

Federal Court



Cour fédérale

Date: 20170925

Docket: T-2064-16

Citation: 2017 FC 858

Ottawa, Ontario, September 25, 2017

PRESENT: Madam Prothonotary Mireille Tabib

BETWEEN:

LIVE FACE ON WEB, LLC

Plaintiff

and

SOLDAN FENCE AND METALS (2009) LTD.

Defendant

and

**MP MEDIA PLUC INC.
ALSO DBA NEW MEDIA PLUS**

Third Party

ORDER AND REASONS

[1] These reasons address the question of whether it is necessary for the Court to issue protective orders drafted and agreed to by the parties where there is no genuine dispute as to their

scope and no special circumstances justifying the Court's involvement. I conclude that, absent highly unusual circumstances, it is not necessary for the Court to incorporate in an order the specific or additional protective measures agreed by the parties for them to be effective, and that the Court ought no longer to routinely issue protective orders on consent of the parties.

[2] The plaintiff in this patent infringement action made an informal motion to the Court, with the consent of the defendant and the third party, for the issuance of a protective order. The parties have negotiated between themselves the exact terms and content of the proposed order. Like most such orders, it has over a dozen pages and provides in painstaking details how the parties may designate as confidential, mark and keep the documents they will exchange between themselves in the course of the proceedings, to which entity or law firm and to how many persons from each entity or law firm each category of designated documents may be disclosed, how designations may be challenged, the terms of the written acknowledgement certain persons must sign before receiving the designated information, what steps each party must take to protect the confidentiality of the designated information in various circumstances, etc.

[3] The proposed order does not purport to act as a confidentiality order that would allow parties to file materials under seal, as contemplated in Rules 151 and 152 of the *Federal Courts Rules*, SOR-98/106. As such, and with the exception of a provision to which I will return later, the particular terms of the protective order are really of no concern to the Court and the parties have no expectation that the Court would question, object to or modify them. In fact, as has become the practice in intellectual property litigation before the Court, the parties did not even

bother making a formal motion or explaining why the Court should issue the order as proposed. They merely sent a draft and asked that the Court issue it.

[4] The Court has in the past obliged such requests without question, but not, however, without inconvenience to itself and cost to the public purse.

[5] The parties may think that the Court blindly rubber-stamps protective orders, but it does not. While the Court does not care much about what constraints the parties choose to impose upon themselves, it must ensure that the parties have not included in their proposed order, by inadvertence or by stealth, remedies that require a specific exercise of judicial discretion that cannot be obtained on simple consent. The principle of open and accessible court proceedings is one of the cornerstones of our judicial system. Any order or direction allowing parties to file materials under seal constitutes an exercise of judicial discretion and requires the court to be satisfied that sealing materials, even temporarily, is necessary to prevent serious harm to an important interest and that the salutary effect of the order outweighs the public interest in open and accessible court proceedings. (*Sierra Club of Canada v Attorney General (Minister of Finance)*, 2002 SCC 41). Such a remedy cannot be granted on the sole basis of the parties' consent. In my experience, proposed protective orders must regularly be returned or modified because they contain provisions allowing the parties to file materials under seal pursuant to Rules 151 and 152 without justification.

[6] Beyond the judicial time required to vet proposed confidentiality orders to detect and root out inappropriate provisions, there is the administrative and material costs of receiving,

processing, issuing, and retaining these orders. Registry staff time is required to receive the request and transmit it to the appropriate judicial officer. Secretarial staff time is required to turn the proposed draft in the appropriate format for issuance of the order. Once the order is signed, a judicial assistant enters an electronic copy in a central repository of orders; the signed original and a hard copy are returned to the registry, where a registry officer will place the original on the Court file, record it in the Judgments and Orders Book, make the appropriate entries in the proceedings management database, notify and send a true copy of the order to each party, await and process each party's acknowledgement of receipt, and place a hard copy of both the acknowledgements and of the order on the Court file. The Federal Court being a national court, it keeps one hard copy of each of its orders at the central registry in Ottawa, as well a copy in any regional registry office where a hearing is held. As a Court of Record, the Court must keep a copy of all the orders it issues, even after the litigation has ended. The cost of copying and storing orders and directions, whether in paper or digital format, is staggering.

[7] Protective orders are also often subject to amendment. Every time a solicitor changes or the control or name of any entity identified in the order changes, the protective order gets amended. Changes to which the parties agree, as to the levels of confidentiality, the number of experts or consultants permitted access, the address for notification and any other matter, trivial or serious, require amendments and the same expenditure of time and resources. The time needed to process the orders sometimes results in delays in the litigation, as parties await the issuance of the orders before communicating documents.

[8] Worse still is the all too common abuses of protective orders. As the Court's practice has evolved and now stands, protective orders are distinct from confidentiality orders; only the latter allow parties to file materials under seal. Harried counsel or untrained clerical staff within their offices however frequently overlook or are ignorant of the distinction. Because materials designated as "confidential" under protective orders bear a designation that refers to an order of the Court, they assume, without verifying, that a confidentiality order exists that allows them to file the material under seal. Parties thus present for filing sealed envelopes "pursuant to" the terms of protective orders, when those orders, on their face, caution that they do not allow parties to file materials under seal without a separate confidentiality order.

[9] These improper filings, whether stemming from inadvertence, ignorance or negligence are nevertheless abuses of the orders and processes of the Court. They are sometimes spotted by registry staff when the documents are tendered for filing but often, it falls to a designated registry officer, a clerk, a prothonotary or a judge to notice the abuse. Directions must then be issued to deal with the problem. Invariably, extensions of time and indulgences will be urgently requested by panic-stricken lawyers as they scramble to obtain instructions as to whether or not they should make last-minute motions for confidentiality orders, which the Court must then determine on short notice. As illustrated by the case of *Teva Canada Ltd. v Janssen Inc.*, 2017 FC 437, the rush to correct improper filings sometimes leads to carelessly assembled materials, with chaotic and unfortunate results.

[10] Given the costs, the inconvenience and the potential for abuse and cascading problems associated with protective orders, at a time where the careful use and management of scarce

judicial resources is a pressing and growing concern, it is opportune to consider whether such orders serve any useful purpose, and whether the Court should continue to issue them on demand.

[11] Although the parties had not made a formal motion for a protective order, I directed them to consider and advise in writing why the terms to which they had agreed needed to be enshrined in an order of the Court, rather than simply set out in an agreement between them as terms circumscribing their obligations under the implied undertaking rule. The parties having maintained their request for a formal order, I invited them to attend at the Court to provide further oral submissions. For the reasons that follow, I am unpersuaded by their arguments.

[12] Originally developed in England, the common law doctrine of the implied undertaking rule is now recognized and entrenched in the practice of this Court, as well as in most Canadian common law provinces (*Canada v ICHI Canada Ltd.*, [1992] 1 FC 571, *Goodman v Rossi*, [1995] OJ No 1906, 125 DLR (4th) 613). It is premised on the necessity to preserve, so far as practicable, litigants' privacy rights in the face of compulsory discovery and balancing parties' privacy rights against the promotion of full discovery.

[13] The rule is well understood as being an obligation impliedly imposed by the Court itself on litigants who take advantage of the discovery process, whereby they receive the information against their undertaking to the Court that they shall not disclose it or make use of it for a purpose outside of or collateral to the litigation for which disclosure was made, absent consent of the producing party or leave of the Court. The obligation remains in effect unless and until the

information is revealed in open court or is filed and becomes part of the public record. Because the undertaking is given to the Court, it may be enforced by the Court through the use of the contempt power (*Goodman v Rossi* at pp 363-364).

[14] The undertaking also includes an obligation on the part of the receiving party to return or destroy the documents which have not become part of the public record at the conclusion of the litigation (*Andersen Consulting v Canada (TD)*, [2001] 2 FC 324, at para 6). It arises whether or not the parties have entered into an agreement, and is independent of the existence of a confidentiality order (*Mark Anthony Properties Ltd. v Victor International Inc.*, 2000 FCJ No 180 at par 7, *Apotex Fermentation Inc. v Novopharm Ltd.*, 2001 MBQB 316). The rule further extends to third parties or their counsel, including experts they have retained, and can be enforced by the Court as against these third parties; relief may even be ordered against third parties who have improperly obtained discovery information (*Winkler v Lehndorff Management Ltd.*, [1998] OJ No 4462, 28 CPC (4th) 323; *Canadian National Railway Co. v Holmes*, 2014 ONSC 593).

[15] Given the comprehensive nature of the rule and the breath of its application, one wonders what additional benefits an express protective order might have. The vast majority of the substantive provisions of typical protective orders are already covered by the common law doctrine of the implied undertaking rule. Setting them out in an order is unnecessary to protect parties' information: The rule as applied in this Court already includes documentary productions in all their form, as well as information disclosed in oral discoveries; it already restricts the parties' use of discovery information to the purposes of the litigation and no other purpose; it

already protects information disclosed on discovery even if no specific designation has been made, and whether or not it is marked as “confidential”; it already provides that a waiver may be granted by the disclosing party or the Court; it already requires parties to advise third parties to whom they disclose discovery information of the existence and strictures of the implied undertaking rule; it already excludes information that was lawfully obtained by a party outside the discovery process; it already requires parties who inadvertently breach the undertaking to take all necessary steps to prevent further disclosure; it already extends beyond the termination of the proceedings and provides for the right of parties to request the return or destruction of information not publicly disclosed at the end of the proceeding.

[16] The minute details of how and when those rights and obligations are to be documented, communicated or exercised might be thought useful by the parties, but absent unusual circumstances, they do not expand the protection afforded by the rule, and are not necessary to ensure the protection of the parties’ privacy interests. Indeed, Justice Oliphant of the Manitoba Queen’s Bench opined in *Apotex Fermentation*, above, that a formal order is neither necessary nor desirable in the absence of exceptional circumstances, because it implies that it does add something and suggests that a solicitor or party not bound by an express undertaking or order has more freedom to manoeuvre than one who is. He concludes that where there is an implied undertaking, it is inappropriate to formalize the same.

[17] The parties submit that the proposed order is necessary despite the existence of the implied undertaking rule because it substantially expands on the implied undertaking rule in two ways:

1. It limits the number of individuals that may access the information; and
2. It provides that parties must give each other prior notice of their intention to file material in Court, to allow the disclosing party an opportunity to seek a confidentiality order to ensure the continued protection of the information.

[18] The parties fear that unless these provisions are incorporated in an order of the Court, they would merely be a private contractual agreement between them. They argue that there would be substantial drawbacks if these provisions and other enhancements were to constitute a simple contract between private parties: the Federal Court does not have jurisdiction to enforce private contracts between subjects; any remedy for breach of the agreement would thus have to be sought from a provincial court. Binding third parties to the provisions of the agreement would also, they say, require the execution of a specific contract with each third party. Not only would that be onerous, but it would force parties to reveal the identity of their prospective experts before they have even decided to call them.

[19] The notion that in the absence of a protective order, a separate agreement is needed to bind third parties to the implied undertaking rule is simply incorrect in law. As mentioned, the implied undertaking rule arises and operates to bind the parties, their counsel and third parties consulted whether or not there is an express agreement or confidentiality order in place.

[20] It is only the two specific provisions identified by the parties, the restriction to the number of people to who designated information may be disclosed and the obligation to give prior notice of the intention to file that designated information, which appear to add to or expand

the scope of the implied undertaking rule. If there is any merit to the parties' argument that an order is necessary to ensure the Court's jurisdiction to enforce protective measures agreed between the parties, it is only in respect of those two provisions. However, for the following reasons, I find there is no merit to the parties' arguments.

[21] I fail to see why additional undertakings given to but not specifically endorsed by the Court, that aim to achieve the same goals as the implied undertaking rule, should be any less binding on the parties or amenable to enforcement by the Court's contempt power than the general rule, so long as they are voluntarily given by the parties and their solicitors in the mutual belief that they are lawful and appropriate, in the circumstances, to protect the parties' legitimate privacy interests during the conduct of the litigation.

[22] The Federal Court's jurisdiction to enforce compliance with the implied undertaking rule arises from the Court's inherent power to control its own process. The implied undertaking rule itself was born from the recognition that it would promote compliance with the Court's discovery process and help prevent abuses or misuses of this process by affording protection for the parties' privacy interests. The implied undertaking arises automatically and may be enforced as soon as a person receives discovery information, even outside of the presence of the Court and without its knowledge. In that, it is unlike undertakings given by parties in relation to their substantive rights, such as settlement agreements that include an undertaking not to make use of a trademark or other intellectual property. These substantive undertakings cannot be enforced by contempt unless they have been communicated to and acknowledged by the Court in an order

(*Williams Information Services Corp. v Williams Telecommunications Corp.*, [1998] FCJ No 594, 142 FTR 76).

[23] Undertakings that are strictly related to the procedural aspects of litigation and aim to assist in regulating the Court's process, such as those restricting the number of persons who can have access to designated discovery information or requiring prior notice of an intention to file, are of the same kind as the implied undertaking rule. As such, they should not need to be expressly acknowledged by the Court in order to be amenable to enforcement by the Court as part of its inherent jurisdiction to control its process, including by contempt in appropriate cases.

[24] Even if I am wrong and procedural undertakings privately given are not amenable to punishment by contempt unless they are incorporated in an order of the Court, it does not follow that protective orders expanding on the implied undertaking rule ought to be issued on demand. It is still appropriate to consider whether it is truly necessary, for the terms to which the parties have agreed to be effective, that the immediate threat of the full might of the Court's contempt powers be available. Indeed, this Court in *Williams Information Services*, above, recognized that while private undertakings might not have the same force and effect as an order of the Court, they remain amenable to subsequent recognition and enforcement by the Court:

18 Where an undertaking is given between the parties but not to the Court the appropriate procedure is to first apply to the Court for an order compelling compliance with the undertaking and, then, if compliance does not occur to bring a proceeding for contempt: *Re A. Solicitor*, [1966] 3 All E.R. 52 (Eng. Ch. Div.); *Williams v. Swan*, [1942] 4 D.L.R. 488 (Ont. C.A.); *Dashwood v. Dashwood* (1927), 71 Sol. Jo. 911 (U.K. H.L.).

[25] The parties' concerns that the Federal Court would lack the jurisdiction to regulate or provide relief in case of a breach of parties' private confidentiality undertakings unless they have been enshrined in a prior Court order are unfounded. If the Court has the required jurisdiction to incorporate in an order a proposed undertaking in the first place, it has the required jurisdiction to acknowledge the parties' prior undertakings and make remedial orders to ensure future compliance.

[26] I will now consider each of the two particular provisions identified by the parties as exorbitant of the implied undertaking rule, and consider whether they would remain effective even if they did not have the same force as an order of the Court.

I. Limits to the number of persons allowed access to information

[27] When dealing with particularly sensitive information, provisions setting limits on the number of persons entitled to be given access may be useful to the parties to contain the dissemination of information and assist in monitoring compliance with the implied undertaking rule. Such provisions may even offer useful guidance as to what would constitute appropriate use of certain types of discovery information in the particular circumstances of the case. Setting these limits perhaps provides comfort to the parties that, so long as they keep to the letter of the agreement, the propriety of their conduct will not be challenged.

[28] However, a breach of these limits will not necessarily constitute an improper use of discovery evidence, and it is certainly not obvious that it should be punishable by contempt. I very much doubt that the parties themselves expect that disclosure of designated information to

six, rather than five persons could result in contempt proceedings, if use of the information does not otherwise offend the implied undertaking rule.

[29] Conversely, there may be situations where disclosure that exceeds limits set out in private agreements would constitute a breach of the implied undertaking rule, independently of any agreement. A party who internally disseminates discovery information indiscriminately and without a discernible purpose connected to the litigation is not making proper use of discovery information. Such conduct does not need to be made the subject of an express order in order to be amenable to control by the Court. Further, the Court's control may be exercised by means other than the use of the contempt power, such as orders requiring the collection and return of documents. Indeed, the Court's contempt powers should only be used as a last resort, where contumacious intent exists and other means of achieving the purposes and intent of the rules or orders at issue have failed.

[30] I am therefore satisfied that, outside of very unusual circumstances, there is no useful purpose to be served in incorporating in an order of the Court parties' self-imposed limits on the number of persons allowed access to designated discovery information.

II. Requirement for Advance Notice of Filing

[31] The provision of the proposed protective order requiring advance notice of intent to file designated information is unquestionably useful. The protection afforded by the implied undertaking rule is vulnerable to unforeseen, or even abusive or improper use of sensitive information by an opponent in interlocutory filings. Parties of course expect that discovery

information may be used at trial, and will thus be made public and lose the protection of the implied undertaking rule. Where they believe that some information merits the protection of a confidentiality order despite the principle of open and accessible court proceedings, they must be prepared to bring a motion for confidentiality well ahead of time. It is not however always so easy to predict and guard against the use of discovery information in interlocutory matters. Of course, the preferred practice in any case is for parties to notify each other of potential motions, if only to attempt to resolve them amicably. Sophisticated counsel, having a good understanding of the facts relevant to the proposed motion, should then be able to anticipate whether sensitive discovery evidence is likely to be filed, and make such motion for a confidentiality order as may be appropriate.

[32] However, parties do not always adhere to best practices and counsel, in an effort to be exhaustive, often file far more information than needed. The Court has discouraged the practice of seeking blanket confidentiality orders that would apply to any and all interlocutory proceedings at the outset of litigation, because it is impossible to know in advance whether the issues and the basis for the Court's decision in any given motion can be properly understood by the public without disclosing the evidence, and impossible to assess whether the importance of protecting the parties' confidential information will outweigh the public interest in open and accessible court proceedings. Parties therefore have a legitimate interest in inserting in their protective agreements an undertaking that they shall not file designated discovery information on the public record without giving sufficient notice to allow the disclosing party to move, where appropriate, for a confidentiality order.

[33] As important and useful as this provision may be, I still do not consider that it is necessary to incorporate it in an order of the Court for it to be fully effective.

[34] The undertaking to provide notice is nominally given by the parties. However, the parties in proceedings in which protective orders are typically sought are represented by solicitors. Motion materials are assembled, prepared and ultimately filed by solicitors. An undertaking to give advance notice of filings is thus essentially one for which the burden falls entirely on solicitors. I cannot conceive that anyone would think that a solicitor could, with impunity, breach such an undertaking simply because it has not been made part of an order of the Court. Solicitors are officers of the Court. They are bound, by their oath of office, to fulfill the duties of their profession with integrity and honesty. Professional misconduct on their part, as a deliberate breach of such an undertaking would be, can be effectively deterred and sanctioned by their professional association; it may also even be punishable by contempt (*Awogbade v Canada (Minister of Citizenship and Immigration)*, (1995) 29 Imm LR (2d) 281, 94 FTR 184).

[35] If there could exist any circumstance where the notice provision would need to be expressed in an order of the Court, then surely, such a provision could more efficiently be inserted as a simple paragraph of a case management order, rather than through the ponderous verbiage of a protective order.

[36] There is one last provision that the parties would like the Court to insert in their proposed protective order that would clearly require the Court's prior approval. It is that when a party, having been notified of its opponent's intention to file designated information, makes a motion

for a confidentiality order, the Court will permit the designated information to be filed under seal and treat it as confidential pursuant to Rule 152 until the motion for a confidentiality order has been determined.

[37] The only reason such a provision might be thought necessary as a matter of course is that the proposed protective order contemplates that a party need only give the designating party 10 days prior notice of its intention to file. That delay is barely enough for the designating party to obtain instructions and prepare motion materials for a confidentiality motion, let alone for the Court to determine it.

[38] By giving themselves unrealistically short delays to seek a confidentiality order while asking the Court's undertaking that it will nevertheless permit material to be filed and remain sealed pending its determination, the parties are effectively granting themselves leave to file materials under seal without having had to demonstrate the propriety of doing so. The responsibility for any length of time during which potentially improperly sealed documents will remain on the Court's record is laid entirely at the Court's feet. This provision essentially buys the parties an extra period of confidentiality at the expense of the Court and of the public.

[39] The Court strives to render interlocutory decisions in a timely fashion, so as not to unduly delay the progress of proceedings, but it cannot be expected to treat motions as urgent matters or grant interlocutory relief when it cannot do so because of the parties' own delays or lack of foresight.

[40] A general provision ensuring that the Court will allow materials to remain sealed pending determination of a confidentiality motion would not be necessary if the parties gave themselves appropriate prior notice of their intention to use confidential information. If, the designating party having been given sufficient prior notice and having acted diligently to seek a confidentiality order before the materials are scheduled to be filed, the Court still had not determined the motion, it would then be appropriate for the parties to seek an order or direction permitting the material to be filed and sealed pending the determination of the motion. Asking for this indulgence in advance is inappropriate, and granting it fosters complacency. I therefore also decline to grant that part of the motion.

ORDER

THIS COURT ORDERS that:

1. The parties' motion for a protective order is dismissed.

"Mireille Tabib"

Prothonotary

FEDERAL COURT
SOLICITORS OF RECORD

DOCKET: T-2064-16

STYLE OF CAUSE: LIVE FACE ON WEB, LLC V SOLDAN FENCE AND METALS (2009) LTD. ET AL

PLACE OF HEARING: OTTAWA, ONTARIO

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REASONS FOR ORDER AND ORDER: TABIB P.

DATED: SEPTEMBER 25, 2017

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