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Employment Notes

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OWNERSHIP OF INVENTIONS BY EMPLOYEES AND INDEPENDANT CONTRACTORS

The law relating to the ownership of inventions of employees or independent contractors has been discussed in a recent decision of Madam Justice Sachs of the Ontario Superior Court of Justice in *Techform Products Ltd. v. Wolda.*

In that particular case Mr. Wolda worked for Techform from 1981 to 1989 as an employee. In 1989 he resigned his employment and signed a consulting contract making him an independent contractor.

In 1993 Techform had Mr. Wolda sign an "Employee Technology Agreement" (the "ETA") which gave Techform ownership of anything Mr. Wolda invented while working for them because Mr. Wolda had participated in the invention of a certain type of hinge, which was one of Techform's products.

In 1996 Mr. Wolda invented the "perfect" hinge. Mr. Wolda then sought compensation for assigning his invention to Techform or its parent corporation. Techform refused and claimed ownership of the “perfect” hinge.

The law as to the ownership of an invention by an employee was well settled. Under patent legislation and cases that have considered it, inventors who are employees are the first owners of their inventions, unless: (a) there is an express contract to the contrary; or (b) the employee was expressly employed for the purposes of inventing or innovating. If either of those two instances applied, the employer would own the invention.

However, the ownership of the invention by an inventor who was an independent contractor was a novel issue. Madam Justice Sachs decided that, for Techform to be the owner of the "perfect" hinge, Techform had to demonstrate either: (a) there was a valid and binding express agreement that Techform would own Mr. Wolda's inventions; or (b) looking at all the circumstances surrounding the relationship between Mr. Wolda and Techform, it was necessary to imply a term of that relationship that Techform would own Mr. Wolda's invention.

In addressing the first test, the court looked at the ETA. The court came to the conclusion that, at the time Mr. Wolda executed the consulting contract, there was no consideration passing from Techform to Mr. Wolda. Accordingly, the court held the ETA was not binding on Mr. Wolda. Turning to the next test, the court then considered whether it was an implied term of Mr. Wolda's consulting contract that Techform owned the invention of the perfect hinge. The consulting contract did not contain any term that inventions made by Mr. Wolda, while working for Techform, were to be owned by Techform. The court reviewed Mr. Wolda's duties prior to the execution of the consulting contract and determined that inventing was not within the normal scope of Mr. Wolda's duties as an employee. Therefore, Mr. Wolda was found to be the owner of his invention.

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Terms can be implied in a contract only in certain circumstances. The court held that both parties would have had to have consented to the inclusion of such a term at the time the consulting contract was entered into. Otherwise, the term would not be implied by the court. The court found that Mr. Wolda would not have agreed to such a term and therefore concluded there was no implied term in the consulting contract that Techform owned the invention of the perfect hinge.

This case represents some important lessons to companies whose employees or independent contractors are involved or may be involved, in developing products. Namely:

(a) whether someone is an employee or an independent contractor their employment or consulting agreement should specifically assign any inventions made to the company;

(b) consideration must flow to the employee and/or independent contractor to validate the transfer of ownership of any inventions to the employer;

(c) there must be solid evidence that the employee or independent contractor has been asked to develop the particular product over which the company claims ownership.

Robert C. Taylor

COURT OF APPEAL CONSIDERS DRUG AND ALCOHOL TESTING

In the recent decision of *Entrop v. Imperial Oil*, released July 21, 2000, the Court of Appeal had the opportunity to consider both employee alcohol and drug testing policies.

This decision involved an examination of a alcohol and drug testing policy implemented by Imperial Oil in 1992. The policy targeted employees in "safety sensitive positions" and involved random alcohol testing by breathalyser and drug testing by urinalysis.

The Court of Appeal held that the breathalyser testing was allowable given that it could actually detect present impairment. The drug testing, however, was not allowed because it could not determine when the drugs were taken or present impairment.

The Court of Appeal held that in order to be justified, any drug or alcohol testing program must meet the three steps that were earlier identified by the Supreme Court:

1. Is the drug or alcohol testing done for a purpose rationally connected to the performance of the job?

2. Was the testing adopted in an honest and good faith belief that it was necessary to accomplish the company's purpose? and

3. Were the means used by the employer "reasonably necessary to the accomplishment of that legitimate work-related purpose?

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The Court of Appeal also held that under the third step of the test outlined above, Imperial Oil would not have met its duty to accommodate the needs of those who tested positive unless it accommodated individual differences and capabilities to the point of undue hardship. The Court of Appeal stated that this accommodation should include a consideration of sanctions less severe than dismissal and, where appropriate, Imperial Oil should permit employees who test positive to undergo treatment and rehabilitation programs.

Daniel Condon

EMPLOYEE CONFIDENTIAL

Bill C-6, the *Personal Information Protection and Electronic Documents Act* (the "Act") received Royal Assent on April 13, 2000. The purpose of the Act is to support and promote electronic commerce by protecting personal information. This will include information about employees.

Application of the Act

The Act applies to all federally regulated employers i.e. those employers engaged in a federal work, undertaking or business such as railways, shipping, air transportation, broadcasting and banking.

What is personal information?

Personal information includes all information about an identifiable individual except for the individual's name, title, business address or business telephone number. Therefore all information an employer regularly keeps about its employees such as age, salary, benefits, performance reviews, medical information and social insurance number is regarded as "personal information".

Effective date of the Act

The portion of the Act which deals with the personal information of employees comes into force on January 1, 2001.

Requirements of the Act

The Act imposes a number of requirements upon employers including the following:

1. At least one person within the organization must be designated to be responsible for the business' compliance with the principals set out in the act.

2. The organization must implement policies and practices which give effect to the following principals:

   (a) Implementing procedures to protect personal information;

   (b) Establishing procedures to receive and respond to complaints and inquiries;

   (c) Training staff and communicating to staff information about the business' policies and practices; and

   (d) Developing information to explain the business's policies and procedures.

3. The business must document the purpose for collecting any personal information. Thereafter the business can only collect information for that purpose and must do so in a

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"The purpose of the (Personal Information Protection and Electronic Documents) Act is to support and promote electronic commerce by protecting personal information."

way that is fair and lawful.

4. The consent of the individual is required before personal information is collected, used or disclosed.

5. Personal information can only be used for the purpose for which it was collected and it can be retained only as long as necessary to fulfil that purpose.

6. Businesses must develop guidelines and implement procedures with respect to the retention of personal information.

7. Employers must protect personal information with appropriate security safeguards against loss, theft, unauthorized access, disclosure, copying, use or modification.

8. Employers must make its employees aware of the importance of maintaining the confidentiality of this information.

9. The policies and procedures must be made available to all individuals.

10. Individuals must have access to their personal information within thirty (30) days of requesting it. Individuals must be able to challenge the accuracy and completeness of the personal information and have it amended as appropriate.

11. Any individual who challenges the accuracy or completeness of personal information should be directed to the person accountable for the business's compliance with the Act.

12. The Privacy Commissioner is given broad powers to enforce the Act and to conduct random audits of employers.

If you require any further information regarding the requirements under Bill C-6 or how to establish appropriate policies and procedures, please call Elizabeth Forster 593-3919 or e-mail her at eforster@blaney.com.

Elizabeth J. Forster

LEGISLATION UPDATE

The federal government recently enacted the *Modernization of Benefits and Obligations Act*. This Act recognizes the status of "common-law partner". A "common-law" partner as defined as a person who is "co-habitating with an individual in conjugal relationship, having so cohabited for a period of at least one year". This status will be recognized in the Canada Pension Plan Act, the Employment Insurance Act, the Pension Benefit Standards Act, 1985, the Public Service Employment Act, and Public Service Superannuation Act.

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Employment Notes is a publication of the Labour and Employment Law Group of Blaney McMurtry LLP. The information contained in this newsletter is intended to provide information and comment, in a general fashion, about recent cases and related practice points of interest. The information and views expressed are not intended to provide legal advice. For specific advice, please contact us.

We welcome your comments. Address changes, mailing instructions or requests for additional copies should be directed to Chris Jones at 416 593.7221 ext. 3030 or by email to cjones@blaney.com. Legal questions should be addressed to the specified author.

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