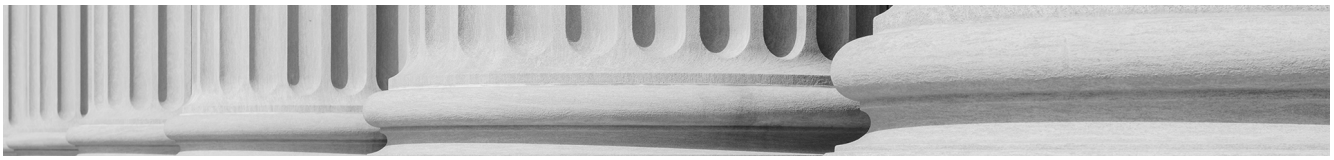

Federal Court Protective Orders – Back From the Dead?

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By Amrita V. Singh

The Old Days

For years, protective orders in intellectual property proceedings before the Federal Court were ordinarily granted. Parties routinely consented to such orders, often mirroring orders they had in corresponding U.S. proceedings.

Where parties disputed certain terms, the Court would rule on the appropriate language and the order would issue, allowing the parties to exchange information and documents as part of the discovery process, and often, in part, under the designations "confidential information" and "confidential information - solicitor's [or counsel's] eyes only".

Then it Changed

This practice continued until 2017, when Prothonotary Tabib in *Live Face on Web LLC v Soldan Fence and Metals (2009) Ltd* refused to grant a requested consent protective order, instead holding that the implied undertaking rule (a rule that does not exist in U.S. litigation) should be sufficient to protect the parties' sensitive confidential information. In 2018, Prothonotary Tabib held in *Seedlings Life Science Ventures LLC v Pfizer Canada Inc*, that where the parties had reached an agreement "supplementing" the implied undertaking rule and dictating the manner of handling their confidential information, an uncontested protective order remained unnecessary and would afford no additional protection to the implied undertaking rule. From this, the "protective agreement" was born.

In response to this second decision, the moving party appealed to a judge of the Federal Court. Justice Ahmed held that Prothonotary Tabib had applied the wrong legal test and the requested protective order should be granted.

The Judges Disagree

Justice Locke refuses to grant an Order in *Canadian National Railway*

In contrast to Justice Ahmed's decision in *Seedlings*, Justice Locke refused to grant a consent protective order in *Canadian National Railway Company v BNSF Railway Company*, citing Prothonotary Tabib's decisions in *Live Face* and *Seedlings*. He accepted that the parties would exchange confidential information during discovery, and that some of that information would merit the "counsel's eyes only" designation.

Justice Locke found that the legal test for the issuance of a protective order is in the Supreme Court of Canada's decision of *Sierra Club of Canada v Canada (Minister of Finance)*. The test requires that the information in question: (i) has been treated at all relevant times as confidential; and (ii) that on a balance of probabilities proprietary, commercial and scientific interests could reasonably be harmed by the disclosure of the information. In his view, "a request for a protective order should be considered using the same criteria as set out" in earlier paragraphs of *Sierra Club* relating to a confidentiality order. However, he noted his principal concern was "whether the requested order is necessary because reasonably alternative measures will not prevent the risk to the parties' interest in that confidential information" [emphasis in original].

Justice Locke found no reason that the Federal Court could not enforce a protective agreement between the parties as part of controlling its own process, particularly as an express undertaking to the Court could be included in the agreement.

Like Prothonotary Tabib, Justice Locke felt that "any perceived gaps in the implied undertaking rule [could] be filled by the terms of [a] protective agreement", and that amendment of a protective agreement would be no more difficult than amending a protective order. He also noted that he was "concerned that the continued routine issuance of protective orders

in the circumstances similar to those in the present case risks perpetuating some parties' misunderstanding of their obligations in respect of discovery material" and the implied undertaking rule. He ultimately concluded that a protective agreement was a reasonable alternative measure that adequately addressed the disclosure risks to the parties' confidential information.

Justice Locke's decision is under appeal.

Justice Lafrenière grants an Order in *dTechs EPM Ltd*

In contrast, Justice Lafrenière recently granted a contested protective order in *dTechs EPM Ltd v British Columbia Hydro and Power Authority*, where dTechs refused to enter into a protective agreement to protect BC Hydro's confidential information. He disagreed with Justice Locke that "a protective order is subject to the stringent criteria set in *Sierra Club* for a confidentiality order", noting that in his view, the application of such criteria was incorrectly based on discovery between the parties being intrinsically public, which it is not.

He observed that there "is no presumed right of the public to participate in the discovery process or to have access to the fruits of discovery that are not submitted to the Court," because pre-trial discovery generally does not take place in open court. In the majority of cases, the lion's share of materials exchanged during discovery never see the "light of day" because few matters go to trial, and fewer documents are actually relied upon during trial.

In Justice Lafrenière's view, "so long as a protective order does not impinge on the Court's ability to keep its process open to the public, there is no public policy reason against granting one." He noted that while the criteria in *Sierra Club* for granting a confidentiality order versus a protective order overlap, they are not the same and that the Supreme Court in its discussion of protective orders clearly does not cite the two-part test applicable to confidentiality orders.

Regarding the implied undertaking rule, Justice Lafrenière observed that:

> i. it does not prevent a party to litigation from filing another party's confidential information or documents in Court;
> ii. it does not require a party to provide the disclosing party of advance notice of such filing so it may seek a confidentiality order;
> iii. it does not operate to specify who may receive or be shown the disclosing party's confidential information, or place restrictions on its dissemination; and
> iv. if a party possessing the disclosing party's confidential information is subpoenaed, it has no obligation to provide the disclosing party with notice of the subpoena.

Reciting numerous benefits of protective orders, Justice Lafrenière ultimately concluded such orders benefit not just the parties, but also the courts, because they prevent the expense of judicial resources in resolving disputes arising from the failure to reach agreements, reduce the incentive to litigate discovery disputes, and reduce the cost of litigation overall. He also noted that a standard form protective order approved by the Court would be helpful.

Justice Lafrenière concluded by adding, "given the fairly low test that a party has to satisfy to obtain a protective order, parties should be encouraged to apply informally to the Court, particularly in case managed proceedings, when such relief is sought on consent of the parties or is unopposed."

Justice Phelan grants an Order in *Paid Search Engine Tools*

On another motion for an opposed protective order in *Paid Search Engine Tools, LLC v Google Canada Corp et al*, Justice Phelan granted Google its requested order, but unlike Justices Ahmed and LaFrenière, did so pursuant to Rules 3 and 4 of the *Federal Courts Rules*, rather than *Sierra Club*. In his view, the comments relating to protective orders in *Sierra Club* were *obiter*.

Like Justice Lafrenière, Justice Phelan observed that a protective order addresses the disclosure of confidential information between the parties, outside of the open court process, a principle acknowledged by the Federal Court of Appeal, and that there is a significant distinction between protective and confidentiality orders.

In considering Justice Locke's decision, Justice Phelan noted that they agreed that the "deleterious effects to the public" considered by the Supreme Court in *Sierra Club* are not relevant to protective orders.

Justice Phelan observed that the Court has historically favoured the issuance of protective orders based on three

considerations, applicable also in the case before him:

i. the terms of the order reflect those of a similar order in parallel litigation (for example, in the U.S.);
ii. the terms of the order allow a party to object to the designation of information by the disclosing party, allowing the Court to ultimately control the classification and disclosure of information between the parties; and
iii. orders were granted where a party believed in good faith that its commercial, business or scientific interests may be seriously harmed by disclosure.

He concluded that the applicable test for the granting of a protective order requires:

i. that the information at issue has been treated as confidential during the relevant period;
ii. that the information is in fact, confidential in nature; and
iii. that there is a reasonable probability that disclosure could cause harm to the disclosing party's proprietary, commercial and scientific interests.

Where the legal test is established, "there is no reason not to issue an order either on consent or opposed".

On the implied undertaking rule, Justice Phelan noted that without some other agreement, it would be insufficient to fully protect sensitive commercial information that has value currently and into the future. Unlike Justice Locke, who described the common law regarding the implied undertaking rule as having developed significantly thereby creating clarity as to its scope, Justice Phelan noted that the common law nature of the implied undertaking "creates some uncertainty as to its scope".

Justice Phelan observed of the implied undertaking rule, and its application to third parties and individuals internally within the opposing organizations/parties, that it does not address the consequences that may flow from using the information for legitimate purposes. In his view, "the implied undertaking is, in and of itself, insufficient for the purposes of this [intellectual property] litigation."

Justice Phelan also noted that the Federal Court should not be viewed as an obstacle to properly litigating claims that have parallel or foreign aspects, and that the Court should strive to find comity with other litigation in other jurisdictions, where the protective orders have similar terms.

One to Watch: the Federal Court of Appeal in *Canadian National Railway*

As noted above, Justice Locke's decision in *Canadian National Railway* is under appeal to the Federal Court of Appeal. No appeal date has been set. In the meantime, parties continue to seek protective orders, relying on the decisions of Justices Ahmed, Lafrenière and Phelan.