Date: 20090130

Docket: A-529-08
(T-1272-97)

Citation: 2009 FCA 27

CORAM: **NOËL J.A.**
NADON J.A.
PELLETIER J.A.

BETWEEN:

MERCK & CO., INC. and MERCK FROSST CANADA LTD.

Appellants
(Plaintiffs)

and

APOTEX INC. and APOTEX FERMENTATION INC.

Respondents
(Defendants)

Heard at Toronto, Ontario, on January 27, 2009.

Judgment delivered at Ottawa, Ontario, on January 30, 2009.

REASONS FOR JUDGMENT BY: NOËL J.A.

CONCURRED IN BY: NADON J.A.
PELLETIER J.A.

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REASONS FOR JUDGMENT

NOËL J.A.

[1] This is an appeal by Merck & Co., Inc. and Merck Frosst Canada Ltd. (collectively Merck) from an order of Justice O'Keefe (the Federal Court Judge), wherein he reversed the order of Prothonotary Aronovitch (the Prothonotary), denying Apotex Inc. and Apotex Fermentation Inc.'s (collectively Apotex) motion to compel answers to four related questions which were asked during the second round of examination for discovery of Merck's representative. The Federal Court

Judge found that there had been an implied waiver of privilege and that Merck's representative was required to answer the questions.

RELEVANT FACTS

[2] Merck is the owner of Canadian Patent No. 1,161,380 (the '380 Patent). The '380 Patent relates to lovastatin when produced from the *Aspergillus terreus* micro-organism.

[3] By way of Statement of Claim, Merck brought an action against Apotex alleging infringement of the '380 Patent in relation to the sale of Apotex' product, Apo-lovastatin tablets. More specifically, Merck alleges infringement on the basis, *inter alia*, that Apo-lovastatin is made from *Coniothyrium fuckelii* (the non- infringing micro-organism) contaminated by *Aspergillus terreus* (the infringing micro-organism) (Appeal Book, Vol.1 of 3, pp. 73 to 75).

[4] At the examination for discovery, Merck's representative answered certain questions relating to the testing carried out in respect of its allegations that the process used by Apotex to manufacture the active ingredient in Apo-lovastatin tablets employed *Coniothyrium fuckelii* which was contaminated by *Aspergillus terreus* (Reasons, para. 11).

[5] During the second round of examination for discovery, Apotex posed several follow-up questions that sought information relating to the tests performed by Merck (Reasons, para. 12). Merck refused to answer these questions on the basis that the information was privileged.

[6] Merck's refusal to answer the questions was the subject of a motion before the Prothonotary. Apotex claimed that Merck waived privilege by providing partial release of information. The Prothonotary ruled as follows in paragraphs 1 and 9 of the order:

> 1. Items Nos. 80, 81 and 82 shall not be answered on the basis that privilege has not been waived because of the express stipulation of non-waiver in the answer given by [Merck]. In the event [Merck] tender[s] an expert report relating to the findings described in the answer given on Discovery, all of the factual information requested by [Apotex] shall be provided in the expert report.
>
> . . .
>
> 9. Items No. 56 and 57 shall not be answered on the same basis as Monaghan Items 80 to 82 referred to above.

[7] Apotex appealed the Prothonotary's order to the Federal Court which granted the appeal on the basis that there had been a partial waiver and that fairness and consistency required that it be treated as a complete waiver.

THE FEDERAL COURT DECISION

[8] The Federal Court Judge noted the standard of review to be applied to discretionary orders of prothonotaries as set out by this Court in *Merck & Co., Inc. v. Apotex Inc.*, 2003 FCA 488, (2003), 30 C.P.R. (4th) 40 at paragraph 19:

> Discretionary orders of prothonotaries ought not be disturbed on appeal to a judge unless:
>
> > a) the questions raised in the motion are vital to the final issue of the case, or

> b) the orders are clearly wrong, in the sense that the exercise of discretion by the prothonotary was based upon a wrong principle or upon a misapprehension of the facts.

[9] The Federal Court Judge found that the question or issue in the appeal was not vital to the final issue of the case. Accordingly, he went on to determine whether the Prothonotary's order 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" so as to cause him to exercise his discretion *de novo*.

[10] The reasoning of the Federal Court Judge for interfering with the decision of the Prothonotary is set out in the following paragraphs of his Reasons for order:

> [15] I have reviewed the answers given to the first round of questions and I am of the view that there has been a waiver of some privileged information. By way of example, [question] three could have been answered by a simple "yes" instead of stating, "Merck did test Coniothyrium fuckelii obtained from ATCC and did not establish that Coniothyrium fuckelii made lovastatin". As well, Merck could have made a claim for privilege and not answered the questions.
>
> [16] As I am of the view that the plaintiffs made a partial waiver of the information, I believe that in the circumstances of this case, consistency and fairness must result in an entire waiver of the privilege.
>
> [17] When partial waiver of privilege has occurred as in this case, the statement that privilege is not being waived will not save the privilege. If that is to be the situation such as here, [Merck] could waive part of the information and claim privilege for the remainder.
>
> [18] As a result, I am of the opinion that the Prothonotary's order was clearly wrong in the sense that the Prothonotary's exercise of discretion was based on a wrong principle and the decision on these points must be set aside. Paragraphs 1 and 9 of the Prothonotary's order must be set aside and [Merck] are required to answer item numbers 81, 82, 56 and 57.

ANALYSIS

[11] With respect to the test to be applied by this Court in the present appeal, the Supreme Court of Canada, in *Z.I. Pompey Industrie v. ECU-Line N.V.*, 2003 SCC 27, (2003), 224 D.L.R. (4th) 577, held at paragraph 18 that this Court may only interfere with the decision of the Federal Court Judge where he "had no grounds to interfere with the [P]rothonotary's decision or, in the event such grounds existed, if [the Federal Court Judge 's] decision was arrived at on a wrong basis or was plainly wrong".

[12] Waiver of privilege may be established in the absence of an intention to waive where fairness and consistency so require (*S. & K. Processors Ltd. et al. v. Campbell Ave. Herring Producers Ltd. et al.*, [1983], 4 W.W.R. 762 at pp. 764 to 766). In the case at bar, although the Federal Court Judge states that fairness and consistency “must result” in an entire waiver of the privilege (Reasons, para. 16), he does not explain how he arrives at this conclusion.

[13] The issue in a “fairness and consistency” analysis is whether the partial disclosure of privileged information can result in unfairness to the other side. Where unfairness can be shown to result from the partial disclosure, the disclosing party may be considered to have waived the privilege altogether even where it had no intention of doing so.

[14] Had the Federal Court Judge addressed this issue, he would have been bound to conclude that there can be no unfairness to Apotex on the facts of this case. First, the partial answers cannot

be used by Merck at trial since a party is only permitted to read in as evidence portions of the examination for discovery of an opposing party (*Federal Courts Rules*, S.O.R./98-106, Rule 288).

[15] Second, in order for the testing and factual basis for testing to be used by Merck at trial, the relevant data would have to be produced at least 8 months before the trial in conformity with a prior order issued by Prothonotary Aronovitch on March 19, 2008 (Appeal Book, Vol. 1, p. 39). This is what the Prothonotary alluded to in the second sentence of her Reasons for order (see para. 6 above). It follows that in the event that the testing and factual basis for testing is to be relied upon by Merck, Apotex will have ample opportunity to respond to this information through an expert of its own.

[16] Apotex further argued before us (the argument was not made before the Prothonotary) that in the meantime it is unfairly prevented from moving for judgment with respect to the allegation that is supported by the undisclosed information. If there is no basis for this allegation, Apotex argues that it should not have to wait until 8 months before the trial to find out (Apotex' Memorandum of Fact and Law, para. 42).

[17] The short answer is that no unfairness can result from the partial disclosure on that basis since Apotex would be in the exact same position if no partial disclosure had been made.

[18] Apotex also resisted the appeal on the alternative ground that much if not all of the information sought is not privileged. I am satisfied that the information in question is properly described as litigation work product and is as such privileged.

[19] In the end, no unfairness to Apotex results from the partial disclosure of information. It follows that the Federal Court Judge had no reason to interfere with the decision of the Prothonotary.

[20] For these reasons, I would allow the appeal, set aside the order of the Federal Court Judge and giving the judgment which he ought to have rendered, I would dismiss Apotex' appeal from the order of the Prothonotary, with costs in favour of Merck both here and before the Federal Court.

"Marc Noël"

J.A.

"I agree.
M. Nadon J.A."

"I agree.
J.D. Denis Pelletier J.A."

FEDERAL COURT OF APPEAL

NAMES OF COUNSEL AND SOLICITORS OF RECORD

DOCKET:	A-529-08
APPEAL FROM AN ORDER OF THE HONOURABLE MR. JUSTICE MANDAMIN DATED JUNE 4, 2008, NO.T-1631-06	
STYLE OF CAUSE:	MERCK & CO., INC. and MERCK FROSST CANADA LTD. v. APOTEX INC. and APOTEX FERMENTATION INC.
PLACE OF HEARING:	TORONTO, ONTARIO
DATE OF HEARING:	JANUARY 27, 2009
REASONS FOR JUDGMENT BY:	NOËL J.A.
CONSURRED IN BY:	NADON J.A. PELLETIER J.A.
DATED:	January 30, 2009

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