See para. 5

Case Name:

Stonetile (Canada) Ltd. v. Castcon Ltd.

Between
Stonetile (Canada) Ltd., Plaintiff, and
Castcon Ltd., Robert Karl Will, Bernie Herbert Knopp, and
Ronald J. Will, Defendants

[2010] A.J. No. 675

2010 ABQB 392

84 C.P.R. (4th) 350

29 Alta. L.R. (5th) 239

488 A.R. 375

2010 CarswellAlta 1073

[2010] 12 W.W.R. 143

189 A.C.W.S. (3d) 815

Docket: 0401 05985

Registry: Calgary

Alberta Court of Queen's Bench
Judicial District of Calgary

R.E. Nation J.

Heard: April 12-23, 2010.
Judgment: June 14, 2010.

(116 paras.)

Action by the plaintiff Stonetile (Canada) Ltd. against the defendant Castcon Ltd., it's president,

Robert Will, and two other shareholders and directors, Ronald Will and Bernie Knopp, alleging a misuse of confidential information. Robert Will was employed by the plaintiff from 1992-2001, and in 2003, he started Castcon to produce and sell a similar product to Stonetile, namely a cement exterior moulding system for buildings. The plaintiff alleged that Robert conveyed trade secrets to Castcon in contravention of a duty of confidence and fiduciary duties owed to it, as well as breaching a confidentiality contract. The issues were: (1) whether there was an action for breach of confidence, including: (a) the nature of the confidential information; (b) whether the information was confidential in nature; (c) whether the information was conveyed in confidence; and (d) whether the information was misused b the party to whom it was communicated; (2) whether the was an action for breach of contract; (3) whether there was n action under the Trade-marks Act; (4) whether there was a breach of fiduciary duty; and (5) the available remedies.

HELD: Claim allowed against Robert Will and Castcon; claim dismissed as against Knopp and Ronald Will. The plaintiff was entitled to $111,345 in damages against Robert and Castcon, plus pre-judgment interest. The essential question was whether Stonetile had a unique, confidential production process, and if so, whether it was guarded sufficiently to maintain its confidential nature. The evidence was that Stonetile took some but not universal steps to protect secrecy over all parts of its process. It took two years of full-time work to get to the stage where commercial production could be contemplated by Stonetile, and 30 months before regular sales started. Two patent applications were undertaken. There was no evidence that other companies produced concrete tiles and mouldings in this method, which were suitable for an exterior cladding on residential homes and buildings in Calgary's market. Simply having the patent application would not permit an individual to know exactly the method and details of the production process. Overall, although there was some public disclosure of aspects of the Stonetile system, there was insufficient disclosure of details of the overall production process to say that process was in the public domain. Stonetile took sufficient steps to guard its production process as confidential to meet its onus to prove the production process was confidential information. The information was given to an employee, and the employee was at a later date requested to and did sign a confidential undertaking. The equitable obligation of confidence was established. Robert and Castcon misused the information. Castcon defaulted to essentially the same production methods. The information allowed Robert and Castcon to avoid the time, expense and error that was born by Stonetile in coming to certain production processes. The plaintiff had established a breach of confidence. The action in breach of contract failed, as the terms of the contract were too uncertain to be able to determine exactly what information was being protected. The claim under the Trade-marks Act was dismissed for insufficient evidence. The claim for breach of fiduciary duty was dismissed, as Robert had little influence or involvement in overall management, and he did not stand in a fiduciary capacity to Stonetile such that he owed fiduciary duties in addition to his employment obligations. Looking at Castcon's financial statements, and taking the revenue less the cost of sales, the average annual gross profit for the years 2004-2009 was $111,345. That was likely the fairest estimate of the annual gross profits to be earned. A fair assessment of damages for the one-year head start in this case for the misuse of confidential information was $111,345.

Statutes, Regulations and Rules Cited:

Judgment Interest Act, RSA 2000, c. J-1,

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

Trade-marks Act, R.S.C. 1985, c. T-13, s. 7(a)

Counsel:

Neil F. Kathol and Rodney A.N. Smith, for the Plaintiff.

Patricia L. Morrison and Katherine Sangster, for the Defendants.

Reasons for Judgment

1 **R.E. NATION J.**:-- Robert Will was employed by Stonetile from 1992 until January, 2001. In 2003, he started a company, Castcon Ltd., to produce and sell a similar product to Stonetile, a cement exterior moulding system for buildings. Stonetile brings this action against Castcon, its president, Robert Will and two other shareholders and directors, Ronald Will and Bernie Knopp, alleging a misuse of confidential information. Stonetile alleges that Robert Will conveyed trade secrets of Stonetile to Castcon, in contravention of a duty of confidence and fiduciary duties he owed to Stonetile, as well as in breach of a confidentiality contract.

Facts

2 I find the following background facts from the evidence at trial:

1. The plaintiff Stonetile (Canada) Ltd., is the successor to Kuelker Developments Ltd., the corporate body in which Peter Kuelker carried out his development and business of manufacturing and installing concrete tiles and mouldings with the appearance of natural stone, for use as an exterior cladding system on residential homes and buildings.
2. Peter Kuelker devised his product through trial and error. He started in his garage in the spring of 1988, gradually refining his cement tiles and mouldings to be suitable for an exterior cladding system for buildings in Calgary's climate. He consulted with various tradespeople and engineers, and experimented with his product on the outside of his home.
3. Eventually, in 1990, he felt he had a process that was sufficiently refined to rent space in the Foothills Industrial Park in Calgary. He moved the

machines he had put together in his garage, and continued towards commercial production. Development continued on problems such as refining the vibration system, working out the optimal cement mix, and developing master moulds or prototypes for use to produce plastic forms to commercially produce the cement tiles. Eventually he was able to start marketing the product to the public, leading to the first commercial sale and installation in the fall of 1990.

4. Refinements continued on the product throughout the 1990s, there was continual work to: produce new product lines with more relief on the tiles; optimize the cement mixture; and improve the materials used for the master moulds and the plastics in the form process, as well as tweaking many details of the operation. There were two applications for patents made during this period. Stonetile moved its operations a number of times as it grew and changed.
5. Robert Will was hired by Stonetile as a labourer in 1992. He had no previous experience in the concrete business, but had some experience working with wood and wood products. In the Spring of 1995, he was promoted to production manager. He signed a document entitled "Confidential Understanding" in 1997. Robert Will became a member of the management committee of Stonetile in 1999, and later in 2000, became a member of the executive committee.
6. Robert Will resigned his employment in December 2000, effective January 2001 and subsequently sold his Stonetile shares. He worked for a few months at another company that made concrete products. In the fall of 2001, he started to work at Mayfair Lumber, working four nights a week at ten-hour shifts, so he could have daytime hours to start to design and manufacture concrete mouldings to be used as exterior cladding on residential homes. He maintained his full time work at Mayfair until Castcon was up and running in the spring of 2003.
7. In the summer of 2001, Robert Will started to review the promotional literature of various companies in North America which produced cultured stone, and concrete casted to have a stone appearance. He started to use his woodworking skills to design wood mouldings to use as master moulds to create concrete door surrounds, corners, and window sills to accent areas on the exterior of a house. His purpose was to use the master moulds as a form to create plastic forms in which to pour concrete to create product. He talked to Studio West about using rubber to mould concrete forms, but after some experimentation felt it would be too expensive. He went to Chinook Plastics to discuss the various aspects of vacuum forming.
8. Robert Will incorporated Castcon Ltd. in February, 2003, he is the sole director and primary shareholder. In January 2003, he made his first sale of

moulded product for installation on a house commercially. This resulted from marketing efforts which started in the summer of 2002, using a rudimentary brochure of six items to attempt to make sales. The defendant, Bernie Knopp, started to help him with the sales, and became a partner with him in Castcon.

9. In May of 2003, Castcon starting a more major contract involving seven homes. It then proceeded to work on and produce a tile for sale on a commercial basis. By the late fall of 2003, Castcon had developed a textured tile, which it called Castlerock tile. This tile could be placed on entire walls, expanding Castcon's business beyond the original accent type of moulding products. The marketing of its products was done without a specific list of Stonetile's customers, but was directed broadly to any builder in Calgary which Castcon felt was building homes of the type where these mouldings or cladding system might be considered.
10. Castcon started out using an affixed perforated metal hanger, made from perforated metal as Stonetile had originally used, but placing them in the wet cement. By February 2004, Castcon had developed and was using specific thirteen inch hangers that were set in the mouldings and thus became part of the tile or moulding and used to affix the product onto the buildings. This was similar to, but not exactly the same as, the hangers and attachment methods used by Stonetile when Robert Will worked there.
11. Since 2003, Castcon has employed several former employees of Stonetile, and also has employed some installers who had previously installed Stonetile's cladding and mouldings. There was no evidence to suggest that Castcon had solicited these individuals. Likewise, there was no evidence that Robert Will had taken any written documentation, neither technical information nor a customer list from Stonetile when he left his employment there.
12. Castcon has sold and continues to sell its product to some existing or former customers of Stonetile in Calgary. Both companies are in the business of manufacturing and installing concrete tiles and moulding with the appearance of natural stone for the use as an exterior cladding system on residential homes and buildings.

Issues

3

1. Is there an Action for Breach of Confidence?

    1.1. What is the nature of the confidential information?

1.2. Is the information confidential in nature?
1.3. Was the information conveyed in confidence?

1.4 Was the information misused by the party to whom it was communicated?

2. Is there an Action for Breach of Contract?
3. Is there an Action under the *Trade-marks Act*?
4. Is there a Breach of Fiduciary Duty?
5. What are the Available Remedies?

1. Is there an Action for Breach of Confidence?

4 The applicable law in relation to breach of confidence was not in issue between the parties. It is the application of that law to the facts of this case that is in dispute. The law dealing with the misuse of confidential information has its basis in equity, and is related to the concept that a person who has received information in confidence, shall not take unfair advantage of it.

5 The leading case in Canada dealing with the misuse of confidential information is the case of *Lac Minerals Ltd. v. International Corona Resources Ltd.*, [1989] 2 S.C.R. 574. The plaintiff has the onus to prove that: (1) the information conveyed was confidential, (2) the information was communicated in confidence and (3) it was misused by the party to whom it was communicated.

1.1. What is the nature of the confidential information?

6 Much of the evidence and focus at trial was on the nature of the information the plaintiff says was a trade secret or confidential. The defendants took the position that much of what was alleged to be confidential, in fact was not, but rather that it was information that was in the public domain. Therefore, it is necessary to look at the details of exactly what the plaintiff says is the information which was misappropriated, and to examine whether in this case, the plaintiff has met the onus to show it was confidential information.

1.1.1 The Plaintiff's view

7 The plaintiff alleged at trial that many of the details of its production process and the installation features of its product were developed by it and are unique: in fact essentially all details of the production and installation processes were presented as trade secrets and confidential information. A detailed list was presented in exhibit 1, tab 41. These were items that Peter Kuelker had worked through, by trial and error, to come up with the production and installation process that Stonetile used between 1990 and 2000, which it is alleged was made known to Robert Will through his employment.

8 The allegations are best summarized in groupings as follows:

1. Concrete Content-The plaintiff alleges that the mix of items used in the concrete, from the use of pea gravel, experimentations with fly ash, and the use of certain additives such as superplasticizers was something it developed over time by trial and error, and also with expert input from engineers and was confidential information. As it is important for this cladding to be as strong as possible, yet as thin as possible, the composition of the concrete is essential to the integrity of the product.
2. Master Moulds-The plaintiff alleges that the whole process of creating master moulds for tiles, by using rubber to transfer the stone pattern, and then adjusting the profile was a trade secret. In addition, all of the details of making and preserving a master mould were advanced as a trade secret. This would include items such as: using material such as MDF, or Pro-Cast; using plastic filler and bondo as a repair material for the master moulds; knowing and utilizing the profiles and tapering required so the tiles come out of the moulds; and the importance and detail of shrinkage calculations. In addition, the concept of putting six tiles on a mould, and the "sixth tile concept" was alleged to be developed by the plaintiff. The need to round the front edge on the master mould to avoid crisp angles which would rip off in the vacuum form process and mounting techniques for the mould plugs, to avoid the force of the vacuum forming ripping off the mould plugs were presented as Stonetile's confidential information.
3. Vacuum Forming-Vacuum forming was used to make plastic forms from the master moulds, the forms were then filled with concrete to make the tiles or concrete moulding for installation. Trade secrets advanced by the plaintiff included items such as: spacing to prevent webbing; providing hanger pockets so there is additional space and the forms can be stacked while drying; choosing a specific type of plastic to use in making the forms; using melamine as a backer sheet; and methods of allowing air channels to aid the vacuum process, by putting holes in the backing board and using small cardboard pieces under the master moulds.
4. Bubble Problems-The elimination of air bubbles in concrete tiles is extremely important for the appearance and integrity of concrete tile products. Peter Kuelker described how he went through the development of six vibration tables, until the "eureka" moment when he realized that the issue was directional vibration, as well as the force of vibration on the product when poured in tiles, before the concrete sets. The need to use direction as well as force was advanced as a confidential aspect of the production process.
5. Production Issues-Details of how concrete was put in the plastic moulds, only filling them part way to avoid sharp edges, the use of a releasing

agent (creatlease 880), how the moulds were dried, using a stack rail system to allow stacking of thin plastic forms full of concrete, and covering them with plastic during the curing period were put forward as a trade secrets. The use of acid to wash forms, colour pigment mix issues, and the use of iron oxide pigments so the product will not fade were all advanced as information the plaintiff had worked through and discovered. In addition, details such as the sizing and type of tiles, using twelve and eighteen inches as a predominant sizing and using corner dimensions of six inches was discussed. Specific ways to store the material and deliver it to the job site to avoid discoloration and breakage was advanced as the confidential information of Stonetile.

6. The Hanger System-The plaintiff alleges that the fastening system, which is a way the tiles are screwed on the building was developed by him and is a trade secret. Peter Kuelker started using perforated galvanized metal for the fastening system, but over time developed thirteen inch hangers, that were affixed into the wet cement.
7. Installation Issues-Various issues around production using a caulking groove, the exact caulking material used, and the addition of sand before it dries to allow for a uniform appearance were put forward as trade secrets. Installation details such as: using a J channel to hold the first row of tiles; the use of the Y groove so the tiles would interlock; the details of column construction and cladding and the use of cornering, especially on columns; the idea of a rain screen; allowing a unique system where rain and moisture could get behind the cladding but still allowing airflow and thus drying were discussed.
8. Marketing issues-The naming system, which the plaintiff took from books of European architecture, such as "gothic", "baroque", and "quoin", the use of colour coded drawings for marketing and designing, the pre-inspection system, coding of products and development of popular and achievable colours were all put forward as "know-how" which was confidential information.
9. Customers-The Plaintiff alleged that although Robert Will never had direct contact with the ultimate consumer, he had access to the production orders which would identify the name of the builder on each order, and thus he would know to whom Stonetile was selling product.

1.1.2 The defendants' response

9 The defendants' position simply stated is that none of these items, taken separately, is a trade secret or confidential information, as each item of information is available in the public domain, one need merely to contact each particular specialty, and the narrow piece of information pertinent to

that industry, which Stonetile uses in its system, is well known in each particular industry. In addition, the defendants argue that various items, such as sales brochures, promotional material and the patent applications had disclosed the system in its totality to the public domain, to an extent that it could not be argued that the information taken in parts or the whole process remains confidential to Stonetile.

1.1.3 Analysis

10 The evidence I heard in this trial overwhelmingly established that Peter Kuelker clearly hit upon an idea that had prospect in Calgary, when he succeeded in making a concrete cladding system for the exterior of residential houses and buildings. Using his experience in the construction industry, he used trial and error to develop his concrete product. This involved not only many hours in his garage, pouring moulds and experimenting with different types of attachments of the tiles, but talking to various individuals and paying engineers to provide advice and ultimately test his product.

11 The extent of his experimentation was perhaps best shown in the trial through the evidence of a witness called by the defence, Steven Jeans, who came to his house to provide an estimate for caulking. He described arriving at the house which was covered in tiles, some of which had grouting, some of which had mortar that was cracking, and some of which were concrete hanging tiles. Peter Kuelker himself gave evidence of how at times he felt that he had the perfect formula or product, only to have the next batch disintegrate into crumbs. On one occasion after a move of the operation, he had problems with air bubbles in the product, a problem in production that he felt he had previously resolved.

12 Evidence from various witnesses established that in their particular field of knowledge, specific items of information or techniques used by Stonetile were not secret or unique. For example, Mr. McKay testified about his experience working at Chinook Plastics for seventeen or eighteen years, and how customers would often ask for advice on their master moulds, and he would discuss issues such as the type of plastic to use, various products to use (MDF versus epoxy), the need for vacuum holes, the size of a standard sheet, using bondo, problems with webbing, the need for an angle or taper, how to avoid sharp edges, the need to account for shrinkage, and the use of grooves on the master mould to stop warping of the plastic forms. Likewise, the evidence of Stephen Jeans made it clear that the particular type of caulking ultimately chosen by Stonetile was not unique, nor was the fact of using sand on the caulking to avoid a clear or shiny effect something new or unknown within the caulking industry.

13 This issue was also the subject of expert evidence. Michael Driver was qualified as an expert in architectural and structural precast concrete manufacturing practices and customs in North America, including common industry practices for preparing and curing concrete products and hanging exterior panels. He confirmed that taken one by one, many of the individual things that Stonetile was asserting as a trade secret, for instance the concrete mix, the use of vibration, a hanger

system embedded into tiles or J channel use, were known to people working in the construction or cement area. The rebuttal report by Mr. Smith, an engineer who had at times previously been retained by Stonetile, was not to dispute that these individual things were widely known in each field, but rather spoke to the time and effort spent to develop the Stonetile product, and that in Mr. Smith's experience, it is unlikely that any other organization in the architectural or precast concrete tile, moulding or panel industry would come to the same solutions.

14 I find from the evidence that Peter Kuelker did not develop one, special, original secret that was his product. By and large, he used information that was known to people in each area of expertise, for example: caulking advice from a caulking company; input about cement composition from engineers who specialized in cement production; and details of the process of plastic extrusion provided by Chinook Plastics to make moulds and plastic forms for the commercial production of concrete products. Items such as using a releasing agent, countersinking the screw heads, calculating for shrinkage in the moulding process, covering concrete while it is curing, and using bondo in the process of moulding are all things which Peter Kuelker had to learn about and put together, but none were particularly secret, or new or unknown in the industry that deals with that specific discipline.

15 Peter Kuelker used galvanized steel as hangers for his tiles, gradually working toward a hanger system, that then lead him to work on his moulds, so the hangers could be placed in the wet cement, easily, and the stacking of the forms could occur. The experimentation never ended, all through the 1990s and until today. Stonetile explored and continues to explore ways to refine the production of the tiles, and increase the quality of its product. Distribution now occurs in Edmonton and Halifax as well as Calgary.

16 Each discipline knew of these products and methods. The originality was that Peter Kuelker pulled all that knowledge together, produced the tiles and mouldings and successfully marketed them in Calgary, and once in the market, had a successful commercial enterprise.

17 The essence of this lawsuit is then not whether every little bit of information was in the public realm, as most items separately were public or known. Rather, the essential question is whether Stonetile had a unique, confidential production process. Was the collective work that Peter Kuelker had done through Stonetile which involved gathering bits of information from different domains and putting them together to develop the product he did, a process that as a total of its parts become a trade secret or confidential information? If so, had he guarded it sufficiently to maintain its confidential nature?

18 This concept is best expressed in the law by Lord Greene in the case of *Saltman Engineering Co. Ltd. v. Campbell Engineering Co. Ltd.* (1948), 65 R.P.C. 203 (C.A.) at 215 where he stated the following:

> 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.

1.2. Is this Information confidential in nature?

19 A list of factors to be considered to determine if information is confidential has been set out in *Pharand Ski Corporation v. Her Majesty the Queen in the Right of Alberta* (1991), 116 A.R. 326 (Q.B.). They are: the extent to which the information is known outside the owner's business; the extent to which it is known by employees and others involved in the owner's business; the extent of measures taken by the owner to guard the secrecy of the information; the value of the information to him and his competitors; the amount of money or effort expended by him in developing the information; and the ease or difficulty with which the information could be properly acquired or duplicated by others.

20 The factors are not exhaustive, but support a careful review of the information in the context of its generation, and the business market involved.

21 This case involves an actual product which by its nature is sold in the open market. It had to be promoted. Anyone could take the successful product and attempt to "reverse engineer" it, unless it was protected by a patent. Installers would have the product, and had to know how to install it. Architects and builders had to know its qualities and capabilities. The reality of this product and its promotion meant that some information had to be given, to be sure its qualities were appreciated and that it was installed correctly. In the process, was any confidentiality that the plaintiff had for the production process lost?

1.2.1. The extent to which it is known by employees and others involved in Stonetile's business.

22 The employees of Stonetile had free access to the production area. The limited evidence about the number of employees or their duties did not suggest all employees worked in all areas. For instance, Robert Will worked in production but did not work in sales or installation, nor did he have detailed knowledge of or exposure to customer information. Likewise, workers in sales did not work in production. Employees in production knew production information on a need to know basis.

23 That the installers were all trained in the installation of the product, and would be able to see

how the product was being attached, understand the concept of the rainscreen, and could clearly see the use of the hangers, the J channel, and knew of the use of the grouting, and sand. They received detailed information about the "how to" for the installation process.

24 This would suggest minimum steps to guard access to the production area from employees and little attempt to guard the installation process.

1.2.2. The extent of measures taken by Stonetile to guard secrecy over the process.

25 The evidence indicated that the configuration of the production space in the various spaces which Stonetile occupied during Robert Will's employment involved an open production area, with a separate office and showroom area. Thus, the public invited to Stonetile's premise, would not see the production area, unless they went beyond the office or showroom space.

26 There was no attempt to restrict employees, or even delivery personnel from the production area, where everything was in full view, with the exception of the master moulds which were kept in a wood shop. That room was not locked, but had separate access and walls around it. For a period, the manufacturing space was shared with the company which produced the hangers.

27 There was no evidence of any discussions with sub contractors to guard information that fell into their possession from any involvement in Stonetile's production. There was specific evidence from the one employee from Chinook Plastics who testified that he was not asked to sign any type of confidentiality agreement arising from Chinook Plastics handling the master moulds or performing plastic extrusion services for Stonetile.

28 There was evidence that Robert Will and Tom Beckedorf had been required to sign confidentiality understandings in 1997. Robert Will was not aware of any labourers under him being required to sign a confidentiality agreement, nor was he ever instructed to discuss with them what information or processes were considered confidential by Stonetile.

29 There were other forms of confidentiality contracts in exhibit 1, tab 2 signed by others in various forms between 1995 and 2004, but no evidence as to who each person was, other than Randall Smith. He identified the confidentiality agreement he had signed with Stonetile in October 1995, when he was providing services as an engineer evaluating Stonetile's product. The confidentiality form he signed is explicit and was clearly an attempt to state that the product and process was unique, point out that the process was under "patent pending" status and restrict the signor's use of any information obtained.

30 Thus the evidence is that Stonetile took some but not universal steps to protect secrecy over all parts of its process.

1.2.3. The value of the information to Stonetile and its competitors.

31 The evidence at trial was clear that the information of how to produce this type of tile and attach it to buildings had resulted in a very successful business for Stonetile. Once the initial research and development was completed and Stonetile started commercial operation, its sales grew very quickly into several million dollars of gross revenue a year. Castcon, likewise, experienced a quick growth in sales, once it started commercial production in the Calgary market.

32 Stonetile felt the invention was worthy of protection by patent, and pursued two applications in order to protect its product.

1.2.4. The amount of money or effort expended by Stonetile in developing the information.

33 It took a solid two years of full time work for Peter Kuelker to get from the commencement of the idea to the stage where commercial production could be contemplated by Stonetile, and about thirty months before regular sales started.

34 There was no evidence of exactly the amount of money expended in the starting years by Peter Kuelker and Stonetile, other than the fact of a $25,000 government grant (for which detailed paperwork was maintained and provided). However, from the evidence of Peter Kuelker it was clear that money was expended on a number of engineering reports to obtain CCMC approval. Also there were expenses for the supplies involved in all the trial and error. Time and money was spent to produce marketing brochures and detailed booklets to convince architects and builders to try a new product concept.

35 The detailed nature of exhibit 1 tab 19, and the detailed information circulated to the architects and builders in the Calgary market clearly involved writing information that was far more detailed than one expects from a small company, but perhaps necessary when pitching a new product to the market.

36 There was also the time and expense involved when Stonetile undertook two patent applications.

1.2.5. The ease or difficulty with which the information could be properly acquired or duplicated by others.

37 Stonetile's product was vulnerable to duplication, as the products in the market place could be analyzed. Through reverse engineering, a great deal of information could be obtained about the system of installation and attachment to the building, and also the details of the tiles and hangers. This would be possible once the tiles and mouldings were marketed, and impossible to protect unless through patent of the product.

38 Although the component parts can be examined, and on examination, the system of installation would become public, the actual manner of production, including matters such as

coming up with the master moulds and making forms and details of the formula for the cement, and how the product was formed would not be obvious, and would still require know how, or time to go to the various areas of expertise and then use trial and error as Peter Kuelker had, to produce the product to an acceptable standard.

1.2.6. The extent to which the information is known outside of Stonetile's business.

39 There was evidence before the court to suggest that other companies in North America, notably in the United States, had developed systems of creating concrete stones, and cladding products, that were attached to the outside of houses. The promotional literature from three companies, CDI, Eldorado Stone, and Cultured Stone was discussed during this trial, as Robert Will had reviewed these in terms of ideas for the design of his product. No witness had visited the places of business of these companies, nor could anyone talk about their production methods with any specificity. No evidence was led about their presence or absence in the Calgary market.

40 Randall Smith, an engineer, testified that from his review of this promotional information, that adhesive was the primary bond used in those other product's installation, any fastening system appeared supplementary. They were not designed to allow a drainage system. Evidence also suggested at least some of the products were made from pumice, or a much lighter, less durable concrete, as the purpose was to be light and decorative, the products were not all meant for external cladding in a climate such as that of Calgary.

41 Although individual parts of the process are known in specific industries, there was no evidence that other companies produce concrete tiles and mouldings in this method, which are suitable for an exterior cladding on residential homes and buildings in Calgary's market.

1.2.7. Publication of the Process.

42 The defendants argued that the process taken as a whole could not be considered confidential information as the plaintiff of its own volition had put the details of the process into the public domain, and there was no attempt to guard it or protect it as confidential information. The various ways by which the defendants say the information was published merit individual attention, due to their diverse nature.

43 The defendants' position is that the information was made public in the following documents:

1. A report of approximately 250 pages was written by Stonetile and provided to Alberta Municipal Affairs, which administered certain research and development grants. Stonetile received instalments of $5,000 for a total of $25,000 in grants by providing this information to justify to the government the use and continuation of instalments of the government funding. The report is detailed, with descriptions and diagrams, outlining

in detail many of the production and design issues that came up. It is a detailed "how to" instruction booklet, giving details of items such as: injection moulded plastic; using styrene for forms; material costs; casting and vibration techniques; detail on the stack dowels and hanger placement; mould building for vacuum forming; tile size and thickness; the development of the caulking edge and fasteners; and plant layout, machinery, storage and installation, as well as marketing information.

There was no evidence of what happened to the document once it was provided to the government department that administered the grant funds. The document alludes to Stonetile planning to open operations in 1990, so all indications are that it was written prior to that time. There was no evidence that the document had been found anywhere but in the plaintiff's files.

The foreword of the document reads as a government written "foreword" about the assistance program, and indicates that:

> As the type of project and level of resources vary from applicant to applicant, the resulting documents are also varied. Comments and suggestions on this report are welcome, please send comments or requests for further information to Innovative Housing Grants Program, Alberta Municipal Affairs ...

It was argued by the defendants that the forward quoted above indicates that this was a public document. No evidence was called about this, other than Peter Kuelker's comments that his inquiries indicated the government department has now been disbanded.

The information in this publication is detailed, and definitely contains may details of the items the plaintiff argues are its trade secrets. If it is in the public domain, the plaintiff would be unable to assert its process as confidential, due to the detailed nature of the report. However, I am unable to find on the evidence before me that on the balance of probabilities this document was available to the public, or went anywhere beyond the bureaucrat whose job it was to receive it and authorize further funding.

2. The production manual. This is a detailed booklet, meant to be used to train and inform employees involved in production. It clearly served as a compilation of information for reference if needed. This manual was kept in the production office which was not locked. The manual was available to all employees. The evidence was clear that this was encouraged to be read and shared with the production employees, but there was no suggestion in evidence that it was ever viewed by anyone other than employees.

   This manual is an extremely detailed discussion of the whole production process, with detailed written information on items such as: the composition of the concrete, features of the hangers, adding plasticizer, machine operation, stacking mouldings, flipping tile forms, moulding forms, vacuum forming, shrinkage calculations and webbing. There is no question it is a "how to" guide to explain the production process, and in the hands of another person, could be used to duplicate the process.

   If this document was made public, it would be hard for the plaintiff to argue its process is confidential. However, there is no evidence that this was a public document, it was meant for employees only. It is not unusual in a factory situation, and in many situations it is a necessity, that a guide like this be available to employees working in production. A detailed production guide in the workplace does not mean the information loses its confidential nature, when restricted to employees on a need to know basis, with no indication of access to the outside world and no evidence of any authorized duplication outside of Stonetile or any unauthorized duplication or access.

3. The engineering report on the Stonetile website. The evidence established that exhibit 1, tab 18, a report by an engineering company, Agra Earth and Environmental, was posted and available on Stonetile's website. This provided an executive summary of a report written in 1996, and general comments that were favourable to the material physical properties, strength of the anchor system and overall system performance of the Stonetile product, from a building science point of view. The report includes an Appendix A which has fairly detailed drawings, largely related to the attachment system, rain screen, fasteners, and J-channel. It does give the concrete specifications, but little detail in terms of the actual production of the tiles or mouldings. The evidence suggests this was posted on the

website to promote customer confidence.

No evidence was provided as to when or for how long this document was posted on the website. It was largely geared toward information about the fastener system, and the virtues of the performance of the product, upon examination and testing by an engineer. It also gave details of features which Stonetile wanted the consumer to consider in evaluating the product.

Although this document gave details of the fastening system, it divulged little information about the actual process of manufacture of the product, other than the content of the cement, from which a person could ascertain some concrete specifications.

4. The book prepared for architects and builders. In 1996 and for a couple of years after that, Stonetile produced a booklet of over one hundred pages and circulated it to architects and developers in the Calgary area, in an attempt to explain and promote the Stonetile system. The evidence was that it was distributed to over one hundred and possibly up to two hundred architects and builders in Calgary between 1996 and 1999. Much of it was dedicated to design, and the various ways the products could be assembled to provide many different visual design effects. It did describe and provide detailed diagrams about the rainscreen system, the J channels, caulking, galvanized hangers, the product line, measurements and profiles of the products, and the thermal crush zone. It did not contain any detailed information about how to manufacture, or duplicate the production side of the business.

This document disclosed a fair amount of information on the hangers, and the attachment system, but little detail in terms of how to produce the cement product.

5. Installation book-The installation book which was provided to installers, is a very hands on and articulate guide to installation of the product. It described the rainscreen system, caulking, galvanized hangers, galvanized J channels, the thermal crush zone, quirk cornering of the outside corner, dimensions of the whole product line with profiles, and tile replacement information. This information was given to the installers to assist with the

installation of the product on buildings.

The booklet was detailed and would assist any party who wanted to reverse engineer or get information on the hanger and attachment system. It does make public the installation details, but it would do nothing to assist with the details of the process of the actual production of the mouldings or tiles.

6. Marketing brochures-Various of the glossy marketing brochures used by Stonetile over the years were entered into evidence at trial. They have photos, outline colours, and some include drawings and a description of such things as the placement of fasteners, type of caulking material, and a description of the rain screen system, the patented crush zone, the quirk joint detail, pillar widths and dimensions, as well as photos and colours of all products. There is nothing that discloses any detail of the actual production.
7. Patent applications-Stonetile made two applications for patent protection for the process of producing the product and the attachment system. The first application was in 1992, for a "Concrete Panel Construction", this application was opened to public inspection in February 1994 and was declared a dead application in February, 1995, and ultimately abandoned in 2002. In 1996, Stonetile filed a patent application for a "Concrete Cladding Panel System" which was opened to public inspection in August 1997, and for which a patent was issued in February 2004.

The abstract in both applications was twenty-one pages long, and described a new cladding system, using concrete panels for exterior use on buildings. The abstract described how the system was superior to stucco or masonry and concentrated on the advantages it provided in terms of how it was attached to a building. It provided detailed diagrams on the way the tile looks, the hangers, the caulking grooves, the J channel, and installation information. The production process was described in general terms, detailed diagrams were provided for only some aspects of the production process: one figure showed the hanger, with a detailed drawing to show hanger positioning; a figure showed the vibrator; a cross section drawing of stacking and releasing strips was included; and the demoulder and wrapper were detailed. No details of the master moulds were provided, there was no discussion of issues around dimensions, details of moulding, no information of the composition of the concrete, or many of the production details about which evidence was given in court.

> The patent that was granted in 2004 was restricted to certain parts of the process, and particularly the aspect of the bevelled side edges, designed so the bevelled edges form a v joint, and thus a localized crush zone, resulting in no need for expansion joints. This relates largely to the installation and performance aspect of the tile, resulting from the bevelled edges. The patented description includes the aspect of a urethane caulking material, with a coating.

44 Thus, the question of whether the overall system was treated as confidential has to be judged in light of: some but not strong security on the production area; the fact that some supervisors but not all employees (and notably not labourers in the production area) were requested to sign a confidentiality statement; the fact that the information or process was valuable and the business generated was lucrative; that there was significant time and effort invested in the development of the product; and although one could look at the tiles and take steps to duplicate them, there would be time and effort in pulling together the details and experimenting with things such as the cement formula, vibration, or master moulds.

45 In terms of public disclosure, there was no evidence that the municipal affairs report and the production manual were public documents, or ever entered the public domain. The installation guide is explicit about installation, and effectively means the installation details are not a trade secret. The document sent to the builders and architects, as well as some of the details on the brochures and the website, outlined the features of the system and provided diagrams, but it did not disclose production details to the extent one could use the information to shortcut into the production process.

46 It is the patent application that leaves the production information most at risk. The *Patent Act*, R.S.C. 1985, c. P-4 requires that in any patent application, a specification be provided that gives a correct and full description of the invention, with sufficient steps of the process to enable a person skilled in the art or science to which it appertains to be able to make or construct it. An explanation of the necessary sequence is required. The patent application here gives information about the process and although the wording is vague, there are detailed diagrams of some parts of the production process. It does not give exact concrete composition, or any detailed information about making the moulds. Diagrams show some configurations only of parts of the production process but the means or process to achieve them are absent.

47 Interestingly, there are several parallels between this case and the case of *Belform Insulation Ltd v. Toleks Insulation Ltd.* (1998), 85 C.P.R. (3d) 160 (Ont. Ct. J. (Gen. Div.)). In that case, the Court had to look at the patent application. As in this case, the information in the patent application had not been used in duplicating the business, but rather, as here, it was argued that the fact of the application and that it was laid open to the public, meant that any right to claim that the information

was confidential was lost. In the *Belform* case, there was more egregious conduct, as the defendant and his father built some of the machines used by the defendant when they were employees of the plaintiff. There was a dispute there about how secure the production facility was, but the defendant had never signed any type of agreement to refrain from using confidential information obtained during the course of his employment.

48 In this case, defendants' counsel relied on an excerpt from the textbook authored by Gordon F. Henderson, *Patent Law of Canada*, (Toronto: Carswell,1994) at 4 that an inventor has to make a choice, keep the advance secret and rely on the law of trade secrecy, or disclose the invention to the public through a patent application and hope to get a monopoly for the period of time given under the *Patent Act*. There is no question that trade secrecy protection is dependant on information being treated as confidential, but I do not accept that in every case where a patent is sought, the fact of the application means all information related to the invention or process is in the public domain and secrecy cannot be claimed on any of the process. Each case must be examined in its own particular circumstances, and evaluated in terms of how much detail was provided.

49 When I review this patent application, and in absence of expert evidence, I find that simply having the patent application would not permit an individual to know exactly the method, and details of the production process. It did not divulge anywhere near the detail as the production manual or the detail of information about production that Robert Will would have known from his employment and association with Stonetile. The installation and attachment aspect of the invention was much more the focus of the patent application for the product.

1.2.8. Conclusion on whether the information is confidential.

50 As a result, I conclude that although there was some public disclosure of aspects of the Stonetile system, and particularly as it related to attachment to the building and all aspects of the installation process, there was not sufficient disclosure of details of the overall production process to say that process was in the public domain. Nor can it be said that sufficient detail of the production process had been made public that the details of Stonetile's process taken together have lost their confidential nature. I find that Stonetile took sufficient steps to guard its production process as confidential, to meet the onus it carries as the plaintiff to prove that the production process was confidential information.

1.3. Was the information conveyed in confidence?

51 The second question set out in the *Lac Minerals* case, was whether the information was conveyed in the manner of a confidence. Here the information was all conveyed from Stonetile to Robert Will in the context of an employer/employee relationship.

52 In the British case of *Coco v. A. N. Clark (Engineers) Ltd.*, [1969] R.P.C. 41 (Ch.), Lord Megarry held that the test should be if the circumstances would be such that the reasonable man, standing in the shoes of the recipient of the information would have realized that upon reasonable

grounds, the information was being given to him in confidence, then this should impose the equitable obligation of confidence. This test has been cited and approved in Canadian cases, including both *Pharand* and *Lac Minerals*.

53 It is interesting to note that the Alberta Court of Appeal in *Treesavers International Ltd. v. Savoy* (1992), 120 A.R. 368 (C.A.) looked at the objection by a defendant that if the information was confidential, the employer never told that to its employee. This was held to be no answer in itself in law, the correct test is that set out in the *Coco* case.

54 Here the information was given to an employee, and at a later date, the employee was requested to and did sign a confidential understanding. Although it was not well drafted, certainly it made it clear that the employer thought it had something it was protecting and felt was confidential. Stonetile asked for this to be signed in return for the ability of Robert Will to earn shares in the company.

55 It is widely recognized that an employee can leave his employment and take the knowledge gained in that employment, and he is free to compete with his former employer. However, he may not take or use against his previous employer any of his employer's trade secrets, confidential information or customer lists.

56 Here, the circumstances of Robert Will, as an employee getting detailed production information, who signed an understanding of confidentiality document requested by the employer (the terms of which are more fully discussed in paragraphs 67 to 70 below) would convey to the ordinary person that the parties were aware the employer was imparting knowledge it felt was confidential. The requirement to sign the understanding clearly communicated that there were aspects of the process, learnt through experience, that Stonetile did not consider that the employee was free to pass onto others. The equitable obligation of confidence is therefore established.

1.4. Was the information misused by the party to whom it was communicated?

57 I find that Robert Will and then Castcon, with whom he does not stand at arm's length and who received the information knowing the circumstances of how it was communicated to Robert Will, did misuse the information. Although Robert Will testified that he started out researching and designing his own product, it is clear that the information and process he had learnt through his employment allowed him to fast track his development. After some small but not significant experimentation, Castcon defaulted to essentially the same production methods based on building master moulds, and using plastic forming to create plastic forms to fill with cement to produce an exterior cladding system to attach to buildings. When it became evident to Castcon very early in its business that tiles were a big seller and necessary to make other products sell, the process was very fast for Robert Will to switch from his original plan to produce decorative moulds only. He used rubber to make imprints and used a very similar process to produce the tiles, using an almost identical fastening system, with a very similar method of placing them in the concrete to attach to

the cement product.

58 What the information did, was provide the classic "springboard" effect. It allowed Robert Will and the party to which he knowingly passed the information, Castcon, the ability to avoid the time, expense and error that was born by Stonetile in coming to certain production processes. Castcon took steps to go into the same business, with a good sense of the market, the financial rewards and a method which it could and did use with some minor variations, when the ideas that Castcon initially tried to use to innovate were not successful.

59 Looking at the process used by Castcon from inception to 2004, and the process used by Stonetile up to 2000, there were many similarities in the processes of production of the tiles and mouldings. The finished product to the average consumer looks visually very similar. The whole moulding system and use of plastic vacuum forming to produce forms in which to pour concrete was similar. Both companies used six tiles in a master mould, the same material to make the master moulds, and a very similar process to manufacture products of largely similar dimensions. Both companies used a similar hanger system to hang the concrete tiles and mouldings to the exterior of the buildings. Initially Castcon utilized the same method of using perforated galvanized steel and placing these in the wet concrete that Stonetile had initially used. Later, Castcon developed a hanger system, in concept the same as the one Stonetile developed in the 1990s, but its shape and the metal snipping aspect was different. Both companies at times used the same J channel system. Both Castcon and Stonetile used the same release agent, covered the drying concrete in plastic to create as much humidity as possible, used the same caulking material, and put sand on the caulking material for a more consistent appearance.

60 There is no question that there were some variations in the process and product between Stonetile and Castcon. Stonetile had a more sophisticated operation. By 2000 it used a screw mixer to mix cement, with an automated supply system. Castcon used a stucco mixer, with manual weighing or measuring of components. It mixed each batch separately. Stonetile had a more automated system of production, and vibration was all done by vibration tables. Castcon used a manual vibration for certain frequencies. Castcon used five gallon pails for measurement of items, and used dry colour, manually putting concrete using a rubbermaid juice container into the moulds to make tiles. Castcon used a manual demoulding process, and stacked its finished product in a different manner than Stonetile. Castcon did not have CCMC approval for any of its product, Stonetile had this at least on some of its mouldings and tiles. Examples of some other minor variations include items such as: the fluted moulding produced by Castcon has more grooves than Stonetile's; Castcon's textured tile appears somewhat thicker; the exact placement of the hanger pockets varies between the two companies; Castcon does not have a caulking groove on its products; some of Castcon's sills use fasteners, the bevel angle on the bevel tiles has a different angle between the companies and the design on the Dentil moulding is different.

61 However, most of the differences are small variations on a very similar theme. Robert Will and Castcon started with a know how and knowledge of Stonetile's process. They were aware of

some of the pitfalls, where to go to get information, and a system that worked, all of which came from Robert Will's employment and experience at Stonetile. What Castcon was doing was tweaking the information. There is no question that Castcon went through some experimentation, and that there are things Castcon does differently. Robert Will admitted that when he was picking product lines to produce, he did apply what he knew from his experience at Stonetile. He knew the popular colours there, and adopted many colours that were used by Stonetile. He used some similar architectural period names: fluted, baroque, gothic. He clearly made some variations in moulding design. He stayed away from the tile grove or exact bevel tile angles, in order to avoid patent infringement.

62 A thorough review of the evidence emphasizes that although Castcon has developed somewhat differently from Stonetile, it is offering very similar products as Stonetile, to a similar market in Calgary. Although Robert Will testified of some of his attempts at innovation, such as trying rubber moulding, or using a cheaper plastic to do moulding, it is clear from all the evidence that his experience of working for eight years at Stonetile gave him all he information he needed to have the basics of what was required. He knew the process that Stonetile had learnt by trial and error in the late 1980s, and have worked through much of the evolution of the process to 2000. He developed a process that mirrored closely that of Stonetile, and he knew where and how to access the information he needed to produce tiles and mouldings and enter into a market that Stonetile had found was there, and lucrative. He did misuse the information.

1.5. Conclusion in Relation to the Breach of Confidence Action

63 This case squarely fits into the type described in law where the defendants by using confidential information, saved themselves a great deal of time, or labour in going through the process of developing a commercial product. This principle was labelled the "springboard" principle, in the case of *Terrapin Ltd. v. Builders' Supply Co. (Hayes) Ltd.*, [1960] R.P.C. 128 (Ch.D.). It is still a springboard effect even if all the individual features may be published and can be ascertained by actual inspection by any member of the public (reverse engineering). The principle drives the court to look for a remedy that ensures the possessor of that information does not get an unfair start in the field of competition for the making of the product.

64 *Seager v. Copydex Ltd.*, [1967] 1 W.L.R. 923 (Eng. C.A.) dealt with a case where after negotiations to manufacture a patented grip failed, the defendants manufactured a similar carpet grip in circumstances where the court held they unconsciously used confidential information given to them by the inventor. Lord Denning said this:

> The difficulty arises when the information is in part public and in part private ... When the information is mixed, being partly public and partly private, then the recipient must take special care to use only the material which is in the public domain. He should go to the public source and get it: or at any rate, not be in a better position than if he had gone to the public source. He should not get a head

> start over others by using the information which he received in confidence. At any rate, he should not get a start without paying for it.

65 Here, the plaintiff had a process, which was the sum of many parts. I have found that although many parts may have been separately discoverable in the public domain, the details of the process when it was all put together in a specific production process and sequence was confidential. In the facts of this case, there was confidential information which the plaintiff provided to Robert Will in his employment, which was imparted in the relationship and circumstances of confidence and Robert Will broke that confidence by transmitting that experience and information to Castcon and used it to compete with Stonetile in their Calgary market. Doing that, Castcon reduced the time, effort and expense it would have had to spend, had it been a stranger to Stonetile, and taken the plaintiff's product and success story and worked with only that and public information, to try to duplicate the production process.

2. Is there an Action for Breach of Contract?

66 Stonetile alleges it has an action for breach of contract against the defendant Robert Will. He admits a contract was signed by him but pleads its terms are uncertain, and that it does not by its terms restrict him from competing with Stonetile, or using the information he obtained during his employment. He also argues that he was coerced into signing it by Stonetile, as a precondition of participation in the bonus scheme. Also, he argues a lack of consideration to this change of his employment contract.

67 The document entitled "Confidential Understanding" is a seven paragraph memo signed on April 9, 1997 by Robert Will and Dennis Clark, then the president of Stonetile. The first paragraph of the page is not applicable to Robert Will; it speaks to Stonetile training a party to estimate, pre-inspect and install and sell Stonetile products. Robert Will did none of these things as part of his employment. The second paragraph alludes to the fact that knowledge that "will come upon you" will include technical and hands on experiences that could harm Stonetile if it were to fall into the wrong hands. The third paragraph alludes to small company strategies, marketing opportunities as well as plant information that may be shared.

68 The fourth paragraph states that certain knowledge is available in the industry and the wish is to have acknowledgment that the signor will not reveal any "other than common knowledge" to anyone outside the employee realm. The fourth paragraph also refers to printed material, which is not to be passed on, and returned to Stonetile at the conclusion of employment. The fifth paragraph indicates that the memo is not intended to restrict employment in the future, but will limit the "passing on of knowledge that could be harmful to Stonetile if used in a fashion to directly or indirectly compete with Stonetile" and goes on to state: "It is understood that much of the knowledge learnt via experience is deemed confidential and shall not be dispensed in any fashion to others".

69 The understanding is vague, and not specific. It does not indicate exactly what is being

protected. It references that it is only "other than common knowledge" that shall not be passed on.

70 This document was clearly a first generation attempt by Stonetile at a confidentiality agreement. Exhibit 1, tab 2 is replete with much more explicit confidential agreements used later by the company, which serve as illustrations of more tightly worded and explicit confidentiality contracts.

71 The evidence of Robert Will, which was not refuted by any witness of Stonetile, was that all information was shared freely with employees and there was no attempt by management to tell Robert Will what was not to be shared with common labourers, or exactly what Stonetile took to be confidential, or a trade secret. There was no discussion of what was "common knowledge" versus what was considered unique to Stonetile.

72 This document clearly on its face is not a restriction of future employment in the industry. It lacks much of the specificity and wording required in a restraint of trade agreement. However, it does specifically address the concern of passing on confidential information learnt on the job. There is no attempt to indicate what the confidential information is, or how those words should be interpreted in the contract. The contract, authored by Stonetile, lacks specificity. Any ambiguity is to be interpreted against Stonetile, as it drafted the terms. I find the terms of the contract are too uncertain to be able to determine exactly what information was being protected in the fact situation presented in this case. As a result, the action in contract cannot succeed.

73 If the terms of the contract were specific, I would have found the contract enforceable, as the evidence is clear Robert Will was not forced to sign the agreement, he had it to review for weeks, even months before signature. In addition, on the balance of probabilities, the evidence establishes that upon his signature to the agreement, he did receive certain share options, which would be sufficient consideration, if this was a change to the formal terms of his employment.

74 At most, the confidential understanding is evidence that at least in 1997, Stonetile was taking more steps to attempt to protect any trade secrets that it had. The contract is a factor in the consideration of whether Stonetile was taking steps to protect its confidential information, and also, whether Robert Will would realize he was receiving or had received production information in confidence. However, in a breach of contract action, it lacks specifically of terms.

75 Thus, the claim for breach of contract is dismissed.

3. Is There an Action Under the *Trade-marks Act*?

76 In paragraphs 27 and 28 of the Amended, Amended, Amended Statement of Claim, the plaintiff alleges that Castcon made false sales statements by saying that Castcon's cladding and mouldings were the same or similar to Stonetile's. The plaintiff seeks damages pursuant to an infringement of s. 7(a) of the *Trade-marks Act*, R.S.C. 1985, c. T-13.

77 Stonetile's registered trade-mark is the logo Stonetile, with a number of squares around it, as depicted in exhibit 1, tab 62. The trade-mark does not cover the actual word Stonetile by itself; that name is a trademark owned by an Ontario company, Navastone Inc.

78 I must deal with the evidence about these statements. No customers, builders or recipients of these statements were called as witnesses. The only evidence at trial was through Robert Will in cross-examination and through read-ins, where he was shown a notebook identified as belonging to Bernie Knopp, apparently written when he was attempting to market Castcon's products. There is one entry where it is written beside the name of a builder: "Told him it was like Stonetile and we could do it cheaper". Robert Will admitted that it was possible that he heard Bernie Knopp make this type of statement. Bernie Knopp was not called as a witness at trial, but evidence was put before the court that the plaintiff had served him with a subpoena, but he was refusing to come due to medical issues in his family. It was common ground that no adverse inference against Stonetile should be made from his non-attendance. The court did not have the benefit of any evidence from him.

79 I do not find that the admission that it is possible that something was said, with no other contextual evidence, is sufficient to meet the onus on the plaintiff to establish a fact on the balance of probabilities.

80 I would comment that had an action been established, it would be difficult to know how an assessment of any resulting damages would be made from the paucity of evidence lead on this issue. Case law has established that damages under this section of the *Act* must be proven, they are not presumed. *UView Ultraviolet Systems Inc. v. Brasscorp Ltd.*, 2009 73 C.P.R. (4th) 161 (F.C.), paras. 238 to 242.

81 The claim advanced by the plaintiff under the *Trade-marks Act* is dismissed.

4. Is There a Breach of a Fiduciary Duty?

82 If one party stands in the position of a fiduciary to another, special obligations arise. If Robert Will stood in a fiduciary capacity to Stonetile, there would be obligations on him. The duty is that of loyalty and good faith. A fiduciary must avoid both any conflict of duty and any self-interest. This duty often continues after the termination of employment. A fiduciary cannot take and use for his own interest any property or business advantage belonging to the company in which he stood in a fiduciary capacity.

83 Expressed in employment terms, if an employee is a "key" employee, and found to be a fiduciary, he or she will be precluded from exploiting any particular vulnerability that flows from any unique relationship with their employer. For example, see *Anderson, Smyth and Kelly Customs Brokers Ltd. v. Worldwide Customs Brokers* (1996), 184 A.R. 81 (C.A.). This is the concept that so often in case law leads to a restriction on key employees from taking and using a customer list, or soliciting customers of their former employer.

84 Relationships in which a fiduciary relationship and the resulting obligations have been imposed generally possess three characteristics; (1) the fiduciary has scope for the exercise of some discretion or power, (2) the fiduciary can unilaterally exercise that power or discretion so as to affect that beneficiary's legal or practical interests, and (3) the beneficiary is peculiarly vulnerable to or at the mercy of the fiduciary exercising the power: *Frame v. Smith*, [1987] 2 S.C.R. 99 per Wilson, J. It is the nature of the relationship, not the specific category or name of the title that gives rise to a fiduciary duty.

85 Here, Robert Will was employed firstly as a labourer, and then became production manager. As production manager, he was the supervisor of the production of Stonetile products. He was responsible to: be sure the production stations were manned and functioning; train new production employees; order materials; supervise the labourers; and make sure product could be supplied for the orders (both to make sure the products were made properly, and schedules were met). There was no specific evidence of how many employees he actually supervised, the only evidence about employee numbers was that approximately forty people total worked for Stonetile. When one considers this includes the installers, and office and sales staff, this would not leave a large number of labourers under his supervision.

86 By virtue of his position, Robert Will had a working relationship with most of the suppliers. He never created master moulds, but did at times repair them. He at times took the master moulds to Chinook Plastics, to arrange for the vacuum forming. His job involved almost no contact with customers, and no involvement in sales. Approximately twenty percent of the production supervisor's job involved him going to see the product on houses, to review problems such as colour inconsistency, efflorescence, or rust marks. By chance he might have met the builder or ultimate home owner on those visits. Robert Will was not involved in developing new product lines; or any "on hands" budgeting. He did not decide prices, and he did not have any final say in production changes.

87 The plaintiff argued that Robert Will was in a position of management (and thus more likely to be a fiduciary) by virtue of his membership in the management committee and later an executive committee in 2000. All the evidence suggested that prior to January 2000, when Dennis Clark resigned as president of Stonetile, Robert Will had very little authority beyond his capacity in production. Dennis Clark was described by several witnesses, including Peter Kuelker, as running the company with "an iron fist". Every suggestion in the evidence was that he was a dominant leader of Stonetile, so that Robert Will, and most other employees, had little input into company policy or direction up to his departure in 2000.

88 The evidence established that Robert Will was a member of the Management Committee in the fall of 1999. A review of the minutes shows that committee was attempting to deal with operational issues, as well as new products. The evidence showed that these meetings were loosely structured, with one party taking minutes, and the chair being decided each meeting, mostly by the process of who was the person supervising the department most affected by the agenda. It is clear

from the minutes, (exhibit 16), that Robert Will both wrote the minutes for or chaired some meetings. Not all people on the management committee in 1999 held positions at the management level.

89 In 2000, there were attempts to change the management committee to an executive committee, as Stonetile grappled with the appropriate governance after the departure of their president, and the void that was created. Clearly at this time and through 2000, there appeared to be a common feeling that the employees did not have confidence in Peter Kuelker becoming the president and governing day to day operations. Minutes of the executive committee for this period, (exhibit 1, tab 3) outline discussions about coming up with a business plan, budgeting, and introducing new products.

90 In September of 2000, a memo went out from the executive committee announcing that Peter Kuelker was stepping away from his presidential day to day operations, to allow the management group a chance to see if it could run operations. Clem Kuelker, Peter's brother, acted as a temporary president. Attempts were made to develop an executive committee, to see if an executive committee could effectively give direction to and manage the company. Memos showed the search for a mission statement, corporate vision statement, and work was done on a corporate flow chart.

91 While this was ongoing, in April, 2000, Peter Kuelker hired Alain Audet, as comptroller and vice-president of finance. The members of the executive committee opposed Mr. Audet sitting on the committee, but the evidence was clear that he was hired with the understanding that Peter Kuelker would be president. Clearly over the summer and fall of 2000 things deteriorated, and eventually Peter Kuelker became president. The fall out from this led to dissatisfaction. Robert Will, as well as several other senior employees, left Stonetile in late 2000 and early 2001. Peter Kuelker frankly admitted in evidence that the executive committee was disbanded prior to the end of 2000, and no Board of Directors was ever created.

92 It is clear that the year 2000 was a very tumultuous time for Stonetile, as it attempted some reorganization, but the impression left from the evidence is that management returned to Peter Kuelker and Alain Audet, and the so called "management" and "executive" committees did not hold much power in the organization. They certainly did not carry the responsibilities and duties that these names would suggest.

93 In summary, Robert Will worked in a supervisory capacity at Stonetile, but at least up until Dennis Clark left in January 2000, Robert Will had little influence or involvement in overall management. After early 2000, there was a move toward establishing an executive committee, and the management of the company was somewhat in turmoil until January 2001. I do not find that his position as production supervisor or his involvement in the management or the executive committee, in the context of Stonetile's actual circumstances, meant that Robert Will stood in a fiduciary capacity to Stonetile, such that in addition to his employment obligations, he owed fiduciary duties. There was nothing in evidence that suggested he was a key employee, or had powers or discretion at Stonetile that allowed him to affect Stonetile's legal or practical interests or

that left Stonetile particularly vulnerable to his exercise of power.

5. What are the Available Remedies?

5.1 Financial Evidence

94 Robert Will and Bernie Knoff each put up $45,000 as a loan to finance the start up of Castcon. They knew they had to develop a marketable product line.

95 Castcon's business plan for 2004 to 2008 was entered as an exhibit at trial. It outlined the company's pricing strategy, which was to price Castcon's product line approximately 30% below that of named competitors, including Stonetile's. It indicated the ability to do that was due to the low overhead costs. This bargain was identified as the primary reason for the rapid sales growth. The goal was stated to be to achieve profitable pricing at the existing cost structure, yet offer bargain pricing until the desired percentage of market share was achieved.

96 The following chart shows the gross revenue, and the cost of sales and gross profit reported by Castcon on its financial statements. Cost of Year Gross Revenue Goods Sold Gross Profit

2003	$ 51,845	$ 34,850	$ 16,995
2004	$217,045	$133,680	$ 83,365
2005	$412,884	$371,458	$ 41,425
2006	$510,975	$318,597	$192,378
2007	$529,421	$364,996	$164,425
2008	$431,032	$312,686	$118,346
2009	$199,388	$ 75,508	$123,880

97 The plaintiff spent considerable time at trial both through questions and in argument, pointing out that some management fees had been included by Castcon in the cost of goods sold as noted in the financial statements. Castcon's fairly quick increase in sales from start up accords with the experience of Stonetile, which went from total sales of $25,000 to $30,000 in its first year of commercial operation, up to almost $600,000 in 1994 and then over the next three years, increased to total sales of $1.7 million.

98 The gross revenues of Stonetile for the years starting in 2000 onwards were as follows:

Year	Gross Revenue
2000	$3,167,286
2001	$4,053,024
2002	$3,338,254
2003	$3,592,118
2004	$3,920,224
2005	$3,599,106
2006	$4,308,857
2007	$6,306,845 (not adjusted for Edmonton sales)
2008	$5,974,180
2009	$4,784,252

99 Thus, one would comment from the numbers that there is a considerable market for this product in Calgary. Interestingly, Stonetile had a drop in gross sales in 2002, a time when Castcon was not competing in the market. The only evidence to explain this was that of Peter Kuelker, who testified that, from 2000 to 2003 at Stonetile, there was very little research and development of the product; it was a time to consolidate systems and the company had to go full out just to keep the production up to manage the backlog in sales.

100 I have no evidence of the maximum capacity of Stonetile, beyond which it could not supply the Calgary market. No expert evidence was presented to discuss the financial records, or other market forces. Interestingly, both companies suffered a decline in sales in 2009. Common knowledge suggests this is not surprising in light of the recession and its effect on the housing and development market in Calgary.

101 The other evidence that is relevant to any assessment of the damage caused to Stonetile by Castcon's misuse of its information, is the list of key products, introduced through Alain Audet. This clearly identified slate tile as Stonetile's top selling product. Cut tile, originally only 215 sq. ft. of the product sold by Castcon in 2003, increased to sales numbers of 14,748 sq. ft. in 2005. That magnitude of the increase far outnumbered the increase in any other product line of Castcon in that period. It was early in this period that Castcon produced its Castlerock tile and developed its thirteen inch hanger system.

102 The evidence does not support any suggestion that Castcon went head on with Stonetile with customers who were known to Robert Will during his employment there. Stonetile's list of major builder clients from 2002 to 2007, (which numbered 121), was produced at trial. Only some were identified by Stonetile as ones that Robert Will would be aware of from seeing their names on production orders during his employment. From that subset, Castcon sold to 5 in 2003, 6 in 2004, 4 in 2005, 5 in 2006 and 2007, 1 in 2008 and 3 in 2009.

103 It is clear from the evidence that Castcon was directly competing with Stonetile in Calgary, Alberta, which was Stonetile's primary place for business and sales. Builders and architects involved in upscale homes would be the primary market for both companies. There was no evidence that a customer list was ever in Robert Will's hands as an employee, or that it was ever taken and possessed by Castcon.

104 Alain Audet produced a graph (exhibit 2, tab 33), which suggested that sales, when adjusted for seasonal variation, dropped from November 2003 to October 2005. Interestingly, a huge sales spike was caused from November 2005 to November 2006 due to a contract involving one large commercial building. No evidence was provided in terms of other factors that could be affecting sales.

5.2 Damage Assessment

105 Faced with all of this evidence, a remedy must be designed to compensate the plaintiff for the misuse of its information, which lead Castcon to springboard into a position to be able to start production more quickly than would otherwise have been the case. The defendants argue that the court should not look at the time the plaintiff took to develop the product, because he "overworked" it. I find this argument hard to accept, since there was nothing in the evidence that suggested that Peter Kuelker is or was not a hard worker, and it underestimates the tire spinning that is often inevitable in the development of a new innovative product.

106 The other aspect that has to be considered is the fact that the springboard effect may not only reduce the time to reach commercial production of a product, but it also may take significant risks out of going into business. With the knowledge of the process and product, and the knowledge and experience gained from employment, a person may risk capital much more freely than the first person to develop the product, who puts more at risk in the face of uncertainty of whether the product will be successful, while also not knowing if there will be a commercial market. Here,

Robert Will, while holding a full-time job, was able to bring Castcon from theory to first commercial sales in sixteen months (summer of 2001 to January 2003). He was able to develop the lucrative Castlerock tile part of Castcon's business in a maximum of five months (from the suggestion by customers that he carry a tile product in May 2003 to installation by November 2003) and to produce slate tiles with included thirteen inch hangers within another three months (November 2003 to February 2004).

107 When I consider the information above, the time frame of the evolution of Stonetile, the number of disciplines involved and the details of production, I find that in essence the confidential information that Robert Will took from Stonetile and gave to Castcon gave that company a one year head start from where it would have been, had it started from square one, and worked only with the individual bits of information in the public domain, and put them together to attempt to develop the products it now produces.

108 The range of remedies available where there has been a misuse of confidential information was canvassed in some detail by the Supreme Court of Canada in *Cadbury Schweppes Inc. v. FBI Foods Ltd.*, [1999] 1 S.C.R. 142. There Binnie, J., speaking for a unanimous Court reviewed arguments about available remedies. He stressed that mathematical exactitude may not be obtainable, and pointed out that the remedy is dictated by the facts of the case. The Court must look to the appropriateness of the remedy. The objective is to put the confider in as good a position as it would have been, but for the breach of confidence. Binnie, J., in paras. 67 to 77 particularly addresses the law as it applies to the possibilities of remedy arising from a "springboard" type of case.

109 It is very difficult to determine the value of the one year head start. No expert evidence was called to assist the court. Stonetile's financial information does not help the Court to quantify a direct loss to Stonetile. Obviously the gross profit from Castcon's first year of operation is not the correct amount, as small companies starting out usually run at a loss as they get off the ground. A loss is incurred in those years, in the hopes it can be covered from the ultimate profits that will come. When I look at Castcon's financial statements, and take the revenue less the cost of sales (even including those as presented in financial statements, which include some management fees), the average annual gross profit for the years 2004 up to and inclusive of 2009 is $111,345. That is likely the most fair estimate of the annual gross profits to be earned, based on the evidence presented. As a result, I find a fair assessment of damages for the one year head start in this case for the misuse of confidential information is the amount of $111,345.00.

5.3. Other Remedies that were Requested

110 The Amended, Amended, Amended Statement of Claim requested injunctive relief, not to restrain Castcon from carrying on business, as by the time this matter has come to trial it had been in business for almost nine years, but rather to restrain Castcon from disclosing the methods, product improvements, and customer knowledge to any third party, and from doing any act that

would cause the disclosure of any of Stonetile's confidential information.

111 Mindful of the evolution that has happened with products since 2002, leading to increasing differences between the products and their production by the two parties and when I consider the basis of the decision in this case, that the misuse resulted in a springboard advantage to Castcon, I do not think an injunction is appropriate relief to be granted in this case.

112 Punitive and exemplary damages were requested in the Amended, Amended, Amended Statement of Claim. No argument was made for these remedies at trial. There was nothing about the facts that would suggest egregious conduct that would lead a court to consider either of these forms of damages.

6. Conclusion

113 The pleadings against the defendants Bernie Knopp and Ronald Will allege that they had induced Robert Will to breach duties owed to Stonetile. No evidence was lead in relation to that conduct by those two defendants, and the action against them is dismissed.

114 The plaintiff is entitled to damages of $111,345.00 against both the defendants Robert Will and Castcon.

115 The plaintiff is entitled to pre-judgment interest in accordance with the *Judgment Interest Act*, R.S.A. 2000, c. J-1 from April, 2003 when this action was filed, by which time the information had been misused, until the date of this judgment.

116 Either party is at liberty to bring an application to speak to costs, if they cannot be agreed between the parties, now that the outcome of this action is known.

R.E. NATION J.