

Federal Court



Cour fédérale

Date: 20180424

Docket: T-151-16

Citation: 2018 FC 447

Montréal, Quebec, April 24, 2018

PRESENT: The Honourable Madam Justice Roussel

BETWEEN:

**ANGELCARE DEVELOPMENT INC.
AND
EDGEWELL PERSONAL CARE
CANADA ULC
AND
PLAYTEX PRODUCTS, LLC**

**Plaintiffs/
Defendants by Counterclaim**

and

**MUNCHKIN, INC.
AND
MUNCHKIN BABY CANADA, LTD.**

**Defendants/
Plaintiffs by Counterclaim**

ORDER AND REASONS

I. Overview

[1] The Plaintiffs and the Defendants are the principal competitors in the Canadian and

foreign market of baby care products and more specifically, in regard to diaper pails and diaper pail cassettes to dispose of dirty diapers.

[2] In January 2016, the Plaintiffs commenced proceedings against the Defendants for patent infringement, alleging that the Defendants' diaper pail and diaper pail cassettes infringe a number of their Canadian patents.

[3] On August 15, 2017, Mr. Prothonotary Richard Morneau [Case Management Judge] issued a scheduling order which provided, *inter alia*, that the parties jointly file a draft protective order by September 20, 2017.

[4] The parties agreed that highly sensitive documents and information would be exchanged in the course of the proceedings and that a protective order providing two (2) tiers of confidentiality should be put in place: "Confidential" and "Counsel's Eyes Only" [CEO]. They did not agree on who would have access to CEO documents and information. The Plaintiffs sought to limit the disclosure to the Court, the parties' outside counsel in Canada and the United States and their independent experts or consultants. The parties themselves would be excluded from accessing the CEO documents and information. While the Defendants agreed to limit the disclosure to the individuals proposed by the Plaintiffs, the Defendants wished to include one (1) in-house counsel for each party.

[5] On December 5, 2017, in the absence of an agreement, the Plaintiffs brought a motion for the issuance of a protective and confidentiality order pursuant to Rule 151 of the *Federal Courts*

Rules, SOR/98-106 [Rules], the terms of which did not allow the disclosure of CEO documents and information to the parties' in-house counsel.

[6] The Case Management Judge dismissed the Plaintiffs' motion on December 20, 2017 and further directed that the parties agree on the wording of an alternative protective order authorizing the disclosure of CEO documents and information to Mr. Evora, the Defendants' in-house counsel and to one (1) in-house counsel for the Plaintiffs, Edgewell Personal Care Canada ULC and Playtex Products, LLC.

[7] In dismissing the Plaintiffs' motion, the Case Management Judge considered the leading case referred to by the Plaintiffs, *Rivard Instruments Inc v Ideal Instruments Inc*, 2006 FC 1338 [Rivard], in light of more recent decisions of this Court, *Bard Peripheral Vascular Inc v WL Gore & Associates, Inc*, 2017 FC 585 [Bard Peripheral] and *Abbvie Corporation v Samsung Bioepis Co, Ltd*, 2017 FC 675 [Abbvie Corp]. He found that in order to prevent disclosure to an in-house counsel, the Court must be presented with concrete evidence that establishes on a balance of probabilities that there will be an actual prejudice if that disclosure is allowed, in order to preserve and not interfere with the sacrosanct relationship between a party and its in-house counsel. He then considered the evidence filed by the parties and rejected the Plaintiffs' submission regarding the risk that would occur if CEO documents and information were disclosed to the Defendants' in-house counsel, including the "empty head" argument raised by the Plaintiffs.

[8] The Plaintiffs appeal the order of the Case Management Judge on the basis that he (1) disregarded the factors established by the case law governing the issuance of CEO protective orders, and (2) failed to recognize the irreversible prejudice that would result from disclosing the entirety of the Plaintiffs' CEO documents and information to the Defendants' in-house counsel. They submit that the requirements for the issuance of a CEO protective order were met in this case, namely that highly sensitive documents and proprietary technical and commercial information would be produced, and that the protective order provides a mechanism to challenge the confidentiality designations. While the Plaintiffs' motion aimed to put in place a framework which would provide the parties with an opportunity to safeguard their commercial interests during the discovery process, the Case Management Judge dealt with the motion as if the parties were seeking to determine the status of a specific document.

[9] For the reasons that follow, I have determined that the appeal should be dismissed.

II. Analysis

A. *Standard of review*

[10] The parties agree that the applicable standard of review governing appeals of discretionary orders of prothonotaries is the standard enunciated by the Supreme Court of Canada in *Housen v Nikolaisen*, 2002 SCC 33 [*Housen*]: (1) the correctness standard for questions of law and questions of mixed fact and law, where there is an extricable legal principle at issue; and (2) the "palpable and overriding error" standard for factual conclusions and questions of mixed fact and law (*Housen* at paras 19-37; *Hospira Healthcare Corporation v*

Kennedy Institute of Rheumatology, 2016 FCA 215 at para 66; *Mahjoub v Canada (Citizenship and Immigration)*, 2017 FCA 157 at para 74).

[11] They disagree on which standard of review governs this appeal.

[12] In their written representations, the Plaintiffs submit that the question of whether or not a CEO protective order should provide access to a receiving party's in-house counsel is a question of mixed fact and law and as such, the standard of correctness should apply.

[13] In contrast, the Defendants submit that since the order under appeal is a discretionary procedural order made by a case management judge, the applicable standard of review should be that of palpable and overriding error with a high degree of deference unless there is an extricable legal principle at issue.

[14] When prompted at the hearing to identify the extricable legal principle at issue for the standard of correctness to apply, the Plaintiffs argued that the Case Management Judge imposed a higher standard of proof with respect to prejudice because the producing party wishes to preclude disclosure of CEO information to the receiving party's in-house counsel. They further argued that the Case Management Judge erred in rejecting the "empty head" principle set out in *Rivard* which recognized that once employees of a receiving party have had access to sensitive and proprietary information, they can be influenced in their business decisions, either consciously or unconsciously, and cannot be expected to have an "empty head" as to such information when they make their business decisions.

[15] Upon review of the Plaintiffs' submissions, I am not persuaded that an extricable legal principle is at issue in this appeal given the decision of the Supreme Court of Canada in *Teal Cedar Products Ltd v British Columbia*, 2017 SCC 32 [*Teal Cedar*] which warned appellate courts to exercise caution in identifying extricable questions of law because mixed questions, by definition, involve aspects of law (*Teal Cedar* at para 45). Regardless of the applicable standard of review, I am satisfied that this Court's intervention is not warranted.

B. *Protective Orders*

[16] In *Sierra Club of Canada v Canada (Minister of Finance)*, 2002 SCC 41 [*Sierra Club*], the Supreme Court of Canada examined when, and under what circumstances, a confidentiality order pursuant to Rule 151 should be granted. At the outset of its reasons, it noted that "[o]ne of the underlying principles of the judicial process is public openness, both in the proceedings of the dispute, and in the material that is relevant to its resolution" (*Sierra Club* at para 1). It also recognized that in some cases, the search for truth may actually be promoted by a confidentiality order if the disclosure of an important commercial or contractual interest would result in a party not submitting relevant documents, thus hindering a party's capacity to fully present its case (*Sierra Club* at paras 51, 52, 77).

[17] The Supreme Court of Canada framed the test for determining whether a confidentiality order ought to be granted. It stated that a confidentiality order should only be granted when (1) such an order is necessary to prevent a serious risk to an important interest, including a commercial interest, in the context of litigation because reasonably alternative measures will not prevent the risk; and (2) the salutary effects of the confidentiality order, including the effects on

the right of civil litigants to a fair trial, outweigh its deleterious effects, including the effects on the right to free expression, which includes the public interest in open and accessible court proceedings (*Sierra Club* at paras 53, 58, 69).

[18] In balancing the competing interests at play, this Court has accepted that the *bona fide* proprietary and commercially sensitive interests of a party constitute an important interest to be safeguarded in the context of litigation (*Sierra Club* at para 68; *AB Hassle v Canada (Minister of National Health and Welfare)*, [2000] 3 FC 360 at para 6; *Bard Peripheral* at paras 13, 20; *Lundbeck Canada Inc v Canada (Health)*, 2007 FC 412 at para 6 [*Lundbeck*]; *Rivard* at paras 2, 40; *Apotex Inc v Wellcome Foundation Ltd*, (1993), 51 CPR (3d) 305 at 309-310 [*Wellcome Foundation*]).

[19] While Rules 151 and 152 provide a mechanism whereby a party to a proceeding may seek a confidentiality order to have confidential material filed under seal, this Court has adopted a practice of issuing protective orders that govern the disclosure and use by the parties of confidential information during the course of the litigation, including the discovery process. While there is jurisprudence that such protective orders are not required during the discovery process as a result of the existence of an implied undertaking rule, it is not necessary to elaborate on the matter as the issue does not arise in this appeal.

[20] In addition to the more common protective orders which address the treatment of confidential information between the parties and seek to prevent its disclosure to the general public, there are cases where the confidential interests of a party may be such that a more

restrictive form of confidentiality is required. In such circumstances, this Court may issue protective orders containing “counsel’s eyes only” or “counsel and expert’s eyes only” provisions. The purpose of these provisions is to prevent the disclosure of highly sensitive and confidential information to officers, executives, employees or anyone else involved in the receiving party’s day-to-day operations from consciously or unconsciously grounding their business decisions on the confidential information to the competitive disadvantage of the producing party (*Rivard* at para 39).

[21] Given that such orders in essence prevent counsel from showing relevant evidence to their clients, this Court has held that they should only be granted in unusual circumstances (*Bard Peripheral* at para 15; *Lundbeck* at para 14; *Pharmascience Inc v Glaxosmithkline Inc*, 2007 FC 360 at para 5 [*Pharmascience*]; *Rivard* at para 37; *Merck & Co Inc v Brantford Chemicals Inc*, 2005 FC 1360 at para 15; *Merck & Co v Apotex Inc*, 2004 FC 567 at paras 8, 11 [*Apotex*]; *Deprenyl Research Ltd v Canguard Health Technologies Inc*, [1992] FCJ No 128 (QL) at 2 [*Deprenyl*]).

[22] There is no comprehensive definition of what constitutes “unusual circumstances” and each case must be decided on its own merits (*Lundbeck* at para 14). However, the onus falls on the requesting party to provide evidence demonstrating the necessity of such a restriction and the burden is a heavy one (*Apotex* at para 11; *Pfizer Canada Inc v Novopharm Ltd*, 1996 FCJ No 1369 (QL) at para 15; *Deprenyl* at 2).

[23] In the case at bar, the Case Management Judge agreed with the parties that the threshold for the issuance of a CEO protective order had been met with respect to the parties themselves but not in regards to their in-house counsel.

[24] There is little case law that explicitly deals with the issue of preventing disclosure of commercially sensitive and confidential information to the receiving party's in-house counsel. Most of the cases relating to CEO protective orders involve the determination of whether or not such an order should be granted and, in a number of them, the CEO protective orders proposed by the parties include a provision granting access to the receiving party's in-house counsel (*Abbvie Corp* at paras 15, 17; *Bard Peripheral* at paras 28, 36, 39; *Novopharm Limited v Nycomed Canada Inc*, 2011 FC 109 at para 17; *Bristol Myers Squibb Co v Apotex Inc*, 2002 FCT 278 at para 19; *Wellcome Foundation* at subparas 7(a)(iv), 7(b) of the Schedule).

[25] In this case, the Case Management Judge relied on this Court's decisions in *Bard Peripheral* and *Abbvie Corp* to find that the Court must have before it concrete evidence establishing, on a balance of probabilities, that there will be an actual prejudice if the disclosure is allowed, in order to preserve and not interfere with the sacrosanct relationship between a party and its in-house counsel.

[26] The case in *Bard Peripheral* dealt with the appropriateness of a protective order preventing the defendants' in-house counsel from accessing a US order quashing a subpoena on the basis that the witness was medically unfit to be examined as well as that witness' medical records. In considering whether the privacy interests of the witness constituted unusual

circumstances, the Court noted that the plaintiffs had not provided any concrete evidence of harm or any explanation as to why the inclusion of the opposing party's in-house counsel would cause serious harm to the privacy interests of the witness (*Bard Peripheral* at paras 28, 30). It found that while the privacy interests of the witness were serious, the plaintiffs had adduced no evidence of a realizable harm and the allegations of harm, at that point, were just bald statements that did not justify interfering with the normal solicitor-client relationship. The Court considered the circumstances to be different from those in *Rivard* where the Court upheld the CEO provisions preventing disclosure to in-house counsel based upon evidence of potential harm (*Bard Peripheral* at para 36). The Court ultimately found that the amended CEO protective order excluding in-house counsel was neither necessary, nor did its salutary effects outweigh its deleterious effects and that precluding the defendants' in-house counsel from seeing the confidential information would prejudice the defendants from challenging the admissibility of the hearsay evidence in question (*Bard Peripheral* at paras 38, 39).

[27] As for *Abbvie Corp*, the case involved the determination of whether a prosecution bar should be ordered, precluding outside counsel and in-house counsel for both parties from engaging in activities concerning patent prosecution relating to the patent of a certain drug, for a period of one year after the conclusion of the underlying action. The Court found that since the purpose of the proposed prosecution bar was different from the purpose of a CEO protective order, the test for granting a CEO protective order was inappropriate (*Abbvie Corp* at para 7). Despite this finding, the Court nevertheless agreed with the applicants that the respondent had not satisfied the test for the issuance of a CEO protective order. Although the respondent argued that its commercial business or scientific interest could be seriously harmed by conscious or

unconscious misuse of their confidential information, the Court noted that the respondent had provided no evidence to support the conclusion that this was a reasonably held belief given all of the individuals included in the protective order had a serious obligation not to disclose or otherwise use the confidential information for purposes other than the originating litigation. The Court found that it would be unreasonable to grant a Prosecution Bar without concrete evidence proving, on a balance of probabilities, that these individuals were at risk of misusing the confidential information disclosed to them (*Abbvie Corp* at para 15). It also found that the applicants' assertions amounted to mere speculation of nebulous future wrongdoing based on the assumption that the receiving party would use the producing party's sensitive information to actively amend certain pending patent claims to cover the producing party's processes and presumably force infringement. The Court ultimately concluded that there was no concrete harm as the respondent had provided no evidence to demonstrate that there was an actual risk that the information disclosed could or would be used inappropriately, either consciously or unconsciously (*Abbvie Corp* at para 17).

[28] Upon consideration of the Plaintiffs' submissions, I am not persuaded that the Case Management Judge's decision can be construed as a departure from earlier case law and as setting a different standard of proof for those cases where one seeks to exclude in-house counsel. As stated earlier, each case must be decided on its own merits and a determining factor for excluding in-house counsel from disclosure remains, in my view, the level of involvement of in-house counsel in the party's day-to-day operations and activities and the threat posed by this involvement. Where the evidence demonstrates that an in-house counsel is actively involved in the day-to-day business of the client, as was the case in *Rivard*, the argument whereby once an

employee has had access to sensitive and proprietary information, he or she cannot be expected to have an “empty head” as to such information when making future business decisions, remains a relevant consideration.

[29] The Plaintiffs contend that the Case Management Judge erred by disregarding the three (3) factor test developed in *Wellcome Foundation*. I disagree. This Court has held on a number of occasions that the three (3) factors do not purport to set out a series of criteria to be examined in every instance (*Pharmascience* at para 5; *Lundbeck* at para 16; *Bard Peripheral* at para 16). Moreover, as the decision in *Wellcome Foundation* is mentioned in paragraph 12 of the decision as well as in the Plaintiffs’ submissions, the Case Management Judge is presumed to have considered and assessed all the material placed before him.

[30] When the Case Management Judge’s decision is viewed as a whole, I am satisfied that the Case Management Judge’s decision is consistent with the foregoing principles and that he did not commit a reviewable error in his analysis and assessment of the quality of the evidence in this case.

[31] In my view, it was reasonably open to the Case Management Judge to conclude, in the exercise of his discretion, that the Plaintiffs had not met their burden of demonstrating that an order precluding disclosure to in-house counsel was necessary at this point in the proceedings.

[32] In support of their motion, the Plaintiffs adduced the affidavit of Douglas Sweetbaum, an Angelcare executive. His assertions regarding Mr. Evora’s decision-making responsibilities are

based on the cover page and an excerpt from the Los Angeles Intellectual Property Law Association 2013 Spring Seminar which states that he “is instrumental in analyzing, targeting, developing and protecting key company revenue generating technologies” and on Mr. Evora’s LinkedIn Profile, “Chief Patent Counsel at Munchkin, Inc”.

[33] They are also based on speculation. Mr. Sweetbaum notes in his affidavit that Mr. Evora “likely” reports to and regularly interacts with the Defendants’ current General Counsel who, according to that person’s LinkedIn profile, is also the Defendants’ Senior Vice President of Business Development and Corporate Secretary. He also notes that Mr. Evora was promoted from Patent Counsel to Chief Patent Counsel somewhere after 2013 and that in his experience, “in-house counsel, including Chief Patent Counsel, can further be promoted to high decision-making roles within a company, for instance as General Counsel”.

[34] In contrast, Mr. Evora states in his affidavit that he is responsible, as Chief Patent Counsel, for overseeing the Defendants’ patent litigation worldwide and for instructing the Defendants’ counsel in these proceedings. He describes how the issuance of a CEO protective order will impact on his ability to direct and coordinate worldwide litigation and on his ability to assist or instruct outside counsel regarding the Defendants’ obviousness arguments, including pointing to evidence to rebut any “invention story”. More importantly, he explicitly states that he is not involved in the marketing or the decision-making of which products the Defendants will pursue or refresh. His involvement only commences once a decision has been made that a new product is going to be pursued or refreshed. As for the statement contained in the excerpt of the 2013 intellectual property seminar, he disagrees with Mr. Sweetbaum’s characterization of his

biographical information and clarifies that this statement reflects his duties to protect the Defendants' intellectual property portfolios and that he does not "have decision-making responsibilities that would involve the development and marketing of improved products".

[35] The Case Management Judge properly noted that the Plaintiffs did not cross-examine Mr. Evora on his evidence.

[36] In such circumstances, the Case Management Judge was entitled to prefer the evidence of Mr. Evora regarding his level of involvement in the day-to-day business of the Defendants.

[37] In my view, Mr. Evora's situation is in contrast with the one in *Rivard* where the Court found no ground to interfere with the prothonotary's decision to allow the CEO protective order due to the substantial and uncontradicted evidence establishing the involvement of in-house counsel in the day-to-day business of the client.

[38] I also consider the circumstances in this case to be different from those in *Arkipelago Architecture Inc v Enghouse Systems Limited*, 2018 FC 37 [*Arkipelago*] where I recently upheld a case management judge's counsel's and expert's eyes only protective order. In *Arkipelago*, the issue was not about precluding disclosure to in-house counsel. Rather, it involved the determination of whether or not the plaintiff's president and sole employee should be precluded from obtaining disclosure of the defendants' commercially sensitive information and designated as confidential information – the defendants' computer source code – relevant to the "Threshold Issues" as defined in her trifurcation order. In the case at bar, the Plaintiffs have not

demonstrated that Mr. Evora is involved in the marketing or the decision-making within the Defendants' business.

[39] It was also open to the Case Management Judge to rely on Mr. Evora's statement that as a member of the Bar of New Jersey, he is ethically and legally bound to protect confidential information. He was also entitled to rely on Mr. Evora's agreement to use the CEO documents and information only in the context of this litigation.

[40] As the decision to include or exclude in-house counsel involves the assessment of evidence and the exercise of discretion, I see no basis upon which to interfere with the Case Management Judge's decision given that it is not the function of this Court to reweigh the evidence and come to a different conclusion.

III. Conclusion

[41] Upon review of the record and the submissions of the parties, I am not persuaded that the Case Management Judge committed a reviewable error in dismissing the Plaintiffs' motion for a CEO confidentiality and protective order justifying the intervention of this Court. Accordingly, the motion to appeal shall be dismissed with costs to the Defendants in the amount of \$3000.

ORDER in T-151-16

THIS COURT ORDERS that the Plaintiffs' motion appealing Mr. Prothonotary Richard Morneau's order dated December 20, 2017 is dismissed with costs to the Defendants in the amount of \$3,000.

“Sylvie E. Roussel”

Judge

FEDERAL COURT
SOLICITORS OF RECORD

DOCKET: T-151-16

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