Federal Court Cour fédérale

Date: 20221214

Docket: T-1471-21

Citation: 2022 FC 1720

[ENGLISH TRANSLATION]

Fredericton, New Brunswick, December 14, 2022

PRESENT: Associate Judge Mireille Tabib

BETWEEN:

GE RENEWABLE ENERGY CANADA INC

Plaintiff

and

CANMEC INDUSTRIEL INC

Defendant

and

RIO TINTO ALCAN INC

Third Party

REASONS FOR ORDER AND ORDER

[1] The Defendant, Canmec Industriel Inc, ("Canmec") and the Third Party, Rio Tinto Alcan Inc, ("Rio Tinto") bring this joint motion seeking an order bifurcating the proceeding so that the issues regarding the existence and the infringement of copyright proceed and be determined before the issues related to the conduct of the parties, to entitlement to remedies and to quantification;

[2] It is convenient to begin by ruling on the objection raised by the Plaintiff, GE Renewable Energy Inc ("GEREC") as to the admissibility of paragraphs 39 to 42 of Dany Plourde's affidavit on the grounds that they refer to communications that are subject to the privilege that applies to settlement discussions.

[3] Two GEREC representatives met with Rinto Tinto representatives several times, namely, on April 22, June 17, and August 16, 2022. It was at this last meeting that the GEREC representatives allegedly made the statements in question. The evidence establishes that each of the three meetings was held at the express request of Rio Tinto, specifically to discuss the present litigation. Rio Tinto's objective was clearly to enquire into GEREC's intentions regarding the litigation, with the aim of attempting to resolve it.

[4] Rio Tinto argues that the discussions that were held during these meetings cannot be entitled to settlement discussion privilege given that Rio Tinto was not officially a party in the

litigation before May 16, 2022; that in any case, there is no litigation directly between GEREC and Rio Tinto, which is only a third party at the request of Canmec; and that in the absence of the latter, no settlement could have been reached.

[5] These arguments are specious. The privilege is based on the public interest to promote the settlement of litigations. The case law has recognized that privilege extends to discussions whose purpose is to avoid litigation that has not yet commenced but that is contemplated (*Mohawks of the Bay of Quinte v Canada (Indian Affairs and Northern Development)*, 2013 FC 669, para 34). It is clear that in April 2022, Rio Tinto already expected to be dragged into the litigation and that it wanted to avoid it. These fears were in fact realized, and it continued to request meetings in order to end the litigation. The fact that GEREC did not make a direct claim against Rio Tinto and that Canmec did not attend the meetings does not preclude privilege either. Neither the purpose of privilege nor the case law requires that the discussions involve only the parties of the litigation and all the parties of the litigation. Preliminary steps, the involvement of third parties that have an interest in settling the litigation, and parallel discussions between certain parties to a broader litigation are often essential steps to reaching a settlement. It would be senseless for such discussions to be excluded from protection when the case law specifically acknowledges that discussions do not have to yield a settlement to be covered by the privilege (*Sable Offshore Energy Inc v Ameron International Corp*, 2013 SCC 37). To the extent the parties have discussions that are truly aimed at attempting to settle an existing or contemplated litigation, which they intend to keep confidential, these will be settlement discussions that may be subject to privilege. The need to continue these exchanges in the presence of another party in

order to make progress on or to conclude the negotiation does not mean that these are not settlement negotiations.

[6] Rio Tinto again notes that the discussions cannot be entitled to privilege because GEREC's objective in participating in the meetings was not to settle the litigation, but to maintain business relations; that its representatives had neither the mandate nor the authority to settle and that they never proposed terms or conditions for a settlement. Rio Tinto itself appears to have made no concession, admission or offer during these meetings. Here again, Rio Tinto's argument is fallacious. The uncontradicted evidence is that Rio Tinto's sole objective in inviting GEREC to these meetings was to explore its intentions with respect to a settlement and to invite it to participate in settlement discussions. GEREC's representatives had understood this objective and attended the meetings, willing to listen to Rio Tinto's arguments or proposals. Invitations to discuss settlement and conversations preliminary to more formal discussions—even if they only concern the appropriate time to take part in a formal process and the preconditions to such an exercise—are integral parts of settlement discussions and are subject to privilege. To make privilege depend on the concomitant existence, for both parties, of an express authorization or a mandate to reach a settlement would defeat the purpose of privilege. This would prevent one party from taking, in complete confidence that the discussions would be kept confidential, the first steps by inviting the opposing party to negotiate and would make the other party unwilling to participate in these initial efforts (see *Sable Offshore*).

[7] The decisions on which Rio Tinto relies to claim that these meetings were of a business nature and that they were therefore not subject to privilege are taken out of context and are of no use to Rio Tinto (*Bertram v Canada*, [1996] 1 FC 756; *Bellatrix Exploration Ltd v Penn West Petroleum Ltd*, 2013 ABCA 10; *East Guardian v Mazur*, 2014 ONSC 6403; *Kahkewistahaw First Nation v Her Majesty the Queen in Right of Canada*, 2013 SCTC 3). Indeed, these decisions concern cases where one party tried to exclude from the evidence discussions that led to the litigation on the grounds that "offers"—or more precisely, monetary requests—had allegedly been made during those discussions. I reiterate that the only reason for the meetings between GEREC and Rio Tinto was to discuss the possibility of settling the action that had already been commenced by GEREC. The fact that GEREC agreed to participate in this exercise for the sake of preserving a business relationship with Rio Tinto does not change the objective of the meeting.

[8] Finally, the uncontradicted evidence submitted by GEREC establishes that the implied common intention of the participants to the meeting was that it remain confidential.

[9] I therefore find that the discussions that were held during the meeting of August 16, 2022, were clearly settlement discussions that were implicitly confidential, and that are covered by the settlement privilege.

[10] As this is a class privilege that is based on the public interest, it may be overridden when a party demonstrates that a competing public interest requires disclosure. Among the reasons

justifying that privilege be set aside are illicit or threatening communications. Rio Tinto submits that GEREC's representatives [TRANSLATION] "threatened" or expressed their intention to use the information gathered on examinations for discovery [TRANSLATION] "for other purposes". This would breach the implied undertaking of confidentiality rule and would justify that privilege be set aside as regards such a communication.

[11] This Court takes breaches of the implied undertaking very seriously, and to contend that a party intends to breach it is a serious accusation. It should not be made lightly. Yet, Mr. Plourde's testimony with respect to what was allegedly said during the meeting of August 16, 2022, is most vague. He does not claim to quote the statements of any of the participants, but instead seems intent on summarizing their essence, eventually concluding that [TRANSLATION] "GEREC informed him that it wanted to use the information obtained during the discovery phase ... for purposes other than this dispute". Given the seriousness of the accusation, it is surprising and troubling that Mr. Plourde did not try to reproduce the statements that were actually made by the participants or feel the need to mention what the [TRANSLATION] "other purposes" to which he refers might be. The lack of detail makes this serious accusation a gratuitous assertion that has no substance and that ultimately lacks credibility. Moreover, it is vigorously contested by one of the GEREC representatives who was at the meeting. Cross-examined on his affidavit, this witness delivered a sincere, straightforward and convincing testimony. I am satisfied that GEREC's representatives did not threaten or express any intention to use the information collected during the discoveries for purposes other than this litigation or to breach the implied undertaking rule.

[12] Even if GEREC's representatives had actually mentioned at the August 2022 meeting that the information that was gathered as part of the discovery process could be used for other purposes, this would not be sufficient to justify setting aside the privilege. Indeed, these representatives are not lawyers and were not accompanied by lawyers. There is nothing to indicate that they had sufficient knowledge of the legal process to be familiar with the implied undertaking rule—quite the contrary. Furthermore, at the time of the meeting, the discovery stage had not yet begun. There is no reason to believe that GEREC or its representatives, once informed by their solicitors of the existence of the implied undertaking rule, would form the intent or seek to breach it. Thus, I am convinced that even if the statements that Mr. Plourde attributes to GEREC had actually been made, this would not establish the existence of a credible illicit intent or threat. Accordingly, there is no public interest in introducing into evidence the statements made by GEREC's representatives at the August 16, 2022, meeting.

[13] Paragraphs 39 to 42 of Mr. Plourde's affidavit are therefore not admissible. Rio Tinto was not justified in adducing them into evidence and, in doing so, violated the implied confidentiality of the settlement discussions.

[14] This determination disposes of the argument of the moving parties that bifurcation is particularly advisable because it could eliminate the need to disclose highly confidential information in circumstances where [TRANSLATION] "GEREC appears to want to use the information obtained during the discovery phase ... for purposes other than this dispute".

[15] Turning now to the merits of the motion, the moving parties have identified as follows the four arguments that they submit justify bifurcation:

1. The issues that must be decided in this dispute are highly complex.

2. Bifurcation would greatly simplify the proceeding.

3. The issues related to liability are clearly separate from the issues related to the conduct of the parties and the quantification issues.

4. The bifurcation that is sought would allow for substantial savings and would make it possible to avoid the disclosure of highly confidential information.

I will review each of these arguments in turn.

I. Complexity

[16] Although the case law recognizes that the relative complexity of issues is a factor that this Court may take into consideration when determining a motion under Rule 107, complexity must also play a role in making a decision with respect to the ultimate issue: will bifurcation very likely lead to the just, and the most expeditious and least expensive outcome of the proceeding? The complexity of the issues alone cannot justify bifurcation if bifurcation does not help to achieve this objective, no matter how complex the issues may be (*Wi-Lan Inc v Apple Canada Inc*, 2022 FC 276). I will address this question in the context of my analysis of the second argument.

[17] The moving parties have spared no effort in trying to establish the complexity of each of the categories of issues that they have identified. These efforts are unconvincing; it is neither lawyers' skill in breaking each issue down into a multitude of sub-issues, nor their ability to find 2,000 pages of documents of questionable relevance to attach to an affidavit, that makes issues complex. Ultimately, this is simply an action for copyright infringement of technical drawings, which raises the issues that are typically raised in this type of recourse. The technical nature of the drawings in question, the addition of various sources of licences or permissions, the allegation that the supposed author also infringed a copyright by producing the drawings, and the claim for punitive damages do not make this case extraordinarily complex. The only aspect of this action that seems unusual for a copyright action and that presents some complexities is the claim for disgorgement of the profits generated from a major refurbishment contract, the granting of which was apparently facilitated by the alleged infringement. That said, the quantification of said profits is not unusually complex for this type of claim.

II. Simplification that would result from bifurcation

[18] Even if the issues were indeed as complex as the moving parties claim they are, nothing in the record suggests that bifurcation would lead to a more expeditious or less expensive outcome than if all issues were resolved in a single trial. The moving parties submit that identifying the drawings or the specific parts of the drawings that infringe copyright would reduce the amount of evidence needed with respect to the other issues. That argument is not supported by any evidence and is not even bolstered by persuasive reasoning. There is mention of expert accounting reports that would contain [TRANSLATION] "multiple hypotheses" and

"countless scenarios" depending on the number of parts of drawings that may have been infringed, but there is no indication that certain scenarios or hypotheses are intrinsically contradictory, such that some sort of simplification, however small it may be, would probably be achieved on account of bifurcation.

[19] In reality, it is only if GEREC completely fails with respect to the issues of liability that significant savings of resources or time would be achieved. Yet the case law is consistent that savings that depend solely on the possibility that the plaintiff might fail to prove liability should not be taken into consideration on such a motion (*Alcon Canada Inc v Apotex Inc*, 2016 FC 898, at para 12; *Wi-Lan v Apple*, at para 18; *Veuve Clicquot Ponsardin v Boutiques Cliquot Ltée*, 2000 CanLII 15070 (FC), at para 7). Assuming that savings could potentially be made in the event that GEREC is successful only with respect to some of the drawings, there is nothing in the record from which the magnitude of these savings can be discerned or from which one could even conclude that such savings are likely. Again, it is inappropriate for this Court to consider the merits of this case and the likelihood that GEREC will be successful on all or on only part of its claims.

III. Separate evidence for the issues to be bifurcated

[20] As with complexity, the fact that the issues sought to be bifurcated are distinct and that the issues that must be determined first require different witnesses from those required for the other issues is not a factor that supports, in itself, a bifurcation of the proceeding. Rather, the absence of this factor would tend to militate against bifurcation. In the absence of a factor

weighing in favour of the order sought, it is a neutral factor, and it is not necessary to address it further.

IV. Substantial savings and disclosure of highly confidential information

[21] The moving parties state that the fact that GEREC reserved its rights to claim statutory damages instead of its damages and Canmec's profits justifies bifurcation, citing *Apotex Inc v H Lundbeck A/S*, 2012 FC 414, at paragraph 38. The reasoning set out in *Lundbeck* is simply not applicable to copyright matters, because the *Copyright Act* allows the plaintiff to claim both his or her damages and the defendant's profits. The option of claiming statutory damages in lieu of other damages is entirely at the plaintiff's discretion, without need of the Court's leave, and this option is typically exercised after the discovery stage. It should also be noted that proof of statutory damages generally requires only minimal discovery and evidence at trial. Moreover, the Court may compel the plaintiff to exercise its option before the beginning of the trial. Therefore, the inherent lack of efficiency that results when, in patent litigation, a plaintiff claims the right to choose between his or her losses and the defendant's profits is not present in this case. Bifurcation would not lead to savings of time or resources in this regard.

[22] As for the argument that bifurcation would make it possible to avoid the disclosure of confidential information, it would only apply if GEREC were wholly unsuccessful at the liability stage, and it therefore presupposes that this Court considers the merits of the case, which this Court refuses to do. The fact that a defendant simply wants to delay, in the hopes of potentially avoiding, the disclosure of confidential information is insufficient to justify a bifurcation order,

especially since this disclosure is made under the protection of the implied undertaking of confidentiality and, more often than not, protective orders.

[23] It must be recalled that a bifurcation order inherently leads to delays in the determination of the litigation, as well as to duplication: assuming (as one should) that the plaintiff will succeed in proving liability, bifurcation would result in two pleading stages, two discovery phases, and two trials, one after the other. In order to counterbalance these inherent disadvantages and to deprive the plaintiff of his or her right to have all the issues determined in one trial, one must do more than simply invoke the complexity of the issues, the possibility that the plaintiff may not be successful or a preference to delay the disclosure of confidential information.

[24] The moving parties in this case have not discharged their burden of demonstrating that the order sought would likely lead to substantial savings of resources or time. Far from it. The motion should not have been brought, and costs will therefore be payable forthwith. Furthermore, Rio Tinto's decision to put into evidence discussions that are subject to settlement privilege, without justification, calls for sanction. I note that the filing of GEREC's affidavit and the conduct of two cross-examinations on affidavits were required solely because of this issue. In the circumstances, costs in the amount of $6,000 appear to me sufficient to compensate GEREC for expenses that it should not have had to incur and to reflect the Court's disapproval of the unjustified breach of privilege.

ORDER

THIS COURT ORDERS that:

1. The motion is dismissed.

2. The Defendant and the third party shall pay to the Plaintiff, forthwith, the costs of the motion, which set at $6,000.00.

"Mireille Tabib"
Associate Judge

FEDERAL COURT

SOLICITORS OF RECORD

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