

Federal Court



Cour fédérale

Date: 20211119

Docket: T-1268-20

Citation: 2021 FC 1265

Toronto, Ontario, November 19, 2021

PRESENT: Case Management Judge Trent Horne

BETWEEN:

**JANSSEN INC. AND
MITSUBISHI TANABE PHARMA
CORPORATION**

Plaintiffs

and

SANDOZ CANADA INC

Defendant

ORDER AND REASONS

[1] In this *PM(NOC)* proceeding, the plaintiffs have produced a number of documents that have been partially redacted on the basis of privilege. The propriety of some of the redactions has been challenged by the defendant. The plaintiffs also assert that portions of other of their productions should have been redacted on the basis of privilege, but were not.

[2] On this motion, the plaintiffs essentially ask for two things: first, an order determining that the redacted portions of certain documents contain privileged information, and that privilege has not been waived; second, that they be able to “claw back” portions of other documents by determining that they contain privileged information that should have been redacted, and that the privilege has not been waived. For the second category of documents, the plaintiffs ask that the defendant and its counsel be required to destroy the documents as they were produced, to be replaced with new copies that do not contain the information that is said to be privileged.

[3] Shortly before the hearing, the plaintiffs narrowed the number documents in issue to five in the first category (*i.e.* whether the redactions were appropriate) and one in the second category (*i.e.* whether the plaintiffs should be able to “claw back” the document and redact information previously disclosed to the defendant). At the hearing, Mitsubishi Tanabe Pharma Corporation (“MTPC”) also requested a further “claw back” relating to one page of a document that was otherwise in issue.

[4] There is an amended protective order in this proceeding, dated April 26, 2021. Paragraph 24 of that order sets out a mechanism to challenge assertions of privilege: the party asserting privilege shall have the burden, on a balance of probabilities, of establishing that the information is privileged. Since MTPC is asserting the privilege for each category of documents, it has the burden of establishing the existence of the privilege.

[5] Unredacted copies of the documents in issue were provided to the Court for the purposes of this motion.

[6] The only form of privilege asserted by MTPC is patent agent privilege.

[7] Prior to 2016, communications between patent agents and their clients were not privileged in Canada. This changed on June 24, 2016 when section 16.1 was added to the *Patent Act*, RSC 1985, c. P-4 (all further references to sections in these reasons are to sections *Patent Act*, unless otherwise indicated). Section 16.1 reads 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>(a) it is between a patent agent and their client;</p> <p>(b) it is intended to be confidential; and</p> <p>(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>Waiver</p> <p>(2) Subsection (1) does not apply if the client expressly or implicitly waives the privilege.</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>a) elle est faite entre un agent de brevets et son client;</p> <p>b) elle est destinée à être confidentielle;</p> <p>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> <p>Renonciation</p> <p>(2) Le paragraphe (1) ne s’applique pas si le client renonce expressément ou</p>

implicitement à la protection de la communication.

Exceptions

(3) Exceptions to solicitor-client privilege or, in civil law, to professional secrecy of advocates and notaries apply to a communication that meets the conditions set out in paragraphs (1)(a) to (c)

Patent agents — country other than Canada

(4) A communication between an individual who is authorized to act as the equivalent of a patent agent under the law of a country other than Canada and that individual's client that is privileged under the law of that other country and that would be privileged under subsection (1) had it been made between a patent agent and their client is deemed to be a communication that meets the conditions set out in paragraphs (1)(a) to (c).

Individual acting on behalf of patent agent or client

(5) For the purposes of this section, a patent agent or an individual who is authorized to act as the equivalent of a patent agent under the law of a country other than Canada includes an individual acting on their behalf and a client

Exceptions

(3) Les exceptions au secret professionnel de l'avocat ou du notaire s'appliquent à la communication qui remplit les conditions visées aux alinéas (1)a) à c).

Agents de brevets d'un pays étranger

(4) La communication faite entre une personne physique autorisée, en vertu du droit d'un pays étranger, à agir dans un rôle équivalent à celui d'agent de brevets et son client qui est protégée au titre de ce droit et qui serait protégée au titre du paragraphe (1) si elle avait été faite entre un agent de brevets et son client est réputée être une communication qui remplit les conditions visées aux alinéas (1)a) à c).

Personnes physiques agissant au nom des agents de brevets ou clients

(5) Pour l'application du présent article, l'agent de brevets ou la personne physique qui est autorisée, en vertu du droit d'un pays étranger, à agir dans un rôle équivalent à celui d'agent de brevets comprend la personne physique agissant en son nom,

includes an individual acting on the client's behalf.

et le client comprend la personne physique agissant en son nom.

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.

[8] MTPC's evidence included an affidavit of a former employee (Mr. Sasaki), who describes a certified patent agent in Japan as a "benrishi". The defendant does not contest that a benrishi is "an individual who is authorized to act as a patent agent under the law of a country other than Canada" for the purposes of section 16.1(4). Therefore, the issue on the motion is whether MTPC has satisfied each of the conditions in section 16.1(1) for each document in issue.

[9] Two of the disputed documents are MTPC productions 1665 and 1666. The former is written in Japanese; the latter is the English translation. In production 1665, a sentence was redacted, and falls into the first category of documents on the motion. In production 1666, the same sentence was not redacted, but MTPC says this was through inadvertence, so it has requested that it be "clawed back". MTPC argues that the redaction in the Japanese version demonstrates an intention to redact the same material in the English version. As acknowledged by MTPC during the hearing, these documents will stand and fall together. In general terms, these documents were created as part of a collaboration between a predecessor company to

MTPC and J&J in New Jersey (I will refer to both the predecessor company (Tanabe Seiyaku Co, Ltd) and the plaintiff in these reasons as “MTPC”). The disputed sentence speaks to whether certain compounds are outside the scope of claims of patent rights owned by a third party.

[10] While the defendant denies that MTPC has satisfied any of the requirements for patent agent privilege for these documents, it appears that the principal point of disagreement for MTPC productions 1665 and 1666 is the meaning and scope of section 16.1(1)(c): communications that are “made for the purpose of seeking or giving advice with respect to any matter relating to the protection of an invention” (emphasis added). MTPC asserts that this section should be interpreted broadly and liberally, and not limited to communications directed to patentability. MTPC argues that communications “relating to the protection of an invention” include those involving patentability analysis, infringement analysis and overall patent strategy. The defendant argues for a narrower reading, asserting that the privilege does not attach to communications directed to patent strategy and infringement analysis.

[11] It is well-established that statutory interpretation requires consideration of the ordinary meaning of the words used and their statutory context. This was explained by the Supreme Court in *Canada Trustco Mortgage Co v Canada*, [2005] 2 S.C.R. 601 (“*Canada Trustco*”) at para 10 and reiterated in *Celgene Corp v Canada (Attorney General)*, 2011 SCC 1 at para 21. In that case the Supreme Court quoted from and commented *on Canada Trustco* as follows:

21. [...]:

It has been long established as a matter of statutory interpretation that “the words of an Act are to be read in their entire context and in their grammatical and ordinary sense harmoniously with the scheme of the Act, the object of the Act, and the intention of

Parliament”: see 65302 *British Columbia Ltd. v. Canada*, [1999] 3 S.C.R. 804, at para. 50. The interpretation of a statutory provision must be made according to a textual, contextual and purposive analysis to find a meaning that is harmonious with the Act as a whole. When the words of a provision are precise and unequivocal, the ordinary meaning of the words play a dominant role in the interpretive process. On the other hand, where the words can support more than one reasonable meaning, the ordinary meaning of the words plays a lesser role. The relative effects of ordinary meaning, context and purpose on the interpretive process may vary, but in all cases the court must seek to read the provisions of an Act as a harmonious whole. [para. 10.]

The words, if clear, will dominate; if not, they yield to an interpretation that best meets the overriding purpose of the statute.

[12] While patent agent privilege is a relatively new statutory development, I note that in *Richards Packaging Inc. v Distrimed Inc* (unreported decision in T-1606-18 dated February 10, 2020, affirmed 2020 FC 1162), prothonotary Steele indicated that, in the matter before her, it was not disputed by the parties that the legal principles governing solicitor-client privilege, and the exceptions to those principles, equally apply to patent agent privilege.

[13] Solicitor-client privilege has broad application. A solicitor-client 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*, 1979 CanLII 9 (SCC), 105 DLR (3d) 745, [1980] 1 SCR 821 at pp 833-834, 837).

[14] In considering the text of section 16.1, patent agent privilege can only apply if each of three specific conditions are met. The legislation does not enable the Court to consider or apply other analogous factors, nor does it expressly place patent agents and lawyers on equal footing in respect of the privilege that attaches to their client communications. Section 16.1(1)(c) is limited to seeking or giving advice “with respect to any matter relating to the protection of an invention” (emphasis added).

[15] The Oxford English Dictionary defines “protection” as “the action of protecting someone or something; the fact or condition of being protected; shelter, defence, or preservation from harm, danger, damage, etc. ...”. Had Parliament intended to attach privilege to any and all communications between patent agents and their clients, it would have used language broader than “protection”. Instead, Parliament chose to limit patent agent privilege to a narrower class of communications.

[16] The context of the *Patent Act* also supports a narrower reading of section 16.1 than what MTPC asserts. Patents are a statutory scheme. As set out by the Supreme Court in *Apotex v Sanofi*, 2008 SCC 61 at para 12, quoting from *The Commissioner of Patents v Farbwerk Hoechst* “There is no inherent common law right to a patent. An inventor gets his patent according to the terms of the *Patent Act*, no more and no less.” Similarly, there is no common law right to patent agent privilege. The scope of the privilege is limited by the language of the *Patent Act*.

[17] As for the purpose of section 16.1, there are apparently no Parliamentary debates or other sources of information that may shed light on the intention of the legislature when it created

patent agent privilege. For the purpose of the *Patent Act* as a whole, and as set out in *Innovative Medicines Canada v Canada (Attorney General)*, 2020 FC 725 at para 76, the policy rationale underlying the *Patent Act* is the patent bargain, or *quid pro quo*. The patent bargain encourages innovation by offering an inventor exclusive rights in a new and useful invention for a limited period in exchange for disclosure of the invention so that society can benefit from this knowledge (*Teva Canada Ltd v Pfizer Canada Inc*, 2012 SCC 60 at para 32). Two central objectives of the *Patent Act* as a whole are to “advance research and development and to encourage broader economic activity” (*Free World Trust v Électro Santé Inc*, 2000 SCC 66 at para 42; *Harvard College v Canada (Commissioner of Patents)*, 2002 SCC 76 at para 185).

[18] Having regard to all of the above, I conclude that communications “relating to the protection of an invention” as that phrase is used in section 16.1 does not extend to an analysis as to whether a product infringes third party patent rights. The legislature did not express an intention to attach privilege to any and all communications between patent agents and their clients. A non-infringement opinion does not relate to the disclosure of the invention or otherwise contribute to the patent bargain. A non-infringement opinion for a product may identify litigation risk, but does not advance the protection of an invention, including obtaining patent protection. The motion in respect of MTPC productions 1665 and 1666 is therefore dismissed. As for whether patent agent privilege applies to an infringement opinion of one’s own patent, that is not before the Court on this motion, and is therefore not a point to be decided here.

[19] The remaining documents in issue can be broadly described as internal research reports or research presentations within MTPC. The defendant argues that MTPC has not satisfied any of the elements of the test for patent agent privilege for these documents.

[20] As for the first branch of the test in section 16.1 (communications between a patent agent and a client), the defendant asserts that this should be read narrowly. In the defendant's submission, the research reports do not qualify for patent agent privilege because it has not been established that they are communications to or from a patent agent.

[21] There are challenges with describing the specifics of documents on a privilege motion because the opposite party has generally not seen the redacted information; indeed, the goal of the moving party on a privilege motion is to prevent the adversary from knowing exactly what was said in the redacted portions. For the purposes of addressing this aspect of the defendant's argument, I will use a hypothetical example, which is not based on the documents on this motion. If an in-house patent agent prepared an opinion that an innovation may be patentable in Australia, but not New Zealand, that would be a "communication" for the purposes of section 16.1. Provided the conditions of the section were otherwise met, patent agent privilege would apply to that communication. Patent agents do not work in isolation from their clients, or those undertaking research. If the hypothetical communication described above was relayed within the company (e.g. by the patent agent's initial contact to the research group) and included in a document that primarily summarized scientific work, the communication that was created by the patent agent would not lose the protection of privilege (*i.e.* be waived) solely because it was incorporated into another document that was not authored by a patent agent or uniquely directed

to the protection of an invention. The protective bubble of privilege would surround the communication, even if it was moved from one document to another or from one employee to another within the company.

[22] Solicitor-client privilege belongs to the client alone (*Geffen v Goodman Estate*, [1991] 2 SCR 353 at p. 383). Similarly, patent agent privilege belongs to the client. Here, the client is the company (MTPC), not the individual with whom the patent agent initially communicated. Section 16.1(2) provides that patent agent privilege does not apply if the client expressly or implicitly waives the privilege. When considering solicitor-client privilege, that privilege is not lost because communications are shared with superiors within an organization, without involvement of third parties (*Brass v Canada*, 2011 FC 1102 at paras 74-76, affirmed 2012 FC 927). It is therefore difficult to accept that Parliament intended that patent agent privilege would attach to communications created by patent agents, but that the privilege over those communications would be lost if the information was conveyed to other employees of the client involved in advancing the same innovations that the patent agent was tasked to protect.

[23] Of course, the presence of some privileged communications in a document cannot be used to shield otherwise relevant information from discovery. Including a single reference to the hypothetical opinion set out above in a research report would not extend the patent agent privilege beyond that specific communication. Where a document includes both privileged and non-privileged information, only those communications that meet the requirements of section 16.1 can be properly redacted. Further, not all communications with a patent agent will be privileged, only those that (among other things) are made for the purpose of “protecting an

invention”. A phrase that was used during the hearing was “patent strategy”. In light of my conclusion as to the meaning of “protecting an invention” in section 16.1(1)(c), not all patent strategies will attract patent agent privilege; stating that a communication relates to patent strategy, without more, is insufficient to meet the test for patent agent privilege.

[24] Applying this analysis to the remaining documents, the defendant has challenged the sufficiency of the evidence, and argues that MTPC has not met its burden to show that the impugned communications were intended to be confidential, or were for the purpose of protecting an invention.

[25] The plaintiffs’ affiant, Mr. Sasaki, describes his role as effectively one of an intermediary between a patent agent in MTPC’s legal department (Mr. Nakamura) and the researchers working on the project. Mr. Sasaki’s main point of contact with the researchers was Dr. Nomura. Mr. Sasaki states that he communicated opinions and legal advice to Dr. Nomura that included patentability analysis, infringement analysis, the scope of other companies’ patents, and overall patent strategy. Mr. Sasaki describes his involvement as acting as a “link for communication” between the MTPC IP department and the researchers working on the project, and that he was a “conduit” between the patent department and the research group.

[26] Mr. Sasaki’s affidavit addresses the documents collectively. For the first category of documents in issue on the motion (where MTPC asks that claims of privilege be upheld), he states that, for each document, “the redacted material is derived from my communications with Dr. Nomura or other researchers involved in the [project] regarding opinions and legal advice of

the MTPC Patent department”. For the second category of documents in issue on the motion (where MTPC wants to “claw back” the documents on the basis that they include privileged information that should have been redacted), Mr. Sasaki states that the documents contain unredacted material that was derived from the MTPC IP department regarding opinions and legal advice relating to the project and my communications with Dr. Nomura and other researchers regarding the same, including in particular our analysis of competitor’s patents and infringement analysis.

[27] For all of the documents identified in the charts in his affidavit, Mr. Sasaki states that MTPC always intended to maintain privilege over this information.

[28] Mr. Sasaki was cross-examined. The defendant raises a number of objections to Mr. Sasaki’s evidence – that he did not have personal knowledge of the circumstances surrounding how any of the research reports or presentations addressed on the motion were prepared, and that MTPC did not introduce evidence from the researchers who prepared the documents or attended the presentations. The defendant argues that an adverse inference should be drawn.

[29] MTPC production 287 is a deck of PowerPoint slides from a presentation apparently given by Dr. Ueta, an inventor of one of the patents in issue. There are 14 slides in the deck; a redaction has been made on two of the pages. Based on my review of the unredacted version of this document, and the evidence on the motion, I am satisfied that the information in the redacted portions meets the requirements for the existence of patent agent privilege.

[30] Based on Mr. Sasaki's evidence (including his cross-examination) and a review of the unredacted document, I am satisfied that the "communication" (meaning the information that has been redacted, not the slides as a whole) was originally between a patent agent (Mr. Nakamura) and his client (MTPC); was intended to be confidential; and was made for the purpose of seeking or giving advice with respect to any matter relating to the protection of an invention, as I have interpreted that term above. I am also satisfied that the redactions to maintain patent agent privilege are sufficiently limited so as not to prevent the defendant from having access to information otherwise contained in the document that would be relevant and not privileged.

[31] The defendant points to the plaintiffs' reply dated October 25, 2021, specifically paragraph 58, where it is admitted that some or all of the named inventors followed or monitored published and patented work of other pharmaceutical companies, but denied (among other things) that the inventors relied on these references to achieve the invention in the asserted claims. Having had the opportunity to review the unredacted version of MTPC production 287, I am satisfied that the redacted portions address the protection of an invention, not the review and analysis by MTPC researchers of third party patents.

[32] The defendant argues that it is not apparent on the face of production MTPC 287 who attended the meeting, where these slides were presented, and whether any obligations of confidence were attached to the meeting. I generally understand this to be a waiver argument – that the privilege was lost because the communication may have been shared with others, or without an obligation of confidence.

[33] Patent agent privilege will be lost if the client (MTPC) expressly or implicitly waives the privilege (section 16.1(5)). As a general principle, a party alleging waiver has the onus to prove it (*Brass v Canada*, 2011 FC 1102 at para 100, affirmed 2012 FC 927). I do not read section 16.1 or the protective order in this proceeding as requiring the party asserting privilege to bear an initial onus to establish the absence of waiver. Once the party asserting the privilege has met the test set out in section 16.1 on a balance of probabilities, the privilege attaches and is assumed to endure. The onus then shifts to the opposite party to establish waiver.

[34] Here, MTPC production 287, and the remaining documents in issue, were the subject of discovery. Mr. Sasaki was cross-examined on his affidavit. After reviewing the defendant's motion materials, I am not satisfied that it has established that MTPC waived patent agent privilege (either expressly or by implication) for the disputed portions of this document.

[35] MTPC productions 690 and 691 can be considered together. MTPC 690 is a study report written in Japanese. MTPC 691 is the English translation. The English version is 19 pages long. MTPC asserts patent agent privilege over one sentence on page 6, and the bottom of page 8. For the same reasons as expressed for MTPC 287, I am satisfied that the information in the redacted portions meets the requirements for the existence of patent agent privilege, and that the privilege has not been waived.

[36] MTPC production 1764 is another PowerPoint slide deck, mostly written in Japanese. There are over 50 slides in the deck. A portion of slides 7 and 20 have been redacted, as has all of page 21. The English version of the disputed slides were included in MTPC production 1756,

which was included in the motion materials. For the same reasons as expressed for MTPC 287, I am satisfied that the information in the redacted portions meets the requirements for the existence of patent agent privilege, and that the privilege has not been waived.

[37] During the hearing of the motion, MTPC's counsel asked for a "claw back" of one word on page 7 of MTPC production 1764. This portion of the document was not raised in the notice of motion. For the "claw back" documents generally (most of which are no longer in issue), the defendant has raised the issue of delay. The defendant argues that MTPC has had multiple opportunities over the last seven months to address any inadvertent disclosures. There is merit to that submission. While acknowledging that thousands of documents have been produced by the plaintiffs, and that *PM(NOC)* proceedings proceed on an accelerated schedule, the propriety of redactions to this document – specifically page 7 – has been in issue for some time. Also, the disputed word does not disclose specifics of the communications. MTPC expresses concern about a slippery slope, and that refusing the request to redact this portion of the document may lead to an argument that any deemed waiver extends to the substance of the communications underlying the brief reference in the document. While I am dismissing the request to add this part of the document to the plaintiffs' motion, I do not find that there was an intention to waive privilege, or deemed waiver of the underlying communications.

[38] The parties were sharply divided on the issue of costs. In its written representations, the defendant argues that the motion was unnecessary, particularly since over half of the privilege redactions the motion was scheduled to address were not maintained. At the hearing, the defendant further relied on the fact that, shortly before the hearing, the plaintiffs abandoned the

motion in respect of about three quarters of the documents. The defendant argues that MTPC's material and repeated changing of the scope of the motion, and failure to cooperate, should result in a cost award of \$10,000, or the highest possible scale of the Tariff.

[39] MTPC responds that elevated costs are not warranted, and that in a proceeding with tens of thousands of productions proceeding on a compressed schedule, disputes and resolution of disputes relating to documents are routine, and that the circumstances here do not justify an increased cost award.

[40] Having regard to the novelty of the issues, and the small number of documents for which privilege was maintained compared to those initially in issue, costs are awarded to the defendant, fixed at \$1,500.00.

DRAFT CONFIDENTIAL ORDER in T-1268-20

THIS COURT ORDERS that:

1. The plaintiffs' motion for a declaration that redactions to MTPC production 1665 are protected by privilege is dismissed.
2. The plaintiffs' motion for a declaration that redactions to MTPC productions 287 (pages 13 and 14), 690 and 691 (pages 6 and 8 of the English version), and 1764 (top of page 7, 21 and 22) are protected by privilege is granted.
3. The plaintiffs' motion for a declaration that the highlighted portion of MTPC production 1666 contains privileged information, and that the privilege has not been waived, is dismissed.
4. The plaintiffs' oral motion, made during the hearing, for a declaration that an additional portion of page 7 of MTPC production 1764 contains privileged information, and that the privilege has not been waived, is dismissed.
5. Costs of the motion are awarded to the defendant, fixed at \$1,500.00.
6. The plaintiffs' motion is otherwise dismissed.

"Trent Horne"

Case Management Judge

FEDERAL COURT
SOLICITORS OF RECORD

DOCKET: T-1268-20

STYLE OF CAUSE: JANSSEN INC. AND MITSUBISHI TANABE
PHARMA CORPORATION v SANDOZ CANADA
INC.

PLACE OF HEARING: HELD BY VIDEOCONFERENCE

DATE OF HEARING: NOVEMBER 1, 2021

ORDER AND REASONS: HORNE, P.

DATED: NOVEMBER 19, 2021

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