

Date: 20081030

Docket: T-1272-97

Citation: 2008 FC 1121

Ottawa, Ontario, October 30, 2008

PRESENT: The Honourable Mr. Justice O'Keefe

BETWEEN:

**MERCK & CO. INC. and
MERCK FROSST CANADA LTD.**

Plaintiffs

and

**APOTEX INC. and
APOTEX FERMENTATION INC.**

Defendants

and

BIOGAL PHARMACEUTICAL WORKS LTD.

Third Party

**PUBLIC VERSION OF
REASONS FOR ORDER AND ORDER**

O'KEEFE J.

[1] This is a motion by the defendants (Apotex Inc. and Apotex Fermentation Inc.) for an order setting aside paragraphs 1 and 9 of the Prothonotary's order dated December 20, 2007. The order would also require the plaintiffs to answer item numbers 81, 82, 56 and 57 referred to therein.

[2] The plaintiff, Merck & Co. Inc. (Merck) is the owner of Canadian patent No. 1,161,380 (the "380 Patent"). The plaintiffs Merck & Co. Inc. and Merck Frosst Canada Ltd. have alleged in the statement of claim that the defendants have infringed the '380 Patent.

[3] At the examination for discovery, the plaintiffs made answer to certain questions posed at discovery relating to testing it carried out but still claimed privilege in relation to the testing. The same is true with respect to a question concerning quality control procedures to prevent contamination.

[4] As a result, the defendants posed several follow-up questions, these questions being item numbers 81, 82, 56 and 57. The plaintiffs refused to answer these questions based on a claim of privilege.

[5] The defendants claimed the plaintiffs waived privilege by providing partial release of information.

[6] The plaintiffs' refusal to answer the questions was the subject of a motion before the Prothonotary. The Prothonotary ruled as follows in paragraphs 1 and 9 of the order:

1. Items Nos. 80, 81 and 82 shall not be answered on the basis that privilege has not been waived because of the express stipulation of non-waiver in the answer given by the Plaintiffs. In the event the Plaintiffs tender an expert report relating to the findings described in the answer given on Discovery, all of the factual information requested by the Defendants shall be provided in the expert report.

...

9. Items No. 56 and 57 shall not be answered on the same basis as Monaghan Items 80 to 82 referred to above.

[7] In their appeal, the defendants appealed the Prothonotary's rulings relating to Item numbers 81, 82, 56 and 57.

[8] **Issue**

Should the Prothonotary's decision relating to these items stand or be set aside?

[9] The Federal Court of Appeal in *Merck & Co. v. Apotex Inc.* (2003), 30 C.P.R. (4th) 40 at paragraphs 17 to 19 stated:

17. This Court, in *Canada v. Aqua-Gem Investment Ltd.*, [1993] 2 F.C. 425 (F.C.A.), set out the standard of review to be applied to discretionary orders of prothonotaries in the following terms:

[...] Following in particular Lord Wright in *Evans v. Bartlam*, [1937] A.C. 473 (H.L.) at page 484, and Lacourcière J.A. in *Stoicovski v. Casement* (1983), 43 O.R. (2d) 436 (Div. Ct.), discretionary orders of prothonotaries ought not to be disturbed on appeal to a judge unless:

(a) they are clearly wrong, in the sense that the exercise of discretion by the prothonotary was based upon a wrong principle or upon a misapprehension of the facts, or

(b) they raise questions vital to the final issue of the case.

Where such discretionary orders are clearly wrong in that the prothonotary has fallen into error of law (a concept in which I include a discretion based upon a wrong principle or upon a misapprehension of the facts), or where they raise questions vital to the final issue of the case, a judge ought to exercise his own discretion *de novo*.

18. MacGuigan J.A. went on, at pp. 464-465, to explain that whether a question was vital to the final issue of the case was to be determined without regard to the actual answer given by the prothonotary:

[...] It seems to me that a decision which can thus be either interlocutory or final depending on how it is decided, even if interlocutory because of the result, must nevertheless be considered vital to the final resolution of the case. Another way of putting the matter would be to say that for the test as to relevance to the final issue of the case, the issue to be decided should be looked to before the question is answered by the prothonotary, whereas that as to whether it is interlocutory or final (which is purely a pro forma matter) should be put after the prothonotary's decision. Any other approach, it seems to me, would reduce the more substantial question of "vital to the issue of the case" to the merely procedural issue of interlocutory or final, and preserve all interlocutory rulings from attack (except in relation to errors of law).

This is why, I suspect, he uses the words “they (being the orders) raise questions vital to the final issue of the case”, rather than “they (being the orders) are vital to the final issue of the case”. The emphasis is put on the subject of the orders, not on their effect. In a case such as the present one, the question to be asked is whether the proposed amendments are vital in themselves, whether they be allowed or not. If they are vital, the judge must exercise his or her discretion *de novo*.

19. To avoid the confusion which we have seen from time to time arising from the wording used by MacGuigan J.A., I think it is appropriate to slightly reformulate the test for the standard of review. I will use the occasion to reverse the sequence of the propositions as originally set out, for the practical reason that a judge should logically determine first whether the questions are vital to the final issue: it is only when they are not that the judge effectively needs to engage in the process of determining whether the orders are clearly wrong. The test would now read:

Discretionary orders of prothonotaries ought not be disturbed on appeal to a judge unless:

- a) the questions raised in the motion are vital to the final issue of the case, or
- b) the orders are clearly wrong, in the sense that the exercise of discretion by the prothonotary was based upon a wrong principle or upon a misapprehension of the facts.

[10] The question or issue in this appeal is not vital to the final issue of the case. Accordingly, I must determine whether the Prothonotary’s order was clearly wrong “in the sense that the exercise of discretion by the prothonotary was based upon a wrong principle or upon a misapprehension of the facts” (*Aqua-Gem*, above) so as to cause me to exercise my discretion *de novo*.

[11] The questions and answers that gave rise to the questions which are the subject of this appeal are as follows:

First Round Discovery Questions of Merck & Co.:

Merck Item No.	Question	Answer
3	To advise whether Merck conducted any tests of pure [<i>Coniothyrium fuckelii</i>] to determine whether it produces lovastatin or not.	Merck did test <i>Coniothyrium fuckelii</i> obtained from ATCC and did not establish that <i>Coniothyrium fuckelii</i> made lovastatin. Merck is not waiving privilege with respect to this testing [emphasis added].
27	To advise what facts and information paragraph 70 of Merck's Statement of Claim is based upon.	Merck ran AFI's test for contamination and found it was unable to detect either <i>Coniothyrium fuckelii</i> on [sic] <i>Aspergillus terreus</i> . Merck does not waive privilege in testing [emphasis added].

First Round Discovery Questions of Merck Frosst:

Merck Item No.	Question	Answer
117	To advise how and in what ways the quality control procedures were inadequate to prevent contamination.	AFI's quality control procedures also failed to prevent the contamination of <i>Coniothyrium fuckelii</i> with <i>Aspergillus terreus</i> at any or all stages of production of lovastatin, whether at the outset during strain improvement or during processing. Having failed to prevent this contamination the quality control procedures also failed or neglected to identify it. The quality control procedures used at AFI to detect contamination were insufficient to detect fungal contamination. This was also subject of privileged testing [emphasis added].

[12] As a result, at the second round of examinations for discovery, the following questions were posed by the defendants. The plaintiffs refused to answer on the basis that the requests improperly sought privileged information.

Questions of Merck & Co., Inc. (R. Monaghan):

Item No.	Merck Item No.	Request
81	1260	<p>To produce copies of all written records pertaining to the testing referred to in question 3 in Exhibit A and that would include any retainer letters, any correspondence exchanged with the persons, party or parties carrying out these tests, the written records relating to the culturing of the sample, the media used and the conditions under which the fermentation took place and any and all written records related to procedures and methodologies used in the actual testing to detect the presence of lovastatin. This request is not asking for any opinion of any expert who conducted the tests in terms of the conclusions that may have been drawn from those tests but simply the information in respect of the conduct of the tests and the actual data that was obtained in relation thereto (see question 3 in Exhibit A).</p>
82	1278	<p>To advise what test that is referenced in response to question 27 of exhibit [sic] consisted of. More particularly, was it a test intended to be used in laboratory conditions or production facilities. Was the test contained or disclosed in a single document of AFI and, if so, which document or documents?</p> <p>To Merck's knowledge, was the same test run at AFI?</p> <p>Where was the test conducted?</p> <p>To explain what the words "detect the presence of either CF or AT" mean.</p> <p>To advise what mechanisms of detection were used and how was that attempted detection carried out.</p> <p>To advise whether there were in fact two tests, one on a batch of coniothyrium fuckelii cultured material in which AT was artificially introduced and another on AT cultured batch in which CF was artificially introduced.</p> <p>To advise who conducted the testing and what instructions or training was given in the AFI procedures to those who carried it out.</p> <p>To advise of the conditions under which any such tests were run. Were they the same conditions that were employed at AFI?</p> <p>To advise what concentrations of microorganisms were used.</p>

		<p>To advise if the tests detected any non-fungal contaminants and whether Merck determined whether the test was capable of doing that.</p> <p>To advise if the test that was conducted placed samples of CF and AT in the same vessel.</p> <p>To advise if Merck ran or conducted its own contamination procedures under the same conditions it used to carry out the AFI test procedures and what, if any, results were recorded and whether the Merck test, following its protocols, if it was run, detected the presence of either microorganism.</p> <p>To advise whether Merck knows whether its own procedures or protocols were capable of detecting contamination.</p> <p>To advise how the tests went about reproducing or simulating the conditions at AFI.</p> <p>To produce all records relating to the test, including but not limited to the documents recording or relating the information that was requested above.</p>
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Questions of Merck Frosst Canada Ltd. (R. Harvey):

Item No.	Merck Item No.	Request
56	1079	<p>With respect to the last sentence in the answer to Q. 117 which reads:</p> <p>“This was also the subject of privileged testing”.</p> <p>To advise of the nature of the testing, how it was carried out, the protocols used and the procedures employed.</p>
57	1080	<p>To produce documentation and all information related to the testing referenced in the last sentence of the answer provided at Q. 177, which will disclose the information about what was tested, how it was tested, what procedures were employed, the protocols used, the fermentation process the procedures were being tested in respect of, and all other general information about the nature of the testing conducted.</p>

[13] The defendants have submitted that the plaintiffs have waived any privilege that may have existed when they provided some information in answering the earlier questions. The plaintiffs, on the other hand, claim that they specifically stated in their answers that they did not waive privilege.

[14] In *K.F. Evans Ltd. v. Canada (Minister of Foreign Affairs)*, [1996] F.C.J. No. 30, Mr.

Justice Rothstein stated at pages 214 to 216:

15. The disclosure of some legal advice in the documents gives rise to the question of whether there has been a waiver of solicitor-client privilege throughout the document. In this regard, the oft-quoted passage from *Wigmore on Evidence*, McNaughton's Revision (1961), Volume VIII, at pages 635 and 636 is pertinent:

What constitutes a waiver by implication?

Judicial decision gives no clear answer to this question. In deciding it, regard must be had to the double elements that are predicated in every waiver, i.e., not only the element of implied intention, but also the element of fairness and consistency. A privileged person would seldom be found to waive, if his intention not to abandon could alone control the situation. There is always also the objective consideration that when his conduct touches a certain point of disclosure, fairness requires that his privilege shall cease whether he intended that result or not. He cannot be allowed, after disclosing as much as he pleases, to withhold the remainder. He may elect to withhold or to disclose, but after a certain point his election must remain final.

16. In *S. & K. Processors Ltd. et al. v. Campbell Ave. Herring Producers Ltd. et al.*, [1983] 4 W.W.R. 762, McLaughlin, J. (then of the British Columbia Supreme Court) explains how a partial waiver may result in complete waiver in the following passages at pages 764, 765 and 766:

Waiver of privilege is ordinarily established where it is shown that the possessor of the privilege: (1)

knows of the existence of the privilege; and (2) voluntarily evinces an intention to waive that privilege. However, waiver may also occur in the absence of an intention to waive, where fairness and consistency so require. Thus waiver of privilege as to part of a communication will be held to be waiver as to the entire communication.

...

In the cases where fairness has been held to require implied waiver, there is always some manifestation of a voluntary intention to waive the privilege at least to a limited extent. The law then says that in fairness and consistency it must be entirely waived.

In *Lowry v. Canadian Mountain Holidays Ltd.* (1984), 59 B.C.L.R. 137 Finch, J.A. observes that whether a document deals with a single subject matter or not, the Court should have regard to whether partial disclosure would mislead either the Court or the other litigant.

...

18. Perhaps in an effort to be cooperative, the respondent disclosed as much of the solicitor-client advice and information that he considered could be disclosed without damage or embarrassment. Be that as it may, inconsistency has resulted.

...

22. Would partial disclosure mislead the Court or the applicant? The applicant alleges that the Minister's reliance on, or relationship with, TEAC, results in an improper delegation of authority or fettering of his discretion. It is also alleged that the Minister's decision is based on irrelevant or extraneous considerations. Much of the disclosed information refers to the federal relationship with TEAC and the considerations that are taken into account in a decision by the Minister in respect of issuing an export permit. This is apparent on pages 16 and 17.

23. In the information not disclosed on account of solicitor-client privilege, there is also commentary pertaining to these issues. (For example, page 13, deletion 19.) The inconsistency of disclosing some solicitor-client advice and maintaining confidentiality over other advice both pertaining to the issues raised by the applicant causes me concern. In the circumstances of this case, to ensure that the Court and the applicant are not misled, and in the interest of consistency, the respondent must be considered to have waived all rights to solicitor-client privilege.

24. I am satisfied that there has been a waiver of privilege of some solicitor-client communication, and that in the circumstances of this case fairness and consistency must result in an entire waiver of the privilege. This is a case in which, as Wigmore says, the conduct of the respondent touches a certain point of disclosure at which fairness requires that privilege shall cease whether that is the intended result or not.

[15] I have reviewed the answers given to the first round of questions and I am of the view that there has been a waiver of some privileged information. By way of example, Merck item three could have been answered by a simple “yes” instead of stating, “Merck did test *Coniothyrium fuckelii* obtained from ATCC and did not establish that *Coniothyrium fuckelii* made lovastatin”. As well, Merck could have made a claim for privilege and not answered the questions.

[16] As I am of the view that the plaintiffs made a partial waiver of the information, I believe that in the circumstances of this case, consistency and fairness must result in an entire waiver of the privilege.

[17] When partial waiver of privilege has occurred as in this case, the statement that privilege is not being waived will not save the privilege. If that is to be the situation such as here, the plaintiffs could waive part of the information and claim privilege for the remainder.

[18] As a result, I am of the opinion that the Prothonotary's order was clearly wrong in the sense that the Prothonotary's exercise of discretion was based on a wrong principle and the decision on these points must be set aside. Paragraphs 1 and 9 of the Prothonotary's order must be set aside and the plaintiffs are required to answer item numbers 81, 82, 56 and 57.

[19] I need not deal with the other ground of appeal put forward by Apotex.

[20] The defendants shall have their costs of the motion.

ORDER

[21] **IT IS ORDERED that** the motion (appeal) is allowed and:

1. Paragraphs 1 and 9 of the Prothonotary's order are set aside and the plaintiffs are required to provide answers to items number 81, 82, 56 and 57.
2. The defendants shall have their costs of the motion (appeal).

“John A. O’Keefe”

Judge

FEDERAL COURT

SOLICITORS OF RECORD

DOCKET: T-1272-97

STYLE OF CAUSE: MERCK & CO. INC. and
MERCK FROSST CANADA LTD.
- and -
APOTEX INC. and
APOTEX FERMENTATION INC.
- and -
BIOGAL PHARMACEUTICAL WORKS LTD.

PLACE OF HEARING: Toronto, Ontario

DATE OF HEARING: April 7, 2008

**CONFIDENTIAL VERSION OF
REASONS FOR ORDER
AND ORDER OF:** O'KEEFE J.

DATED: October 30, 2008

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