Federal Court  Cour fédérale

Date: 20140404

Docket: T-705-13

Citation: 2014 FC 237

Ottawa, Ontario, April 4, 2014

PRESENT: The Honourable Madam Justice Kane

BETWEEN:

MEDIATUBE CORP. and NORTHVU INC.

Plaintiffs

and

BELL CANADA and BELL ALIANT REGIONAL COMMUNICATIONS, LIMITED PARTNERS

Defendants

PUBLIC REASONS FOR ORDER AND ORDER
(Confidential Reasons for Order and Order Issued March 11, 2014)

[1] This motion arises in the context of an action by the plaintiffs, MediaTube Inc ("MediaTube") and NorthVu Inc. ("NorthVu") which claims patent infringement by the defendants, Bell Canada and Bell Aliant Regional Communications, Limited Partnership ("Bell Aliant", collectively the "applicants" in this motion with respect to Canadian Patent No. 2,399,477 (the "477 Patent"). In the action, MediaTube and NorthVu are seeking various remedies, including an

injunction and damages or an accounting of the defendants' profits. MediaTube is represented by Bereskin and Parr ("B&P" or the "respondent" in this motion).

[2] In this motion, Bell Canada and Bell Aliant are seeking, *inter alia*, an order removing B&P as solicitors of record for MediaTube on the basis that, due to their past and current relationship as a client of B&P, there is a conflict of interest and B&P must, therefore, be disqualified from representing MediaTube in the main action.

[3] The applicants request that this Court grant their motion, ordering that B&P be removed as solicitors of record for MediaTube in this action, and more specifically:

(a) an order declaring that B&P has obtained confidential information from Bell which is sufficiently related to this action;

(b) an order declaring that B&P is in a position of conflict of interest, and has breached its duty of loyalty to Bell in representing MediaTube in this action;

(c) an order immediately removing B&P as solicitors of record for MediaTube in this action;

(d) an order prohibiting B&P from revealing confidential information obtained from Bell to anyone, including: MediaTube (any employees, directors or affiliates thereof); new counsel for MediaTube; and counsel for NorthVu;

(e) an order requiring B&P to provide an undertaking to the Court that no confidential information obtained from Bell has been communicated to MediaTube, NorthVu or their solicitors;

(f) an order requiring counsel for NorthVu to provide an undertaking to the Court that no information related to any allegations of infringement of the 477 Patent, except that which could be obtained from public sources, was communicated to them by B&P;

(g) costs of this motion;

(h) such further and other relief as this Honourable Court deems just.

[4] At the outset it is helpful to understand the corporate relationships of the applicants.

[5] BCE Inc. ["BCE"] could be described as the parent company or big umbrella for several other separate corporations. Bell Canada is a subsidiary of BCE. Several other companies are direct or indirect subsidiaries of Bell Canada, including Bell Mobility Inc ("Bell Mobility"), Bell Media Inc ("Bell Media", formerly CTVglobemedia Inc), Bell ExpressVu Limited Partnership ("Bell ExpressVu") and Bell Aliant Inc (the parent of Bell Aliant).

[6] The applicants have referred to these companies as the "Bell group/family of companies" or simply as "Bell", but the key issue for this motion is whether being one big family, if that is indeed the case given that all are large businesses in their own right, means that if a law firm acts for one member of that family, then it acts for all. In other words, whether BCE, Bell Canada, and all that fall under the corporate umbrella, is one client. The applicants submit that the Bell family of companies is one client. B&P submits that each company is a separate legal entity and that B&P had retainers with some of those specific entities at various times.

[7] I note that both parties have casually referred to "Bell" in their submissions, affidavit evidence, transcripts of cross-examinations, and e-mail exhibits to refer to both the whole group or family and to specific entities under the corporate umbrella. The terminology used is not indicative of who the client is or was.

[8] For the reasons that follow, the motion is dismissed. The Bell family of companies as a whole was not the current or former client of B&P. While there may be some circumstances where related companies could be considered as one entity and one client, the circumstances in the present case do not lead to that conclusion.

The Background

[9] The applicants and respondent have slightly differing versions of the relevant facts.

The Applicants' Chronology

[10] On April 23, 2013, MediaTube and NorthVu served a Statement of Claim on the applicants, alleging that their Fibe TV systems infringed the 477 Patent. B&P represented MediaTube.

[11] The applicants note that there is one legal department for Bell. As of October 2011, Richard Sabbagh, Director of Trade-marks at Bell Canada who is part of the Bell legal department, worked directly with B&P. Mr Sabbagh served as instructing counsel to B&P on trade-mark matters. Jay Howard, General Counsel for Bell Media, also had a relationship with B&P dating from 2004, although he had no active files with B&P at the time.

[12] Between January and March 2013, MediaTube retained B&P in the present patent infringement claim.

[13] The applicants submit that at that time, B&P was engaged in nine files for Bell, including a sensitive and confidential project – "Project [**Redacted**] – [**Redacted**].

[14] The applicants provided the following account of B&P terminating their relationship:

- On January 14 and 15, 2013, Brigitte Chan, a trade-mark partner at B&P, advised Mr Sabbagh of a potential conflict of interest with MediaTube.
- On January 17, 2013, Mr Sabbagh called Ms Chan indicating his refusal to waive the conflict.
- On January 18, 2013, Mr Howard received a courtesy call from Victor Krichker, a partner at B&P, to advise that B&P's Executive Committee had decided to take on the MediaTube retainer.
- On February 25, 2013, Ms Chan sent Mr Sabbagh an e-mail, insisting that he close out his remaining files with B&P. Mr Sabbagh replied that any actions taken by Bell thereafter did not constitute its consent to waive the conflict of interest.
- On February 26, 2013, Adam Bobker, another partner at B&P, e-mailed Mr Sabbagh to request that Bell waive the conflict of interest. Mr Bobker insisted that the MediaTube retainer was unrelated to any work that B&P had done for Bell. He also noted that the short notice was due to the risk that MediaTube would move on to another firm unless the issue was resolved.

- On March 1, 2013, Mr Sabbagh responded, expressing regret at being forced to retain new counsel for Bell's files.
- On March 1, 2013, over Bell's objection, B&P terminated all of Bell's retainers.

The Respondent's Chronology

[15] B&P notes that: Bell is one of Canada's largest corporate enterprises; each subsidiary is an independent corporation with thousands of employees, millions of dollars in assets and revenue, and publicly-traded debt securities; Bell Canada and Bell Aliant have retained other law firms for intellectual property, litigation, and other matters over the years; and while B&P has acted for individual corporate entities in Bell, it never acted for the "Bell group/family of companies."

[16] B&P notes that it had the following retainers with the individual entities of Bell:

- In 2005, Bell Canada retained B&P to comment on the availability of [**Redacted**] and [**Redacted**] as corporate names for an unaffiliated corporation. In June 2012, Bell Canada retained B&P for advice about its right to send a cease and desist letter to a third party concerning the [**Redacted**] trade name, which retainer was performed and concluded in June 2012.
- In October 2003, Bell ExpressVu retained B&P to provide advice regarding [**Redacted**]. B&P advised Bell ExpressVu on its potential risk of third party patent infringement. This is referred to as the "[**Redacted**] Patent Retainer".
- Between November 2006 and September 2010, CTVglobemedia Inc, a predecessor to Bell Media, retained B&P on various trade-mark matters and a copyright matter.

- In 2011, Bell Media was the client in a retainer concerning a trade-mark. Bell Media also retained B&P for Project [**Redacted**], [**Redacted**]. In October 2012, Bell Media also retained B&P regarding a potential trade-mark infringement over the use of [**Redacted**]. In January 2012, Bell Media also retained B&P regarding compliance of a trade-mark [**Redacted**].
- In April 2012, Bell Mobility retained B&P.

[17] B&P also had the following retainers against Bell Canada and Bell Media:

- In 2004, B&P acted against Bell Canada. B&P asked the Registrar of Trade-Marks to send a s 45 notice to Bell Canada, requiring it to show whether its OPERAC trade-mark had been used in the last three years.
- In 2005, B&P acted against Bell Canada for XM Satellite Radio Inc. B&P filed an opposition with respect to Bell Canada's application to register a trade-mark. The opposition was later removed.
- In 2006, B&P acted against Bell Canada for Pointts Advisory Limited. B&P sent a demand letter to Bell Canada to complain about unauthorized use of the POINTTS trade-mark and other trade-marks.
- In 2009, B&P acted against Bell Canada. B&P asked the Registrar of Trade-marks to send a s 45 notice to Bell Canada, requiring it to show whether its GT NET trade-mark had been used in the last three years.
- In 2010, Bell Canada brought a copyright infringement action in the Federal Court against 411 Local Search Corp (Court File: T-111-10). B&P acted for the defendant of the action, which was settled in May 2010.

- In January 2012, a lawyer joined B&P as a partner and brought with him several trade-mark oppositions by Star Television Productions Limited against Bell Media. Bell Media knew about this and did not object.

[18] B&P notes that Bell Aliant has never been its client.

[19] With respect to the MediaTube retainer, B&P describes the termination of the relationship with Bell as follows:

- In December 2012, MediaTube contacted Robert MacFarlane, a partner at B&P, seeking to retain B&P to bring an action for patent infringement with respect to the 477 Patent against Bell Canada and Bell Aliant.
- B&P wished to accept the MediaTube retainer. On January 14 and 15, 2013, Ms Chan advised Mr Sabbagh and asked if he would waive any potential conflict of interest. Mr Sabbagh replied that he would need to discuss the matter internally and that he was sorry he had not sent much work to B&P.
- On January 16, 2013, Mr Sabbagh advised Ms Chan that if B&P accepted the retainer, it would not get future work from Bell. They then discussed transferring the two current Bell Media retainers to another firm.
- On January 18, Mr Krichker, a partner at B&P, called Mr Howard at Bell Media as a courtesy, advising that B&P had decided to accept the MediaTube retainer.
- On February 18, 2013, Ms Chan followed up with Mr Sabbagh to discuss transferring the Project [**Redacted**] trade-mark applications to another law firm. Mr Sabbagh was receptive to Ms Chan's suggestions. They exchanged further e-mails on February 25,

2013, at which point the dispute between the parties crystallized. Mr Bobker, a partner at B&P, responded on February 26, 2013.

- On March 5, 2013, B&P entered into a retainer agreement with MediaTube.
- On March 6, 2013, B&P established a confidentiality screen.

The Issues

[20] The issues identified by the parties have been consolidated as follows:

(1) Did B&P receive confidential information from its solicitor-client relationship with "Bell" or the "Bell group or family of companies" that is relevant to the matter at hand and that can be used to prejudice the applicants?

- Are the [**Redacted**] Patent Retainer (2003) or Project [**Redacted**] (2012) sufficiently related to the MediaTube retainer to give rise to a presumption that relevant confidential information was imparted by Bell Canada?
- Have the applicants discharged the onus of showing that actual confidential information relevant to the MediaTube retainer was imparted by Bell Canada to B&P in 2003, 2005 or 2012?

(2) Did B&P owe the applicants a duty of loyalty?

- Was Bell Aliant ever its client?
- Was Bell Canada a current client when MediaTube sought a retainer with it?
- Are the applicants professional litigants for the purposes of determining the scope of the duty of loyalty owed to them?

3) Did B&P breach the duty of loyalty owed to the applicants?

4) If so, what is the appropriate remedy?

The relevant legal principles

[21] Both parties referred to extensive jurisprudence, including the recent decision of the Supreme Court of Canada in *Canadian National Railway Co v McKercher LLP*, 2013 SCC 39, 360 DLR (4th) 389 [*McKercher*], which reviewed the relevant jurisprudence and which provides clear and current guidance. The legal principles are not in dispute; the dispute is about how these principles apply to the present circumstances. The applicants rely on *McKercher* to argue that B&P must be disqualified. B&P relies on *McKercher* to argue that the bright line rule is not engaged, and that there is no basis to resort to disqualification of B&P.

[22] At the outset, it is helpful to set out the principles that guide the Court in determining when counsel should be disqualified due to conflict of interest in order to provide the framework for the parties' submissions.

The duty owed

[23] In *McKercher, supra* at para 19, the Supreme Court examined the lawyer's duty of loyalty to his client and the duty on the lawyer to avoid conflicts of interest:

> [19] A lawyer, and by extension a law firm, owes a duty of loyalty to clients. This duty has three salient dimensions: (1) a duty to avoid conflicting interests; (2) a duty of commitment to the client's cause; and (3) a duty of candour: *Neil*, at para. 19.

[24] This motion focuses on the duty to avoid conflicting interests.

Former v Current client

[25] The legal framework varies depending on the status of the party alleging a conflict of interest on the part of the law firm. If the moving party is a *former client* of the law firm, then the analysis focuses on whether or not the law firm misused confidential information imparted by the moving party. If the moving party is a *current client* of the law firm, in addition to the question of whether the law firm misused confidential information, a "bright line rule" analysis is also engaged. The distinction between a former and current client has been confirmed by the Supreme Court in *McKercher*, *supra* at para 23:

> The law of conflicts is mainly concerned with two types of prejudice: prejudice as a result of the lawyer's misuse of confidential information obtained from a client; and prejudice arising where the lawyer "soft peddles" his representation of a client in order to serve his own interests, those of another client, or those of a third person. As regards these concerns, the law distinguishes between former clients and current clients. The lawyer's main duty to a former client is to refrain from misusing confidential information. With respect to a current client, for whom representation is ongoing, the lawyer must neither misuse confidential information, nor place himself in a situation that jeopardizes effective representation.

Misuse of Confidential Information

[26] To determine whether the misuse of confidential information would place the law firm in a conflict of interest, a two-part test is employed: first, did the law firm receive confidential information attributable to a solicitor and client relationship relevant to the matter at hand? Second, is there a risk that it will be used to the prejudice of that client? (*MacDonald Estate v Martin*, [1990] 3 SCR 1235 at 1260, [1990] SCJ No 41 at para 45 [*Martin*]).

[27] The first part of the test may be met two ways. The moving party may adduce evidence that confidential information was in fact imparted during the solicitor-client relationship. Or, if the law firm's new retainer is "sufficiently related" to the matters on which it worked for the first client, a rebuttable presumption arises that the law firm possesses confidential information which raises a risk of prejudice (*Martin, supra* at 1260-61, para 46).

[28] Where the presumption is established, the burden is on the law firm to satisfy the Court that it would withstand the scrutiny of the reasonably informed member of the public that no such information has been divulged; this burden must be discharged without revealing the specifics of the privileged communication. As the Supreme Court articulated in *Martin, supra* at 1260-61, paras 46-47:

> 46 In answering the first question, the court is confronted with a dilemma. In order to explore the matter in depth may require the very confidential information for which protection is sought to be revealed. This would have the effect of defeating the whole purpose of the application. American courts have solved this dilemma by means of the "substantial relationship" test. Once a "substantial relationship" is shown, there is an irrebuttable presumption that confidential information was imparted to the lawyer. In my opinion, this test is too rigid. There may be cases in which it is established beyond any reasonable doubt that no confidential information relevant to the current matter was disclosed. One example is where the applicant client admits on cross-examination that this is the case. This would not avail in the face of an irrebuttable presumption. In my opinion, once it is shown by the client that there existed a previous relationship which is sufficiently related to the retainer from which it is sought to remove the solicitor, the court should infer that confidential information was imparted unless the solicitor satisfies the court that no information was imparted which could be relevant. This will be a difficult burden to discharge. Not only must the court's degree of satisfaction be such that it would withstand the scrutiny of the reasonably informed member of the public that no such information passed, but the burden must be discharged without revealing the specifics of the privileged communication.

> Nonetheless, I am of the opinion that the door should not be shut completely on a solicitor who wishes to discharge this heavy burden.
>
> 47 The second question is whether the confidential information will be misused. A lawyer who has relevant confidential information cannot act against his client or former client. In such a case the disqualification is automatic. No assurances or undertakings not to use the information will avail. The lawyer cannot compartmentalize his or her mind so as to screen out what has been gleaned from the client and what was acquired elsewhere. Furthermore, there would be a danger that the lawyer would avoid use of information acquired legitimately because it might be perceived to have come from the client. This would prevent the lawyer from adequately representing the new client. Moreover, the former client would feel at a disadvantage. Questions put in cross-examination about personal matters, for example, would create the uneasy feeling that they had their genesis in the previous relationship.

The Bright Line Rule

[29] The bright line rule is a prohibition against concurrent representation of two clients who have directly adverse interests. The rule was first articulated by the Supreme Court in *R v Neil*, 2002 SCC 70, [2002] 3 SCR 631 at para 29 [*Neil*]:

> The bright line is provided by the general rule that a lawyer may not represent one client whose interests are directly adverse to the immediate interests of another current client — *even if the two mandates are unrelated* — unless both clients consent after receiving full disclosure (and preferably independent legal advice), and the lawyer reasonably believes that he or she is able to represent each client without adversely affecting the other. [Emphasis in original.]

[30] In *McKercher, supra* at paras 31-37, the Supreme Court clarified that the rule, where applicable, prohibits concurrent representation, but that it is not a rule of unlimited application:

> [31] The bright line rule holds that a law firm cannot act for a client whose interests are adverse to those of another existing client, unless both clients consent. It applies regardless of whether the client matters are related or unrelated. The rule is based on "the inescapable conflict of interest which is inherent" in some situations of concurrent representation: *Bolkiah v. KPMG*, [1999] 2 A.C. 222

(H.L.), at p. 235, cited in *Neil*, at para. 27. It reflects the essence of the fiduciary's duty of loyalty: ". . . a fiduciary cannot act at the same time both for and against the same client, and his firm is in no better position": *Bolkiah*, at p. 234.

[32] However, *Neil* and *Strother* make it clear that the scope of the rule is not unlimited. The rule applies where the *immediate legal* interests of clients are *directly* adverse. It does not apply to condone tactical abuses. And it does not apply in circumstances where it is unreasonable to expect that the lawyer will not concurrently represent adverse parties in unrelated legal matters. [...]

[33] First, the bright line rule applies only where the *immediate* interests of clients are *directly* adverse in the matters on which the lawyer is acting. [...]

[...]

[35] Second, the bright line rule applies only when clients are adverse in *legal* interest. The main area of application of the bright line rule is in civil and criminal proceedings. *Neil* and *Strother* illustrate this limitation. The interests in *Neil* were not legal, but rather strategic. In *Strother*, they were commercial:

> . . . the conflict of interest principles do not generally preclude a law firm or lawyer from acting concurrently for different clients who are in the same line of business, or who compete with each other for business. . . .
>
> The clients' respective "interests" that require the protection of the duty of loyalty have to do with the practice of law, not commercial prosperity. Here the alleged "adversity" between concurrent clients related to business matters. [paras. 54-55, per Binnie J.]

[36] Third, the bright line rule cannot be successfully raised by a party who seeks to abuse it. In some circumstances, a party may seek to rely on the bright line rule in a manner that is "tactical rather than principled": *Neil*, at para. 28. The possibility of tactical abuse is especially high in the case of institutional clients dealing with large national law firms. Indeed, institutional clients have the resources to retain a significant number of firms, and the retention of a single partner in any Canadian city can disqualify all other lawyers within

the firm nation-wide from acting against that client. As Binnie J. remarked,

> In an era of national firms and a rising turnover of lawyers, especially at the less senior levels, the imposition of exaggerated and unnecessary client loyalty demands, spread across many offices and lawyers who in fact have no knowledge whatsoever of the client or its particular affairs, may promote form at the expense of substance, and tactical advantage instead of legitimate protection.
>
> (*Neil*, at para. 15)

Thus, clients who intentionally create situations that will engage the bright line rule, as a means of depriving adversaries of their choice of counsel, forfeit the benefit of the rule. Indeed, institutional clients should not spread their retainers among scores of leading law firms in a purposeful attempt to create potential conflicts.

[37] Finally, the bright line rule does not apply in circumstances where it is unreasonable for a client to expect that its law firm will not act against it in unrelated matters. In *Neil*, Binnie J. gave the example of "professional litigants" whose consent to concurrent representation of adverse legal interests can be inferred:

> In exceptional cases, consent of the client may be inferred. For example, governments generally accept that private practitioners who do their civil or criminal work will act against them in unrelated matters, and a contrary position in a particular case may, depending on the circumstances, be seen as tactical rather than principled. Chartered banks and entities that could be described as professional litigants may have a similarly broad-minded attitude where the matters are sufficiently unrelated that there is no danger of confidential information being abused. These exceptional cases are explained by the notion of informed consent, express or implied. [para. 28]

In some cases, it is simply not reasonable for a client to claim that it expected a law firm to owe it exclusive loyalty and to refrain from acting against it in unrelated matters. As Binnie J.

> stated in Neil, these cases are the exception, rather than the norm. Factors such as the nature of the relationship between the law firm and the client, the terms of the retainer, as well as the types of matters involved, may be relevant to consider when determining whether there was a reasonable expectation that the law firm would not act against the client in unrelated matters. **Ultimately, courts must conduct a case-by-case assessment, and set aside the bright line rule when it appears that a client could not reasonably expect its application**. [Italics and underline in original, bold is mine.]

[31] In other words, the scope of the bright line rule may be narrowed if the circumstances require.

Where the bright line rule does not apply, the substantial risk test applies

[32] When a situation falls outside the scope of the bright line rule for any of the reasons listed above, for example, where the client is not a current client, or where the immediate legal interests are not directly adverse, the question becomes whether the concurrent representation of clients creates a substantial risk that the law firm's representation of the client would be materially and adversely affected. In *McKercher, supra* at para 38, the Supreme Court outlined the analysis as follows:

> […] The determination of whether there exists a conflict becomes more contextual, and looks to whether the situation is "liable to create conflicting pressures on judgment" as a result of "the presence of factors which may reasonably be perceived as affecting judgment": Waters, Gillen and Smith [*Waters' Law of Trusts in Canada*, 4th ed (Toronto: Carswell, 2012)], at p. 968. In addition, the onus falls upon the client to establish, on a balance of probabilities, the existence of a conflict — there is only a deemed conflict of interest if the bright line rule applies.

Determining the Appropriate Remedy

[33] As the Supreme Court stated in *McKercher, supra* at para 61, even if a conflict of interest is found, either because confidential information is misused or the situation falls within the scope of the bright line rule, disqualification of the law firm is not the only remedy and is not automatic, but may be required in some circumstances:

> [61] As discussed, the courts in the exercise of their supervisory jurisdiction over the administration of justice in the courts have inherent jurisdiction to remove law firms from pending litigation. Disqualification may be required: (1) to avoid the risk of improper use of confidential information; (2) to avoid the risk of impaired representation; and/or (3) to maintain the repute of the administration of justice.

[34] The Supreme Court noted that the termination of the client's retainers with the law firm may not remove all the concerns that the law firm's conduct has harmed the repute of the administration of justice (*McKercher, supra* at para 64-65). If disqualification is sought only on the grounds of maintaining the repute of the administration of justice, all the relevant circumstances must be considered, including those that point away from disqualifaction (*McKercher, supra* at para 65):

> 64 In assessing whether disqualification is required on this ground alone, all relevant circumstances should be considered. On the one hand, acting for a client in breach of the bright line rule is always a serious matter that on its face supports disqualification. The termination of the client retainers -- whether through lawyer withdrawal or through a client firing his lawyer after learning of a breach -- does not necessarily suffice to remove all concerns that the lawyer's conduct has harmed the repute of the administration of justice.
>
> 65 On the other hand, it must be acknowledged that in circumstances where the lawyer-client relationship has been terminated and there is no risk of misuse of confidential information, there is generally no longer a concern of ongoing prejudice to the complaining party. In light of this reality, courts faced with a motion for disqualification on this third ground should consider certain factors that may point the other way. Such factors

> may include: (i) behaviour disentitling the complaining party from seeking the removal of counsel, such as delay in bringing the motion for disqualification; (ii) significant prejudice to the new client's interest in retaining its counsel of choice, and that party's ability to retain new counsel; and (iii) the fact that the law firm accepted the conflicting retainer in good faith, reasonably believing that the concurrent representation fell beyond the scope of the bright line rule and applicable law society restrictions.

The Overall Positions of the Parties

The applicants

[35] The applicants' position is that B&P acted for the Bell family of companies and owed a duty of loyalty to the family as a whole. The applicants argue that the tests established in *McKercher* have been satisfied and, as a result, B&P must be disqualified from acting as counsel of record for MediaTube.

[36] The applicants assert that BCE and the Bell family of companies were current clients of B&P on Project [**Redacted**] and a former client on the other retainers.

[37] The applicants rely on the fact that BCE had a single legal department which provide services to all the Bell entities, whose lawyers acted as instructing counsel to B&P, and on the relationships between the various entities, as evidenced by invoices sent to BCE for work done on retainers with Bell ExpressVu. In addition, the applicants submit that it presented itself to B&P as a related corporation.

[38] The applicants also argue that the e-mails from B&P support the position that the law firm regarded the Bell family of companies as its client.

[39] For example, the applicant acknowledges that the retainer for Project [**Redacted**] was for Bell ExpressVu but notes that the invoices were sent to BCE. [**Redacted**] as further support for the position that BCE speaks on behalf of all the entities, as the corporate parent of the Bell family of companies. The applicants also point to an e-mail from Ms Chan that referred to the client as "Bell, BCE and related Bell companies."

[40] The applicants assert that in the context of the 2003 [**Redacted**] Patent Retainer, Mr Bereskin provided strategic advice to Bell Canada and gained knowledge of Bell's risk tolerance in the context of [**Redacted**] patents.

[41] The applicants also assert that Bell Canada had a general retainer with B&P in 2012, although no work was done on it.

[42] The applicants submit that confidential information was shared in both the Project [**Redacted**] and the [**Redacted**] Patent Retainer. With respect to Project [**Redacted**], the applicants acknowledge that the trade-mark work was done for Bell Media but the opinions and reports were sent to BCE. The applicants also acknowledge that the [**Redacted**] Patent Retainer dealt with different technology and that no technical information was shared. However, the applicants reiterate that information was shared regarding the applicants' tolerance for risk. In addition, this confidential information was misused.

[43] Further, even if the bright line rule is not applicable, the applicants submit that concurrent representation would create a substantial risk of impaired representation and would create conflicting pressures on judgment. The applicants submit that the chain of e-mails from B&P with respect to terminating them as clients support the view that B&P acknowledged the conflict.

[44] The applicants further submit that B&P did not accept the MediaTube retainer in good faith. Although B&P regarded Bell as a current client, it put financial motives first and fired Bell in order to pursue a more lucrative retainer.

The respondent

[45] B&P submits that Bell Aliant was never its client and Bell Canada was not its client at the time of the MediaTube retainer. Moreover, the notion that all the related companies are one family and one client is a fiction given that each is a corporation in its own right with separate legal personalities.

[46] B&P responds to the applicants' arguments noting that although invoices may have been sent to an address shared by BCE, the invoices clearly noted that they were submitted for work done for Bell Media. The e-mail from Ms Chan that referred to BCE, Bell and related companies was in the context of a conflict search which requires a wider scope and is not evidence of who the client was. [**Redacted**].

[47] B&P submits that it attempted to preserve a business relationship with its clients. This included offering to continue to do the trade-mark work for Bell Media; accordingly, B&P sought the consent of Mr Sabbagh, the instructing counsel with Bell's legal department.

[48] B&P notes that only two retainers are at issue and neither was with Bell Canada. The [**Redacted**] Patent Retainer was with Bell ExpressVu. The Project [**Redacted**] retainer was with Bell Media. The applicant has failed to show that any confidential information was imparted or that these retainers are sufficiently related to the retainer with MediaTube.

[49] B&P submits that there is no support for the applicant's assertions that confidential information regarding the applicants' tolerance for risk was provided to it in the course of the [**Redacted**] Patent Retainer. In addition, no confidential information regarding Project [**Redacted**] was provided.

[50] B&P submits that based on the application of the test in *McKercher*, there is no basis to disqualify it as counsel for MediaTube.

Did B&P receive confidential information from its solicitor client relationship with Bell that is relevant and that can be used to prejudice the applicants?

The applicants' position

[51] The applicants submit that the tests set out in *McKercher* and *Martin* apply: B&P received confidential information attributable to its solicitor-client relationship with Bell that is relevant to the matter at hand; and, there is a risk that the information will be used to prejudice them.

Presumption that relevant confidential information has been imparted

[52] The applicants submit that if the law firm's new retainer is "sufficiently related" to the matters on which it worked for Bell, a rebuttable presumption arises that the law firm possesses confidential information that raises a risk of prejudice (*McKercher*, *supra* at para 24). The applicants note that, once established, the onus to rebut the presumption is on B&P and requires clear and convincing evidence to demonstrate that "the public represented by the reasonably informed person would be satisfied that no use of confidential information would occur" (*Celanese Canada Inc v Murray Demolition Corp*, 2006 SCC 36, [2006] 2 SCR 189 at para 42).

[53] The applicants note that to avoid the strong inference that lawyers who work together share confidences, B&P must satisfy the Court that all reasonable measures have been taken to ensure that no disclosure of the relevant confidential information will occur (*Martin*, *supra* at 1261-62, paras 48-49).

[54] The applicants submit that B&P provided an opinion in connection with the [**Redacted**] Patent Retainer knowing their corporate structure and although the opinion was provided to Bell ExpressVu, B&P became aware of the overall tolerance for risk of the family of companies.

Relevant confidential information has actually been imparted

[55] The applicants submit that B&P in fact received confidential information through its solicitor-client relationship with Bell.

[56] First, B&P allegedly gained knowledge of Bell's approach to strategic decisions, as well as their risk tolerance with new technology in the course of its solicitor-client relationship, particularly through its performance of the [**Redacted**] Patent Retainer, [**Redacted**]. The applicants submit that B&P has used such information because in its submissions on behalf of MediaTube on the motion for case management, B&P commented that the defendants had knowledge of the invention and the patent prior to launching their Fibe TV system and that it is "incredible" that they did so without assessing their potential liability.

[57] The applicants submit that Mr Bereskin provided the advice on the [**Redacted**] Patent Retainer to Mr Derbyshire at Bell Canada and that the time dockets produced for 2003, establish that confidential information was shared in this retainer.

[58] Second, B&P allegedly obtained confidential information from its involvement in Project [**Redacted**]. The applicants submit that, through B&P, MediaTube now has access to confidential information about [**Redacted**].

Inadequacy of the confidentiality screen

[59] The applicants dispute B&P's claim that a confidentiality screen was put in place on March 6, 2013, and submit that the cross-examinations revealed that the confidentiality screen was only put in place sometime in August 2013, well after the conflict of interest arose. The applicants argue that the absence of an effective confidentiality screen leads to an inference of misuse of confidential information.

The Respondent's Position

[60] B&P submits that: the applicants cannot rely on a presumption that relevant confidential information was provided during a previous retainer; and, the applicants did not in fact provide B&P with relevant confidential information.

No presumption that relevant confidential information has been imparted

[61] B&P submits that the applicants did not provide clear, cogent, and compelling evidence that its previous retainers and the MediaTube retainers were sufficiently related and the threshold for establishing the presumption is high given the drastic consequences of a disqualification. In particular, B&P submits that the applicants are required to show that the possibility of relevant confidential information being acquired is realistic, not just theoretical (*Remus v Remus*, (2002), 61 OR (3d) 680 at paras 13-15, [2002] OJ No 4242 (SCJ) [*Remus*]).

[62] B&P submits that the Court must carefully evaluate whether or not the previous Bell retainers were sufficiently related to the MediaTube retainer. It further submits that the test to be applied is whether any alleged confidential information obtained by B&P under previous retainers could be used to the detriment of Bell Canada in the execution of the MediaTube retainer (*Chapters Inc v Davies, Ward & Beck LLP*, [2000] OJ No 4973 at para 36, 10 BLR (3d) 91 (SCJ) aff'd [2001] OJ No 206, 52 OR (3d) 566 (CA) [*Chapters*]; *Trizec Properties Ltd v Husky Oil Ltd* (1996), 4 CPC (4th) 83, 46 Alta LR (3d) 252 (QB) aff'd (1997), 148 DLR (4th) 300, 56 Alta LR (3d) 380 (CA) [*Trizec*]).

[63] B&P submits that the retainers it had with the separate Bell corporate entities were unrelated to the MediaTube retainer:

- The 2005 retainer with Bell Canada concerning [**Redacted**] trade name and [**Redacted**] trade-mark, as well as the 2012 retainer regarding the [**Redacted**] trade name were specific and limited. They had nothing to do with patents.
- The [**Redacted**] Patent Retainer was unrelated to the MediaTube retainer. Moreover, Bell ExpressVu never disclosed to B&P any technology that itself had developed, rather, the mandate was concerned with [**Redacted**]. B&P advised Bell ExpressVu about [**Redacted**]. While some confidential information may have been disclosed to B&P, the information is not relevant to the MediaTube retainer, as it does not contain actual technical details, but rather describes the technology at a high level. In any event, this retainer was not with Bell Canada.
- The 2012 Bell Media retainer concerning Project [**Redacted**] is unrelated for several reasons. First, there is no merit in the applicants' submissions that [**Redacted**]. Second, there are no plans for Project [**Redacted**] to be launched. Third, there is no evidence that Bell Media ever provided B&P with confidential information concerning its operations; rather, it received only high-level information in order to [**Redacted**]. In any event, this retainer was not with Bell Canada.

[64] B&P argues that the applicants cannot simply assert that, through the previous retainers, it gained insight into Bell Canada's strategy or risk tolerance. It contends that a law firm who advises a client about potential litigation does not thereby acquire confidential general knowledge about the

client's business practices, risk perspective or tolerance that precludes the firm from acting against the client in the future (*McKercher*, *supra* at para 54).

No relevant confidential information has actually been imparted

[65] B&P disputes any allegations that it is using or has used confidential information against the applicants. B&P argues that its submissions in the case management motion did not rely on any confidential information; rather, any reasonable observer would assume that a major Canadian company aware that its business activities potentially infringed a patent, would retain counsel for advice.

[66] B&P submits that the test to be applied is strict: the applicants must show that any information disclosed is both confidential *and* relevant to the MediaTube retainer.

[67] B&P submits that the applicants have not demonstrated that any relevant confidential information was provided, or how the information was relevant and could be used to the detriment of Bell Canada in the performance of the MediaTube retainer.

[68] B&P further submits that the applicants have not established that any confidential information was shared during the [**Redacted**] Patent Retainer. The applicants did not provide any affidavit from Mr Derbyshire, who was on the receiving end of the advice from B&P. Moreover, the passage of time between the two retainers (2003 to 2012) makes it unlikely that a disqualifying conflict will arise, since what may once have been relevant confidential information becomes outdated and irrelevant (*Trizec*, *supra* at paras 31, 36 and 40; *Kjartanson v Rutley* (1995), 127 DLR

(4th) 187 at 190-91, 104 ManR (2d) 268 (QB) [*Kjartanson*]; *South Calgary Properties Ltd v JT Miller Construction Ltd* (1995), 165 AR 361 at para 8, 29 Alta LR (3d) 393 (CA) [*South Calgary Properties*]).

[69] With respect to Project [**Redacted**], B&P submits that the affidavit evidence of Ms Chan does not establish that any confidential information was shared. Her evidence is that she was only told [**Redacted**]; she was not otherwise privy to the business strategy.

[70] B&P adds that although Bell Media's trade-marks and plans about Project [**Redacted**] were confidential, the applicants have not shown how the retainer involved litigation strategy or how it would otherwise be relevant to the MediaTube infringement case; as such, any allegations that B&P has access to [**Redacted**] market are speculative.

Confidentiality screen is adequate

[71] Finally, B&P submits that, out of an abundance of caution, it established a confidentiality screen on March 6, 2013, which continues to remain in place.

Did B&P owe Bell a duty of loyalty?

Applicants' Position

[72] The applicants submit that B&P owes Bell a duty of loyalty requiring B&P to put Bell's business ahead of its own self-interest (*Neil, supra* at para 24).

[73] The applicants rely on *McKercher, supra* at para 39, where the Supreme Court reiterated that "[i]n most cases, simultaneously acting for and against a client in legal matters will result in a breach of the bright line rule, with the result that the law firm cannot accept the new retainer unless the clients involved grant their informed consent."

Bell was a current client of B&P

[74] The applicants submit that they were current clients of B&P when it entered into a retainer agreement with MediaTube. The applicants rely on various e-mail exchanges between B&P lawyers discovered during cross-examinations to argue that B&P considered the Bell family of companies, including Bell Media and Bell ExpressVu, as its client.

[75] The applicants note that Bell specifically retained B&P [**Redacted**], to benefit from the duties of loyalty and confidentiality that accompany a solicitor-client relationship.

[76] The applicants point to *McKercher, supra* at para 39, for factors to consider to determine whether, in accepting the MediaTube retainer, B&P had crossed the bright line and submit that all three factors point in their favour: Bell's legal interests are directly adverse to those of MediaTube; the bright line is not being exploited in a tactical manner, but rather, to prohibit B&P from acting against their interests; and, they reasonably expected that B&P would not act against them.

Respondent's Submissions

"Bell" was not a current client of B&P

[77] B&P submits that it does not owe Bell Aliant any duty of loyalty, as Bell Aliant was never its client and there was no evidence that Bell Aliant ever provided it with confidential information.

[78] B&P submits that it was never counsel for the "Bell family of companies". At various times, it acted for specific corporate entities within the BCE group of companies, including Bell Media and its predecessors, Bell ExpressVu, Bell Mobility and Bell Canada. It never had a general retainer with "Bell".

[79] B&P submits that when a law firm acts for one corporation in a corporate group, that does not transform other corporations in the corporate group into clients of the firm; corporations have legal personality separate from that of their shareholders and parents (*Canada Business Corporations Act*, RSC 1985, c C-44, s 15).

[80] B&P notes that Bell Canada and BCE have repeatedly relied upon the principle of separate corporate personality to deny liability for acts of their subsidiaries (see *Frey v Bell Mobility Inc.*, 2009 SKQB 165 at paras 11-14, 74 CPC (6th) 352 [*Frey*]; *Khare v Bell Canada*, 2012 FC 369 at paras 4-5, [2012] FCJ No 391 [*Khare*]).

[81] B&P submits that even the in-house counsel at Bell Canada understood that B&P was not acting for the BCE group of companies. For example, it notes that the affidavit of Mr Alexander Du, Assistant General Counsel of Content at BCE and Bell Canada, sworn on June 7, 2013, had multiple

references to "Bell Canada" but in his later affidavit of August 1, 2013, these were changed to "Bell", which suggests that this was a deliberate change to portray the client as the broader group of companies. B&P argues that while some of the e-mail correspondence refers to "firing Bell", only Bell Media was a current client of B&P in 2013 – not Bell Canada.

[82] B&P further submits that its internal deliberations regarding whether to accept the MediaTube retainer reflect the understanding that Bell Canada was a former client; in coming to the decision to accept the MediaTube retainer, B&P considered the reality that Bell Canada had historically referred only a few files to it and contemplated that it would not get further business from Bell Canada if they chose to accept the MediaTube retainer.

[83] B&P reiterates that the applicants, Bell Canada and Bell Aliant, were not its clients for Project [**Redacted**].

[84] B&P submits that Bell Canada has not been a client of B&P since June 2012; Bell Canada is a former client and the scope of the duty of loyalty owed to former clients is narrower. Lawyers cannot generally act against current clients without obtaining consent (*Neil*, *supra* at para 29), but they may act against former clients in particular circumstances. B&P submits that none of these circumstances exist to bar it from representing MediaTube in a patent infringement action against the applicants.

As a professional litigant, B&P owes Bell Canada a lesser duty of loyalty

[85] In any event, B&P submits that the scope of any duty of loyalty it owes to Bell Canada is narrow. It relies on *McKercher, supra* at para 37, for the principle that the bright line rule does not apply in circumstances where it is unreasonable for a client to expect that its law firm will not act against it in unrelated matters and this includes the situation of "professional litigants".

[86] B&P submits that the applicants, as large corporate entities in terms of revenue, assets, and employees, are professional litigants with access to the best external legal advice. It notes that it had identified 168 reported cases with these litigants. In addition, as revealed in the cross examinations, the Bell in-house legal department has more than 50 lawyers who provide legal services to all the related companies and also regularly retain external counsel for litigation, intellectual property, competition, regulatory, securities, and insolvency matters.

[87] B&P further notes that while Bell Canada has a standard form of retainer agreement for use with external counsel, it never negotiated the inclusion of a condition which would prohibit the law firm from acting against it in an unrelated action. B&P submits that the Court should not impose such a term into the retainer of the parties, after the fact.

Did B&P breach a duty of loyalty owed to Bell?

Applicants' Submissions

[88] The applicants submit that the bright line rule was engaged and that B&P breached the duty of loyalty owed to Bell.

[89] The applicants reiterate that B&P sought Bell's consent and would not have done so but for the fact that they knew there was a conflict. The applicants argue, with reference to evidence discovered during cross-examination, that B&P evaluated the fees it could earn by representing MediaTube and chose to breach its duty of loyalty and fired Bell as its client.

Respondent's Submissions

[90] B&P acknowledges that it cannot convert a current client into a former client by terminating the retainer for no other reason other than to represent a prospective new client and argues that it did not "fire" Bell Canada or Bell as a client. B&P reiterates that it did not have any retainers with Bell Canada at that time and no retainer with Bell ever existed. Therefore, it did not terminate any retainer with Bell Canada or Bell at the time it entered into a retainer agreement with MediaTube. B&P again notes that its most recent retainer with Bell Canada terminated in June 2012 and that it had acted on numerous occasions against Bell Canada between 2004 and 2010.

[91] B&P submits that, although the language of "consent" or "waiver" was used in the conversations and e-mail exchanges between it and the applicants, there was no disabling legal conflict to be waived. B&P submits that it acted in accordance with the Supreme Court's guidance in *McKercher* by being candid and responsive, even though Bell Canada was not a current client.

[92] B&P acknowledges that former clients would be surprised or disappointed when a law firm it previously retained acts against it, but submits that this does not justify disqualification of the law firm unless the former client meets the governing test, which is an objective analysis, particularly when the applicants are professional litigants.

If B&P's breach a duty of loyalty, what is the appropriate remedy?

Applicants' Submissions

[93] The applicants submit that B&P must be removed from the record in the action, as a breach of the bright line rule normally attracts disqualification, even if the lawyer-client relationship is terminated subsequent to the breach (*McKercher*, *supra* at paras 11, 62; *Martin*, *supra* at 1261, para 47).

[94] The applicants submit that B&P did not accept the retainer from MediaTube in good faith and relies on various e-mails to B&P's Executive Committee to support the view that the firm "fired" Bell in order to take on the MediaTube retainer. For example, in an e-mail from Ms Chan to Mr Bobker on January 7, 2012, which outlined the billing history of Bell Media and Bell, Ms Chan queried "….[d]o we want to keep Bell as a client and foster this relationship?" In addition, the applicants highlight the January 16, 2012 e-mail from Mr Bobker to the Executive Committee, which indicated that in order to proceed with the MediaTube litigation, "we will have to send out the Bell files" and also the e-mail from Mr Mendes da Costa to the Executive Committee on January 17, 2013, which stated "as we discussed, we will proceed to fire Bell once we have confirmation that the putative client will sign the engagement letter".

[95] In addition to the [**Redacted**] Patent Retainer and the Project [**Redacted**] retainer, the applicants also referred to a general retainer with Bell. However, the applicants did not place any emphasis on this general retainer and it appears that no work was done on this retainer and it was closed out.

[96] The applicants also submit that although the Project [**Redacted**] retainer was with Bell Media, Ms Chan sent the opinion letters to Mr Sabbagh at BCE, which supports the position that B&P regarded BCE as the client. Similarly, invoices for the [**Redacted**] Patent Retainer with Bell ExpressVu were sent to Bell Canada.

[97] The applicants submit that the *McKercher* factors pointing in favour of disqualification apply. First, B&P is in possession of confidential information and the case law is clear that the appropriate remedy is disqualification. Second, knowing that accepting the MediaTube retainer would cross the bright line, B&P sought Bell's consent and was refused and then fired Bell to avoid the bright line rule (*McKercher, supra* at para 55). Third, B&P's conduct undermines the integrity of the justice system; it demonstrated bad faith by firing the applicants to create a situation where it would appear to be on the right side of the bright line (*McKercher, supra* at para 63).

Respondent's Submissions

[98] B&P submits that it should not be disqualified from representing MediaTube in the main action. It notes that disqualifying motions have serious consequences and must not be taken lightly (*McKercher, supra* at paras 36, 41).

[99] B&P notes that it disclosed all the relevant e-mails, which the applicants are reinterpreting to support its position, and submits that the applicants have failed to otherwise provide any evidence to support their allegations of bad faith.

Findings: The Motion to disqualify B&P can not succeed

[100] The applicants repeatedly point out references to Bell, Bell Canada and BCE in e-mails, correspondence, invoices and general references to support their position that the client was in fact the Bell family of companies. However, as noted above, both parties used terms rather casually in referring to the retainers and the solicitor-client relationship.

[101] The fact that an invoice was sent to an address shared by BCE or to in-house counsel at BCE, in the face of evidence that one consolidated legal department acted for all the companies and that the in-house counsel described themselves as counsel for both the single entity and the larger family, would not be indicative of who the client actually was. Nor does an e-mail from a partner at B&P, which referred to "Bell", support the view that the firm regarded the whole family of companies as its client.

[102] I note that Mr Sabbagh, who described himself as Senior Legal Counsel at Bell Canada, reports to the Assistant General Counsel at Bell Canada who in turn reports to the Senior Vice President and General Counsel at BCE Inc and Bell Canada. Mr Sabbagh's testimony was that there was no formal name for the legal department and that "[s]ome people will say it's the BCE law department, others will say it's the Bell Canada Law department or the Bell law department."

[103] Mr Alexander Du described himself as Assistant General Counsel at BCE Inc and Bell Canada.

[104] While the evidence was that there is one legal department serving all the related Bell entities, it appears that there are divisions within that department that go beyond the function of the lawyers, which suggests that the divisions are more specialized to serve distinct entities within the Bell family of companies. However, whether there is one undivided legal department or one legal department with different divisions does not establish that there is only one client.

[105] I have carefully reviewed the affidavits and the transcripts of cross-examinations, as well as the exhibits, including e-mails, excerpts of billing records and the other documents in the record. This exercise resembled more the role of a forensic auditor than that of a judge. It appears that the candour of e-mail and its cryptic nature can readily be taken out of context and argued to suggest that B&P acted improperly. However, this is not borne out overall. B&P may have used terms like "fire" as a colloquialism for its actions to terminate the relationship with Bell. These actions followed from its efforts to communicate with the in-house counsel at Bell, with whom it had regularly liaised on specific retainers, in order to ensure that it was in a position to accept the MediaTube retainer. Had B&P not pursued the communications, it would surely have been in a worse position vis-a-vis any potential conflict. As such, its conduct in seeking to ensure that the Bell files were transferred out in an orderly manner should not be used to bolster the argument that there was a conflict to be waived.

[106] The evidence supports the view that Bell Canada was not a current client at the relevant time and that Bell Aliant was never a client. The applicants have not persuaded me that B&P's retainers with entities related to or falling under the corporate umbrella established a solicitor-client relationship with BCE or the Bell family of companies.

[107] As elaborated upon below, I have found that no confidential information relevant to the MediaTube retainer was received by B&P; the bright line rule is not engaged in the present circumstances because the applicants are not current clients of B&P; even if the bright line rule were engaged, its scope is narrow because the applicants are professional litigants; and, the disqualification of B&P is not called for.

No confidential information relevant to the MediaTube retainer was received by B&P

[108] It has not been established that confidential information relevant to the MediaTube retainer was imparted to B&P.

[109] The Court can not presume that relevant confidential information was provided to B&P as a result of B&P's previous retainers with the various Bell entities. The applicants did not present this Court with clear, cogent, and compelling evidence that previous Bell retainers and the MediaTube retainers were sufficiently related (*Moffat v Wetstein* (1996), 135 DLR (4th) 298 at 326-327, 29 OR (3d) 371 (Gen Div), leave to appeal refused (1997), 144 DLR (4th) 188, 29 OTC 65 (Div Ct); *Chapters*, *supra* at para 29). The threshold for establishing the presumption is high. It is incumbent on the applicants to specify why the information previously supplied to B&P is connected or related to the MediaTube retainer; the Court should not have to guess at the degree of connection (*Remus*, *supra* at paras 13-15).

[110] Based on the oral and written submissions and a careful review of the record, the previous retainers between B&P and the various Bell entities are not, in my view, sufficiently related to the

MediaTube retainer. While these retainers are all intellectual property matters, none of them deal directly with patents or patent infringement.

[111] The [**Redacted**] Patent Retainer and the Project [**Redacted**] retainer have been carefully considered.

[***Redacted***] *Patent Retainer with Bell ExpressVu (October 2003)*

[112] The applicants submit that the [**Redacted**] Patent Retainer is sufficiently related to the MediaTube retainer.

[113] As noted, B&P was retained to provide Bell ExpressVu with [**Redacted**]. The two matters do not appear to be connected, as they involved different technologies invented by different third parties. While this retainer may have remotely canvassed Bell ExpressVu's potential [**Redacted**], it is not clear how this would be sufficiently related to the MediaTube retainer. Moreover, the [**Redacted**] Patent Retainer is over 10 years ago and would not be sufficiently current to be relevant (see *Trizec, supra* at para 31; *Kjartanson, supra* at 190-91; *South Calgary Properties Ltd, supra* at para 8).

[114] Nor do the time dockets of Mr Bereskin establish that strategic advice was provided. Although the dockets refer to meetings regarding risk avoidance and reporting letters to Mr Derbyshire, the applicant did not offer evidence from Mr Derbyshire to elaborate on whether B&P gained any knowledge of the applicants risk tolerance in this context.

[115] As noted in *Remus*, *supra* at paras 13-14:

> [13] The mere assertion that there is an appearance of impropriety or that the former lawyer has some general form of confidential information, has been held by various courts to be insufficient to remove the solicitor. There must be clear and cogent evidence from which the court can reach the conclusions that in all the circumstances it is reasonably possible that the lawyer acquired confidential information pursuant to the first retainer that would be relevant to the current matter. [See Note 5 at end of document]
>
> [14] It is incumbent on a party seeking to disqualify a solicitor to specify why the documents and information supplied previously to the solicitor are connected or related to the new matter rather than leave the court to have to guess at the degree of connection. [See Note 6 at end of document]

[116] In the present case, I am being called upon to guess rather than being presented with sufficient evidence to permit me to find that the advice provided in the context of the [**Redacted**] Patent retainer is relevant to the MediaTube Retainer. I am not satisfied that the two were sufficiently related.

Project [***Redacted***] *Retainer with Bell Media (April 2012)*

[117] The applicants argue that Bell Media's April 2012 retainer regarding Project [**Redacted**], which involved [**Redacted**], is related to the MediaTube retainer because [**Redacted**] could change how an accounting of profits and royalties would be calculated.

[118] [**Redacted**]

[119] [**Redacted**]. Therefore, I cannot find clear, cogent, and compelling evidence that Bell Media's Project [**Redacted**] retainer and the MediaTube retainer are related.

No relevant confidential information has actually been imparted

[120] As noted above, the applicants asserted that relevant confidential information has actually been imparted to B&P, in the case of the [**Redacted**] Patent Retainer, [**Redacted**] and, in the case of Project [**Redacted**], [**Redacted**].

[***Redacted***] *Patent Retainer with Bell ExpressVu (October 2003)*

[121] I am not satisfied that any information obtained by B&P in the [**Redacted**] Patent Retainer would be relevant to the MediaTube retainer. As the applicant acknowledged, Bell ExpressVu never disclosed to B&P any technology that itself had developed, as the mandate was concerned with acquiring rights to software created by a third party. Moreover, the confidential information provided only described the technology at a high level and did not actually describe how the technology actually worked or would be integrated.

[122] Nor am I persuaded that through this retainer, B&P obtained insight into the applicants' approach to [**Redacted**]. As the Supreme Court remarked in *McKercher*, *supra* at para 54:

> [54] However, I cannot agree that this is a situation where there also exists a risk of misuse of confidential information. CN's contention that McKercher obtained confidential information that might assist it on the Wallace matter — namely, a general understanding of CN's litigation philosophy — does not withstand scrutiny. "[M]erely . . . making a bald assertion that the past relationship has provided the solicitor with access to . . . litigation philosophy" does not suffice: *Moffat v. Wetstein* (1996), 29 O.R. (3d) 371 (Gen. Div.), at p. 401. "There is a distinction between possessing information that is relevant to the matter at issue and having an understanding of the corporate philosophy" of a previous client: *Canadian Pacific Railway v. Aikins, MacAulay & Thorvaldson* (1998), 23 C.P.C. (4th) 55 (Man. C.A.), at para. 26. The information must be capable of being used against the client in some

> tangible manner. In the present case, the real estate, insolvency, and personal injury files on which McKercher worked were entirely unrelated to the Wallace action, and CN has failed to show how they or other matters on which McKercher acted could have yielded *relevant* confidential information that could be used against it. [emphasis in original.]

[123] The applicants allege that B&P had used confidential information and as an example, referred to the following passage in MediaTube's submissions in the case management motion:

> […] As set out above, the defendants [i.e. Bell] have had knowledge of the invention and the 477 Patent for many years prior to launching their infringing IPTV systems. It is incredible that the defendants would have done so without a full assessment of their potential liability under the 477 Patent having regard to both infringement and validity. [emphasis added.]

[124] This strikes me as simply a strong attention grabbing statement to highlight that Bell Canada, a large national telecommunications corporation, would not likely launch an innovative product without first assessing its potential liability with respect to the 477 patent. As noted above, it would be expected that the defendants would consult counsel and canvass any potential liability. This statement does not establish the use of any confidential information.

Project [***Redacted***] *Retainer with Bell Media (April 2012)*

[125] Although Bell Media's trade-marks and plans with respect to Project [**Redacted**] were in fact confidential, the applicants have not shown how such confidential information would be relevant to the MediaTube retainer. [**Redacted**].

Effectiveness of the confidentiality screen not determinative

[126] The applicants assert that the confidentiality screen was not in place at the appropriate time and, therefore, I should infer that confidential information was misused. B&P asserts that the screen was put in place in March 2013 out of an abundance of caution.

[127] There is no persuasive evidence that the screen was not in place in March 2013. Although a confidentiality screen would be the cautious approach, its existence or effectiveness is not determinative because, in any event, no confidential information relevant to the MediaTube retainer has been imparted to B&P by the various Bell entities.

Duty of Loyalty

The bright line rule was not engaged when B&P chose to accept the MediaTube retainer

[128] The bright line rule is not engaged in the present circumstances because the applicants are not current clients of B&P. In the alternative, even if the bright line rule were engaged, its scope is narrow because the applicants are professional litigants.

[129] It is undisputed that Bell Canada's latest retainer with B&P concluded in June 2012 and Bell Aliant has never been a client of B&P. The applicants are, therefore, not current clients of B&P.

[130] The issue is whether Bell Media's status as B&P's current client can result in a duty of loyalty to the whole Bell family of companies – or at least to the applicants.

[131] There are circumstances where a law firm may owe duties to related corporations, but these circumstances do not exist in this case.

[132] In *Savanna Energy Services Corp v CanElson Drilling Inc*, 2010 ABQB 645 at paras 87-88, 37 Alta LR (5^{th}) 275, Justice Martin of the Alberta Court of Queen's Bench noted;

> 87 There are, however, instances in which a lawyer may owe duties to related corporations, non-clients or near-clients and there may be good reason to go behind or beyond the separate existence of these corporations. At paragraph 11 of *McKenna*, Justice Lax observed that there may be situations where the duty of loyalty will require that a lawyer not act against an affiliate to protect a relationship with the client. Such a finding needs to be supported by evidence about what the parties agreed to, how the corporations operate, what the corporation claiming to be a client believed, and what the lawyer knew about the interconnectedness of the corporations.
>
> 88 The burden of proof is on Savanna Energy to establish that it was in a solicitor client relationship with BLG. On the evidence before me there is no reason or basis to extend the protection of a client to Savanna Energy: the Plaintiff has not demonstrated sufficient proximity or knowledge. [Emphasis added.]

[133] The burden was on the applicants to establish that they were in a solicitor-client relationship with B&P. Apart from the fact that all Bell entities are serviced by the same legal department, broad allegations that litigation, risk tolerance and management strategies have been imparted to B&P, and specific terms or words used in e-mails and responses in cross-examination, the applicants have not offered any other evidence how its current retainer with Bell Media would in any way implicate the applicants or would otherwise support the notion that B&P regarded the Bell family of companies as its client.

[134] As noted above, the various e-mails casually referred to "Bell" rather than the specific client, but if the authors of the e-mails anticipated that their casual references would be used to argue that the client was the broader family of companies, they would likely have been more specific. The applicants relied on Ms Chan's reference to the related companies as the client, however, this was in the context of a conflict search where the purpose is to look beyond the specific retainers to identify potential conflicts.

[135] The applicants' reliance on the single legal department at Bell does not establish that B&P was in a solicitor-client relationship with the Bell family of companies. The evidence indicated that there was one legal department that provided advice to all entities by type of advice or function. B&P liaised with particular in-house counsel to obtain instructions. For example, Mr Sabbagh, Senior Counsel at Bell Canada indicated his reporting relationships and also acknowledged that the legal department is referred to interchangeably as the Bell, BCE and Bell Canada law department. The other in-house counsel also had various reporting relationships to Bell Canada or to BCE or to both. Nothing can be deduced from the structure of the legal department about the retainers between specific entities and B&P.

[136] If the applicants were in fact in a solicitor-client relationship with B&P through Bell Media's status as a current client with B&P, it should have been possible to provide other evidence to support this.

[137] For example, the applicants could have provided affidavits from the in-house counsel or the instructing counsel who had worked on Project [**Redacted**] attesting to the fact that they provided confidential information to B&P in the course of their work.

[138] Mr Sabbagh, who was also identified as the Director of Trade-marks at Bell Canada and in charge of Project [**Redacted**], did not provide such evidence. Mr Sabbagh only spoke generally of how [**Redacted**], [**Redacted**] were imparted to B&P in the course of B&P's involvement with Project [**Redacted**].

[139] Moreover, the record establishes that B&P had several retainers against Bell Canada and Bell Media. There is no evidence that BCE or Bell Canada objected to B&P representing the opposing parties in those retainers or that they asserted that they were all one family and that B&P owed a duty of loyalty to the family.

Even if engaged, the bright line rule is narrow in the circumstances

[140] The applicants are sophisticated corporate players who are regularly engaged in litigation and fall into the category of professional litigants. As the respondents noted, the applicants had been involved in 168 reported cases, although the relevant time period was not indicated. However, being a professional litigant is only an example of circumstances where the expectations for exclusive representation may be lower; all the circumstances must be considered.

[141] While it is exceptional to set aside the bright line rule, various factors suggest that the applicants could not reasonably expect B&P to not act against it in the MediaTube retainer.

[142] To reiterate the guidance provided in *McKercher, supra* at para 37:

> In some cases, it is simply not reasonable for a client to claim that it expected a law firm to owe it exclusive loyalty and to refrain from acting against it in unrelated matters. As Binnie J. stated in Neil, these cases are the exception, rather than the norm. Factors such as the nature of the relationship between the law firm and the client, the terms of the retainer, as well as the types of matters involved, may be relevant to consider when determining whether there was a reasonable expectation that the law firm would not act against the client in unrelated matters. Ultimately, courts must conduct a case-by-case assessment, and set aside the bright line rule when it appears that a client could not reasonably expect its application.

[143] Given Bell's corporate structure, the independent nature of the Bell entities and the frequency of litigation involving these entities, it is not reasonable for the applicants to expect that B&P would not act against it in unrelated matters. As noted above, B&P has in fact acted against the applicants and other Bell entities on several occasions.

[144] Moreover, Bell Canada, which routinely retains and instructs external counsel and has resources within its in-house legal department, could have negotiated a retainer with B&P that included a condition of exclusive representation or other terms that delineated B&P's ability to represent other clients, but it did not.

The Substantial Risk Principle: There is no substantial risk that B&P's representation of MediaTube would be materially and adversely affected

[145] When the bright line rule does not apply, the assessment becomes whether the concurrent representation of clients creates a substantial risk that the law firm's representation of the new client

would be materially and adversely affected. The parties have not made any submissions on this point. The Supreme Court articulated the substantial risk principle in *McKercher, supra* at para 38:

> [38] When a situation falls outside the scope of the bright line rule for any of the reasons discussed above, the question becomes whether the concurrent representation of clients creates a substantial risk that the lawyer's representation of the client would be materially and adversely affected. The determination of whether there exists a conflict becomes more contextual, and looks to whether the situation is "liable to create conflicting pressures on judgment" as a result of "the presence of factors which may reasonably be perceived as affecting judgment": Waters, Gillen and Smith, at p. 968. In addition, the onus falls upon the client to establish, on a balance of probabilities, the existence of a conflict — there is only a deemed conflict of interest if the bright line rule applies.

[146] However, nothing in the parties' overall submissions suggests that the situation is "liable to create conflicting pressures on judgment" as a result of "the presence of factors which may reasonably be perceived as affecting judgment". Besides confidential information stemming from B&P's previous representation of the various entities within the Bell family of companies, which has not been established to be relevant to the MediaTube retainer, there are no other factors which may possibly hinder B&P's representation of MediaTube. For example, the solicitor-client relationships between B&P and all the entities within the Bell family of companies have been terminated, and Mr Sabbagh and others have indicated that no more retainers would be referred to B&P.

The Remedy: Disqualification of B&P is not justified

[147] The Supreme Court of Canada in *McKercher, supra* at para 61 noted that disqualification may be required: (1) to avoid the risk of improper use of confidential information; (2) to avoid the risk of impaired representation; and/or (3) to maintain the repute of the administration of justice.

[148] In the present circumstances, the disqualification of B&P is not called for. The only ground on which a disqualification could be sought, given the conclusions that no relevant confidential information has been imparted to B&P, that the bright line rule was not engaged, and that the representation of MediaTube would not be impaired, would be to maintain the repute of the administration of justice.

[149] Where the only ground for seeking a disqualification is to maintain the repute of the administrative of justice, the relevant factors, as set out in *McKercher, supra* at para 65, which is reproduced above, must be considered.

[150] The applicants' argument, that B&P acted in bad faith by intentionally manufacturing a situation in which they would become former clients, is without merit. Rather, B&P acted candidly towards the various Bell entities which it represents or has represented. For example: lawyers at B&P communicated with Mr Sabbagh and Mr Howard in a timely and collegial manner; they suggested other law firms that could take over some of Bell's current files at the firm; and, they made a business decision to terminate the relationship with Bell for legitimate financial reasons, after comparing referrals in the past and anticipated referrals in the future. B&P reasonably believed that the bright line rule was not engaged.

[151] While I am not suggesting that there is any evidence of tactical abuse in the current circumstances, the words of the Court in *McKercher, supra* at para 36 are worth repeating to emphasize the implications where large law firms act for large institutional clients:

> [36] Third, the bright line rule cannot be successfully raised by a party who seeks to abuse it. In some circumstances, a party may seek to rely on the bright line rule in a manner that is "tactical rather than principled": *Neil*, at para. 28. The possibility of tactical abuse is especially high in the case of institutional clients dealing with large national law firms. Indeed, **institutional clients have the resources to retain a significant number of firms, and the retention of a single partner in any Canadian city can disqualify all other lawyers within the firm nation-wide from acting against that client.** As Binnie J. remarked,
>
> > In an era of national firms and a rising turnover of lawyers, especially at the less senior levels, the imposition of exaggerated and unnecessary client loyalty demands, spread across many offices and lawyers who in fact have no knowledge whatsoever of the client or its particular affairs, may promote form at the expense of substance, and tactical advantage instead of legitimate protection. (*Neil*, at para. 15)
>
> Thus, clients who intentionally create situations that will engage the bright line rule, as a means of depriving adversaries of their choice of counsel, forfeit the benefit of the rule. Indeed, **institutional clients should not spread their retainers among scores of leading law firms in a purposeful attempt to create potential conflicts.** [Underline in original, bold is mine.]

[152] Corporate mergers and restructuring among clients, coupled with the mergers of law firms and movement of lawyers, create complex relationships that pose great challenges for client and conflict identification and highlight the importance of specific retainers that clearly identify the client and the scope of the retainer.

[153] It is not realistic to assume that if a law firm is retained by one entity within a large group of companies, then it is retained by the whole and all its parts.

[154] If every law firm retained by members of the Bell family of companies were also regarded as being retained by the whole family, it would severely restrain or limit the work that the law firms could take on and the conflicts would be multiplied and would be difficult to sort out. This issue may be more pronounced in matters of intellectual property, as in the present case, which is a specialized area with particular lawyers and firms having expertise.

[155] In the present circumstances, there is no justification to forever bar B&P from taking unrelated retainers against Bell or parts of the Bell family because it has had retainers in the past, some of which were in the very distant past.

[156] BCE, Bell Canada and other entities in the family are separate corporations with separate legal personalities. As noted, they have relied on this structure to deny liability for their subsidiaries (see *Frey, surpa* at paras 11-14; *Khare, supra* at paras 4-5).

[157] By the logic of the applicants' arguments, large corporate enterprises, like the Bell family, could reorganize their in-house legal departments and strategically spread out their retainers to several law firms in order to limit or even eliminate eligible law firms who could represent their opponents.

[158] This is not a realistic approach to business given that there is no corresponding duty on the large corporation to provide sufficient retainers to ensure that the law firm can continue to act exclusively for it. This creates a non-reciprocal position between law firm and large corporate clients which makes it more difficult for the law firm to continue in business. Moreover, if such a

relationship is desired or intended by the large corporate enterprises or their subsidiaries, it should be negotiated and well articulated in the retainer.

ORDER

THIS COURT ORDERS that the motion to remove Bereskin & Parr as counsel of record for MediaTube in this action is dismissed with costs to the respondent.

"Catherine M. Kane"

Judge

FEDERAL COURT

SOLICITORS OF RECORD

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APPEARANCES:

Andrew J. Reddon Fiona Legere Brooke MacKenzie	FOR THE DEFENDANTS
Terrence O'Sullivan Paul Michell	FOR THE RESPONDING PARTY BERESKIN & PARR LLP

SOLICITORS OF RECORD:

McCarthy Tétrault LLP Barristers and Solicitors Toronto, Ontario	FOR THE DEFENDANTS
Lax O'Sullivan Scott Lisus LLP Barristers and Solicitors Toronto, Ontario	FOR THE RESPONDING PARTY BERESKIN & PARR LLP