

THE COMPETITION TRIBUNAL

IN THE MATTER OF the *Competition Act*, R.S.C. 1985, c. C-34, as amended; and

IN THE MATTER OF an application for orders pursuant to section 74.1 of the *Competition Act* for conduct reviewable pursuant to paragraph 74.01(1)(a) and subsection 74.01(3) of the *Competition Act*.

B E T W E E N:

THE COMMISSIONER OF COMPETITION

COMPETITION TRIBUNAL
TRIBUNAL DE LA CONCURRENCE

FILED / PRODUIT
Date: November 9, 2018
CT- 2017-008

Bianca Zamor for / pour
REGISTRAR / REGISTRAIRE

-and-

HUDSON'S BAY COMPANY

Applicant

OTTAWA, ONT.

#87

Respondent

**BOOK OF AUTHORITIES FOR THE COMMISSIONER'S
MEMORANDUM OF FACT AND LAW**

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TAB 1



CANADA

CONSOLIDATION

CODIFICATION

Competition Tribunal Rules

Règles du Tribunal de la concurrence

SOR/2008-141

DORS/2008-141

Current to October 24, 2018

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- (a) a use to which the person who disclosed the evidence consents;
- (b) the use, for any purpose, of
 - (i) evidence that is filed with the Tribunal,
 - (ii) evidence that is given or referred to during a hearing; or
 - (iii) information obtained from evidence referred to in subparagraph (i) or (ii),
- (c) the use of evidence obtained in one proceeding, or information obtained from such evidence, to impeach the testimony of a witness in another proceeding, or
- (d) the use of evidence or information in a subsequent Tribunal proceeding.

Non-application

(4) If satisfied that the interest of justice outweighs any prejudice that would result to a party who disclosed evidence, the Tribunal may, on motion, order that the deemed undertaking referred to in subrule (2) does not apply to the evidence or to information obtained from it, and may impose any terms and give any directions that are just.

Supplementary affidavit

63 A party who has served an affidavit of documents and who comes into possession or control of or obtains power over a relevant document, or who becomes aware that the affidavit of documents is inaccurate or deficient, shall as soon as possible serve a supplementary affidavit of documents listing the document or correcting the inaccuracy or deficiency.

Examination for discovery

64 (1) Examination for discovery shall occur as of right.

Power of the Tribunal

(2) The Tribunal may, in case management, make rulings to deal with the timing, duration, scope and form of the discovery as well as the appropriate person to be discovered.

- a) l'utilisation d'éléments de preuve ou de renseignements à laquelle consent la personne qui a divulgué ceux-ci;
- b) l'utilisation, à une fin quelconque, de ce qui suit :
 - (i) les éléments de preuve qui sont déposés auprès du Tribunal,
 - (ii) les éléments de preuve qui sont présentés ou mentionnés au cours d'une audience,
 - (iii) les renseignements tirés des éléments de preuve visés aux sous-alinéas (i) ou (ii);
- c) l'utilisation d'éléments de preuve obtenus au cours d'une instance, ou de renseignements tirés de ceux-ci, pour attaquer la crédibilité d'un témoin dans une autre instance;
- d) l'utilisation d'éléments de preuve ou de renseignements dans des instances subséquentes devant le Tribunal.

Ordonnance de non - application

(4) S'il est convaincu que l'intérêt de la justice l'emporte sur tout préjudice que pourrait subir une partie qui a divulgué les éléments de preuve, le Tribunal peut ordonner que la présomption d'engagement implicite visée au paragraphe (2) ne s'applique pas aux éléments de preuve ou aux renseignements tirés de ceux-ci, et imposer les conditions et donner les directives qu'il estime justes.

Affidavit supplémentaire

63 La partie qui a signifié un affidavit de documents et qui soit entre en possession d'un document pertinent, en assume la garde ou le prend sous son autorité, soit constate que l'affidavit comporte des renseignements inexacts ou incomplets signifie sans délai un affidavit supplémentaire qui fait état du document ou qui complète ou corrige l'affidavit original.

Interrogatoire préalable

64 (1) L'interrogatoire préalable est un droit des parties.

Pouvoirs du Tribunal

(2) Le Tribunal peut, dans le cadre de la gestion d'instance, rendre des décisions sur le moment, la durée, la portée et la forme des interrogatoires préalables, ainsi que sur les personnes qu'il convient d'interroger.

TAB 2

Case Name:

Canada v. Lehigh Cement Ltd.

Between

**Her Majesty the Queen, Appellant, and
Lehigh Cement Limited, Respondent**

[2011] F.C.J. No. 515

[2011] A.C.F. no 515

2011 FCA 120

2011 CAF 120

417 N.R. 342

2011 D.T.C. 5069

[2011] 4 C.T.C. 112

200 A.C.W.S. (3d) 1219

2011 CarswellNat 1015

Docket A-263-10

Federal Court of Appeal
Vancouver, British Columbia

Evans, Dawson and Layden-Stevenson JJ.A.

Heard: March 3, 2011.

Judgment: March 31, 2011.

(50 paras.)

*Civil litigation -- Civil procedure -- Discovery -- Examination for discovery -- Range of
examination -- Objections and compelling answers -- Production and inspection of documents --
Objections and compelling production -- Orders for production -- Appeal by Crown from*

interlocutory order compelling answers and production of documents dismissed -- Taxpayer borrowed money which it loaned to American subsidiary and deducted interest on loan and dividends received, which CRA later disallowed in reassessments -- On taxpayer's motion, judge ordered Crown to answer hypothetical question and to disclose internal memoranda relating to its position -- Crown had not established any breach of principles of natural justice -- Documents relevant and required for expeditious and fair hearing -- As question not pure question of law and did not elicit details of legal argument, no error in compelling answer.

Taxation -- Federal income tax -- Appeals -- Tax Court of Canada -- Discovery of documents -- Examination for discovery -- Appeal by Crown from interlocutory order compelling answers and production of documents dismissed -- Taxpayer borrowed money which it loaned to American subsidiary and deducted interest on loan and dividends received, which CRA later disallowed in reassessments -- On taxpayer's motion, judge ordered Crown to answer hypothetical question and to disclose internal memoranda relating to its position -- Crown had not established any breach of principles of natural justice -- Documents relevant and required for expeditious and fair hearing -- As question not pure question of law and did not elicit details of legal argument, no error in compelling answer.

Appeal by the Crown from an order compelling it to answer a question it objected to on discovery and to produce certain documents. In 1995, the taxpayer borrowed \$100,000,000 USD in Canada, contributed it as a capital investment in its wholly-owned US subsidiary, and deducted the interest paid on the loan. The subsidiary, in turn, lent the funds to a US operating company, the shares of which were held by a US investment company. In 1996 and 1997, the operating company carried on an active business and paid interest to the subsidiary. The taxpayer, the subsidiary and the operating company were all treated as related corporations with the result that the interest paid to the subsidiary retained its character as business income and as such became exempt surplus of the subsidiary. The subsidiary paid dividends to the taxpayer in 1996 and 1997 and the taxpayer deducted the dividends in computing its taxable income. The Minister later reassessed the taxpayer on the basis that the shares of the subsidiary were deemed not to have been issued with the result that the dividend deduction should not have been allowed. The taxpayer objected to the reassessments and, after the Minister confirmed the reassessments, the taxpayer appealed to the Tax Court. The taxpayer brought a motion requesting an order compelling the Crown to answer a question as to whether it would have contested the arrangement if the shares in the operating company were owned by the taxpayer instead of a non-resident company related to the taxpayer and also sought the production of internal memoranda of the Canada Revenue Agency relating to the development of a policy concerning s. 95(6)(b) of the Income Tax Act. The motions judge found that the requested documents were potentially relevant and also found that it was not in the interests of fairness or efficiency for the Crown to resist answering the question as the answer would help the taxpayer to know the case it had to meet. The Crown appealed the order on the basis that the motions judge erred by failing to observe the principles of natural justice by accepting factual assertions made by the taxpayer without allowing the Crown an opportunity to challenge them, by

making findings of fact unsupported by the evidence and relying on those findings in support of her position, in ordering the production of internal CRA memoranda and in ordering the Crown to answer a hypothetical question.

HELD: Appeal dismissed. The Crown had not established any breach of the principles of natural justice, nor did it establish that any of the impugned findings of fact were made by the trial judge. Furthermore, as the Crown had already disclosed as relevant one memorandum which dealt with the issue, for the taxpayer to proceed expeditiously towards a fair hearing, knowing exactly the case it had to meet, it should receive any subsequent memoranda relating to the development of a general policy concerning Income Tax Act, s. 95(6)(b). As the question to which the taxpayer sought an answer was not a pure question of law and did not elicit details of the Crown's legal argument, and the taxpayer was entitled to know the basis of the reassessment and what led the CRA to conclude that it had acquired its shares in the subsidiary for the principal purpose of avoiding the payment of taxes, the judge did not err in concluding that the question should be answered.

Statutes, Regulations and Rules Cited:

Federal Courts Rules, SOR/98-106, Rule 240, Rule 400, Rule 407

Income Tax Act, R.S.C. 1985, c. 1 (5th Supp.), s. 20(1)(c), s. 95(2)(a)(ii), s. 95(6)(b), s. 113(1)(a)

Rules Amending the Tax Court of Canada Rules (General Procedure) SOR/2008-303,

Tax Court of Canada Rules (General Procedure), SOR/90-688a, Rule 82(1), Rule 95, Rule 95(1)

Counsel:

Daniel Bourgeois and Geneviève Léveillé, for the Appellant.

Warren J.A. Mitchell, Q.C., Mathew G. Williams and Natasha Reid, for the Respondent.

The judgment of the Court was delivered by

1 DAWSON J.A.:-- This is an appeal from an interlocutory order of the Tax Court of Canada (Tax Court) rendered in respect of a motion brought by Lehigh Cement Limited (Lehigh). Lehigh moved for an order requiring Her Majesty the Queen (the Crown) to answer a question objected to on discovery and to produce certain documents. The issue raised on this appeal is whether the Judge of the Tax Court erred by ordering the Crown to:

1. Answer the following question: If the shares of CBR Cement Corp. had been owned by the appellant instead of a non-resident company related to the appellant, would the Crown have contested the arrangement (the disputed question).
2. Produce internal memoranda of the Canada Revenue Agency (CRA) from 2000 to July 2007 that specifically relate to the development of a general policy concerning paragraph 95(6)(b) of the *Income Tax Act*, R.S.C. 1985, c. 1 (5th Supp.) (Act), not including documents relating to a particular taxpayer (the disputed documents).

A subsidiary issue is raised with respect to the appropriate level of costs to be awarded on this appeal.

2 The Judge's reasons in support of the order under appeal are cited as 2010 TCC 366, 2010 DTC 1239.

The Facts

3 The relevant facts and the procedural context are set out succinctly in the following paragraphs from Lehigh's memorandum of fact and law:

1. In 1995 the Respondent, Lehigh Cement Limited ("Lehigh"), borrowed US\$100,000,000 in Canada and contributed the US\$100,000,000 as a capital investment in CBR Development NAM LLC ("CBR-LLC"), its wholly-owned U.S. subsidiary. Lehigh deducted the interest paid on the said loan pursuant to s. 20(1)(c) of the *Income Tax Act* (the "Act").
2. CBR-LLC in turn lent the US\$100,000,000 to CBR Cement Corp. ("CBR-US"), a United States operating company, the shares of which were owned by CBR Investment Corporation of America ("CBR-ICA"), also a United States corporation.
3. In the years 1996 and 1997, CBR-US carried on an active business and paid interest to CBR-LLC of CDN\$11,303,500 and CDN\$11,305,800 respectively.
4. Lehigh, CBR-LLC and CBR-US were all treated as "related" corporations as that term is defined in the Act. Subparagraph 95(2)(a)(ii) of the Act, as it read at the time, provided that so long as the corporations were *related*, the interest so paid would retain its character as active business income to CBR-LLC, and as such become exempt surplus of CBR-LLC.
5. CBR-LLC paid dividends to Lehigh in 1996 and 1997 of CDN\$8,294,940 and CDN\$14,968,784 respectively. Paragraph 113(1)(a) of the Act provides that to the extent such dividends were paid out of exempt surplus of CBR-LLC, Lehigh was entitled to deduct such dividends in computing

its taxable income, which it did.

[...]

7. Notices of Reassessment for each of the 1996 and 1997 taxation years were issued on November 30, 2004 and on May 3, 2005. The Minister's primary basis of reassessment was s. 95(6)(b), asserting that the effect of that provision was that the shares of CBR-LLC were deemed not to have been issued, with the result that the deduction under s. 113(1)(a) of the Act should be disallowed. The alternate basis was s. 245 of the Act, the general anti-avoidance rule (the "GAAR").
8. Lehigh objected to the reassessments. On February 27, 2009 the Minister confirmed the reassessments. Lehigh appealed to the Tax Court of Canada.

The Decision of the Judge

4 After setting out the background facts, the Judge framed the dispute before her in the following terms:

9. The appellant's objective in bringing this motion is to have a better understanding of the respondent's position on the scope, and object and spirit, of s. 95(6)(b). The respondent resists largely on grounds that the information sought is not relevant.

5 The Judge then noted that the principles applicable to the issues before her had recently been discussed by the Tax Court in *HSBC Bank Canada v. Canada*, 2010 TCC 228, 2010 DTC 1159 at paragraphs 13 to 16. The Judge particularly noted that the purpose of discovery is to provide a level of disclosure so as to allow each party to "proceed efficiently, effectively and expeditiously towards a fair hearing, knowing exactly the case each has to meet." The Judge indicated that while fishing expeditions are to be discouraged, "very little relevance need be shown to render a question answerable." No specific challenge is made to the Judge's statement of general principles.

6 With respect to the disputed question, the Judge reasoned:

12. [...] It is not in the interests of fairness or efficiency for the respondent to resist answering the question on grounds of principle. The answer will help the appellant know what case it has to meet and is within the broad purposes of examinations for discovery.
13. The purposes of discovery were summarised in *Motaharian v. Reid*, [1989] O.J. No. 1947:

- (a) to enable the examining party to know the case he has to meet;
- (b) to procure admissions to enable one to dispense with formal proof;
- (c) to procure admissions which may destroy an opponent's case;
- (d) to facilitate settlement; pre-trial procedure and trial;
- (e) to eliminate or narrow issues;
- (f) to avoid surprise at trial.

7 The Judge's conclusion with respect to the disputed documents was as follows:

- 15. As for the production of internal CRA memoranda, these documents are potentially relevant because it appears that they directly led to the respondent's position in this appeal. Effectively, these documents are the support for the assessments even though CRA's policy may have been in the formative stages when the assessments were issued. This type of disclosure is proper: *HSBC Bank*, para. 15.
- 16. It is also significant that the appellant's request is not broad. Mr. Mitchell indicated in argument that there are likely only a few documents at issue.
- 17. Disclosure will therefore be ordered, except that the formal order will clarify that production will apply only to memoranda that specifically relate to the development of a general policy. It will exclude documents that relate to a particular taxpayer.

The Asserted Errors

8 The Crown asserts that in making the order under appeal the Judge erred by:

- a. failing to observe principles of natural justice by accepting factual assertions made by counsel for Lehigh without providing the Crown with an opportunity to challenge them;
- b. making findings of fact unsupported by the evidence and relying on such facts in support of her decision;
- c. ordering the production of internal CRA memoranda; and
- d. ordering the Crown to answer a hypothetical question aimed at eliciting the Crown's legal position.

Consideration of the Asserted Errors

- a. Did the Judge fail to observe principles of natural justice?

9 The Crown identifies three factual submissions made by counsel for Lehigh that it states were not supported by affidavit evidence. It states that it objected to these "bare assertions" being made because they were unsupported by evidence so that the Crown had no opportunity to challenge the assertions through the cross-examination of a deponent. The three impugned submissions are:

1. During oral discovery, counsel for Lehigh singled out two CRA officers, Wayne Adams and Sharon Gulliver, when questioning on the existence of internal memoranda.
2. Counsel for Lehigh stated at the hearing that the alleged change in CRA policy "was developed between 2000 and July 2007, when the CRA announced the new policy."
3. Counsel for Lehigh stated at the hearing that he did not think there would be many memoranda concerning the new policy. He only expected there to be three or four memoranda.

These assertions are said to have significantly influenced the Judge's decision.

10 For the following reasons, I conclude that the Judge did not err as the Crown submits.

11 To begin, the first impugned submission was not made to the Judge. What is complained of is a question asked by counsel for Lehigh on his discovery of the Crown when he sought production of the disputed documents. Counsel stated his request was "specifically but not exclusively" with respect to documents emanating to and from the two named employees. Such a question asked on discovery does not breach principles of natural justice.

12 The remaining two impugned submissions were made to the Judge by counsel for Lehigh. However, counsel for Lehigh was explicit in his submissions to the Court that "[w]e don't know if there are any documents, to begin with. We are saying, if there are documents that give the context of this assessment we would like to see them." (Transcript of oral argument, Appeal Book page 81 lines 14-19). This makes clear that counsel was not improperly giving evidence about matters within his knowledge. I read counsel's submissions as being in the nature of supposition as to when any memoranda would have been produced and the number of such memoranda. The Judge's reference to the number of documents reflected counsel's submissions.

13 Further, counsel's submissions were informed by a memorandum prepared by Sharon Gulliver dated May 2, 2002 (Gulliver memorandum). The Gulliver memorandum was produced by the Crown following oral discovery, but before the hearing before the Judge, and was appended to the affidavit filed in support of Lehigh's motion. It will be described in more detail later in these reasons.

14 The Crown has not established any breach of the principles of natural justice.

- b. Did the Judge make and rely upon findings of fact which were unsupported by the evidence?

15 The Crown asserts that the Judge based her decision to order the production of the disputed documents on the basis of two allegations which were not substantiated by evidence. The allegations were that:

1. The disputed documents led directly to the Crown's position in the underlying appeal.
2. The disputed documents provided the support for the assessments under appeal, even though the CRA's policy may have been in the formative stages when the assessments were issued.

The Crown points to paragraph 15 of the Judge's reasons, quoted above, to argue that the Judge made and relied upon these assumptions.

16 In my view, the Judge's reasons, read fairly, fall well short of a finding of fact that the disputed documents either led directly to the Crown's position on the appeal or provided the support for the assessment. I reach this conclusion for the following reasons.

17 First, as set out above, Lehigh was explicit that it did not know if the disputed documents existed. At paragraph 6 of her reasons, the Judge correctly stated that it was an assertion made by Lehigh, not an established fact, that the CRA's policy concerning the application of paragraph 95(6)(b) was developed between 2000 and July 2007 when the CRA announced the new policy.

18 Second, the Judge noted in paragraph 15 of her reasons that the disputed documents were "potentially relevant because it appears that they directly led [...]." No determination was made by the Judge that the documents existed, had led to the Crown's position on this appeal or had provided support for the assessment.

19 Third, the Gulliver memorandum was in evidence before the Judge. This memorandum provided a basis for the Judge's conclusion by way of inference that any subsequent memoranda were potentially relevant. From the content of the Gulliver memorandum it was at least arguable that subsequent memoranda expressed the basis for the assessments at issue. As explained below, the Crown's disclosure of the Gulliver memorandum evidenced the Crown's position that it was relevant to Lehigh's appeal.

20 The Crown has not persuaded me that any of the impugned findings of fact were indeed made by the Judge.

21 The Crown also argues that Lehigh had specific knowledge of documents relating to a change in policy "but chose not to adduce any evidence which might have shed light on the nature, volume and relevance of these documents." I agree with Lehigh's responsive submission that only the Crown possessed the knowledge of whether the disputed documents exist or if any existing documents are relevant. In such a circumstance it is difficult to see how Lehigh could have provided better affidavit evidence that shed light on these points.

- c. Did the Judge err by ordering the production of internal CRA memoranda?

22 I begin by noting that while the Judge ordered the production of internal CRA memoranda

prepared from 2000 to July 2007, during oral argument counsel for Lehigh significantly narrowed the relevant timeframe to be from the date of the Gulliver memorandum (May 2, 2002) to the date of the assessments (November 30, 2004 and on May 3, 2005).

23 The Crown argues that in ordering the production of internal memoranda the Judge erred because:

1. Opinions expressed by CRA officials outside of the context of a particular taxpayer's situation are irrelevant.
2. Official publications issued by the CRA are relevant only where a taxpayer seeks to establish that the CRA's interpretation of the Act, expressed in an official publication, is correct and contradicts the interpretation upon which the assessment in issue was made.

24 The scope of permissible discovery depends upon the factual and procedural context of the case, informed by an appreciation of the applicable legal principles. See *Bristol-Myers Squibb Co. v. Apotex Inc.*, 2007 FCA 379, 162 A.C.W.S. (3d) 911 at paragraph 35. In the words of this Court in *Eurocopter v. Bell Helicopter Textron Canada Ltd.*, 2010 FCA 142, 407 N.R. 180 at paragraph 13, while "the general principles established in the case law are useful, they do not provide a magic formula that is applicable to all situations. In such matters, it is necessary to follow the case-by-case rule."

25 It follows from this that the determination of whether a particular question is permissible is a fact based inquiry. On appeal a judge's determination will be reviewed as a question of mixed fact and law. Therefore, the Court will only intervene where a palpable and overriding error or an extricable error of law is established. See *Housen v. Nikolaisen*, [2002] 2 S.C.R. 235, 2002 SCC 33; *Bristol-Myers Squibb Co. v. Apotex Inc.*, as cited above, at paragraph 35.

26 In this case, consideration of whether a particular question is permissible begins with Rule 95 of the *Tax Court of Canada Rules (General Procedure)*, SOR/90-688a which governs the scope of oral discovery. Rule 95(1) states:

95. (1) A person examined for discovery shall answer, to the best of that person's knowledge, information and belief, any proper question relevant to any matter in issue in the proceeding or to any matter made discoverable by subsection (3) and no question may be objected to on the ground that

(a) the information sought is evidence or hearsay,

(b) the question constitutes cross-examination, unless the question is directed solely to the credibility of the witness, or

(c) the question constitutes cross-examination on the affidavit of documents of the party being examined. [emphasis added]

* * *

95. (1) La personne interrogée au préalable répond, soit au mieux de sa connaissance directe, soit des renseignements qu'elle tient pour véridiques, aux questions pertinentes à une question en litige ou aux questions qui peuvent, aux termes du paragraphe (3), faire l'objet de l'interrogatoire préalable. Elle ne peut refuser de répondre pour les motifs suivants :

a) le renseignement demandé est un élément de preuve ou du oui-dire;

b) la question constitue un contre-interrogatoire, à moins qu'elle ne vise uniquement la crédibilité du témoin;

c) la question constitue un contre-interrogatoire sur la déclaration sous serment de documents déposée par la partie interrogée. [Non souligné dans l'original.]

27 The Crown correctly observes that prior to its amendment in 2008, Rule 95(1) required a person examined for discovery to answer any proper question "relating to" ("qui se rapporte à") any matter in issue in the proceeding. A question was said to relate to any matter in issue if it was demonstrated that "the information in the document may advance his own case or damage his or her adversary's case". See *SmithKline Beecham Animal Health Inc. v. Canada*, 2002 FCA 229, 291 N.R. 113 at paragraphs 24 to 30. At paragraph 31 of its reasons this Court characterized this test to be substantially the same as the train of inquiry test.

28 The Crown submits, however, that it "is doubtful that the 'train of inquiry' test, in its present form, will survive the amendment" of Rule 95(1) in 2008. The Crown argues that the jurisprudence relied upon by *Lehigh* does not address the impact of the narrower wording of Rule 95(1).

29 In my view, the 2008 amendment to Rule 95(1) did not have a material impact upon the permissible scope of oral discovery. I reach this conclusion for the following reasons.

30 First, I believe that the general purpose of oral discovery has not changed. Justice Hugessen described that purpose in the following terms in *Montana Band v. Canada*, [2000] 1 F.C. 267 (T.D.) at paragraph 5:

The general purpose of examination for discovery is to render the trial process fairer and more efficient by allowing each party to inform itself fully prior to trial of the precise nature of all other parties' positions so as to define fully the issues between them. It is in the interest of justice that each party should be as well informed as possible about the positions of the other parties and should not be put at a disadvantage by being taken by surprise at trial. It is sound policy for the Court to adopt a liberal approach to the scope of questioning on discovery since any error on the side of allowing questions may always be corrected by the trial judge who retains the ultimate mastery over all matters relating to admissibility of evidence; on the other hand any error which unduly restricts the scope of discovery may lead to serious problems or even injustice at trial.

[emphasis added]

31 That the amendment of Rule 95(1) was not intended to effect a change in the scope of permissible questions is supported by the Regulatory Impact Analysis Statement (RIAS) accompanying the *Rules Amending the Tax Court of Canada Rules (General Procedure)*, SOR/2008-303, *Canada Gazette*, Part II, Vol. 142, No. 25 at pages 2330 to 2332. The RIAS describes the amendment to Rule 95(1) to be a "technical amendment". Courts are permitted to examine a RIAS to confirm the intention of the regulator. See *Bristol-Myers Squibb Co. v. Canada (Attorney General)*, 2005 SCC 26, [2005] 1 S.C.R. 533 at paragraphs 45 to 47 and 155 to 157.

32 Second, in *Owen Holdings Ltd. v. Canada* (1997), 216 N.R. 381 (F.C.A.) this Court considered and rejected the submission that the phrase "relating to" (as then found in Rule 82(1) of the *Tax Court of Canada Rules (General Procedure)*) encompassed the concept of a "semblance of relevance." The Court indicated that "relating to" and "relevance" encompassed similar meanings. At paragraphs 5 and 6 of its reasons the Court wrote:

5. With respect to the appeal, counsel for the appellant argues that the judge erred in holding that only documents which are relevant, that is to say which may advance the appellant's case or damage that of the respondent, should be disclosed. Rule 82(1). [1] counsel says, uses the phrase "relating to" not "relevant to," a basic distinction clearly confirmed and acted upon by this Court in *Canada (Attorney-General) v. Bassermann*, [1994] F.C.J. No. 498. [2] At this stage, submits counsel, relevance should be of no concern; a "semblance of relevance," if necessary, should suffice, an abuse of process being the only thing to be avoided.
6. We indicated at the hearing that we disagreed with counsel's argument. Although obviously not synonyms, the words "relating" and "relevant" do not have entirely

separate and distinct meanings. "Relating to" in Rule 82(1) necessarily imparts an element of relevance, otherwise, the parties would have licence to enter into extensive and futile fishing expeditions that would achieve no productive goal but would waste judicial resources. The well established principles that give rise to the relatively low relevance threshold at the stage of discovery, as opposed to the higher threshold that will be required at trial for the admission of evidence, are well known. We simply do not believe that the Tax Court ever had the intention of abandoning those principles any more than this Court could have had such an intention when, in 1990, it changed the word "related" to "relevant" in revising its corresponding provisions, namely subsections (1) and (2)(a) of Rule 448. [3] [emphasis added and footnotes omitted]

33 Finally, there is an abundance of jurisprudence from this Court which has interpreted the permissible scope of examination under Rule 240 of the *Federal Courts Rules*, SOR/98-106. Like Rule 95(1), Rule 240 incorporates the test of whether a question is "relevant" to a matter which is in issue. Rule 240 states:

A person being examined for discovery shall answer, to the best of the person's knowledge, information and belief, any question that

(a) is relevant to any unadmitted allegation of fact in a pleading filed by the party being examined or by the examining party; or

(b) concerns the name or address of any person, other than an expert witness, who might reasonably be expected to have knowledge relating to a matter in question in the action. [emphasis added]

* * *

La personne soumise à un interrogatoire préalable répond, au mieux de sa connaissance et de sa croyance, à toute question qui :

a) soit se rapporte à un fait allégué et non admis dans un acte de procédure déposé par la partie soumise à l'interrogatoire préalable ou par la partie qui interroge;

b) soit concerne le nom ou l'adresse d'une personne, autre qu'un témoin expert, dont il est raisonnable de croire qu'elle a une connaissance d'une question en litige dans l'action. [Non souligné dans l'original.]

34 The jurisprudence establishes that a question is relevant when there is a reasonable likelihood that it might elicit information which may directly or indirectly enable the party seeking the answer to advance its case or to damage the case of its adversary, or which fairly might lead to a train of inquiry that may either advance the questioning party's case or damage the case of its adversary. Whether this test is met will depend on the allegations the questioning party seeks to establish or refute. See *Eurocopter* at paragraph 10, *Eli Lilly Canada Inc. v. Novopharm Ltd.*, 2008 FCA 287, 381 N.R. 93 at paragraphs 61 to 64; *Bristol-Myers Squibb Co. v. Apotex Inc.* at paragraphs 30 to 33.

35 Where relevance is established the Court retains discretion to disallow a question. The exercise of this discretion requires a weighing of the potential value of the answer against the risk that a party is abusing the discovery process. See *Bristol-Myers Squibb Co. v. Apotex Inc.* at paragraph 34. The Court might disallow a relevant question where responding to it would place undue hardship on the answering party, where there are other means of obtaining the information sought, or where "the question forms part of a 'fishing expedition' of vague and far-reaching scope": *Merck & Co. v. Apotex Inc.*, 2003 FCA 438, 312 N.R. 273 at paragraph 10; *Apotex Inc. v. Wellcome Foundation Ltd.*, 2008 FCA 131, 166 A.C.W.S. (3d) 850 at paragraph 3.

36 This Court's comment at paragraph 64 of the *Eli Lilly* decision is of particular relevance to the Crown's submission that the 2008 amendment effected a material change. There, the Court wrote:

64. Furthermore, the Prothonotary's reference to a fishing expedition in paragraph 19 of her Reasons was one where a party was required to disclose a document that might lead to another document that might then lead to useful information which would tend to adversely affect the party's case or to support the other party's case. In my view, limiting the "train of inquiry" test in this manner is consistent with the test described in *Peruvian Guano, supra*, and applied by this Court in *SmithKline Beecham Animal Health Inc. v. Canada*, [2002] 4 C.T.C. 93 (F.C.A.), where, at para. 24 of her Reasons for the Court, Madam Justice Sharlow wrote:

[24] The scope and application of the rules quoted above depend upon the meaning of the phrases "relating to any matter in question between ... them in the appeal" and "relating to any matter in issue in the proceeding". In *Compagnie Financiere et Commerciale du Pacifique v. Peruvian Guano Company* (1882), 11 Q.B.D. 55 (C.A.), Brett, L.J. said this about the meaning of the phrase "a document relating to any matter in question in the action" (at page 63):

It seems to me that every document relates to the matters in question in the action, which not only would be evidence upon any issue, but

also which, it is reasonable to suppose, contains information which may - not which must - either directly or indirectly enable the party requiring the affidavit either to advance his own case or to damage the case of his adversary. I have put in the words "either directly or indirectly," because, as it seems to me, a document can properly be said to contain information which may enable the party requiring the affidavit either to advance his own case or to damage the case of his adversary, if it is a document which may fairly lead him to a train of inquiry, which may have either of these two consequences.

[emphasis in original]

37 As can be seen, when interpreting relevance under the *Federal Courts Rules* the Court quoted with approval its prior articulation of the train of inquiry test in *SmithKline Beecham*. That decision concerned the proper interpretation of the pre-2008 version of Rule 95(1) of the *Tax Court of Canada Rules (General Procedure)*. Thus, the train of inquiry test has been found to be appropriate both under the pre-2008 *Tax Court of Canada Rules (General Procedure)* and the current *Federal Courts Rules* where the test is relevance.

38 Turning to the application of these principles, in the present case the Crown had disclosed the Gulliver memorandum to Lehigh. The memorandum was produced in response to a request that the Crown provide "all correspondence and memoranda within head office, the district office, and between head office and the district office, giving instructions or dealing with their advisement on the GAAR issue."

39 The Gulliver memorandum makes the following points:

1. The CRA was "pursuing cases coined 'indirect loans' whereby a Canadian company invests money into the equity of a newly created company in a tax haven and those funds are then lent to a related but non-affiliate non-resident company."
2. With respect to subsection 95(6) of the Act:

While subsection 95(6) has been amended for taxation years after 1995, in nearly all of the "indirect loan" cases reviewed, the structure was in place prior to the amendments. We did consider whether paragraph 95(6)(b), as it then read, could apply to the "indirect loan" issue with respect to the incorporation of the tax haven company and its issuance of shares to CANCO. However, it was concluded from its wording that it was contemplated that the foreign affiliate or a non-resident corporation that issued the shares already existed before the series of transactions. In addition, without the use of the tax

haven company, there was no certainty that CANCO would have otherwise transferred fund [*sic*] to the non-resident borrower so that there would be "tax otherwise payable". Therefore, subsection 95(6) was not proposed but in our view, this provision demonstrates that it is not acceptable to insert steps to misuse the foreign affiliate rules. [11] [emphasis added]

3. Footnote 11 to the above passage stated:

[11] We have no written legal opinion on the matter at the present time. It is possible that Appeals or Litigation might see merit in arguing subsection 95(6). [emphasis added]

40 In my view, the inference may be drawn from the Gulliver memorandum and the subsequent reassessment of Lehigh on the basis of subsection 95(6) that there may well be subsequent memoranda prepared within the CRA that considered whether subsection 95(6) of the Act could be argued to be a general anti-avoidance provision. Such documents, if they exist, would be reasonably likely to either directly or indirectly advance Lehigh's case or damage the Crown's case. In my view, the Judge did not err in ordering their production. The trial judge will be the ultimate arbiter of their relevance.

41 In so concluding, I have considered the Crown's arguments that the opinions of CRA officials outside the context of a particular taxpayer are irrelevant and that official publications of the CRA are of limited relevance. Those may well be valid objections in another case. However, in the factual and procedural context of this case, the Crown has already disclosed as relevant the Gulliver memorandum. For Lehigh to proceed expeditiously towards a fair hearing, knowing exactly the case it has to meet, it should receive any subsequent memoranda relating to the development of a general policy concerning paragraph 95(6)(b) of the Act.

- d. Did the Judge err by ordering the Crown to answer a hypothetical question aimed at eliciting the Crown's legal position?

42 The Crown argues that the Judge erred in ordering it to answer the disputed question because:

1. The question is hypothetical.
2. The purpose of the question is to elicit from the Crown details pertaining to its legal argument.
3. The question is a pure question of law.

43 Lehigh responds that the purpose of the question is to determine if in reassessing Lehigh, paragraph 95(6)(b) of the Act was applied because the shares of CBR-US were owned by

CBR-ICA, a non-resident corporation and not by Lehigh, a Canadian resident corporation.

44 The Judge ordered the question to be answered in order to help Lehigh know the case it has to meet. In the context of this proceeding the question is not a pure question of law, nor does it elicit details of the Crown's legal argument. Lehigh is entitled to know the basis of the reassessment and what led the CRA to conclude it had acquired its shares in CBR-LLC for the principal purpose of avoiding the payment of taxes that would otherwise have been payable. In the factual and procedural context before the Court, the Crown has not demonstrated that the Judge erred in concluding that the disputed question should be answered.

45 For all of the above reasons I would dismiss the appeal.

Costs and Conclusion

46 Should this appeal be dismissed, Lehigh seeks an award of costs fully indemnifying its expenses in bringing the motion in the Tax Court and in opposing this appeal. Such an award is estimated to be in excess of \$125,000.00.

47 Lehigh concedes that such an award is commonly made where a party is found to have acted in a reprehensible, scandalous, or outrageous manner. Lehigh acknowledges that no such conduct has occurred in the present case. It submits, however, that such an award is justified in this case because the discoveries were held on November 11, 2009 and Lehigh has been put to delay and considerable expense "all for no just cause."

48 Rule 400 of the *Federal Courts Rules* provides that the Court has full discretionary power over the award of costs. Rule 407 provides that unless the Court orders otherwise, party-and-party costs are to be assessed in accordance with column III of the table to Tariff B of the Rules. This reflects a policy decision that party-and-party costs are intended to be a contribution to, not an indemnification of, solicitor-client costs.

49 Lehigh has not established exceptional circumstances that would warrant departure from the principle that solicitor-client fees are generally awarded only where there has been reprehensible, scandalous, or outrageous conduct on the part of one of the parties. See *Baker v. Canada (Minister of Citizenship and Immigration)*, [1999] 2 S.C.R. 817 at paragraph 77. The willingness of one party to incur significant expense on an issue cannot by itself transfer responsibility for that expense to the opposing party. The question then becomes, what is the appropriate contribution to be made to Lehigh's costs if the appeal is dismissed?

50 If successful, the Crown seeks, in lieu of assessed costs, costs here and in the Tax Court fixed in the amount of \$5,000.00. Having particular regard to the complexity of the issues, I see nothing in the record to make this an unreasonable quantification of party-and-party costs. As Lehigh was awarded its costs in the Tax Court, on this appeal I would dismiss the appeal and order the appellant to pay costs to Lehigh in the Tax Court and in this Court fixed in the amount of \$5,000.00,

all-inclusive, in any event of the cause.

DAWSON J.A.

EVANS J.A.:-- I agree.

LAYDEN-STEVENSON J.A.:-- I agree.

TAB 3

Case Name:
Apotex Inc. v. Wellcome Foundation Ltd.

Between
Apotex Inc., Plaintiff, and
The Wellcome Foundation Limited and GlaxoSmithKline Inc.
Defendants

[2007] F.C.J. No. 344

[2007] A.C.F. no 344

2007 FC 236

2007 CF 236

156 A.C.W.S. (3d) 58

Docket T-1686-01

Federal Court
Toronto, Ontario

Gibson J.

Heard: February 21, 2007.

Judgment: March 1, 2007.

(23 paras.)

Civil procedure -- Discovery -- Examination for discovery -- Range of examination -- Objections and compelling answers to questions -- The appeals by both parties of the prothonotary's orders obliging them to answer questions were dismissed -- The questions were likely to advance the parties' positions or contribute towards a settlement; the weighing process favoured upholding the questions.

Intellectual property law -- Patents -- Procedure -- Discovery -- Examination -- The appeals by both parties of the prothonotary's orders obliging them to answer questions were dismissed -- The questions were likely to advance the parties' positions or contribute towards a settlement; the

weighing process favoured upholding the questions.

In the context of an action by the plaintiff generic drug manufacturing company for damages for the harm allegedly caused it by reason of the defendant's unsuccessful prosecution of two applications seeking to prohibit the issuance of a notice of compliance in respect of the drug acyclovir, each party brought a motion in appeal of the prothonotary's orders -- The plaintiff sought to set aside the prothonotary's order requiring it to provide answers to certain questions on discovery and to provide further interrogatories, while the defendant similarly sought to set aside an order requiring it to answer questions on discovery -- HELD: The appeals were dismissed -- With respect to the first appeal, the court was satisfied that the questions ordered to be answered, when answered, were likely to advance the defendants' position or to contribute towards settlement -- With respect to the second appeal, the court was satisfied the disputed questions are relevant to claims made in the pleadings in that they relate to common enterprise and to transfer pricing and thus the computation of damages; the weighing process favoured upholding the questions.

Statutes, Regulations and Rules Cited:

Patented Medicines (Notice of Compliance) Regulations, SOR/ 93-133, s. 8

Counsel:

Jerry Topolski, for the Plaintiff.

Alison White Norvak, for the Defendants.

REASONS FOR ORDERS

GIBSON J.:--

INTRODUCTION

1 These reasons follow the hearing on the 21st of February, 2007, at Toronto, of two motions in appeal from two Orders of Prothonotary Milczynski dated the 30th of August, 2006.

2 One of the motions in appeal, (the "first motion"), was brought by the Plaintiff Apotex Inc. ("Apotex") and seeks to set aside the Order of Prothonotary Milczynski in which she ordered the Plaintiff to provide answers to certain questions posed on examination for discovery of Apotex' nominee and follow-up written interrogatories. The first Order and the questions at issue are attached as Schedule "A" to these reasons.

3 The second motion in appeal (the "second motion") was brought by the Wellcome Foundation Limited and GlaxoSmithKline Inc. (the "Defendants") and seeks to set aside the Order of Prothonotary Milczynski requiring the Defendants to provide answers to certain questions posed to their nominee on examinations for discovery. The Order at issue on the second motion and the related questions are attached as Schedule "B" to these reasons.

4 Prothonotary Milczynski provided no reasons for the Orders at issue.

BACKGROUND

5 This action was commenced by Statement of Claim dated the 20th of September, 2001. Apotex seeks various forms of relief in respect of the harm allegedly caused to it by reason of the Defendants' unsuccessful prosecution of two applications under the *Patented Medicines (Notice of Compliance) Regulations*¹ seeking to prohibit the Minister of Health from issuing a Notice or Notices of Compliance to Apotex in respect of the drug acyclovir.

6 Section 8 of the *Patented Medicines (Notice of Compliance) Regulations* specifically provides for relief by way of damages or profits in respect of harm suffered by reason of any delay in the issuance of a Notice of Compliance caused by the commencement of an application for prohibition under those *Regulations*. In the claim, at paragraph 47, Apotex has asserted that, by reason of the *Regulations* and the Defendants' commencement of the prohibition proceedings, it was prevented from obtaining a Notice of Compliance from mid-February, 1996 to August 21, 1997. In the result, Apotex asserts that it suffered damages flowing from, among other things, lost sales revenues for its acyclovir tablets.

7 The Defendants have defended this action on the basis that Apotex has no cause of action either under section 8 of the *Patented Medicines (Notice of Compliance) Regulations*, or in equity and hence, no damages are owing. Alternatively the Defendants allege, even if Apotex has a cause of action under section 8 of the *Regulations*, either Apotex suffered no damage or its damages were not caused by the Defendants, but resulted instead from Apotex' own trade practices and its entry into an already confounded market.

8 The Defendants filed their Statement of Defence on the 8th of March, 2002 and amended their defence on the 17th of April, 2003.

9 Apotex filed its reply on the 22nd of March, 2002 and its Amended Reply on the 6th of May, 2003.

10 Apotex's representative, Dr. Bernard Sherman, was examined for discovery on the 5th of July, 2005. On the 24th of August, 2005, the Defendants brought a motion seeking an Order compelling Dr. Sherman to answer questions that were refused on his examination.

11 The Defendants' motion above referred to was heard on the 27th of October, 2005, and, on the

10th of November, 2005, Prothonotary Lafrenière ordered that Apotex answer two (2) questions which had been refused. That same day, counsel for Apotex provided the answers to the questions ordered by Prothonotary Lafrenière to be answered. Following the provision of those answers, the parties agreed that the second round of Dr. Sherman's examination dealing with the answers given, and questions arising therefrom, would be continued by way of written interrogatories. On March 30, 2006, the Defendants delivered a set of written interrogatories to counsel for Apotex. On the 30th of May, 2006 Apotex delivered its responses to the written interrogatories. In responding, Apotex refused to answer a number of the purported follow-up questions posed by the Defendants as Apotex considered those questions to be irrelevant or otherwise improper for reasons given. The Defendants' motion before Prothonotary Milczynski leading to the Order that is the subject of motion number one, now before the Court, followed.

12 The Defendants' representative on examinations for discovery was examined as part of the first round of examinations on the 3rd of May, 2005. Answers to undertakings arising from that examination, and answers to questions ordered to be answered, were provided by the Defendants on the 11th of August, 2005, the 10th of November, 2005 and the 1st of December, 2005. A second examination of the Defendants' representative took place on the 30th of January, 2006 and answers to undertakings arising from that examination, and answers to questions ordered to be answered, were provided by the Defendants on the 31st of May, 2006.

13 Apotex brought a motion to compel answers to questions that were refused by the Defendants in connection with the second round of examinations for discovery, leading to the Order of Prothonotary Milczynski that is before the Court on appeal under motion number two.

STANDARD OF REVIEW

14 In *Apotex Inc. v. Pfizer Canada Inc., Pfizer Corporation and Her Majesty the Queen*², my colleague Justice de Montigny wrote at paragraph 7 of his reasons:

There is no doubt that discretionary and interlocutory decisions of prothonotaries ought not to be disturbed and reviewed *de novo* unless the questions raised in the motion are vital to the final issues of the case, or the order is 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: *Canada v. Aqua-Gem Investments Ltd.*, [1993] 2 F.C. 425, at p. 462-3 (F.C.A.); *Merck & Co. v. Apotex Inc. v. Apotex Inc.*, (2003), 30 C.P.R. (4th) 40, at p. 53; *Z.I. Pompey Industrie v. Ecu-Line N.V.*, [2003] 1 S.C.R. 450, at p. 461.

While Justice de Montigny's decision was reversed on appeal³, the Federal Court of Appeal took no issue with the foregoing quoted paragraph made in the context of reasons for decision arising in connection with an appeal from a decision of a prothonotary regarding answers refused or taken under advisement at examinations for discovery in an action, as here, under section 8 of the *Patented Medicines (Notice of Compliance) Regulations*.

15 Counsel were in agreement that the appeals here before the Court arose out of discretionary and interlocutory decisions of a prothonotary and that the foregoing quoted paragraph accurately summarizes the appropriate standard of review here, that is to say, the orders under review should not be interfered with unless the learned Prothonotary's decisions of either of them were or 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.

APPROPRIATE PRINCIPLES OF LAW

16 In *Apotex Inc. v. Pfizer Canada Inc., Pfizer Corporation and Her Majesty the Queen, supra*, Justice de Montigny succinctly summarized the principles of law applicable on the matter before him, and thus on this matter, and I can do no better than to adopt his summary. Once again, I am satisfied that the Federal Court of Appeal, in reversing Justice de Montigny, did not differ with his summary of the principles of law but rather differed with his application of those principles to the facts before him. In very brief reasons, essentially a single paragraph, in that matter, Justice Sharlow, for the Court, wrote:

We are all of the view that this appeal should be allowed, the order of the judge set aside, and the order of the prothonotary restored. We accept submissions of the appellant [Apotex Inc.] that the disputed questions are relevant to claims made in the pleadings, either to the allegation of common enterprise or to the computation of damages, assuming that damages may be measured by reference to the respondents' profits.

17 Justice de Montigny wrote at paragraphs [8] to [10] of his reasons:

[8] In the present case, Pfizer has argued that the Prothonotary erred by failing to apply the correct principles of law. More specifically, Pfizer submitted that the Prothonotary erred in law by failing to follow the principle that relevance must be determined by the pleadings. Since the Prothonotary has not given reasons for her order, I must assume that she has adopted Apotex' [here Apotex on motion number one and the Defendants' on motion number two] arguments and proceed to review her decision on that basis.

[9] There is no dispute between the parties that in order to assess the relevance of a question, one must look at the pleadings. The purpose of discovery, after all, is to secure admissions with a view to advance the case of the parties. As Martineau J. stated in *Apotex Inc. v. Merck & Co. et al.* (2004), 33 C.P.R.(4th) 387 (F.C.) (QL), at par. 15 (affirmed (2005), 38 C.P.R.(4th) 289 (F.C.A.)):

The purpose of discovery, whether oral or by production of documents,

[and here, in part by responses to interrogatories], is to obtain admissions to facilitate proof of all the matters which are properly in issue between the parties. The question of whether a document "relates" to an issue in the case depends upon a reasonable interpretation of the pleadings. In this regard, the party demanding a document must demonstrate that the information in the document may, either directly or indirectly, advance its own case or damage the case of its opponent...

[10] In *Hayden Manufacturing Co. v. Canplas Industries Ltd.* (1998), 83 C.P.R. (3d) 19 (F.C.), this Court stated that there must be limitations placed on discovery given the resources of the courts and concern over costs, congestion and delay. The Court referred to the earlier case of *Reading & Bates Construction Co. v. Baker Energy Resources Corp.* (1988), 25 F.T.R. 226 (F.C.) and identified six principles which place limitations on the scope of discovery. It is worth setting out these principles as presented by Prothonotary Hargrave in *Hayden*, above:

1. The documents to which parties are entitled are those which are relevant. Relevance is a matter of law, not discretion. The test to apply, in determining relevance, is whether information obtained may directly or indirectly advance one party's case, or damage that of the other party.
2. Questions which are too general, or which seek an opinion, or are outside the scope of a proceeding, need not be answered.
3. Discovery is confined to matters relevant to the facts which have been pleaded, rather than to facts which a party proposes to prove and thus relevance, in the context of discovery, limits questions to those that may prove or disprove allegations of fact which have not been admitted.
4. A court should not compel answers which, although perhaps relevant, are not likely to advance the party's legal position.
5. Before requiring an answer to a discovery question, the court should weigh the probability of the usefulness of the answer against the time, trouble, expense and difficulty which might be involved in obtaining it: "One must look at what is reasonable and fair under the circumstances..." (*loc. cit.*)
6. Fishing expeditions undertaken through far-reaching, vague or irrelevant questions are to be discouraged.

APPLICATION OF THE FOREGOING PRINCIPLES TO THE POSITIONS OF THE PARTIES, AGAINST THE APPROPRIATE STANDARD OF REVIEW

Motion in Appeal Number One

18 Counsel for Apotex urged that, since the learned Prothonotary provided no reasons for her decision in Order number one, there is simply no basis upon which this Court can discern how she applied the foregoing principles of law and that thus, no deference should be accorded to her decision. Bearing in mind the foregoing, counsel urged that the learned Prothonotary allowed follow-up questions in respect of matters which are not pleaded and to which the answer, if given, could not assist the Defendants in establishing any fact in issue and more particularly, that it is impossible for this Court to discern what, if any, unadmitted facts in the pleadings could or might be proved or disproved by the answers ordered to be provided. Further, counsel urged, the Defendants have, by the questions ordered to be answered, been permitted to pose follow-up questions on a second round of examination where those questions arise out of the initial round of questioning and could reasonably have been asked as follow-up questions on the first round of discovery. Counsel urges that the Order in question encourages a "never ending process that knows no boundaries"⁴.

19 I disagree. By reference to the words of Justice Sharlow in her very brief reasons on the appeal in *Apotex Inc. v. Pfizer Canada Inc. et al, supra*, I am satisfied that the questions at issue on the first motion in appeal are relevant to claims made in the pleadings, in particular the Amended Statement of Defence, in that they go to allegations of common enterprise and thus to the computation of damages, particularly having regard to vague answers provided by Apotex' representative on the first round of discoveries that were not amenable to detailed follow-up questions in the context of that round or, if followed up, would likely only have led to greater confusion on the issue of common enterprise and thus on the issue of computation of damages. Put another way, I am satisfied that the questions ordered to be answered, when answered, are likely to advance the Defendants' position or to contribute towards settlement. The questions do not amount to a fishing expedition undertaken through far-reaching, vague or irrelevant questions.

Motion in Appeal Number Two

20 Counsel for the Defendants urges that the questions directed to be answered by the Order under appeal in motion in appeal number two go beyond the scope of the pleadings. In particular, as they relate to allegations of control, counsel urges that those allegations, by the pleadings, are strictly related to the direct relationship between the Defendants and do not relate to other enterprises that might be part of a "common enterprise" designed to conceal, or having the effect of concealing, information relevant to damages. Counsel further urges that the questions at issue are vague, far-reaching, go beyond the issue of transfer-pricing and, as such, even if relevant, amount to a "fishing expedition" that could in no way advance Apotex' legal position.

21 Once again, by reference to the words of Justice Sharlow above referred to, I cannot agree. I am satisfied that the disputed questions are relevant to claims made in the pleadings in that they relate to common enterprise and to transfer pricing and thus the computation of damages. While the questions at issue are indeed far-reaching, I am satisfied that they at least when answered, may prove or disprove allegations of fact which have not been admitted and that they are thus likely to advance the legal positions of the parties, thus contributing to the trial process herein or to

settlement. Weighing the probability of the usefulness of answers to the questions at issue against the time, trouble, expense and difficulty that might be involved in obtaining answers, I am satisfied that the weighing process favours upholding the questions. The questions do not amount to a "fishing expedition" outside the bounds of permitted discovery.

CONCLUSION

22 Based upon the foregoing brief analysis, against the standard of review earlier enunciated, I cannot conclude that the Orders under review, or either of them, are or is clearly wrong in the sense that the exercise of discretion by the learned Prothonotary was based on a wrong principle or upon a misapprehension of the facts, facts better known to her in the intensive involvement that she and her colleague Prothonotary Lafrenière have had with the progress of this action to date, than they are known to this Judge after a relatively brief hearing of these motions. In the result, both motions in appeal will be dismissed.

23 Both Apotex and the Defendants seek costs on both motions. Following the precedent set in the Orders of the learned Prothonotary that are here under appeal, costs on both orders flowing from the motions in appeal that are before the Court will be in the cause.

GIBSON J.

* * * * *

Schedule A

Federal Court



Cour fédérale

Date: 20060830

Docket: T-1686-01

Toronto, Ontario, August 30, 2006

PRESENT: Madam Prothonotary Milczynski

BETWEEN:

APOTEX INC.

Plaintiff

and

**THE WELLCOME FOUNDATION LIMITED
and GLAXOSMITHKLINE INC.**

Defendants

ORDER

UPON MOTION by the Defendants, The Wellcome Foundation Limited and GlaxoSmithKline Inc. (collectively, the "Defendants"), heard at Toronto on August 28, 2006, for:

1. An order compelling the Plaintiff, Apotex Inc., to answer written interrogatories that were refused from the continued examination for discovery of its representative, Dr. Bernard Sherman, as listed in Schedule "A" attached to the Notice of Motion dated July 10, 2006 (the "Notice of Motion"), on or before a date to be set three (3) weeks from the disposition of the motion;
2. An order requiring the Plaintiff's representative, Dr. Sherman, to answer any follow-up questions arising from any answers to the Written Interrogatories that are ordered to be answered;

3. An order requiring the Plaintiff's representative, Dr. Sherman, to answer any follow-up questions arising from the answers to the Written Interrogatories received May 30, 2006 on Dr. Shermans' continued examination for discovery; and
4. Costs of the motion;

AND UPON reading the Defendants' Motion Record dated July 10, 2006, including the affidavit of Sharon O'Connor, sworn June 28, 2006, and upon reading the Plaintiff's Responding Motion Record dated August 11, 2006;

AND UPON hearing the submissions of counsel for the Plaintiff and the Defendants;

AND UPON being advised that the Plaintiff had agreed to provide answers to Questions I B (a), (b), (f) and (g) of Schedule "A" to the Notice of Motion;

AND UPON being advised that the Defendants were withdrawing questions I B (n) and (o) of Schedule "A" to the Notice of Motion;

THIS COURT ORDERS that

1. The Plaintiff shall provide answers to the following questions: I B (c), (d), (e), (h), (i), (j), (k), (l), (m), (p), (q), (r), (s), (t), (u), (v) and II B (a) of Schedule "A" to the Notice of Motion; and
2. Costs of this motion shall be in the cause.

"Martha Milczynski"

Prothonotary

QUESTIONS

I. B. Written Interrogatories refused as follow-up to the answer to Question No. 8

- ...
- (c) If the "common parent" is a corporation, to provide the date and jurisdiction of incorporation of the "common parent".
 - (d) If the "common parent" is a corporation, to advise whether the "common parent" is a private or public company.
 - (e) If the "common parent" is a corporation, to advise who the officers and directors of the "common parent" were between February 22, 1991 and August 21, 1997.
- ...
- (h) To advise whether Apotex and Nu-Pharm were related companies in that they were each under the control of the "common parent" at that time that the arrangement referred to at paragraph 22 of the Statement of Claim was entered into.
 - (i) To confirm that, between February 22, 1991 and August 21, 1997, Apotex and Nu-Pharm were directly controlled by the "common parent".
 - (j) To advise whether the "common parent" controlled the time and manner in which Medichem would apply for and obtain a compulsory license for acyclovir.
 - (k) If the "common parent" did not control the time and manner in which Medichem would apply for and obtain a compulsory license for acyclovir, to advise what, if any, role the "common parent" played in determining the time and manner in which Medichem would apply for and obtain a compulsory license for acyclovir.
 - (l) To advise whether the "common parent" controlled the time and manner in which Nu-Pharm would apply for and obtain a Notice of Compliance in respect of acyclovir.
 - (m) If the "common parent" did not control the time and manner in which Nu-Pharm would apply for and obtain a Notice of Compliance in respect of acyclovir, to advise what, if any, role the "common parent" played in determining the time and manner in which Nu-Pharm would apply for and obtain a Notice of Compliance in respect of acyclovir.
- ...
- (p) To advise whether the "common parent" controlled the time, manner and jurisdictions in which Nu-Pharm would manufacture and sell Nu-acyclovir.
 - (q) If the "common parent" did not control the time, manner and jurisdictions in which Nu-Pharm would manufacture and sell Nu-acyclovir, to advise what, if any, role the "common parent" played in determining the time, manner and jurisdiction in which Nu-Pharm would manufacture and sell Nu-acyclovir.
 - (r) To advise whether the "common parent" controlled which of Apotex, Nu-Pharm or Medichem would apply for a compulsory license for acyclovir.
 - (s) If the "common parent" did not control which of Apotex, Nu-Pharm or Medichem would apply for a compulsory license for acyclovir, to advise what, if any role it played in determining which of Apotex, Nu-Pharm or Medichem would apply for a compulsory license for acyclovir.

- (t) To advise whether the “common parent” controlled which of Apotex or Nu-Pharm would apply for an Abbreviated New Drug Submission for acyclovir.
- (u) If the “common parent” did not control which of Apotex or Nu-Pharm would apply for an Abbreviated New Drug Submission for acyclovir, to advise what role, if any, the “common parent” played in determining which of Apotex, Nu-Pharm would apply for an Abbreviated New Drug Submission for acyclovir.
- (v) To advise what role, if any, the “common parent” played in arriving at the arrangement referred to at paragraph 22 of the Statement of Claim.

...
II. B. Written Interrogatory refused as follow-up to the answer to Question No. 9

- (a) To advise what provinces Nu-Pharm marketed and sold Nu-acydovir commencing in April 1996.

Schedule B

Federal Court



Cour fédérale

Date: 20060830

Docket: T-1686-01

Toronto, Ontario, August 30, 2006

PRESENT: Madam Prothonotary Milczynski



APOTEX INC.

Plaintiff

and

THE WELLCOME FOUNDATION LIMITED and
GLAXOSMITHKLINE INC.

Defendants

ORDER

UPON MOTION brought on behalf of the Plaintiff, for:

1. An Order requiring Mr. Ostap Mojsiak to re-attend for examination for discovery on behalf of the Defendants and to provide under oath, answers to undertakings and refusals given on his examination as set out in Schedule "A" hereto;
2. Costs of this motion; and
3. Such further and other relief as this Honourable Court may deem just.

AND UPON reviewing the motion record filed by the Plaintiff and the responding motion record of the Defendants;

AND UPON hearing the submissions of counsel for the Plaintiff and counsel for the Defendants;

THIS COURT ORDERS that

1. The Defendants shall provide answers to the questions set out as item nos. 1 to 9 in Schedule "A" attached to the Notice of Motion.
2. Costs in the cause.

"Martha Milczynski"
Prothonotary

CONTINUED EXAMINATION BY MR. CROFOOT

Item No.	Page No.	Question/Line No.	Undertaking/Refusal/Advice ment
1.	95	Line 6	ADVISEMENT to confirm whether any of the directors in Canada were either officers or directors of entities shown as being senior to the Canadian company, i.e., above it on the corporate chart that Ms. Nowak has produced.
2.	101-102	183	ADVISEMENT to produce, as a follow-up to the answer given to Question 100 on Pages 38-39, which is No. 12 on the August chart of Ms. Nowak, a sample inter-corporate invoice or whatever documentation would exist which would show the actual mark-up for a purchase of acyclovir.
3.	103	Line 6	UNDERTAKING to make enquiries and advise who determined the amount of dividends that were to be paid out, as a follow-up to the answer to Question 100 on Page 39, which says, "With respect to the general profits that were generated between 1993 and 1998 by BWI and its successors, some of these profits were paid to Wellcome by way of dividend. There is, however, no general pattern to the manner or amount by which such dividends were paid out in those years." and to advise whether the Board of Wellcome Foundation Ltd., Glaxo Group, Glaxo Wellcome PLC or Wellcome PLC have a role in the determination of the amount of such dividends and to identify any consideration that applied to determining the amount of dividend on a year-by-year basis, for instance, whether the dividends were influenced by the amount of profit earned in Canada or by the financial needs of the entity to whom the dividends are paid or by some other determination or whether it is totally random.
4.	110	193	REFUSAL to advise of the names of the representatives of Glaxo Wellcome Inc. who negotiated the Licence Agreement dated March 1, 1996, with AltiMed, marked as Exhibit 8, and to advise of their positions in the company.
5.	110	194	REFUSAL to advise when negotiations commenced with respect to the Licence Agreement dated March 1, 1996 with AltiMed, marked as Exhibit 8, and how long it took to conclude the agreement.

Item No.	Page No.	Question/Line No.	Undertaking/Refusal/Advice ment
6.	112-113	199	REFUSAL to produce the sales forecast produced respecting the period between the inception of the Licence Agreement dated March 1, 1996, marked as Exhibit 8, and the issuance of the Notice of Compliance in August 1997, having regard to the fact that Section 4.1 of the Agreement refers to written estimates of sales forecasts being provided for an 18-month period.
7.	117	206	UNDERTAKING to confirm whether Technilab had any licence rights prior to the Amended and Restated Licence Agreement dated March 18, 1999, marked as Exhibit 9, or whether it was previously acting as an entirely independent generic in some way.
8.	119	Line 1	ADVISEMENT to advise whether there was a spike in orders for acyclovir in either the last three months of 1996 or the first six months of 1997, i.e., orders from Technilab and AltiMed to Glaxo, having regard to the IMS data which shows that Technilab and AltiMed had increased sales in 1996 and 1997.
9.	123-124	214	ADVISEMENT to advise of the positions of Christopher Viehbacher and Patricia Rowe, and in which companies and when and whether they are employed in any position, and whether they were involved in decisions to seek prohibition against Apotex Inc. or whether they were involved in the marketing of acyclovir, as a follow-up to the answer to Question 154, Page 82.

1 SOR/93-133.

2 [2006] F.C.J. No. 335, 2006 FC 262, February 28, 2006.

3 *Apotex Inc. v. Pfizer Canada Inc.*, [2006] F.C.J. No. 1049, 2006 FCA 246, June 28, 2006.

4 *John Labatt Ltd. v. Molson Breweries, a Partnership* (1997), 69 C.P.R. (3d) 126 at 128 (F.C.T.D.).

TAB 4

Case Name:

Bristol-Myers Squibb Co. v. Apotex Inc.

Between

**Apotex Inc., Appellant, and
Bristol-Myers Squibb Company and Bristol-Myers Squibb
Canada Inc., Respondents**

And between

**Bristol-Myers Squibb Company and Bristol-Myers Squibb
Canada Inc., Appellants, and
Apotex Inc., Respondent**

[2007] F.C.J. No. 1597

[2007] A.C.F. no 1597

162 A.C.W.S. (3d) 911

2007 FCA 379

Dockets A-22-07, A-25-07

Federal Court of Appeal
Toronto, Ontario

Linden, Sharlow and Ryer JJ.A.

Heard: November 26, 2007.

Judgment: November 29, 2007.

(47 paras.)

Civil procedure -- Discovery -- Production and inspection of documents -- Affidavit or list of documents -- Sufficiency -- Appeals by both the plaintiff and the defendant from the decision of the Federal Court that upheld orders made by a Prothonotary, dismissed -- The orders in question related to a motion by the defendant for an order to compel certain answers in an examination for discovery -- The Prothonotary's interpretation of a previous order that the plaintiff provide further and better affidavits was reasonable, as was her decision to order some subsequent questions to be answered and others not to be answered.

Appeals in connection with a patent infringement action by Bristol-Myers Squibb Co. ("BMS") against Apotex. Both appeals dealt with a motion by Apotex for an order to compel certain answers in an examination for discovery. By order dated April 4, 2005 (the "Further and Better Order"), the Prothonotary required further and better affidavits from BMS. Based on the affidavits produced by BMS, Apotex conducted a further examination for discovery of a witness for BMS, Dr. Ryan. Dr. Ryan, on the advice of counsel for BMS, did not answer certain questions. Apotex moved for an order to compel answers. The Prothonotary ordered some questions to be answered, others to be answered only to the extent of producing documents, and others not to be answered. The order was upheld on appeal to the Federal Court. Both parties appealed the decision of the Federal Court judge. In the Apotex appeal there were 11 discovery questions in issue. Apotex sought an order to require BMS's witness to answer those questions, or to provide an answer in addition to the documents already ordered produced. In the BMS appeal, there were six questions still in issue (including one that was also in issue in the Apotex appeal). BMS sought an order that it need not answer those six questions.

HELD: Appeal dismissed. The language of the Further and Better Order was broad enough to include the documents the Prothonotary ordered to be produced. The Prothonotary's stated interpretation of the Further and Better Order was therefore reasonable. To determine the propriety of a particular question posed in the examination for discovery of Dr. Ryan, the test was whether it was reasonable to conclude that the answer to that question might lead Apotex to a train of enquiry that may either advance its case or damage the case of BMS. There was no basis to conclude that the Federal Court judge was unaware of the train of enquiry test or that he failed to consider that test in the context of the disputed questions in the Apotex appeal.

An appeal from the Order of Martineau J., dated January 5, 2007, in Federal Court File Number: T-2078-00.

Counsel:

John H. Simpson, for the Appellant (Apotex Inc., A-22-07).

Jay Zakaïb and Marc Richard, for the Appellants (Bristol-Myers Squibb Company et. al., A-25-07).

Jay Zakaïb and Marc Richard, for the Respondents (Bristol-Myers Squibb Company et. al., A-22-07).

John H. Simpson, for the Respondent (Apotex Inc., A-25-07).

The judgment of the Court was delivered by

1 SHARLOW J.A.:-- These are two interlocutory appeals in connection with a patent infringement action by Bristol-Myers Squibb Company and Bristol-Myers Squibb Canada Inc. (collectively, "BMS") against Apotex Inc. Both appeals concern a motion by Apotex for an order compelling certain answers in an examination for discovery. That motion was allowed in part by Prothonotary Aronovitch, whose order was appealed to the Federal Court. Both appeals were dismissed by Justice Martineau (his reasons are not reported). Both parties now appeal the decision of Justice Martineau. For the reasons that follow, I would dismiss both appeals.

Standard of review

2 As the issues under appeal are not final to the determination of any issue in this case and involve the discretionary order of a prothonotary, Justice Martineau correctly said that he could not intervene unless the order was clearly wrong in the sense that the prothonotary's exercise of discretion was based on an error of law or a misapprehension of the facts. This Court cannot intervene unless Justice Martineau erred in law in applying those principles: *Merck & Co. v. Apotex Inc.*, [2003] F.C.J. No. 1925, 2003 FCA 488.

Background

3 The patent in issue is Canadian Patent No. 1,198,436 (the "436 patent") which contains claims for a number of compounds made by a certain process. One of the claimed compounds is nefazodone. Nefazodone is the medicinal ingredient in a drug called Serzone, which was once marketed in Canada by BMS. For a period of time prior to the expiry of the 436 patent, Apotex manufactured and sold in Canada a drug containing nefazodone which was a generic version of the BMS product. It appears that the activity of Apotex in competing (or preparing to compete) with BMS gave rise to the claim of patent infringement.

4 Apotex denies infringing the 436 patent and also counterclaims on the basis that the 436 patent is invalid. The claim of invalidity is based on a number of grounds, including an allegation of inutility. That is an allegation that the patented invention does not do what the patent specification promises that it will do (see *Consolboard Inc. v. MacMillan Bloedel (Saskatchewan) Ltd.*, [1981] 1 S.C.R. 504 at page 525). BMS denies the allegation of inutility.

5 The allegation of inutility is expressed in two paragraphs in the pleadings of Apotex. The parties refer to this as a fresh allegation because it was added to the pleadings by an amendment. The fresh allegation was prompted by information that Serzone was withdrawn from the market in 2003. BMS says the withdrawal was voluntarily. Apotex says that the withdrawal is connected to a Health Canada notice dated November 10, 2003 referring to a Health Canada safety evaluation that found nefazodone to pose a risk of causing serious liver-related adverse effects.

6 In early 2005, Prothonotary Aronovitch dealt with a motion by Apotex to require a better

affidavit of documents in relation to the fresh allegations of inutility. Apotex was seeking an affidavit that would disclose:

- (a) BMS internal memoranda, emails or documentation of any kind relating to the decision of BMS to withdraw its nefazodone product from the market;
- (b) any memoranda, emails or other form correspondence between the BMS parties relating to the decision to withdraw their nefazodone product from the market;
- (c) clinical data, laboratory results, statistical data or other documents prepared or used by BMS relating to the side effects of nefazodone generally or to the specific effects of its nefazodone product on the liver;
- (d) letters, emails or other forms of communication between BMS and Health Canada or the Food and Drug Administration in the U.S. and similar communications between BMS and other regulatory or government authorities; and
- (e) any other communications, memoranda or documents which provide information relating to, or insight into, the decision of BMS to withdraw the product from the market, including communications to health authorities, health care professionals, and the public.

7 By order dated April 4, 2005 (which the parties call the "Further and Better Order"), the Prothonotary granted the motion of Apotex in relation to the third category listed above, and dismissed it in relation to the other four categories. Specifically, the Further and Better Order required further and better affidavits listing:

... all documents in BMS' possession, custody or control, regarding clinical data, laboratory results, statistical data or any other documents prepared or used by [BMS] relating to the side effects of nefazodone generally or to the specific effects of its nefazodone product on the liver.

8 Apotex appealed the Further and Better Order. That appeal was dismissed by Justice Kelen on October 3, 2005 ([2005] F.C.J. No. 1644, 2005 FC 1348). His decision was not appealed.

9 The parties produced additional affidavits of documents pursuant to the Further and Better Order. Based on the affidavits produced by BMS, Apotex conducted a further examination for discovery of a witness for BMS, Dr. Ryan, as it was entitled to do.

10 Dr. Ryan, on the advice of counsel for BMS, did not answer certain questions. Apotex moved for an order compelling answers. On October 4, 2006, Prothonotary Aronovitch disposed of that motion by allowing it in part. She ordered some questions to be answered, others to be answered only to the extent of producing documents, and others not to be answered.

11 Both parties appealed the Prothonotary's order. On January 5, 2007, Justice Martineau

dismissed both appeals. Both parties now appeal the decision of Justice Martineau.

12 In the Apotex appeal there are eleven discovery questions remaining in issue. Apotex is seeking an order requiring Dr. Ryan to answer those questions, or to provide an answer in addition to the documents already ordered produced. In the BMS appeal there are six questions remaining in issue (including one that is also in issue in the Apotex appeal). BMS is seeking an order that it need not answer those six questions.

13 I note parenthetically that BMS did not seek a stay of the Prothonotary's October 4, 2006 order, and that BMS has answered all of the questions that the order required it to answer, including those that are the subject of its appeal. Counsel for BMS said that the purpose of the BMS appeal is to preclude Apotex from using the answers to the disputed questions. No issue was raised as to whether, if the BMS appeal succeeds, Apotex would necessarily be barred from using the answers or the information contained in the answers. I express no opinion on that point.

Analysis

(1) Preliminary issues

14 It is convenient to deal with two issues on a preliminary basis. One issue relates to certain *obiter dicta* in the reasons for judgment of Justice Kelen referred to above. The other relates to comments made by the Prothonotary in her October 4, 2006 order about the scope of the Further and Better Order.

(1)(a) The *obiter dicta* of Justice Kelen

15 In these appeals, both parties referred to statements made by Justice Kelen in his reasons for dismissing the Apotex appeal of the Further and Better Order (2005 FC 1348). Justice Kelen himself characterized those comments as *obiter dicta*. However, Apotex interprets them as a direction as to the documents that would have to be produced if requested in the next round of examinations for discovery. In support of that position, Apotex relies on the fact that Justice Kelen considered success on the appeal to be "divided" even though he dismissed it.

16 BMS argues that the comments are simply *obiter dicta* with no binding effect on the pre-trial discovery process in this case. BMS relies on the fact that Justice Kelen did not vary the Further and Better Order. Nor did he say that he was making a direction or order relating to the production of documents requested in the examination for discovery of Dr. Ryan in relation to the documents produced as the result of the Further and Better Order.

17 In the absence of a clear indication from Justice Kelen that he intended his comments to be anything but *obiter dicta*, I agree with BMS that they cannot be taken as a direction or order.

(1)(b) The Prothonotary's interpretation of the Further and Better Order

18 The Prothonotary's October 4, 2006 order contains the following comments:

The contradiction between my Order of April 14, [*sic*] 2005 ... and the Reasons of Justice Kelen dated October 3, 2005, is more apparent than real. Although I rejected the wholesale production of correspondence, e-mails, etc. relating to regulatory communications, I take the nature of the documentation ordered to be construed broadly to include hard, formal, factual data or information regarding the side effect profile of nefazadone [*sic*] including studies, reports, summaries of data and formal submission made to regulatory agencies and directives, or formal requests, from regulatory agencies relating to the side effects of the drug, particularly on the liver (hepatic side effects).

19 The "Order of April 14" is intended to be a reference to the Further and Better Order, which is quoted above. I repeat the quotation here for ease of reference:

... all documents in BMS' possession, custody or control, regarding clinical data, laboratory results, statistical data or any other documents prepared or used by [BMS] relating to the side effects of nefazodone generally or to the specific effects of its nefazodone product on the liver.

20 BMS argues that the quoted comments in the Prothonotary's October 4, 2006 order represent an attempt by the Prothonotary to vary or expand the scope of the Further and Better Order. I do not agree. In my view, the Prothonotary was stating her interpretation of the Further and Better Order so that it would not be contradicted by the order she was about to make. That is also how Justice Martineau read this passage, because he said this at page 4 of his order:

[the Prothonotary] was mindful of the fact that the *obiter dicta* comments of Justice Kelen that were relied upon by [Apotex] as a basis for expanded discovery and document production were not legally binding while taking care to clarify the scope of authorized discovery in a manner that she felt did not contradict the *ratio decidendi* and fundamental rationale of her previous order for production, which was upheld on appeal.

21 BMS also argues that, because the Further and Better Order was intended to allow the motion of Apotex only in relation to the third in the list of five categories of documents (see paragraph 6 above), it is wrong to interpret the Further and Better Order as being broad enough to include documents that would have fallen into one of the other four categories.

22 In my view, BMS proposes an analysis that is too rigid. The five categories of documents listed in paragraph 6 are not airtight compartments. A document could be within more than one category. In such a case, there is room for the exercise of judicial discretion to assess whether it is more reasonable to consider the document to be primarily within the third category (and thus within the scope of the Further and Better Order), or primarily within one of the other categories (and thus

a document that has been determined to be irrelevant for the purposes of pre-trial discovery).

23 The language of the Further and Better Order is broad enough to include documents containing reports on clinical data, laboratory results and statistical data on the effects of Serzone on the liver. It is also broad enough to include such reports that relate to all side effects of nefazodone, not only hepatic side effects. In addition, it includes documents regarding such reports, which would include internal and external correspondence about such reports. In my view, the Prothonotary's stated interpretation of the Further and Better Order is reasonable.

(2) Relevance

24 As I understand the remaining issues on appeal, they relate to the question of relevance. There are two aspects of relevance in play. One relates to the determination of the promise of the 436 patent. The other relates more generally to the scope of pre-trial discovery. I will discuss both issues, and then discuss how they apply to the disputed questions in issue.

(2)(a) The promise of the 436 patent

25 As mentioned above, the parties do not agree on what is promised in the 436 patent. Apotex says that the 436 patent promises that nefazodone causes minimal side effects or no harmful or untoward side effects. BMS says that if there is a promise about the side effects of nefazodone, the promise relates to sedation and blood pressure lowering and not liver function. BMS argues that the Prothonotary should have determined which view is correct, failing which Justice Martineau should have done so. BMS argues that in this appeal, this Court should do what they declined to do.

26 The Prothonotary first addressed this point in the Further and Better Order. At that time, she said this:

... I am not satisfied that side effects other than [sedation and blood pressure lowering] may not come within the promise of the patent [...]. Accordingly, I will partially grant Apotex's request subject to the final determination as to relevance being left to the trial judge hearing the merits of the infringement action.

Justice Kelen, in upholding the Further and Better Order, found no error in this approach. The same approach underlies the Prothonotary's October 4, 2006 order, which was confirmed by Justice Martineau in the order now under appeal.

27 The determination of the promise of the 436 patent is an aspect of patent construction, which is a question of law. Normally, patent construction is an exercise that requires the assistance of expert evidence. However, expert evidence is not always available when a question of patent construction arises in a pre-trial motion. A judge or prothonotary dealing with a pre-trial discovery motion may find it appropriate to determine a point of patent construction without the assistance of expert evidence. That could be the case if, for example, the patent is relatively simple or the parties

agree. Generally, however, it is not an error of law for a judge or prothonotary dealing with a pre-trial discovery motion to defer questions of patent construction to the trial judge.

28 In this case, counsel for BMS may well consider it a relatively simple matter to discern the promise of the 436 patent, and he invited the Court to do so. In my view, however, the specification of the 436 patent uses medical and scientific terms and describes concepts that are best understood with expert assistance. That is particularly so in the context of these appeals, where the parties have such different views on the question of what the promise of the 436 patent is.

29 I conclude that the Prothonotary made no error in concluding that Apotex's interpretation of the promise of the 436 patent is an arguable point to be determined by the trial judge. Justice Martineau was correct to conclude that he had no basis for intervening with her order in that regard.

(2)(b) Scope of pre-trial discovery

30 In determining the propriety of a particular question posed in the examination for discovery of Dr. Ryan, the test is whether it is reasonable to conclude that the answer to that question might lead Apotex to a train of enquiry that may either advance its case or damage the case of BMS: *Apotex v. Canada*, [2005] F.C.J. No. 1021, 2005 FCA 217. For example, Apotex is entitled to ask any question that could elicit an admission by BMS as to a relevant fact, or that could elicit information about the existence of documents that have not been disclosed but that meet the test of relevance for the purposes of pre-trial discovery, as set out in the Further and Better Order, subject always to the overriding discretion of a prothonotary or judge to control abuses of the discovery process.

31 In determining whether the test of relevance is met in a particular case, it is necessary to consider the allegation that the questioning party is attempting to establish or refute. In this case, Apotex is attempting to advance its allegation of inutility (based on its interpretation of the promise of the 436 patent as explained above), or to damage the position of BMS that denies the allegation of inutility.

32 An allegation of inutility encompasses both a legal question (the construction of the patent as to what the patent promises) and a factual question (whether the promise has been kept). With regard to the factual question, Apotex generally is entitled, for example, to attempt to elicit an admission by BMS that nefazodone causes liver dysfunction, or that BMS has evidence that is capable of proving or disproving that nefazodone causes liver dysfunction.

33 BMS argues that some of the questions in issue in the Apotex appeal are more relevant to a product liability case, in which the issues of safety and efficacy of nefazodone are in issue, which is clearly not the case here. The difficulty with that argument is that the promise of the 436 patent, as Apotex interprets it, could involve facts similar to those that could be relevant in a product liability case. If Apotex is correct about the interpretation of the promise of the 436 patent (which as explained above is an arguable point), questions about the existence of serious side effects are proper questions because they may elicit relevant facts or admissions. On the other hand, a question

that is intended to elicit information as to the opinion of BMS about the scope of the promise of the 426 patent is *prima facie* irrelevant because that opinion says nothing about the correct construction of the patent or whether the promise has been kept.

34 Between those two extremes are questions that may or may not elicit information that is relevant at the discovery stage. For example, a question that is intended to elicit information about the reaction of BMS to a particular report of side effects may be irrelevant to the question of patent construction, but it may be a proper question to the extent that it may lead to a train of enquiry on the factual question of whether the promise of the patent was kept. However, even if the train of enquiry test is met, an issue may arise as to whether the question will elicit information that is outside the proper scope of the pre-trial discovery. In the case of a dispute as to the propriety of such a question, there is room for the exercise of judicial discretion to weigh the potential value of the answer as evidence against the risk of abuse of the discovery process. That question may arise in a number of situations, one of them being the situation where, as in this case, a determination has already been made as to the relevance and irrelevance of certain categories of information.

35 The task of distinguishing proper questions from improper ones requires consideration of the factual and procedural context of the case, informed by an appreciation of the applicable legal principles. The determination made by the judge or prothonotary at first instance will stand if it is reasonable, unless it is based on an error of law.

36 The procedural history of this case dictates that, for the purposes of pre-trial discovery, any document that falls within the scope of the Further and Better Order is a relevant document. It follows that Apotex is entitled to disclosure of any document "regarding clinical data, laboratory results, statistical data or any other documents prepared or used by [BMS] relating to the side effects of nefazodone generally or to the specific effects of its nefazodone product on the liver." Therefore, to the extent that the Prothonotary's October 4, 2006 order required BMS to produce a document that meets the description in the Further and Better Order, the order must stand.

37 Apotex argues that, on the same basis, any question asked in the examination for discovery of Dr. Ryan that falls within the scope of the Further and Better Order is also a proper question, and that the Prothonotary and Justice Martineau erred in failing to appreciate that principle. Apotex goes further and says that, although Justice Martineau cited the train of enquiry test, he does not say whether he considered whether that test was met in relation to the factual aspect of the allegation of inutility, and for that reason it is open to this Court to consider that issue *de novo* (*Infonet Services Corp. v. Matrox Electronic Systems Ltd.*, [2004] F.C.J. No. 780, 2004 FCA 162).

38 In my view, there is no basis for concluding that Justice Martineau was unaware of the train of enquiry test or that he failed to consider that test in the context of the disputed questions in the Apotex appeal.

39 The only remaining question is whether an error of law can be discerned from the decisions of Prothonotary Aronovitch in relation to the disputed questions in the Apotex appeal and the BMS

appeal. I now turn to that question.

40 The disputed questions are identified by the number used in the Prothonotary's October 4, 2006 order and by reference to the transcript of the examination of Dr. Ryan. I summarize them:

Reference 8 43:17-19

Question Advise whether Bristol-Myers was receiving adverse reports with respect to potential liver side effects related to the use of Serzone.

Prothonotary's Order Must be answered. (BMS seeks an order that it was not required to answer.)

9

45:12

Advise whether Bristol-Myers retains copies of the adverse reports.

Must be answered.
(BMS seeks an order that it was not required to answer.)

11

45:21-23

Advise when the adverse reports were received and provide copies of the reports.

Must be answered to the extent that it requests copies of the reports referred to.
(BMS seeks an order that it was not required to answer.)

12

47:20-22

Produce other studies to any other adverse reports, if there are any, regardless of whether it happened before or after December 7, 2000.

Must be answered to the extent that it requests reports that relate to adverse side effects.
(BMS seeks an order that it was not required to answer.)

17

48:13-16

After receiving document 27, (a scientific report sponsored by BMS entitled "Antidepressants and Liver Failure", undertaken to assess if nefazodone was associated with increased rate of acute liver failure compared to other antidepressants), was there a continuing basis for concern at Bristol-Myers U.S. that nefazodone had adverse effects different from other antidepressants?

Need not be answered.
(Apotex seeks an answer.)

18

49:14-5, 18-19

If there was a continuing basis for concern, what was the concern? Produce relevant documents associated with that concern.

Need be answered only to the extent that it requests copies of the documents associated with any concerns. (Apotex seeks an

answer in addition to the documents.)

59:21-60:7

To inquire of individuals in the U.S. who have information with respect to how the decision was made with respect to nefazodone and to produce documentation relating to the side effects of nefazodone on the liver and other side effects which may have led to the decision to not sell the product in the U.S.

Need only be answered insofar as it relates to the production of studies, reports, summaries of data and formal submissions made to or received from regulatory agencies in respect of side effects.

(Apotex seeks an answer in addition to the documents.)

22

66:4-7

Advise if Bristol-Myers Pharmaceutical Institute (the organization within BMS that deals with drug discovery and development) retains data of the functions it performs.

Need not be answered.

(Apotex seeks an answer.)

67

70:18-22

In regard to BMS U.S. communicating with the FDA about the withdrawal of Serzone, advise if there were any discussions with respect to the liver and side effects.

Need not be answered. However, if there was a formal

submission to or from the FDA which refers to documents that contain factual information or summary data in connection with adverse side effects, the documentation must be produced. (Apotex seeks an answer in addition to the documents.)

31

72:17-73:19

Advise if anyone at Bristol-Myers Squibb U.S. was aware of the 53 adverse reports that were recorded in Sweden and mentioned in a WHO adverse reaction newsletter, and if so, advise what action, in any, Bristol-Myers took in response to these.

Need not be answered. If, however, any BMS further action resulted in a study or report on hepatic side effects, they are to be produced.
(Apotex seeks an answer in addition to the documents.)

33

75:7-14

To make enquiries of people in the adverse reaction group or the Phase 4 clinical group if they ever received a copy of Report 19 from the WHO. To advise if they [BMS] were aware of the cases between 1995 and 1997 that are not referred to in the report and to advise what they did, if anything, about the adverse reactions.

Need not be answered. If, however, any BMS further action resulted in a study or report on hepatic side effects, they are to be produced.
(Apotex seeks an answer in addition to the

documents.)

45

81:9-18

With respect to the recommendation in the last sentence at the end of the article relating to Nefazodone Induced Critical Liver Failure, to confirm whether anyone at Bristol-Myers did anything about the recommendation that treatment with nefazodone should be "used diligently and patients monitored closely", and if so, to advise what was done.

Need not be answered. If, however, any BMS further action resulted in a study or report on hepatic side effects, they are to be produced.

(Apotex seeks an answer in addition to the documents.)

47

84:11-13

With respect to the minutes of a meeting of New Zealand's Adverse Reactions Committee, advise if Bristol-Myers took or did anything regarding the statement made in respect of the rate of hepatic reaction with nefazodone.

Need not be answered. If, however, any BMS further action resulted in a study or report on hepatic side effects, they are to be produced.

(Apotex seeks an answer in addition to the documents.)

59

92:11-12

With respect to the letter dated June 20, 2001 from BMS and Linson Pharmaceutical Inc. to health care professionals referring to 109 serious hepatic adverse events in temporal association with nefazodone, advise what action, if any, was taken by Bristol-Myers when they became aware of these reports.

Need not be answered. If, however, any BMS further action resulted in a study or report on hepatic side effects, they are to be produced.
(Apotex seeks an answer in addition to the documents.)

63

97:3-9

Produce exchange of all correspondence between Bristol-Myers and the Swedish Medical Products Agency regarding requirements to include obligatory monitoring of liver enzymes of patients taking nefazodone on its labelling.

To be answered to the extent monitoring relates to side effects.
(BMS seeks an order that it was not required to answer.)

64

98:3-6

Advise what information Bristol-Myers has with respect to the reported case of liver damage to patients in Sweden either by way of facts or documents.

Must be answered insofar as it requests the production of the documentation

referred to therein.

(Apotex seeks an answer in addition to the documents. BMS seeks an order that it was not required to answer.)

41 I will deal first with the BMS appeal. The six disputed questions in that appeal are items 8, 9, 11, 12, 63 and 64. Having reviewed the record, I conclude that it was reasonable for the Prothonotary to conclude that each of those questions will result in the production of documents that fall within the scope of the Further and Better Order. It follows that the Prothonotary did not err in law in requiring those questions to be answered.

42 The eleven disputed questions in the Apotex appeal are items 17, 18, 22, 30, 31, 33, 45, 47, 59, 64 and 67. The Prothonotary concluded that the questions in items 17 and 22 need not be answered, and that the other disputed questions were to be answered only insofar as they requested certain documents. In my view, each of these questions involves similar issues and lead to the same disposition. I will discuss item 17 only. The same analysis applies to all of the remaining questions.

43 Item 17 asks whether BMS had "a continuing basis for concern" about certain studies. Apotex argues that this question could elicit an answer that could reveal whether the adverse effects referred to in the studies represented a defect in the invention as claimed. BMS argues that the question as posed could only elicit an opinion of BMS that is irrelevant to the allegation of inutility.

44 The difficulty with the position of BMS is that it assumes that the only aspect of the inutility allegation is the question of patent construction. As explained above, there is also a factual aspect of the inutility allegation of Apotex that permits factual questions about the existence of side effects. Those questions are not necessarily answered fully by clinical studies and other hard data alone. The opinions, concerns and actions of BMS may also be relevant, in that they may lead to a train of enquiry about those factual questions.

45 However, the position of Apotex also presents a difficulty because it discounts the Further and Better Order. In my view, Prothonotary Aronovitch was correct to ask whether the disputed question in item 17 would elicit an answer falling within one of the four categories that she had previously determined to be irrelevant at the pre-trial discovery stage. If she concluded reasonably that the answer was yes, then it was within her discretion to find such a question to be improper, even if it was also arguable that the chain of enquiry test was met or that the answer might also fall within the scope of the Further and Better Order.

46 In relation to item 17, Prothonotary Aronovitch considered these competing considerations and resolved them in favour of BMS. In my view, that conclusion was reasonable and a proper exercise of her discretion. Justice Martineau was correct not to intervene. I reach the same conclusion with respect to all of the remaining disputed questions in the Apotex appeal.

Conclusion

47 I would dismiss both appeals, and I would award no costs.

SHARLOW J.A.

LINDEN J.A.:-- I agree

RYER J.A.:-- I agree.

TAB 5

Case Name:
Merck & Co. v. Apotex Inc.

Between
Apotex Inc., appellant (defendant), and
Merck & Co. Inc., Merck Frosst Canada & Co. Syngenta
Limited, AstraZeneca UK Limited and AstraZeneca Canada
Inc., respondents (plaintiffs)

[2003] F.C.J. No. 1725

[2003] A.C.F. no 1725

2003 FCA 438

2003 CAF 438

312 N.R. 273

28 C.P.R. (4th) 491

127 A.C.W.S. (3d) 417

Docket A-112-03

Federal Court of Appeal
Toronto, Ontario

Strayer, Sharlow and Malone JJ.A.

Heard: November 13, 2003.
Judgment: November 20, 2003.

(18 paras.)

On appeal from the Trial Division, Court File No. T-2792-96, [2003] F.C.J. No. 215.

Patents of invention -- Infringement actions -- Practice -- Discovery -- Examination, questions which must be answered.

Appeal by Apotex Incorporated from the dismissal of its appeal from a decision by a prothonotary. Merck & Company brought an action against Apotex for patent infringement. The prothonotary had dismissed Apotex's motion to compel answers to questions on examination for discovery. The action was being case-managed and the prothonotary found that it was appropriate to limit the scope of discovery in order to keep the action moving forward.

HELD: Appeal allowed. The prothonotary fettered his discretion by failing to consider the relevance of the questions. The Rules did not authorize the prothonotary or case management judge to deny a party its legal right to have relevant questions answered on discovery. A complete discovery did not necessarily obstruct the expeditiousness of the proceedings.

Statutes, Regulations and Rules Cited:

Federal Court Rules, Rules 3, 223(1), 223(2), 240, 240(a), 385(1), 385(1)(a).

Counsel:

Harry Radomski, for the appellant. Judith Robinson, Frédérique Amrouni and Nelson Landry, for the respondents, Merck. Nancy Pei, for the respondents, AstraZeneca.

The judgment of the Court was delivered by

STRAYER J.A.:--

Introduction

1 This is an appeal from a decision of a motions judge of the Federal Court of February 13, 2003 which dismissed an appeal from a decision of a prothonotary of August 21, 2002. That decision dismissed the appellant's motion to compel answers on discovery to certain questions to which answers were refused during the examinations for discovery of the respondents. It involves the question of whether ordinary rules of discovery can be overridden in the interests of case-management.

Facts

2 The respondents are plaintiffs in an action commenced in 1996 against the appellant alleging infringement by the appellant of the respondents' patent. The appellant has filed a statement of defence and counter-claim denying infringement and alleging invalidity of the patent on various

grounds. Extensive examinations for discovery have been held. At the time the appellant brought its motion requiring further answers, some 800 questions and 133 undertakings were still in dispute. For purposes of the motion the outstanding questions were organized into 26 categories. Subsequently the parties agreed with respect to some of the questions and the prothonotary ordered answers to certain others. Otherwise he dismissed the motion by the appellant for an order compelling further answers.

3 As the prothonotary saw it the issue before him was as follows:

The principal problem before the Court in this motion is whether the Court should take the approach recommended by Apotex and, essentially, allow any relevant question arising from the allegations not admitted in the proceedings, or specifically here the questions based on paragraph 19 of Apotex's defence and counterclaim ("the defence"), or whether the Court should regard this as an opportunity to limit the scope of the examination which Apotex is conducting so as to move the case at bar forward as quickly as possible, within the spirit of Rule 3 of the Federal Court Rules (1998) (Reasons for Order paragraph 6).

It appears that the learned prothonotary chose the latter approach. He relied heavily on the written submissions of the respondents, particularly paragraphs 18 and 19 of those submissions. Paragraph 18 listed nine categories of questions which the respondents thought it would be "appropriate" to answer. (There was no explanation on what criteria the respondents deemed it "appropriate" to answer). Paragraph 19 of the respondents's submissions listed ten kinds of questions which it characterized as "improper and irrelevant".

4 Upon reading this list it is not apparent what criteria were used to determine that these were improper or irrelevant. One might guess that certain of them were considered simply irrelevant but some categories by their description were based on criteria for exclusion other than relevance such as answers requiring "expert evidence", those requiring interpretation of the patent (a role for the Court) and one category including questions which were "too broad, would require considerable time, effort and expense to answer ...". Apart from this list, not being confined to objections based on pure irrelevancy, the respondents at the hearing maintained that three additional categories could be added to paragraph 19 including one category called "irrelevant questions". It must thus be assumed that the other categories of objections were not based on irrelevancy alone.

5 The prothonotary, without making any determination as to relevancy himself, simply stated:

In the circumstances, I am prepared to approve and accordingly adopt this approach by Merck so as to limit the scope of the examination held by Apotex and move the case forward expeditiously, within the meaning of Rule 3. (Reasons for Order, paragraph 22).

It is not clear from this statement which elements of the "approach" of the respondents were adopted

by the learned prothonotary: that is, there are no clear findings as to irrelevancy or any other specific criterion. Instead, in the passage quoted he appears to adopt the respondents' approach in order to "move the case forward expeditiously, within the meaning of Rule 3".

6 The learned prothonotary then proceeds to discuss the need for a broad discretion in case-management judges. Also earlier in the reasons he had referred to the appellant's argument based on relevance as a "theoretical approach", contrasting that to the "practical reality ... that the Court may wish to see the case move forward in accordance with Rule 3". (Reasons, paras 7 and 8). Consequently he refused to order answers to the loose categories of questions referred to by the respondents in paragraph 19 of their submissions.

7 On appeal to a motions judge, the appellant argued that the prothonotary had erred in law and in principle by not basing his decision principally on the relevance or irrelevance of the questions. This it argued was not a matter of the exercise of discretion but rather a matter of law. The motions judge rejected this approach. Citing *James River Corp. of Virginia v. Hallmark Cards, Inc.* (1997), 72 CPR (3rd) 157 at 160-61 (FCTD) he held that with the advent of the new case management rules it was within the discretion of the prothonotary to decide what questions need be answered on discovery. He stated:

Ordering answers to questions refused during discoveries affects the pre-trial process and the time management of a file, thus falling within the powers of the prothonotary managing the case. (Reasons for Order, paragraph 17).

The motions judge did, however, also consider that the prothonotary had ruled on relevancy by "adopting" Merck's approach in paragraph 19 of its submissions, as discussed above. Further, he stated that the prothonotary was not obligated to restrict himself only to the relevancy test and was entitled to exercise his discretion so as "to ensure that the proceedings be resolved expeditiously".

8 The appellant appeals from this decision asserting that the learned motions judge failed to apply the well-established and overriding principle of relevance to the pleaded issues as the test for compelling answers on examination for discovery. This it says is a substantive right which cannot be overridden by considerations of expediency or expedition in case management.

Analysis

Standard of Review

9 It is common ground that when a motions judge hears an appeal from a prothonotary, assuming that no questions vital to the final issue of the case are involved, the reviewing judge can only exercise his or her own discretion in place of the prothonotary's if he or she concludes that the exercise of discretion by the prothonotary "was based upon a wrong principle or upon a misapprehension of facts ...". (*Canada v. Aqua-Gem Investments Ltd.* [1993] 2 F.C. 425 at para. 95) F.C.A. In the present case the question for this Court is whether the prothonotary's decision was

based upon a wrong principle. If so, the learned motions judge should have set it aside and exercised his own discretion.

The Law of Discovery

10 The Rules of Court provide as follows:

223(1)

* * * * *

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

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

* * * * *

240 A person being examined for discovery shall answer, to the best of the person's knowledge, information and belief, any question that

(a) is relevant to any unadmitted allegation of fact in a pleading filed by the party being examined or by the examining party

* * *

223(1)

* * * * *

.....(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 ...

* * * * *

240 La personne soumise à un interrogatoire préalable répond, au mieux de sa connaissance et de sa croyance, à toute question qui :

- a) soit se rapporte à un fait allégué et non admis dans un acte de procédure déposé par la partie soumise à l'interrogatoire préalable ou par la partie qui interroge

The jurisprudence in this Court on the scope of discovery is well settled. For convenience it is summarized in *Reading & Bates Construction Co. et al v. Baker Energy Resources Corp. et al* (1988) 24 C.P.R. (3rd) 66 at 70-72 (F.C.T.D.). It is clear that the primary consideration is relevance. If a prothonotary or a judge does, however, find a question to be relevant he or she may still decline to order the question to be answered if it is not at all likely to advance the questioner's legal position, or if the answer to a question would require much time and effort and expense to obtain and its value would appear to be minimal, or where the question forms part of a "fishing expedition" of vague and far-reaching scope.

Law of Case Management

11 The respondents, the prothonotary, and the motions judge have laid considerable stress on two rules which, they say, underpin the case management system and authorize the Court to refuse answers to any questions if necessary to ensure the expeditious hearing of a case.

3. These Rules shall be interpreted and applied so as to secure the just, most expeditious and least expensive determination of every proceeding on its merits.

385(1) A case management judge or a prothonotary assigned under paragraph 383(c) shall deal with all matters that arise prior to the trial or hearing of a specially managed proceeding and may

- (a) give any directions that are necessary for the just, most expeditious and least expensive determination of the proceeding on its merits ...

* * *

3. Les présentes règles sont interprétées et appliquées de façon à permettre d'apporter une solution au litige qui soit juste et la plus expéditive et économique possible.

385(1) Le juge responsable de la gestion de l'instance ou le protonotaire visé à l'alinéa 383c) tranche toutes les questions qui sont soulevées avant l'instruction de l'instance à gestion spéciale et peut :

- a) donner toute directive nécessaire pour permettre d'apporter une solution au litige qui soit juste et la plus expéditive et économique possible

Conclusion

12 In appeals from the decisions of motions judges reviewing the decisions of prothonotaries, this Court is very reluctant to interfere. This is particularly true in respect of decisions of case management judges and prothonotaries where it has been said that this Court will interfere "only in the clearest case of a misuse of judicial discretion" (*Sawridge Band v. Canada* [2002] 2 F.C. 346 at 354).

13 In my view, however, in the present case there has been an error of principle which has fettered the exercise of discretion by the prothonotary, and his decision has been confirmed by the motions judge. I do not understand Rule 385 to authorize a case management judge or prothonotary, in giving directions that are necessary for the "just, most expeditious and least expensive determination of the proceeding on its merits" to enable them to deny a party the legal right to have questions answered on examination for discovery which are relevant to the issues in the pleadings. That right is not merely "theoretical" (as the prothonotary put it) but is clearly spelled out in Rule 240 and I do not take the general words of Rule 385(1)(a) or of Rule 3 to be sufficient to override that specific right. I would also observe that the word "just" which appears in both these rules relied on by the respondents and the decision-makers below confirms that justice is not to be subordinated to expedition. A person who is a party to a civil action is entitled to ask any question on discovery that is relevant to the issue: that is a matter of justice to him, subject of course to the discretionary power of the prothonotary or a judge to disallow the question where it is abusive for one of the reasons mentioned above. No such findings have been made in this case.

14 I would also observe that limiting the scope of questions for the sake of speed may in some cases be counterproductive. One of the purposes of discovery is to simplify proof at trial and another is to narrow the issues which remain in dispute. Both of these purposes are fully consistent with "expedition", so it is wrong to assume that completeness of discovery will always be an obstruction to the "most expeditious ... termination of the proceeding on its merit ...".

15 In the present case I am not satisfied that the learned prothonotary directed his mind to specific questions of relevance. The relevance issues were not raised clearly before him in paragraph 19 of the respondents' submissions, on which he relied and which he adopted as his rationale. Further, his reasons suggest that his ultimate conclusion was based on what he understood to be the imperatives of case management and not on any test of relevance. In particular, he did not specifically conclude that the questions should not be answered because, although relevant, they would for example be abusive because calling for an opinion or because of their scope.

16 For the same reasons, the motions judge should have identified the error in principle on which the prothonotary's decision was based and should have exercised the discretion himself.

17 Therefore the appeal must be allowed and the matter sent back to the prothonotary.

Disposition

18 The appeal will be allowed, the decision of the motions judge confirming the decision of the prothonotary in respect of the questions he refused to order answered will be set aside, the matter will be referred back to the prothonotary for a redetermination of the motion in respect of the questions whose answers he refused to order. Costs in this Court, before the motions judge, and before the prothonotary, are awarded to the appellant without regard to the final disposition of the case.

STRAYER J.A.

SHARLOW J.A.:-- I agree

MALONE J.A.:-- I agree

TAB 6

Case Name:
Apotex Inc. v. Sanofi-Aventis

Between
Apotex Inc., Plaintiff, and
Sanofi-Aventis, Defendant
And between
Sanofi-Aventis and Bristol-Myers Squibb Sanofi Pharmaceuticals
Holding Partnership, Plaintiffs, and
Apotex Inc. and Apotex Pharmachem Inc. and Signa SA de CV,
Defendants

[2011] F.C.J. No. 402

2011 FC 52

2011 CarswellNat 696

199 A.C.W.S. (3d) 936

383 F.T.R. 37

Docket T-933-09

Federal Court
Ottawa, Ontario

de Montigny J.

Heard: November 22, 2010.

Judgment: January 17, 2011.

(72 paras.)

Civil litigation -- Civil procedure -- Discovery -- Examination for discovery -- Range of examination -- Objections and compelling answers -- Motion by plaintiff for order setting aside portions of order not requiring defendant to answer questions refused or taken under advisement at examinations for discovery dismissed -- Plaintiff commenced impeachment action seeking to invalidate claims of patent for defendant's antiplatelet inhibiting medicine and defendants

commenced infringement action -- On examination for discovery defendant's representatives refused to answer or took under advisement numerous questions concerning unadmitted allegations of fact and plaintiff brought motion to compel answers -- Prothonotary did not err in finding that many of questions were properly refused as irrelevant, improper, overbroad, lacking proportionality or seeking opinion.

Intellectual property law (Patents) -- Patents -- Procedure -- Discovery -- Examination -- Motion by plaintiff for order setting aside portions of order not requiring defendant to answer questions refused or taken under advisement at examinations for discovery dismissed -- Plaintiff commenced impeachment action seeking to invalidate claims of patent for defendant's antiplatelet inhibiting medicine and defendants commenced infringement action -- On examination for discovery defendant's representatives refused to answer or took under advisement numerous questions concerning unadmitted allegations of fact and plaintiff brought motion to compel answers -- Prothonotary did not err in finding that many of questions were properly refused as irrelevant, improper, overbroad, lacking proportionality or seeking opinion.

Motion by the plaintiff for order setting aside portions of an order not requiring the defendant to answer certain questions which were refused or taken under advisement at the examinations for discovery. The plaintiff was a manufacturer of generic pharmaceuticals. It commenced an impeachment action seeking a declaration that each of the claims in the patent for an antiplatelet inhibiting medicine were invalid, void and of no force and effect, and a declaration that its intended products would not infringe on any valid claim of the patent. Shortly thereafter, the defendants commenced an infringement action, and the two actions were consolidated. At discoveries, two representatives from the defendant refused or took under advisement many questions concerning unadmitted allegations of fact. Following the examinations, the defendant provided a fair number of follow-up answers and documents in response to questions taken under advisement or undertaken to be answered at the examination. In light of the refusals and questions taken under advisement, the plaintiff brought a motion to compel the defendant to provide the answers to nearly 300 questions. The prothonotary allowed the motion in part, finding that many of the questions were properly refused as irrelevant, improper, overbroad, lacking proportionality or seeking opinion. The plaintiff sought to set aside the portion of the order upholding the refusals on the basis that the prothonotary erred in declining to order the responses.

HELD: Motion dismissed. The prothonotary did not err. Some of the questions asked by the plaintiff were overbroad in that they went beyond the compounds contained in the patent and the relevant time period. Other questions were irrelevant as they went to the knowledge of third parties. In addition, some of the questions lacked proportionality as they sought information that did not concern utility for the purposes of patentability, but rather commercial acceptance, marketability and regulatory exigencies.

Statutes, Regulations and Rules Cited:

Federal Courts Rules, Rule 240, Rule 242(1)

Patent Act, R.S.C. 1985, c. P-4, s. 2, s. 27(1)

Counsel:

Ben Hackett, for the Plaintiff, Apotex Inc.

Marc Richard, for the Defendants.

REASONS FOR ORDER AND ORDER

1 de **MONTIGNY J.**:- The parties to this motion are Apotex Inc. and Apotex Pharmachem Inc. (collectively "Apotex") and Sanofi-Aventis and Bristol-Myers Squibb Partnership (collectively "Sanofi"). This is a motion by Apotex for an Order setting aside those portions of a September 14, 2010 Order by Madam Prothonotary Tabib not requiring Sanofi to answer certain questions which were refused or taken under advisement at the examinations for discovery held on November 16 to 20, 23, 24 and 26, 2009 and June 1 to 3, 2010.

I. Background

2 Apotex is a company incorporated in the Province of Ontario, and carries on business as a manufacturer and distributor of pharmaceutical products.

3 Sanofi-Aventis is a company incorporated in France and is listed as the owner of the patent 1,336,777 (the '777 Patent) in the Canadian Patent Office. This patent is entitled "dextro-rotatory enantiomer of methyl alpha-5 (4,5,6,7-tetrahydro (3,2-c) thieno pyridyl) (2-chlorophenyl)-acetate, a process for its preparation and the pharmaceutical compositions containing it". The '777 Patent claims, *inter alia*, the compound clopidogrel bisulfate, which is an antiplatelet inhibiting medicine that is sold under the brand name PLAVIX (R) around the world.

4 Apotex commenced its impeachment action by way of a Statement of Claim, issued on April 22, 2009 and amended on May 29, 2009 (Court File No. T-644-09). The Statement of Claim seeks a declaration that each of the '777 Patent claims is invalid, void, and of no force and effect, as well as a declaration that Apotex's intended Canadian clopidogrel products (clopidogrel bisulfate and besylate tablets) will not infringe any valid claim of the '777 Patent.

5 On June 8, 2009, Sanofi and Bristol-Myers Squibb Sanofi Pharmaceuticals Holding Partnership (the "Partnership") filed a Statement of Claim against Apotex and Signa SA de CV for infringement

of the '777 Patent (the action against the Partnership was subsequently discontinued). This action was given Court file no. T-933-09. The alleged infringing acts by the Defendants are the manufacturing in Canada of clopidogrel and the exporting of clopidogrel outside of Canada to countries including Hong Kong, New Zealand, Iran, Libya, Malaysia, Singapore, and the U.S. In its Statement of Defence, Apotex defends the action on the basis that the '777 Patent is invalid and through counterclaims for a declaration of invalidity.

6 Shortly after starting the action for infringement, Sanofi brought a motion in both Court files (Nos. T-933-09 and T-644-09) to consolidate the two actions. The only reason why a separate infringement action had been brought in Court file no. T-933-09 instead of a counterclaim for infringement in Court file no. T-644-09 was that the jurisprudence does not permit a party (i.e. the Partnership, to whom a licence had been granted and which was also suffering damages) to be added as a plaintiff to a counterclaim.

7 By Order dated November 2, 2009, Prothonotary Tabib ordered that Sanofi's motion to consolidate the infringement and impeachment actions was granted. The Court also bifurcated the issues of a) the quantum of damages claimed by the Plaintiffs and b) the quantum of profits earned by the Defendants and claimed by the Plaintiffs under an accounting of profits.

8 Discoveries in the consolidated action commenced in November 2009. Dr. Pierre Savi, a representative of Sanofi-Aventis, was examined from November 16 to November 20, 2009. At this examination, Dr. Savi either refused or took under advisement many questions concerning unadmitted allegations of fact. One of the inventors of the patent at issue, Mr. Alain Badorc, was also examined from November 23 to November 26, 2009. Following the examination of Dr. Savi, Sanofi-Aventis provided a fair number of follow-up answers and documents in response to questions taken under advisement or undertaken to be answered at the examination. The answers were provided on a rolling basis from April 19, 2010 to May 31, 2010.

9 The continuation of the first round examination of Sanofi-Aventis on scientific issues took place from June 1 to June 3, 2010. As Dr. Savi was no longer with Sanofi Aventis, Dr. Josiane Merlier was examined as a replacement representative. At this examination, a number of questions concerning unadmitted allegations of fact were again either refused or taken under advisement.

10 In light of the refusals and questions taken under advisement at these examinations for discovery, Apotex moved to compel Sanofi-Aventis to provide answers to nearly 300 questions. The motion was heard by Case Management Prothonotary Tabib on June 22 - 24, 2010; the motion was allowed in part by Order dated September 14, 2010. In the meantime, Sanofi-Aventis had provided answers to questions agreed to be answered or ordered answered on July 30, 2010, and had provided additional answers on August 30, 2010 and September 1, 2010.

11 In her Order, Prothonotary Tabib found that a number of questions were properly refused as they were either not relevant, improper, overbroad, lacked proportionality, or sought opinion. It is those portions of the Order that Apotex is now appealing, on the grounds that the Prothonotary erred

in law in declining to order certain questions answered.

II. Issues

12 This appeal essentially raises two issues:

- a. What is the applicable standard of review against which the Order of the Prothonotary should be assessed?
- b. Did the Prothonotary err in declining to order that Sanofi-Aventis provide a response to some questions put to Dr. Savi and Dr. Merlier during their examinations for discovery?

III. Analysis

13 Discretionary orders of Prothonotaries ought not to be disturbed on appeal to a judge unless they raise questions vital to the final issue of the case, or 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: *Merck & Co. v. Apotex Inc.*, 2003 FCA 488, at para 19; *Novopharm Limited v. Eli Lilly Canada Inc.*, 2008 FCA 287, at para 52.

14 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: *Galerie au chocolat Inc. v Orient Overseas Container Line Ltd.*, 2010 FC 327, at para 13; *Ruman v Canada*, 2005 FC 474, at para 7. In any event, Apotex has not alleged that the matters at issue are vital to the final disposition of the case

15 As a result, Apotex needed to demonstrate that the Prothonotary erred in law or misapprehended the facts. While a case manager's expertise does not insulate him or her from review where an error of principle has been made, it has been recognized that there is a heavy burden upon litigants seeking to overturn an interlocutory order by a case manager. Interference with interlocutory orders adds to the delay and expense of the proceeding. Further, it is recognized that a case manager is intimately familiar with the history and details of complex matter: *Galerie au chocolat Inc. v Orient Overseas Container Line Ltd.*, above, at para 10; *Montana Indian Band v Canada*, 2002 FCA 331.

16 Pursuant to Rule 240, a person being examined for discovery is required to answer any questions relevant to any unadmitted allegation of fact disclosed in the pleadings as well as any question concerning the identity of any person, other than an expert witness, who may reasonably be expected to have knowledge of matters in issue.

17 Rule 242(1) establishes, however, permissible objections during an examination for discovery, if, for example, the question is not relevant, is unreasonable, is unnecessary or would be unduly onerous. Relevance is a matter of law, not discretion. The question of whether a document "relates"

to an issue in the case depends upon a reasonable interpretation of the pleadings. The party demanding a document must demonstrate that the information in the document may, either directly or indirectly, advance its own case or damage the case of an opponent.

18 More recently, the Federal Court of Appeal has adopted the "train of inquiry test" with respect to which documents may be deemed to advance a party's case. In other words, the Court must determine whether it is reasonable to conclude that the answer to a particular question might lead the questioning party to a train of enquiry that may either advance its case or damage the case of its opponent: see *Apotex inc. v. Bristol-Myers Squibb Company*, 2007 FCA 379 at para 30.

19 It is fair to say, therefore, that the Court will apply a generous and flexible standard of relevance in determining whether a question should be answered. A fair amount of latitude will be allowed on discovery provided that a question is relevant to issues raised by the pleadings. The standard of relevance on discovery is lower than at trial and doubt as to the propriety of the question will be resolved in favour of disclosure: see *Monit International Inc. v Canada* (1999), 175 F.T.R. 258; *Glaxo Group Ltd. v Novopharm Ltd.*, [1998] F.C.J. No. 1808, at para 4 (FCA).

20 That being said, the Court retains a residual discretion to decide not to compel the production of technically relevant documents where such production would have no benefit or could not be used to advance a party's case. Although there is a broad right of examination, there are limits on that right of discovery and the Court will not permit the discovery process to be used as a fishing expedition: see *Apotex Inc. v Merck & Co. Inc.*, 2004 FC 1038, at para 16; *Eli Lilly Canada Inc. v Novopharm Limited*, 2007 FC 1195, at para 19, aff'd 2008 FC 281; aff'd 2008 FCA 287, at paras 69-70; *Pharmacia S.p.A. v. Faulding (Canada) Inc.* (1999) 3 C.P.R. (4th) 126, at paras 2-3 (F.C.A.).

21 Moreover, the simple fact that a question can be considered "relevant" does not mean that it must inevitably be answered. Relevance must be weighed against matters such as the degree of relevance, how onerous it is to provide an answer, whether the answer requires fact or opinion of law, and so forth: *GSC Technologies Corp. v Pelican International*, 2009 FC 223, at para 11; *AstraZeneca Canada Inc. v Apotex Inc.*, 2008 FC 1301.

22 It is with these principles in mind that I must now examine the decision under appeal with a view to determining whether Prothonotary Tabib erred in fact or in law when she declined to compel Sanofi-Aventis to answer certain questions. Before doing so, however, some background must be provided with respect to the scientific issues raised in the pleadings.

23 The subject patent of this proceeding is the '777 Patent. This patent relates to the dextro-rotatory enantiomer of methyl alpha-5 (4,5,6,7-tetrahydro (3,2-C) thieno pyridyl)(2-chlorophenyl)-acetate (the "Racemate"), which is a process for its preparation and the pharmaceutical compositions containing it. According to the '777 Patent, this enantiomer (also known as clopidogrel), the Racemate containing clopidogrel, and clopidogrel's levo-rotatory enantiomer (referred to herein as l-clopidogrel) had been described in French patent application No.

2,530,247.

24 The '777 Patent states that "in an unexpected manner", the l-clopidogrel does not exhibit a platelet aggregation inhibiting activity. Further, the '777 Patent states that l-clopidogrel is the less well-tolerated of the two enantiomers. In both cases, these assertions of utility are made in relation to human beings. Thus, the purported discovery disclosed in the '777 Patent is that l-clopidogrel does not work as promised in French patent application No. 2,530,247. The Canadian equivalent of the French Patent application is Canadian Letters Patent No. 1,194,875 (the "875 patent").

25 The '777 Patent also notes that some of carboxylic and sulfonic salts classically used in pharmacy had been prepared of clopidogrel, but it was found that these precipitate in an amorphous form and/or are hygroscopic making them difficult to handle on an industrial scale and difficult to purify. The '777 Patent identifies these unsuitable salts as including (but not being limited to) the following: "acetic, benzoic, fumaric, maleic, citric, tartaric, gentisid, methane-sulfonic, ethanesulfonic, benzenesulfonic (besylate) and laurylsulfonic acids as well as the salts of dobesilic acid ... and para-toluenesulfonic acid". The patent identifies hydrogen sulphate (bisulphate), taurocholate and hydrogen bromide salts as preferred salts that crystallize easily and have desirable solubility in water and hygroscopicity.

26 In both its Statement of Claim to impeach the '777 Patent in T-644-09, and its Statement of Defence and Counterclaim in T-933-09, Apotex advances several bases for its assertion that the '777 is invalid. Apotex argues that the '777 Patent is invalid for obviousness, lack of novelty, and lack of utility including lack of utility for lack of sound prediction. In addition, Apotex asserts the '777 Patent is invalid for double patenting in view of the '875 patent. Finally, Apotex asserts that the '777 Patent is invalid as being an "invalid selection" patent. However, in light of the decision of the Supreme Court of Canada in *Apotex Inc. v Sanofi-Synthelabo Canada Inc.*, 2008 SCC 61 and of the Federal Court of Appeal in *Eli Lilly Canada Inc. v Novopharm Limited*, 2010 FCA 197, according to which there is nothing wrong in principle with selection patents, Apotex has moved for leave to amend its pleading to recharacterize some of its allegations. Specifically, Apotex's proposed amended pleading seeks to locate the relevant allegations previously directed at invalid selection into the usual categories of invalidity (i.e. inutility, obviousness, anticipation, and insufficiency). Apotex's motion to amend its pleading was granted by Prothonotary Tabib on November 26, 2010.

27 Apotex first alleged that the '777 Patent is invalid on the basis of inutility. In particular, Apotex alleges that clopidogrel does not have superior utility to that of the Racemate or the other compounds of the '875 patent in humans. The doctrine of patent inutility was explained by the Supreme Court of Canada in *Consolboard Inc. v MacMillan Bloedel (Saskatchewan) Limited* (1981), 56 C.P.R. (2d) 145 in the following way (at p. 160):

[Not useful] means that the invention will not work, either in the sense that it will not operate at all, or more broadly, that it will not do what the specification promises that it will do [...] the practical usefulness of the invention does not

matter, nor does its commercial utility, unless the specification promises commercial utility, not does it matter whether the invention is of any real benefit to the public, or particularly suitable for the purposes suggested.

28 The Supreme Court in *Apotex Inc. v. Wellcome Foundation Limited* recognized that the practical usefulness of an invention, as demonstrated by prior human clinical trials establishing toxicity, metabolic features, bioavailability and other factors is not a prerequisite for a useful invention for the purposes of patent law. The Court stated that the requirements for regulatory approval of a pharmaceutical product and the utility of an invention related to that product in the eyes of the Commissioner of Patents are distinct concepts:

The prerequisites of proof for a manufacturer who wishes to market a new drug are directed to a different purpose than patent law. The former deals with safety and effectiveness. The latter looks at utility, but in the context of inventiveness.

Apotex Inc. v Wellcome Foundation Limited, [2002] 4 S.C.R. 153, at para 77.

29 Further, the Supreme Court also noted that "[T]here may in such cases be some doubt about the commercial success of the invention, but utility in this context means useful for the purpose claimed, not commercial acceptance": *Apotex Inc. v Wellcome Foundation Limited*, above, at para 54. As noted by my colleague Justice Mactavish in *Aventis Pharma Inc. v Apotex Inc.* 2005 FC 1283 at para 272 (aff'd 2006 FCA 64), utility and marketability are distinct concepts:

Utility does not depend upon marketability: *Wandscheer v. Sicard Limited*, [1948] S.C.R. 1 at p. 25, 8 C.P.R. 35. In other words, in assessing whether an invention has utility, the issue is not whether the invention is sufficiently useful as to be able to support commercialization, unless commercial utility is specifically promised. Rather, the question is whether the invention does what the patent promises that it will do.

30 To sum it up, the true test of utility of an invention is whether it will, when put into practice by a competent person, do what it assumes to do, and be practical and useful at the time when the patent was granted for the purposes indicated by the patentee: see *VISX Inc. v Nidel Co.* (1996), 68 C.P.R. (3d) 272, at p. 275 (aff'd 72 C.P.R. (3d) 19 (FCA)); *Faulding Canada Inc. v Pharmacia S.p.A.* (1998), 82 C.P.R. (3d) 208 (FC), at para 10.

31 When the utility of an invention has not been demonstrated, the utility requirement for patentability can be supported by sound prediction based on the information and expertise then available. Sound prediction, if it applies, is to be evaluated as of the Canadian filing date. Sound prediction does not mean certainty. The requirements for sound prediction are:

- a) A factual basis for the prediction;

- b) The inventor must have an articulable and sound line of reasoning from which the desired result can be inferred from the factual basis;
- c) There must be proper disclosure.

Apotex Inc. v Wellcome Foundation Limited, supra, at paras 56-70;

Aventis Pharma Inc. v Apotex Inc., 2006 FCA 64, at para 30;

Novopharm Limited v. Pfizer Canada Inc., 2010 FCA 242.

32 It will be for the trial judge to determine whether, as Apotex alleges, the '777 Patent is invalid for lack of sound prediction. More particularly, Apotex alleges that the purported inventors of the '777 Patent speculated that clopidogrel would have such utility:

- a. without offering a factual basis for such a conclusion;
- b. without describing in the '777 Patent any studies of platelet aggregation inhibition or toxicology that were actually performed, performed as stated or in a reasonable manner, available and which were statistically significant or otherwise relevant; and an articulable and sound line of reasoning from which to predict the promised utility of clopidogrel from any factual basis, since neither the tests described in the patent or the common general knowledge and the state of the art would have allowed a skilled person to soundly predict that clopidogrel would be useful as promised; and
- c. without disclosing the factual basis and sound line of reasoning, to the extent that such a line of reasoning existed, in the '777 Patent. It is on the basis of these allegations that the relevance of the disputed questions must be assessed.

33 Third, Apotex alleges that, if the invention of the '777 Patent was soundly predictable, then the invention would have been obvious to the skilled addressee at all material times based on that person's common general documents and teachings in certain prior art documents. Apotex also alleges, in the alternative, that a skilled person would have arrived at the Racemate without the exercise of inventive ingenuity, would have considered it routine to make each of the enantiomers, would have run routine pharmacologic tests to ascertain their relative biological properties, would have thought it obvious to try to make clopidogrel bisulphate as part of routine salt selection program, and would have expected the tests to yield the desired results. In support of this contention, Apotex pleads that the named inventors of the '777 Patent reached the purported invention directly and without difficulty and that any purported delay or difficulty experienced by these persons in reaching the purported invention of the '777 Patent was due to their lack of relevant

expertise and lacklustre efforts.

34 It is axiomatic that if the invention claimed in a patent is found not to be inventive, the patent will be invalid. A patented invention will be considered obvious if persons skilled in the relevant art, in light of the knowledge they shared at the priority date of the patent, would have been led to it directly and without difficulty. An allegation that the invention claimed in the patent was obvious is assessed objectively, but evaluated on the basis of all available evidence relating to the issue. In *Apotex Inc. v Sanofi-Synthelabo Canada Inc.*, above, Justice Marshall Rothstein adopted the four-step approach elaborated by the British Courts and quoted approvingly from *Pozzoli SPA v BDMO SA*, [2007] FTS 37, [2007] EWCA Civ 588 the four questions to be asked:

- (1) (a) Identify the notional "person skilled in the art";
- (b) Identify the relevant common general knowledge of that person;
- (2) Identify the inventive concept of the claim in question or if that cannot readily be done, construe it;
- (3) Identify what, if any, differences exist between the matter cited as forming part of the "state of the art" and the inventive concept of the claim or the claim as construed;
- (4) Viewed without any knowledge of the alleged invention as claimed, do those differences constitute steps which would have been obvious to the person skilled in the art or do they require any degree of invention?

35 Justice Rothstein held that it is in the fourth step of the obviousness test that the issue of "obvious to try" will arise. He indicated that in some instances and for some inventions it may be appropriate to consider whether the invention was "obvious to try". An invention will be "obvious to try" where it is very plain or more or less self evident that what is being tested ought to work. For a finding that the invention was "obvious to try", there must be evidence to convince a judge on a balance of probabilities that it was more or less evident to try to obtain the invention. The mere possibility that something might turn up is not enough.

36 The Supreme Court also added that another important factor to consider is the actual course of conduct which culminated in the making of the invention. The route taken by the inventor in developing his invention - what the inventor actually did and did not do - is thus a proper matter for discovery, and may ultimately prove to be the source of relevant evidence in resolving issues of obviousness at trial. As Justice Rothstein stated:

...if the inventor and his or her team reached the invention quickly, easily, directly and relatively inexpensively, in light of the prior art and common general knowledge, that may be evidence supporting a finding of obviousness, unless the

level at which they worked and their knowledge base was above what should be attributed to the skilled person. Their course of conduct would suggest that a skilled person, using his/her common general knowledge and the prior art, would have acted similarly and come up with the same result. On the other hand, if time, money and effort was expended in research looking for the result the invention ultimately provided before the inventor turned or was instructed to turn to search for the invention, including what turned out to be fruitless "wild goose chases", that evidence may support a finding of non-obviousness. It would suggest that the skilled person, using his/her common general knowledge and the prior art, would have done no better.

Apotex Inc. v Sanofi-Synthelabo Canada Inc., above, at para 71.

37 Finally, Apotex argues that the '777 Patent is invalid because it could have been anticipated and because it constitutes double patenting. This ground of invalidity derives from s. 27(1) of the *Patent Act*, which requires as a condition for obtaining a patent that the invention was not "known or used" and was not "described" in any patent or any publication more than two years before the patent application was filed.

38 In *Apotex Inc. v Sanofi-Synthelabo Canada Inc.*, above, the Supreme Court refined the well-established test for anticipation. Justice Rothstein confirmed that two elements must be satisfied such that a prior disclosure, or in the case of a selection patent, the prior patent, can be considered anticipatory. First, there must be disclosure such that the person skilled in the art would understand the special advantages of the invention disclosed in reading the prior art or prior patent. In this regard, no trial and error is permitted. In the case of a selection patent, if the genus patent does not disclose the specified advantage, there is no anticipation.

39 Second, prior disclosure must be enabled. The prior art must provide enough information to the person skilled in the art who may use common knowledge to perform the subsequently claimed invention without undue burden. Routine trials are acceptable but prolonged or arduous trial and error would not be considered "routine". Once again, Justice Rothstein enumerated four factors that should normally be considered in determining whether prior disclosure constitutes enabling disclosure, two of which are particularly relevant in the case at bar:

3. The prior patent must provide enough information to allow the subsequently claimed invention to be performed without undue burden. When considering whether there is undue burden, the nature of the invention must be taken into account. For example, if the invention takes place in a field of technology in which trials and experiments are generally carried out, the threshold for undue burden will tend to be higher than in circumstances in which less effort is normal. If inventive steps are required, the prior art will not be considered as enabling.

However, routine trials are acceptable and would not be considered undue burden. But experiments or trials and errors are not to be prolonged even in fields of technology in which trials and experiments are generally carried out. No time limits on exercises of energy can be laid down; however, prolonged or arduous trial and error would not be considered routine.

4. Obvious errors or omissions in the prior patent will not prevent enablement if reasonable skill and knowledge in the art could readily correct the error or find what was omitted.

Apotex Inc. v. Sanofi-Synthelabo Canada Inc., above, para 37.

40 Furthermore, it must be recalled that a selection patent that claims a compound that is patentably distinct from the genus patent will not be invalid for obviousness double patenting: *Apotex Inc. v Sanofi-Synthelabo Canada Inc.*, above, at para 113.

41 It is on the basis of these general principles that the decision of the Prothonotary must be reviewed to determine whether she erred in law or misapprehended the facts with respect to the relevance of the questions under review.

42 Starting with the examination for discovery of Dr. Pierre Savi held on November 16-20, 2009, the first category of items under challenge relates to the thienopyridine compounds. Dr. Savi took under advisement Apotex's request that he provide a list of all of the thienopyridines synthesized at Sanofi-Aventis that had been made public, either through publications, patents, or otherwise, up until 1990.

43 Apotex argued that thienopyridines are a class of ADP receptor/P2Y₁₂ inhibitors used for their anti-platelet activity. Clopidogrel is one such thienopyridine. According to Apotex, the work done by Sanofi on thienopyridines will provide background information useful to understand: (a) how it is that the Sanofi inventors ultimately came to synthesize clopidogrel; (b) the inventors' understanding of the structure, activity, and toxicity levels of compounds of this sort; and (c) whether clopidogrel was a typical or unusual compared with other thienopyridines. As such, Apotex submitted that this information will be relevant to its allegations of (a) obviousness (in particular whether clopidogrel was arrived at with relative ease or difficulty by the inventors based on their background knowledge); and (b) sound prediction (in particular, whether based on their familiarity with other thienopyridines, the inventors could have soundly predicted that clopidogrel could be used to treat humans).

44 The Prothonotary ruled that this request was overbroad in terms of its relevance. She added that "Relevance is not high, some may be relevant, but depends upon the date, both of synthesis and of testing, the knowledge of the inventors of this work and whether testing as to both activity and toxicity was performed and the results thereof".

45 Having read the written submissions of Apotex and heard its counsel, I have not been convinced that Mme Prothonotary Tabib erred in coming to her conclusion. Indeed, Apotex has failed to identify which principle the Prothonotary failed to apply and how she was "clearly wrong" in refusing that request. While the '875 Patent does relate to thienopyridines, the inquiry went well beyond the compounds of the '875 Patent and well beyond the relevant time period. Counsel for the Defendant mentioned at the hearing that there are in excess of 1.500 thienopyridines compounds, which would clearly make Apotex's request overbroad. Moreover, Sanofi has already indicated in its discovery answers that no such list exists, which would make the compilation of all the thienopyridine compounds quite onerous. Accordingly, there is no reason to interfere with the Prothonotary's order on that item.

46 The second category of items under challenge relates to the enantiomers. Item 14 is the broadest, and concerns an inquiry as to which enantiomers, of any compound, Sanofi-Aventis has marketed to date. Dr. Savi also took under advisement the following questions:

- a. an inquiry as to which enantiomers, of any compound, Sanofi-Aventis had marketed up until 1990 (item 15);
- b. an inquiry as to which enantiomers Sanofi-Aventis has ever sought regulatory approval for, to date (item 16) and up until 1990 (item 17);
- c. an inquiry as to whether there are any other enantiomers of thienopyridines, aside from clopidogrel, for which regulatory approval has been sought to date (item 18) or had been sought up to 1990 or 1995 (item 19);
- d. various requests relating to the resolution of enantiomers (to provide a list of the enantiomers, and thienopyridine enantiomers that have been resolved to date (item 20) and up to 1990 (item 21));
- e. an inquiry as to whether, apart from PCR 1033, any other compounds had been resolved by July 13, 1982 at Sanofi (item 36);
- f. an inquiry as to whether there are racemic compounds other than thienopyridines that had been resolved or for which enantiomers were synthesized;
- g. an inquiry as to whether the enantiomers were tested for activity (item 64);
- h. an inquiry as to whether the company resolved or synthesized enantiomers from racemic compounds from July 13, 1982 to February 17, 1987 or February 8, 1988 (item 121)).

47 The Prothonotary refused to order these questions answered on the basis that they were overbroad. She ruled that item 14 it was "overbroad, as posed: goes beyond the '875 patent, beyond the relevant date, scientific motivation is only relevant, beyond utility on the advantages of the patent, beyond the subjective work of the inventors". Her answers to item 15-17 were subsumed by her answer to item 14, except for the dates. For items 18 and 19, she stated, "Overbroad in date, as to compounds, regulatory approval is irrelevant. As evidence of routine nature of separation and

testing of enantiomers, relevance is weak. In my discretion, proportionality does not warrant the answering of the question". Items 20, 21, 64 and 121 were also found to be overbroad. Finally, the Prothonotary found the answer already provided to item 36 to be sufficient as to what is relevant, i.e. thianopyridines.

48 Counsel for Apotex argued that the Prothonotary erred in holding that all of these questions were overbroad in that they go beyond the compounds listed in the '875 patent. In his view, techniques and familiarity with separating enantiomers is not a matter that can be confined to the compounds disclosed in the '875 patent, and Sanofi's general approach to racemic drugs will shed light on whether Sanofi resolved the compound to obtain clopidogrel in a routine and standard manner. If Sanofi marketed a large number of enantiomeric drugs or sought regulatory approval for such drugs, then it can be inferred that such an understanding was common at Sanofi and, likely, more generally. Such information would also support Apotex's position on sound prediction, to the extent that the skilled addressee would know that drug companies were motivated to separate racemic drug candidates in order to learn about the distribution of activity and toxicity among the enantiomers, to identify the more active/less toxic enantiomer, and to identify the less active/more toxic enantiomer as an impurity to be removed. If, on the contrary, Sanofi did not have much experience with the separation of enantiomers, it would support Apotex's argument that any purported delay or difficulty experienced by Sanofi's scientists in reaching the purported invention of the '777 Patent was due to their lack of relevant expertise and lacklustre efforts.

49 I am unable to find any reviewable error in the Prothonotary's exercise of her discretion. The questions were not limited to the compounds of the '875 Patent or even to thienopyridines generally. As such, they could clearly be considered overbroad. I note that Sanofi has already provided any relevant information and has indicated which thienopyridines were separated during the relevant time period. The answers sought by Apotex, beyond those that have already been answered in relation to thienopyridines, would not be directly relevant and would clearly be onerous to provide. Besides, there is nothing to prevent Apotex from making its argument at trial with respect to sound prediction and obviousness on the basis of scientific evidence publicly available and/or on the basis of evidence from their own experts. Even if I accept Apotex's argument that the questions reaching up to 1990 are not overbroad in terms of date because the compounds marketed up until that date may be predicated on research done prior to the priority date of the '777 Patent, it does not detract from the fact that the substance of these questions goes too far. It was not unreasonable for the Prothonotary to conclude that the experience and expertise of Sanofi in separating enantiomers is a matter that can be confined to the compounds disclosed in the '875 patent for the purposes of the obviousness argument. Finally, whether the claimed invention is suitable for regulatory purposes or the marketplace is not relevant to whether the claimed invention has utility pursuant to s. 2 of the *Patent Act*.

50 The third category of questions under challenge has to do with salts. These questions all go to the obviousness of the salt selections, and relate to paragraphs 103 (h), (i) and (j) of Apotex's Amended Statement of Defence and Counterclaim. Dr. Savi took under advisement a request to

investigate and determine "whether there were instances for the compounds in the examples shown where an attempted salt formation in one salt form was tried and was not successful so another salt form was tried and made then reported in the '875 patent" (item 154), and "if there was any testing, other than the '875 thienopyridines, on the hydrogen sulphate, up to the Canadian filing date, to produce same" (item 290). As a follow-up to that last question, Dr. Merlier was also asked to advise, for both thienopyridines and beyond thienopyridines, whether the company had made a hydrogen bromide salt (item 88), a taurocholate (item 89). He was also asked, if Sanofi had not made taurocholate before the priority date of the '875 patent, to provide the date of the first time Sanofi made such a salt (item 90).

51 The Prothonotary found the first question put to Dr. Savi to be irrelevant "because it inquires specifically as to what is or is not reported in the '875 patent". She was of the view that the second question was overbroad and lacking in proportionality. As for the three questions put to Dr. Merlier, the Prothonotary ruled that they did not need be answered since Apotex conceded earlier rulings apply.

52 As already mentioned, the '777 Patent purports to identify certain salts of clopidogrel, including the bisulphate salt, as having desired properties (i.e. solubility and hygroscopicity). Some of the salts identified were also identified in the '875 patent. Counsel for Apotex argued that the Prothonotary erred in law and in fact and misunderstood the questions by suggesting that they were irrelevant insofar as they were concerned with that which was reported in the '875 patent. This is inaccurate, according to Apotex's counsel, since the questions were directed, in substance, at ascertaining the ease with which Sanofi formed salts or whether multiple experiments and trials were required.

53 Contrary to that argument, I am once again of the view that the Prothonotary has not erred in law or in fact in coming to the conclusion that these questions are overbroad. They go beyond thienopyridines and well beyond the scope of the '875 patent; they purport to inquire about "any testing" Sanofi has done with three particular salts other than the '875 thienopyridines, without any limitations in terms of date, type of compounds, project, etc. Sanofi's general experience with salts is not probative to the issue at trial, which is focused on a particular compound. This request goes too far and is akin to a fishing expedition.

54 The last category of questions with respect to Dr. Savi's examination for discovery relates to the Japanese Regulatory Guidelines. Dr. Savi took under advisement an inquiry as to whether Sanofi (or whatever entity or joint venture partner there existed for Japan at the pertinent time) was aware of the Pharmaceutical Manufacturing Guidelines, 1985 edition, edited by the Society of Japanese Pharmacopoeia (item 316), or of the part of Guidelines at the sixth last page of Exhibit C dealing with racemic modification (item 317), and if so, at what point in time Sanofi had become familiar with these publications.

55 The Prothonotary disposed of those questions in the following terms:

The Court accepts that regulatory guidelines are arguably relevant as analysis of the prior art and common general knowledge. I accept that the knowledge of Sanofi and the inventors is arguably relevant to the history of the invention. Knowledge of third parties of the regulation is irrelevant to the story of the invention, is of relevant (sic) to the common general knowledge and qualification as prior art, but knowledge of one or two parties is of such low probative value that the inquiry is disproportionate.

56 According to counsel for Apotex, the Japanese Manufacturing guidelines of 1985 appear to include a requirement to resolve racemic medicines into their constituent enantiomers. If Sanofi was aware of these requirements, then this would have provided a motivation for Sanofi to separate one of the million of compounds covered by Patent '875 and thereby obtain clopidogrel. As a result, it is Apotex's view that the Prothonotary erred in law by holding that the information in question was of low probative value and did not need to be answered; that question was relevant and could at least have led to a train of inquiry which may directly or indirectly advance Apotex's case, according to counsel, whatever the ultimate probative value of the answer.

57 Once again, I am in agreement with the Prothonotary's disposition of those questions. She was right in finding that the regulatory guidelines in Japan were arguably relevant as part of an assessment of the prior art and common general knowledge. To that extent, the knowledge by Sanofi and the inventors of those regulatory guidelines was relevant to the history of the invention. Indeed, Sanofi did answer a few questions pertaining to its knowledge of those regulatory guidelines. However, the two questions in dispute go far beyond what would be a relevant inquiry, and would have required Sanofi to inquire about the awareness by third parties (essentially Japanese joint ventures partners) of these regulatory guidelines. To the extent that motivation is relevant, it is the motivation of the person skilled in the art that is relevant. The knowledge of third parties is at best of marginal relevance to the development of the invention, and is clearly offset by the onerous nature of the efforts required by Sanofi representatives to provide an answer. If Apotex wants to make an argument at trial that major pharmaceutical players were aware of these requirements to show that the Japanese regulatory requirements would require racemic drugs to be resolved into their enantiomers, it may do so with its own experts.

58 Turning next to the examination for discovery of Dr. Josiane Merlier, the first category of questions under challenge all relate to Apotex's argument made regarding sound prediction. Dr. Merlier took under advisement a request to provide Sanofi's experience with respect to whether or not specific toxicities are particular to specific species (item 76), and also refused to answer the following questions:

- a. To provide the basis for the answer to the previous question, and more particularly to point out what testing and what circumstances either the specific toxicities are peculiar to a particular species or the contrary (item 77);

- b. To provide Sanofi's experience as to whether or not activity testing with animals is predictive of activity within the human, both generally and specifically with respect to thienopyridines (item 78);
- c. To provide the factual basis that the inventors used to make a prediction that clopidogrel would be useful in terms of being tolerable in humans (item 95);
- d. To provide the factual basis for the prediction that the D-enantiomer would be better tolerated than the L-enantiomer in humans (item 107).

59 The Prothonotary found that the first three questions (items 76, 77 and 78) were overbroad and refused to order Sanofi to provide an answer. For the last two questions (items 95 and 107), she concluded that Sanofi properly refused to answer them, as they posit a promise of the patent which Sanofi disputes (useful in terms of tolerable in humans). According to the Prothonotary, the questions could not be answered without accepting an opinion as to '777 Patent's construction.

60 Apotex has pleaded that clopidogrel is invalid for lack of sound prediction because the inventors could not have soundly predicted that clopidogrel could have had the activity and toxicity profile in humans promised in the patent. One of the bases for this allegation is that data about the toxicity and activity of clopidogrel gleaned from animal studies was not reliable predictor of how the molecule would interact with humans. According to counsel for Apotex, the Prothonotary erred in holding that questions directed at this issue were overbroad, since Sanofi's general understanding with respect to the use of animal studies and toxicity will inform its approach to predicting the utility of the invention at issue in this proceeding.

61 While this is an interesting argument to make, Prothonotary Tabib did not err in law and properly exercised her discretion in ruling that these questions were overbroad. The first two questions concern to Sanofi's general experience with toxicity without focusing on the specific work done to invent the compound that is the subject of the '777 Patent. The questions are not limited by any criteria, such as species, date, tests, etc. They are clearly much too broad and would probably not be of much help to the Court in any event. As for item 78, it was already answered by Sanofi with respect to thienopyridines. As for the broader aspect of that question, relating to Sanofi's experience as to whether or not activity testing with animals is predictive of activity within the human in general, it is similarly overbroad.

62 As for items 95 and 107, I agree with the Prothonotary that the questions are problematic in their wording. They are essentially legal questions having to do with the construction of the '777 Patent. For Sanofi to answer those questions, it would have to agree with the construction of the Patent implicit in the formulation of the questions, a construction that it disputes. Examination for discovery is meant to elicit factual answers, not legal opinions. Counsel for Apotex submitted that if Sanofi does not prevail on that construction, it would be impossible to know about the facts that it would assert on an alternative construction. Not only is this argument speculative, but it overlooks the fact that the work done by the inventors is set out in great detail in the documents produced,

which were the subject of extensive discovery by Apotex over the course of 13 days.

63 The second category of questions taken under advisement by Dr. Merlier, and which the Prothonotary refused to order answered, relates to trial testimony from experts who testified in the U.S., where Apotex was found liable for patent infringement with respect to clopidogrel (see *Sanofi-Sunthelabo et al. v Apotex Inc. et al.*, 492 F. Supp. (2d) 353, aff'd 2008 U.S. App. LEXIS 24991). More particularly, Apotex sought the transcript of the testimony of Dr. Stephen Byrn or whoever else has testified (item 51), as well as the transcript of the deposition of a scientist given prior to the trial, if there is such a deposition (item 52).

64 The Prothonotary ruled against Apotex on both items, stating that the questions, even if relevant but to a train of inquiry only, lack proportionality in view of the history of the litigation.

65 Counsel for Apotex is of the view that in order to determine whether or not the selection of certain salts of clopidogrel constituted a valid selection, it is necessary to determine the following: whether it was surprising that these particular salts had certain advantages over others, how the salts were selected, and whether they actually exhibit the properties promised in the '777 Patent. Since Dr. Byrn was identified as an individual who had previously provided information on this point, the information requested is *prima facie* relevant, and the production of the trial transcript would therefore be highly probative and not onerous, according to Apotex. As for item 52, counsel for Apotex submitted that Sanofi has produced a report on clopidogrel salt selection prepared by a consulting chemistry firm; as a result, the data underlying the report, related documents, the identity of who prepared the report, and information from individuals involved in the drafting of same would all be relevant to the issue of whether the selection of particular salts of clopidogrel was inventive and/or whether these salts have certain advantages over other salts.

66 These arguments are not persuasive. First of all, the expert opinion of an individual given in another jurisdiction is not relevant or admissible at trial in respect of the issues before the Court in this proceeding. Apotex has already sought, by way of motion, extensive production from litigant in other jurisdictions and this Court has deemed such production unnecessary: *Apotex Inc. v Sanofi-Aventis*, 2010 FC 77, at paras 61-62. Second, deposition and trial testimony of an individual given in another jurisdiction is not relevant or admissible at trial in respect of the issues before the Court in this proceeding: *Novopharm Limited v Eli Lilly Canada*, 2007 FC 1195, at paras 47-50; aff'd 2008 FC 281; aff'd 2008 FCA 287. Such trial testimony and deposition could only be used to impeach a witness at trial, and as such, this information need not be produced on discovery. Third, the expert opinion and testimony would have been created after the filing of the '777 Patent and this would not be relevant to the issues of obviousness and sound prediction. Finally, Apotex can obtain the testimony if the information is publicly available; if it is not, then it would still be subject to confidentiality and its production would be restricted. For all of these reasons, I believe the Prothonotary did not err in exercising her discretion to refuse this request.

67 The third category of questions that Dr. Merlier took under advisement and that the

Prothonotary refused to order answered relates to salts, and has already been dealt with (see above, paras. 51-54 of these reasons).

68 The last two questions that Dr. Merlier refused to answer relate to the identified side effects of clopidogrel. The first reads as follows: "To advise whether, with respect to clopidogrel, there are any reports in the company of after-market experiences with clopidogrel dealing with toxicity experiences or activity reports or failures of the product" (item 91). As for the second, it states: "To advise whether Sanofi maintains files on complaints received about products that it markets and, if so, to produce the complaint file for the performance both as to activity and toxicity of clopidogrel" (item 92).

69 The Prothonotary found that both of those questions lack proportionality, especially since a specific issue of activity or toxicity is not identified as a controversial issue in these proceedings.

70 Counsel for the Plaintiff argues that the Prothonotary erred, since the activity and toxicity of clopidogrel, particularly in comparison to similar drugs, is a central issue in this proceeding. According to counsel, information and data about clopidogrel's activity and toxicity is relevant to evaluating whether this compound has the utility promised in the patent, and whether it has a substantial advantage over previously disclosed thienopyridines.

71 The Prothonotary has not erred in refusing to open up what would be an irrelevant area of inquiry. Apotex is seeking information that does not concern utility for the purposes of patentability but that rather extends to commercial acceptance, marketability, and regulatory exigencies. As previously seen, the practical usefulness of an invention is directed to a different purpose than is patent law. "Usefulness" is not assessed in terms of commercial acceptance but in relation to the purpose claimed in the Patent itself. Apotex has not alleged that clopidogrel causes any particular side effects, and even if there were such side effects, they would not be relevant in determining the validity of the patent. Considering the very marginal relevance of these questions and the broadness of the inquiry, the Prothonotary did not err in finding that these two items lack proportionality.

72 For all of the foregoing reasons, I am therefore of the view that Apotex's motion ought to be dismissed, with costs fixed in the amount of \$1,500.00 in the cause. Apotex has failed to demonstrate that the Prothonotary's rulings were clearly wrong, or that she misapprehended the applicable legal principles or the facts.

ORDER

THIS COURT ORDERS that this motion is dismissed, with costs in the amount of \$1,500.00 in the cause.

de MONTIGNY J.

TAB 7

Indexed as:

Monit International Inc. v. Canada

Between

**Monit International Inc., plaintiff, and
Her Majesty the Queen, defendant**

[1999] F.C.J. No. 1932

[1999] A.C.F. no 1932

175 F.T.R. 258

95 A.C.W.S. (3d) 625

Court File No. T-878-93

Federal Court of Canada - Trial Division
Ottawa, Ontario

Lemieux J.

November 19, 1999.

(18 paras.)

*Practice -- Discovery -- Examination -- Objections to questions, review of, by judge --
Undertakings, status of -- Examination, range of -- Relevant evidence.*

Motion by the Crown to dismiss the objections made by Monit International during the examination out of court of Monit's authorized representative. The Crown also sought leave to file a similar motion after June 14, 1999 should any of the undertakings not be fulfilled within the agreed time limits. Monit had brought an action for damages against the Crown arising from alleged unfair activities and misrepresentations in the context of an invitation for proposals for a lease to accommodate the offices of the International Civil Aviation Organization. Monit objected to the relevance of questions asking whether Monit considered putting a bid in for a city site, and how Monit proceeded to determine the figure put in its first call for tender.

HELD: Motion allowed in part. The objections were dismissed as the questions were indirectly related to the points at issue. The Crown's request for leave to file a similar motion was dismissed. Since there was no indication on the record that Monit had failed to comply with the undertakings it had made, the request for leave to file a subsequent motion was premature. To the degree that undertakings were not fulfilled, the Crown could request an extension of the deadlines for the filing of the undertakings.

Statutes, Regulations and Rules Cited:

Federal Court Rules, 1998, Rule 369.

Counsel:

In writing: Marc Laurin, for the plaintiff. Jean Lavigne, for the defendant

LEMIEUX J. (Reasons for Order):--

PROCEDURE

- 1 Through a written motion made under Rule 369 of the Federal Court Rules, 1998, the defendant asks that this Court dismiss the objections made by the plaintiff during the examination out of court of Mr. Barry Kotler, the duly authorized representative of the plaintiff, Monit International Inc.
- 2 The defendant also requests that this Court allow her to file a motion similar to this one after June 14, 1999, should one or more of the undertakings made by the plaintiff on the examination out of court of Mr. Barry Kotler not be fulfilled within the agreed time limits.
- 3 In the context of the present proceedings, this is an action in damages against the Federal Crown arising out of alleged unfair activities and misrepresentations made to the detriment of the plaintiff, Monit International Inc., in the context of an invitation for proposals for a lease to accommodate the offices of the International Civil Aviation Organization (ICAO).
- 4 The plaintiff is the owner of a building situated at 1000 Sherbrooke Street West in Montréal in which the ICAO offices had been located since 1974; the lease, signed with the Department of Public Works, terminated on October 31, 1994.

ANALYSIS

Objections

5 Objections were made in regard to two questions asked by the defendant:

Did Monit ever consider putting a bid for this city site, I mean the east site?

Do you remember, are there any documents you have, you still have in file that would show how Monit did proceed to determine the first financial bid, the figure you put in the first call for tender?

6 These objections were made on the ground that the above questions were irrelevant. In the case of the first objection, the plaintiff submits that the question asked is nothing but pure hypothesis, in that no proceeding filed in this case refers to any interest of the plaintiff in some other site and that this question is intended only to distract the Court's attention from the real issues in dispute.

7 As to the second question, the plaintiff submits that the detailed calculations used in the preparation of its bid in response to the defendant's invitation for proposals is irrelevant since the rejection of that bid is not based on the proposed costs and, in the context of an invitation for proposals, no tenderer is required to describe its calculations in detail.

8 In regard to the issue of the relevance of certain questions asked during an examination or concerning the filing of documents demanded by one of the parties, this Court has in fact considered the applicable test on several occasions.

9 My colleague, Mr. Justice Teitelbaum, reviewed these decisions in *T.O. Forest Products Inc. v. Fednav Ltd.*,¹ in which he stated the following:

In the case of *Everest & Jennings Can. Ltd. v. Invacare Corp.*, (supra), at pages 857 and 858, Urie, J. states, as to the test of relevance:

The correct test of relevancy for purposes of discovery was, in our opinion, propounded by McEachern C.J. in the case of *Boxer and Boxer Holdings Ltd. v. Reesor et al.* (1983), 43 B.C.L.R. 352 (B.C.S.C.) when, at page 359, he said:

It seems to me that the clear right of the plaintiffs to have access to documents which may fairly lead them to a train of inquiry which may directly or indirectly advance their case or damage the defendant's case particularly on the crucial question of one party's version of the agreement being more probably correct than the other, entitles the plaintiffs to succeed on some parts of this application.

In the case of Reading & Bates Construction Co. et al. v. Baker Energy Resources Corp. et al., (supra), it is stated under the "Held" per McNair, J:

Purpose of discovery

The purpose of discovery, whether oral or by production of documents, is to obtain admissions to facilitate proof of the matters in issue between the parties. The prevailing trend favours broadening the avenues of fair and full disclosure to enable the party to advance his own case or to damage the case of his adversary.

The test as to what documents are required to be produced is relevance. The test of relevance is not a matter for the exercise of discretion. The test as to whether a 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.

Usefulness of an answer must be balanced with the time, trouble, expense and difficulty involved in obtaining it.

10 In light of these decisions, I find that the relevance of a question or document is reviewed with great flexibility and that, in so far as it is not clearly demonstrated that the question or document is completely unrelated to the issues in dispute, the witness must answer the question or the party must table the document.

11 In this case, having read and analyzed the amended statement of claim filed by the plaintiff on March 9, 1999 and the submissions by the parties, I find that these questions are indirectly related to the points at issue that are raised in the case. Indeed, in the case of the first objection, the defendant submits that reference is made, in the invitation for proposal documents of the Department of Public Works, filed in support of this action, to the "[Translation] east site", for the purpose of encouraging the interested persons to make a proposal in relation to that site.

12 As to the second objection, there is a reference in the amended statement of claim to the said proposal submitted by the plaintiff, Monit International Inc., concerning the architectural and financial representations made in the context of this proposal.

13 In these circumstances, I have no difficulty in saying that the questions put to Mr. Barry Kolter are relevant. I hereby dismiss, therefore, the objections made by the plaintiff and I order the witness to answer the questions.

Fulfilment of undertakings

14 In regard to the defendant's second request, concerning the fulfilment of the plaintiff's undertakings, I find, after observing the record, that there is no indication in it that appears to suggest that the plaintiff has failed to comply with the undertakings it has made.

15 Accordingly, I conclude that, in view of the hypothetical and speculative nature of this request, I am unable to allow it since it is clearly premature. Thus, to the degree that the undertakings are not in fact fulfilled, the defendant may then ask this court to extend or amend the deadlines for the filing of the undertakings that have been made.

CONCLUSION

16 I dismiss objections numbers 6 and 7 as recorded in the transcript of the examination filed herein and I therefore order Mr. Barry Kolter, the duly authorized representative of the plaintiff, to answer the said questions that were the subject of the objections.

17 I dismiss the defendant's request for leave to file a similar motion herein after June 14, 1999, should one or more of the undertakings made prove insufficient and it is necessary to ask this Court to order the witness, Mr. Barry Kolter, to provide the requisite undertakings or clarify his answers.

18 Costs to follow the event.

Certified true translation: Bernard Olivier

TAB 8

Case Name:

Warman v. National Post Co.

**RE: Richard Warman, Plaintiff, and
The National Post Company, Jonathan Kay, Ezra Levant, Kathy
Shaidle, Fivefeetoffury.com, Smalldeadanimals.com, Catherine
McMillan, Mark Fournier, Freedominion.ca, Constance
Wilkins-Fournier, Defendants**

[2010] O.J. No. 3455

2010 ONSC 3670

103 O.R. (3d) 174

77 C.C.L.T. (3d) 122

2010 CarswellOnt 5920

191 A.C.W.S. (3d) 1089

Court File No. 08-CV-00352197SR

Ontario Superior Court of Justice

Master D.E. Short

Heard: March 31, 2010.

Judgment: August 16, 2010.

(200 paras.)

[Editor's Note: An addendum was released by the Court October 25, 2010. See [2010] O.J. No. 5960.]

Civil litigation -- Civil procedure -- Discovery -- Electronic discovery and production -- Scope -- Reasonableness of request -- Use of third-party inspector or forensic expert to retrieve information from electronic sources -- Motion by defendant for production of certain categories of documents and mirror image of hard drive of plaintiff's computer allowed in part -- Plaintiff brought action alleging one of defendants falsely asserted that he authored internet post containing xenophobic,

racist and misogynist language and that other defendants either republished it, provided links to it or made other libellous claims -- Defendant sought certain production to support his allegation that plaintiff authored posting under shell account -- As some information on hard drive might be relevant to determination of central factual issues, mutually acceptable expert permitted to review mirror image of hard drive.

Motion by the defendant for an order for production of certain categories of documents and a mirror image of the hard drive of the plaintiff's personal computer in order to obtain all relevant documents and information from the plaintiff's personal computer. An individual participated in a discussion on an internet message board and posted a hateful message that contained xenophobic, racist and misogynist language. The plaintiff filed a human rights complaint against the website owner and another individual. A number of years later another of the defendants authored a posting that set out the text of the original message and claimed that the plaintiff authored the original post under a shell account. Some of the other defendants either republished the posting, provided links to it or made various other libellous statements concerning the plaintiff. The plaintiff denied that he made the posting and alleged that one of the defendants falsely asserted that he made the posting. He brought an action under the simplified procedure seeking damages of \$50,000, an apology and the retraction of the alleged defamatory statements. The position of the defendant was that the plaintiff did in fact generate the subject posting and that a full analysis of his hard drive would provide proof.

HELD: Motion allowed in part. The requirements of proportionality, the risk that the information was being sought for collateral purposes and that the action was commenced under the simplified procedure dictated a tight limitation on the nature and extent of any access to the hard drive. As the metadata might be relevant to the determination of central factual issues, a mutually acceptable expert was permitted to review a mirror image of the hard drive and provide the court with information with respect to specific areas.

Statutes, Regulations and Rules Cited:

Canada Evidence Act, R.S.C. 1985, c. C-5, s. 31.8

Canadian Human Rights Act, R.S.C. 1985, c. H-6,

Libel and Slander Act, R.S.O. 1990, c. L.12,

Rules of Civil Procedure, Rule 1.03, Rule 1.04, Rule 1.04.1, Rule 29.1, Rule 29.1.03, Rule 29.1.04, Rule 29.1.05, Rule 29.2, Rule 29.2.02, Rule 29.2.03, Rule 30.01(1)(a), Rule 31.05.1, Rule 76, Rule 76.04, Rule 76.04(2)

U.S. Federal Rule of Civil Procedure, Rule 26(b)(2)(c)

Counsel:

Peter Jacobsen and Adrienne Lee: Counsel for the Defendant Levant (Moving Party).

Brian Shiller: Counsel for the Plaintiff.

[Editor's note: An amended judgment was released by the Court August 23, 2010. The changes were not indicated. This document contains the amended text.]

ENDORSEMENT

*"I would remind you that extremism
in the defense of liberty is no vice.
And let me remind you also that moderation
in the pursuit of justice is no virtue."*

MASTER D.E. SHORT:--

I. Background

1 It has been over 45 years since Barry Goldwater's 1964 acceptance speech at the 28th Republican National Convention, accepting that party's nomination for president. Now more than 45 years later, his observations came to my mind as having some degree of relevance to my examination of this dispute between two individuals who appear to be zealous advocates for very different approaches to the interpretation and application of Canada's laws.

2 Extracts from the respective descriptions of the two protagonists taken from the factum of the plaintiff and the statement of defence of the defendant Levant, help set the stage for this matter:

3

"The plaintiff Richard Warman is a lawyer who has spent years attempting to bring to justice those who spread hate on the internet. In recent years he has done so in the context of complaints brought before the Canadian Human Rights Commission. In the context of one of those hearings, neo Nazis falsified an allegation that Mr. Warman authored a racist and misogynist posting on a neo Nazi web site. They never stated it publically because they knew better. The moving party defendant (Mr. Levant) believes that Canadian human rights commissions are "kangaroo courts" and he writes extensively on the topic both on his web log located at www.ezrlevant.com, and in other public forums. Mr. Levant's style of writing is to make his point by disparaging and, in many instances, defaming his targets. Mr. Warman is one of those people."

...

"**Mr. Levant** resides in the Province of Alberta. He is a lawyer in good standing with the Law Society of Alberta

Mr. Levant has been actively involved in the political process for more than 15 years. He has held various offices including Parliamentary Assistant to the Leader of the Opposition, Poll Captain to the Premier of Alberta, and Campaign Manager for a provincial election campaign

Mr. Levant is one of Canada's premier advocates of free speech and free expression. He is frequently asked to speak about these matters, and travels across the country and internationally to do so.

Mr. Levant has been consulted by Members of Parliament, Cabinet Ministers and the Prime Minister's Office concerning human rights commissions and free speech. He has provided a briefing to the U.S. Congress as an expert witness on civil liberties and the threats posed to them by the abusive use of Canada's human rights commissions and through nuisance defamation lawsuits, such as the within action."

4 This action largely springs from a posting to an internet website. The posting has been described as containing xenophobic, racist and misogynist language.

5 To avoid identifying the public figure named in the posting, I will refer to it in these reasons as the "Hateful Posting".

6 Primarily the case flows from what Mr. Warman's pleading asserts is the "false allegation that Mr. Warman authored and published" the Hateful Posting. Other claims involve allegations that specific defendants either republished it, provided links to it or made various other libellous statements concerning Mr. Warman.

7 The plaintiff's action was originally brought against ten individuals and websites (e.g. smalldeadanimals.com). Mr. Levant is one of one of those defendants.

8 His pleading asserts that the words complained of in the statement of claim did not bear, and were not capable of bearing or being understood to have the defamatory meanings alleged in the claim. In the alternative, justification is pleaded in so far as the meanings consist of statements of fact, and fair comment insofar as the meanings consist of expressions of opinion.

9 Particulars of the plea of justification include an assertion that Mr. Warman either posted, was responsible for, or took part in the Hateful Posting.

10 The Levant statement of defence reads in part:

"123. With respect to the words complained of in the January 23, 2008 posting, stating as fact that Mr. Warman is a serial human rights complainant and is, a foul-mouthed, anti-Black, misogynist bigot, Mr. Levant pleads justification; and in support of the plea of justification, relies on the particulars as set out in paragraph 120 above.

124. In the alternative, the meaning of words complained of, as set out in paragraph 40 of the Claim, consist of expressions of opinion. These opinions were expressed on a matter of public interest, namely the activities of a person, Mr. Warman, who had thrust himself into the public light and became a public figure and a person in whom the public had an interest by virtue of his complaints to the CHRC and his participation in hearings before the CHRT. The opinions were based on facts contained within the post from which the words complained of were derived and other facts publicly known by readers of the post all as, set forth herein, are recognizable as comment, and Mr. Levant honestly held such opinions. In the alternative, if the words bear any meaning that consists of any expression of opinion that Mr Levant did not honestly hold, then such opinions could have been honestly held by another person."

II. Motion

11 The plaintiff brought this action for damages for libel, seeking punitive and aggravated damages in the total sum of \$50,000 together with a "full and unqualified apology and retraction" of the alleged defamatory statements made by the defendants or some of them. The statement of claim indicates that the action has been commenced "under the simplified procedure" as contemplated by Rule 76 of the *Rules of Civil Procedure*.

12 The defendant Ezra Levant brings two motions for:

- (1) an order for production of certain categories of documents and
- (2) a mirror image of the hard drive on the plaintiff's personal computer in order to obtain all relevant documents and information from the plaintiff's personal computer;

or, in the alternative,

- (3) an order requiring the plaintiff to turn the hard drive or a mirror image of

the hard drive over to a mutually agreeable expert who will examine it and produce all relevant documents and information, including meta data, to all parties.

13 As this is an action under the simplified procedure rules, Rule 76.04 applies so that no cross examinations can take place. Since the motion was served prior to the recent Rules amendments, Mr. Levant could not examine for discovery and this motion is thus said to be his only opportunity to obtain the desired information in advance of trial.

14 This motion will require my establishing an appropriate proportionality gloss on production in a defamation action.

III. Human Rights Commission Matter

15 On September 5, 2003 an unknown individual using the online persona "90sAREover" participated in a discussion on an Internet message board on the website owned by Mr. Marc Lemire, in a section called the "Canadian Heritage Alliance". The Hateful Posting was posted to that website section on that day. Mr. Warman denies that he had anything to do with this posting. Mr. Levant pleads that it was Mr. Warman who was involved in the use of this "false persona".

16 In November of 2003, Mr. Warman filed a federal Human Rights complaint against Marc Lemire and Craig Harrison with regard to material on Mr. Lemire's website that apparently included extensive calls for genocide.

17 Mr. Harrison has since been found by the Canadian Human Rights Tribunal ("CHRT") to have violated the hate messaging provision of the *Canadian Human Rights Act* (CHRA) in relation to postings he authored on Mr. Lemire's website. I am advised that a permanent cease and desist order was issued against him by the CHRT.

18 Some years later, on January 18, 2008, on a website known as "Freedomion.ca" a posting apparently authored by one of the other defendants, Mark Fournier, set out the text of the Hateful Posting and continued in part as follows:

"It may be mere coincidence that Richard Warman is in fact, an Anglo-German, but it is not likely a coincidence at all that the owner of the website where Richard Warman posted his racist screed[the hateful post] ... came under attack by the CHRC shortly after Richard Warman began his complaint-less investigation there.

.... Complaint-less investigations by the CHRC have been in the news lately Richard Warman enters a forum swinging as '90sAREover'.

In testimony beginning January 29, 2007 Richard Warman admitted under oath in *Canadian Human Rights Tribunal* hearing (Case T1073/5405) that he was, in fact, the poster named 'lucy' who had registered on the FreedomSite (and other) forums. What he neglected to add was that 'lucy' was not his first FreedomSite screen name. He failed to mention that his complaint-less investigation of FreedomSite actually began two months before 'lucy' hit the scene, it began when he registered on the FreedomSite under the screen name '90sAREover'.

Another miscalculation by Richard Warman was the technical expertise of the target of this particular setup operation. Marc Lemire is a techie, a networking nerd, so it was not much of a problem for him to find information on both 'lucy' and '90sAREover' in the FreedomSite database."

19 The table reproduced below shows information set out in this posting comparing what is claimed to be Richard Warman's admitted 'lucy' online identity (left column) and information about '90sAREover' (right column). This table information was said to have been "gathered by expert technology witness Bernard Klatt and submitted as evidence to a Canadian Human Rights Tribunal on February 8, 2007."

Admitted: Richard Warman/lucy Info	90sAREover Info
IP address = 66.185.84.204	IP address = 66.185.84.204
ISP = Rogers Cable	ISP = Rogers Cable
OS= Windows 98	OS= Windows 98
Browser = Mozilla 4.0 compatible MSIE 6.0	Browser = Mozilla 4.0 compatible MSIE 6.0
ID = <u>lucyaubrack@yahoo.ca</u>	ID=90sAREover (rob_m_simpson@hotmail.com)
setup using anonymous email account	setup using anonymous email account
on obscure message limited-interest board	on obscure message limited-interest board
logged onto message board only twice	logged onto message board only twice
very short usage time (120 min)	very short usage time (14 min)
no optional info supplied	no optional info supplied
created for single purpose	created for single purpose
used Nov. 11, 15, 23, 2003	used Sep. 5, 2003

20 The website posting ascribed to Mr. Fournier goes on to state that:

"Mr. Klatt concludes in Paragraph 71 of his affidavit:

Based on the information provided in this affidavit, in my expert opinion, I concluded that the FreedomSite message board user accounts "90sAREover" and "lucy" are those of Richard Warman and that Richard Warman was the poster of the [Hateful Posting]"

21 The Fournier posting also asserts;

"There is also no doubt that the CHRC was aware of this internet posting by 90sAREover because it was a part of the original complaint filed by Richard Warman, when referred to tribunal [sic] ..."

22 In argument before me counsel for Mr. Levant asserted that the Klatt opinion "informed what my client wrote".

23 The plaintiff indicates that it is his intent to prove that either Mr. Klatt knowingly gave false evidence or generated false documents or was otherwise in the error in his conclusions.

24 Mr. Warman's affidavit sworn February 3rd 2010, with respect to the motion before me, deposes specifically with regard to the justification defence as follows:

"48. At paragraph 90 of Mr. Levant's defence, he again fabricates allegations of perjury as well as, the evidence he uses to support it. Mr. Levant misquotes the transcript and falsely purports that there is evidence that I had ever made a posting to a website forum run by Marc Lemire using the pseudonym Lucie. Even the neo-Nazis in question acknowledged that the pseudonym Lucie had never been; used to make any postings to the forum in question.

49. In February of 2007, during the Warman v. Lemire hearing before the CHRT, I was asked by counsel for Mr. Lemire whether I had ever signed up a user account for Mr. Lemire's web-site forum. I responded that I did not believe that I had. The Tribunal Chair, Mr. Athanasios Hadjis asked in clarification to confirm that I had not signed up in order to add material to the forum. I replied that I had not. Immediately thereafter, counsel for Mr. Lemire showed me log-in information for an account that had been created on 15 November 2003 but never used for any purpose including never having made any postings to the forum. I openly admitted to not having remembered creating the shell account over three years previously and immediately stated "I stand corrected".

50. As is his wont, Mr. Levant seeks to shoot first and ask questions later with his serial allegations of perjury based solely on a transcript that he read where a witness forgets something about an incident that occurred. over three-years beforehand and then immediately acknowledges the error."

25 As well, the report filed before me of an independent expert retained on behalf of Mr. Warman reports a determination that "Mr. Warman's computer was not turned on the date [the Hateful Posting] was made."

26 The filed report includes at page 4 a conclusion that "it is our professional opinion that it would be unsound to reach the conclusions found in the Klatt affidavit."

IV. Internet Publication

27 The theories of the parties' cases could hardly be more diametrically opposed. Mr. Warman asserts that someone adverse to his interests set about to make a hateful Internet posting and to take appropriate steps to make it appear that the posting had been generated from an Internet Protocol ("IP") address belonging to Mr. Warman. Mr. Levant asserts that Mr. Warman, in fact, generated the subject posting and that if a full analysis of the hard drive of Mr. Warman's computer is undertaken, it may well be that proof of Mr. Levant's theory will be found.

28 Mr. Warman asserts that it is only the subject computer that he ever used, in the relevant time period, for his Internet postings. Mr. Levant relies on this to argue that if postings that Mr. Warman admits he made as part of his endeavours to bring those committing hate crimes before the Human Rights Commission, are not on the hard drive, then, Mr. Levant suggests there may well be support for his theory that the postings may well have come from a different machine used by Mr. Warman and in particular, the Hateful Posting may well have come from such other equipment.

29 Counsel for the plaintiff asserts that an IP address is not static nor permanently attached to any one laptop. Apparently the internet service provider assigns an IP address each time a party logs onto the internet. I confess that was not my previous impression but for the purpose of these reasons I have assumed that the IP address of a specific computer is *not* constant. However, ultimately, my decision would not have differed if the material before me accorded with the additional information set out below in the *Epilogue* to these reasons.

30 Certainly it was my understanding during argument that defendant's counsel acknowledged that a modem can have both a static and a dynamic IP address.

V. Litigation Freeze Request

31 Mr. Levant was represented by different counsel at the time of issuance of the statement of claim. Almost immediately following delivery of the notice to Mr. Levant under the *Libel and Slander Act* in February 2008, a detailed litigation freeze letter was sent to counsel for the plaintiff requesting that the plaintiff take immediate steps to preserve and collect paper and electronic records in his possession and control. Examples of the general categories of electronic records requested to be preserved in the letter from counsel included the following:

Archive data and records, such as word processing, e-mail, calendar, accounting, database, voicemail messages, images, spreadsheets, facsimile data and scanned records;

Archived and backup data, including backup data at risk from routine rotation of backup tapes;

Data on stand-alone computers and devices (such as laptop computers, business computers, home computers, PDAs, blackberries and cell phones;

Software required to view and process data;

Metadata-hidden data, for instance in e-mail or word processing records;

Residual data, including "deleted" files and file fragments that may be recoverable; and

any and all paper records or paper copies of electronic records.

32 The letter went on to identify other potential sources of recovery and contained the following request:

"We would ask that you consult with forensic information technology consultants, as needed, to insure that preservation of electronic records is done in an appropriate way so that records are not inadvertently altered in the process. For instance, metadata can easily be altered unless you have an expert make "mirror-image" electronic copies, to preserve it."

33 Late in 2008 there was an exchange of correspondence between counsel seeking additional production from the plaintiff. Counsel for the plaintiff agreed to produce some documents, but for the most part, responded that either there were no further documents of the type sought by counsel for Mr. Levant or the information sought was "irrelevant and will not be produced".

34 In 2009 Mr. Levant's present counsel sought production again of a number of documents. Counsel for Mr. Warman acknowledged the relevance of documents relating to the Hateful Posting, and the Klatt report.

35 Counsel again advised that a number of the other categories of documents sought did not exist or were irrelevant to the issues in this action.

VI. The Range of Information Sought

36 As noted above, counsel for Mr. Warman confirmed on the argument of this motion that it was his then present understanding that no other computers were used by Mr. Warman during the time in question which might have any evidence of categories of logs or posts that ought to be produced.

37 Counsel for the defendant asserts that the other aliases need to be reviewed because if these other persona are not of the computer hard drive at this time, a question arises as to where are they and whether there is in fact on the balance of probabilities another machine somewhere else.

38 Counsel for the defendant points out that a great deal of effort was made to plead their case with particularity. They further assert that if they are not given the access they desire that they are concerned that they will have a severe limitation placed upon their defence of the claim.

VII. Materials on Motion

39 Perhaps partly as a result of the prohibition of cross examination in this case, the parties instead exchanged a sequence of affidavits, each disputing the opponent's previous positions and arguing their own.

40 These extracts from one of Mr. Levant's affidavits are illustrative:

- "9. I have strong concerns regarding the protection of freedom of speech, even if it is offensive or hateful. I also believe that allowing investigative techniques that approach or in fact cross the line into entrapment to lure people into making statements that would be actionable by human rights commissions are an abuse of the commissions' process and should not be allowed to continue.
10. I believe that I have the right to express these opinions. To ensure that I do not overreach in expressing these opinions, I have engaged reputable lawyers in several provinces to advise me on the limits of freedom of speech in Canada. I am also mindful of my own obligations as a lawyer called to the bar of Alberta -- I am careful not to post or otherwise publish material that would contravene the Law Society of Alberta's Code of Professional Conduct.

My publication of the Notice of Libel in this matter

11. When I received Mr. Warman's Notice of Libel in this matter, I published it on my blog, as I believe that the conduct of this action should be as open and transparent as possible, in accordance with the "open courts" principle. However, I am also mindful of my obligations as a litigant, particularly with regards to the protections given privileged documents, or those obtained subject to the "deemed undertaking" rule. As a responsible defendant and as a lawyer I take these protections seriously and abide by them.
12. On my blog I have been seeking contributions to assist me in funding my defence in this lawsuit, as I am not wealthy, and so I also post public documents from this action in order to seek money from contributors. Once again, I have always abided by my obligations both as a litigant and a lawyer, and have never posted documents that are subject to privilege or protected by other rules of court."

41 Mr Levant further argues with respect to this motion for production:

- "14. Of particular importance to this lawsuit are records on Mr. Warman's computer relating to his use of false personas (as described in paragraphs 8-9 above). Mr. Warman has admitted under oath that he became a member of several neo-Nazi organizations and, while using false online identities, published hundreds of comments on neo-Nazi websites. Mr. Warman's comments were often of a racist,

sexist, homophobic and anti-Semitic nature.

15. This conduct is all the more controversial given that Mr. Warman published these comments while purporting to be an "anti-hate" activist. It is my public interest journalism about this controversial conduct, and my belief in the need for political and legal reform regarding human rights commissions, that is one of the central issues in this defamation suit."

42 In response to the Warman's Affidavit, dated February 3, 2010, Mr. Levant deposes:

"27. In paragraph 63, Mr. Warman states that he has searched his records and provided relevant documents. Yet his own forensic expert acknowledges there are thousands of apparently relevant files on his computer, relating to his conduct in bringing his CHRC complaints. Mr. Warman has even specified other seemingly relevant items on that computer including e-mails from one of his aliases (Aubrack) and an e-mail exchange with me some five years ago. He has acknowledged having eight feet of CHRC documents that presumably contain records of his methods. Yet he has not produced any of those documents"

"29. In paragraph 65, Mr. Warman claims I demand access to his "entire hard drive and vast quantities of other material". That is not accurate. I seek only the limited categories of information outlined in Ms. Lee's affidavit of January 28, 2010, all of which is clearly rooted in specific paragraphs of the pleadings in this case. Those documents are not difficult to provide -- Mr. Warman already indicates he has his CHRC files in order and we know the whereabouts of the computer."

43 I note as well that Mr Levant specifically asserts:

"30. Contrary to Mr. Warman's suggestion in paragraph 2, I have no desire to see any records from Mr. Warman's computer that are unrelated to his lawsuit against me. My interest is only those records that are relevant to the pleadings"

VIII. What Does Proportionality Require?

44 In argument counsel for Mr. Levant pointed out that the role of pleadings is to define the issues. As well, he noted that the statement of defence was not moved against, and there was no motion brought to assert that the pleading was, improper or to strike out any allegedly non-relevant portions.

45 On the other hand, I am concerned both that this is a proceeding commenced under the simplified procedure rules, and as well as the requirement for a "proportionate" order in this case.

46 Here a Simplified Procedure action is brought for an apology and damages of no more than \$50,000. One of ten defendants delivers a 36 page defence containing 145 paragraphs and moves

for an extensive analysis of a computer hard drive. What directions are "proportionate" in such circumstances?

47 In reaching an answer to that question I have endeavoured to consider the impact of the newly specified requirement for "*proportionality*" as set out in Rule 1.04:

General Principle

1.04(1) These rules shall be liberally construed to secure the just, most expeditious and least expensive determination of every civil proceeding on its merits.

(1.1) In applying these rules, the court shall make orders and give directions that are proportionate to the importance and complexity of the issues, and to the amount involved, in the proceeding.

48 In *Access to Justice* in 1995 Lord Woolf noted in a chapter entitled "The role of the courts and the parties in the conduct of civil litigation":

"1. The overall aim of my Inquiry is to improve access to justice by reducing the inequalities, cost, delay and complexity of civil litigation and to introduce greater certainty as to timescales and costs. My specific objectives are:

- (a) to provide appropriate and proportionate means of resolving disputes;
- (b) to establish "equality of arms" between the parties involved in civil cases;
- (c) to assist the parties to resolve their disputes by agreement at the earliest possible date; and
- (d) to ensure that the limited resources available to the courts can be deployed in the most effective manner for the benefit of everyone involved in civil litigation."

49 How do I best establish the appropriate and proportionate means of resolving this specific dispute, to endeavour to ensure that the limited resources available to the courts and the appropriate degree of investigation by the parties may be deployed in the most effective manner for the benefit of everyone involved with a view to having the dispute resolved at the earliest possible date.

50 The world is changing. I have looked for guidance on this issue not only to England but also to the courts of the United States.

IX. "Proportional Discovery: Making It The Norm, Rather Than The Exception"

51 The above heading is the title of an article by Gordon W. Netzorg & Tobin D. Kern which appeared earlier this year, in Volume 68 of the *Denver University Law Review*. The lead author is a past president of the Colorado Trial Lawyers Association and a member of the American College of Trial Lawyers Task Force on Discovery. The extracts that follow, while omitting the numerous footnotes, nevertheless give a clear exposition of their view of the problems that have existed with the discovery process.

52 The situation they describe sounds all too familiar:

Our discovery system is broken. It is broken because the standard of "broad and liberal discovery," the hallowed principle that has governed discovery in the U.S. for over seventy years, has become an invitation to abuse. Only the most well-heeled litigants can afford to bring or defend a case that is likely to generate significant discovery, as most cases in this electronic age do. Until the default is reversed from "all you can eat" discovery to proportional discovery geared to the needs of the case, as the rules already contemplate, the courthouse doors will remain closed to legitimate cases that the average citizen cannot afford to bring or defend.

53 The article argues the long established "broad and liberal" discovery long permitted under the U.S. Federal Rules is no longer suited to the current litigation environment:

"Forty years later, much has changed. With the emergence of the information society, sentiments among the bench and bar towards discovery have shifted dramatically. Judges and litigants now routinely describe modern discovery as a "morass," "nightmare" "quagmire," "monstrosity," and "fiasco." If this is how judges and practitioners describe modern discovery, imagine the disdain of the parties themselves whose interests the system is supposed to protect and serve through a "just, speedy, and inexpensive" resolution of disputes. In 2008, the American College of Trial Lawyers ("ACTL") Task Force on Discovery joined with the Institute for the Advancement of the American Legal System ("IAALS") to survey members of the ACTL on the role of discovery and any perceived problems in the United States civil justice system. Nearly 1,500 ACTL members responded, speaking with an average thirty-eight years of experience in civil litigation and with nearly equal representation of plaintiffs and defendants. An overwhelming majority of the survey participants reported that discovery has become an end in itself -- a costly weapon used to "bludgeon" parties into settlements. The participants commented that attorneys, rather than clients, "drive excessive discovery." Forty-five percent of them believed that discovery is abused in "almost every case" and fifty-three percent believed that changes to the

discovery rules since 1976 have *not* curbed the abuse."

54 They go on to observe:

The Task Force Survey further revealed a widespread belief that radical changes to the system are necessary, rather than continued tinkering with the existing rules. Participants complained that "[w]e have sacrificed the prospect of attainable justice for the many in the interest of finding that one needle in the ... haystacks," and that "[t]he total lack of control of discovery ... is killing civil litigation?"

55 So what is to be done?

56 If the system is broken, the report concludes, then it is time to reverse the default discovery rule to one of "proportionality". In other words, it is time to stop tweaking the rules and change the default from "everything is discoverable" to "you only get what you need." Discovery has become the tail wagging the dog in many (if not most) civil cases, resulting in "unacceptable delays and prohibitive expense."

57 Of particular relevance to this case is their observation:

Judicial attitudes toward the discovery process and the resolution of discovery disputes show similar frustration and despair, particularly as electronic information proliferates. Judges now must moderate and determine a whole host of e-discovery disputes, including where such information 'resides, in what format, in whose possession, on what fixed or mobile device, in live, "deleted," or archived status, on whose server, and on what type of system. And that is just the start. Judges then must sort through issues such as the existence and relevance of "metadata," alteration and manipulation of electronic information, and the benefits and burdens of allowing or forbidding forensic examinations.

58 While there clearly were limitations on discovery under our previous *Rules of Civil Procedure*, the change from "relating to" a matter in issue to "relevant to" a matter in issue, I believe signals an expectation that no longer expects "broad and liberal" discovery in Ontario. My view that this sea change is not yet obvious in practice is, I believe, partly due to the amendments still being relatively recent.

59 It is hard to argue with the observation:

"In practice, however, those protections lie dormant, or are made subservient, to the default rule in favor of virtually unlimited discovery. Unless and until the responding party can muster a specific objection to a particular discovery request, with sufficient evidence to back it up, any and all relevant information

must be produced. The real burden, in practice, remains upon the party resisting discovery. The bar is set so high on the resisting party that the default rule in favour of virtually unlimited discovery of any relevant fact routinely prevails."

60 That attitude is reflected in this case in the following extract from a reported posting by Mr. Levant, set out in full in paragraph 199 below:

"I'm a prospective defendant in a legal action. That doesn't just give me political and media authority to criticize them, it gives me tremendous legal tools to go after them, too. I mean, just stop for a moment to consider all of their internal documents I'll have access to in discoveries. Media pundits don't have access to hundreds of internal e-mails or memos. Defendants in defamation lawsuits do. **It's going to be a feast**" [my emphasis]

61 The American authors argue:

"The default rule, therefore, should be reversed: relevant facts should be discoverable *only in proportion to the specific claims and defenses in dispute*, as determined by the judge at an early case management conference using factors such as those set forth in Rule 26(b)(2)(C), and no further discovery of facts should be allowed without a showing of good cause." Under this reverse default rule, the ability to show relevancy is not the dominating test; as experience has shown, "relevancy" is not much of a test at all. Instead, the dominating factor under the new rule is whether requested discovery passes a threshold, common sense, cost/benefit analysis under established proportionality factors.

.....

In short, the "strong preference for broad production" continues to dominate. **So too does the presumption that the responding party must pay the way of his inquisitive opponent, whether or not the information sought is in paper or electronic repositories, live or archived, measured in bankers boxes or in gigabytes.**

Conversely, limitations on discovery are rarely enforced absent a specific, fact-supported challenge mounted by the resisting party. Courts with crowded dockets seem to prefer -- or are simply more accustomed to -- resolution of discovery disputes by an itemized analysis of each disputed discovery request and the sufficiency of the specific objection. Still largely missing is any assessment of whether the discovery sought is proportional in its broader context,

considering the needs of the case, the amount in controversy, the significance of the issues, and the resources of the parties" [my emphasis]

62 Certainly in the past it was not uncommon to hear in Ontario views expressed similar to these:

"Perhaps creation of a disincentive to sue from the threat of massive discovery is the whole point, from a defendant's perspective. Intentional or not, massive discovery sends a message to the next potential plaintiff. And, to be fair, plaintiffs and their counsel are equally incentivized by the current discovery system to use the threat of costly, invasive, and time-consuming discovery to cause defendants to settle cases quickly for substantial payment rather than pursue valid defenses. That is not a fair system. That is a system where the party able to launch the most aggressive and far-reaching discovery campaign prevails, regardless of how the law applies on the merits."

63 That is not my vision of a fair, right or just civil litigation system.

64 In my view, we need to look as well at the signal (admittedly still being interpreted by ongoing cases) contained in rule 31.05.1, which establishes the new basic time limitation in "regular" cases on examinations for discovery of seven hours per party. As well, Rule 76.04 (2) establishes a two hour limit for simplified procedure cases. To date not many motions have reached the courts on issues arising in practice from the implementation of what I regard as additional proportionality implementation tools.

XI. Towards a new Default Rule

65 I agree with the view of Netzorg and Kern that the default rule for discovery should start with proportionality, and "a recognition that not all conceivably-relevant facts are discoverable in every case." Proportionality factors are already a part of our discovery rules. However to date our profession has been provided with limited guidance in this area.

66 U.S Federal Rule of Civil Procedure 26(b)(2)(C) provides:

On motion or on its own, the court must limit the frequency or extent of discovery otherwise allowed by these rules or by local rule if it determines that:

- (i) the discovery sought is unreasonably cumulative or duplicative, or can be obtained from some other source that is more convenient, less burdensome, or less expensive;
- (ii) the party seeking discovery has had ample opportunity to obtain the information by discovery in the action; or
- (iii) the burden or expense of the proposed discovery outweighs its

likely benefit, considering the needs of the case, the amount in controversy, the parties' resources, the importance of the issues at stake in the action, and the importance of the discovery in resolving the issues.

67 Reversing the default rule means proportionality would replace relevancy as the most important principle guiding discovery. Relevancy would remain a threshold requirement, but would not be a license to obtain discovery regardless of the burden or expense imposed on the opponent if the costs of discovery outweigh the likely benefit.

68 Until proportionality becomes the accepted guiding principle, virtually unlimited discovery may well continue unless and until the responding parties convince the court to actually apply the proportionality factors.

69 In 2009, the ACTL and IAALS, following their eighteen-month joint project and survey on discovery, developed "Pilot Project Rules" designed to encourage the discovery reforms.

70 In the Institute for the Advancement of the American Legal System's, report, *21st Century Civil Justice System: A Roadmap For Reform: Pilot Project Rules 2 (2009)* they proposed the following:

Rule 1.2. At all times, the court and parties must address the action in ways designed to assure that the process and the costs are proportionate to the amount in controversy and the complexity and importance of the issues. The factors to be considered by the court in making a proportionality assessment include, without limitation: needs of the case, amount in controversy, parties' resources, and complexity and importance of the issues at stake in the litigation. This proportionality rule is fully applicable to all discovery, including the discovery of electronically stored information.

71 The suggested rule, realistically recognizes that trial lawyers, acting as zealous advocates for their clients, are only likely to end the tug-of-war over relevancy and instead focus upon proportional discovery when they are forced to do so. The suggested rule is perhaps an indirect concession that long-standing judicial calls for "cooperation" and "collaboration" among opposing parties and counsel. [see Farley, J. *passim*] Hopes for more "reasonable lawyers" are at best inconsistent with the aggressive, zealous representation that lawyers strive to give their clients-and at worst naive. Historically opposing counsel are not companions in the discovery process. Unless required by the rules to jointly devise a plan of proportionate discovery, mandated by the court if necessary, lawyers will simply continue costly and time consuming battles over the scope of "relevant" information to be exchanged.

72 A reading of the new Ontario provision in Rule 29.2 headed "*Proportionality in Discovery*" makes clear the consistency of approach in both jurisdictions. I have considered the directions

contained in these extracts from the rule:

APPLICATION

29.2.02 This Rule applies to any determination by the court ... as to whether a party or other person must answer a question or produce a document:

29.2.03(1) In making a determination as to whether a party or other person must answer a question or produce a document, the court shall consider whether,

- (a) the time required for the party or other person to answer the question or produce the document would be unreasonable;
- (b) the expense associated with answering the question or producing the document would be unjustified;
- (c) requiring the party or other person to answer the question or produce the document would cause him or her undue prejudice;
- (d) requiring the party or other person to answer the question or produce the document would unduly interfere with the orderly progress of the action; and
- (e) the information or the document is readily available to the party requesting it from another source.

Overall Volume of Documents

- (2) In addition to the considerations listed in subrule (1), in determining whether to order a party or other person to produce one or more documents, the court shall consider whether such an order would result in an excessive volume of documents required to be produced by the party or other person.

XII. Discovery Plan

73 As of January 1, 2010 Ontario's *Rules of Civil Procedure* also included these new provisions under Rule 29.1:

DISCOVERY PLAN

Requirement for Plan

29.1.03(1) Where a party to an action intends to obtain evidence ... the parties to the action shall agree to a discovery plan in accordance with this rule:

- (2) The discovery plan shall be agreed to before the earlier of,
 - (a) 60 days after the close of pleadings or such longer period as the parties may agree to; and
 - (b) attempting to obtain the evidence.

Contents

- (3) The discovery plan shall be in writing, and shall include,
 - (a) the intended scope of documentary discovery under rule 30.02, taking into account relevance, costs and the importance and complexity of the issues in the particular action; ...
 - (c) information respecting the timing, costs and manner of the production of documents by the parties and any other persons;
 - (d) the names of persons intended to be produced for oral examination for discovery under Rule 31 and information respecting the timing and length of the examinations; and
 - (e) any other information intended to result in the expeditious and cost-effective completion of the discovery process in a manner that is proportionate to the importance and complexity of the action.
Principles re Electronic Discovery

- (4) In preparing the discovery plan, the parties shall consult and have regard to the document titled "The Sedona Canada Principles Addressing Electronic Discovery" developed by and available from The Sedona Conference.

74 The rule also establishes duties and responsibilities of counsel with respect to such plans:

Duty to Update Plan

29.1.04 The parties shall ensure that the discovery plan is updated to reflect any changes in the information listed in subrule 29.1.03(3).

Failure to Agree to Plan

29.1.05 On any motion under Rules 30 to 35 relating to discovery, the court may refuse to grant any relief or to award any costs if the parties have failed to agree to or update a discovery plan in accordance with this Rule.

75 *The Lawyers Weekly* contained in its June 25, 2010 edition a "Focus on Personal Injury". One of the featured articles was headed "Why discovery plans add unnecessary complications."

76 In the article the view is expressed that such plans have added an unnecessary complication "making the discovery process more acrimonious, costly and cumbersome."

77 The story reports:

"The requirement for a discovery plan presents a strategic opportunity for counsel to complicate the discovery process in advance. Some lawyers have proposed discovery plans which unreasonably restrict the documentary and oral discovery of their client, while insisting on payment of all their discovery expenses. Inevitably, there is no agreement on such discovery plans. What ensues or counter-proposals, strongly worded letters, a lack of agreement, and unnecessary expense and complication even before the discovery process.

.... it may be that keeping a discovery plan up to date could consume nearly as much time and expense as the discovery process itself."

78 The author describes his own experience and an informal survey of his colleagues practicing in the area of personal injury, and notes that "many lawyers after a good-faith effort at creating and agreeing on discovery plans have largely abandoned the process of nurturing this new creature of the rules as too cumbersome, costly and unnecessary."

79 As a result it is reported that Rule 29.1 has been largely ignored in practice. "There can be no clearer commentary on the rule than the general consensus of disregarding it."

80 Certainly there have been few, if any, reported decisions to date dealing with discovery plans. The expectation certainly was not that such plans would not be implemented. The foregoing discussion on proportionality and the need for a resolution between the parties with respect to a more appropriate level of disclosure perhaps may assist in redirecting the attention of counsel to

what I believe was the underlying intention with respect to reducing cost and time incurred as a result of the previous discovery system in Ontario.

81 In the U.S. this process still seems to be at an early stage. Netzorg notes that building upon the proportionality factors of Rule 26(b)(2)(C) and the work of the Sedona Conference, "some federal courts are slowly beginning to enforce proportionality guidelines against litigants-albeit primarily in the context of electronic discovery."

82 In *Rowe Entertainment, Inc. v. William Morris Agency, Inc.*, 205 F.R.D. 421 (S.D.N.Y. 2002) for example, U.S. Magistrate Judge James C. Francis IV developed an eight-factor proportionality test for e-discovery that supplemented Rule 26(b)(2)(C). The eight factors identified by him, which I adopt, are:

- (1) the specificity of the discovery requests;
- (2) the likelihood of discovering critical information;
- (3) the availability of such information from other sources
- (4) the purposes for which the responding party maintains the requested data
- (5) the relative benefit to the parties of obtaining the information;
- (6) the total cost associated with production;
- (7) the relative ability of each party to control costs and its incentive to do so; and
- (8) the resources available to each party.

83 My disquisition on this subject may appear the antithesis of proportional to the subject matter of this specific case. Nevertheless it is clear that the issues raised here will be re-visited in many more cases over the years and I simply have grasped the nettle that presented itself.

84 The time has come to recognize that the "broad and liberal" default rule of discovery, has outlived its useful life. It has increasingly led to unacceptable delay and abuse. Proportionality by virtue of the recent revisions has become the governing rule. To the extent that there remains any doubt of the intention of the present rules I see no alternative but to be explicit.

85 Proportionality must be seen to be the norm, not the exception -- the starting point, rather than an afterthought. Proportionality guidelines are not simply "available". The "broad and liberal" standard should be abandoned in place of proportionality rules that make "relevancy" *part* of the test for permissible discovery, but not the starting point.

86 If embraced by the courts, parties and their counsel, such proportionality guidelines offer hope that the system can actually live up to the goal of securing for the average citizen, "a just, speedy and inexpensive determination" of his or her case.

XIII. Issues and Law

87 Against that background, I come to a consideration of the following specific issues relevant to

the within motion:

Has the plaintiff satisfied his obligation to produce all documents in his possession, control or power that are relevant to the within proceedings; and, if not,

Is the moving party entitled to cross-examine the plaintiff on his affidavit of documents?

Is the defendant entitled to have access to all electronic documents and information on the plaintiff's personal computer, in the form of a mirror image of the hard drive?

In the alternative, is the defendant entitled to have an "agreeable" expert witness examine the plaintiff's hard drive from his personal computer to look for documents the defendant says are relevant to this proceeding?

88 My consideration of these issues must include an examination of the peculiarities of libel actions. For example, to what extent can a defendant claim that the plaintiff's reputation is already damaged due to prior conduct and that the plaintiff should therefore receive only nominal damages? Should the documentary discovery process be available to assist a defendant in making such an argument?

89 Similarly I am concerned as to the extent to which a defendant can frame a perhaps overly broad defence, in order to attempt to force disclosure either to support their defence of justification or to establish the bad character of the plaintiff, in order to mitigate or reduce the value of the plaintiff's reputation and therefore reduce the award of damages that may ultimately be ordered.

(a) Production of Electronic Documents/Hard Drive

Is Mr. Warman entitled to have access to all electronic documents and information on the plaintiff's personal computer, in the form of a mirror image of the hard drive?

90 Various statutory provisions address the production of a broad range of electronic data and information. Rule 1.03 of the *Rules of Civil Procedure* defines "document" as including "data and information in electronic form". Pursuant to rule 30.01(1)(a) of the *Rules of Civil Procedure* the definition of document further includes "data and information recorded or stored by means of any device". Finally, section 31.8 of the *Canada Evidence Act* defines an electronic document or record

as "data that is recorded or stored on any medium in or by a computer system or other similar device, that can be read or perceived by a person or a computer system or other similar device." These definitions include documents stored on a computer's hard drive.

91 In *Nicolardi v. Daley* [2002] O.J. No. 595; [2002] O.T.C. 129, Master Dash dealt with a motion for production the computer hard drive of the defendant solicitors for inspection where the client had brought an action against the solicitors arising out of their representation of the plaintiff in a personal injury action. Following an earlier motion the computer apparently was discarded in error by the solicitors. The headnote on the subsequent costs thrown away application notes in part:

The motion to compel inspection of the computer would not have failed even if there had been no error. Almost every document in the solicitors' file would have had a semblance of relevance to the action and would therefore have been producible. Relevant documents which had been purged from the computer were required to be included in Schedule C of the solicitors' affidavit of documents. There was specific evidence of the non-disclosure of relevant documents, such as memos and letters, which could have supported the client's allegations. The solicitors were aware, even before the computer was discarded, of the client's allegations that specific documents had not been produced.

92 Nevertheless Master Dash addressed as well the limitation under the previous rules upon the production of hard drives:

"33 It is not sufficient for a client to say in the course of a lawsuit, "I believe there are more documents," or "it appears to me that documents are being hidden." That would be no more than a fishing expedition. There must be specific evidence of non-disclosure. This is an unusual case. Mr. Nicolardi has, since he first received his file from his former solicitor in January 1996, put his solicitor on notice of specific documents not produced. He has maintained that position throughout the *Nicolardi v. Dhillon* action, and in this lawsuit. Some of the missing documents of course would not reside on the firm's computers, such as expert reports, OHIP summaries and correspondence from Dhillon's solicitors. However, it is likely that letters to the experts, letters to OHIP, and letters to Dhillon's solicitors would have been created on the firm's computers, and unless the computers were discarded or the documents irretrievably deleted, would continue to reside electronically on the firm's computers. It is unknown whether memos of conversations between Fanjoy and either Nicolardi or Dhillon's solicitors, and memos to file were created, and if so, whether created on the computer or by handwriting.

34 ..., I do not believe that the motion for production of the computer for

examination was merely a fishing expedition. I find that sufficient evidence has been produced to satisfy me of a real likelihood that documents which were not disclosed or produced by the defendants in this action either exist, or may once have existed, on the firm's computers. I further find that such documents would have a semblance of relevance to the issues in this action. Firstly, the failure to produce correspondence with experts may have hampered Nicolardi's prosecution of the action at the Nicolardi v. Dhillon trial, and missing memos and correspondence may provide evidence of the solicitor's negligence or failure to follow the instructions of his client with respect to settlement and with respect to the adjournments that were allegedly made without the plaintiff's consent. As Mr. Searles candidly puts it, he claims he has a right to see if there is a "smoking gun." I do not determine whether in fact such documents actually existed, or that if they did exist, they would have provided evidence in support of the plaintiff's allegations. I have determined only that sufficient evidence has been proffered to demonstrate a real likelihood that the documents probably once existed and have not been produced, and they are documents that have a semblance of relevance to the issues as framed in this action.

93 I feel *Nicolardi* is, to a degree, able to be distinguished from the present motion. Master Dash stated the case before him was unusual and that actions in which such an inspection will be ordered are likely to be rare. Nevertheless, a computer inspection will be ordered only if the evidence presented convinces the court of a real likelihood that documents not disclosed in the affidavit of documents exist. That said, it is not sufficient for a moving party to say "I believe there are more documents" or "it appears to me that documents are being hidden".

94 In *Nicolardi*, the court ordered that a data recovery expert would recover only documents relevant to the matter in question. An undertaking would be required that the expert, the plaintiff and his solicitors not review, retain or disclose unrelated documents. The plaintiff convinced the court that relevant documents which existed had not been disclosed. Even on the face of this convincing evidence, the court did not order the production to the plaintiff of a mirror copy of the hard drive. Rather, the court ordered that a data recovery expert recover solely the relevant documents from the hard drive.

95 *Vector Tech Transportation Services Inc. v. Traffic Tech Inc.* [2008] O.J. No. 1020 (Master) was also decided by Master Dash. In that action, Vector Tech Transportation Services Inc. alleged that the defendant, a former employee of the company, breached his contractual obligation by soliciting Vector's clients for Traffic Tech.

96 The plaintiff brought a motion for an order that the defendant produce his personal laptop to an expert who would inspect the computer exclusively for e-mails containing names of the plaintiff's clients or customers. The defendant claimed that the e-mails were deleted. He also claimed that he did not do a forensic search of his computer's memory, as the basis for not

producing those emails in his affidavit of documents. The general issue to address was whether a court should order the inspection of a party's computer to determine whether relevant deleted documents could be recovered.

97 Master Dash concluded that it was likely that Mr. Cox sent e-mail messages to clients given his admitted use of his personal computer for business purposes. Since the e-mails were relevant to the action, the court ordered that the computer be inspected by a forensic data recovery expert to retrieve those deleted emails. The parameters of the inspection were carefully defined and it is relevant to observe that the plaintiff was willing to pay for the costs of the inspection.

98 In dismissing the appeal in *Vector Transportation Services Inc. v. Traffic Tech Inc.* [2008] O.J. No. 1020; 58 C.P.C. (6th) 364; 2008 CarswellOnt 1432, Mr. Justice Perell considered the role of proportionality under the previous rules and the proper interpretation of rule 30.06:

"15 From this discussion, to the extent that there is an applicable rule that would govern the immediate case, it is rule 30.06, which provides that if the court is satisfied "by any evidence" that a relevant document in a party's possession, control or power may have been omitted from the party's affidavit of documents, the court may order the disclosure or production for inspection of the document. I do not think what Master Dash said in paragraph 29 about a party "on proper evidence" convincing the court that "documents that have not been produced are likely stored on a computer's hard drive or other electronic storage medium" was meant to add to the provisions of rule 30.06.

16 Read literally, rule 30.06 sets a low threshold and applied to the circumstances of the case at bar, it cannot be said that Master Dash erred in ordering the inspection of the computer."

99 In his reasons Justice Perell considered the British Columbia case of *Desganage v. Yuen*, [2006] B.C.J. No. 1418 (B.C.S.C.), which he described as "very helpful judgment because it contains a discussion of many cases and it explores the breadth of the problem of the production of electronic documents."

100 While riding a bicycle, the plaintiff was struck by an automobile and she claimed to have suffered a brain injury and chronic pain leading to a permanent disability. The defendant sought production of electronic evidence including:

- (a) the hard drive from the plaintiff's home computer to search for document files, metadata relating to computer usage, and history of visits to web sites by the plaintiff;
- (b) the plaintiff's palm pilot; and
- (c) her video game unit.

101 Considering this case under the previous test of "semblance of relevancy" Justice Perell observed:

22 The nature of the requests demonstrates how the innovations of technology combined with the ingenuity of advocates can yield an infinite class of information that might satisfy the test of a semblance of relevancy. For instance, in *Desganage v. Yuen*, the defendant wanted access to the game unit to assess the plaintiff's cognitive abilities post-accident.

23 In *Desganage v. Yuen*, Myers, J. dismissed the defendant's motion. In the particular circumstances of the case, Myers, J. concluded that the defendant was all or any of: (a) fishing for information that might be relevant; (b) seeking information without having demonstrated its relevancy; or (c) seeking information that did not have significant probative value and whatever value it had was outweighed by competing interests.

24 The court in *Desganage v. Yuen* was aware that the value of disclosure could be overborne by other values including privacy, access to justice, and the fair and efficient use of scarce resources in the administration of justice. Myers, J. appears to have accepted that the court retains an element of discretion and may refuse disclosure where information is only of minimal importance but the search for it might compromise other important values.
[my emphasis]

102 Perell, J. also addressed the impact of *The Sedona Canada Principles* which recognize that when considering disclosure requests and standards for disclosure, the court should balance a variety of factors:

"Principle 2 advances a rule of proportionality. It states:

In any proceeding, the parties should ensure that steps taken in the discovery process are proportionate, taking into account (i) the nature and scope of the litigation, including the importance and complexity of the issues, interest and amounts at stake; (ii) the relevance of the available electronically stored information; (iii) its importance to the court's adjudication in a given case; and (iv) the costs, burden and delay that may be imposed on the parties to deal with electronically stored information."

103 I found his reference to the commentary under Principle 2 particularly helpful:

The rule of proportionality is a reaction to delays and costs impeding access to justice.

The widespread use of computers and the internet has created vast amounts of electronically stored information, making the cost and burden of discovery exponentially greater than it was in the "paper" world. Even a case involving small dollar amounts and straightforward legal issues can give rise to significant volumes of electronically stored information. Litigants should take a practical and efficient approach to electronic discovery, and should ensure that the burden of discovery remains proportionate to the issues, interests and money at stake. Without a measured approach, overwhelming electronic discovery costs may prevent the fair resolution of litigation disputes. Parties should generally plan for the e-discovery from the outset with a view to analysing the potential costs of e-discovery, the means of controlling such costs and what process might best achieve proportionality.

Costs extend beyond recovering or making electronic documents available in readable form, searching documents to separate the relevant material from the irrelevant material, reviewing the documents for privilege, and producing the documents to the other party. Non-monetary costs and other factors include possible invasion of individual privacy as well as the risks to legal confidences and privileges. Electronic discovery can overburden information technology personnel and consume organizational resources.

Courts frequently balance the costs of discovery with the objective of securing a just, speedy and inexpensive resolution of the dispute on the merits. Courts have not ordered production of documents where the parties have demonstrated that the costs of producing documents or the adverse effect upon other interests such as privacy and confidentiality outweighs the likely probative value of the document.

104 I note as well that decisions in other provinces have as well held that a mirror image of a hard drive is generally not subject to production.

105 In the 1996 British Columbia case *Northwest Mettech Corp. v. Metcon Service Ltd.* [1996] B.C.J. No. 1915, Northwest brought an action against a former employee of Northwest and his subsequent employer, Metcon for breach of confidentiality concerning the design of a patented invention. The plaintiff requested production of the hard drive of the defendant's home computer since he had admitted using that computer to produce some drawings alleged to be in breach of the

patent. The defendants took the position that they already disclosed all the relevant documents in their affidavit of documents.

106 The defendants were not required to list the entire contents of the hard drive nor required to produce their entire electronic filing. The plaintiffs were solely entitled to the relevant electronic data stored on the hard drive. The court ordered that the defendants provide an affidavit listing all of the computer files on the hard drive which related to the matter in issue.

107 In the 2008 decision, *Innovative Health Group Inc. v. Calgary Health Region* [2008] A.J. No. 615 (C.A.), the Calgary Health Region alleged possible fraud by Innovative with respect to their billing practices. A motion by the defendant was brought for an order compelling the appellant to file a new affidavit of records, and ordering the production of copies of their business hard drives.

108 The Court of Appeal stated that by its very nature, a computer hard drive will inevitably contain a good deal of stored data that is neither relevant nor material to a lawsuit and which contains information that is private or confidential and ought not to be produced.

109 In *Innovative Health Group Inc.*, the appellate court held that while relevant and material information stored on a computer hard drive was subject to production, a hard drive itself was not. That said, the court noted that in exceptional circumstances a court could order the production of a hard drive for examination by an expert, on appropriate terms, but only where the evidence established that a party was intentionally deleting relevant and material information. In other words, the court stated that when it is deemed appropriate to order the production of a hard drive on the basis of convincing evidence, measures must be taken to protect the disclosure of irrelevant and immaterial information which the producing party objects to produce.

110 The Court of Appeal did not order the production of the hard drive in that case stating that the producing party will determine what is relevant and that on the basis of the evidence before the court, there was no reason to allow the defendant to look at all the stored information in its search for what was relevant.

111 Should Mr. Levant not be entitled to the disclosure of any other documents on Mr. Warman's hard drive to determine information other than whether or not Mr. Warman is the author of the Hateful Posting?

112 In my view the appropriate application of the requirements of proportionality as set out in *Rowe Entertainment, Inc. v. William Morris Agency, Inc.*, [supra para 82] as well the risk that the information is being sought for collateral uses and the overriding fact that the plaintiff elected to limit his claims in order to seek a *simplified* and economical proceeding dictates that a tight limitation on the nature and extent of any access to the subject hard drive should be directed.

113 For example I regard documents relating to complaints made by Mr. Warman in relation to publication, including all those where Mr. Warman threatened litigation are irrelevant or at least of

marginal relevancy to the plaintiff's claim.

114 In my view to a large extent in this case the only relevant information to the plaintiff's libel claim on Mr. Warman's hard drive would be files which establish whether he was the author of the Hateful Posting. Mr. Warman has produced an expert report which opines that his computer was not used to author the Hateful Posting.

115 In many ways the plaintiff really seeks simply an acknowledgement of error and an apology. I do not see how the defence of the claims to those remedies entitles the defendant to rely on a mitigation based defence to seek to hamper the efforts of the plaintiff to obtain these major elements of the relief sought.

(b) Metadata

116 Master Sproat in *Hummingbird v. Mustafa*, 2007 CanLII 39610 observed:

9. While there was no evidence as to the precise nature of metadata, it seems to me that metadata is "data and information in electronic form". *Hummingbird* has determined that certain of the documents located on the hard drive and certain of the metadata was relevant. In my view, once *Hummingbird* has determined that a particular document is relevant, the metadata in relation to such document should be produced. In my view, the metadata is akin to a "time/date stamp" affixed to a letter or the "fax header" that indicated the time/date of faxing and receipt.

117 Now some three years later <http://www.forensicswiki.org/wiki/Metadata> provides the following summary:

Metadata is data about data. Metadata plays a number of important roles in computer forensics:

It can provide corroborating information about the document data itself.

It can reveal information that someone tried to hide, delete, or obscure.

It can be used to automatically correlate documents from different sources.

Since metadata is fundamentally data, it suffers all of the data quality and pedigree issues as any other form of data. Nevertheless, because metadata isn't generally visible unless you use a special tool, more skill is required to alter or otherwise manipulate it.

118 The site addresses as well some kinds of metadata that are of interest in computer forensics:

File system metadata (e.g. MAC times, access control lists, etc.)

Digital image metadata. Although information such as the image size and number of colors are technically metadata, JPEG and other file formats store additional data about the photo or the device that acquired it.

Document metadata, such as the creator of a document, its last print time, etc.

119 Mr Levant argues that the plaintiff has admitted to making racist Internet postings using false personas and has stated that there may be relevant documents on the computer but refuses to produce them, saying that any such documents will only be produced as part of an expert report. Mr. Levant submits this is evidence of a real likelihood that relevant documents are missing from the plaintiffs productions, including metadata, residual data and electronic identifiers from the plaintiffs hard drive, as well as electronic documents or pieces of such documents.

120 His counsel thus asserts that an expert may be able to retrieve inculpatory fragments of deleted e-mail, meta-data, residual data or other information linking the plaintiff to false personas, other than the ones to which the plaintiff as already admitted.

121 In my view the extent that metadata needs to be sought or produced is very much dependant on whether there is sufficient evidence to justify undertaking the significant effort and expense necessary to attempt to recover such information. Otherwise we may have nothing more than a fruitless fishing expedition, overlaid by a pointless data hunting trip.

122 I accept that metadata of these types may well be relevant to the determination of the central factual issues in this case. I therefore prepared to permit the expert selected to review such metadata as he or she deems appropriate in order to provide the court with the most complete information available, but *only* with respect to the specific areas identified later in these reasons.

(c) Discovery Limitations in Defamation Actions

123 Historically, additional limitations have been placed on the scope of discovery in libel actions. In *Care Canada v. Canadian Broadcasting Corp.*, [1998] O.J. No. 1532 (QL) the Master held that:

"For well over a century, the scope of the examination in a libel action has been limited. Where the defendant pleads justification, it bears an onus to prove that the words are substantially true. Where the alleged libel is general in nature and no particulars are given, a defendant may not use the discovery to find a defense

of which it was not aware at the time of pleading. The rationale for this rule was to prevent a person from defaming another and then obtain access to all his books to see whether what was said can be justified. Once a defendant has particularized the defense, it is limited at discovery and trial to the issues that have been defined by the particulars furnished."

124 I see no reason why hard drive information ought to be treated any differently than "all his books".

125 The court acknowledged that discovery had become broader with the then current discovery rules but that nonetheless, the old libel-discovery rules remained good law. The main principles arising out of *Care Canada* are that where the defendant pleads justification; he bears an onus to prove that the words are substantially true and that a defendant may not use the discovery to find a defence of which it was not aware *at the time of pleading*.

126 Mr. Levant's counsel argues that *Care Canada* does not assist the plaintiff, as it "recites the position that discovery may not be used to found a defence of which the defendant was not aware at the time of pleading.". He continues:

"Clearly Mr. Levant was aware of the defence of justification at the time of pleading -- the defence is particularized in paragraphs 34-120(a) of his Defence.

For example, Mr. Levant was aware of Mr. Warman's use of false personas on neo-Nazi sites prior to this lawsuit, and sets out this knowledge in paragraphs 48-87 of his defence. In fact, it was Mr. Levant's criticism of this practice that led in part to this lawsuit."

127 I however am not prepared to accept that the pleading of a very broad alleged justification with detailed particulars, as mirroring the situation where particulars of a specific defence are pleaded. By alleging a panoply of mitigation related defences, a party ought not to be able, as of right, to pry open Pandora's box (or hard drive).

128 In the 2004 British Columbia matter *I.B.E.W., Local 213 v. Pacific Newspaper Group Inc.*, [2004] B.C.J. No. 439, (2004), 23 C.C.L.T. (3d) 58, [reversed on other grounds, 208 B.C.A.C. 105 (C.A.)] the defendants sought the production of certain documents which were in issue in the libel action where they had pleaded justification. The British Columbia Supreme Court stated that libel defendants are not permitted to enter a generalized plea of justification and then embark on a fishing expedition through the discovery process in the hope of uncovering evidence which may buttress general allegations of facts justifying their defamatory statements. Boyd J. said the following:

In my view, it is no answer for the defendant to say that the particulars are within the knowledge of the plaintiff and then allow the defendants to engage in the

very broad, exhaustive discovery of documents they seek.

129 The higher threshold, with respect to particulars, was also applied by the Court of Appeal of Nova Scotia in the case *Kent v. Kehoe*, [2000] N.S.J. No. 3. In that case, an accounting firm for the town of Kentville brought an action against Mr. Kehoe for defamatory remarks he made in a letter to the town, which was distributed to members of the town council and the local media. Mr. Kehoe raised justification and fair comment as a defence and sought a wide-ranging discovery, including the request for numerous financial statements and files of work performed by the town's accounting firm.

130 The Court of Appeal explained that the test for production of the documents in a defamation case, as well as in any other case, is relevancy. However, the appellate court mentioned that in a defamation case, where the defendant pleads justification and/or fair comment, the particulars pleaded will limit the scope of discovery and the inspection of documents. The court explained that the rationale for this principle was to prevent a person from defaming another and then obtain access to all his books to see whether what was said can be justified. A defendant who pleads justification is taken to be possessed of facts which support the truth of justification:

"As has already been said, the defendant is only entitled to discovery if he has set out what parts of the allegedly defamatory statements are facts, the truth of which is relied upon. This derives from the longstanding policy which discourages persons from making defamatory statements about others when not possessed of facts which would support such statements."

131 In *Kent v. Kehoe*, the defendant had failed to identify with precision the facts that he would attempt to prove as true in justification. Absent such specific pleadings by the defendant, the Court of Appeal for Nova Scotia found that taking into account the special nature of a defamation action, the information sought to be discovered was not relevant under the broad general discovery rules.

132 Given the move away from "semblance of relevancy" signalled in the new *Rules* in Ontario and the necessary greater consideration of proportionality, I am not satisfied that the defendant ought to be given the broad access to all the, possibly existing, data he seeks.

(d) Mitigation defences: justification and bad character

133 As noted above, the arguments of counsel also addressed the issue of the extent a defendant in a libel action can frame a broad defence in order to force disclosure either to support their defence of justification or to establish the bad character of the plaintiff to mitigate their damages and therefore reduce the award of damages that may ultimately be ordered?

134 The defence of justification is available in appropriate circumstances. However, *Care Canada (supra)* found that a defendant cannot frame a broad defence in order to force disclosure of documents to support a plea of justification. Ontario case law requires a defendant to set forth

sufficient particulars in order to justify discovery. The general principle is that a defendant that pleads justification bears the onus to prove that the words are substantially true. A defendant may not use the discovery process to find a defence that it was not aware at the time of pleading.

135 Similarly, with respect to the defence of justification, a defendant cannot force the disclosure of documents that could establish the bad character of the plaintiff. This concept is discussed by Raymond Brown in his book *The Law of Defamation in Canada*, (second edition) at s. 22.4(2)(c). There he notes a defamatory accusation cannot be justified by evidence that the plaintiff engaged in conduct equally or more reprehensible in character, and certainly not by evidence of conduct less serious in nature. [see *Computer Operators Training Ltd. v. B.B.C.* [1973] 1 W.L.R. 424 (C.A.)]

136 Nor can justification be shown by evidence of specific acts in which the plaintiff engaged or by reference to character traits, in order to show that it was likely that he engaged in such conduct on the particular occasion at issue. [see *R. v. Newman* (1852), 118 E.R. 437]

137 The general principle is that a defendant that pleads justification bears the onus to prove that the words are substantially true. As noted in *Care Canada*, a defendant may not use the discovery process to find a defence that it was not aware at the time of pleading.

138 In the 2002 defamation case *Deep v. Toronto Star Newspaper Ltd.*, [2004] O.J. No. 3476, the defendant sought to establish a basis for its defence of truth to the libel beyond a defence based on the particular situation identified in the published article.

139 In *Deep*, the plaintiff physician brought a libel action against the Toronto Star for a published article alleging fraudulent conduct by Mr. Deep in the form of over-billing. The defendant brought a motion for the production of Mr. Deep's OHIP records for the past 10 years. Mr. Deep opposed the motion arguing that the records were not relevant to the action.

140 The Court held that the defendant's request for the disclosure was an attempt to identify other instances of apparent over-billing of which the defendant had no current knowledge. In other words, the defendant sought to establish a basis for its defence of truth to the libel beyond a defence based on the particular situation identified in the published article.

141 The defendant was not entitled to conduct a new or further investigation of suggestive over-billing with OHIP. In the court's view, the defendant was looking to conduct a classic "fishing expedition" to see whether it could identify any additional cases to support its statements in the published article. The court dismissed the motion for production.

142 A court retains the discretion to protect the plaintiff from unfairness or oppression. To that extent, in a defamation action, the plaintiff is entitled to plead and rely on one libel without risking the embarrassment of the defendant attempting to justify another.

143 In this regard the Court of Appeal, [2000] O.J. No. 228, entirely agreed with the reasons and

conclusions set out by Justice Sharpe on behalf of a unanimous Divisional Court in *Pizza Pizza Ltd. v. Toronto Star Newspapers Ltd.*, 42 O.R. (3d) 36. That case stands for the proposition that the court retains the discretion to protect the plaintiff from unfairness or oppression in relation to the production of documents that are not relevant to a proper plea of justification. To that extent, in a defamation action, the plaintiff is entitled to sue based on one libel without risking the embarrassment of the defendant will attempt to justify another.

144 In analyzing and choosing between two previous streams Sharpe J. observed:

The arguments that favour the traditional rule adopted in *Turner v. Toronto Sun*. [(1990), 50 C.P.C. (2d) 73, 5 C.C.L.T. (2d) 184] may be summarized as follows: first, the issues for discovery and trial are limited and therefore more efficiently disposed of and, second, the plaintiff should be able to sue for defamation without exposing him or herself to an unfair collateral attack on reputation.

The English Court of Appeal has departed from this traditional position. A series of decisions commencing in 1986 establish that a defendant is permitted to plead any defamatory meaning of the words in question which those words are capable of bearing for the purpose of pleading and proving that in such meaning the words are true or fair comment. The leading case is [*Polly Peck (Holdings) plc v. Trelford*, [1986] 2 All E.R. 84, [1986] 2 Q.B. 1000 (C.A.)] O'Connor L.J. identified four principles that bear upon the issue, and I think it is fair to say that these principles were accepted as common ground by counsel in the case at bar [at p. 94]:

The first principle is that where a plaintiff chooses to complain of part of a whole publication the jury are entitled to see and read the whole publication; this is unchallenged and has been the law for well over 150 years. ...

The second principle is that where a publication contains two distinct libels, the plaintiff can complain of one and the defendant cannot justify that libel by proving the truth of the other. The difficulty with this apparently self-evident proposition is in deciding whether the two libels are indeed distinct in the sense that the imputation defamatory of the plaintiff's character in the one is different from the other.

The third principle is that it is for the jury to decide what the natural and ordinary meaning of the words complained of is. This simple proposition

has become enmeshed in the question of how far the plaintiff can, by his pleading, limit the meanings which may be canvassed at the trial.

The fourth principle is that the trial of the action should concern itself with the essential issues and the evidence relevant thereto and that public policy and the interest of the parties requires that the trial should be kept strictly to the issues necessary for a fair determination of the dispute between the parties. [my emphasis]

145 I am guided by Justice Sharpe's adoption of *Polly Peck* and in particular his observation that "[i]n all cases, it is the duty of the court to see that the defendant, in particularizing a plea of justification or fair comment, does not act oppressively."

146 Justice Sharpe concludes his reasons with the these observations:

Counsel for Pizza Pizza placed heavy reliance on the proposition that the defendant should be restricted in the interest of streamlining the issues for discovery and trial. There can be no doubt that simplifying issues and making discovery and trial more efficient represents a laudable goal. It is also clear that if the modern English rule is adopted, the issues for both discovery and trial are broader. However, the interests of efficiency of discovery and trial carry little weight if achieved at the price curtailing the right of a party from presenting its entire case, particularly where fundamental rights are at issue. If it takes longer to try the whole case, so be it.

Finally, I would emphasize that the *Polly Peck* approach is a balanced one that does take into account the interests of the plaintiff. **The court retains a discretion to protect the plaintiff from unfairness or oppression.** The right of the defendant to plead and prove the truth of a different meaning is not unfettered. The defendant is not permitted to plead justification to a separate or distinct libel. To that extent, the plaintiff is entitled to plead and rely on one libel without risking the embarrassment of the defendant attempting to justify another" [my emphasis]

147 As to damages in a defamation action, the defendant may plead mitigation when there is evidence of the plaintiff's previous general bad character or where the plaintiff by his own imprudence has shown himself disentitled to significant damages, or has by his own action given wider publication to the defamation. In other words, it is open to the defendant to plead and prove that the plaintiff has no general good reputation. He is entitled to produce witnesses at trial who will say that the plaintiff has no good reputation. But he cannot plead specific acts of misconduct, rumours or suspicions. [see *Cameron v. Pacific Press Ltd.*, [1991] B.C.J. No. 3221 (B.C.S.C.)] To

admit such evidence would, inevitably, result in interminable trials within the defamation trial, into the collateral issues raised by that evidence.

148 Essentially, it is widely accepted that, in mitigation of damages, a defendant may present evidence of a plaintiff's general bad reputation relevant to the defamatory statements, but may not present evidence of particular instances of misconduct that are unrelated to the matter at issue.

149 The law on this issue was settled in *Scott v. Sampson* (1882), 8 Q.B.D. 491 and is still consistently applied in the United Kingdom. In *Scott v. Sampson*, three categories of evidence concerning the plaintiff's previous reputation and character were discussed in the following manner:

General evidence of reputation is admissible.

Evidence of rumours and suspicions to the same effect as the defamatory matter complained of is not admissible.

- (c) Evidence of facts and circumstances tending to show the disposition of the plaintiff is not admissible.

150 As to this last category, the Court in *Scott* stated the following at page 505:

"As to evidence of facts and circumstances tending to show the disposition of the plaintiff, both principles and authorities seem equally against its admission to admit evidence of this kind is in effect to throw upon the plaintiff the difficulty of showing a uniform propriety of conduct during his whole life. It would give rise to interminable issues which would have but a very remote bearing on the question in dispute, which is to what extent the reputation which he actually possesses has been damaged by the defamatory matter complained of."

151 This rule has been applied in Ontario. In *Di Poce v. Simpson*, [1981] O.J. No. 931, a defamation action, the plaintiff alleged the publication by the defendants of four defamatory statements. The defendants pleaded justification as a defence. To mitigate its damages, the defendants pleaded that the plaintiff did not have a good reputation prior to the publication of their statements. In discovery, the plaintiff asked the defendants to provide such information as they relied on to support the allegation of the bad reputation of the plaintiff. Since the defendants refused to disclose the information sought, the plaintiff brought a motion. The Ontario High Court of Justice held that it has long been established by the authorities that the defendant in a defamation action is entitled to adduce at trial, in mitigation of damages, evidence of the general bad reputation of the plaintiff, but not evidence of specific instances of misconduct.

152 The Court concluded that it would be appropriate for the defendant to provide information as

to the nature of the bad reputation, by whom was the plaintiff perceived to have a bad reputation and finally, how widespread and over what period of time did the plaintiff have this reputation. None of that information would be likely to reside on Mr. Warman's hard drive in any event.

153 In *Marrello Valve Ltd. v. Orbit Valve Canada Ltd.*, [1988] O.J. No. 2710 the plaintiff appealed an order compelling him to re-attend examination for discovery to answer certain questions and an order to disclose business records. The appeal was allowed in part. Justice Sutherland held that a defendant may, by way of interrogatory or examination for discovery, inquire into matters relating to damages; however, this is limited to special damages only. For instance, when the plaintiff claimed special damages for actual losses of profit, he opened the door to a broader scope of the questions that are relevant and proper on discovery:

If the plaintiff were merely asserting the defamatory nature of the statement and were claiming only general damages on the basis that the statement was per se defamatory, there would be no justification for such an invasion of the secrets of the plaintiff's business. But here the plaintiff is claiming special damages in this action and I really do not know what all in the other proceedings. The defendant is not "fishing" in the gross sense of trying to find itself some sort of defence. It has settled upon its defence and claims to have, and has shown, some examples of cases tending to support its position: This is thus not a case where the defendant is seeking information which might enable him to make a case, or defence, of which he has no knowledge at present. [my emphasis]

154 While Mr. Levant has clearly settled upon his defence, I am not satisfied that notwithstanding the broad particulars of that defences which he has pleaded, he still ought to be limited to the knowledge he has and not be given a broad licence to go fishing for more.

XIV. What Is To Be Done?

155 The original notice of motion sought, in the alternative, a cross examination of Mr. Warman, on his affidavit of documents. I am not satisfied that the defendant has produced sufficient justification for a cross-examination of Mr. Warman at this time, particularly in light of my findings and the balance of the directions that I am making.

156 In his factum, counsel for Mr. Levant submits the burden upon him in justifying extensive examination of the hard drive is low, in light of the other factors, which are that this is an action for defamation based on postings potentially generated or recorded on the plaintiff s computer and that electronic documents and information on the plaintiff s hard drive are likely highly relevant to the other central issues in this action and could be determinative of this Court's ultimate decision in this action. As well, it is argued that since Mr. Warman has brought a second action on very nearly the same the issues, this production is required for two proceedings, rather than just this one alone. I briefly address the status of that action in the *Epilogue* at the conclusion of these reasons.

157 To recapitulate, the kinds of documents sought by Mr. Levant fall under two main categories:

- 1) documents regarding the false personas employed by Mr. Warman in pursuing his complaints at the Canadian Human Rights Tribunal; and
- 2) documents going to Mr. Warman's reputation and his claimed damages.

158 Mr Levant asserts that both of these issues are of central importance in the action, and documents' supporting or refuting Mr. Warman's claims with regard to these issues must be brought out before trial so that this defendant can both know the case he is to meet and defend himself properly.

159 He alleges as well that a proper examination of Mr. Warman's computer will very likely also contain documents or information relating to these main issues. For example, as the false personas were employed in creating internet postings, traces of these or similar postings may still be on the computer.

160 Since counsel for Mr. Warman confirmed that it is his understanding that no other computers were used by Mr. Warman during the time in question, the absence of such information may be probative.

161 As indicated above, I do feel that a forensic examination of some of the available electronic data is justified. However that examination should be restricted to very limited areas, be made on a mirror image of Mr. Warman's hard drive and be made by an independent, mutually acceptable expert.

162 The cost of the expert, including any necessary deposit, to be paid by Mr. Levant initially with the ultimate responsibility for that expense being in the discretion of the trial judge.

163 The expert shall execute a mutually agreed-upon form of nondisclosure agreement with respect to any information obtained by the expert concerning this case and will as well execute an Acknowledgment Of Experts Duty to the court in Form 53.

164 The original factum filed in December 2009 sought production of some 15 different categories of documentation. When the motion was argued that list had been narrowed to eight items that were argued to various degrees. The plaintiff was prepared to consent to the production of some information. Several other categories have already been answered on the basis that Mr. Warman has advised no such documents or that he is prepared to again examine his records of purpose of determining if any such information exists.

165 I am thus exercising what I regard as my permitted discretion in a proportionate manner as required by Rule 1.04.1

XV. Specific Directions

166 I am setting out below the original form of the specific items that were considered by me and my direction or finding with respect to each item alleged to possibly exist on Mr. Warman's hard drive.

167 (A.) All documents and information in electronic form and all computers used by Mr. Warman at the relevant time.

Direction: Mr. Warman is to confirm in writing that no other computers were used by him during the time in question for Internet postings relating in any way to the issues raised in this action. The Independent Computer Expert ("ICE") shall perform such tests as are necessary to satisfy the ICE that a proper and true mirror-image of Mr. Warman's hard drive has been provided.

168 (B.) All documents relating to the personas Mr. Warman used in posting words on white supremacist or other racist/hate speech websites, including but not limited to the names "Pogue Mahone" "Axetogrind", "Lucie", "Mary Dufford". "Dave McLean" "Gabriel" and "Cynthia".

Direction: The ICE shall conduct searches for the following alleged personas and any related metadata concerning these terms or meaningful fragments of them, found on the hard drive: "Pogue Mahone" "Axetogrind", "Lucie", "Mary Dufford". "Dave McLean". In addition, the ICE should ensure that appropriate searches are made with respect to all keywords contained in Table 2, at page 10 of the plaintiff's expert's report. In all cases, both upper and lower case forms ought to be searched

169 (C.) All documents and information relating to the Lucie postings, including all electronic information.

Direction: This information is to be sought by the ICE including the spelling "lucy". As well, the name Aubrack is to be searched.

170 (D.) All documents and information showing Mr. Warman's IP address at the relevant times.

Direction: This information is to be sought by the ICE.

171 (E.) All legal documents, including demand letters, libel notices and complaints to quasi-judicial bodies, relating to complaints made by Mr. Warman in relation to a publication (electronic or otherwise), including all those where Mr. Warman threatened litigation.

Direction: No further response to this request is required.

172 (F.) All documents relating to the cessation of Mr. Warman's employment, with the Commission.

Direction: No further response to this request is required.

173 (G.) All documents relating to Mr. Warman's claim that he has used his own money to fund his CHRA complaints, including all expense forms, receipts and lawyer's accounts.

Direction: Asked and answered: "no such documents." No further response to this request is required.

174 (H.) All documents Mr. Warman will be relying on to prove his damages, including documents showing that his reputation has been "severely prejudiced" and his integrity "impugned".

Direction: Asked and answered: "no such documents." No further response to this request is required.

175 (I.) All documents to show that Mr. Warman is a lawyer in good standing and any documents relating to any complaints made against him or any investigations into his practice.

Direction: No further response to this request is required.

176 (J.) All documents relating death threats made against Mr. Warman. (withdrawn)

177 (K.) All documents regarding Mr. Warman's involvement with the Canadian Jewish Congress regarding bringing complaints under the *CHRA*, including all correspondence and e-mails.

Direction: No further response to this request is required.

178 (L.) All documents regarding Mr. Warman's involvement with the Anti-Racist Action ("ARA") group, including those documenting their conference at which he spoke, and his sponsorship of a bus for them.

Direction: No further response to this request is required.

179 (M.) All documents relating to Mr. Warman's involvement in the Vancouver disruption of David Icke's tour.

Direction: No further response to this request is required.

180 (N.) All documents regarding the individual "E.L." including those regarding her letter of apology and its publication online.

Direction: On consent, if any such documents exist in his possession or control, they are to be produced by Mr. Warman.

181 (O.) All documents regarding Richard Warman.com

Direction: No further response to this request is required.

XVI. Disposition

182 For the above reasons, keeping in mind the overarching requirement of proportionality, I believe the proper exercise of my discretion under *the Rules of Civil Procedure* as guided by the existing case law requires me to make the above directions.

183 I believe the parties ought to be able to reach an agreement on an appropriate expert to perform the ICE role. If they are unable to do so within 30 days, then they will have one week to each submit to me up to three proposed experts together with their resumes and I will determine the individual to be used, applying rule 1.04 to extend the process described in rule 52.03, to the situation.

XVII. Costs

184 The plaintiff's claim is for the relatively limited amount of \$50,000 or less and, as I have noted above, he is primarily seeking a simple acknowledgement and apology.

185 Proportionality in this case is directed by the size of the potential liability as defined by the plaintiff's pleading.

186 Under Rule 29.1 the parties now have a positive obligation to direct their attention to:

"any other information intended to result in the expeditious and cost-effective completion of the discovery process in a manner that is proportionate to the importance and complexity of the action"

187 In my view, considering the entire matter success has been divided. The defendant sought broad access to the hard drive information. That request has been denied. The plaintiff resisted any independent access to the hard drive, and instead retained its own expert in an effort to prevent any degree of independent examination.

188 Unless and until we know what the ICE finds on the hard drive (if anything), this alleged fishing expedition may turn out to have been a wild goose chase.

189 It seems to me that the only reasonable approach is to establish a costs amount which both parties feel is reasonable for this particular motion and to direct that that amount be payable "in the cause."

190 If the parties cannot agree on a mutually acceptable amount within 30 days. They are to submit to be their proposal to me (in no more than five pages each) and I will use a "baseball-style arbitration" approach to selecting the cost amount.

XVIII. Epilogue

191 This dispute has been placed before the public eye at an earlier stage than most litigation.

192 Mr Warman's affidavit filed before me recounts:

"4. On 24 February 2008, in response to Mr. Levant being served with a libel notice by my counsel, he announced on his website his intention to use his defence to this libel action to conduct a proxy war against the Canadian Human Rights Commission (CHRC):

Dear reader, I don't think I'm going to be like the easy pickings that Warman is used to fighting. While my top gun lawyers are taking care of business in the court of law, I'll be working vigorously in the court of public opinion. I'll ensure that every legal document, every piece of interesting testimony, every embarrassing admission I exact from Warman and the human rights commission will be shown to the whole world (subject to any legal restrictions). Unlike human rights commissions, where only the victim of the complaint is grilled, defamation lawsuits are two-way streets. It's Warman who's going to be famous. I'll use every interlocutory application, every motion, every pleading and every day of the trial to shed light on the commission's shenanigans. I wonder if Warman has thought through the idea of giving me a forum; I wonder what his friends at the commission will think when they start getting subpoenas ...

5. Mr. Levant continued in this vein in a posting dated 9 April 2008, immediately after being served with the first statement of claim. Mr. Levant wrote a long posting to his website titled "Richard Warman has sued me". In it, he repeats his desire to use the litigation against him to orchestrate a trial of the conduct of the CHRC:

As I mentioned above, I'm not going to blog about my Statement of Defence until I file it, for strategic and legal reasons. But, as I promised to do when I was first served with a Libel Notice by Warman, I can tell you that I'm not just going to play defence here -- I'm going to use Warman's lawsuit to put his conduct, and the very conduct of the CHRC itself, on trial."

193 As I noted earlier in these reasons, it appears that there is more than one pending case.

arising out of these circumstances. While I was finalizing these reasons, the current part of the Dominion Law Reports was delivered to *my* hard drive. At 319 D.L.R. (4th) 268, appears *Warman v. Wilkins-Fournier*, a decision of the Ontario Divisional Court on appeal from a motion, [2009] O.J. No. 1305, this time brought *by* Mr. Warman, for a further and better affidavit listing the IP addresses used by unnamed (John Doe) defendants on web sites administered or moderated by named defendants, including Marc Fournier (*supra*).

194 The headnote indicates:

The motion judge concluded that the disclosure was mandatory because the plaintiff established that the information was relevant and not protected by privilege. The issue on appeal was whether there were Charter values that the court must take into account in considering the disclosure request and, if so, how the court must balance such Charter protected interests against the public interest in promoting the administration of justice.

195 Mr. Justice Wilton-Siegel writing for the Divisional Court, in allowing the appeal held, (as summarized by the head-note) that:

Both the right of freedom of expression under s. 2(b) of the *Canadian Charter of Rights and Freedoms*, as well as privacy interests recognized by the Charter, are engaged. In the context of a defamation claim, giving proper weight to the value of freedom of expression on matters of public interest requires a broadening of the defences available in respect of the communication of facts it is in the public's interest to know. Privacy interests arise for consideration in favour of both the plaintiff and the John Doe defendants. Citizens implicitly understand that, to some degree at least, their identities will be protected when they use the Internet anonymously. There is also a reasonable expectation of privacy in a party's subscriber information, which links the party's identity to Internet usage.

Where privacy interests are involved, disclosure is not automatic even if the plaintiff establishes relevance and the absence of any of the traditional categories of privilege. The motions judge was required to have regard to the following considerations:

- (1) whether the John Doe defendants had a reasonable expectation of anonymity in the circumstances;
- (2) whether the plaintiff established a *prima facie* case and was acting in good faith;
- (3) whether the plaintiff took reasonable steps to identify the anonymous party and was unable to do so; and

- (4) whether the public interests favouring disclosure outweighed the legitimate interests of freedom of expression and right to privacy of the John Doe defendants.

In the context of a website promoting political discussion, the requirement to demonstrate a *prima facie* case of defamation furthers the objective of establishing an appropriate balance between the public interest in favour of disclosure and legitimate interests of privacy and freedom of expression

196 In the result the *Warman v. Wilkins-Fournier* matter was referred back for a new hearing taking into account the *Charter* issues now raised.

197 I do note in passing the discussion of IP addresses contained in those reasons, which does not seem to totally accord with my understanding from counsel before me:

"[5] An IP address is a unique identifier for a computer on the internet. It is assigned to a computer by a subscriber's internet service provider (an "ISP") when the subscriber signs on to the internet. The Message Board did not capture the IP of a new user when a new user account was created. It did, however, record and store the IP address for each message posted, including those of the eight John Doe defendants. With the IP address of each message and the time of the message (disregarding an issue as to the accuracy of the Message Board's software clock, which is not relevant to this appeal), the Respondent can, at a minimum, seek the identity of the subscriber who was assigned the particular IP address at the time of the message from the relevant ISP.

[6] There is no dispute that the IP addresses and e-mail addresses of the John Doe defendants constitute "documents" for purposes of Rule 30.06.

[7] As a practical matter, there is some question as to whether, even if he obtains this information, the Respondent will be able to identify the John Doe defendants without a further motion to compel the ISPs associated with the IP addresses to provide the names of their customers. It is quite possible that the John Doe defendants registered as users of the Message Board with e-mail addresses that were used and immediately discarded, such that an internet search of the e-mail address will not identify the parties. It is also likely that the IP addresses, on their own, will not be useful."

198 These individuals are entitled to their days in court. However, it is my belief that access needs to be restrained in every regard by all the requirements of proportionality, including the

appropriate use of court resources and the limiting of cost, not only to the parties, but to the system. I believe that my decision in this case is an appropriate proportionate response.

199 Mr. Warman's affirms in the same affidavit the following:

"6. As recently as 27 July 2009, Mr. Levant reiterated his stated intention to attempt to use the civil litigation disclosure process as a means to conduct his own personal inquisition against anyone who dares to sue him and other 3rd parties. In a posting titled "Why I welcome Khurram Awan's legal threats" Levant threatens:

Until yesterday, I was just a pundit, criticizing them from time to time. Now I've got standing: I'm a prospective defendant in a legal action. That doesn't just give me political and media authority to criticize them, it gives me tremendous legal tools to go after them, too. I mean, just stop for a moment to consider all of their internal documents I'll have access to in discoveries. Media pundits don't have access to hundreds of internal e-mails or memos. Defendants in defamation lawsuits do. It's going to be a feast -- and it's all going to be done in the bright lights of a court of law, and not a kangaroo court of the type preferred by Awan or Warman."

200 Senator Goldwater may have been of the view almost fifty years ago that "moderation in the pursuit of justice is no virtue", but having regard to civil litigation in Ontario today, I remain convinced that proportionality *is*.

MASTER D.E. SHORT

TAB 9

Case Name:

**Canada (Commissioner of Competition) v.
Reliance Comfort Limited Partnership**

**IN THE MATTER OF the Competition Act,
R.S.C. 1985, c. C-34, as amended
AND IN THE MATTER OF an application
by the Commissioner of Competition
pursuant to section 79 of the Competition Act
AND IN THE MATTER OF certain policies
and procedures of Reliance Comfort
Limited Partnership
Between
The Commissioner of Competition (applicant), and
Reliance Comfort Limited Partnership (respondent), and
National Energy Corporation (intervener)**

[2014] C.C.T.D. No. 9

2014 Comp. Trib. 9

File No.: CT-2012-002

Registry Document No.: 127

Canada Competition Tribunal

Panel: Donald J. Rennie, Chairperson

Heard: June 2, 2014.

Decision: June 13, 2014.

(43 paras.)

Appearances:

For the applicant:

The Commissioner of Competition: Jonathan Hood.

For the respondent:

Reliance Comfort Limited Partnership: Brendan Wong, Denes A. Rothschild.

For the intervener:

National Energy Corporation: Adam Fanaki, Elisa Kearney, Derek D. Ricci.

**REASONS FOR ORDER AND ORDER DISMISSING
RELIANCE'S MOTION FOR FURTHER AND
BETTER AFFIDAVITS OF DOCUMENTS**

1 On December 20, 2012, the Commissioner of Competition (the "Commissioner") filed a Notice of Application pursuant to section 79 of the *Competition Act*, R.S.C. 1985, c. C-34, against the respondent Reliance Comfort Limited Partnership ("Reliance"). The Commissioner's application will be heard in approximately seven months and the parties, as well as the intervenor, National Energy Corporation ("National Energy"), have exchanged affidavits of documents. In its motion, Reliance is asking the Tribunal to order the Commissioner and National Energy to conduct a reasonable review of sound recordings in their possession, and to produce those that are relevant to the proceeding. For the reasons that follow, Reliance's request is denied.

I. Background

2 On December 20, 2012, the Commissioner filed a Notice of Application pursuant to section 79 of the *Competition Act* against Reliance. The Commissioner alleges in his Notice of Application that Reliance has implemented exclusionary water heater return policies and procedures, including the so-called "RRN Policy", that impose significant costs on competitors and prevent customers from switching to those competitors. The Commissioner asserts that under the RRN Policy, customers wishing to return a water heater must first obtain a Removal Reference Number ("RRN") from Reliance and complete to Reliance's satisfaction a "Water Heater Return Form". The Commissioner further asserts that under the policy, competitors cannot obtain the RRN on behalf of Reliance customers, RRNs are not provided to customers who contact Reliance with a competitor on the call, and agency agreements between customers and competitors are not recognized by Reliance.

3 In his application, the Commissioner seeks an order prohibiting Reliance from implementing exclusionary water and heater return policies and procedures, directing it to take certain other actions necessary to overcome the alleged effects of its practice of anti-competitive acts, as well as an administrative monetary penalty in the amount of \$10,000,000.

4 Reliance, in its response filed on August 12, 2013, denies the allegations and alleges that the return processes and procedures at issue were, in part, introduced to protect and educate consumers against the dishonest behavior of competitors who make false and misleading representations during door-to-door sales. Reliance explains that in December 2012, a Six Person Complaint was sent to the Acting Commissioner of Competition, alleging that some corporations had made false and misleading representations during door-to-door sales of residential water heater rental contracts.

5 On November 6, 2013, the Tribunal granted National Energy, a supplier of natural gas and electric water heaters for rental to Quebec and Ontario homeowners, leave to intervene in these proceedings.

6 There have been on-going legal proceedings opposing Reliance and National Energy in other legal forums and on September 10, 2013, Reliance filed a Fresh as Amended Statement of Claim against National Energy, and its parent company, Just Energy Group Inc. ("Just Energy"), with the Ontario Superior Court of Justice. Reliance asserts that National Energy and Just Energy have made false or misleading representations and is seeking damages in the amount of \$50,000,000 and punitive damages in the amount of \$10,000,000. In their Fresh as Amended Statement of Defence and Counterclaim, National Energy and Just Energy deny the allegations, submit, in part, that it is Reliance who has disseminated false or misleading representations to Ontario consumers regarding National Energy, and seek, in turn, damages in the amount of \$50,000,000 and punitive damages in the amount of \$10,000,000.

II. The Sound Recordings

7 In the course of his investigation, the Commissioner obtained search warrants and the Bureau seized a total of approximately 227,446 sound recordings from National, morEnergy and Ontario Consumer Home Services ("OCHS"). Pursuant to the search warrants, electronic evidence must remain under the control of electronic evidence officers until the evidence has been reviewed to ensure that privileged records and records not captured by the search warrants are not distributed to anyone else.

8 In the context of the Tribunal proceedings, the parties have exchanged affidavits of documents and the Commissioner has provided approximately 144,000 records to Reliance, including 23,000 National Energy records which include 300 audio files. These audio files were attached to e-mails sent by or to employees of National Energy. National Energy has produced 69,625 of its own records including 1,400 audio files.

9 A sample of 140 sound recordings of the 300 sound recordings produced by the Commissioner were reviewed by counsel for the Respondent. Approximately 10% of the sound recordings reviewed were customer complaints. Another review conducted by Reliance's counsel of a random sample of 360 of the sound recordings produced by National Energy establishes that approximately 10% were customer complaints.

III. The Motions for Further and Better Affidavits of Documents

10 Reliance has filed motions against the Commissioner and National Energy in which it seeks an order requiring National Energy to conduct a "reasonable review" of its sound recordings and produce those that are relevant. Reliance also asks that the Commissioner conduct a "reasonable review" of the sound recordings seized from National Energy, morEnergy and OCHS. In its memorandum of fact and law, Reliance describes a "reasonable review" as including a "sampling review using keyword searches, such as the one Reliance conducted on its own sound recording database." (at para. 74).

11 At the hearing, counsel for Reliance, at the Tribunal's request, prepared a draft order which sets out the particulars it seeks and, according to the draft, Reliance asks that the Tribunal order:

- * National Energy and the Commissioner to serve further and better affidavits of documents by September 19, 2014;
- * National Energy to review the sound recordings in its voice recordings database of inbound and outbound calls; the Commissioner to review the sound recording seized from National, morEnergy and OCHS;
- * National Energy to review the sound recordings for recordings of complaints against National's door-to-door sales persons or telephone sales agents; and the Commissioner to review the sound recordings for recordings of complaints against door-to-door sales persons or telephone sales agents of National, morEnergy and OCHS;
- * National and the Commissioner may employ electronic tools and processes such as data sampling, searching or other selection criteria; and shall produce recordings in format organized by topic.

12 Reliance submits that the audio recordings are relevant to matters in issue as the proceedings raise questions of (i) whether the circumstances of the marketplace provide a valid business justification for the implementation of Reliance's RRN policy; (ii) the determination of whether Reliance's return policies and procedures constitute a practice of anti-competitive acts; and (iii) the determination of whether Reliance's return policies and procedures substantially lessen and prevent competition. Reliance states that it is neither appropriate nor proportional for the Commissioner and National Energy to flatly refuse to undertake any review of the sound recordings in their possession.

13 Reliance further observes that the Commissioner seeks the maximum administrative monetary penalty along with important constraints on Reliance's trade practices.

14 The Commissioner is opposed to the relief requested by Reliance. He submits that it is impractical and unduly resource intensive to engage in the requested review given the number of records already produced, the marginal probative value of the audio files, and the Commissioner's preparation of a third party summary of information, which will include any relevant information obtained from OCHS and morEnergy and which will be delivered before the examination of the Commissioner's representative.

15 In his affidavit, Mr. Jeffrey Chamberlain, a Competition Law Officer, affirms that the seized sound recordings include approximately 466 gigabytes of data representing an aggregate length of approximately 70,000 hours of sound recordings and that it would take 40 years for one Competition Law Officer to review the sound recordings. The Competition Bureau's Electronic Evidence Unit does not have software capable of conducting a phonetic search of sound recordings and the process to acquire and deploy it could take up to a year.

16 The Commissioner further submits that he cannot conduct the review in the manner suggested by Reliance as he is bound by the terms of the search warrants and, according to those terms, Competition Bureau officers must review every minute of every audio file to ensure that privileged records and records not captured by the search warrants are not improperly distributed.

17 The Commissioner also points out that additional audio files recording customers complaints with respect to the conduct of Reliance's competitors serve no useful purpose as Reliance has acknowledged that it possesses multiple records which document these complaints. The Commissioner, in fact, states in his Memorandum that he has "reason to believe that the alleged misleading conduct has and (in some instances) continues to occur within the provinces of Ontario and Quebec". More importantly, the Commissioner asserts that the issue of alleged misleading conduct of competitors is not important to this proceeding as it is his view that the Federal Court of Appeal, in *Commissioner of Competition v. Canada Pipe Co*, 2006 FCA 233, leave to appeal to SCC refused, 31637 (May 10, 2007), indicated that the alleged misleading conduct of others can never be a legitimate business justification.

18 National Energy also asks the Tribunal to dismiss Reliance's motion. National Energy also asserts that Reliance's motion is premised on a misapprehension of the role of a business justification and adds that Reliance cannot be permitted to create a business justification after-the-fact using evidence from National Energy's internal records that it did not have at the relevant time. National Energy, like the Commissioner, submits that Reliance has failed to explain why additional documents are necessary given the large number of records, approximately 8,000, already in Reliance's possession which document consumer complaints.

19 National Energy asserts that any review would be costly and very onerous. In his affidavit of May 22, 2014, the Chief Information Officer of Just Energy explains that telephone conversations between National Energy's call centre employees and customers or prospective customers are recorded and stored in a voice recording system. According to the Chief Information Officer,

National cannot conduct searches of the system for calls relating to particular issues, but can retrieve specific calls based, for example, on a phone number and date of the call. He swears that it would take a person approximately 442 years to listen to the audio files recorded for the period from 2003 to present. He adds that it would cost approximately \$9,200,000 to conduct a review of audio recordings stored since 2010.

20 National Energy also asserts that the review conducted by Reliance was flawed as it failed to capture potentially relevant telephone calls and resulted in the production of irrelevant telephone calls.

21 Reliance asserts that it was able to conduct a reasonable review of its database of recorded calls from customers to its call centres by first using a filtering process, by which calls were filtered, using SQL (Structured Query Language) scripts, resulting in a subset of approximately 360,000 recordings. The subset was subsequently reviewed with the assistance of an external phonetic search software provider. Reliance submits that its review of its sound recording database, which is over five times the size of National's sound recording database, was completed within 15 weeks, resulting in the identification of approximately 8,000-10,000 relevant sound recordings.

22 Reliance further submits that an order requiring the Commissioner and National Energy to conduct a reasonable review would not result in any delay in the proceeding as it only seeks the production of relevant sound recordings after the examinations for discovery have taken place (by September 19, 2014).

IV. Analysis

23 Rule 60 of the *Competition Tribunal Rules*, SOR/2008-141, provides that an affidavit of documents shall include a list of all documents that are relevant to any matter in issue and that are or were in the possession of a party. Sound recordings are amongst the documents to be listed (see: Rule 1).

24 Pursuant to Rule 34, the Tribunal may refer to the *Federal Courts Rules*, SOR/98-106. Under Rule 230 of those Rules, the Court may relieve a party from production for inspection of any document, having regard to "whether it would be unduly onerous to require the person to produce the document". Certain Federal Court decisions have held that when examining the propriety of any question on discovery or a request for a production of a document, the Court must weigh, in particular, the probability of its usefulness with the time, trouble, expense and difficulty involved in obtaining it (see: *Anglehart v. Canada*, 2011 FC 825; *Reading & Bates Construction Co. and al. v. Baker Energy Resources Corp. and al.* (1988), 24 C.P.R. (3rd) 66). This means that "[w]here 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" (see: *Reading & Bates Construction Co. v. Baker Energy Resources Corp.* (1988), 24 C.P.R. (3rd) 66).

25 In an earlier decision, I reminded counsel in this case of the principle of proportionality and that it informs the relevancy inquiry (see: *The Commissioner of Competition v. Reliance Comfort Limited Partnership*, 2013 Comp. Trib. 18, at para. 8). The Supreme Court of Canada has recently recognized the importance of the principle of proportionality in *Hryniak v. Mauldin*, 2014 SCC 7.

26 The parties agreed at the hearing of Reliance's motion that the principle of proportionality is applicable in this case.

27 In the context of electronic discovery, Master Short of the Ontario Superior Court of Justice adopted an eight-factor proportionality test for e-discovery (*Warman v. National Post Co.*, 2010 ONSC 3670, at para. 82):

- (1) the specificity of the discovery requests;
- (2) the likelihood of discovering critical information;
- (3) the availability of such information from other sources;
- (4) the purposes for which the responding party maintains the requested data;
- (5) the relative benefit to the parties of obtaining the information;
- (6) the total cost associated with production;
- (7) the relative ability of each party to control costs and its incentive to do so;
and
- (8) the resources available to each party.

28 The principle of proportionality is also recognized in the Sedona Canada Principles Addressing Electronic Discovery:

2. In any proceeding, the parties should ensure that steps taken in the discovery process are proportionate, taking into account (i) the nature and scope of the litigation, including the importance and complexity of the issues, interest and amounts at stake; (ii) the relevance of the available electronically stored information; (iii) its importance to the court's adjudication in a given case; and

(iv) the costs, burden and delay that may be imposed on the parties to deal with electronically stored information.

29 Under the Sedona Principles, a party may satisfy its obligations by using electronic tools and processes such as data sampling, searching or by using selection criteria to collect potentially relevant electronically stored information. Further, parties should anticipate and respect the rules of the forum in which the litigation takes place, while appreciating the impact any decisions may have in related actions in other forums.

30 I am guided by the above caselaw and principles. Further, I am also guided by subsection 9(2) of the *Competition Tribunal Act*, R.S.C. 1985, c. 19, which provides that all proceedings before the Tribunal shall be dealt with as informally and expeditiously as the circumstances and considerations of fairness permit.

31 The parties and the intervenor take differing views as to the application of a business justification in this case and its meaning. At this time, it is not necessary for the Tribunal to answer this question and I have assumed, for the purposes of this motion solely, that it is possible for Reliance to raise the business justification in the manner that it wishes to do. It will be up to the Tribunal to decide, at a later stage and after the parties have had a chance to fully develop their arguments, whether the Commissioner's position, National Energy's and/or Reliance's position have any merit.

32 However, it is very clear that the production of the relevant sound recordings would involve great difficulty and a very significant expenditure of time and effort to the Commissioner of Competition. Moreover, the Commissioner's hands are somewhat tied given the terms of the search warrants under which the sound recordings were obtained.

33 Reliance's argument, made at the hearing of the Motion, that it would be feasible for the Commissioner to engage in a focused review given the terms of the search warrants and National Energy's evidence, is speculative and counsel for Reliance conceded that Mr. Chamberlain had not been examined on this issue.

34 The Commissioner has also explained that Reliance will receive, prior to the discovery of the Commissioner's representative, a third party summary of information which will include any information about the alleged misleading conduct of Reliance's competitors, both favourable and adverse to the Commissioner's case. Counsel for Reliance, at the hearing, conceded that it had produced about 8,000 to 10,000 unique files which relate to 19 different issues -- half of which are alleged misleading sales tactics by National Energy.

35 However, Reliance asserts that it needs more records documenting consumer complaints as the degree to which the alleged misconduct was widespread is important for its business justification of its policies and defence.

36 It is evident that Reliance, through its own sources, the Better Business Bureau and the Provincial Government, already has a litany of records documenting complaints about National Energy. The Commissioner has already produced relevant information in that regard and will continue to do so through the preparation of a third party summary.

37 Moreover, the Commissioner has already expressed the view that he has reason to believe that misleading conduct by some of Reliance's competitors has occurred. However, counsel for Reliance stated at the hearing of the Motion, that until Reliance has an "admission that this is rife throughout the market, that [the Commissioner] admits all of National sales are obtained by this and, therefore, they're not competitive, it is a contested issue".

38 This is an application brought by the Commissioner of Competition against Reliance in which he alleges that Reliance has engaged in abuse of dominance by implementing a number of different policies including return depot policies and Reliance's exit fees and charges. National Energy is not a party and plays the role of an intervenor and has already produced almost 69,625 records. The dispute between National Energy and Reliance at the Superior Court of Justice shall not be moved to the Tribunal.

39 Also, the review conducted by Reliance over a 15 week-period yielded in the identification of 8,000-10,000 relevant sound recordings, approximately 2.2%-2.8% of the subset of 360,000 sound recordings. Reliance nonetheless produced all 360,000 sound recordings notwithstanding the fact that approximately 80% of these recordings had not been reviewed. This illustrates the magnitude of work involved, the degree of relevant information found after such an extensive review and the decision to disclose, notwithstanding the review, all 360,000 records. It is interesting to note that Reliance has not disclosed the costs that it has incurred with respect to its 15-week period review of sound recordings -- it had, of course, no obligation to do so.

40 Taking the above factors in consideration, I conclude that Reliance's request with respect to the Commissioner should be denied with costs. I reach a similar conclusion with respect to Reliance's Motion against National Energy.

41 The evidence establishes that National Energy does not maintain a similar call queue structure to that operated by Reliance. It appears that customers' complaints that do not relate to a service or maintenance issue will be routed to one of approximately 70 to 80 employees located in National Energy's call centre and that National Energy's call system is not searchable based on the content of the call. National Energy has established that a review would be costly and would, in all likelihood, result in delay.

42 Applying the principle of proportionality and considering the application of the above factors, it is clear that this principle also favours National Energy. National Energy would incur significant costs, spend a considerable amount of time, on reviewing sound recordings - and such a review would not be proportional. Taking into consideration the particular facts of this case, it appears to me disproportional to require an intervenor to spend three to four months, of the seven months

before the commencement of the hearing, to incur very significant costs by listening to sound recordings of calls in a database that cannot be searched by content, for possible complaints.

FOR THESE REASONS THE TRIBUNAL ORDERS THAT:

43 Reliance's motions are dismissed with costs.

DATED at Ottawa, this 13th day of June, 2014. SIGNED on behalf of the Tribunal by the Chairperson.

Donald J. Rennie

TAB 10

Case Name:

**Canada (Commissioner of Competition)
v. Live Nation Entertainment, Inc.**

**IN THE MATTER OF an application by the
Commissioner of Competition for
orders pursuant to section 74.1 of the
Competition Act, RSC 1985, c C-34
regarding conduct reviewable pursuant
to paragraph 74.01(1)(a) and section
74.05 of the Act;**

**AND IN THE MATTER OF a motion filed by
the Commissioner of Competition for
further and better affidavits of documents and other relief.**

Between

**The Commissioner of Competition (applicant), and
Live Nation Entertainment, Inc, Live
Nation Worldwide, Inc, Ticketmaster
Canada Holdings ULC, Ticketmaster Canada
LP, Ticketmaster L.L.C., The V.I.P.
Tour Company, Ticketsnow.com, Inc,
and Tnow Entertainment Group, Inc
(respondents)**

[2018] C.C.T.D. No. 17

2018 Comp. Trib. 17

File No.: CT-2018-005

Registry Document No.: 35

Canada Competition Tribunal
Ottawa, Ontario

Panel: M. Phelan J.

Heard: October 12, 2018.

Decision: October 17, 2018.

(51 paras.)

Appearances:

For the applicant:

The Commissioner of Competition: François Joyal, Derek Leschinsky, Ryan Caron, Katherine Rydel, Paul Klippenstein.

For the respondents:

Live Nation Entertainment, Inc et al: Mark Opashinov, David W. Kent, Guy Pinsonnault, Adam D.H. Chisholm, Joshua Chad

**REASONS FOR ORDER AND ORDER REGARDING
THE COMMISSIONER'S MOTION FOR
FURTHER AND BETTER AFFIDAVITS OF DOCUMENTS AND OTHER RELIEF**

I. NATURE OF PROCEEDING

1 The Commissioner of Competition ("**Commissioner**") made a motion for the production of further and better affidavits of documents ("**AODs**") from the Respondents and other such relief stemming from the alleged failure to properly search for and produce relevant documents.

2 The motion arises in the context of an Application by the Commissioner alleging conduct prohibited under s 74.01(1)(a) and s 74.05 of the *Competition Act*, RSC 1985, c C-34 ("**Act**") in that one or more of the Respondents engaged in deceptive marketing practices by promoting the sale of tickets to the public at prices that are not in fact attainable.

3 The Tribunal has established a schedule through to a hearing date which provided for the delivery of AODs. As time is critical, it is necessary to quickly decide the Commissioner's motion.

4 Five of the Respondents (Live Nation Entertainment, Inc., Live Nation Worldwide, Inc., Ticketmaster Canada Holdings ULC, The V.I.P. Tour Company and Ticketsnow.com, Inc.) provided AODs which did not list any documents ("**nil AODs**"). These five and the remaining three Respondents are inter-related companies with Live Nation Entertainment, Inc. at the top of the corporate ladder.

5 In the nil AODs, the affidavit contained the following explanation:

This affidavit discloses, to the full extent of my knowledge, information and belief, all of the documents relevant to the matters in the application that are in (name of Respondent)'s possession, power or control. The documents listed herein, if any, were located through the use of technology-assisted review and in the possession, power or control of a custodian primarily employed by (name of Respondent).

6 The Commissioner raised the following points:

- (a) that the search for documents was clearly inadequate as it has produced fewer documents than expected; that it was simply implausible that these Respondents did not have relevant documents. In some cases, documents which the Commissioner had from the particular Respondent were not listed in the applicable AOD.
- (b) that the AODs failed to list the documents which were actually in the possession, power and control of the relevant Respondent even if the document's existence was disclosed in some other AOD.
- (c) that several categories of documents going to issues of marketing practice, consumer conduct and impact of the Respondents' advertising were not produced.
- (d) that certain legal privilege claims were either insufficiently detailed or unsubstantiated on their face.

7 The Commissioner requests that the Respondents conduct a further and better search for documents, and that they produce further and better AODs curing the deficiencies noted or failing to do so, the right to cross-examine the affiant of the AODs.

II. SUMMARY OF FACTS

8 The Respondents have explained away the various deficiencies on the basis that they conducted searches in a more modern manner using computer assisted technology aided by a litigation support company -- the technology assisted review ("**TAR**"). The result was the identification of 2.5 million documents which were then vetted through the TAR and lawyers trained in the TAR system and who trained the TAR system, and ultimately approximately 55,000 relevant documents were identified. All of this was accomplished in a relatively short period of time.

9 The first step in document collection had been interviews with "custodians" -- people likely to

have some of the relevant documents. There were 28 original custodians who had documents and who were said to be able to identify others who might have relevant documents. If any individual was not so identified, even if at the most senior levels where decisions on corporate policy and practice were made, no one asked if that individual had any potentially relevant documents. In fact, the Respondents even refused to ask for documents from a Mr. Rapino -- the chief executive officer of the parent Live Nation Entertainment, Inc.

10 Ultimately the Respondents sorted the relevant records in these AODs without attribution as to which documents were in the possession, power or control of which of the Respondents. The Respondents say that the relevant documents were produced just not identified and listed in the manner required by the *Competition Tribunal Rules*, SOR/2008-141 ("**Rules**"). The general explanation is that the documents were identified in accordance with the Sedona Principles and dealt with in accordance with the Respondents' view of what was "proportionate" in terms of the legal requirement to produce.

11 The Respondents had initially proposed delivering a single AOD covering all of the Respondents. The Commissioner objected and required separate AODs from each Respondent. The Respondents then delivered three AODs based on the fact that all of the custodians were primarily employed by that Respondent (although some custodians were employed by more than one Respondent). However, the eight AODs were signed by the same corporate officer -- the Vice President, Legal Affairs -- Litigation for Live Nation Entertainment, Inc.

12 This manner of proceeding and the resultant disclosures led to this motion.

III. MATTERS TO BE RESOLVED

A. Further and Better Searches

13 The Commissioner's request in this regard is premature. Two senior officials whose documents have yet to be produced but whom the Respondents agree will be produced may shed further light on what is no more than suspicion that the search was inadequate -- but it is not an unreasonable suspicion given the way in which the Respondents produced their AODs.

14 However, there has been no attack on the Respondents' use of TAR, and other computer technology to assist in the identification and collection of documents. At this point the major problem is the attribution of documents to each of the Respondents.

15 The Tribunal encourages the use of modern tools to assist in these document-heavy cases where they are as or more effective and efficient than the usual method of document collection and review.

16 The issue of further and better searches should await the delivery of further and better AODs in form and content complying with the Rules.

B. Further and Better AODs

17 The Respondents' defence to what are clearly non-compliant AODs is that in the end all the relevant documents were produced and that the way in which the Respondents proceeded is consistent with s 9(2) of the *Competition Tribunal Act*, RSC 1985, c 19, to the effect that proceedings are to be dealt with "informally and expeditiously" and consistent with the principle of proportionality. The Respondents also rely on Rule 2(1) which permits the Tribunal to vary the application of any rule.

18 Firstly, the Tribunal notes that Rule 60(1) requires that each respondent in a case is to serve an affidavit of documents within the time prescribed by the Tribunal. In this case, Justice Gascon set the time for such service of the AODs but no mention was made of the Respondents' different approach to producing AODs.

19 Rule 60(2) sets out the specifics for an affidavit of documents. The requirements are more than formalities; the requirements are to elicit a listing of the relevant documents held by each relevant party.

20 A party's unilateral view of the operation of the principle of proportionality is not a waiver of the Rules. Where a party wishes to depart from a rule on the basis of proportionality, they are required to seek the concurrence of the judicial member responsible for case management of the matter. *Ex post facto* variation of the operation of a rule should be a rare exception and I am not prepared to grant such variation.

21 In addition to the principle of compliance with the Rules and obtaining prior approval of exception to the operation of a rule, there is good reason for the Commissioner's insistence on the service of proper affidavits of documents.

22 Section 69(2), in particular s 69(2)(c), contains provisions, relevant to civil proceedings, for the authority of documents created and the presumptions of proof based upon possession of documents in the hands of a "participant".

69 (2) In any proceedings before the Tribunal or in any prosecution or proceedings before a court under or pursuant to this Act,

(a) anything done, said or agreed on by an agent of a participant shall, in the absence of evidence to the contrary, be deemed to have been done, said or agreed on, as the case may be, with the authority of that participant;

(b) a record written or received by an agent of a participant shall, in the absence of evidence to the contrary, be deemed to have been written or received, as the case may be, with the authority of that participant; and

(c) a record proved to have been in the possession of a participant or on premises used or occupied by a participant or in the possession of an agent of a participant shall be admitted in evidence without further proof thereof and is \$Iprima facie\$N proof

(i) that the participant had knowledge of the record and its contents,

(ii) that anything recorded in or by the record as having been done, said or agreed on by any participant or by an agent of a participant was done, said or agreed on as recorded and, where anything is recorded in or by the record as having been done, said or agreed on by an agent of a participant, that it was done, said or agreed on with the authority of that participant, and

(iii) that the record, where it appears to have been written by any participant or by an agent of a participant, was so written and, where it appears to have been written by an agent of a participant, that it was written with the authority of that participant.

* * *

69 (2) Dans toute procédure engagée devant le Tribunal ou dans toute poursuite ou procédure engagée devant un tribunal en vertu ou en application de la présente loi :

a) toute chose accomplie, dite ou convenue par un agent d'un participant est, sauf preuve contraire, censée avoir été accomplie, dite ou convenue, selon le cas, avec l'autorisation de ce participant;

b) un document écrit ou reçu par un agent d'un participant est, sauf preuve contraire, tenu pour avoir été écrit ou reçu, selon le cas, avec l'autorisation de ce participant;

c) s'il est prouvé qu'un document a été en la possession d'un participant, ou dans un lieu utilisé ou occupé par un participant, ou en la possession d'un agent d'un participant, il fait foi sans autre preuve et atteste :

(i) que le participant connaissait le document et son contenu,

(ii) que toute chose inscrite dans le document ou par celui-ci enregistrée comme ayant été accomplie, dite ou convenue par un participant ou par l'agent d'un participant, l'a été ainsi que le document le mentionne, et, si une chose est inscrite dans le document ou par celui-ci enregistrée comme ayant été accomplie, dite ou convenue par l'agent d'un participant, qu'elle l'a été avec l'autorisation de ce participant,

(iii) que le document, s'il paraît avoir été écrit par un participant ou par l'agent d'un participant, l'a ainsi été, et, s'il paraît avoir été écrit par l'agent d'un participant, qu'il a été écrit avec l'autorisation de ce participant.

[Emphasis added by the Tribunal]

23 The presumptions are important. Despite the Respondents' desire to serve a single AOD for all Respondents, the Respondents are insisting on being treated separately, defending separately and in some cases pleading that they are not proper parties to the action.

24 The issue of knowledge within the related corporations and how high up and how far out knowledge of the alleged deceptive advertising extended can be important to liability, and damages or other relief.

25 Therefore, each Respondent will prepare a further and better AOD listing the documents required in respect of that Respondent. These proper AODs may give rise to the need for further and better searches for relevant documents.

C. Missing Documents

26 There are three categories of documents which have not been produced for various reasons -- transactional and clickstream data; testing documents; and videos.

a. Transactional and Clickstream Data

27 As a result of the motion, during argument, the Respondents agreed to produce the clickstream data -- a record of the computer "clicks" made by potential purchasers of tickets. It includes data collected while consumers interact with the Respondents' websites and mobile apps. It is recognized that this data may be relevant to consumer behaviour in response to the alleged deceptive advertising. Absent the Respondents' concession, the Tribunal would have ordered production.

28 Transactional data is similar to clickstream and it captures detailed information collected on each ticket purchase concluded on the Respondents' websites and mobile apps.

29 This data is relevant to how the computer display of ticket prices affects the purchasing conduct and may assist in quantifying the overcharging amount in the alleged "drip pricing" conduct of one or more of the Respondents.

30 It is to be produced. To the extent that the Commissioner can further define what part of this relevant data set he requires, he should do so.

b. Missing Testing Materials

31 The Respondents have not provided any substantial reason for not producing the tests of test consumers' reaction to various display alternatives. The evidence presented on this motion establishes its potential relevance in terms of the impact of fees as presented as well as the impact on revenue of such displays.

32 It should be produced except to the extent that some 2010 tests have already been produced.

c. Videos

33 There are 436 hours of videos, some of which apparently relate to fee displays. The videos have been identified through the Respondents' own document collection process. What is not known is how many videos are relevant to the litigation because the Respondents have refused to review the videos due to cost and time constraints.

34 The Respondents have an obligation to make reasonable efforts to obtain and determine relevancy (see *Eli Lilly and Co v Apotex Inc*, 2000 CarswellNat 185, 94 ACWS (3d) 1193 at para 6). The principle of proportionality does not eliminate hard work.

35 The fact that the Respondents either do not now have or did not create documents, such as contracts, scripted questions and similar material, which would assist in this relevancy exercise, is not a reason to deprive the Commissioner of the relevant videos.

36 The alternative is for the Respondents to turn all 7,000 videos over to the Commissioner for his review and relevancy determination.

37 The relevant videos are to be produced. The Respondents will have 10 days to advise the Commissioner how and when the relevant videos will be produced; failing which the Commissioner may seek an order requiring the delivery to him of all videos for his relevancy review.

D. Mr. Rapino

38 As indicated earlier, Rapino is the senior executive of Live Nation Entertainment, Inc. The

Commissioner has requested that the Respondents produce any relevant documents that he may have. Two other senior officers' documents are, as requested by the Commissioner, being produced.

39 The Respondents have expressed reluctance bordering on refusal to even inquire of Rapino on the basis that he has not previously been identified as a person likely to have relevant documents. They simply do not know and have not made reasonable inquiry.

40 Given his position within the Respondent's organization, it is more than reasonable to make inquiries of Rapino. Whether he has any documents or which documents he may have is potentially telling evidence of the extent of involvement of the various Respondents in the alleged misleading activities.

41 As indicated at the hearing, the Respondents are to inquire of Rapino as to relevant documents he may have and, if any, to produce them forthwith.

E. Privileged Documents

42 The Commissioner complains that the Respondents' claim of privilege does not comply with Rule 60 in respect to a number of documents. The Commissioner asks that the Tribunal inspect the documents in question to determine the privilege claim.

43 The search for privileged documents was somewhat different than the TAR search. The privileged documents search was a key word search. It appears that there has been some shifting of documents from one category of privilege to another as the review of these documents settles out.

44 Before the Tribunal would make an order for individual privilege document review or even a sampling, the Respondents should provide further and better privilege details.

45 With respect to litigation privilege, the Respondents are to identify the particular litigation over which the privilege is claimed.

46 With respect to the Respondents' claim of solicitor-client privilege, the fact that the communication was not between a solicitor and a client is not determinative but it is *prima facie* evidence of the privilege. Several of the documents listed have no description of the basis of the claim; this is particularly important where the communication is not with a lawyer.

47 The Respondents, in the further and better AODs to be served, are to provide a more fulsome description of the subject matter of the claim without disclosing the privilege. Such descriptions as "re: employment claim" or "re: contract interpretation" and similar type descriptions should be sufficient to *prima facie* satisfy the disclosure obligation.

48 Following compliance with these instructions, should there be problems with the privilege claim, the matters may be raised with the Tribunal.

IV. TIMING

49 The Respondents have indicated that revised AODs to record new documents produced will be served on November 2, 2018. Given the forthcoming discoveries, absent agreement with the Commissioner, the Respondents' new AODs shall by that same date incorporate the instructions in these Reasons.

THE TRIBUNAL ORDERS THAT:

50 The Respondents are to comply with these Reasons.

51 The Commissioner is to have his costs of this motion in any event of the cause.

DATED at Ottawa, this 17th day of October 2018.

SIGNED on behalf of the Tribunal by the presiding judicial member

(s) Michael Phelan

THE COMPETITION TRIBUNAL

IN THE MATTER OF the *Competition Act*, R.S.C. 1985, c. C-34, as amended; and

IN THE MATTER OF an application for orders pursuant to section 74.1 of the *Competition Act* for conduct reviewable pursuant to paragraph 74.01(1)(a) and subsection 74.01(3) of the *Competition Act*.

B E T W E E N:

THE COMMISSIONER OF COMPETITION

Applicant

-and-

HUDSON'S BAY COMPANY

Respondent

**BOOK OF AUTHORITIES
FOR THE COMMISSIONER'S
MEMORANDUM OF FACT AND LAW**

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