



Cyber Liability

Catherine A. Korte, Partner
Anthony H. Gatensby, Associate Lawyer
Bogdan Miscevic, Associate Lawyer
Karen Bernofsky, Associate Lawyer

McCague Borlack LLP

Suite 2700, P.O. Box 136
The Exchange Tower
130 King St. W.
Toronto, Ontario
M5X 1C7

T: 416.860.0001 | | F: 416.860.0003



Guiding Principles of Privacy

- There are three guiding principles to using information:
 - Confidentiality: access to data must be limited
 - Integrity: the data must be authentic and complete
 - Availability: the data must be accessible to those authorized to access it.

Rising privacy breach litigation

- Class action litigation arising out of cyber and privacy risks is increasing
- Cases involve portable storage and improper disposal of equipment, to cybercrime
- The Ontario Court of Appeal recognized “intrusion upon seclusion” as a tort



Recent Case Law

Certification / Rule 21 Motions

Agnew-Americanano v. Equifax

Canada

- Highly Publicized breach of privacy; millions affected
- cyber criminals accessed personal information through a security vulnerability on Equifax's website.
 - names, addresses, social insurance numbers and some credit card numbers.
- Didn't have policies or procedures in place to react.
 - Widely seen as bungled response
 - created new website instead of using normal site: equifaxsecurity2017.com; Easy to spoof, accidentally tweeted spoofed site address, securityequifax2017.com
 - Took a long time to disclose
 - Executives claim coincidentally sold \$2 million in Equifax stock before announcement
- Class Action in Ontario for "intrusion upon seclusion"

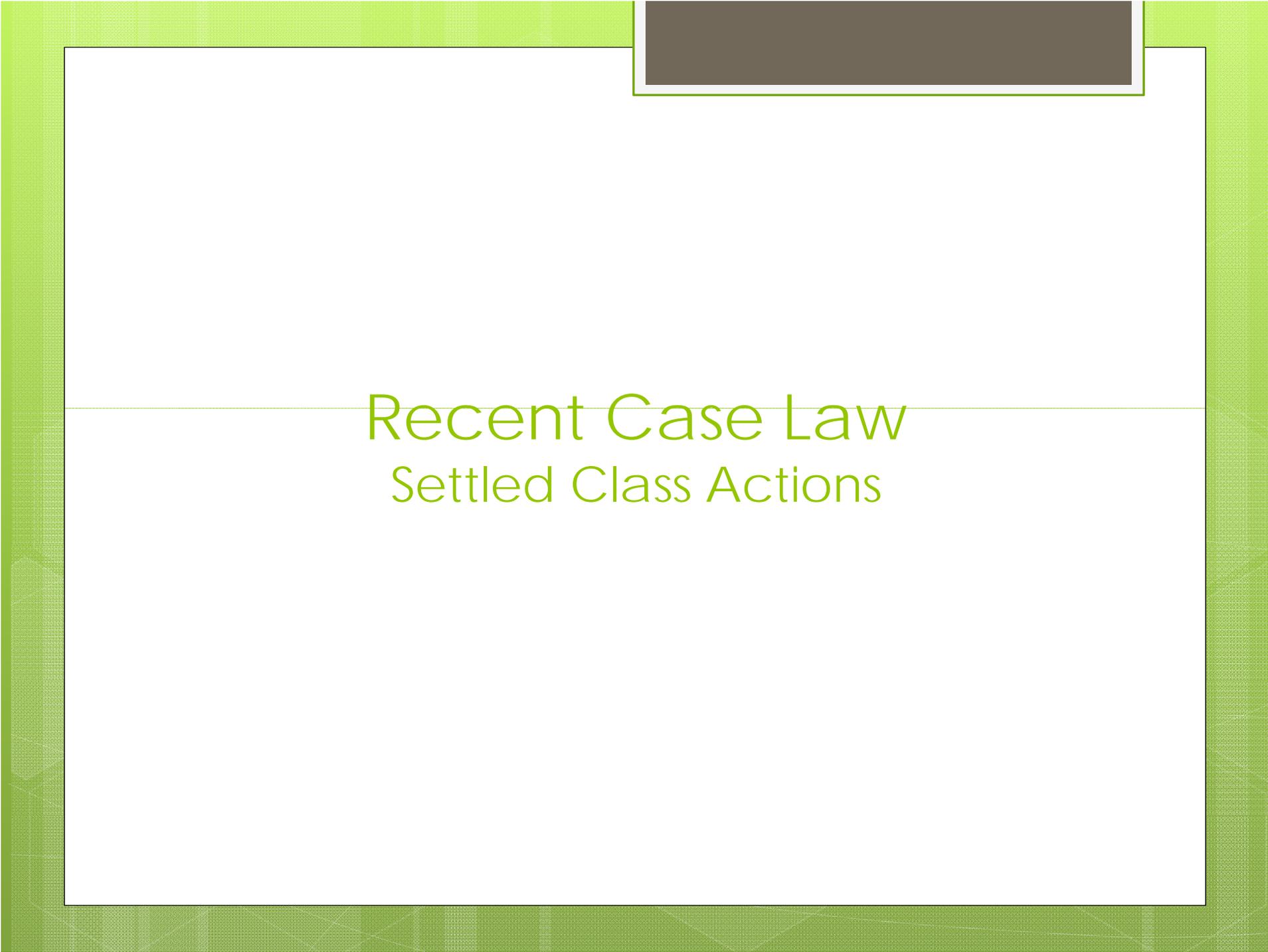
Condon v. Canada

2014 FC 2135 (March 17, 2014), Justice Gagné

- Unencrypted external hard drive went missing from Human Resources and Skills Development Canada office in Québec
- Hard drive contained personal information of 583,000 student loan participants (including SINs, addresses etc.)
- Federal Court certified class action on basis of *Jones v. Tsige*, as well as breach of contract and warranty

Several types of damages were claimed:

- Damages for intrusion upon seclusion
 - Accepted by Court as primary basis for claim
- Nominal damages for breach of contract and warranty
 - Court accepted that plaintiffs may be entitled to nominal damages to recognize a breach of a contract (novel in class actions)
- Damages for negligence
 - No compensable damages; claims in negligence must fail (no identity theft)



Recent Case Law

Settled Class Actions

Lozanski v The Home Depot, Inc., 2016 ONSC 5447

- 6 Class actions in Canada, ~500,000 Canadian customers affected
- Payment card system hacked by custom-made malware
- Not found in violation of privacy legislation by provincial privacy commissioners
- Home Depot immediately informed privacy commissioner and customers, offered all affected customers free credit monitoring, identity theft insurance, and credit repair
- Compare to Equifax response

- Judge approving settlement noted Home Depot's lack of culpability

Terms of settlement included:

- credit monitoring up to \$250,000; and
- Reimbursement up to \$5,000 per person for proven losses as a result of the breach, including time remedying the breach, up to 5 hours at \$15/hr (2 hours if not documented)
- Totaled approx. \$400,000
- Settled for counsel fees of \$460,00, judge cut down to \$120,000

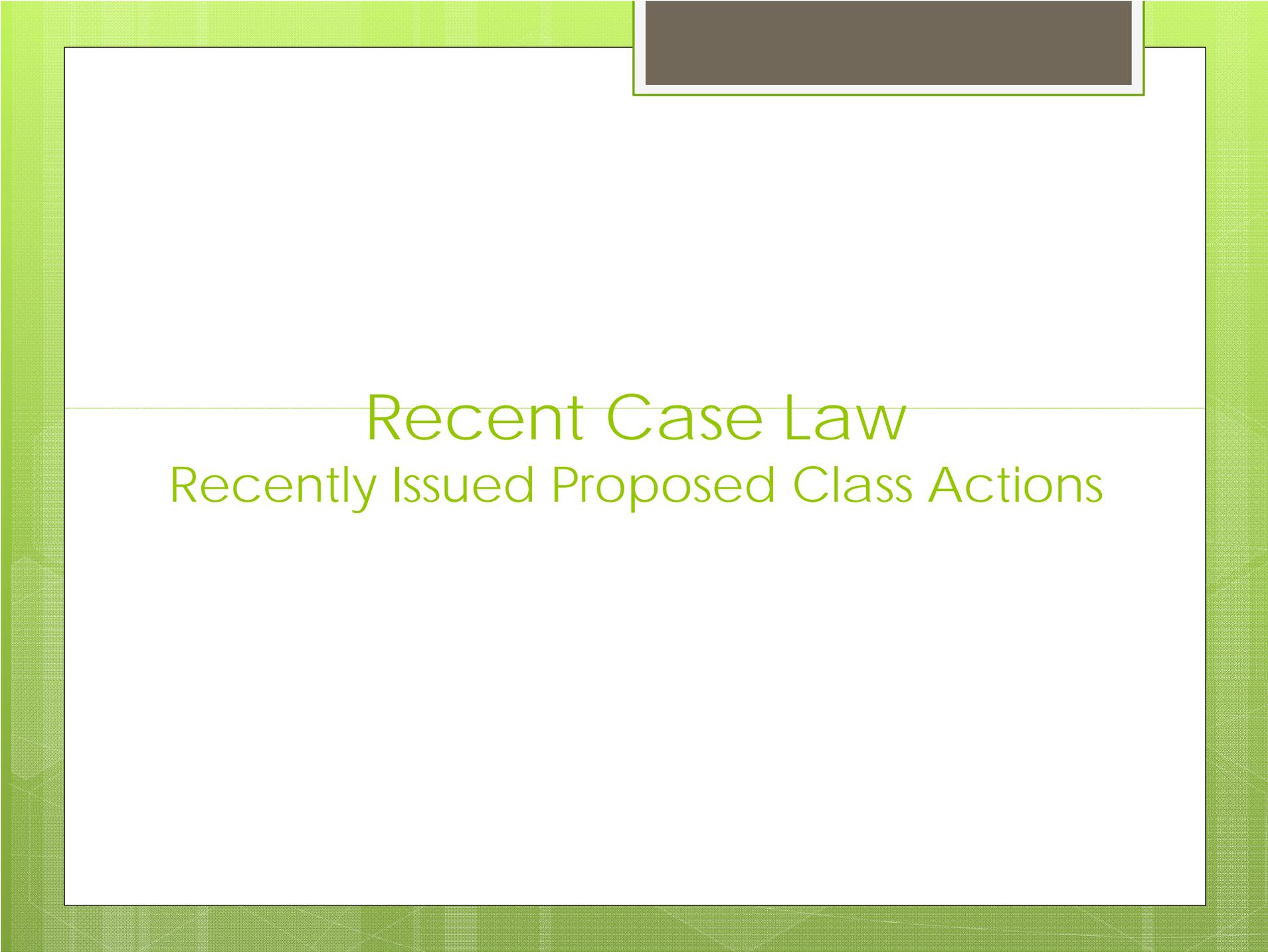
Rowlands v. Durham Region Health

2011 ONSC 719 (February 4, 2011), Justice Lauwers

- Nurse lost a digital USB key
- The USB key contained the unencrypted personal and confidential information of 83,524 individuals who received H1N1 shots
- The plaintiffs' claims included negligence, breach of fiduciary duty, breach of confidence, breach of privacy and breach of statutory duty under the PHIPA and punitive damages.

The settlement included:

- Any member who suffered economic loss could make a claim within a specific claim period.
- The settlement also provided for the payment of the plaintiffs' legal costs estimated at over \$500,000 plus 25% of claims paid in the future.



Recent Case Law

Recently Issued Proposed Class Actions

Peoples Trust Proposed Class Action

- On November 18, 2013, a proposed national class action was commenced against Peoples Trust Company, an online banking firm arising from a privacy breach in which confidential personal information stored in an online application database was compromised by cybercriminals.
- Peoples Trust notified 12,000 to 13,000 individuals who may have been affected after discovering the breach when its customers complained of phishing attempts.
- The action claims \$13 million in damages.

Montford Hospital Proposed Class Action

- \$40 million class action brought against Ottawa's Montford Hospital
- Lost USB stick had confidential personal information of 25,000 patients
- The class members allege breach of contract, negligence, breach of privacy and violations of hospital by-laws and the *PHIPA*.

IIROC Proposed Class Action

- Investment Industry Regulatory Organization of Canada (IIROC)
- Class action in Québec dealing with accidental loss of laptop containing personal information relating to 52,000 clients of investment firms
- Claim seeks \$1,000 per person (\$52 million)

MacEachern and Ford Motors

- Ford notified employees that their personal information had been inadvertently posted to an unsecured website
- Information included names, addresses, phone numbers, birth dates, and seniority dates of 10,000 current and former employees
- Claim seeks \$13 million

Douez v. Facebook

2014 BCSC 953 (May 30, 2014), Justice Griffin

- The British Columbia Supreme Court certified class proceeding against Facebook
- Alleges Facebook used names and images of users without their consent contrary to BC's *Privacy Act*
- Size of the class was estimated to be over 1.8 million

Conclusion

Catherine Korte
McCague Borlack LLP
ckorte@mccagueborlack.com