached, or had any interest in approaching, any of Techform's competitors for this purpose. Second, there was no evidence that there were any competitors who were interested in acquiring such knowledge. What was suggested was that more and more cars are being manufactured without door locking rods, which caused me to speculate that few of Techform's direct competitors would be interested in making the capital investment necessary to duplicate Techform's manufacturing processes, even if they had the information to do so.

77 While I appreciate that speculation does not form the proper basis for a legal decision, I am mindful of the fact that the onus was on Techform to establish all of the necessary elements of breach of confidence. In my view, that onus was not discharged. Implied in this finding is that I do not accept that Mr. Wolda's actions in regard to the 3 D Hinge support the conclusion that an injunction should issue against him for breach of confidence. I have already found that he was acting within his legal rights in claiming ownership of the 3 D Hinge. In my opinion, he also acted honourably by giving Techform the first opportunity to own the product provided they acknowledged his contribution by increasing his hourly rate for future services and donating what he understood to be a "sliver" of their profits to a charitable cause. He only ended their negotiations when their response was to offer him an increase of $3.00 in his future hourly rate, an amount that was apparently less than the increase in the cost of living since his last rate change.

11. MR. WOLDA'S COUNTERCLAIM

78 Mr. Wolda filed a counterclaim against Techform and M & C for their actions in allegedly unlawfully appropriating his rights to his inventions. "Appropriation of invention" is not a cause of action known in law. Rights in rem in an invention do not arise until a patent issues, or until other rights are accorded by the Patent Act are granted.

12. CONCLUSION

79 Techform's claims as against Mr. Wolda are dismissed except for their claim that they are the owners of the Tailgate Hinge Mechanism. Mr. Wolda's counterclaim against Techform and M & C is dismissed except for his claim for a declaration that as the inventor of the 3 D Hinge, also known as the "Vehicle Closure Hinge", he is also the owner. While such a declaration is not strictly necessary, I am prepared to grant it in order to have a clear statement of the court's position for the purposes of the pending patent applications. The parties may address me in writing on the question of costs on or before February 14th, 2000.

SACHS J.