Date: 20070807

Docket: T-970-04

Citation: 2007 FC 824

Ottawa, Ontario, August 7, 2007

PRESENT: The Honourable Mr. Justice Phelan

BETWEEN:

PEAK ENERGY SERVICES LTD.

Plaintiff

and

DOUGLAS J. PIZYCKI HOLDINGS LTD.,
carrying on business as Predator Oilfield Rentals
and DOUGLAS J. PIZYCKI

Defendants

AND BETWEEN:

DOUGLAS J. PIZYCKI HOLDINGS LTD.,
carrying on business as Predator Oilfield Rentals
and DOUGLAS J. PIZYCKI

Plaintiffs by Counterclaim

and

PEAK ENERGY SERVICES LTD.

Defendant by Counterclaim

REASONS FOR ORDER AND ORDER

I. INTRODUCTION

[1] This is an appeal of a Prothonotary's decision where the learned Prothonotary determined that transcripts of the discovery of representatives of the Plaintiff in other actions, and which had not been filed in those courts, were not producable in this litigation. In refusing a motion to compel production of those transcripts (and related information), the learned Prothonotary held that (a) the relevance of those transcripts had not been established; and (b) the transcripts were covered by the implied undertaking of confidentiality and no reason had been established to grant relief from the undertaking.

II. FACTUAL BACKGROUND

[2] The current action is for patent infringement concerning Patent '053 – a patent which relates to apparatus and methods for separating solids from drilling fluids. Messrs. Rowney and King were the inventors of the '053 patent.

[3] The original plaintiffs who commenced this action was Grand Tank (International) Inc. and Davlin Holdings Ltd. The current Plaintiff Peak Energy Services Ltd. (Peak) was substituted for those plaintiffs.

[4] The documents in question include transcripts from pre-trial examinations of the inventors (Rowney and King) who were produced as witnesses in three other Federal Court actions brought by the Plaintiff (or its predecessor plaintiffs) against other defendants alleging infringement of its patent.

[5] Of the three other actions, one was settled, one was discontinued and the third, the "*Harding* action", continues case managed by the learned Prothonotary.

[6] The Defendants contend that there are a number of issues which are common to all four actions ranging from the development of the invention, through to prior disclosure, obviousness and ambiguity.

[7] The Plaintiff has produced transcripts of the examinations and related documents in the other three actions if such transcripts were filed in Court and therefore became public. The documents related to those transcripts were also produced on the basis, as the learned Prothonotary held, that such documents were relevant to the publicly available evidence.

[8] It is the Defendants' position that since the Plaintiff has copies of the undisclosed transcripts and that the transcripts are a document or record in the Plaintiff's hands which may be relevant, the transcripts are producable.

[9] The learned Prothonotary dismissed the Defendants' motion for production firstly and principally on the issue of relevance. As to relevance, she held:

> There is no reason to assume the relevance of answers given on discovery in a separate, if similar action. Nor is it evident that the transcript of such depositions necessarily comes within the meaning of relevant documents as defined at Rule 222(2) of the *Federal Courts Rules*. To the contrary, the relevance of the depositions is for the defendants to demonstrate and is not achieved through mere speculation.
>
> The defendants, in this instance, will have an opportunity to examine for discovery the very people whose testimony in other proceedings is being sought in the context of this motion.

[10] The learned Prothonotary further dealt with the implied undertaking of confidentiality in the following terms:

> The only use for the transcript of the discovery of those individuals in the other actions, might be to impeach their credibility in this proceeding. Here, I agree with the Master Funduk, in *Elder v. Kadis* [2002] A.J. No. 924 ("Elder"), that questions and documents aimed solely at credibility, without more, are not relevant. Without providing a basis to impugn the credibility of the plaintiff's representatives, the defendants, in my view, are on a fishing expedition.
>
> While I reject the defendants' request on the basis of relevance, I would add that I agree with Master Funduk's view of the reach of the rule of confidentiality as set out in *Elder supra*, at paras. 7 to 10. I concur with his conclusion that grounds such as credibility or, as proposed by the defendants in this case, the utility of the prior depositions in helping counsel for the defendants to prepare for the examination on discovery, without more, are not sufficient to be an exception to the rule of confidentiality.

III. ANALYSIS

A. *Standard of Review*

[11] As with all such appeals, the Court must consider the standard of review applicable to the decision under appeal. The test is set forth by the Federal Court of Appeal in *Canada v. Aqua-Gem Investments Ltd. (C.A.)*, [1993] 2 F.C. 425, modified slightly in *Merck & Co. v. Apotex Inc.*, 2003 FCA 488; discretionary orders of prothonotaries should not be disturbed unless

(a) the issue raised is vital to the final issues in the case; and

(b) the orders were clearly wrong in the sense of making a decision based upon a wrong principle or upon a misunderstanding or misapprehension as to the facts.

B. *Relevance*

[12] In my view, on the issue of relevance, there is no issue as to the legal principles concerning relevance, such as to make this something other than an exercise of discretion. The learned Prothonotary simply held that relevance cannot be assumed and that the Defendants had failed to establish that such transcripts and related documents are relevant to this action.

[13] In that regard, the learned Prothonotary was exercising her discretion. The determination is not vital to the case as that same information can be obtained by putting the same questions to the witnesses or obtained in some other manner if, in fact, it is important.

[14] Further, the learned Prothonotary did not proceed on some wrong principle or misapprehension of facts. The learned Prothonotary has been case managing this action for some period of time and is fully familiar with the issues to date. Moreover, the learned Prothonotary is case managing the allegedly related *Harding* action. The learned Prothonotary is in the best position to understand relevancy, potential relevancy and the interrelation between these legal actions.

[15] The usual deference owed to the discretionary decisions of a prothonotary is reinforced by the fact that the learned Prothonotary is the Case Management Prothonotary in this case and in the *Harding* action. In *Sawridge Band v. Canada (C.A.)*, [2002] 2 F.C. 346, the Federal Court of Appeal held that case management judges must be given latitude to manage cases and that the appellate courts should only interfere in the clearest case of a misuse of judicial discretion.

[16] That principle was extended to apply to case management prothonotaries' decisions appealed to this Court. Federal Court judges should be extremely reluctant to interfere with case management discretionary decisions.

[17] Justice Gibson in *Microfibres Inc. v. Annabel Canada Inc.*, 2001 FCT 1336, summarized the situation accurately:

> Case management prothonotaries, like case management judges, are familiar with the proceedings that they are managing to a degree that a trial judge, sitting on appeal from a prothonotary's discretionary decision in such a context, usually cannot be.

[18] In this situation, the role of the Court is not to assess the relevance of the documents requested but to determine whether the Prothonotary made a fundamental error of principle or misapprehended the facts. The learned Prothonotary was clearly aware of all of the circumstances and simply held that the Defendants had not shown the relevance of the undisclosed transcripts. There is no fundamental error of principle or misapprehension of facts which in any way would justify this Court's intervention. For this reason alone, the appeal should be dismissed.

C. *Implied Undertaking of Confidentiality*

[19] The learned Prothonotary made an alternative finding concerning the applicability of the implied undertaking of confidentiality which the Defendants argue influenced, if not controlled, the learned Prothonotary's finding on relevance. Firstly, in my view, the learned Prothonotary's finding on relevance stands alone and is not influenced by the issues raised in respect of the implied undertaking. Secondly, the learned Prothonotary's finding on the implied undertaking based on a correct legal principle is a further exercise of discretion subject to the same deference as earlier discussed.

[20] The Defendants have taken the position that the implied undertaking does not operate or should not operate because the principle is meant to prevent the receiving party (the "questioner") from using the transcripts outside the litigation. The Defendants say that the implied undertaking is not designed to protect the answering party and in that regard relies on the decision of the Ontario Court of Appeal in *Tanner v. Clark*, 63 O.R. (3d) 508 (CA).

[21] Whatever may be said about the *Tanner* decision – and I do not accept that it undermines the breadth of the implied undertaking- the guidance for this Court is the Supreme Court of Canada's decision in *Lac d'Amiante du Québec Ltée v. 2858-0702 Québec Inc.*, [2001] 2 S.C.R. 743.

[22] In *Lac d'Amiante*, the Supreme Court dealt with an appeal where the issue was whether information and documents received at the discovery stage could be used for purposes other than the specific action. The Supreme Court upheld the implied undertaking on grounds of judicial policy including the need for a far-reaching and liberal exploration of facts to allow for obtaining a complete picture of the case. In return for this freedom to investigate, there is an implied obligation of confidentiality.

[23] The Court recognized that the trade-off for an invasion of confidentiality is a measure of protection by virtue of the implied undertaking:

> 65. Adopting this rule means that although confidentiality is compromised to some extent at the stage of examination on discovery, there is still a degree of protection of privacy. If the trial never takes place, the information remains confidential. Moreover, when the party who has conducted an examination decides not to use the evidence or information obtained for the purposes of the trial, a right to complete confidentiality remains, except for what may be the practical consequences of communicating the information. Because Quebec civil procedure provides for this phase to take place outside the public sphere, the principle of limited confidentiality is consistent with the nature and the purpose of the transmission of information that takes place at the examination.

[24] The Court further acknowledged that it was legitimate to protect information in one case which might never be used in the specific case. In the current situation the Defendants are seeking

transcripts not otherwise disclosed in those specific cases but which it wants to use in this action.

The Supreme Court of Canada outlined the legitimacy of this confidentiality as follows:

> 74. There are other judicial policy reasons why it is legitimate to recognize the confidentiality rule. As we have seen, examination on discovery is an exploratory proceeding. As Fish J.A. pointed out in his reasons, the purpose of the examination is to encourage the most complete disclosure of the information available, despite the privacy imperative. On the other hand, if a party is afraid that information will be made public as a result of an examination, that may be a disincentive to disclose documents or answer certain questions candidly, which would be contrary to the proper administration of justice and the objective of full disclosure of the evidence. Recognizing the implied obligation of confidentiality will reduce that risk, by protecting the party concerned against disclosure of information that would otherwise not have been used in the case in which the examination was held and the information was disclosed.
>
> 75. In addition, it is sometimes difficult for a party, at the examination on discover stage, to assess whether information is useful or relevant to the outcome of the case. This creates a problem for the people who are compelled to disclose personal information that is potentially damaging to their interests. It would therefore be surprising if damaging personal information that was communicated at an examination could be used for purposes unrelated to the case, without being used in that case. This is of even greater concern with respect to third parties who are compelled to reveal information at examinations held under art. 398, para. 3 *C.C.P.* when they are not even directly involved in the trial. The rule of confidentiality minimizes those risks and problems.

[25] This Court has long recognized that any document or information produced or given under compulsion as a result of the civil process of this Court by any person, if it is not given in open Court, is confidential to that person unless and until the contrary is shown. (See *N.M. Paterson & Sons Ltd. v. St. Lawrence Seaway Management Corp.*, 2002 FCT 1247)

[26] Contrary to the Defendants' position, the privacy interest being protected by the Supreme Court is that of the person compelled to answer – in this instance the Plaintiff's representatives questioned in those other actions. The Defendants' position also ignores the fact that discoveries in other actions may also disclose, either in question or answer, information about other persons who may or may not be involved in the litigation. While this is not the same third party information referred to in paragraph 75 of the *Lac D'Amiante* decision quoted above, the same principle of protection is equally applicable.

[27] In the case of *Tanner* relied on by the Defendants, the medical reports at issue had been disclosed in an arbitration which was public. The document had lost its quality of confidentiality by that reason alone. Furthermore, it was a document which would have had to be produced under the "continuing obligation to disclose" rule which governs all such litigation.

[28] In my view, the Ontario Court of Appeal did not undercut the implied undertaking rule in any sense. Even if it did, this Court, given the guidance of the Supreme Court, ought not do so.

[29] The learned Prothonotary, having recognized the existence of the implied undertaking, then considered whether there was any basis for relieving from that undertaking. In that regard, she was exercising her discretion since the undertaking may be relieved in limited circumstances. It is recognized that the undertaking is a limitation on use of information but is not itself a privilege.

[30] This issue of release from the undertaking was also addressed in *Lac d'Amiante* with a clear indication that the power to relieve the obligation of confidentiality should be based on necessity and the interests of justice:

> 76. Before concluding, it would seem to be in order to comment on the scope of the rule of confidentiality. The rule applies during the case to both a party and the party's representatives, and it remains applicable after the trial ends. However, there must be some limits on the rule. For instance, the court will retain the power to relieve the persons concerned of the obligation of confidentiality in cases where it is necessary to do so, in the interests of justice. However, the courts will avoid exercising that power too routinely, as to do so would compromise the usefulness of the rule, if not its very existence. For example, the exceptions to the rule of confidentiality must not be used, where a party has obtained information at an examination to enable the party to use that information virtually automatically in other court proceedings. That practice would be contrary to the public interest and would amount to an abuse of process.

[31] The Supreme Court confirmed that it was the task of a court to weigh a non-exhaustive list of factors in determining whether the interests of justice in disclosure outweigh the right of confidentiality. That is an exercise of discretion by the court or court officer.

[32] At paragraph 77, the Supreme Court discussed that weighing exercise:

> 77. The courts must therefore assess the severity of the harm to the parties involved if the rule of confidentiality were to be suspended, as well as the benefits of doing so. In cases where the harm suffered by the party who disclosed the information seems insignificant, and the benefit to the opposing party seems considerable, the court will be justified in granting leave to use the information. Before using information, however, the party in question will have to apply for leave, specifying the purposes of using the information and the reasons why it is justified, and both sides will have to be heard on the application. The court will determine whether the interests of justice in the information being

> used in the relations between the parties and, where applicable, in respect of other persons, outweigh the right to keep the information confidential. A number of factors, which cannot be listed exhaustively, will be taken into consideration. Disclosure of all or part of an examination, or of exhibits produced during an examination, may then be approved, in cases where there is an interest at stake that is important to the justice system or the parties. This might be the case, for example, where a party wishes to establish in another trial that a witness has given inconsistent versions of the same fact. (For comparison, see *Wirth Ltd. v. Acadia Pipe & Supply Corp.* (1991), 79 Alta. L.R. (2d) 345 (Q.B.).)

[33] The learned Prothonotary did precisely what the Supreme Court mandated. She weighed the competing interests and found no compelling reason for relief from the confidentiality obligation.

[34] In that regard, the learned Prothonotary exercised her discretion on a matter which has not been established to be vital to the final issues in the case. There are no grounds for the Court to intervene, even if it was inclined to do so – which it is not.

IV. CONCLUSION

[35] For these reasons, this appeal is dismissed with costs.

ORDER

THIS COURT ORDERS that this appeal is dismissed with costs.

"Michael L. Phelan"
Judge

FEDERAL COURT

NAMES OF COUNSEL AND SOLICITORS OF RECORD

DOCKET:	T-970-04
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APPEARANCES:

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Mr. Kevin Wright	FOR THE DEFENDANTS AND PLAINTIFFS BY COUNTERCLAIM

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