*Indexed as:*

# Techform Products Ltd. v. Wolda

**Between**
**Techform Products Limited, plaintiff (appellant), and**
**Tiete O. Wolda, defendant (respondent)**
**And between**
**Tiete O. Wolda, plaintiff by counterclaim (respondent), and**
**Techform Products Limited and M&C Corporation, defendants by counterclaim (appellants)**

[2001] O.J. No. 3822

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2001 CanLII 8604

Docket No. C33757

Ontario Court of Appeal
Toronto, Ontario

**Charron, Rosenberg and Goudge JJ.A.**

Heard: April 6, 2001.
Judgment: October 1, 2001.

(50 paras.)

On appeal from the judgment of Justice Harriet E. Sachs dated January 31, 2000 and addendum dated February 17, 2001.*

[* Quicklaw note: A corrigendum was released by the Court October 4, 2001. The correction has been made to the text and the text of the corrigendum is appended to this document.]

**Counsel:**

John R. Morrisey, for the appellants.
Peter F. Kappel, for the respondent.

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The judgment of the Court was delivered by

**1** **ROSENBERG J.A.**:-- This appeal concerns ownership of an invention. The respondent, an employee of and then independent consultant to the appellant company, invented a valuable type of trunk hinge. The appellant claims that it is the owner of this hinge, which the respondent worked on while being paid by the appellant. Its claim is based principally on a written agreement. Sachs J. concluded that the appellant cannot rely on the agreement because there was no consideration and, in any event, it was signed under duress. I have concluded that the trial judge erred in law in both respects and that the appeal must be allowed.

**2** The respondent cross-appeals with respect to another invention that the trial judge held was owned by the appellant. I have concluded that the trial judge's finding in respect of the invention in question is correct and I would dismiss the cross-appeal.

THE FACTS

**3** The trial judge gave comprehensive reasons and this summary of the facts is taken from her findings. The respondent Tiete Wolda began employment with the appellant Techform in 1981. Although the respondent was employed as a mechanical engineer, he does not have formal engineering qualifications in Ontario. Techform manufactures automotive parts and it hired the respondent to help redesign the equipment or processes used to manufacture its main product, door-locking rods. While the respondent had created patentable products for a previous employer, he was not called upon to do any inventing for Techform until 1987. In that year, Techform assigned to the respondent and two other employees the task of inventing a hinge that would be suitable for the trunk of a particular make of automobile. They completed the project the following year by inventing the "Dual Motion Deck Lid Hinge". Techform filed a patent application for this invention although no patent was ever issued. There is no suggestion that Techform does not own

this invention.

**4** In 1989, the respondent's relationship with Techform changed. Techform is based in Penetanguishine. The respondent decided to marry a woman who lived and worked in Toronto. He therefore submitted his resignation to Techform. The resignation was accepted and the respondent's immediate superior, Mr. VandenHeuvel, assumed that the respondent would obtain similar work with a parts manufacturer in Toronto. However, more senior executives of the company were anxious to retain the respondent's services and in September 1989, Techform and the respondent signed a consultancy agreement. The company retained the respondent as a consultant on "special projects". The agreement was for one year and could be terminated by either party on sixty days' written notice. Under the agreement, the respondent was to work a minimum of two days per week at a defined hourly rate. The agreement said nothing about the ownership of inventions. The trial judge found that as a result of this agreement, the respondent was an independent contractor/consultant, not an employee. This finding is fully supported by the evidence. The agreement was renewed each year until it was terminated by Techform in 1997.

**5** Towards the end of 1992, the respondent and a Techform employee invented a hinge called the "Boxless Hinge". They had worked on this invention on their own time and without Techform's knowledge. Instead of revealing this product to their superiors in Penetanguishine, they made a direct presentation in Michigan to Techform's president, Ed Connelly. Mr. Connelly was concerned that the respondent and the employee had come to him without the knowledge of the Penetanguishine management and that they might seek some royalty payment for the invention. He wrote to the Penetanguishine management expressing his concerns and stated that he had told the respondent and the employee that Techform did not pay royalties and that any patents would be applied for and owned by the company. Mr. Connelly died prior to the trial.

**6** As a result of Mr. Connelly's letter, Techform's lawyers prepared the Employee Technology Agreement. Mr. VandenHeuvel met with the respondent to have him sign the ETA. According to Mr. VandenHeuvel, the Boxless Spring incident led Techform to put "a more formal method in place to safeguard the confidentiality of new projects for Techform". As Mr. VendenHeuvel had little memory of these events, the trial judge accepted the respondent's version. The respondent 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, the respondent was in his middle fifties and was supporting two children. As he put it, he "saw no way out". The respondent signed the ETA on February 3, 1993. He then 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, the respondent inserted a question mark beside the word, "Employee". The respondent 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. Mr. VandenHeuvel testified that if the respondent had refused to sign the ETA, the company would

have given him sixty days' notice of termination.

**7** The ETA begins with the following clause:

> As consideration for my continuing employment in any capacity with Techform Products Limited ... and as consideration for the salary or wages paid for my services during my employment

The agreement then sets out a number of terms that may be summarized as follows:

(i) the respondent agreed to promptly inform the company of the full details of all inventions that he conceived, completed or reduced to practice while employed by the company and that related to the work of the company, that result from work using any equipment, facilities, materials, or personnel of the company, or that result from or are suggested by any work which he may do for the company;

(ii) the respondent agreed "to assign and I do assign" to the company "my entire right title and interest" in any such inventions and all patent applications filed and patents granted, "which I conceive or make (whether alone or with others) while employed by the Company or within one year of the end of my employment (if conceived as a result of my employment)"; and

(iii) the respondent agreed "while employed by the Company and afterwards" to execute any papers that the company may consider necessary or helpful to obtain or maintain patents.

The ETA also included confidentiality and non-competition terms.

**8** In 1996, the company assigned to the respondent the task of designing a tailgate hinge mechanism. The respondent did so and at the request of the company, the respondent executed a Declaration for Patent Application in July 1997. The respondent was not asked to assign his patent rights. This invention is the subject of the cross-appeal.

**9** Also in 1996, the respondent invented the "3D Hinge". It is this invention that is at the core of the litigation. Over the ensuing months, the respondent raised with the company the question of what compensation he could expect in return for assigning to the company or a related Michigan company, M&C Corporation, rights to this invention. He wanted an increase in his hourly rate and an agreement that for every hinge sold, two cents would be paid to a particular charity. The company was outraged by these demands, which they regarded as a betrayal of their relationship,

and would not agree.

**10** The respondent billed Techform for approximately 1,000 hours of work related to the 3D Hinge. He also received the assistance of Techform employees in refining the design. The respondent worked with Techform's United States patent attorneys on the patent application and was paid for this work by Techform.

**11** On November 7, 1997, Techform's solicitor wrote to the respondent's solicitor stating that the respondent's employment was terminated because of his breach of his obligations to Techform. Litigation started soon thereafter.

**12** In its statement of claim Techform asked for a declaration that it was the owner of the 3D Hinge and of U.S. and Canadian patent applications filed by it and the respondent. It also sought an order vesting in it all right, title and interest in the hinge. Techform also sought a declaration that it was the owner of the Tailgate Hinge Mechanism and an order vesting in it all of the right title and interest in the Tailgate Hinge Mechanism. The appellant also applied for an injunction and made a claim for damages.

**13** The respondent defended the action and counterclaimed, inter alia, for damages and for a declaration that, as the inventor of the 3D Hinge, he remained the owner of all rights in and to the invention including all patent applications.

**14** Pending trial, the appellant successfully obtained interim and interlocutory injunctions restraining the respondent from disclosing confidential information.

THE TRIAL JUDGE'S FINDINGS

**15** At this point, I will very briefly summarize the significant legal and factual holdings by the trial judge. I will more fully set out her findings as I deal with the specific issues.

(i) At common law, the mere existence of an employment relationship does not disqualify employees from patenting inventions made during the course of their employment.

(ii) 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.

(iii) An independent contractor who makes an invention owns the invention unless

there is an agreement, express or implied, to the contrary. 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.

(iv) After 1989, the respondent was an independent contractor/consultant, not an employee.

(v) Inventing was not within the normal scope of the respondent's duties, but prior to 1989 Techform did on one occasion assign a specific project to him (and others) to invent a new product, the "Dual Motion Deck Lid Hinge". Techform was entitled to assert that it owned this invention.

(vi) The only term that could be implied in the 1989 consultancy agreement was that when Techform specifically assigned to the respondent the task of inventing a product, it was entitled to claim ownership of that product.

(vii) The Tailgate Hinge Mechanism having been specifically assigned to the respondent fell within the implied term. The 3D Hinge did not, since its invention was not assigned to the respondent by the company. Rather, it was a product of his own initiative.

(viii) The ETA is not binding on the respondent because:

(a) there was no consideration; and in any event

(b) it was entered into as a result of duress.

(ix) The respondent is not estopped from denying his obligations under the ETA because estoppel can only be used as a shield not a sword and therefore cannot be relied upon by Techform to assert its claim of ownership.

(x) Accordingly, Techform's claim for ownership of the Tailgate Hinge Mechanism succeeds. Its claim for ownership of the 3D Hinge fails.

(xi) The trial judge allowed the respondent's counterclaim for breach of contract and assessed damages in the amount of $5,100. These damages were awarded because Techform did not give the respondent 60 days notice of termination as required by the 1989 agreement.

THE APPEAL AND CROSS-APPEAL

**16** In its appeal, Techform seeks an order declaring it to be the owner of all of the right, title and interest in the 3D Hinge. Techform also argued that if it was successful on the main issue, it was seeking dismissal of the counterclaim for breach of contract.

**17** In his cross-appeal, the respondent argues that his obligations to Techform ended in October 1997 either because the consultancy agreement ended by mutual consent or the innocent party accepted repudiation. Either way, he argues that in the result he had no obligation to perform any of

the terms of the contract by assigning rights in either the 3D Hinge or the Tailgate Hinge Mechanism to Techform and that Techform's remedy, if any, was damages for breach of contract.

ANALYSIS

Consideration for the Employee Technology Agreement

**18** The consideration set out in the ETA was "continuing employment" with Techform. The trial judge noted that in Francis v. Canadian Imperial Bank of Commerce (1994), 21 O.R. (3d) 75, this court held that generally a modification of a pre-existing contract will not be enforced unless there is a further benefit to both parties. Relying upon two cases, Watson v. Moore Corp. (1996), 134 D.L.R. (4th) 252 (B.C.C.A.) and Kadis v. Britt, 29 S.E. 2d 543 (1944, N.C.S.C.), the trial judge held that continued employment could not amount to consideration. With respect to the former case the trial judge said the following:

> ...
>
> 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 <u>before</u> 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. [Emphasis in original]

**19** As to the Kadis decision from the North Carolina Supreme Court, the trial judge said she agreed with the following comments from that court:

(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].

**20** In my view, the trial judge erred in law in holding that there was no consideration for the ETA. In Maguire v. Northland Drug Company Limited, [1935] S.C.R. 412 the court held that continued employment and implied forbearance from dismissal for a reasonable period is adequate consideration. In Maguire, about eleven months after he began employment as a store manager, the defendant was asked to sign a non-competition covenant in the form of a bond under seal. The defendant was told that all branch managers were required to sign. Speaking for four members of the Court at pp. 415-416, Dysart J. ad hoc stated as follows:

> There was ample consideration for the bond. Although the necessity of proving consideration for the covenant is not dispensed with by the presence of a seal in a case of this kind, sufficient appears from the evidence adduced at the trial to establish, that the employee was given to understand, and did understand, that his refusal to execute the covenant would lead to an early termination of his employment, and that the employer tacitly promised that if the bond were signed, the employment would not soon be terminated. On this mutual understanding the covenant was entered into, and thereafter the employer refrained indefinitely from exercising its legal right to issue the notice which, at the expiration of one month, would terminate the employment. This continuance of employment constitutes legal consideration, the adequacy of which will not be inquired into by Courts: Gravely v. Barnard (1874), L.R. 18 Eq. 518; Skeans v. Hampton (1914), 31 O.L.R. 424. [Emphasis added.]

**21** In his concurring opinion, Davis J. stated at p. 419 that "the continuance of the appellant in the service of the respondent was in itself sufficient consideration for an agreement imposing a reasonable restraint". We were not referred to any decision of the Supreme Court of Canada reversing the Maguire decision.

**22** In the majority judgment in Watson v. Moore Corp., McEachern C.J.B.C. held that, generally, continued employment alone cannot be consideration, that it must be combined with either forbearance or some other incentive. He interpreted the majority judgment in Maguire as based on a finding "without question that the employee would be terminated if he or she did not sign the employment agreement in question". In Watson, after many years of employment, the plaintiff was required to sign an Employment Agreement limiting the amount of pay in lieu of notice upon dismissal without cause. McEachern C.J.B.C. noted that the case was therefore unlike Maguire, where the covenant was unrelated to the right of the employer to terminate the employment. As he said at pp. 259-60:

> There are difficulties with finding that continued employment alone constituted consideration in this case. The plaintiff was already employed and remained employed throughout the relevant period. Unless it can be said that the

> defendant forbeared discharging her, nothing of value flowed from the defendant to the plaintiff.
>
> Even if continued employment alone could constitute consideration in some circumstances, it must still be determined whether continued employment constituted consideration in this case. The cases where continued employment was found to be consideration all dealt with covenants unrelated to the right of the employer to terminate the employee's employment: in Maguire ... it was non-competition ...
>
> In this case, the provision in issue relates directly to the company's ability to terminate the employee's employment without cause. It cannot be seriously contended that continuation of the plaintiff's existing employment, without more, was consideration for her agreement that she could be discharged without cause with less notice or pay in lieu thereof than she was already entitled to receive.
>
> It follows, in my view, that consideration for the plaintiff's employment contracts cannot be found just in the normal continuation of her existing employment. [Emphasis added.]

**23** I would point out that this case is like Maguire, and unlike Watson, in that the covenant is unrelated to the right of the employer to terminate the employee's employment. In that context, it would seem to me that this court is bound by Maguire if there is any distinction to be drawn between the holdings in the two cases. In my view, however, the two cases of Maguire and Watson can sit together.

**24** In Watson, McEachern C.J.B.C. said that continued employment without more could not serve as consideration for an amendment to the employment contract that was adverse to the employee. That is consistent with the majority judgment in Maguire where central to the finding of consideration was not just the continued employment but the continued forbearing of the employer from exercising its contractual right to dismiss on one month's notice. It is also consistent with the principle fundamental to consideration in the context of an employment contract amendment - that in return for the new promise received by the employer something must pass to the employee, beyond that to which the employee is entitled under the original contract. Continued employment represents nothing more of value flowing to the employee than under the original contract.

**25** In Watson, in a passage relied upon by the trial judge in this case, McEachern C.J.B.C. also addressed the possibility of consideration arising from the employer forbearing to dismiss the employee as the employer otherwise could, under the original contract. He found that where the employer has no clear intention of dismissing the employee prior to the employee signing and

returning the contract amendment, the mere refraining at that point from discharging the employee does not furnish consideration for the amendment. This too, is consistent with Maguire where the promised forbearance was found to be not so time limited. Rather, the employer in Maguire implicitly promised that if the amendment were signed the employee "would not soon be terminated". This forbearance for a reasonable period of time was what constituted the consideration in that case.

**26** In my view, this analysis is also consistent with principle. Where there is no clear prior intention to terminate that the employer sets aside, and no promise to refrain from discharging for any period after signing the amendment, it is very difficult to see anything of value flowing to the employee in return for his signature. The employer cannot, out of the blue, simply present the employee with an amendment to the employment contract say, "sign or you'll be fired" and expect a binding contractual amendment to result without at least an implicit promise of reasonable forbearance for some period of time thereafter.

**27** Maguire is consistent with this analysis. There, on facts very similar to the facts in this case, the majority relied on what they found to be the employer's implicit promise to forbear for a reasonable period of time from exercising its contractual right to dismiss the employee on one month's notice. The continuation of employment on this understanding constituted consideration for the employee's signature. This reasonable forbearance did pass something of value to the employee beyond that which he had under the original contract.

**28** In my view, we are obliged to apply the same reasoning to this case. In portions of her reasons not dealing with consideration, the trial judge accepted evidence from the appellant that if the respondent did not sign the ETA his services would be terminated on sixty days' notice. In presenting the ETA to the respondent in the circumstances of this case, the employer must be taken to have tacitly promised to forbear from dismissing the employee for a reasonable period of time thereafter. That promise was in fact fulfilled. The appellant retained the respondent's services for a further four years and terminated those services only when he breached the ETA.

**29** In my view, therefore, there was consideration for the ETA.

**30** Since I have found there was consideration, it is unnecessary to consider the appellant's alternative argument and decide whether consideration was required in the circumstances because of reliance by Techform on the agreement. I would simply note, as did Weiler J.A. in Francis at pp. 84-5, that there is a growing trend in Canada towards adopting the United States position of "protecting promises which modify an existing duty to the extent that there has been subsequent reliance on them by the person in receipt of the promise".[1] The trial judge in her discussion of estoppel, clearly found that there was such reliance by Techform.[2]

Duress

**31** Although she found there was no consideration, the trial judge went on to consider whether, in

any event, the ETA was unenforceable because of duress. She found that it was and the appellant recognized that to succeed on this appeal, it must show that she erred. In her reasons, the trial judge referred to this court's decision in Stott v. Merit Investment Corp. (1988), 63 O.R. (2d) 545, leave to appeal to S.C.C. refused (1988), 63 O.R. (2d) x where it was held that not all economic pressure will constitute economic duress. As she said, "[i]t 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". She also recognized that 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". Unfortunately, although the trial judge then gave extensive attention to whether the respondent was deprived of choice, she never returned to the question of whether the pressure was illegitimate. In my view, in failing to do so she erred in law.

**32** In considering whether the respondent was deprived of choice, the trial judge reviewed the application of the four factors from Pao On v. Lau Yiu, [1979] 3 All E.R. 65, namely:

(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?

**33** The trial judge found in favour of the respondent on all four factors. These were principally findings of fact and, while I have some misgivings about the trial judge's findings, especially in relation to the fourth factor, I am not persuaded that they are unreasonable. However, as McKinlay J.A. said in Gordon v. Roebuck (1992), 9 O.R. (3d) 1 (C.A.) at 6, that does not end the matter; in addition, "one must determine whether the coercion exerted on the [party] was legitimate". Since the trial judge did not consider this aspect of the case it falls to this court to do so.

**34** In Stott at p. 564, Finlayson J.A. referred with approval to Universe Tankships Inc. of Monrovia v. Int'l Transport Workers' Federation, [1982] 2 All E.R. 67 (H.L.) where it was held that in determining what is legitimate two matters may have to be considered. The first is the nature of the pressure and the second is the nature of the demand that the pressure is applied to support. There are a number of characteristics of this case that, in my view, require a finding that the pressure was not illegitimate.

**35** First, the respondent was an independent contractor, not an employee. Admittedly, Techform was the respondent's only client, but it seems to me that the company could have insisted on something like the ETA as a condition for renewing the consultancy agreement for the following year.

**36** Second, it seems apparent that the company genuinely believed that it was entitled to ownership of inventions by its employees and consultants. This was the position taken by Mr. Connelly with the respondent. The trial judge did not seem to disbelieve Mr. VandenHeuvel's evidence that the ETA was an attempt to put in place a more formal method of safeguarding the

confidentiality of new projects for Techform. In fact, the trial judge found that when Techform specifically assigned to the respondent the task of inventing a new product, Techform was entitled to claim ownership of that product. The trial judge found that this was an implied term when the respondent was an employee and was implied in the 1989 consultancy agreement.

**37** As the trial judge noted, the law would appear to be that absent an express or implied agreement to the contrary, an employee or independent contractor owns inventions. In my view, that does not mean that Techform's request or demand that the respondent execute such an agreement was illegitimate. Techform was paying the respondent for his work on the various inventions. While the trial judge held that Techform did not expressly assign the concept of the 3D Hinge to the respondent, he was generally assigned to work on hinges. In my view, Techform's bona fide belief that it was the owner of the inventions tells strongly in favour of finding that the pressure was not illegitimate: CTN Cash and Carry Ltd v. Gallaher Ltd, [1994] 4 All E.R. 714 (C.A.) at 718.

**38** Finally, in looking at the nature of the pressure, it is important that the respondent was not forced to sign the ETA on the spot. He took it away with him and had ample opportunity to obtain independent advice. Thereafter, he had many years to reconsider, obtain the benefit of legal advice, seek a revised agreement or repudiate the agreement. He did not do so since as he put it, "Why would I [shackle] myself". This lengthy passage of time tells strongly against there being illegitimate pressure: Stott at p. 565.

**39** For these reasons, it is my view that the pressure was legitimate and the trial judge erred in finding that the agreement was unenforceable on the basis of economic duress.

Does the ETA cover the 3D Hinge?

**40** Although the ETA refers to the respondent throughout as an "employee", I did not understand the respondent to argue that on this basis it did not apply to him. However, in oral submissions counsel for the respondent argued that the invention of the 3D Hinge did not fall within the terms of the ETA since it only covered inventions "which I conceive or make (whether alone or with others) while employed by the Company". As I understand counsel's argument this part of the ETA should be interpreted in the same manner as the implied term of the consultancy agreement. As indicated, the trial judge had found that it was an implied term that when Techform specifically assigned to the respondent the task of inventing a new product, Techform was entitled to claim ownership of that product.

**41** This argument was not made before the trial judge and, in any event, it cannot succeed. The broad language of the ETA simply does not support the limitation sought by the respondent. The respondent testified that he conceived of the 3D Hinge in November 1996. At the time, he was employed as a consultant to Techform and Techform was his only client. Thereafter, he billed Techform for almost 1,000 hours of work related to the 3D Hinge. In my view, it fell within the terms of the ETA.

Effect of repudiation of the consultancy agreement

**42** The respondent argued before the trial judge, as he did before this court, that all of his obligations under the consultancy agreement ended with its termination. Therefore, he is not required to assign his interests in any of the inventions. It is implicit in the trial judge's order that she rejected the respondent's position. Otherwise, she would not have made a declaration that Techform was the owner of the Tailgate Hinge Mechanism. I agree with the trial judge.

**43** First, in my view, this case is covered by the dicta in Holy Rosary Parish (Thorold) Credit Union Limited v. Robitaille, [1965] S.C.R. 503 at 506 where it was held that "an assignment for valuable consideration of property to be obtained in the future is a valid equitable assignment and one which is enforceable in equity so soon as the property comes into possession of the assignor".

**44** Second, the appellant is seeking a declaration of its rights, not specific performance. Under the implied term of the consultancy agreement and express terms of the ETA the respondent assigned his rights in his inventions to the company. They owned the inventions and were entitled to have the court protect their rights: Tailby v. Official Receiver (1888), 13 H.L. 523 at 547.

**45** Third, this was not a case of rescission where the rescinding party is entitled to treat the contract as if it were void ab initio. Even if the proper characterization of what occurred in this case is that Techform repudiated the consultancy agreement and the respondent accepted the repudiation, the rights and obligations that had already matured prior to the repudiation were not extinguished: Guarantee Co. of North America v. Gordon Capital Corp. (1999), 178 D.L.R. (4th) 1 (S.C.C.) at 40.

**46** Finally, there is nothing to indicate that the appellant repudiated the ETA. To the contrary, it insisted throughout that the respondent continue to honour his obligations under that agreement. In the November 7, 1997 letter terminating the respondent's employment, counsel for the appellant stated that the respondent's obligations under the ETA "survive the termination of his employment with Techform". In my view, it is open to a court to make a declaration concerning those rights and obligations: Hurst v. Bryk, [1997] 2 All E.R. 283 (C.A.).

**47** For these reasons, the appellant is entitled to the declarations sought and is not limited to damages for breach of contract. In the circumstances of this case, damages would be an inadequate remedy.

**48** In light of my conclusion concerning the ETA it is unnecessary to consider the alternative grounds of appeal put forward by the appellant based upon an implied term of the consultancy agreement and estoppel.

**49** In view of the appellant's success on the main issue, the appeal must also be allowed with respect to the counterclaim for damages for breach of contract. The appellant was justified in terminating the consultancy agreement because of the respondent's wrongful refusal to assign the 3D Hinge.

DISPOSITION

**50** Accordingly, I would allow the appeal and declare that the appellant is the owner of all right, title and interest in the 3D Hinge, including all patents and patent applications for such invention. I would also allow the appeal with respect to the counterclaim and dismiss the counterclaim. I would dismiss the cross-appeal. The appellant is entitled to its costs of the appeal and the cross-appeal. In her reasons on costs, the trial judge referred to an offer to settle by Mr. Wolda. It is unclear whether there were any offers to settle from the appellant prior to trial. I would invite counsel to make written submissions within fourteen days of release of the judgment concerning disposition of costs of the trial in light of my disposition of the appeal.

ROSENBERG J.A.
CHARRON J.A. -- I agree.
GOUDGE J.A. -- I agree.

* * * * *

Corrigendum
Released: October 4, 2001

The following is the text of a corrigendum released by the Court:

> "The subject line below the style of cause has been changed to read: "On appeal from the judgment of Justice Harriet E. Sachs dated January 31, 2000 and addendum dated February 17, 2000"."

1 In view of my conclusion on consideration, I also need not decide what the remedy would be if the court were to enforce the agreement without consideration. The Ontario Law Reform Commission in its "Report on Amendment of the Law of Contract" (Toronto: Ministry of the Attorney General, 1987) at 31, recommended that a promise that the promisor would reasonably expect to induce forbearance should be binding "if injustice can be avoided only by enforcing the promise". However, it also recommended that the remedy should "be limited as justice requires". Thus, there might not be full enforcement of reliance-based promises.

2 As indicated, the trial judge held that Techform could not found its claim for ownership of the 3D Hinge on estoppel because of the maxim that estoppel can never be used as a sword but only as a shield.