

You Raise the Issue

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Restrictive Covenants

Question: Is it necessary to have specific written employment contract to prevent an ex-employee from soliciting business away from his former employer?

Answer: In short, the answer is no, it will not always be necessary to have written restrictions or "restrictive covenants" to prevent an employee from taking away business following the termination of an employment relationship. However, as in most employment situations, a written contract outlining the rights of the employee and the employer upon the departure of an employee does provide added certainty should these types of issues arise.

Aside from any written employment contract, the law provides that senior level employees such as presidents, vice-presidents and chief executive officers, owe a strict fiduciary duty to their former employers not to solicit the former employer's customers, based upon information obtained during the course of their employment. In particular, where the former employee attempts to exploit or use highly confidential information gained during the course of employment to take away business, the law does provide a remedy to an employer to prevent such actions. The types of factors considered in assessing whether a former employee would owe such a fiduciary duty includes the title of that employee, the scope of their responsibilities including any managerial duties and whether the employee was also a director of the company. If an employee is not part of upper management, and there is no other provision in his employment contract which would prevent him from establishing and operating a competing business, an employer is more vulnerable to losing customers and having no legal recourse against that former employee.

In order to avoid uncertainty in this aspect of the employment relationship, it is strongly suggested that specific terms of employment including confidentiality requirements and reasonable restrictive covenants against starting a competing business be clearly set out in writing at the initiation of the employment relationship. These contractual restrictions will be enforced by the courts, as long as they are reasonable both as to time and geographical location.

Proprietary Rights - Company Equipment, Personal Time

Question: During my employment with X company, I developed a unique software package after hours. I used some of the company's computer equipment in doing so. Can I claim ownership of this software?

Answer: The issue in question is who owns the copyright which arises when software is developed. The starting point to assess ownership of products developed in the course of employment is the employment contract. The employment contract, to the extent that it deals with copyright ownership, will generally govern.

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However, if the contract does not deal with ownership of employee creations, then the answer to this question will depend on your job duties and responsibilities as an employee. If you were hired for the express purpose of authoring such software, then it likely belongs to your employer, even without a written contract stating so. If software development was not a part of your job description, then it is possible that the software would belong to you even if you used your employer's computers after hours to assist in that development. Any policies of the employer regarding personal use of computers would also be relevant to this issue. Each case will depend on its particular facts and the nature of the employment duties. If the duties and responsibilities of your employment are unclear or uncertain, then the answer to this question becomes equally unclear. An employment contract which spells out each party's rights at the outset is far preferable to trying to untangle the situation later, when emotions may complicate the situation.

In addition, even where an employee who creates software has assigned the copyright in it to the employer, the employee retains "moral rights" in the software, unless such rights are specifically waived. Moral rights allow the author of a copyright work to prevent

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