

CANADA / JUDGMENT

Contour Optik Inc. v. Viva Canada Inc.

2005 FC 1687

COURT

Federal Court

DECIDED

20 January 2006

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Decision Content

Date: 20060120

Docket: T-1927-02

Citation: 2005 FC 1687

Ottawa, Ontario, January 20th, 2006

PRESENT: The Honourable Mr. Justice de Montigny

BETWEEN:

CONTOUR OPTIK, INC. and CHIC OPTIC INC.

Plaintiffs

and

VIVA CANADA INC. and VIVA OPTIQUE, INC.

Defendants

VIVA CANADA INC.

Plaintiff by Counterclaim

and

CONTOUR OPTIK, INC. and CHIC OPTIC INC.

Defendants by Counterclaim

AMENDED REASONS FOR ORDER

- [1] This motion occurs within the larger context of an action for patent infringement in which the Plaintiffs claim that the Defendants have sold, distributed, manufactured, or otherwise infringed their patent for magnetic eyeglass attachments. In Counterclaim, the Defendants challenge the validity of the patent.
- [2] This is a motion to appeal a decision of Prothonotary Morneau, dated May 19, 2005, in which he partially granted the Plaintiffs by Counterclaim's Motion for an Order requiring the Defendants by Counterclaim to deliver further and better Affidavits of Documents. (For ease of reference, I will refer to the parties in these reasons by their position in the main action).
- [3] The Defendants Viva Canada Inc. and Viva Optique, Inc. (hereinafter "Viva") seek an order partially reversing the decision of the Prothonotary and compelling the Plaintiffs Contour Optik, Inc. and Chic Optic Inc. (hereinafter "Contour" and "Chic") to disclose all documents listed in their motion. They also request that the same order relieve Contour and Chic of the Implied Undertaking Rule, in respect of all documents communicated to it or to be communicated to it by any party in all other cases pending before the Federal Court, involving the validity and/or infringement of Canadian Re-issued Patent No. 2,180,714 (the '714 patent).
- [4] Finally, they ask this Court to relieve Chic and Contour of the Confidentiality Orders in effect in all cases before the Federal Court, in respect of all documents communicated to it or to be communicated to it by any party in all other cases pending before the Federal Court involving the validity and/or infringement of the '714 patent, or modifying such Confidentiality Orders in such fashion as to preserve all of the parties' rights, including Viva, to full and complete disclosure while affording the appropriate level of confidentiality, as may be required, to what is appropriately confidential information.

BACKGROUND

- [5] Since the proceedings underlying the present motion have been complex and protracted, it will be helpful to summarize them if only to put the Prothonotary's order into context. As a result, I will briefly enumerate the most significant steps that have been taken by the parties in these proceedings.

- [6] On November 15, 2002, Contour and Chic filed a Statement of Claim alleging notably that the Defendants Viva have infringed certain claims of Canadian Re-issued Patent '714 regarding magnetic eyewear. On January 28, 2003, the Defendant Viva Optique, Inc. served its Statement of Defence, while the Defendant Viva Canada Inc. served its Statement of Defence and Counterclaim on February 11, 2003.
- [7] On April 25, 2003, the Affidavits of Documents of both Chic and Contour were served upon the solicitors for the Defendants. On June 6 and on June 27, Viva served on Chic and Contour its affidavits and supplementary affidavits of documents.
- [8] On September 17, 2003, the Prothonotary issued an Order which stipulated that this action would be managed as a specially managed proceeding, and which set out deadlines to be adhered to by both parties.
- [9] On October 23, 2003, the Defendants served an Amended Statement of Defence and Counterclaim. They raised additional grounds for the alleged invalidity of the Re-issued '714 Patent.
- [10] Pleadings in the action closed with Contour and Chic filing their Reply to these amended Statements of Defence of Viva, on October 30, 2003.
- [11] The examination of Viva's representative, Mr. Mitchel Barkley, was begun in November 2003 and completed in January 2004. During the examination for discovery of Mr. Barkley, the latter was asked whether the Defendants had copies of any sketches of top mounted magnetic eyewear which were disclosed by Julie Madison in the summer of 1994, as alleged in paragraph 42 of Viva's Amended Statement of Defence. In response, counsel for the Defendant, Me Argun, stated that it was the Defendant's belief that such sketches exist, but they were not in the Defendants' possession. He went on to explain that they would have difficulty to obtain and produce such documents, as they could not compel U.S. counsel to violate the Confidentiality Orders which existed in the Florida and California litigation in the U.S.
- [12] On November 24, 25 and 26, 2003, the Defendants examined for discovery Mr. David Chao, as a representative of the Plaintiff Contour, which examination was adjourned, on the understanding that it would be continued at a date mutually agreeable to all of the parties. It was also understood at that time that the examination for discovery of a representative of Chic would only commence upon the completion of the examination for discovery of Mr. David Chao.
- [13] During the November 25, 2003 examination for discovery of David Chao, the latter was asked whether he had seen any sketches or drawings by Julie Madison, other than the ones disclosed in the Defendants' Supplemental Affidavit of Documents. In response, counsel for the Plaintiffs, Me Uditsky, notified counsel for the Defendants that in fact there had been documents filed which purportedly emanated from Julie Madison in other lawsuits pending both in Canada and in the U.S., but were not produced because of the implied Undertaking

Rule in force in the federal Court of Canada. Unless ordered to furnish these documents by this Court, they were not at liberty to do so in this case. In addition, counsel for the Plaintiffs explained that there were Confidentiality Orders in force in the U.S. actions which likewise prevented him from furnishing the documents requested by counsel for the Defendants.

- [14] During the November 26, 2003 examination for discovery of David Chao, the solicitors for the Defendants were also notified that there was litigation pending in Canada involving the Re-issued '714 Patent instituted against E'lite Optik Canada Inc. and E'Lite Optik Inc. (hereinafter "Elite") and that Viva was at liberty to review the Court files in respect thereof.
- [15] In response to a request made by counsel for the Defendants, Me Uditsky supplied him with copies of the Confidentiality Orders which had issued in each of the actions instituted by Contour and Chic against E'Lite in the Federal Court of Canada and also furnished the coordinates of counsel in both Canada and in the U.S. representing the E'Lite Defendants.
- [16] During that whole period, there were a number of requests made by Me Argun for additional documents and information which should be included in the further Affidavits of Documents to be filed by the Plaintiffs. In fairness, counsel for the Plaintiffs provided some of that information as well as supplemental Affidavits of Documents.
- [17] On July 29, 2004, the Defendants served a motion for an Order granting the Defendants leave to examine Mr. Scott Miller, the Canadian Attorney for E'Lite. The aforesaid Motion was contested by Mr. Miller, and by Order dated September 16, 2004, Prothonotary Morneau dismissed this motion and the Defendants were directed to fix a date in the near future for the hearing of their Motion for an Order requiring the Plaintiffs to deliver further and better Affidavits of Documents.
- [18] On June 14, 2004, the Defendants filed a Motion for an order requiring the Plaintiffs to deliver further and better Affidavits of Documents. As a result, counsel for the Plaintiffs furnished Me Argun with additional requested information and documents. Scheduling difficulties delayed the hearing of this motion until April 25, 2005, and a decision was rendered by Prothonotary Morneau on May 19, 2005.
- [19] At the outset of his reasons, Prothonotary Morneau set out the relevant principles as enunciated in *Reading & Bates Construction Co. v. Baker Energy Resources Corp.* (1988), 24 C.P.R.(3rd) 66, at pp 70-72:
1. The test as to what documents are required to be produced is simply relevance. The test of relevance is not a matter for the exercise of the discretion. What documents parties are entitled to is a matter of law, not a matter of discretion. The principle for determining what document properly relates to the matters in issue is that it must be one which might reasonably be supposed to contain information which may directly or indirectly enable the party requiring production to advance his own case or to damage the case of his adversary, or which might fairly lead him to a train of inquiry that could have either of these consequences: *Trigg v. MI Movers Int'l Transport Services Ltd.* (1986), 13 C.P.C. (2d) 150 (Ont.

- H.C.); *Canex Placer Ltd. v. A.-G. B.C.* (1975), 63 D.L.R. (3d) 282, [1976] 1 W.W.R. 644 (B.C.S.C.); and *Compagnie Financiere et Commerciale du Pacifique v. Peruvian Guano Co.* (1882), 11 Q.B.D. 55 (C.A.).
2. On an examination for discovery prior to the commencement of a reference that has been directed, the party being examined need only answer questions directed to the actual issues raised by the reference. Conversely, questions relating to information which has already been produced and questions which are too general or ask for an opinion or are outside the scope of the reference need not be answered by a witness: *Algonquin Mercantile Corp. v. Dart Industries Canada Ltd.* (1984), 82 C.P.R. (2d) 36 (F.C.T.D.); affirmed 1 C.P.R. (3d) 242 (F.C.A.).
 3. The propriety of any question on discovery must be determined on the basis of its relevance to the facts pleaded in the statement of claim as constituting the cause of action rather than on its relevance to facts which the plaintiff proposes to prove to establish the facts constituting the cause of action. Additionally, where a reference has been directed, the application of Rule 465(15) requires that the answers on discovery be restricted to questions as to facts that may prove or tend to prove or disprove or tend to disprove any unadmitted allegation of fact placed in issue on the reference: *Armstrong Cork Canada Ltd. v. Domco Industries Ltd.* (1983), 71 C.P.R. (2d) 5, 48 N.R. 157 (F.C.A.).
 4. The court should not compel answers to questions which, although they might be considered relevant, are not at all likely to advance in any way the questioning party's legal position: *Canex Placer Ltd. v. A.-G. B.C.*, supra; and *Smith, Kline & French Laboratories Ltd. v. A.-G. Can.* (1982), 67 C.P.R. (2d) 103 at p. 108, 29 C.P.C. 117 (F.C.T.D.).
 5. Before compelling an answer to any question on an examination for discovery, the court must weigh the probability of the usefulness of the answer to the party seeking the information, with the time, trouble, expense and difficulty involved in obtaining it. Where on the one hand both the probative value and the usefulness of the answer to the examining party would appear to be, at the most, minimal and where, on the other hand, obtaining the answer would involve great difficulty and a considerable expenditure of time and effort to the party being examined, the court should not compel an answer. One must look at what is reasonable and fair under the circumstances: *Smith, Kline & French Ltd. v. A.-G. Can.*, per Addy J. at p. 109.
 6. The ambit of questions on discovery must be restricted to unadmitted allegations of fact in the pleadings, and fishing expeditions by way of a vague, far-reaching or an irrelevant line of questioning are to be discouraged: *Carnation Foods Co. Ltd. v. Amfac Foods Inc.* (1982), 63 C.P.R. (2d) 203 (F.C.A.); and *Beloit Canada Ltee/Ltd. v. Valmet Oy* (1981), 60 C.P.R. (2d) 145 (F.C.T.D.).

[20] He then proceeded to quote all the information and documents that the Defendants would like the Plaintiffs to disclose. This listing is quite comprehensive, as can be seen from the following paragraphs found in the Defendants' amended Notice of Motion in Appeal:

1. A comprehensive list of all litigation in Canada dealing with magnetic eyewear of which your clients, Aspex Eyewear Inc., David Chao, Richard Chao, Manhattan's Design Studios Inc., Ashai Optical Inc., and their related individuals and companies are either aware, or in which they are parties, or have been called as witnesses. All litigation should be disclosed, whether before the Federal Court or other courts, and whether of whether of not same deal with the Canadian '714 Patent, the US '545 Patent, or any other patent dealing with magnetic eyewear;
2. A comprehensive list for all litigation in United States dealing with magnetic eyewear of which your clients, Aspex Eyewear Inc., David Chao, Richard Chao, Manhattan's Design Studios Inc., Ashai Optical Inc., and their related individuals and companies are either aware, or in which they are parties, or have been called as witnesses. All litigation should be disclosed, regardless of which courts are seized of the matters, and whether of not same deal with the Canadian '714 Patent, the US '545 Patent, or any other patent dealing with magnetic with magnetic eyewear;
3. A comprehensive list for all litigation abroad dealing with magnetic eyewear of which your clients, Aspex Eyewear Inc., David Chao, Richard Chao, Manhattan's Design Studios Inc., Ashai Optical Inc., and their related individuals and companies are either aware, or in which they are parties, or have been called as witnesses. All litigation should be disclosed, regardless of which courts are seized of the matters, and whether of not same deal with the Canadian '714 Patent, the US '545 Patent, or any other patent dealing with magnetic eyewear;
4. A comprehensive list of all interference proceeding in Canada that your clients, Aspex Eyewear Inc., David Chao, Richard Chao, Manhattan's Design Studios Inc., Ashai Optical Inc., and their related individuals and companies are aware of, have been or are a party to, or in which they have been called as witnesses or in which they have given evidence regarding any magnetic eyewear patents;
5. A comprehensive list of all interference proceedings in the United States that your clients, Aspex Eyewear Inc., David Chao, Richard Chao, Manhattan's Design Studios Inc., Ashai Optical Inc., and their related individuals and companies are aware of, have been or are a party to, or in which they have been called as witnesses or in which they have given evidence regarding any magnetic eyewear patents;
6. A comprehensive list of all interference proceedings abroad that your clients, Aspex Eyewear Inc., David Chao, Richard Chao, Manhattan's Design Studios Inc., Ashai Optical Inc., and their related individuals and companies are aware of, have been or are a party to, or in which they have been called as witnesses or in which they have given evidence regarding any magnetic eyewear patents;

7. In all of the lawsuits and interference proceedings mentioned hereinabove, a comprehensive list of all procedures or proceedings filed into the various Court records or interference proceedings;
8. In all of the lawsuits and interference proceedings mentioned hereinabove, a comprehensive list of all witnesses who have testified and let evidence, whether in open court, on examination on discovery, or by way of affidavit evidence, with a detailed list of the dated of all depositions or discoveries taken or given (filed or not) and of all exhibits filed and/or provided as a result of the said testimony and examinations or appended to any such affidavits, accompanied by a brief summary of the subject of their testimony;
9. In all of the lawsuits and interference proceedings mentioned hereinabove, a comprehensive list of all opinions dealing with the validity or invalidity of any magnetic eyewear patents (filed or not);
10. In all of the lawsuits and interference proceedings mentioned hereinabove, a comprehensive list of all opinions dealing with the infringement or lack thereof of any magnetic eyewear patents (filed or not);
11. In all of the lawsuits and interference proceedings mentioned hereinabove, a comprehensive list of all experts' report dealing with the validity or invalidity of any magnetic eyewear patents (filed or not);
12. In all of the lawsuits and interference proceedings mentioned hereinabove, a comprehensive list of all experts' reports dealing with the infringement or lack thereof of any magnetic eyewear patents (filed or not);
13. In all of the lawsuits and interference proceedings mentioned hereinabove, a comprehensive list of all affidavits or writings relating to documentary discovery, whether they are Affidavits of Documents as required under the Federal Court Rules, or similar rules dealing with documentary discovery in other jurisdictions;
14. A comprehensive list of all objections or opposition proceedings (akin to s. 34.1 of the Canadian Patent Act) that your clients, Aspex Eyewear Inc., David Chao, Richard Chao, Manhattan's Design Studios Inc., Ashai Optical Inc., and their related individuals and companies are either aware of, or in which they are parties, or have been called as witnesses, whether in Canada, the United States or abroad;
15. A comprehensive list of all information related to magnetic eyewear alleged by anyone whomsoever to constitute prior art (including, without restriction, all plans, sketches, designs, models, mock-ups, diaries, day planners, agendas, prototypes and regardless of the medium of storage or communication (including without restriction, written, digital, photographic, electronic, and computer formats) whether in their capacity as a witness in or a party to any of the litigation and proceedings referred to herein above, whether in Canada, the United States, or abroad;

16. A comprehensive list of all settlement agreements and side-letters relating to the litigation and proceedings referred to herein above;
 17. A comprehensive list of all contracts, agreements, licenses, distribution agreements, and transfers of ownership of rights dealing with magnetic eyewear whether concluded prior to, during, as a result of, or after the litigation and proceedings referred to herein above;
 18. A comprehensive list of all patent applications and issued patents dealing with magnetic eyewear that your clients, Aspex Eyewear Inc., David Chao, Richard Chao, Manhattan's Design Studios Inc., Ahsai Optical Inc., and their related individuals and companies or anyone else, are aware of, have filed, or own, whether in Canada, the United States or abroad.
- [21] The Prothonotary, after having reviewed the documents already shared by the Plaintiffs with the Defendants, came to the conclusion that the Defendants' requests were unreasonable and amounted to a fishing expedition. Then, after having quoted from the Supreme Court decision in *Lac D'Amiante du Québec Ltée v. 2858-0702 Québec Inc.*, [2001] 2 S.C.R. 743, at paras. 76-77 with respect to the scope of the "implied undertaking" rule, he relieved the Plaintiffs from the application of this rule in relation to certain documents:
- [22] Pour les fins de relever Contour et Chic de la Règle - puisque Viva en fait la demande dans sa requête - je considère nonobstant toute ordonnance de confidentialité en place au Canada ou aux Etats-Unis que l'information que Viva peut et doit obtenir consiste et est limitée aux documents par ailleurs pertinents que les corporations E'Lite Optik Canada Inc. et E'Lite Optik Inc. (ci-après collectivement Elite) auraient porté à l'attention de Contour et Chic dans les litiges entre ces parties devant notre Cour (ci-après l'information sujette à la Règle).
- [23] Ici, je suis prêt à dire que l'intérêt supérieur de la justice à ce que l'information sujette à la Règle soit utilisée dans le présent dossier l'emporte sur le droit de tenir la même information confidentielle. Je suis donc prêt à relever Contour et Chic, ainsi que leurs procureurs, de suivre la Règle, et ce, à l'égard de l'information sujette à la Règle.
- [22] On the other hand, the Prothonotary refused to compel the Plaintiffs to list and disclose all litigation in the U.S. referred to in paragraph 2 of the Defendants' amended motion. In his view, this would not only be contrary to the confidentiality orders issued by the American courts in these proceedings, but would also be inconsistent with the position espoused by counsel for the Defendants himself in relation to documents requested by the Plaintiffs. The mere listing of these documents was also rejected by the Prothonotary, as this would be in his view a "slippery slope" that would eventually enable the Defendants to obtain these documents.

ISSUES

- [23] The issues to be decided in this case are twofold:

- What is the appropriate standard of review in considering the decision of Prothonotary Morneau?
- Did the Prothonotary err by declining to order disclosure of the requested documents?

ANALYSIS

A) Standard of Review

- [24] In *Canada v. Aqua-Gem Investments Ltd.*, 50 F.T.R. 115, [1991] F.C.J. No. 1119 (QL) at para. 95, a majority of the Federal Court of Appeal held that decisions of prothonotaries should not be disturbed 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
- [25] This standard has consistently been applied in several cases before the Court of Appeal, notably in *Khalil v. Canada*, [2004] F.C.J. No. 878 (QL), 2004 FC 732, *First Canadians' Constitution Draft Committee The United Korean Government (Canada) v. Canada*, [2004] F.C.J. No. 372 (QL), 2004 FCA 93. The test was further explained by the Court of Appeal in *Merck & Co. Inc. v. Apotex Inc.*, [2004] 2 F.C.R. 459, where Décary J.A. stated:
- [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."
- [26] In applying this standard of review, I am also mindful of the crucial role played by prothonotaries in managing the proceedings for which they are responsible. Their decisions should not be lightly reversed on appeal, lest the intention of Parliament in creating that office be totally subverted. As Décary J.A. observed in *Merck*, *supra*, at para. 22:

In my respectful view it cannot reasonably be said that a standard of review which subjects all impugned decisions of prothonotaries to hearings *de novo* regardless of the issues involved in the decision or whether they decide the substantive rights of the parties is consistent with the statutory objective. Such a standard conserves neither "judge power" nor "judge time". In every case, it would oblige the motions judge to re-hear the matter. Furthermore, it would reduce the

office of a prothonotary to that of a preliminary "rest stop" along the procedural route to a motions judge. I do not think that Parliament could have intended this result.

[27] The Defendants have not contended that further disclosure of documents can be considered as vital to the final determination of the case, nor do I think can it be so ruled. However important such an issue might be, it will be rare indeed that a procedural matter will amount to a vital issue. As Justice Hugessen recently indicated in *Ruman v. The Queen*, [2005] F.C.J. No. 614 (QL), 2005 FC 474, at para. 7, "it will be a rare case when it can be shown that the denial of further discovery or further documents will be vital to the final outcome".

[28] As a result, the Defendants cannot succeed in their appeal unless they are able to demonstrate that the Management Prothonotary was clearly wrong in restricting the contents of the further and better affidavits of documents which the Plaintiffs were ordered to furnish. Incidentally, I agree with the Plaintiffs' submission that the affidavit of Caroline Schatz dated October 20, 2005 cannot be taken into account when reviewing the Prothonotary's decision, as this is new material that was not before him.

B) Did the Prothonotary err in refusing to order further disclosure of documents by the Plaintiffs?

[29] Rule 223 of the Federal Court Rules 1998 provides as follows:

223. (1) Every party shall serve an affidavit of documents on every other party within 30 days after the close of pleadings.

Contents

(2) An affidavit of documents shall be in Form 223 and shall contain

(a) separate lists and descriptions of all relevant documents that

(i) are in the possession, power or control of the party and for which no privilege is claimed,

(ii) are or were in the possession, power or control of the party and for which privilege is claimed,

(iii) were but are no longer in the possession, power or control of the party and for which no privilege is claimed, and

(iv) the party believes are in the possession, power or control of a person who is not a party to the action;

(b) a statement of the grounds for each claim of privilege in respect of a document;

(c) a description of how the party lost possession, power or control of any document and its current location, as far as the party can determine;

(d) the identity of each person referred to in subparagraph (a)(iv), including the person's name and address, if known;

- (e) a statement that the party is not aware of any relevant document, other than those that are listed in the affidavit or are or were in the possession, power or control of another party to the action; and
- (f) an indication of the time and place at which the documents referred to in subparagraph (a) (i) may be inspected.

Document within party's power or control

- (3) For the purposes of subsection (2), a document shall be considered to be within a party's power or control if
 - (a) the party is entitled to obtain the original document or a copy of it; and
 - (b) no adverse party is so entitled.

Bundle of documents

- (4) A party may treat a bundle of documents as a single document for the purposes of an affidavit of documents if
 - (a) the documents are all of the same nature; and
 - (b) the bundle is described in sufficient detail to enable another party to clearly ascertain its contents.

223. (1) Chaque partie signifie un affidavit de documents aux autres parties dans les 30 jours suivant la clôture des actes de procédure.

Contenu

- (2) L'affidavit de documents est établi selon la formule 223 et contient :
 - a) des listes séparées et des descriptions de tous les documents pertinents :
 - (i) qui sont en la possession, sous l'autorité ou sous la garde de la partie et à l'égard desquels aucun privilège de non-divulgence n'est revendiqué,
 - (ii) qui sont ou étaient en la possession, sous l'autorité ou sous la garde de la partie et à l'égard desquels un privilège de non-divulgence est revendiqué,
 - (iii) qui étaient mais ne sont plus en la possession, sous l'autorité ou sous la garde de la partie et à l'égard desquels aucun privilège de non-divulgence n'est revendiqué,
 - (iv) que la partie croit être en la possession, sous l'autorité ou sous la garde d'une personne qui n'est pas partie à l'action;
 - b) un exposé des motifs de chaque revendication de privilège de non-divulgence à l'égard d'un document;

- c) un énoncé expliquant comment un document a cessé d'être en la possession, sous l'autorité ou sous la garde de la partie et indiquant où le document se trouve actuellement, dans la mesure où il lui est possible de le déterminer;
- d) les renseignements permettant d'identifier toute personne visée au sous-alinéa a)(iv), y compris ses nom et adresse s'ils sont connus;
- e) une déclaration attestant que la partie n'a pas connaissance de l'existence de documents pertinents autres que ceux qui sont énumérés dans l'affidavit ou ceux qui sont ou étaient en la possession, sous l'autorité ou sous la garde d'une autre partie à l'action;
- f) une mention précisant les dates, heures et lieux où les documents visés au sous-alinéa a)(i) peuvent être examinés.

Document sous l'autorité ou la garde d'une partie

- (3) Pour l'application du paragraphe (2), un document est considéré comme étant sous l'autorité ou sous la garde d'une partie si :
 - a) d'une part, celle-ci a le droit d'en obtenir l'original ou une copie;
 - b) d'autre part, aucune partie adverse ne jouit de ce droit.

Liasse de documents

- (4) Aux fins de l'établissement de l'affidavit de documents, une partie peut répertorier une liasse de documents comme un seul document si :
 - a) d'une part, les documents sont tous de même nature;
 - b) d'autre part, la description de la liasse est suffisamment détaillée pour qu'une autre partie puisse avoir une idée juste de son contenu.

[30] For the purposes of that rule, a document will be considered relevant "if the party intends to rely on it or if the document tends to adversely affect the party's case or to support another party's case" (Rule 222(2)). Six different criteria have been considered by this court in deciding whether a question on discovery ought to be answered or a document ought to be produced. They are found in Mr. Justice McNair decision of *Reading & Bates Construction Co. v. Baker Energy Resources Corp.*, supra, to which Prothonotary referred in his order.

[31] The Defendants contend that the Plaintiffs should list all documents, that the Prothonotary's decision violates their inherent right to full disclosure and fails to properly address the Plaintiffs' failure to disclose the existence of all relevant information, which it submits is distinguishable from the obligation to remit the documents themselves. The Defendants also submit that Prothonotary Morneau's order allows the Plaintiffs to hide behind confidentiality orders and as such sanctions their refusal to submit information that they have a legal obligation to share. The Defendants further submit that the Prothonotary's decision ignores a pattern of inappropriate conduct on the part of the Plaintiffs, in this and

other litigation and that the Plaintiffs' affidavits remain deficient. They argue that their arguments in the motion were ignored in favour of efficiency in moving the case forward, contrary to the case law and the Rules which require full and complete disclosure. Finally, the Defendants submit that this Court should reverse the Prothonotary's order insofar as he declined to relieve the Plaintiffs of the application of Confidentiality Orders in other Court cases or extend their application to the Defendants, as this restricts the Defendants' right to a transparent and open court process, and furthermore that this Court has no authority to enforce a confidentiality order of a foreign court.

- [32] The Plaintiffs, on the other hand, submit that they have furnished the Defendants with printouts regarding litigation under way in this Court and in the Quebec Superior Court, and further submit that foreign litigation is irrelevant to the present case, and that the Defendants can obtain information about interference proceedings from the Canadian Patent Office in any case. The Plaintiffs submit that the implied undertaking rule means that documents produced under compulsion as a result of the civil process, if not given into open Court, are confidential until the contrary is shown, and that documents under Rule 223(1) are not required to be filed into the Court record. In the same vein, they argue that Affidavits of Documents given in other proceedings before this Court are confidential unfiled documents and that to furnish them would be a breach of the implied undertaking rule. Since the Defendants were not prepared to violate confidentiality orders pertaining to American litigation, the Plaintiffs add that they should not be required to do so either. Finally, the Plaintiffs submit that the Defendants are already aware of a number of items that they have requested, that they were supplied with a number of documents asked for, and that the discovery process should not be used as a fishing expedition. For all these reasons, the Plaintiffs are of the view that the Prothonotary was clearly not wrong in his application of the principles and that his order should not be disturbed.
- [33] Having carefully considered the parties' submissions and the record, I am of the view that the Prothonotary did not err in partially dismissing the Defendants' Motion. Considering the ambit and the vagueness of the Defendants' request, as well as the documents already furnished by the Plaintiffs, either of their own will or as a result of the order now being appealed, I think a fair balance has been struck between the probability of the usefulness of the requested documents with the time, trouble, expense and difficulty involved in obtaining them. To borrow from my colleague Justice Mosley in *Merck & Co. Inc. et al v. Apotex Inc.*, [2005] F.C.J. No. 737 (QL), 2005 FC 582 at para. 45:

Relevance is the governing factor, but not at all costs. The prothonotary or judge hearing a motion to compel answers or production retains discretion to consider whether even relevant questions are not worth the time and effort required to advance the case. That will arise particularly where one party is engaged in a highly speculative effort to find some support for its pleadings, often described as a fishing expedition.

- [34] As the case management Prothonotary, Me Morneau is well aware of all the proceedings that have been filed since the inception of this case, as well as of the documents that have already been produced and of the behaviour of the parties. In this context, this court should be loath in interfering with the use of his discretion. The role of this Court, once more, is not to reassess the relevance of the documents requested by the Defendants, but to determine whether the Prothonotary made a fundamental error of principle or misapprehended the facts. On the whole, I can find no such error.
- [35] As to the alleged invalidity of the Re-issued '714 Patent on the basis of the existence of prior art, I am in total agreement with the Plaintiffs that this cannot be a ground for further disclosure. In order to raise such an argument, the Defendants must have already been aware of the prior art which they were intending to rely on to support this ground of defence. Moreover, the Plaintiffs have already furnished the Defendants with a lot of information and documents that should enable them to make out their counterclaim.
- [36] The Plaintiffs also refused to disclose affidavits of documents furnished in other Federal Court litigation, because they are confidential documents not filed into the Court record. As appears from his reasons, Prothonotary Morneau relieved the Plaintiffs and their counsel from the application of the implied undertaking rule, but only insofar as it related to relevant documents which the E'Lite Defendants had disclosed to the Plaintiffs in the lawsuits pending between the parties in the Federal Court.
- [37] I am of the view that the Prothonotary was correct in so limiting the disclosure requested by the Plaintiffs and that he governed himself in conformity with the relevant jurisprudential guidelines in this respect. It is by now well established, at least in the Federal Court, that a document given by a party in the context of a civil trial must be kept confidential. As Justice Hugessen said in *N.M. Paterson & Sons Ltd. v. St. Lawrence Seaway Management Corp.*, [2002] F.C.J. No. 1713 (QL), 2002 FCT 1247, at para. 7, "...any document or any 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". This rule has been adopted in all Canadian jurisdictions where this implied undertaking rule has been considered (for a list of the relevant cases, see *Goodman v. Rossi* (1995), 125 D.L.R.(4th) 613, at p. 625-626).
- [38] The rationale for such a rule has been well explained in the leading case on the subject from the Supreme Court of Canada, *Lac d'Amiante du Québec Inc. v. 2858-0702 Québec Inc.*, [2001] 2 S.C.R. 743, at paras. 72-75:
- [72] ...an examination on discovery is not part of either the court record or a trial. The content of the examination is therefore not accessible to the public, because it is still, as a general rule, in the private sphere. At that stage, there is no imperative of transparency in the judicial system that would justify taking that information out of the private sphere and making it accessible to the public or the media. It will also be recalled that once the trial begins, and except for the limited number of cases held in camera or subject to a publication ban, the

media will have broad access to the court records, exhibits and documents filed by the parties, as well as to the court sittings. They have a firm guarantee of access, to protect the public's right to information about the civil or criminal justice systems and freedom of the press and freedom of expression.

- [73] There is an additional statutory foundation that may be cited as authority for the implied obligation of confidentiality in Quebec law. As the respondent in this case argued, using information and documents obtained at an examination on discovery for purposes unrelated to the case may amount to a breach of good faith. The doctrine of abuse of right which is codified in arts. 6 and 7 C.C.Q. would then provide an additional basis to justify recognizing the confidentiality rule in Quebec law. (On the doctrine of abuse of right, see J.-L. Baudouin and P. Deslauriers, *La responsabilité civile* (5th ed. 1998), at p. 127.)
- [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 [page 778] 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 discovery 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.
- [39] Unlike the requirement under the Federal Court Rules that all proceedings be served and filed into the Court record, there is no requirement for affidavits of documents pursuant to Rule 223(1) to be so filed. This exception is due to the fact that affidavits of documents, by their very nature, often contain documents relevant to the particular action which the party does not wish to disclose to the public at large. Without the consent and authorization of the party furnishing these documents, or unless the Court relieves the party obtaining these documents of the implied undertaking rule, they cannot be filed into the Court record and must be produced to the Court in a confidential manner.
- [40] The Defendants would like this Court to relieve the Plaintiffs of any confidentiality obligation they may have with respect to all documents and information related to any lawsuit in Canada, the United States or any other country involving either the Re-issued '714

Patent, the U.S. Re-issued '545 Patent or any other patent dealing with magnetic eyewear. This would clearly run afoul of the implied undertaking rule, not only because of the extent of the disclosure requested, but also because the very existence of the documents referred to is at best speculative and their usefulness and relevance has not been satisfactorily demonstrated. The Prothonotary was quite correct in relying on the following extract from the Lac d'Amiante decision as a basis for his decision:

- [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. [page779] That practice would be contrary to the public interest and would amount to an abuse of process.
- [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.
- [41] As for the distinction that the Defendants have tried to draw between the mere listing of a document and its disclosure, it is simply without merit. If the confidentiality rule is to be useful, it must protect not only the information contained in a document but also the title of the document and, indeed, the fact that such a document exists. To rule otherwise would enable a party to draw inferences, to litigate endlessly as to the relevancy of such documents for its case, and be tantamount to the slow erosion of the confidentiality principle.
- [42] The same analysis applies with at least equal force to the information and documents protected by Confidentiality Orders made by American Courts. In the same way as the Defendants and their counsel were not prepared to violate such orders, the Plaintiffs and their counsel should not be obliged to breach these orders. In so doing, this Court is not

enforcing the orders of a foreign court, but is merely refusing to compel the breach of such an order and to expose the Plaintiffs to the sanctions that could eventually follow from such a course of action.

[43] In summary, and for all the reasons outlined above, I conclude that the Defendants' Motion in Appeal of an Order of Prothonotary Morneau ought to be dismissed in its entirety. The Defendants have failed to establish that he was wrong in the exercise of his discretion; his decision is clearly based on the appropriate and applicable legal principles, and I can find no significant error in his understanding of the facts. Accordingly, the costs in this motion are awarded to Contour and Chic in accordance with column III of Tariff B.

"Yves de Montigny"

JUDGE

FEDERAL COURT

NAMES OF COUNSEL AND SOLICITORS OF RECORD

DOCKET: T-1927-02

STYLE OF CAUSE: Contour Optik Inc. et al (Plaintiffs)

v. Viva Canada et al (Defendants)

and

Viva Canada Inc et al (Plaintiffs by counterclaim)

v. Contour Optik et al (Defendants to counterclaim)

PLACE OF HEARING: Montréal, Quebec

DATE OF HEARING: November 28, 2005

AMENDED

REASONS FOR ORDER: de Montigny J.

DATED: January 20th, 2006

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