

Federal Court



Cour fédérale

**Date: 20180424**

**Docket: T-608-17**

**Citation: 2018 FC 443**

**BETWEEN:**

**SEEDLINGS LIFE SCIENCE  
VENTURES, LLC**

**Plaintiff**

**and**

**PFIZER CANADA INC.**

**Defendant**

**REASONS FOR ORDER**

**TABIB P.**

[1] On April 3, 2018, I issued an order dismissing Pfizer's motion for a protective order, with reasons to follow. The following are those reasons.

[2] The parties in this patent infringement action are about to embark upon documentary and oral discoveries. As with most intellectual property cases, they both recognize that the information they are about to exchange contains commercially sensitive or confidential

information that would not otherwise be made available to a competitor and which, if misused or disseminated, could cause each of them significant prejudice.

[3] The parties have negotiated and agreed between themselves as to terms governing the manner in which they would designate and mark that information, to whom, among the Court and the parties' respective organizations, legal teams, outside consultants and service providers, the information may be disclosed, on what conditions the disclosure is to be made and with what restrictions, the form of undertaking to be signed, the exceptions that may apply, the manner in which designations may be challenged, how to deal with inadvertent failure to designate, how and when copies are to be returned at the end of the litigation, etc., all for the purpose of protecting the confidentiality of the information. These terms would apply to information the parties consider to be particularly sensitive, over and above the application of the implied or deemed undertaking rule. The implied undertaking rule is a now well accepted principle of common law, pursuant to which a party to whom documents or information are transmitted in the course of pre-trial discovery is taken to have given an undertaking to the Court that he or she will not disclose or use them for any purpose other than the litigation in which they are produced. Any collateral or ulterior use constitutes a contempt of court.

[4] In keeping with the recent decision in *Live Face on Web, LLC v Soldan Fence and Metals (2009) Ltd*, 2017 FC 858 to the effect that, given the existence of the implied undertaking rule, the Court ought no longer to routinely issue consent protective orders, Seedlings is content to rely on the implied undertaking, as clarified and enhanced by an agreement between the parties that would incorporate the terms to which they have agreed. Pfizer however is of the view that

this would not be sufficient to protect its interests, and that a formal protective order is necessary. It therefore made this motion for the issuance of a protective order. Seedlings took no position on the matter.

[5] Pfizer has not led evidence to suggest that this case is factually different from *Live Face on Web* or from any other intellectual property case. It does not suggest that there are grounds to believe that the parties, their directors or officers, their employees, their counsel, their experts or the service providers they employ might fail to understand or comply with the implied undertaking rule, or to abide by the terms agreed between the parties if they were incorporated in a formal agreement. There is no evidence to suggest that either party might even be prone to carelessness in handling materials designated as confidential, so that designated confidential materials might find their way into the hands of persons who are not parties to the litigation or the protective agreement, and who have not signed the express undertaking contemplated by the terms agreed between the parties. In short, Pfizer does not allege that this is one of those highly unusual cases alluded to in *Live Face on Web* in which an order incorporating specific protective measures agreed between the parties might be necessary.

[6] Rather, Pfizer urges that I should not follow the decision in *Live Face on Web*, because it constitutes an unjustified departure from the previously established practice of the Court and case law. Pfizer submits that it has met all the criteria previously established by jurisprudence for the issuance of a protective order, and that there should be no additional requirement to show the existence of unusual circumstances. Pfizer also takes issue with the Court's conclusion in *Live Face on Web* to the effect that reliance on the implied undertaking and on private agreements

offers adequate protection in the case of highly sensitive information of the kind typically exchanged in intellectual property proceedings.

**I. The Case Law on Protective Orders**

[7] Pfizer argues that the test for granting a protective order is well established and has been recognized in the Supreme Court decision of *Sierra Club of Canada v Canada (Minister of Finance)*, 2002 SCC 41 at paragraph 60, as follows:

Pelletier J. noted that the order sought in this case was similar in nature to an application for a protective order which arises in the context of patent litigation. Such an order requires the applicant to demonstrate that the information in question has been treated at all relevant times as confidential and that on a balance of probabilities its proprietary, commercial and scientific interests could reasonably be harmed by the disclosure of the information: *AB Hassle v Canada (Minister of National Health and Welfare)* (1998), 83 CPR (3d) 428 (FCTD), at p. 434. To this I would add the requirement proposed by Robertson J.A. that the information in question must be of a “confidential nature” in that it has been “accumulated with a reasonable expectation of it being kept confidential” as opposed to “facts which a litigant would like to keep confidential by having the courtroom doors closed” (para. 14).

[Emphasis added]

[8] With respect, a survey of the jurisprudence relating to protective orders must begin with an understanding of what is meant by the term “protective order”. This is not an expression that is used in the *Federal Courts Rules*. Up until a few years ago, the terms protective order and confidentiality order were used interchangeably to designate orders issued in intellectual property matters to limit the use or disclosure of sensitive technical, commercial, financial or scientific information. Those familiar with the practice of intellectual property in the Federal

Court will know that it is only recently that the Court has begun to make a distinction between protective and confidentiality orders.

[9] As used in *Live Face on Web* and in the context of this motion, the expression “protective order” designates an order that only governs the way in which parties may designate as confidential, and must thereafter treat, information that they will exchange between themselves in the pre-trial phase of an action. A protective order, as understood in *Live Face on Web* and on this motion, does not permit the parties to file in the court record any document under seal, even if it has been designated and marked as confidential pursuant to the protective order. In order to be permitted to file designated information under seal, the parties must apply for and obtain a confidentiality order pursuant to Rule 151 of the *Federal Courts Rules*. Rule 151 reads as follows:

151 (1) On motion, the Court may order that material to be filed shall be treated as confidential.

(2) Before making an order under subsection (1), the Court must be satisfied that the material should be treated as confidential, notwithstanding the public interest in open and accessible court proceedings.

151 (1) La Cour peut, sur requête, ordonner que des documents ou éléments matériels qui seront déposés soient considérés comme confidentiels.

(2) Avant de rendre une ordonnance en application du paragraphe (1), la Cour doit être convaincue de la nécessité de considérer les documents ou éléments matériels comme confidentiels, étant donné l'intérêt du public à la publicité des débats judiciaires.

[Emphasis added]

[10] Rule 151 applies only to information that is to be filed, and not to information that is merely to be exchanged between the parties (*Levis Strauss & Co v Era Clothing Inc*, (1999) 172 FTR 248, 1 CPR (4th) 513). An order made under that rule permits the filing of sealed information on the otherwise public court record. Rule 152 limits the persons to whom the registry may give access to those sealed materials and sets out the conditions for filing and obtaining copies. It is noteworthy that, unless the Court orders otherwise, the Registry may not even grant access to sealed materials to the parties themselves. Only solicitors for the parties may obtain copies from the Registry, and only upon their written undertaking that they will not disclose same to any person other than a solicitor assisting in the proceeding.

[11] Rule 151 was not always part of the rules of the Court. It was first introduced as part of the complete overhaul and revision of the rules brought about by the *Federal Court Rules, 1998*, SOR/98-106.

[12] Rule 151 for the first time expressly set out the requirement that the Court consider the public interest in open and accessible court proceedings and be satisfied that the need for confidentiality outweighs that principle before shielding parts of its record from public access. This marked a change in the previous practice of the Court in intellectual property matters and to the test that had previously been used in these matters to seal information in the court record.

[13] A review of the reported intellectual property cases decided prior to 1998, and even up to the Supreme Court decision of *Sierra Club* in 2002, reveals that most, if not all, “protective” or “confidentiality” orders under consideration contained provisions allowing the parties to file

under seal any material that either party had designated as confidential, without prior court scrutiny:

- *Foseco International Ltd v Bimac Canada*, (1990) 51 CPR (2d) 51 (FCTD), para 23, sub para 2(1) and (4).
- *Apotex Inc. v Wellcome Foundation Ltd*, (1993) 51 CPR (3d) 305, at p 312-313 para 1(a) and p 315 para 6 of the Order at Appendix A.
- *AB Hassle v Canada (Minister of Health and Welfare)*, (1998) 83 CPR (3d) 428 at para 3 and 4 of the Order at Appendix K. (This order was issued by (1998) 81 CPR (3d) 121, and gave rise to the decisions in (1998) 87 CPR (3d) 191 and (2000) 5 CPR (4th) 149).
- *Levi Straus & Co v Era Clothing*, above, at para 5, also referring at para 7 to a similar order issued in *Levi Strauss & Co v Roadrunner Apparel Inc*, (1998) 81 CPR (3d) 286.

[14] These orders also incorporated detailed provisions governing the manner in which the parties were to treat the information, and which would form part of what I defined above as a “protective order”. The test, if there was one, that the Court would use to resolve any challenge to the propriety of a party’s designation, was the designating party’s subjective, good faith belief that the material was confidential and that its commercial interests may be harmed by disclosure. Using the terminology set out above, the orders considered and issued by the Court in these early cases were in fact hybrid protective and confidentiality orders, but they were referred to interchangeably as protective orders, confidentiality orders or even preservation orders.

[15] Thus, in the *Sierra Club* passage referred to above, where the Supreme Court cites Pelletier J. as saying that the confidentiality order sought was “similar in nature to an application for a protective order which arises in the context of patent litigation”, one must understand the Court to be referring to the aspect of these orders that permitted the parties to file materials into court under seal. The “test” or “requirement” for the issuance of such orders, as described in *AB Hassle* and *Apotex v Wellcome*, above, is therefore not, as suggested by Pfizer, a test for the issuance of a “pure” protective order, but the test that used to be applied for the issuance of a confidentiality order. Moreover, that test has been displaced by the requirement of Rule 151 and the Supreme Court’s decision in *Sierra Club*.

[16] This begs the question of whether there is, or ever was, a recognized jurisprudential test, or set of criteria to be considered, for the Court to issue the “protective” part of these orders.

[17] In the 1980 patent infringement case of *Foseco v Bimac*, above, the plaintiff was seeking both an order for production of the transcripts of depositions conducted in pending United States proceedings relating to the corresponding US Patent and a hybrid protective and confidentiality order modelled on the order issued in the US proceedings. Paragraphs 4 and 5 of the Court’s reasons encapsulate the essence of the issues and of the Court’s ruling:

In the United States action there has been almost since in its inception a protective order to protect the confidentiality of documents and depositions produced by both parties in that action. A copy of the order was filed in the present proceedings with the affidavit of David Watson on August 1, 1979. It is a very strict order going beyond the common law, and not including certain paragraphs which plaintiffs now seek to have included in the protective order sought here. There was extensive controversy between the parties before it was issued and this controversy continues, counsel for the defendants arguing that all that is



required in Canada is the protection given by the common law. I reject this argument and find that if the documents and depositions taken in the United States action are to be produced for use by the Canadian counsel of the parties a form of protective order should be issued not dissimilar to that issued in the United States, except perhaps in minor respects. Rule 455 justifies the issue of such an order, and such orders have been made as for example in the case of *Xerox of Canada Ltd. and Xerox Corps. v. IBM Canada Ltd.* - *IBM Canada Ltée*, No. T-363-76.

[Emphasis added]

[18] It is of interest that *Foseco*, in referring to the protection given by “the common law” and comparing it to the terms of the proposed order, maybe one of the earliest cases to recognize the existence and application of the implied undertaking rule in Canada. The Court in *Foseco* found that this common law protection did not offer “sufficiently explicit protection”, but alas, without further explanation. It may however go some way in explaining the Court’s conclusion to note that the question of whether the implied undertaking extends to evidence given on discovery, rather than only to documents produced on discovery, remained undecided until the Ontario case of *Reichmann v Toronto Life Publishing Co.* (1988) 28 CPC (2d) 11 (Ont. HCJ).

[19] Beyond the perceived shortcomings of the common law protection, it is abundantly clear that the particular facts of the case in *Foseco*, involving depositions taken in the United States and covered by a US protective order going beyond the common law, constituted the overarching justification for the issuance of the order. Those same circumstances, and the decision in *Foseco*, were again cited as justification for the issuance of a protective order mirroring the provisions of a US protective order issued in corresponding US litigation in *Proctor & Gamble Co. v Kimberly-Clark of Canada Ltd.*, (1987) 16 CPR (3d) 114. In turn, *Apotex Inc. v Wellcome Foundation* above, cited both *Foseco* and *Proctor & Gamble* as support for the issuance of a

protective/confidentiality order in substantially the same form as had been issued in a parallel US action.

[20] *Deprenyl Research Ltd v Canguard Health Technologies Inc*, (1992) 41 CPR (3d) 228 is another patent infringement case where the Federal Court had to consider the purely protective aspects of a proposed order. The parties in that case seemed to agree that it was appropriate for the Court to at least issue an order “in the more conventional form, whereby any party can designate any information as “confidential” subject to possible Court review, and once so designated the information can be disclosed only to certain persons but including the officers or employees of the corporate parties”. The real issue before the Court was whether a more unusual form of order, limiting disclosure to the plaintiffs’ solicitors and to outside independent experts, excluding the officers or employees of the plaintiffs companies, should be issued. The Court declined to issue the restrictive “Counsel’s Eyes Only” order, but issued an order that modified the conventional form submitted by the plaintiff so as to limit the number of officers or servants of the plaintiff companies to whom disclosure of certain specific information could be made. The Court gave the following reasons, at paragraph 4:

I am persuaded that this would be an appropriate safeguard to strengthen the general requirement (and implied undertaking) that confidential information be used by an opposing party only for the purposes of the litigation in question. The plaintiffs, as I understand it, involve multinational operations and too wide a circulation of the information within these companies might lead to the information being communicated to those outside the control of this Court.

[21] Thus, in cases where there was controversy between the parties as to whether and to what extent additional limits should be placed to the manner in which parties could use discovery

information, the Federal Court in *Deprenyl* and *Foseco* began by considering whether the implied undertaking offered sufficient protection in the circumstances of the case before it.

[22] The interplay between the recognition and limits of the implied undertaking, on the one hand, and the need for either extracting an express undertaking from the other party or seeking the protection of a Court order, on the other hand, is a feature of several other decisions.

[23] The applicability of the implied undertaking rule in Canada was not always a foregone conclusion. It seems to have been formally recognized for the first time in Canada in the Ontario case of *Lac Minerals Ltd v New Cinch Uranium Ltd*, (1985) 17 DLR (4th) 745, 50 OR (2d) 260 (HCJ), but the majority of the British Columbia Court of Appeal held, the very next year, that there was no implied undertaking under British Columbia law: *Kyuquot Logging Ltd v British Columbia Forest Products Ltd*, (1986) 30 DLR (4th) 65, 5 BCLR (2d) 1 (CA).

[24] McLachlan J., writing for the majority in *Kyuquot*, concludes her review of the English jurisprudence on the issue of the implied undertaking rule by noting that: “the idea of an implied undertaking to the Court enforceable by contempt did not emerge until *Alterskye* and was not generally accepted until *Harman*. Until then, the obligation on the party in possession of discovery documents was enforced by express undertakings or injunctions” (para 53). Then, reviewing the law and practice in British Columbia, she concludes that there are no rules or practices that suggest an implied undertaking of confidentiality, noting that there is not even a general practice in British Columbia for litigants to extract an express undertaking of confidentiality in respect of discovery documents (paras 58-60). She thereafter considers the

position in the United States, acknowledging that while American courts have rejected the concept of an implied undertaking not to disclose documents or evidence produced on discovery, US rules of practice contemplate the issuance of a court order imposing limitations on the use of discovery (para 62). In the next stage of her analysis, McLachlan J. considers whether policy considerations favour recognizing an implied undertaking rule where none currently exist, as follows in para 65:

The question is this. Is the difficult question of striking the proper balance between these conflicting objectives in particular cases resolved by a blanket undertaking to use the discovery only in the case in which it is taken unless the Court otherwise orders? Or is it better resolved by imposing no general restrictions on the use of discovery other than those already embodied in the rules, but permitting parties to apply for additional protection in particular cases?

[Emphasis added]

[25] As mentioned earlier, she concludes that the implied undertaking rule should not be made part of the law of British Columbia and that “the onus is on the person seeking to limit the use of discovery to apply to court for an order so stating or to obtain an undertaking to the same effect from the person to whom the discovery is made” (para 75).

[26] Justice Esson, dissenting, came to the opposite conclusion. He was of the view that the law of British Columbia already included an obligation on parties accessing documents through discovery not to make their contents public, to communicate them to any stranger to the suit or to use them for any other purpose, and that this obligation could be enforced by injunction. On the issue of the availability of additional protection through an express undertaking or order of the court, Esson J. states as follows at para 21:

It is, of course, still open to a party required to make discovery, if particularly concerned about possible abuse by the other party of its right of access, to seek a special order in the nature of an injunction or requiring an express undertaking. However, in the vast majority of cases it seems reasonable to assume that, as in the past, there will be no reason for the party obtaining discovery to seek exemption from the obligation of confidentiality, and no reason for special orders.

[27] The issue as to whether the decision in *Kyoquot* applied in the Federal Court came squarely before the Court in *R v ICHI*, [1992] 1 FC 571 (FCTD). The plaintiff had put forward an officer for discovery, but had sought an express undertaking from counsel for the defendant that information obtained would not be used for any purpose extraneous to the proceedings. Counsel for the defendant had refused to give such an undertaking and there was other litigation in progress to which the information might be relevant. The plaintiff refused to proceed with the discovery, and the defendant made a motion to require the plaintiff to produce an officer for examination on discovery. In her analysis, Reed J. considered the position as expressed in *Kyoquot*, as well as the position in the United Kingdom, in the other provinces, in the Federal Court, and in the United States, before concluding that the implied undertaking rule applies to the Federal Court discovery process. It is noteworthy that, at paragraph 23 of the reasons, the Court determines that an order would issue requiring the plaintiff to produce a representative for discovery, but that it would not include an express provision prohibiting the defendant from using the discovery information for ulterior purposes or requiring an express undertaking. Rather, the Court notes: “The defendant will know from the text of these reasons that an implied undertaking automatically arises so that information obtained on discovery is to be used only for the purposes of the litigation for which it is obtained”.

[28] In *Reichmann*, above, the Ontario High Court of Justice was asked to issue, as part of an order compelling production of certain documents on discovery, an order requiring the defendants to give an express undertaking to refrain from disclosing evidence obtained on examination for discovery of the plaintiff, except with leave of the Court. After reviewing the case law on the implied undertaking rule and concluding that an implied undertaking did apply to Ontario proceedings, notwithstanding the British Columbia Court of Appeal's decision in *Kyuquot*, Anderson J. declined to issue an order expressly requiring the defendant to give the requested undertaking, in these terms (at para 28):

It is on the basis of the breadth and depth of the information which will have to be disclosed, and the continuing interest of the defendants in writing and publishing material concerning the plaintiffs, that the plaintiffs' concern for an express undertaking or an order of the Court relating to the use of information obtained on discovery is sought. I have no doubt that in a proper case the Court could reinforce the implied undertaking, either by direct order or by requiring an undertaking of the party obtaining discovery not to use it for collateral or ulterior purposes. Such an order was made by Boland J. in *Anderson*. She did so, however, in the face of quite explicit and detailed evidence establishing a potential hazard of improper use. I am not satisfied that the material before me demonstrates such special circumstances as would warrant requiring an express undertaking or making an order. I am prepared to accept that there is a lively possibility of some improper use, but in my view that is not sufficient. I am satisfied that the implied undertaking is a sufficient safeguard for the plaintiffs against any risk reasonably to be anticipated on the material. The defendants will use any information or documents with knowledge of the implied undertaking, which will no doubt dictate a prudent course. If the defendants are in doubt about any prospective use of any material, they have always open to them the remedy of a motion to exempt such material from the implied undertaking. In the event of any objectionable use, the plaintiffs always have open to them the remedy of injunction. In the existing circumstances, and at the present time, I see no need for the order sought.

[Emphasis added]

[29] Sutherland J. in *National Gypsum Co. v Dorrell*, (1989), 68 OR (2d) 689, 25 CPR (3d) 15 (H.C.J.), at para 36, cited that same passage with approval and added:

I am persuaded of the wisdom of confining express orders or the requirement of express undertakings to really quite special circumstances. To do otherwise would be to erode the status and efficacy of the implied undertaking. The circumstances here are in my view notably less special than they were in *Reichmann*. The question should be looked at objectively and not determined by how much anxiety can be exhibited by an anxiety-prone party. The implied undertaking is not to be devalued, or the Court troubled, by encouraging motions for express orders or undertakings in circumstances like those of this case.

[Emphasis added]

[30] The same principles were held applicable in Manitoba, as summarized at para 17 to 20 of *Apotex Fermentation Inc v Novopharm Ltd*, 2001 MBQB 316:

17 In an earlier decision, *Hanson v. Keystone Ford Sales Ltd.* (1996), 111 Man. R. (2d) 6 (Man. Q.B.), I dealt with an issue involving the implied undertaking and had occasion to observe, at para 29 “... The implied undertaking ought to suffice in every case without the necessity of any express undertaking being given.”

18 The Manitoba Court of Appeal affirmed my decision in *Hanson*, supra, at (1996), 113 Man. R. (2d) 163 (Man. C.A.). Similar concerns about the misuse of confidential information had been expressed in *Hanson*, supra. Scott C.J.M., writing for a unanimous court, responded to those concerns in the following manner at paras 2 and 3:

We are all agreed that the appeal must fail. In our opinion the concerns articulated by the defendants that the compelled documents might be misused by the plaintiff are fully answered by the implied undertaking rule; see *Blake v. Governor & Co. of Adventurers of England Trading into Hudson's Bay*, [1988] 1 W.W.R. 176 (Man. Q.B.), and *Home Office v. Harman*, [1983] A.C. 280 (U.K. H.L.) at p. 304. Thus, as Master Cantlie noted in *Blake* (at p. 181):

... an express undertaking serves no purpose. It can add nothing to the implied undertaking given in every instance. To require one is

therefore counterproductive, for it implies that it does add something and therefore suggests that a solicitor or party who has not given one does have some freedom in his use of the documents, which is not the case.

Therefore, absent highly unusual circumstances, no formal order is necessary or desirable. The appeal is accordingly dismissed with costs.

19 Scott C.J.M. went on to observe at para 4 of *Hanson*, supra, that it would have been preferable if no order had been entered following the unsuccessful appeal to the Court of Queen's Bench since the implied undertaking requires no such formal expression to be effective and binding.

20 *Operation Dismantle Inc. v. R.*, [1985] 1 S.C.R. 441 (S.C.C.), is authority for the proposition that declaratory relief will generally not be granted where a controversy does not exist but is merely possible or remote and that conjectural or speculative issues are not the proper subjects for declaratory relief. See paras 31, 32 and 33. See also *Gould v. Barristers' Society (Nova Scotia)*, [2001] N.S.J. No. 299 (N.S. S.C. [In Chambers]).

[Emphasis added]

[31] Pfizer has not brought to the Court's attention any case or rule of practice, from this Court or that of any province, that might provide a rationale for issuing a protective order in the absence of circumstances rendering the implied undertaking or the parties' express agreements insufficient. In the end, Pfizer relies only on the jurisprudential recognition of the traditional practice of this Court of issuing such orders in intellectual property cases: *AB Hassle v Canada*, [2000] 5 CPR 4<sup>th</sup> 149 at para 3, *Apotex v Wellcome*, above, at p 311, *Novopharm Ltd v Canada (Minister of Health)*, 2010 FC 566 at para 12 and *Juman v Doucette* 2008 SCC 8 at para 14. As discussed above, much of that practice centered on preventing disclosure of confidential information to the wider public rather than on regulating the manner in which parties should treat information exchanged between themselves. To the extent the practice of routinely issuing



protective orders specifically concerns purely protective provisions, the analysis conducted above illustrates that it was developed at a time where the applicability of the implied undertaking rule and its contours were still ill-defined. Certainty as to the applicability and scope of the implied undertaking has made this practice irrelevant.

[32] In any event, even the existence of a well-entrenched and long-standing practice does not, in the absence of a binding authority on point, constitute a rule of law that the Court is obliged to follow. In the end, whether it is appropriate to issue a protective order in the particular circumstances of any given case remains a matter within the discretion of the Court. It is entirely consistent with the authorities and precedents discussed above that the Court would, in exercising this discretion, consider whether making such an order is necessary given the implied undertaking and the parties' agreement to terms that would, to the extent it might be felt necessary, enhance and clarify that rule.

## **II. Is it the Issuance of a Protective Order Necessary?**

[33] As I have already held in *Live Face on Web*, the majority of the substantive provisions of typical protective orders, such as the one proposed by Pfizer here, do not need to be expressed in an order because they are already covered by the implied undertaking. More particularly:

- The implied undertaking applies to prevent the disclosure to third parties or the use of information obtained on discovery for a purpose outside of or collateral to the litigation for which disclosure was made, absent consent of the producing party or leave of the court (clauses 10, 11, 15, 17, 23 and 24 of the proposed protective order; *Juman v Doucette*, para 4).

- The implied undertaking applies to both documents and information disclosed in examinations on discovery, but not to information that has been obtained from other sources (clauses 1(f), 2 and 20; *R v ICHI; Juman v Doucette*, para 5-6).
- The implied undertaking arises automatically without the need for an order, a designation or an express undertaking (clauses 3 to 6) and is enforceable by a variety of means, including through the Court's contempt powers (*Goodman v Rossi* [1995] OJ No 1906, 125 DLR (4<sup>th</sup>) 613, pp 363-364, *Juman v Doucette* para 29).
- The undertaking applies until the information is revealed in open court or is filed and becomes part of the public record, and thus, continues to apply even after the conclusion of the action if the information is not publicly revealed or filed (clause 18; *Juman v Doucette* para 51).
- The implied undertaking includes an obligation on the part of the receiving party to return or destroy the documents that have not become part of the public record at the conclusion of the litigation (clause 19; *Andersen Consulting v R*), [2001] 2 FC 324 at para 6).
- The implied undertaking applies to the parties, their counsel, and the experts or third party consultants they have retained, and can be enforced by the Court against these third parties (clause 13; *Winkler v Lehndorff Management Ltd*, [1998] OJ No 4462, 28 CPC (4th) 323).

- Relief in relation to the implied undertaking rule can even be ordered against third parties who have improperly obtained discovery information (*Canadian National Railway v Holmes*, 2014 ONSC 593).

[34] To the extent the proposed protective order does contain provisions that exceed the scope of the implied undertaking, such as limits to the number of employees or officers of each party to whom disclosure may be made (clause 11(c) to (b)) and the requirement that a party provide advance notice of its intention to file designated materials in Court or to disclose them upon compulsion of law (clauses 7 and 14), the parties have already agreed to those terms. As I held in *Live Face on Web*, an express agreement between the parties, whereby they recognize that such measures constitute undertakings given to the Court as additional protection to their privacy interest for the purposes of the litigation, is amenable to enforcement by this Court, including by way of contempt proceedings, without the need to be first acknowledged by the Court or enshrined in an order:

[21] I fail to see why additional undertakings given to but not specifically endorsed by the Court, that aim to achieve the same goals as the implied undertaking rule, should be any less binding on the parties or amenable to enforcement by the Court's contempt power than the general rule, so long as they are voluntarily given by the parties and their solicitors in the mutual belief that they are lawful and appropriate, in the circumstances, to protect the parties' legitimate privacy interests during the conduct of the litigation.

[22] The Federal Court's jurisdiction to enforce compliance with the implied undertaking rule arises from the Court's inherent power to control its own process. The implied undertaking rule itself was born from the recognition that it would promote compliance with the Court's discovery process and help prevent abuses or misuses of this process by affording protection for the parties' privacy interests. The implied undertaking arises automatically and may be enforced as soon as a person receives discovery information, even outside of the presence of the Court and without its knowledge. In that, it is unlike undertakings given

by parties in relation to their substantive rights, such as settlement agreements that include an undertaking not to make use of a trademark or other intellectual property. These substantive undertakings cannot be enforced by contempt unless they have been communicated to and acknowledged by the Court in an order (*Williams Information Services Corp. v Williams Telecommunications Corp.*, [1998] FCJ No 594, 142 FTR 76).

[23] Undertakings that are strictly related to the procedural aspects of litigation and aim to assist in regulating the Court's process, such as those restricting the number of persons who can have access to designated discovery information or requiring prior notice of an intention to file, are of the same kind as the implied undertaking rule. As such, they should not need to be expressly acknowledged by the Court in order to be amenable to enforcement by the Court as part of its inherent jurisdiction to control its process, including by contempt in appropriate cases.

[Emphasis added]

[35] Contrary to Pfizer's submissions, *Live Face on Web* is not to the effect that protective agreements must first be recognized by the Court by way of motion for compliance before they can be the subject of contempt proceedings. That possibility was mentioned only in the event that the primary conclusion, as to the enforceability of an express undertaking given in a private agreement, was found to be in error.

[36] Counsel for Pfizer did not suggest that the above conclusions and principles were based on an error of law or a misapprehension of the applicable jurisprudence.

[37] Pfizer's argument is, rather, that notwithstanding *Live Face on Web*, there remains much uncertainty as to the scope, application and enforceability of the implied undertaking rule, and that the clarity and certainty provided by an express protective order is necessary, given the

sensitivity of the information at stake. I set out below and address each of Pfizer's specific concerns:

(1) A protective order makes it clear that it is applicable to third parties.

[38] Pfizer suggests that it is not very clear or certain from the jurisprudence that third parties, such as experts, consultants and service providers, are bound by the implied undertaking rule. As a result, a protective order is useful and necessary to provide certainty.

[39] It is true that there does not appear to be more than one reported case where the applicability of the rule to experts and consultant was expressly stated (*Winkler v Lehndorff Management*, above). That, however, does not make the correctness of the proposition uncertain or doubtful. Rather, the paucity of case law may simply reflect the obviousness of this principle.

[40] Discovery information is primarily disclosed to and controlled by the parties and their solicitors. Pursuant to the implied undertaking, they have no right to disclose that information to anyone, including third party experts, consultants or service providers, unless it is necessary for the conduct of the litigation. In that role, these third parties act as agents or sub-contractors for the parties. It would be unthinkable that these agents would not be bound by the same obligation as their principals. To entertain the contrary would be to accept that the important protection intended to be afforded by the implied undertaking could be defeated and rendered nugatory simply by allowing a party to act through an agent.

[41] To the extent Pfizer's anxiety as to the applicability of the implied undertaking to agents or sub-contractors of the parties remains unassuaged, it must be remembered that additional certainty is available in the form of the parties' existing agreement, whereby they agree to ensure that any person to whom disclosure is to be made will sign an express undertaking to be bound by the same terms and attorn to the Court's jurisdiction. An order of the Court would add nothing useful to this measure.

[42] Pfizer is also concerned about the applicability of the rule to persons other than experts or consultants. It relies on an *obiter dictum* of the Supreme Court in *MacMillan Bloedel Ltd v Simpson*, [1996] 2 SCR 1048 at p 1064, paraphrasing a passage from the English Court of Appeal's decision in *Attorney General v Newspaper Publishing Plc*, [1987] 3 All ER 276, as follows: "in an appropriate case it may be "preferable" for the court to make its initial protective order in terms which make it clear to members of the public who may be affected by the order that they are also required to obey it".

[43] Pfizer's reliance on that passage is not well-founded. Neither *Newspaper Publishing* nor *MacMillan Bloedel* concerned protective orders as understood in the present case. In *Newspaper Publishing*, an injunction was pronounced against two newspapers, restraining them from publishing classified and sensitive information derived from the memoirs of a former member of the British Security Service. Three other newspapers, who had not been parties to the earlier proceedings, subsequently published materials taken verbatim from the said memoirs. At issue was whether contempt proceedings lay against a person who is not a party to the proceedings in which the injunction was issued, but was aware of the injunction. *MacMillan Bloedel*, for its

part, concerned the issue of whether a court has jurisdiction to issue an injunction intended to be binding upon persons who are not parties to the action, in that case, an order restraining protesters from interfering with logging operations.

[44] In both cases, the courts found that a person who knowingly conducts itself in a manner that would breach the intent and purpose of a court order may be found guilty of contempt for interfering with justice, even if they are not directly parties to the litigation. In both cases, the orders at issue contemplated conduct that could be carried out by any number of persons not directly parties to the litigation or specifically named in the order. That was the root of the courts' concern that in such cases, court orders should be so phrased as to make it clear to those third parties that they are nevertheless bound to obey the orders.

[45] These cases have no application to the issue before the Court here.

[46] First, the jurisprudence discussed in the first part of these reasons is both on point and clearly to the effect that it is not necessary or desirable for an express order to be issued where the implied undertaking rule applies. Second, the context in which the implied undertaking operates does not normally give rise to situations where true strangers to the litigation would be in a position to breach the implied undertaking and unwittingly expose themselves to contempt proceedings. As mentioned, discovery information is controlled by the parties and their solicitors. They can and must ensure that the third parties to which they disclose that information for the purpose of the litigation are aware that they too are bound to respect the rule. Accordingly, unless the rule has been breached by the parties or their agents, purposefully or by

inadvertence, discovery information should not find its way into the hands of unwitting strangers to the litigation. Unless there are circumstances establishing a real potential for unauthorized use, there is no need for an explicit protective order warning strangers against breaches of the implied undertaking rule.

- (2) It may be difficult to enforce the implied undertaking rule on persons outside the Court's jurisdiction.

[47] The implied undertaking rule applies to any person who receives discovery information, wherever that person may be (*Canadian Pacific Railway v Holmes*, above). A formal order would not increase this reach. The advantage Pfizer perceives in a protective order is the provision that requires recipients of designated information to acknowledge the existence of the order and to attorn to the jurisdiction of the Court, which would, it presumes, facilitate enforcement.

[48] Before considering the merits of this proposition, it is worth noting that, once again, Pfizer's argument ignores the ability of the parties to incorporate in an express agreement any and all of the provisions to which they have otherwise consented, including the requirement that recipients acknowledge the implied undertaking rule and attorn to the jurisdiction of this Court. Pfizer's concerns should therefore more properly be considered from the perspective of whether a formal protective order is more amenable to enforcement against persons outside the Court's jurisdiction than a protective agreement, and not whether a protective order is more amenable to enforcement against such persons than the implied undertaking rule by itself. In any event, the answer to both questions may be the same.



[49] A person who is aware of the application of the implied undertaking rule or of any order issued by this Court, whether or not they have given an express undertaking to attorn to the Court's jurisdiction, is under a duty to this Court not to interfere with justice by acting in such a way as to breach the intent and purpose of the rule or order (*Canadian Pacific Railway v Holmes and MacMillan Bloedel*, above). The problem with enforcement, in the case of a person outside of Canada, is that whether or not that person may have agreed to attorn to the Court's jurisdiction, the Court has no power to enforce the execution of its own judgments outside of its territory. Thus, even if the Court were to entertain contempt proceedings against a person who is not present in Canada and render judgment against him or her, the judgment would provide no relief unless it can be enforced where the person is. For that, the assistance of the judicial authorities of the country in which the person can be found is necessary.

[50] Canadian courts will not recognize or enforce contempt orders issued by foreign courts, because they are penal in nature (*Pro Swing Inc. v Elta Golf Inc.*, 2006 SCC 52). It is accordingly far from certain that a contempt judgment of this Court would be amenable to recognition and enforcement in another jurisdiction. For that reason, a party may be more likely to obtain effective relief against breach of protective measures by asking the foreign court to recognize and enforce the underlying obligation (whether it be the common law deemed undertaking rule, a formal protective order or a private protective agreement), than by asking it to recognize and enforce a contempt order of this Court.

[51] I am accordingly not satisfied that the issuance of a protective order offers any great advantage in ensuring enforcement against persons outside the jurisdiction of the Court, and find that it is not necessary for that purpose.

(3) The implied undertaking rule is not codified in the *Federal Courts Rules*, its scope is uncertain and the jurisprudence is inconsistent.

[52] It is true that, unlike other jurisdictions like Ontario, Manitoba or Prince Edward Island, the implied undertaking rule is not codified in our rules. That, however, does not make its scope uncertain. With the exception of the obligation for the parties to return documents and information that have not been publicly disclosed and the rule's applicability to third parties, all of the characteristics and features of the implied undertaking rule listed at paragraph 33 of these reasons have been recognized and affirmed by no less an authority than the Supreme Court in *Juman v Doucette*. While the existence and scope of the rule may in the past have been uncertain and the case law inconsistent, it is now well established and constant. I add, again, that Pfizer's complaint ignores its ability to clarify any aspect of the rule it deems uncertain or ambiguous by an express agreement between the parties.

[53] Pfizer has pointed to one specific aspect in which it argues that reliance on the implied undertaking might lead to uncertainty. That aspect is the situations in which parties might be entitled to use discovery information in other litigation without the need for a court order. Pfizer points to the Ontario *Rules of Civil Procedures*, RRO 1990, Reg 194, r 30.1.01, which codifies the deemed undertaking and provides at subparagraph (6) that the deemed undertaking "does not prohibit the use of evidence obtained in one proceeding, or information obtained from such

evidence, to impeach the testimony of a witness in another proceeding”. Pfizer reads this paragraph as authorizing a party to use discovery information for the purpose of impeaching a witness in another proceeding, without needing to first obtain leave of the court. Pfizer fears that a lawyer might, through the application of the “gap” rule, be empowered to use sensitive discovery information obtained in Federal Court litigation for impeachment purposes in another case without prior leave of the Court.

[54] Assuming, but without deciding, that this is the correct interpretation of the Ontario rule, Pfizer’s concerns are not well-founded, as they misunderstand the scope and effect of the gap rule. Rule 4 of the *Federal Courts Rules*, otherwise known as the gap rule, provides as follows:

4. On motion, the Court may provide for any procedural matter not provided for in these Rules or in an Act of Parliament by analogy to these Rules or by reference to the practice of the superior court of the province to which the subject-matter of the proceeding most closely relates.

4. En cas de silence des présentes règles ou des lois fédérales, la Cour peut, sur requête, déterminer la procédure applicable par analogie avec les présentes règles ou par renvoi à la pratique de la cour supérieure de la province qui est la plus pertinente en l’espèce.

[Emphasis added]

[55] This rule does not authorize parties to unilaterally supplement the rules of the Federal Courts by invoking, following or referencing the rules of practice in a province. In all cases, reliance on the express rules of a province in case of silence of our own rules requires an order of the Court.

[56] Pfizer then points to the Supreme Court's decision in *Juman v Doucette* at paragraph 41, where the Court discusses the use of discovery evidence to impeach a witness in another proceeding, and refers to Ontario rule 30.1.01(6) specifically, saying: "while statutory, this provision, in my view, also reflects the general common law in Canada". Pfizer reads this passage as suggesting that the Supreme Court has accepted that this automatic exception is part of the general common law. Pfizer's extraction of a single sentence of the Supreme Court's decision leads it into error. That sentence appears in a discussion of one of the many situations in which the Supreme Court held that courts may find on an application for a variance of the implied undertaking, that the interest of justice outweighs any prejudice that would result to the disclosing party, and so justify an order that the deemed undertaking does not apply (see *Juman v Doucette* subheading "E. Criteria on the Application for a Modification or Variance of the Implied Undertaking", at paragraphs 32 and following).

[57] Pfizer's concern is not founded and a formal protective order is not necessary to address it.

(4) The implied undertaking applies only to discovery evidence, calling in question its application to proceedings other than actions.

[58] The present proceeding being an action, this concern is clearly not engaged and is irrelevant to the matter before me. The issue of whether protective orders should be issued in proceedings other than actions is better left to be discussed as and when it may arise in those other proceedings.

(5) The implied undertaking applies equally to confidential and non-confidential discovery evidence, creating a prima facie obligation of nondisclosure, even if the information could have been acquired in another manner.

[59] There is no merit to this suggestion. As mentioned above, the case law has clearly recognized that the implied undertaking does not prevent use of information that was obtained from other sources.

(6) The implied undertaking rule does not attract clear and immediate sanctions for noncompliance.

[60] This proposition is incorrect in law, as confirmed in *Juman v Doucette*, para at 29. Further, it suggests that breach of a protective order does attract a clearer or more immediate sanction than breach of the implied undertaking. I can find no basis in the text of the proposed protective order, in the jurisprudence or at law for such a suggestion.

(7) The implied undertaking rule does not limit the number or types of persons who may receive discovery evidence, provided it is for the purpose of the litigation.

[61] Pfizer argues that the implied undertaking rule allows parties to disclose confidential information to “a potentially unlimited number of employees, agents and third parties, provided they receive it for the purposes of the action”. This, it argues, can make it very difficult to determine who is responsible for subsequent violations, rectify any damage or impose appropriate penalties.

[62] This argument, again, ignores the fact that those parties who consider it important to impose limits on the number or categories of people who can access designated information are free to do so by way of supplementary undertakings consigned in an agreement between themselves.

[63] In any event, to suggest that a “potentially unlimited” number of persons could need to receive discovery information for the purpose of the action is, in my view, to misconceive the appropriate use of discovery information. As mentioned in *Live Face on Web*: “A party who internally disseminates discovery information indiscriminately and without a discernable purpose connected to the litigation is not making proper use of discovery information” (para 29). Further, the specter of “subsequent violations” and of the difficulty of determining who is responsible, how to rectify the damage and what to impose by way of penalties are purely hypothetical. I am not satisfied that the issuance of a protective order in this case is necessary to address this concern.

### **III. Conclusion**

[64] Since it was first tentatively recognized in Canada in the early 1980s and 1990s, the implied undertaking rule has, over the years and culminating in the 2008 Supreme Court decision in *Juman v Doucette*, evolved to become a clearly recognized, well established and comprehensive jurisprudential code restricting the manner in which information obtained on discovery may be used.

[65] I have not been persuaded that these strictures fail to provide sufficient and effective protection to the parties’ privacy interests and even to their need to protect the confidentiality of particularly sensitive commercial, technical or scientific information.

[66] I am grateful for counsel for Pfizer’s thoughtful and helpful oral submissions on this motion. They have highlighted the specific areas where intellectual property practitioners may

have had concerns as to the scope and certainty of application of the implied undertaking rule. I have carefully considered these concerns and have come to the conclusion that they stem as much from a misunderstanding of the true scope and effect of the implied undertaking rule as from misconceptions as to the perceived advantage of protective orders.

[67] These misconceptions may have their roots in the climate of uncertainty about the application and scope of the implied undertaking that existed in the 1980s and 1990s, when the practice of issuing protective/confidentiality orders modelled on US precedents evolved. However, the circumstances that made routine protective orders useful or necessary no longer exist, and the law relating to the issuance of the confidentiality portions of those hybrid orders has changes dramatically. Litigants' continued preference for "US style" orders and the misconceptions that inform their perceptions as to their necessity may be influenced by the parties' comparatively better knowledge and familiarity with the practice and procedure prevailing in US litigation, where the concept of the implied undertaking does not exist and where, as a result, protective orders are routinely issued in respect of particularly sensitive information.

[68] This is troubling, as litigants' failure to appreciate the distinction between Canadian and US practice and the true nature and scope of the implied undertaking may lead them to fail to understand and comply with their obligations to the Court under the implied undertaking. Particularly, parties may not realize that these obligations attach to all discovery information, over and above the information specifically designated as confidential under a protective order or agreement. An incomplete grasp of the difference between Canadian and US litigation practice

may also help explain counsel's failure to understand of the difference between protective and confidentiality orders and the resulting abuses of protective orders noted in *Live Face on Web* (at par 8).

[69] The solution to these concerns is not for the Court to simply continue to adhere to the old practice of issuing consent protective orders on request. This would merely perpetuate the problem. The solution is for lawyers to take the time, as they should in any event, to advise their clients of the existence of the implied undertaking rule, of its application to any information obtained on discovery, even of a trivial nature, of the restrictions on the use of this information and of the penalties they may face if the restrictions are breached, even in the absence of a formal order or agreement. Hopefully, it will then become easier for counsel and the parties alike to consider what, if any, additional measures might be needed, whether these measures should apply to all discovery information or only to certain designated information, and whether they can be implemented by agreement, without the need for a formal order. It is hoped that these reasons will be of assistance in this exercise.

[70] I therefore summarise my conclusions as follows:

[71] Caution must be exercised in relying on cases decided prior to the Supreme Court's decision in *Sierra Club*, because these cases tended to conflate confidentiality and protective orders and because the accepted requirements for the issuance of confidentiality orders changed substantially with the introduction of Rule 151 of the *Federal Courts Rules* and the Supreme Court's decision in *Sierra Club*.



[72] The Court has the power and discretion to issue orders setting out express measures to protect the confidentiality of discovery information.

[73] However, the weight of the authorities is to the effect that, in exercising this discretion, the Court should consider the extent to which the protection afforded by the implied undertaking is sufficient to protect the parties' privacy and confidentiality interests against any risk that may reasonably be anticipated in the circumstances of the case.

[74] Unless the necessity of an express order is demonstrated or other unusual circumstances exist, issuing protective orders is undesirable as it tends to devalue the implied undertaking, may lead to abuse or misunderstanding of the parties' obligations under the implied undertaking, and unnecessarily uses the Court's time and resources.

[75] Where the parties consider that circumstances require additional protective measures, or where they would prefer that the scope or the mode of application of the undertaking be expressed in writing, lawful terms on which the parties agree may effectively be incorporated in a private agreement. Such agreements are amenable to enforcement by the Court in the same way and to the same extent as the implied undertaking, without the need to have been previously recognized by the Court or incorporated in an express order.

[76] Applying these principles to the circumstances of this case, I have not been satisfied that the issuance of a protective order is needed, and have declined to grant the motion of Pfizer and to issue the protective order agreed upon by the parties.

“Mireille Tabib”

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Prothonotary

Ottawa, Ontario  
April 24, 2018

**FEDERAL COURT**  
**SOLICITORS OF RECORD**

**DOCKET:** T-608-17

**STYLE OF CAUSE:** SEEDLINGS LIFE SCIENCE, VENTURES, LLC v  
PFIZER CANADA INC.

**PLACE OF HEARING:** OTTAWA, ONTARIO

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