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**Injunctions for the Protection of Confidential Information
and Trade Secrets**

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February 9-11, 2012

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INTRODUCTION

In a highly competitive economic environment, companies often invest significant time and resources in creating and obtaining confidential information. It is essential that the information be protected. If a company is unable to control its own confidential and proprietary information, its business may suffer and its reputation in the marketplace may be diminished.

For these reasons, among others, the use of injunctions becomes a necessary and useful potential tool to protect confidential information. In this paper, the use of injunctions is considered in the specific context of responding to the misuse of confidential information. The issue of evidence collection is also considered, including the use of Anton Piller and Norwich Orders to preserve evidence and obtain information relating to the plaintiff's case in aid of an injunction. Finally, the use of sealing orders and the importance of keeping confidential information out of the public is explored.

Defining confidential information and trade secrets

Misappropriation of confidential information and trade secrets by a former employee and his/her new employer can give rise to liability in damages and injunctive relief by a

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former employer.¹ Trade secrets and confidential information are not easily definable with exhaustive precision. Determining whether information is confidential can be dependent upon several factors. In *Saltman Engineering Co. v. Campbell Engineering Co.*, the English Court of Appeal held that the “confidential” information:²

“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 on 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”.

In *Pharand Ski Corp. v. Alberta*,³ the Court listed several helpful factors to consider in determining whether information is sufficiently confidential so as to warrant protection:

- (1) the extent to which the information is known outside the owner's business;
- (2) the extent to which it is known by employees and others involved in the owner's business;
- (3) the extent of measures taken by him to guard the secrecy of the information;
- (4) the value of the information to him and his competitors;
- (5) the amount of money or effort expended by him in developing the information; and
- (6) the ease or difficulty with which the information could be properly acquired or duplicated by others [i.e. by their independent endeavours].

¹ *CPC International Inc. v. Seaforth Creamery Inc.* (1996), 49 C.P.C. (3d) 382 at 386.

² [1963] 3 All E.R. 413n (C.A.) at page 415.

³ 1991 CanLII 5869 (AB QB).

A trade secret can be considered a kind of confidential information. As its name suggests, a trade secret must involve the indicia of secrecy to remain confidential. In many instances trade secrets are patentable. However, the benefit of maintaining a trade secret and not patenting is that the lifetime of a trade secret is indefinite, provided the secret information does not enter the public domain. The case of *R.L. Crain v. Ashton and Ashton Press Manufacturing Co.*,⁴ is the leading Canadian authority, and established what kind of information can be considered a “trade secret”:

- (1) A trade secret is a property right, and differs from a patent in that as soon as the secret is discovered, either by an examination of the product or any other honest way, the discoverer has the full right of using it;
- (2) A trade secret is a plan or process, tool, mechanism, or compound known only to its owner and those of his employees to whom it is necessary to confide it;
- (3) The term trade secret as usually understood, means a secret formula or a process not patented, but known only to certain individuals, used in compounding some article of trade having a commercial value, and does not denote the mere privacy with which an ordinary commercial business is carried on;
- (4) A trade secret may consist of any formula, pattern, device or compilation of information which is used in one's business, and which gives him an opportunity to obtain an advantage over competitors who do not know or use it. A trade secret is a process or device for continuous use in the operation of the business. The subject matter of a trade secret must be secret.

⁴ [1950] 1 D.L.R. 601 (Ont. C.A.) at page 609.

Generally, while the terms “trade secrets” and “confidential information” have been used somewhat interchangeably, trade secrets tend to refer to more technical matters such as processes and formulae, whereas confidential information relates to less technical matters. In this paper, unless otherwise specified, confidential information includes trade secrets.

Misuse, now what?

Obtaining an Injunction

It is usually imperative for a party who has discovered a misuse of its confidential information to restrain further misuse before harm (or further harm) can be done. Injunctions to protect confidential information often arise in the context of a claim for breach of confidence, breach of contract or breach of fiduciary duty. As stated by the Supreme Court of Canada in *Cadbury Schweppes Inc. v. FBI Foods Ltd.*,⁵ “whether a breach of confidence in a particular case has a contractual, tortious, proprietary or trust flavour goes to the appropriateness of a particular equitable remedy but does not limit the court’s jurisdiction to grant it”.

A duty of confidence will arise where a person acquires knowledge of confidential information, under circumstances in which the person has notice or agreed that the information is confidential.

⁵ [1999] 1 S.C.R. 142, at para 42.

The test for breach of confidence was set out in *Coco v. A.N. Clark (Engineers) Ltd.*,⁶ and affirmed in the Supreme Court of Canada in *International Corona Resources Ltd. v. LAC Minerals Ltd.*⁷

- 1) The information must have the necessary quality of confidence about it;
- 2) The information must have been imparted in circumstances importing an obligation of confidence;
- 3) There must be unauthorized use of that information to the detriment of the party communicating it.

Where there is a breach of confidence claim, generally, a party may seek an interlocutory order under rule 40 of the *Rules of Civil Procedure* and section 101 of the *Courts of Justice Act*.⁸ The test for obtaining an injunction order to restrain the use of confidential information is the well-known test from *R.J.R. McDonald*:⁹

1. Whether there is a serious issue to be tried.
2. Whether irreparable harm has been suffered.
3. Whether the balance of convenience favours granting the remedy.

The requirement that there is a *serious issue to be tried*, is often not a difficult threshold to meet and usually involves a preliminary assessment of the merits of the case.¹⁰ In cases involving confidential information or trade secrets, generally this requires looking to: whether the defendant is in possession of confidential information or trade secrets

⁶ [1969] R.P.C. 41.

⁷ (1989), 61 D.L.R. (4th) 14 (S.C.C).

⁸ Rule 40 provides that "An interlocutory injunction or mandatory order under section 101 or 102 of the *Courts of Justice Act* may be obtained on motion to a judge by a party to a pending or intended proceeding."

⁹ *R.J.R. McDonald v. Canada (Attorney General)*, [1994] 1 S.C.R. 311.

¹⁰ It should be noted that in some instances judges have ignored or minimized the strength of the plaintiff's case.

belonging to the plaintiff; whether it is disclosing the information to a third party (often the company or companies with which the defendant is now associated); and whether that disclosure, if it is proven to have occurred, violates a duty owed to the employer. At this stage a court will be required to determine the nature of the information a plaintiff seeks to protect. For trade secret claims at the injunction stage, plaintiffs have argued, for example, that reverse engineering cannot be utilized to discern the formulation/make up of the subject matter, that competitors have been unable to duplicate the subject matter, and that any related product the defendant has used in the marketplace could not have been created without the use of the plaintiff's trade secret. This was the case in *CPC International Inc. v. Seaforth Creamery Inc.*,¹¹ where the defendant was restrained from selling or offering to sell its products, or disclosing to any third party its formulation or processing information.

The existence of *irreparable harm* is an essential consideration for a court in determining whether to award an injunction. Plaintiffs will commonly claim that when confidential information is released or trade secrets are lost, so too will be its competitive advantage. It will have gone through an extended period when its product or services are no longer unique in the marketplace. Such a situation may not be compensable by an award of damages.¹² The development of trade secrets in particular often involves a great deal of investment in research and development. There is often a sound argument that a plaintiff cannot be compensated for loss of competitive advantage. Where the parties have a confidentiality agreement which provides that a

¹¹ (1996) 14 O.T.C. 144.

¹² *C.P.C. International Inc. v. Seaforth, supra; Danik Industries Ltd. v. Just Rite Bumpers & Accessories Ltd. et al* 1993 CanLII 2792 (BC SC) (1993).

breach of its terms will give rise to injury for which damages at law would not be sufficient, this can be favourable (although not binding) for a plaintiff in creating a presumption of irreparable harm.¹³

The *balance of convenience* is closely linked to irreparable harm, however the court will also consider several other factors on a case-by-case basis that are difficult to quantify in monetary terms. The test generally involves the court considering which of the plaintiff or defendant will be adversely affected by the granting or withholding of the injunction. Courts will look to maintain the status quo where appropriate.¹⁴ However, if a plaintiff's case appears to be strong in the eyes of the court, although an injunction would cause greater inconvenience to a defendant, an injunction may still be awarded.

Hotspex v. Edwards is a recent example of the use of an injunction to protect a plaintiff from misuse of confidential information.¹⁵ The Vice-President and several employees of Hotspex, a marketing and research company, left their positions to join another marketing company. The defendants had signed covenants agreeing to Hotspex's ownership of intellectual property, agreeing that all information acquired in the course of employment was to be maintained in confidence and used only for Hotspex, and agreeing that all information learned or acquired through their association with Hotspex was to be used and/or disclosed only for the performance of their jobs and not for individual benefit.

¹³ *Canpark Services v. Imperial Parking Canada Corp.* (2001), 56 O.R. (3d) 102 (S.C.J.).

¹⁴ *Turbo Resources Ltd. v. Petro Canada Inc.* (1989), 24 C.P.R. (3d) 1 (F.C.A.).

¹⁵ 2011 ONSC 3837.

The defendants admitted to having Hotspex information and documentation on their computers when ending their employment. However, they denied that any of the information was confidential, and claimed that all of the information had been deleted. A forensic examiner who had inspected the defendant's computers could not confirm that all documentation had been disclosed and deleted. Hotspex wanted confirmation that its confidential information had been irrevocably and permanently deleted, and sought an injunction to have a forensic inspection of the defendants performed. Justice Brown applied the three-part test from *R.J.R. McDonald* and found in favour of Hotspex. Considering the issue of irreparable harm, Justice Brown held that:¹⁶

the possession of the documents by the Defendants compromises the confidentiality of those documents, the proprietary interest that the Plaintiff has in them, erodes Hotspex's ability to control the distribution and availability of its own information, and constitutes significant and ongoing irreparable harm to Hotspex. The Defendants have no legitimate right or reason to retain the documents. The longer the Defendants retain the documents, the greater Hotspex's exposure to liability and the greater the risk to Hotspex's reputation and client relationships.

This case provides a good example of the usefulness of an injunction, particularly where employees have the potential to significantly harm their former employer.

Employment Contracts

Employers often use employment contracts to assist in protecting confidential business information. Employers may require employees to sign non-competition, non-solicitation and confidentiality agreements which prohibit the employee from leaving the employer and using the confidential information and/or trade secrets elsewhere. In cases where an employee has left their employer and has subsequently breached the

¹⁶ At para 23.

restrictive covenant, the reasonableness of the covenant may be at issue. The principle of reasonableness in the context of restraints of trade was established in early cases such as *Nordenfelt v. Maxim Nordenfelt Guns and Ammunition Co.*¹⁷ and courts continue to apply policy considerations on a case by case basis as to what is an appropriate level of restraint.

In *H.L. Staebler Company Limited v. Allan*,¹⁸ the Ontario Court of Appeal considered the enforceability of restrictive covenants where two employees resigned and immediately began working in a similar capacity for another employer in the insurance industry. Both employees had been subject to restrictive covenants on their post-employment activities for a two year period following the termination of their employment. Although it did not involve confidential information or trade secrets, the case is significant because the Court of Appeal confirmed that a non-solicitation clause and a confidentiality undertaking are generally sufficient to protect an employer's interests. Non-competition agreements are only required and enforceable in certain circumstances. For employers, it is important to strike a balance in drafting non-solicitation and confidentiality clauses, where rights to information can be restrained to the "maximal" amount required which courts will accept as reasonable. Employers should be cautious not to attempt to protect the possible dissemination of their confidential information through the use of an overly restrictive non-competition agreement, particularly where a confidentiality and non-solicitation clause will suffice.

¹⁷ [1894] AC 535.

¹⁸ 2008 ONCA 576.

In the early case of *Herbert Morris Ltd. v. Saxelby*,¹⁹ Lord Atkinson established that an employer is “undoubtedly entitled to have his interest in his trade secrets protected, such as secret processes of manufacture which may be of vast value”. Protection may be afforded by restraining an employee from divulging secrets or putting them to their own use, and the employer is entitled to not have its old customers solicited or enticed away. However, an employer is not entitled to be free from all competition.

The right to protect proprietary trade secrets does not require a contractual covenant. Even where a restrictive covenant may be held unenforceable, this is not a defence to a claim of misappropriation of trade secrets. As noted in *CPC International Inc. v. Seaforth Creamery Inc.*,²⁰ “the restrictive covenant, if enforceable, confers contractual rights and remedies upon the plaintiffs, but the rights they derive from proprietary trade secrets do not arise from that restrictive covenant.”

While it is widely recognized that a subsequent employer should ensure its employees do not take with them confidential information from a previous employer to which they are not entitled, it is also prudent for an employer to have new employees acknowledge in their employment agreement that they do not possess and will not use any confidential information relating to their former employer. This is important for subsequent employers to avoid involvement in claims against departing employees.

¹⁹ [1916] 1 A.C. 688 (H.L.), at page 702.

²⁰ [1996] O.J. No. 3393 at para 29.

Commercial Contracts

Issues as to confidentiality often arise where companies are required to share their confidential information to attract potential business, for example in the case of a joint venture where the potential partner may be a competitor. This was seen in the oft-cited *Lac Minerals Ltd. v. International Corona Resources Ltd.*,²¹ where International Corona Resources Ltd., a junior mining company, carried out an extensive exploration program and made arrangements to attempt to acquire the relevant property for mining. Representatives from Lac Minerals became aware of the test results regarding the land and visited the Corona property. Corona showed the Lac representatives confidential geological findings and other information about the property during discussions. The matter of confidentiality was not raised. After visiting Corona's site, Lac acquired the property without informing Corona. While the Supreme Court of Canada found a breach of confidence, the case provides an example of the benefits of a company binding another company with a confidentiality agreement.

Issues of confidentiality also may arise in the sale of a business, where a vendor agrees through a confidentiality agreement not to compete with the purchaser, including refraining from using confidential information or trade secrets. In such instances, the principle established in the case of *Elsley v. J.G. Collins Insurance Agencies Ltd.* applies: there is a distinction between a restrictive covenant in an agreement for the sale of a business and a covenant contained in a contract of employment.²²

²¹ [1989] S.C.J. No. 83.

²² (1978), 83 D.L.R. (3d) 1.

Commercial contracts are more likely to involve equal bargaining power and courts will generally be more open to restrictive covenants than in the employment context.

Complicated factors can arise in instances where there has been a sale of business and the individuals operating the vendor company become employed with the purchaser company for a period of time. For example, in *Hargraft Schofield LP v. Schofield*,²³ the defendant had sold his interest in an insurance company and on closing entered into a three-year employment agreement that included a confidentiality and non-disclosure agreement and a non-competition clause. The non-disclosure and confidentiality agreement contained a term that Schofield not compete with Hargraft for three years in Ontario following his employment with Hargraft. It was alleged that while he was still chairman and an employee of the plaintiff, the defendant became involved in the creation of a new business with his wife in breach of the restrictive covenant.

In granting an injunction which restrained the defendant from using or disclosing the confidential information of the plaintiff, the court noted the relatively broad scope of restraints in the sale of a business. The Court cited *Dale and Co. v. Land*,²⁴ where the Alberta Court of Appeal court enforced a restrictive covenant operating throughout the Province of Alberta for a period of five years as part of an overall agreement for the sale of the defendant's insurance business. In that case it was noted that the parties "were the best judges of the area in which the covenant should operate".²⁵ The court noted

²³ [2007] O.J. No. 4400.

²⁴ (1987), 56 Alta L.R. (2d) 107 (Alta.C.A.).

²⁵ At para 11.

that in the case of injunctions to enforce restrictive covenants for the sale of a business, the strength and the merits of the case are primary considerations.²⁶

With respect to the issue of serious harm, the court held that if the moving party demonstrates a clear breach of a negative covenant, irreparable harm and the balance of convenience may need not to be proven.²⁷ This follows from *Miller v. Toews*,²⁸ where the trial judge was found by the Manitoba Court of Appeal to have erred in principle by requiring proof of irreparable harm. The Court stated that such proof is not required in cases where the plaintiff seeks to enforce a negative covenant which is *prima facie* reasonable and was given by the vendor of a business to protect the purchaser's interest in the subject matter of the sale. The proper test is not whether damages will prove to be an adequate remedy, but whether it is just, in all the circumstances, that a plaintiff should be confined to his remedy in damages.²⁹

Regarding confidential information, the court was satisfied that the defendants had access to information including customer names and contacts and products sold and that, on the expiry of Schofield's employment, he was obligated to return all confidential information. There was a serious issue to be tried regarding the confidential information, the misuse of the confidential information constituted irreparable harm, while the balance of convenience was found to favour granting injunctive relief to restrain the defendants from using or disclosing this information.

²⁶ At para 35.

²⁷ At para 18.

²⁸ 1990 CanLII 2615 (MB CA).

²⁹ At page 2.

In sum, Courts will consider the identity of the parties and their relationship to each other in determining the appropriateness of a restrictive covenant. However, the information must still have the necessary qualities of confidence to be considered confidential in enforcing a restrictive covenant.

Evidence Collection

Evidence in cases of misuse of confidential information takes numerous forms, including both hard and electronic copies. While issues as to the disclosure of hard copy evidence may arise, particular difficulties may exist in obtaining evidence in electronic form before it is no longer possible to track and obtain. Defendants may not even be aware of the existence of relevant electronic information which they hold. The result in such cases can be lengthy preliminary disputes.

Anton Piller Orders

A party seeking to seize and preserve evidence may be required to obtain an Anton Piller order (ie. a civil search warrant). A heavy onus is placed on the party seeking such an order to bring forward all the relevant evidence and the relevant law and a draft order in terms that “ensure sensitivity for the rights of the defendant”.³⁰ In *Celanese Canada Inc. v. Murray Demolition Corp.*,³¹ the Supreme Court set out the requirements for an Anton Piller order:

- The plaintiff must demonstrate a strong prima facie case;

³⁰ *Celanese Canada Inc. v. Murray Demolition Corp.*, [2004] O.J. No. 372 (Div. Ct.).

³¹ [2006] 2 S.C.R. 189.

- The damage to the plaintiff of the defendant's misconduct, potential or actual, must be very serious;
- There must be convincing evidence that the defendant has in its possession incriminating documents or things;
- The plaintiff must show that there is a real possibility that the defendant may destroy such material before the discovery process can do its work.

An Anton Piller order "is especially important in the modern era of heavy dependence on computer technology, where documents are easily deleted, moved or destroyed".³²

The release of a company's confidential information into the public domain may drastically harm the company. Courts are careful in granting this relatively drastic form of injunction, however the court will equally give weight to the seriousness of the misuse of confidential information.

The potential utility in obtaining an Anton Piller order in ultimately preventing the misuse of confidential information was seen in the Quebec case of *Task Micro-Electronics Inc. c. Bilkhu*.³³ An employee working for TASK as a product engineering manager was privy to all of the unique features of his employer's technology, including its trade secrets. TASK noticed that the employee was handling the company's technical information more than usual and had begun bringing work home, causing it to fear that the information would be given to its competition. The employee was subsequently terminated.

It was discovered that the two former employees had information that belonged to TASK in order to solicit business to a company which the defendant employee would be

³² At para 32.

³³ 2009 QCCS 990.

forming. Despite undertaking to return all physical and confidential information, the employee was also found to have had memory disks belonging to TASK. Upon examining his computer, TASK also determined that at the end of his employment, the employee had transferred several emails with document attachments to his personal computer, some of which dealt with clients. Other highly specialized information, including expensive software programs, had been transferred by the employee to his personal computer.

As a result of these discoveries, TASK moved and successfully obtained an Anton Piller order, which the defendant applied to quash. Upon searching the employee's house under the order, it was discovered that the employee was to become a partner in his newly formed company with an employee who had still been working at TASK at the time. All of the information was useful and was intended to be used to solicit TASK's clients, without TASK's knowledge, at a lower price. The information obtained through the Anton Piller order thus brought to light the fact that TASK's business would have been "cloned" by two former employees and a current employee of TASK's, who continued to have access to its internally available confidential information and trade secrets.

In denying the application to quash the order, the Court gave consideration to the requirements set out in *Celanese*. The Court gave particular consideration to the condition that TASK had to show a real possibility that the defendant could destroy material before the discovery process. The Court held that, if in assessing the defendant's past conduct, the judge finds that he was dishonest, and that there is evidence that he could easily eliminate the things seized, then the equation is complete.

The judge hearing an application for an Anton Piller injunction is then able to infer that the evidence to be seized could disappear if notice were given to the defendant.³⁴

It thus appears that a clear misuse of confidential information by a defendant may satisfy the requirement of the potential destruction of material. This is in contrast to cases not involving confidential information, such as *Vladi v. Krolow*,³⁵ where the plaintiff's application for an Anton Piller order was denied. The Court in that case found nothing indicating that the defendants would destroy the evidence at issue relating to the defamation claim. A mere conclusory statement in an affidavit is not sufficient to satisfy the court of this requirement.

The case of *94th Avenue Beauty Salon Inc. v. Neglia*,³⁶ provides a useful consideration by the Ontario Superior Court of what is required to obtain an Anton Piller order in cases of alleged misuse of confidential information. The case involved an allegation by the plaintiff that each of the individual defendants breached their employment obligations by quitting employment and taking with them their hair colour card formulas and other confidential information that was the property of the plaintiff. The plaintiff's order had originally been granted on an *ex parte* basis based on the assertion that without the surprise element that accompanies the execution of such an order, there was a highly significant risk that the plaintiff's evidence would be destroyed. Justice Campbell held that the order should not continue to trial and should not have been made, and that the original motion should have proceeded on notice to the defendants. His Honour held:

³⁴ At para 78.

³⁵ 2010 ONSC 5484.

³⁶ 2009 CanLII 34773 (ON SC). Leave to appeal refused, [2010] O.J. No. 379.

- The affidavit material of the plaintiff did not identify with sufficient specificity that each of the defendants had confidential information to justify the intrusion that accompanied the order.
- The statement of claim did not allege conspiracy. The evidence was compatible with individual employees deciding for their individual reasons to resign and seek employment with the corporate defendant. There was concerted action but it fell short of prima facie proof of that allegation.
- Had the original motion been brought on notice, it would have been possible to more easily focus on the particulars of involvement of individual defendants.
- Had the original motion been brought on notice, it may well have been that a less intrusive form of order (assuming any were granted) would have sufficed to preserve evidence.
- Destruction of evidence itself was not the issue, but rather possibly some of the trail by which the information found its way from the plaintiff's premises into the business of the corporate defendant would have been made more difficult without the Order. Both the plaintiff's business and the defendant's business had the information that was in the possession of the Independent Supervisory Solicitor ("ISS."). Had this been clear at the *ex parte* appearance, a less intrusive Order such as an injunction may have been all that was required.

Where an Anton Piller order seeking to preserve evidence of misuse of confidential information is being sought on an *ex parte* basis (which is often the case), the threshold to meet in satisfying the court of the appropriateness of the order will be particularly high. The court cited Justice Binnie's description of Anton Piller Orders in *Celanese*, as a "massive intrusion". Based on the "thinness" of evidence, the court held that if notice had have been given, an order likely would not have extended to the presence of police at residential premises or to the seizure of cell phones of individuals who did not have

written contracts of employment containing terms that defined confidential proprietary information.³⁷

An Anton Piller order is not a fishing expedition to obtain further evidence for the purposes of proving misuse of confidential information. For example, in *Factor Gas v. Jean*,³⁸ Factor had commenced an action against a former senior sales manager for damages resulting from the manager's alleged theft of confidential information and use of the confidential information to divert business, enabling the defendant and his company to compete unfairly with it. Factor had submitted that it sought an Anton Piller order in respect of the secret commission arrangement because access to the former employee's computer records would clear up whether the commission was taken in association with any of the other companies or individuals involved in the transactions. On Factor's appeal of the decision to set aside the Anton Piller order, the Court noted that in making this statement, Factor had in effect admitted to seeking an Anton Piller order for an improper purpose of obtaining pre-action discovery.

Norwich Orders

A Norwich Order is a pre-action discovery mechanism which allows plaintiffs to access potentially relevant information from third parties. This includes identifying a defendant and locating and preserving evidence. The Ontario court has described this order as an "extraordinary and intrusive on the rights of a non-party", where a plaintiff must establish

³⁷ At para 17.

³⁸ 2010 ONSC 2454.

necessity.³⁹ The requirements to obtain a Norwich Order were set out in *GEA Group AG v. Flex-N-Gate Corporation*:⁴⁰

- (i) the strength of the applicant's case against the unknown alleged wrongdoer;
- (ii) the relationship between the alleged wrongdoer and the respondent (the person from whom discovery is sought);
- (iii) whether the information could be obtained from another source; and
- (iv) whether the provision of the information "would put the respondent to trouble which could not be compensated by the payment of all expenses by the applicant".

In cases involving misuse of confidential information, Norwich orders may become an important consideration for a plaintiff who is unable to identify the party or parties responsible for the misuse. In Canada, Norwich orders, although not novel, have not been considered until more recently and so there is not an established body of case law surrounding these orders in regards to misuse of confidential information. As technology continues to advance, it is possible that this form of injunction will be sought more commonly in Ontario courts.

Keeping confidential information out of the public record

A conflict may arise where a plaintiff is seeking to ensure the confidentiality of its business information or trade secrets in a court action because court actions inherently involve disclosure of all documents and information that are relevant to the issues being

³⁹ *Tetefsky v. General Motors Corp.*, 2010 ONSC 1675.

⁴⁰ 2009 ONCA 619.

litigated, resulting in the confidential information becoming part of the court file. There is a balance to be struck in allowing the public to observe the workings of the court, while preventing serious harm to litigants' commercial interests through public access. The protection of confidential information may arise both in the context of privileged confidential information, or more commonly, non-privileged confidential business information including customer lists and trade secrets for example.

The test as to whether confidential commercial information should be protected from public disclosure was laid out in *Sierra Club of Canada v. Canada (Minister of Finance)*.⁴¹ The Court found that a confidentiality order should only be granted when:

- (a) such an order is necessary in order to prevent a serious risk to an important interest, including a commercial interest, in the context of litigation because reasonably alternative measures will not prevent the risk; and
- (b) the salutary effects of the confidentiality order, including the effects on the right of civil litigants to a fair trial, outweigh its deleterious effects, including the effects on the right to free expression, which in this context includes the public interest in open and accessible court proceedings.

The test provides for the court to exercise its discretion in considering the necessity of the order and proportionality, which requires public interest considerations. As stated by Justice Iacobucci, a "commercial interest" must be an interest that goes beyond harm to the private commercial interests of a person or a business. Trade secrets for example are likely to involve important public and private interests, and sealing orders

⁴¹ [2002] 2 S.C.R. 522.

have been frequently granted in such cases.⁴² There have been cases where companies seeking sealing orders have failed on the basis that the assertions of commercial interest were narrow and personalized, such as claims of market status and investment in time and money.⁴³

It is clear that the issue of disclosure to the public is grounded on policy considerations. However, parties continue to attempt to persuade courts of the personal business reasons for non-disclosure, and courts continue to reject such arguments. As such, it is necessary for a party to separate its own interests which are otherwise the subject matter of the case at hand.

CONCLUSION

Companies often invest significant time and resources in creating and obtaining confidential information, thus creating significant interests in protecting it. Confidential information ranges from highly commercial and technical information to information of more of a personal and intimate nature, the former of which is often the subject matter of dispute in employment and commercial relationship disputes. In the context of the employment relationship, there is an abundance of case law dealing with situations in which departing employees take with them confidential information that is the property of their employer. In more recent times, the likelihood that employers will be required to deal with disputes surrounding former employees taking with them confidential information has increased, due to a rise in employee mobility.⁴⁴ This raises concerns

⁴² See *Fairview Donut Inc. v. The TDL Group Corp.*, 2110 ONSC 789.

⁴³ See eg., *Pfizer Canada Inc. v. Novopharm Limited*, 2010 FC 409.

⁴⁴ Michael J Hutter, "Drafting Enforceable Non-Competition Agreements to Protect Confidential Business Information: A Lawyer's Practical Approach to the Case Law" (1981) 45 *Albany law Review* 311.

for employers, whose businesses often depend upon such information. As was stated in an early U.S. case, the former employee who departs with confidential information is “the most exasperating of all competitors”.⁴⁵

In the context of both employment and commercial relationships, injunctions are an essential tool in preventing misuse. Through the use of Anton Piller and Norwich Orders, important evidence can be preserved and the identity of unknown parties determined, so as to ensure a remedy may ultimately be sought in preventing misuse. The continuing trend seen in the case law is that courts consider the granting of these orders a very serious matter, and so plaintiffs’ interests must be substantial.

There are also significant interests in ensuring confidential information is not released into the public. There may be operational business reasons for this, or the information may be harmful to a company’s reputation. But there must be a greater, broader public interest at stake for a court to make a sealing order.

While the law of injunctions has a long history in Canadian courts, as with other areas of law, factors such as changes in technology require courts to continually evolve their approach in considering plaintiffs’ claims for relief following alleged misuse of confidential information. It is inevitable that the law of injunctions in this area will continue to change and evolve, and to challenge clients and counsel, as new contexts arise to test the application of common law principles.

⁴⁵ *Belmont Laboratories, Inc. v. FTC*, 103 F.2d 538, 542 (3d Cir. 1939).