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2. If the *Bank Act* registration has priority, is there a *Bank Act* provision that reverses priority?

If the bank is found to have knowledge of an unperfected security interest which was taken prior in time to the bank's registration, despite the bank registering its security interest first, the unperfected security interest would maintain its priority over the *Bank Act* registration. As such, how can banks best protect their interests?

Dual registration

To protect themselves from the uncertainty that persists regarding what priority *Bank Act* registrations may or may not have over unperfected personal property security interests, banks should ensure that they register their security interests under the PPSA. Next, they should consider whether they may also wish to register under the *Bank Act*. Registering under both acts remains permissible and banks continue to do so.

Dual registration allows banks the flexibility to choose the law which is most advantageous to their interests. In an enforcement context, for example, banks in Ontario may elect to proceed to enforce their rights under either federal or provincial law.

Indeed, banks may prefer to enforce their rights under the *Bank Act* because such registrations are effective across Canada and take priority over landlords' rights of distraint.

In this way, banks are attempting to avoid some of the uncertainty that the 2012 Amendments were designed to address but failed to remedy.

REFERENCES: *Bank Act*, SC 1991, c 46; *Bank of Montreal v. Innovation Credit Union*, 2010 SCC 47, 2010 CarswellSask 723, 2010 CarswellSask 724 (S.C.C.), affirmed 2009 SKCA 35, 2009 CarswellSask 156 (Sask. C.A.); *Royal Bank of Canada v. Radius Credit Union* Ltd, 2010 SCC 48, 2010 CarswellSask 725, 2010 CarswellSask 726 (S.C.C.), affirmed 2009 SKCA 36, 2009 CarswellSask 157 (Sask. C.A.); Davies et al., "The Odd Couple: Priorities Issues between the Bank Act and the Personal Property Security Act" *(2013)* Continuing Legal Education Society of British Columbia; *Financial Systems Review Act,* SC 2012, c 5; *Personal Property Security Act*, RSO 1990, c P 10.

EMPLOYMENT LAW

Breach of confidentiality means return of settlement funds

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The Ontario Divisional Court has upheld an arbitrator's decision ordering a former employee to pay back substantial settlement funds due to a breach of confidentiality.

In *Jan Wong v. The Globe and Mail Inc.*, the Divisional Court was asked to consider whether the arbitrator had erred in ordering Wong to repay over $200,000 in settlement funds due to a breach of confidentiality.

The case stemmed from a dispute between Wong and her former employer, The Globe and Mail Inc., that had ultimately been resolved at mediation.

Facts

Under the terms of the negotiated settlement agreement, The Globe and Mail agreed to pay Wong a lump sum payment representing the amount that she would have been entitled to for sick leave during a period of absence, as well as a second lump sum representing two year's pay in the amount of $209,912.

Because Wong intended to write a book about her experiences battling depression in the workplace, the parties agreed "not to disclose the terms of this settlement."

The parties further agreed that should Wong breach this confidentiality obligation, the arbitrator would remain seized of the matter to determine if there was a breach and, if so, whether Wong would have an obligation to repay The Globe and Mail the second lump sum payment.

Wong eventually published a book which contained a number of references to her experiences at The Globe and Mail. Shortly after the book's publication, The Globe and Mail applied to the arbitrator for a determination that 23 phrases in the book breached the confidentiality provision in the settlement agreement.

Application

The arbitrator granted The Globe and Mail's application, noting that at least 4 of the 23 phrases did breach the confidentiality provision. The phrases were as follows:

- … I can't disclose the amount of money I received.
- I'd just been paid a pile of money to go away …

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- Two weeks later a big fat check landed in my account.
- Even with a vastly swollen bank account ...

As a result of her breach of the confidentiality provision, the arbitrator ordered Wong to repay the full amount of the second lump sum payment of $209,912. Wong subsequently filed an application for judicial review with the Divisional Court; she sought an order setting aside the arbitrator's decision.

Judicial review

The court concluded that Wong did not have standing to bring this application because the settlement agreement was a labour arbitration matter to which only The Globe and Mail and Wong's union are parties. The court nonetheless went on to consider whether the arbitrator had applied the wrong legal framework in determining whether there had been a breach of the settlement agreement.

In so doing, the court ruled that the confidentiality provision was clear and unambiguous and, further, that Wong's statements resulted in a clear breach. It was Wong's contention that the settlement agreement did not prevent her from stating that she had received a payment from her former employer; rather, she was only prevented from disclosing the exact amount of the settlement.

Employee's breach

However, the court considered such an interpretation to be indefensible. Ultimately, the court stated that the primary thing that The Globe and Mail wanted from its settlement with Wong was confidentiality. However, as a result of Wong's conduct, The Globe and Mail was effectively denied its bargain.

Accordingly, the court ruled that

> [T]here is no inherent unfairness in a conclusion that [Wong] should have to repay the monies that she received, and that she agreed to repay, if she breached the [settlement agreement].

Employer lessons

This case is a positive development for employers. When settling any dispute with a former employee, one of an employer's primary concerns is the assurance that all aspects of the agreement will remain confidential amongst the parties.

This case illustrates that employers will be able to rely on properly worded confidentiality clauses contained in settlement agreements to ensure the integrity of their negotiations with former employees.

In addition, the decision in this case should also serve as a warning to employees that they will face serious repercussions if they do not strictly comply with their obligations under any negotiated agreement.

REFERENCES: *Jan Wong v. The Globe and Mail Inc.*, 2014 ONSC 6372, para. 56.

BRIEFLY SPEAKING

INTELLECTUAL PROPERTY: In *MC Imports Ltd. v. Afod Ltd.*, the **Federal Court** disposed of a **trade-mark infringement action** by way of a **summary trial**. The plaintiff had alleged that the defendant had infringed its registered **trade-mark, LINGAYEN**, in association with Filipino food products.

The **defendant counterclaimed** that the plaintiff's **trade-mark registration** for LINGAYEN was **invalid** because it was clearly **descriptive** of the place of **origin** of the plaintiff's goods. **Factors** that mitigated in favour of deciding the matter on a **summary trial** included: the small amount of **money** at issue; a straightforward record with **clear legal issues**; and the fact that the matter was at an **early stage** so the parties would not have already spent time preparing for a conventional trial.

With respect to the issue of whether the mark was clearly descriptive, the **court acknowledged** that there may be **doctrinal divide** with respect to what **role** (if any) the **perception** of ordinary **consumers** plays in the analysis. However, since the mark would be considered invalid under either approach, the court declined to endorse a particular approach.

The **first approach** does **not** take into account **consumer perception**. It does not matter if consumers perceive the mark as describing a place of origin; the **mark** will be found clearly **descriptive** of the place of **origin** if the mark is, in fact, descriptive of the place of origin.

The **alternative approach** is that, when considered from the **perspective** of the **consumer**, the mark must have a generally recognized **connection** to the **wares and services** at issue. Under this approach, the court noted that it is the perspective of the **average Canadian consumer** that ***typically purchases*** the **wares** that matters, and not that of the average Canadian.

The **court found** that under either approach, the mark, **LINGAYEN**, was **clearly descriptive** of the place of **origin** of the plaintiff's wares because it is — and is perceived by ordinary consumers of the goods as — the **geographic place of origin** of the **plaintiff's goods**. Therefore, the **mark** was **not registrable** under s. **12(1)(b)** and the subsequent **registration** was **invalid**. ***MC Imports Ltd.***

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