

Federal Court



Cour fédérale

Date: 20201217

Docket: T-1606-18

Citation: 2020 FC 1162

Ottawa, Ontario, December 17, 2020

PRESENT: Madam Justice Walker

BETWEEN:

RICHARDS PACKAGING INC.

**Plaintiff/
Defendant by Counterclaim**

and

DISTRIMEDIC INC.

**Defendant/
Plaintiff by Counterclaim**

ORDER AND REASONS

(Defendant's Motion appealing the Privilege Order of Madam Prothonotary Steele dated February 10, 2020)

[1] Distrimedic Inc. (Distrimedic) appeals an order of Prothonotary Alexandra Steele, the Case Management Judge, dated February 10, 2020 (Privilege Order) and requests the admission of new evidence in support of its appeal. In the Privilege Order, Prothonotary Steele dismissed Distrimedic's motion seeking an order that the Plaintiff, Richards Packaging Inc. (Richards), could not assert privilege over the documents (Documents) listed in its Updated Privilege Log

submitted to counsel for Distrimedica on September 18, 2019 under confidential seal.

Prothonotary Steele found that the Documents were covered by solicitor-client (litigation) privilege and/or patent agent-client privilege and that there had been no loss or waiver of privilege.

[2] The appeal is brought by Distrimedica by motion pursuant to Rule 51(1) of the *Federal Courts Rules*, SOR/98-106 (Rules).

[3] For the reasons that follow, the appeal is dismissed.

I. Background

[4] Richards and Distrimedica are direct competitors in the field of medical products used to facilitate the distribution of medication to patients, including pill receptacles and cover sheets for those pill receptacles. The two parties are essentially the only major competitors in the niche market for these products.

[5] Richards filed an action against Distrimedica for infringement of three of its Canadian patents on September 4, 2018. Distrimedica filed its Statement of Defence and Counterclaim on December 21, 2018 denying infringement and asserting that one of the three patents is invalid. The patent in issue, Canadian Patent No. 2,631,095 ('095 Patent), was reissued on July 24, 2018 pursuant to section 47 of the *Patent Act*, RSC 1985, c P-4 (*Patent Act*). Distrimedica alleges that the '095 Patent is invalid because it was reissued specifically to target Distrimedica's products, a misuse of the reissue process.

[6] The chronology of events leading to the issuance of the '095 Patent in 2011 and to its re-issuance in 2018 is set out in the Privilege Order. Briefly, Richards retained Lespérance & Martineau, a patent agency, in late 2007 to file and prosecute a patent application. Lespérance & Martineau filed the patent application in May 2008. Richards and its patent agents exchanged documents during the course of the prosecution process and the '095 Patent was issued on May 10, 2011.

[7] In February 2015, Richards retained Smart & Biggar who undertook an analysis of the '095 Patent and, on May 8, 2015, filed two applications for the reissue of the '095 Patent, one of which was later discontinued. Smart & Biggar's work on behalf of Richards involved lawyers and patent agents. The application to reissue was made on the basis that Lespérance & Martineau had erred in filing the initial patent application and that Richards became aware of the errors on March 25, 2015. Richards and Smart & Biggar exchanged documents and communications from 2015 through 2018, including documents and communications previously exchanged between Richards and Lespérance & Martineau. The '095 Patent was reissued on July 24, 2018.

[8] The Documents at issue can be described as follows:

1. Documents and communications between Richards and Lespérance & Martineau during the 2007-2010 period in connection with the filing and prosecution of the patent application that resulted in the issuance of the '095 Patent on May 10, 2011.
2. Documents and communications between Richards and Smart & Biggar beginning in 2015, with the reissue process, and continuing through the re-issuance of the '095 Patent on July 24, 2018 and the commencement of the present action. This group of documents includes Richards/Lespérance & Martineau correspondence and documents from the initial issuance process.

[9] In its motion before Prothonotary Steele, Distrimedica argued that the Documents were not subject to patent agent or solicitor-client (litigation) privilege and/or that any such privilege had been waived by Richards.

II. The Privilege Order

[10] Prothonotary Steele dismissed Distrimedica's motion, concluding that all of the Documents listed in the Updated Privilege Log were privileged and that there was no evidence to support a loss or waiver of privilege.

[11] Prothonotary Steele first reviewed the legal principles applicable to privilege in Canada, stating that solicitor-client privilege is a cornerstone of the Canadian legal system and is only subject to encroachment in situations of absolute necessity (*Goodis v Ontario (Ministry of Correctional Services)*, 2006 SCC 31 at paras 20, 41 (*Goodis*)). A communication is presumptively privileged if (1) it is a communication between a solicitor and a client; (2) it entails the seeking or giving of legal advice, whether litigious or not; and (3) it is intended to be confidential by the parties (*Solosky v The Queen*, 105 DLR (3d) 745, [1980] 1 SCR 821 at pp 833-834, 837 (*Solosky*)). Prothonotary Steele set out the three limited exceptions to the confidentiality of solicitor-client communications, the third of which is at issue in this appeal:

- (a) public safety and national security;
- (b) in situations where the innocence of an accused person is threatened; and
- (c) in situations where there are criminal communications or communications that have the purpose of furthering criminal acts or unlawful conduct (*Canada (Privacy Commissioner) v Blood Tribe Department of Health*, 2008 SCC 44 at para 10 (*Blood Tribe*)).

[12] Prothonotary Steele made a number of points in respect of the third exception. First, she noted that the communication with the solicitor must be knowingly made to pursue a crime or fraudulent purpose (*Solosky* at p 835). Second, it is not sufficient to allege the commission of a crime or fraud to trigger the exception. Rather, a *prima facie* case must be made out based on first-hand knowledge. Finally, misconduct that is not criminal is generally not recognized as an exception to privilege (*Blank v Canada (Justice)*, 2010 FCA 183 at para 20 (*Blank 2010 FCA*)).

[13] Prothonotary Steele also addressed the status in Canada of patent agent-client privilege. She referred to section 16.1 of the *Patent Act* (in force on June 24, 2016) and stated that, if the conditions set out in the section are met, a communication between a patent agent and client is presumptively protected by privilege in the same manner as a communication between a lawyer and client. There is no dispute between the parties in this regard.

[14] Prothonotary Steele summarized Distrimed's arguments regarding Richards' assertions of privilege as follows:

[37] Distrimed opposes Richards' assertions of privilege on the following grounds:

- (1) Privilege has been lost as a result of Richards' partial reliance and disclosure of communications relating to instructions given to and executed by Lespérance & Martineau;
- (2) Privilege has been lost as a result of Richards' use of the reissue process to impermissibly expand the scope of the '095 Patent to capture Distrimed's products;
- (3) Patent agent privilege does not apply to the communications that pre-date the coming into force of s. 16.1 of the *Patent Act* as they

were made in the context of a proceeding instituted before that date.

[15] Prothonotary Steele disagreed with Distrimedica's argument that Richards waived privilege in its communications with Lespérance & Martineau by voluntarily disclosing to the Canadian Patent Office (Patent Office) during the reissue process two redacted communications with the firm. Prothonotary Steele stated that the Documents in question were redacted when they were provided to the Patent Office and Richards had maintained the confidentiality of the redacted portions of the Documents at all times. She concluded that Richards had not waived privilege in the redacted sections of the communications.

[16] Prothonotary Steele also concluded that the filing of a redacted document does not in and of itself justify the automatic disclosure of all documents and communications that may provide context. Distrimedica argued that it would be unfair to allow only partial disclosure of Richards' communications with Lespérance & Martineau. Distrimedica alleged that Richards had picked certain communications with its patent agents to support its section 47 application, resulting in an incomplete and potentially misleading picture of the circumstances surrounding the reissue of the '095 Patent. Prothonotary Steele disagreed and found that Distrimedica had adduced no evidence of either an intention to mislead on Richards' part or how it was likely that the Court or Distrimedica may be misled without full access to the communications between Richards and its patent agents. She stated:

[45] The claimed invalidity of the '095 Patent based on s. 47 of the *Patent Act* is Distrimedica's cause of action. Distrimedica must therefore have some evidence beyond its allegations to support its claim. However, no evidence was put forward on this motion. It may well be that Distrimedica intends to make its case through Richards, or even the named inventor of the '095 Patent, but such a

strategy does not warrant unfettered access to privilege communications. Distrimedic may implement such a litigation strategy through discovery or at trial, not through the disclosure of privileged communications between the patentee and its patent agents and lawyers.

[17] Prothonotary Steele then turned to Distrimedic's argument that privilege did not apply to the Documents because they served to facilitate the reissue of a patent for an improper or unlawful purpose, namely to catch Distrimedic's products. Prothonotary Steele rejected this argument. She repeated that misconduct that is not criminal is not recognized as an exception to privilege. Even if civil misconduct were an exception, it would require a *prima facie* case of fraud based on first-hand knowledge. Here, the facts and evidence were insufficient to support an allegation of criminal or civil misconduct, much less an allegation of fraud.

[18] Finally, Prothonotary Steele addressed the application of section 16.1 of the *Patent Act*. Distrimedic relied on subsection 16.1(6) to argue that, because the reissue proceedings were ongoing on June 24, 2016, the date section 16.1 came into force, patent agent privilege did not extend to communications relating to the reissue application. Subsection 16.1(6) states that section 16.1 has retroactive effect to communications with a patent agent made before June 24, 2016 if they were still confidential on that date, provided that the section "does not apply in respect of an action or proceeding commenced before that day". Prothonotary Steele stated that the exception to retroactive application of section 16.1 is limited to disclosure in the context of proceedings that were ongoing on June 24, 2016. As the reissue proceedings concluded on July 24, 2018, the limitation set forth in subsection 16.1(6) did not defeat the existence of patent agent privilege in communications between Richards and its patent agents in the reissue proceedings that have remained confidential.

III. Preliminary matter – Admission of new evidence by Distrimed

[19] Distrimed seeks to introduce as new evidence in this appeal the transcript (Transcript) of its examination on December 11, 2019 of Mr. Gilles Bourque, an employee of Richards and the inventor listed on the '095 Patent. Distrimed acknowledges the general rule that an appeal of a prothonotary's order proceeds on the record that was before the prothonotary but submits that the Court has discretion to admit new evidence (*Graham v Canada*, 2007 FC 210 at para 12 (*Graham*)). Distrimed submits that the Transcript contains critical information for the Court in this appeal and is relevant to whether the reissue was undertaken for an improper purpose. Distrimed argues that Richards provided only hearsay evidence from Mr. Proulx to the Patent Office and, subsequently, to Prothonotary Steele in the privilege motion.

[20] Richards opposes the admission of the Transcript for two reasons. First, Richards argues that the examination of an inventor pursuant to Rule 237(4) may only be used to obtain general information on the assignment of the asserted rights and to impeach the inventor's credibility if they testify at trial. The Transcript would not have been admissible for the purpose cited by Distrimed in the privilege motion before Prothonotary Steele. Second, Richards argues that even if the Transcript were admissible in the privilege motion, leave of the Court to file additional evidence on the appeal of a prothonotary's order is exceptional and should not be granted in the present case.

[21] Rule 237(4) permits the examination of the inventor/assignor of a patent who is not a party to the underlying patent litigation. Leave of the Court must be obtained for use of the examination at trial. The evidence of the assignor may be used only to: (1) provide information

and possible lines of inquiry for the examining party to explore; and (2) permit the examining party to use the transcript of the examination to impeach the assignor should they be called as a witness at trial (*Faulding (Canada) Inc. v Pharmacia S.P.A.*, 1999 CanLII 7940 at para 4; *Faurecia Automotive Seating Canada Ltd. v Lear Corp. Canada Ltd.*, 20 CPR (4th) 308 (FC) at p 5, [2002] FCJ No 1836; see, recently, *Allergan Inc. v Apotex Inc.*, 2020 FC 658 at paras 45-47 (*Allergan*)).

[22] Distrimedic argues that it is not attempting to introduce the Transcript at trial but in the context of the privilege motion and that its admissibility in this appeal should be assessed against the general criteria for the admission of new evidence. Distrimedic cited no jurisprudence in support of its position that Rule 237(4) evidence should be treated differently depending on whether it is introduced in a motion or at trial. In my view, there is no basis for the distinction. The rationale for limiting the use of evidence from the examination does not change. Rather the limitations recognize that the evidence is being given by a non-party. Absent agreement of the assignee (a party), that evidence does not bind the assignee and cannot be used to contradict one of its witnesses (*Allergan* at paras 46-47).

[23] I have also considered the Court's discretion to admit new evidence in this appeal in exceptional circumstances. There is no dispute between the parties regarding the criteria for the admission of new evidence on appeal of a prothonotary's order. Distrimedic cites this Court's formulation of the criteria in *Graham*, which was recently cited with approval in *David Suzuki Foundation v Canada (Health)*, 2018 FC 379 at para 18 (*Suzuki Foundation*). The four criteria for admission are: (1) the evidence could not have been made available earlier; (2) it will serve

the interests of justice; (3) it will assist the Court; and (4) it will not seriously prejudice the other side.

[24] It is apparent that the Transcript was not available to Distrimedica at the date of the hearing before Prothonotary Steele but I find that Distrimedica has not satisfied the second and third criteria for admission. The requirement that the new evidence will assist the Court was considered by Justice Kane in *Suzuki Foundation*. She concluded that the Court must consider whether the evidence could impact the merits of an appeal of a prothonotary's order (*Suzuki Foundation* at para 38).

[25] Distrimedica's examination of Mr. Bourque established that he had no involvement in the original application for the '095 Patent or in the application for reissue. Distrimedica argues that Mr. Proulx's evidence to the Patent Office in the reissue application and to this Court in his affidavit dated September 4, 2019 in response to the privilege motion was hearsay and that Richards is attempting to shield Mr. Bourque from cross-examination. Distrimedica also argues that Mr. Bourque's evidence contradicts Mr. Proulx's statement in his May 10, 2017 affidavit filed with the Patent Office that he believed Mr. Bourque's intention was not fully satisfied by the claims of the issued '095 Patent.

[26] Mr. Proulx is Richards' director of national sales. He has been employed by Richards since 1996. It is clear from the record that he was the prime contact for Lespérance & Martineau in the application for the '095 Patent and for Smart & Biggar in the reissue application. Mr. Bourque's evidence on examination was that he was not involved in either application

process. Richards has not suggested otherwise. There is nothing inherently suspect in Richards' reliance on Mr. Proulx as its representative in this patent litigation. There has been no sudden change of course that would suggest Mr. Bourque has been strategically excluded to shield him from cross-examination. Further, his evidence does not contradict that of Mr. Proulx. Mr. Proulx stated only that he believed the inventor's intention was not reflected in the '095 Patent as issued. He did not state that he had consulted Mr. Bourque or that Mr. Bourque had been otherwise involved in the original or reissue application.

[27] I find that Distrimedica cannot introduce evidence from its examination of Mr. Bourque pursuant to Rule 237(4) for the purposes of supporting its allegation of misconduct in the reissue process and contradicting the evidence of Mr. Proulx. I decline to grant leave to admit the evidence on this basis. In addition, there are no exceptional circumstances that warrant the exercise of the Court's discretion to admit the Transcript. The evidence from Mr. Bourque would not impact the outcome of my conclusions in this appeal. The interests of justice would not be served by admitting evidence gleaned by Distrimedica under Rule 237(4) for a broader purpose than those permitted in the jurisprudence.

IV. Issues

[28] Distrimedica raises three issues in this appeal:

1. Did Prothonotary Steele err in law in interpreting subsection 16.1(6) of the *Patent Act*?
2. Did Prothonotary Steele fail to properly analyse the reissue proceedings and Richards' disclosure of certain communications with its original patent agents, Lespérance & Martineau, in the course of those proceedings?

3. Did Prothonotary Steele fail to consider evidence of misconduct by Richards in seeking the reissue of the '095 Patent sufficient to defeat privilege in its communications with Smart & Biggar?

V. Standard of Review

[29] The parties agree that the applicable standard of review for appeals of discretionary orders of prothonotaries is set out in *Hospira Healthcare Corporation v Kennedy Institute of Rheumatology*, 2016 FCA 215 at paragraphs 66 and 79. Such orders are to be reviewed on the civil appellate standard (*Housen v Nikolaisen*, 2002 SCC 33) as follows: (1) the correctness standard for questions of law and questions of mixed fact and law if there is an extricable legal principle at issue; and (2) palpable and overriding error for factual conclusions and questions of mixed fact and law.

[30] The first issue raised by Distrimedica involves Prothonotary Steele's interpretation of subsection 16.1 of the *Patent Act*, a question of law, and will be reviewed for correctness. Distrimedica argues that the second and third issues must also be reviewed for correctness because they involve questions of mixed fact and law but Prothonotary Steele applied the wrong legal standard to her analysis in each instance. I disagree with Distrimedica's position and find that the two issues raise questions of fact and the application of the law to the facts. They do not involve an extricable legal principle. Prothonotary Steele's conclusions regarding these issues are owed deference and will be considered for palpable and overriding error.

VI. Analysis1. *Did Prothonotary Steele err in law in interpreting subsection 16.1(6) of the Patent Act?*

[31] The relevant provisions of section 16.1 of the *Patent Act* are as follows:

Privileged communication	Communication protégée
<p>16.1 (1) A communication that meets the following conditions is privileged in the same way as a communication that is subject to solicitor-client privilege or, in civil law, to professional secrecy of advocates and notaries and no person shall be required to disclose, or give testimony on, the communication in a civil, criminal or administrative action or proceeding:</p> <p style="padding-left: 40px;">(a) it is between an individual whose name is entered on the register of patent agents and that individual's client;</p> <p style="padding-left: 40px;">(b) it is intended to be confidential; and</p> <p style="padding-left: 40px;">(c) it is made for the purpose of seeking or giving advice with respect to any matter relating to the protection of an invention.</p>	<p>16.1 (1) La communication qui remplit les conditions ci-après est protégée de la même façon que le sont les communications visées par le secret professionnel de l'avocat ou du notaire et nul ne peut être contraint, dans le cadre de toute action ou procédure civile, pénale ou administrative, de la divulguer ou de fournir un témoignage à son égard :</p> <p style="padding-left: 40px;">a) elle est faite entre une personne physique dont le nom est inscrit sur le registre des agents de brevets et son client;</p> <p style="padding-left: 40px;">b) elle est destinée à être confidentielle;</p> <p style="padding-left: 40px;">c) elle vise à donner ou à recevoir des conseils en ce qui a trait à toute affaire relative à la protection d'une invention.</p>
Waiver	Renonciation
<p>(2) Subsection (1) does not apply if the client expressly or implicitly waives the privilege.</p>	<p>(2) Le paragraphe (1) ne s'applique pas si le client renonce expressément ou implicitement à la protection de la communication.</p>
[. . .]	[. . .]

Application

(6) This section applies to communications that are made before the day on which this section comes into force if they are still confidential on that day and to communications that are made after that day. However, this section does not apply in respect of an action or proceeding commenced before that day.

Application

(6) Le présent article s'applique aux communications qui sont faites avant la date d'entrée en vigueur de celui-ci si, à cette date, elles sont toujours confidentielles et à celles qui sont faites après cette date. Toutefois, il ne s'applique pas dans le cadre de toute action ou procédure commencée avant cette date.

[32] Distrimed submits that Prothonotary Steele made an error of statutory interpretation in concluding that the words “action or proceeding” in subsection 16.1(6) must be read as referring to actions or proceedings that remain ongoing. Distrimed also submits that the error is compounded because Prothonotary Steele did not identify the date on which the proceeding must be ongoing.

[33] Prothonotary Steele stated that subsection 16.1(6) contemplates retroactive and prospective patent agent privilege subject to the narrow exception carved out in the last sentence of the subsection. She described the exception as follows: where a proceeding was pending on June 24, 2016, a patent agent who is otherwise bound by confidentiality obligations under subsection 16.1(1) “may be compelled to disclose privileged communications in the context of such pending proceeding”. Prothonotary Steele concluded:

[56] In the Court’s view, the *Patent Act* intends only a narrow exception to the general application of a retroactive privilege for proceedings that are commenced prior to June 24, 2016. They must remain ongoing. This is no longer the case of the reissue proceedings given that they were completed on July 24, 2018. The retroactive and prospective effect of s. 16.1 of the *Patent Act* thus applies to the communications of Richards, such as Exhibits

AP-01 and AP-02 and any related communications and that have remained confidential.

[34] I find that Prothonotary Steele made no error in concluding that subsection 16.1(6) of the *Patent Act* extends patent agent privilege, as contemplated in subsection 16.1(1), retroactively except in the context of an ongoing proceeding instituted before June 24, 2016. In such a proceeding, the privilege otherwise extended by section 16.1 will not prevent a person from being required to disclose patent agent-client communications. The purpose of the last sentence of subsection 16.1(6) is to maintain the rules of disclosure applicable in a proceeding that was in progress when section 16.1 was enacted.

[35] Legislative provisions must be read in their entire context and in their grammatical and ordinary sense consistent with the scheme and object of the act in question and the intention of Parliament (*Re Rizzo & Rizzo Shoes Ltd.*, [1998] 1 SCR 27, 154 DLR (4th) 193; *Iris Technologies Inc. v Canada (National Revenue)*, 2020 FCA 117 at para 40). Subsection 16.1(1) of the *Patent Act* provides that privilege extends to communications between a client and patent agent and that no person may be required to disclose those communications in “a civil, criminal or administrative action or proceeding”. Subsection 16.1(6) states that section 16.1 has retroactive effect except “in respect of an action or proceeding commenced before that day”. I find that the two provisions must be read together with the following result:

1. Communications between a client and patent agent enjoy the same protections as solicitor-client communications (subsection 16.1(1));
2. Subject only to the exception described in paragraph 3 below, patent agent privilege extends to communications made before or after June 24, 2016;
3. In the course of an action or proceeding that was ongoing on June 24, 2016, a person may be required to disclose or give testimony regarding otherwise privileged patent agent-client communications.

[36] Prothonotary Steele arrives at the same result using different terminology. Paragraphs 55 and 56 of the Privilege Order state that disclosure of patent agent-client communications may be required in a proceeding commenced prior to June 24, 2016 during the period it was ongoing. I agree with Distrimedic that Prothonotary Steele's language in the two paragraphs departs from the wording of subsection 16.1(6) but the meaning of the two paragraphs remains clear.

[37] Distrimedic states that the retroactive effect of patent agent privilege contemplated by subsection 16.1(6) does not apply "to" the reissue proceedings as they were filed before June 24, 2016. Distrimedic argues that Prothonotary Steele erred in concluding that subsection 16.1(1) applies retroactively to the patent agent communications Richards provided to the Patent Office during the reissue proceedings.

[38] The exception in the last sentence of subsection 16.1(6) is, as Prothonotary Steele states, narrow. It excludes from retroactive protection proceedings underway at its enactment. Confidential communications between a client and their patent agent made during the course of such a proceeding is protected by patent agent privilege. The privilege could be defeated in the context of that proceeding and the client or patent agent required to disclose or give testimony on their communications. However, once the proceeding is complete, the privilege remains intact as long as the communications have otherwise remained confidential. In the context of the present patent litigation, Distrimedic cannot require disclosure of Richards' privileged and confidential communications with either Lespérance & Martineau or patent agents at Smart & Biggar on the basis that the communications were made or referred to in the reissue proceedings. To the extent

Distrimedie's use of the word "to" in its description of the retroactive impact of subsection 16.1(6) is intended to suggest otherwise, I disagree.

2. *Did Prothonotary Steele fail to properly analyse the reissue proceedings and Richards' disclosure of certain communications with its original patent agents, Lespérance & Martineau, in the course of those proceedings?*

[39] Distrimedie's submissions regarding Richards' communications with Lespérance & Martineau centre on implied waiver of privilege. Distrimedie submits that Prothonotary Steele erred in her characterization of the reissue proceedings because she failed to recognize the waiver of privilege that occurred during those proceedings when Richards raised the alleged failure by Lespérance & Martineau to carry out its instructions in the application for the '095 Patent.

[40] Distrimedie submits that Richards chose to disclose portions of its communications with Lespérance & Martineau in the reissue proceedings and, in so doing, voluntarily placed its instructions to Lespérance & Martineau in play (*RE/MAX LLC v Save Max Real Estate, Inc.* 2019 FC 1582 (*RE/MAX LLC*)). Distrimedie argues that Richards waived privilege in all its Lespérance & Martineau communications implicated in the reissue application, whether provided to the Patent Office or not, including the redacted portions of the documents submitted to the Patent Office. Distrimedie states that Richards cannot be allowed to disclose only part of its communications with Lespérance & Martineau relevant to the issue of mistake because it would enable Richards to cherry-pick its disclosure. Finally, Distrimedie argues that the reissue proceedings for the '095 Patent did not conclude in 2018 and are not fully independent of the patent litigation now between the parties.

[41] Distrimedica takes issue with Prothonotary Steele's conclusion in paragraph 46 of the Privilege Order where she states:

[46] Additionally, the facts in the *Land* and *HH* cases cited by Distrimedica are distinguishable from the facts in this case in that the respective Courts concluded that it would be unfair for a party asserting a misunderstanding of its instructions to hide behind privilege. In this case, Richards is not putting a misunderstanding of its instructions in play, Distrimedica is - by raising a counterclaim for invalidity based on the improper use of the reissue process. In other words, Richards does not rely on the privileged documents to support its case, Distrimedica does. [...]

(Emphasis in original)

[42] The parties agree that Prothonotary Steele made no error in her summary of the jurisprudential principles governing the waiver of privilege. Privilege belongs to the client. Only the client can waive privilege, expressly or by implication, by the client itself or by a solicitor or patent agent upon authorization by the client. The client may also be found to have waived privilege by putting their communications with their solicitor or patent agent in issue in a proceeding. The question in this appeal is the scope of Richards' waiver of privilege in the reissue process and its relevance to the patent litigation now between the parties.

[43] I find that Prothonotary Steele made no palpable and overriding error in concluding that (1) Richards maintained privilege during the reissue process in the redacted portions of the Lespérance & Martineau communications disclosed to the Patent Office and in all other confidential communications with Lespérance & Martineau in the application process for the '095 Patent; and (2) the reissue process remains distinct from the current patent litigation.

[44] Distrimedic points to the scope of Richards' disclosures to the Patent Office to establish its argument that Richards waived privilege in all Lespérance & Martineau communications relevant to Richards' allegation of mistake. Distrimedic relies on (a) Richards' statements to the Patent Office that Lespérance & Martineau, by virtue of mistake or inadvertence, did not carry out its instructions and that the '095 Patent as issued did not "perfectly claim the invention conceived and formulated by the inventor"; (b) the redacted documents provided to the Patent Office; and (c) Mr. Proulx's detailed description of his 2007-2011 communications with Lespérance & Martineau.

[45] I agree with Distrimedic that Richards put in issue in the reissue process its instructions to Lespérance & Martineau and Lespérance & Martineau's execution of those instructions. However, Prothonotary Steele made no error in finding that Richards did so on a discrete basis. Richards disclosed to the Patent Office only those communications or portions of communications that established mistake sufficient to warrant the reissue of the '095 Patent pursuant to section 47 of the *Patent Act*. Richards thereby waived privilege in the information disclosed. It cannot, and does not, now assert privilege in that information. The Patent Office could have sought further privileged information from Richards or could have refused to reissue the Patent. It did neither. The Patent Office was satisfied with the disclosure provided and reissued the '095 Patent.

[46] Distrimedic relies on my decision in *RE/MAX LLC* to argue that privilege in all relevant Lespérance & Martineau communications was waived in the reissue process. The *RE/MAX LLC* case does not assist Distrimedic as the waiver of privilege in that case arose on very different

facts. In *RE/MAX LLC*, the defendants served and filed a detailed and substantive affidavit sworn by their solicitor. I confirmed the order of Prothonotary Ring of this Court that the defendants had waived privilege by introducing a solicitor's affidavit on the substantive matters in issue between the parties.

[47] Prothonotary Steele made no palpable and overriding error in refusing to accept Distrimedic's argument that Richards' waiver of privilege in the reissue proceedings encompassed all communications with Lespérance & Martineau relevant to its failure to implement Richards' instructions. Any exception to the protection afforded solicitor-client or patent agent-client communications must be construed narrowly to respect the Supreme Court of Canada's statement that exceptions must be of "absolute necessity" (*Goodis* at para 20). Distrimedic's argument that Richards' communications with Lespérance & Martineau provide context for Richards' assertion of mistake is too broad. It would be an unwarranted extension of the existing case law regarding waiver to allow Distrimedic to obtain Richards' privileged communications with Lespérance & Martineau by claiming that privilege in those communications was waived by implication in the reissue process.

[48] I also find that Prothonotary Steele made no palpable and overriding error in distinguishing the reissue proceedings from the current patent litigation. The fact that Distrimedic has alleged invalidity of the reissued '095 Patent in the patent litigation does not revive the reissue process.

[49] Richards acknowledges that it sought legal advice during the reissue process from Smart & Biggar in contemplation of the litigation now involving Distrimed. There are also parallel legal principles involved in the two proceedings. Nevertheless, the Patent Office concluded the reissue proceedings by reissuing the '095 Patent on July 24, 2018. The commonality of legal issues does not change my analysis of the scope of the privilege waived in Richards' communications with Lespérance & Martineau in the course of those proceedings.

3. *Did Prothonotary Steele fail to consider evidence of misconduct by Richards in seeking the reissue of the '095 Patent sufficient to defeat privilege in its communications with Smart & Biggar?*

[50] Distrimed submits that Prothonotary Steele made two errors in her analysis of its allegation of misconduct sufficient to defeat privilege in Richards' communications in the reissue process with Smart & Biggar (and prior Lespérance & Martineau communications to the extent they were disclosed during the reissue purpose). First, Distrimed argues that Prothonotary Steele erred in requiring Richards' conduct to be criminal in nature in order to warrant a loss of privilege. Second, Distrimed argues that Prothonotary Steele failed to consider all of the evidence in the record that speaks to Richards' improper purpose in applying to the Patent Office to reissue the '095 Patent.

[51] Subsection 47(1) of the *Patent Act* provides as follows:

Issue of new or amended patents

47 (1) Whenever any patent is deemed defective or inoperative by reason of insufficient description and specification, or by reason of the patentee's claiming more

Délivrance de brevets nouveaux ou rectifiés

47 (1) Lorsqu'un brevet est jugé défectueux ou inopérant à cause d'une description et spécification insuffisante, ou parce que le breveté a revendiqué plus ou moins

or less than he had a right to claim as new, but at the same time it appears that the error arose from inadvertence, accident or mistake, without any fraudulent or deceptive intention, the Commissioner may, on the surrender of the patent within four years from its date and the payment of a further prescribed fee, cause a new patent, in accordance with an amended description and specification made by the patentee, to be issued to him for the same invention for the then unexpired term for which the original patent was granted.

qu'il n'avait droit de revendiquer à titre d'invention nouvelle, mais qu'il apparaît en même temps que l'erreur a été commise par inadvertance, accident ou méprise, sans intention de frauder ou de tromper, le commissaire peut, si le breveté abandonne ce brevet dans un délai de quatre ans à compter de la date du brevet, et après acquittement d'une taxe réglementaire additionnelle, faire délivrer au breveté un nouveau brevet, conforme à une description et spécification rectifiée par le breveté, pour la même invention et pour la partie restant alors à courir de la période pour laquelle le brevet original a été accordé.

[52] Distrimed first argues that Prothonotary Steele erred in concluding that misconduct which is not criminal is not recognized as an exception to privilege. I agree with Distrimed that privilege will not protect communications made in furtherance of criminal or fraudulent wrongdoing. Such communications do not properly form part of the solicitor-client or patent agent-client relationship (*Solosky* at pp 835-836). The loss of protection has also been extended to serious unlawful conduct and abuse of process (*Blank 2010 FCA* at para 20; *Blank v Canada (Minister of Justice)*, 2006 SCC 39 at para 44 (*Blank 2006 SCC*)). The mere allegation of civil conduct is not sufficient. The jurisprudence insists of the existence of criminal purpose, fraud and other serious unlawful conduct that rises to the level of abuse of process.

[53] Section 47 provides that a patent may be reissued based on an error that arose from “inadvertence, accident or mistake, without any fraudulent or deceptive intention”. I find that a client who seeks a lawyer or patent agent’s advice to assist in reissuing an existing patent for a fraudulent purpose seeks the lawyer or patent agent in furtherance of serious unlawful conduct. Privilege in the advice sought or given may be negated on proof of the fraudulent purpose. I emphasize that the evidence must establish fraud or fraudulent purpose. The factual circumstances of the case law cited by Distrimedica and Richards reinforce the severity of the conduct that will defeat privilege. A litigant alleging fraud in pursuit of the reissue of a patent in reliance on section 47 of the *Patent Act* bears a significant evidentiary onus.

[54] Prothonotary Steele made no finding in the Privilege Order that conduct involving the reissuance of a patent under section 47 for a fraudulent purpose could not support a loss of privilege. She stated only that misconduct which is not criminal is not recognized as an exception to privilege. Prothonotary Steele then stated that, if civil misconduct was such an exception, it would require a *prima facie* case of fraud for the Court to conclude that privilege had been lost. Prothonotary Steele made no error in this latter regard. I am unable to conclude that she made a palpable and overriding error in her first statement in light of the fact she then turned to whether Distrimedica had established a *prima facie* case of fraud.

[55] The fatal issue for Distrimedica’s assertion of loss of privilege in Richards’ Smart & Biggar communications is the absence of *prima facie* evidence of fraudulent intent. Distrimedica states that Prothonotary Steele made a palpable and overriding error in concluding that the “only” evidence that began to establish misconduct or fraud on Richards’ part was an undated

and unsworn statement by Mr. Claude Filiatrault, the sole director and employee of Distrimedic. In the statement, Mr. Filiatrault explained the date of a fax cover sheet that indicated Richards had sourced Distrimedic's products prior to commencing the reissue application.

[56] Distrimedic submits and I agree that Prothonotary Steele erred in stating that the only evidence available to her of fraud or misconduct was Mr. Filiatrault's statement. However, I find that the error was not an overriding error because the additional evidence in the record does not establish a *prima facie* case of fraudulent conduct.

[57] Distrimedic relies on the following additional evidence:

1. Mr. Proulx's statement in his September 2019 affidavit that the dominant purpose of Richards' communications with Smart & Biggar during and after the reissue process was the anticipation of and preparation for the current patent litigation.
2. Mr. Proulx's confirmation on cross-examination that Richards had possession of Distrimedic's products as early as March 2015, two months before it commenced the reissue application.
3. References in Richards' Updated Privilege Log, under the heading "Nature de la correspondance" (Nature of the correspondence), to Distrimedic. Distrimedic argues that there is no legitimate reason for any reference to it or any other competitor in correspondence between Richards and Smart & Biggar in the reissue process.
4. Evidence from Distrimedic's examination of Mr. Bourque which I have determined is inadmissible and have not considered.

[58] Distrimedic submits that Mr. Filiatrault's unsworn statement and the additional evidence in the record establish a *prima facie* case of Richards' fraudulent purpose in pursuing the reissue of the '095 Patent with Smart & Biggar not due to mistake but to capture Distrimedic's products. I do not agree.

[59] The evidence establishes that Richards was in possession of Distrimed's products prior to initiating the reissue process and that, in the course of that process, references were made to Distrimed in communications with Smart & Biggar. Richards retained Smart & Biggar shortly before it came into possession of the Distrimed products. There is no evidence in the record as to why it did so. Richards may have been increasingly concerned about Distrimed's competition and sought out Distrimed's products because of its concerns. Receipt of the Distrimed products may have permitted Richards to determine that the '095 Patent did not reflect its instructions to Lespérance & Martineau. I find that these events do not on their face speak to intent or necessarily indicate fraudulent purpose.

[60] Finally, Mr. Proulx's evidence that the dominant purpose of his communications with Smart & Biggar was the anticipation of and preparation for the patent litigation does not assist Distrimed. Distrimed states that his admission means that the reissue process was undertaken in contemplation of the patent litigation and infers the reissue was, therefore, undertaken for a fraudulent purpose. Richards may well have intended to pursue litigation against Distrimed if successful in having the '095 Patent reissued. It does not follow that Richards and Smart & Biggar pursued the reissue without having identified mistake in the original application.

[61] Distrimed's interpretation of the evidence is a possible interpretation. It does not establish a *prima facie* case of collusion between Richards and Smart & Biggar to commit fraud in seeking reissue of the '095 Patent. As stated above, a finding of loss of solicitor or patent agent privilege must be narrowly constrained. It is not sufficient that one interpretation of the evidence may suggest fraudulent intention when other, equally viable, interpretations suggest an

aggressive response to a highly competitive market. Distrimedic must establish a *prima facie* case of fraudulent or unlawful purpose in this appeal to gain access to the documents and communications over which Richards claims privilege. I find that it has not done so. I conclude the Prothonotary Steele made no overriding error in her evaluation of Distrimedic's evidence.

VII. Privileged documents to be retrieved by Richards

[62] With respect to the two binders containing the Updated Privilege Log and documents 1 to 38 and A to I, they will be made available to Richards at the Montréal Registry shortly after issuance of this Order and Reasons. Should there be an appeal of this order, Richards will be required to submit the documents anew with the Federal Court of Appeal as necessary.

VIII. Conclusion

[63] The appeal is dismissed.

IX. Costs

[64] Richards requests costs of \$6,000 all inclusive, payable forthwith, in this motion, and in (1) its motion in this Court file appealing the order of Prothonotary Steele regarding confidentiality, also dated February 10, 2020 (Confidential Order); and (2) the cross-appeal of the Confidential Order brought by Distrimedic. I have addressed the two motions regarding the Confidentiality Order in an Order and Reasons of even date herewith. The three motions were heard by me in the course of one hearing.

[65] The quantum of Richards' costs request is reasonable in light of the complexity of the three motions but an order that the costs awarded be paid forthwith is not warranted.

[66] Costs in the aggregate lump sum of \$6,000.00, including taxes and disbursements, will be awarded to Richards in respect of (A) this motion; (B) its motion appealing the Confidential Order (which I granted); and (C) Distrimedica's motion cross-appealing the Confidential Order (which I dismissed).

ORDER IN T-1606-18

THIS COURT ORDERS that:

1. The appeal by Distrimed Inc., the Defendant, is dismissed.

2. Costs in the aggregate lump sum of \$6,000.00, including taxes and disbursements, are awarded to Richards Packaging Inc., the Plaintiff, in respect of (A) this motion; (B) the Plaintiff's motion appealing a separate order of Prothonotary Alexandra Steele regarding confidentiality, also dated February 10, 2020 (Confidential Order); and (C) the Defendant's motion cross-appealing the Confidential Order. The motions described in subparagraphs (B) and (C) of this paragraph were addressed by Order of Justice Walker of even date herewith.

"Elizabeth Walker"

Judge

FEDERAL COURT
SOLICITORS OF RECORD

DOCKET: T-1606-18

STYLE OF CAUSE: RICHARDS PACKAGING INC. v DISTRIMEDIC INC.

PLACE OF HEARING: HELD BY VIDEOCONFERENCE BETWEEN
MONTRÉAL, QUÉBEC AND OTTAWA, ONTARIO

DATE OF HEARING: JULY 22, 2020

ORDER AND REASONS: WALKER J.

DATED: DECEMBER 17, 2020

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