



# No Secret, No Remedy: Tips For Preserving Your Trade Secret Rights

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U.S. court decisions suggest that companies who sue for theft of trade secrets are at risk of losing the lawsuits if the measures they took to protect their trade secrets were insufficient<sup>1</sup>. Although there are differences between U.S. and Canadian trade secret law, Canadian companies with trade secrets critical to their business should take note to avoid a similar fate.

While it is true that the protection offered by a trade secret can last indefinitely, this assumes that the trade secret remains a secret. Unlike patents, trademarks and copyrights that are protected by federal statutory regimes in Canada, trade secrets are not granted statutory protection by Canadian federal law. Instead, companies primarily rely on the common law in Canada for remedies for trade secret theft and other misappropriation, and typically pursue these remedies in the provincial courts by suing for breach of confidence.

In an action for breach of confidence, the onus is on the plaintiff to prove that the misappropriated information was confidential and that the information was communicated in confidence<sup>2</sup>. In other words, the plaintiff must demonstrate that the information was in fact a secret and that the individual(s) who misappropriated this information knew it was a secret. Canadian Court decisions reveal how judges make these types of determinations, which offer practical tips for owners on how to maintain legal protection for their trade secrets.

In *GasTOPS Ltd v Forsyth*<sup>3</sup>, the court provided a non-exhaustive list of factors to be weighed in determining whether misappropriated information possesses the necessary “quality of confidence” to be considered a trade secret. The list of factors includes (among others) measures taken to guard the secrecy of the information<sup>4</sup>. The courts have applied the *GasTOPS* factors in a number of decisions when considering whether the measures taken by the trade secret owner were sufficient. The following measures to guard the secrecy of the information stand out:

- Separating the production space from the showroom and office area visited by the general public (e.g. posting signs on the doors leading to the production space that warn of the confidential information inside)<sup>5,6</sup>
- Restricting access to confidential information to only those employees that require that information to perform the duties of their job<sup>7</sup>
- Providing only employees with access to the production space and restricting access of others<sup>8</sup>
- Equipping the facility with a security system<sup>9</sup>
- Providing each employee with his or her own security code to access the facility after hours<sup>10</sup>
- Having employees sign formal declarations stipulating that they were not to disclose any confidential information or proprietary processes<sup>11</sup>
- Regularly cautioning employees not to mention operations to anyone and discussing confidentiality regularly with employees (e.g. every six months or so)<sup>12</sup>
- Storing technical and financial information on a secured computer network that is not connected to the internet<sup>13</sup>
- Escorting visitors through the facility and covering up confidential processes before the tour to ensure they are not seen<sup>14</sup>
- Placing reminders on computer screens that state to never to give specific information to customers<sup>15</sup>
- Advising all recipients (including sub-contractors and delivery personnel), either verbally or in writing, of the intention that specific information be treated as confidential<sup>16,17,18</sup>



- Having recipients of confidential information sign confidentially contracts that explicitly indicate which information is considered confidential<sup>9,20</sup>

Although not every one of the above measures will be applicable to or practical for each trade secret, the list above offers guidance as to what sort of measures a court may consider appropriate for safeguarding a trade secret.

## KEY TAKEAWAYS

While a confidentiality agreement is a useful measure for protecting trade secrets and other confidential information, it is not a guarantee of trade secret protection. Courts may weigh many factors in determining whether to grant trade secret protection. A court may not look kindly at a trade secret owner who signed confidentiality agreement with the defendant, but did not treat the secret information any differently than other company information. Consequently, trade secret owners should not rely exclusively on confidentiality agreements, but also put in place other appropriate measures to protect their trade secrets. These measures should extend beyond standard business practices for protecting internal information. Wherever and whenever it is practical to do so, trade secret owners should put recipients on notice of the confidential nature of specific information, as well as providing enhanced physical and IT security. If all of the company's information is protected in the same manner, there is a risk that a court could find that all company information is of equal value and refuse to grant trade secret protection to the misappropriated information. Accordingly, companies should take additional measures to protect trade secrets based on their higher value. If trade secrets are stolen or otherwise misappropriated, action must be taken quickly, particularly if a court injunction is to be pursued.

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<sup>1</sup> Grimes, Steven and Shannon Murphy: “Reasonable Measures For Protecting Trade Secrets: A Primer”, February 27, 2019, Law360, second paragraph.

<sup>2</sup> *International Corona Research Ltd v Lac Mineral Ltd*, [1989] 2 SCR 574 at 635-36, citing *Coco v AN Clark (Engineers) Ltd*, [1969] RPC 41 at 47 (Ch).

<sup>3</sup> *GasTOPS Ltd v Forsyth*, 2009 CanLII 66153 (ON SC) at para 124, aff'd 2012 ONCA 134.

<sup>4</sup> *Ibid* at para 124.

<sup>5</sup> *Shaver-Kudell Manufacturing Inc v Knight Manufacturing Inc*, et al, 2018 ONSC 5206 (CanLII) at para 65.

<sup>6</sup> *Stonetile (Canada) Ltd v Castcon Ltd*, 2010 ABQB 392 (CanLII) at para 25.

<sup>7</sup> *Ibid* at para 26.

<sup>8</sup> *Supra* note 5.

<sup>9</sup> *Ibid*.

<sup>10</sup> *Ibid*.

<sup>11</sup> *Ibid*.

<sup>12</sup> *Ibid*.

<sup>13</sup> *Ibid*.

<sup>14</sup> *Ibid*.

<sup>15</sup> *Ibid*.



<sup>16</sup> TDC Broadband Inc, in bankruptcy v Nova Scotia (Attorney General), 2016 NSSC 206 (CanLII) at para 62, aff'd TDC Broadband Inc. v. Nova Scotia (Attorney General), 2018 NSCA 22.

<sup>17</sup> *Supra* note 6 at para 26.

<sup>18</sup> *Ibid* at para 27.

<sup>19</sup> *Supra* note 16.

<sup>20</sup> *Supra* note 6 at paras 28-9.

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