

PROTECTIVE ORDERS IN INTELLECTUAL PROPERTY LITIGATION

by Johanna Coutts*

Introduction

Protective orders, or confidentiality orders, are court orders restricting access to confidential information disclosed in the course of litigation. Their purpose is to protect sensitive information, such as trade secrets, from the public or from business competitors, while at the same time allowing opposing parties to access information which is relevant to the matter in dispute.

Protective orders are particularly important in the context of intellectual property litigation. Goodwill and commercial success, respectively, are often key issues in trade-mark and patent disputes, and both issues require significant disclosure of financial records and marketing and sales data. Access to protective orders is therefore crucial in patent and trade-mark proceedings. This paper will focus on the availability of protective orders in Canada, with reference to jurisprudence in the United States and the United Kingdom.

Protective Orders: A Balancing of Interests

The decision whether to grant a protective order lies within the discretion of the court. In determining whether a protective order is appropriate in a particular case, the court must balance competing interests.

On one hand, there is a strong common law presumption of public access to judicial records. One of the very tenets of our legal system is that justice should be administered in an open court. As stated by Dickson J. in *Nova Scotia (Attorney-General) v. MacIntyre*,

Many times it has been urged that the 'privacy' of litigants requires that the public be excluded from Court proceedings. It is now well established, however, that covertness is the exception and openness the rule. Public confidence in the integrity of the Court system and understanding of the administration of justice are thereby fostered.¹

This concept is further explored by Wilson J. in *Edmonton Journal v. Alberta (Attorney General)*, where she commented on the public interest in open trials. She stated that such public interest is rooted in the need to:

- 1) maintain an effective evidentiary process;
- 2) ensure a judiciary and juries that behave fairly and that are sensitive to the values espoused by society;
- 3) promote the sense that courts operate with integrity and dispense justice; and

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¹*Nova Scotia (Attorney-General) v. MacIntyre* (1982), 132 D.L.R. (3d) 385 at 401 (S.C.C.).

- 4) provide the community with an opportunity to learn how the justice system operates and how the law being applied daily affects them²

Protective orders may also prevent the disclosure of information important to public safety and welfare. This is a concern in, for example, cases relating to manufacturer liability for product defects, but is not typically an issue in patent or trade-mark litigation.

On the other hand, disclosure of sensitive information may harm the parties involved in litigation. In criminal matters, for example, the privacy and reputation of the victim or the accused may be at stake. In intellectual property cases, the litigants often have strong commercial and proprietary interests in maintaining the confidentiality of information. Commercial information often has a substantial financial value, which would be destroyed if it were to be made available to the public. Disclosure of such information could also put the disclosing party at a serious competitive disadvantage in the marketplace.

With such important considerations at stake, the decision to grant a protective order requires a careful balancing of interests. In the context of intellectual property litigation, the parties' interest in confidential proceedings is very strong, while the public interest in openness is weaker than in other areas of law. A further consideration is that the parties are so intent on protecting their trade secrets and valuable commercial information that they may forego legal recourse rather than disclose confidential information. Given these circumstances, the balancing of interests in intellectual property matters often results in the protection of sensitive information.

The following review of the law on protective orders in the United States, the United Kingdom, and Canada illustrates how various courts have balanced competing interests in considering requests for protective orders.

Protective Orders in the United States

American courts award protective orders in intellectual property cases on a regular basis, sometimes granting strong orders such as those that restrict access to "counsel's eyes only".

Protective orders relating to American federal matters are governed by Rule 26(c) of the Federal Rules of Civil Procedure. Rule 26(c)(7) in particular is applicable to intellectual property litigation, as this provision deals with the protection of trade secrets and other confidential information:

- 26 (c) Upon motion by a party or by the person from whom discovery is sought... and for good cause shown, the court... may make any order which justice requires to protect a party or person from annoyance, embarrassment, oppression, or undue burden or expense, including one or more of the following:

²*Edmonton Journal v. Alberta (Attorney-General)* (1989), 64 D.L.R. (4th) 577 at 588 (S.C.C.).

(7) that a trade secret or other confidential research, development, or commercial information not be revealed or be revealed only in a designated way

In determining whether to grant a protective order under this provision, the courts have applied a three-step test.³ First, the moving party must demonstrate that the information to be protected is a trade secret or other confidential information. Second, the moving party must show good cause for granting the protective order — that the potential harm caused by disclosure of the information would outweigh the need of the party seeking disclosure. Finally, if the moving party has successfully met this test, the burden shifts to the party seeking discovery to establish that disclosure of confidential information is both relevant and necessary to its case.

The courts have considered the following factors in determining whether material qualifies as a trade secret or as confidential information⁴:

- the extent to which the information is known outside the business;
- the extent to which it is known by employees and others involved in the business;
- measures taken to guard the information's secrecy;
- the value of the information to the business or to its competitors;
- the amount of time, money and effort expended in development of the information; and
- the ease or difficulty of duplicating or properly acquiring the information

Commercial or proprietary information in intellectual property cases often qualifies as confidential information under this test. In *American Standard Inc. v. Pfizer*, for example, the Federal Circuit Court of Appeals affirmed that documents relating to clinical analysis conducted for Food and Drug Administration approval for the manufacture and sale of bone implants qualified as confidential information.⁵ The court cited examples of information found to constitute trade secrets or confidential information in previous cases: quantitative product formulas⁶; marketing plans⁷; and information relating to market-entry decisions and product fabrication⁸.

³See, for example, *Heat & Control Inc. v. Hester Industries Inc.*, 785 F.2d 1017 (Fed. Cir. 1986); *Centurion Industries Inc. v. Steurer*, 665 F.2d 323 (10th Cir. 1981); *American Standard Inc. v. Pfizer*, 828 F.2d 734 (Fed. Cir. 1987).

⁴J. Moore, *Moore's Federal Practice* 3d Ed. (Matthew Bender & Co., 1997) at 26-278.

⁵828 F.2d 734 (Fed. Cir. 1987).

⁶*Federal Trade Commission v. Lonning* 539 F.2d 202 (D.C. Cir. 1976).

⁷*United States v. United Fruit Co.* 410 F.2d 553 (5th Cir. 1969).

⁸*Spartanics, Ltd. v. Dynetics Engineering Corp.* 54 F.R.D. 524 (N.D. Ill. 1972).

Factors considered in determining whether good cause exists for a protective order include the following⁹:

- whether disclosure will violate any privacy interests;
- whether the information is being sought for a legitimate purpose or for an improper purpose;
- whether disclosure of the information will embarrass a party;
- whether confidentiality is being sought for information important to public health and safety;
- whether sharing information among litigants will promote fairness and efficiency;
- whether a party benefiting from the order of confidentiality is a public entity or official; and
- whether the case involves issues important to the public

Typically, few of these considerations are applicable in the context of intellectual property litigation, with the result that the risk of violating the disclosing party's interests often outweighs any benefits of making the confidential information available to the public. In *American Standard Inc. v. Pfizer*, for example, the court noted that disclosure of confidential research and development, manufacturing methods and costs, and pricing policies to the disclosing party's competitors would likely cause irreparable economic harm, and a protective order was therefore justified.¹⁰

Where the dispute is between business competitors, as is often the case in intellectual property litigation, disclosure may be restricted to the parties' attorneys, or even to outside counsel. If necessary, a neutral third party may be used to screen the material. American courts frequently grant strong protective orders which limit disclosure to outside counsel, thus precluding employees of the parties, including in-house counsel, from viewing confidential documents.

Protective Orders in the United Kingdom

In the United Kingdom it is "well settled" that in certain circumstances the court may impose restrictions on the normal right to inspect documents disclosed on discovery. The court will consider the danger of unrestricted disclosure leading to misuse of information, as well as the need to ensure that litigants are not prejudiced by restrictions in the reasonable prosecution of their claim or their defence.¹¹

In intellectual property litigation, the courts have agreed to restrict disclosure on the basis of the disclosing party's assertion that the information is confidential. This was the case in *Sorbo Rubber Sponge Products Ltd. v. Defries*, where the plaintiff noted that it would withdraw its

⁹*Supra*, note 4 at 26-279.

¹⁰*Supra*, note 5.

¹¹*Roussel Uclaf v. Imperial Chemical Industries Plc* [1990] R.P.C. 45 at 48-49 (Pat. Ct.)

claim rather than disclose its secret processes to the public.¹² Similarly, in *Roussel Uclaf v. Imperial Chemical Industries Plc*, the defendants established that their secret process merited protection because it was costly to develop and because public disclosure would cause considerable harm.¹³

Although courts in the United Kingdom appear quite willing to restrict disclosure of confidential information, they are hesitant to impose strong protective orders which completely exclude the opposing party.

The following passage from *Roussel Uclaf v. Imperial Chemical Industries Plc* was cited with approval by the Court of Appeal:

Each case has to be decided on its own facts and the broad principle must be that the court has the task of deciding how justice can be achieved taking into account the rights and needs of the parties. The object to be achieved is that the applicant should have as full a degree of disclosure as will be consistent with adequate protection of the secret. In so doing, the court will be careful not to expose a party to any unnecessary risk of its trade secrets leaking to or being used by competitors. What is necessary or unnecessary will depend upon the nature of the secret, the position of the parties and the extent of the disclosure ordered. However, it would be exceptional to prevent a party from access to information which would play a substantial part in the case as such would mean that the party would be unable to hear a substantial part of the case, would be unable to understand the reasons for the advice given to him and, in some cases, the reasons for judgment. Thus what disclosure is necessary entails not only practical matters arising in the conduct of a case but also the general position that a party should know the case he has to meet, should hear matters given in evidence and understand the reasons for the judgment.¹⁴

In *Roussel Uclaf*, the defendant had prepared a summary of its process for the manufacture of an insecticide. This summary was confidential, and had been disclosed only to certain of the plaintiff's independent advisors. The plaintiff asked that two of the plaintiff's employees be given access to the document, since it was difficult for the independent advisors to counsel the plaintiff properly without disclosing confidential information. The court noted that the plaintiff's nominees were French citizens, and that litigation involving the same parties was ongoing in France. The court granted disclosure to one of the plaintiff's nominees, but specified that he would have to withdraw from any involvement in the French litigation.

In an earlier case, *Warner-Lambert Co. v. Glaxo Laboratories*, the defendants had given discovery of trade secret information, namely their process for the manufacture of steroid compounds. However, disclosure had been limited to plaintiffs' counsel, solicitor, patent agent and an expert selected by the plaintiffs, subject to undertakings that they refrain from divulging

¹²[1930] R.P.C. 454 at 456 (H.C.J.)

¹³*Supra*, note 11 at 49.

¹⁴*Ibid*, cited by Court of Appeal [1990] R.P.C. 45 at 54 (C.A.).

the information to the plaintiffs. The plaintiffs then sought unqualified disclosure, or alternatively, disclosure to their chief executive, their U.S. general counsel, their U.S. patent counsel, and an Italian scientist employed by the plaintiffs in Italy. The Court of Appeal allowed disclosure only to the chief executive, noting that the plaintiffs "should have an opportunity not only of being advised by technical experts and legal advisers, but of knowing the facts on which that advice was founded, so as to be able to form a personal judgement on how to deal with the action".¹⁵ In refusing disclosure to the other people, the court alluded to the fact that it would be very difficult to police the terms of the disclosure, since it would be impossible to determine from the products whether the defendant's process had been used.

British courts appear to grant protective orders on a routine basis, but are extremely hesitant to make restrictive orders preventing the non-disclosing party from viewing confidential information.

Protective Orders in Canada

Current Trends

Before 1998, when the new Federal Court Rules came into effect, there was no federal rule specifically addressing protective orders and the court's authority to grant them. Orders were generally awarded under rule 452, which provided for the production and inspection of documents.

Overall, the Federal Court of Canada has tended to grant requests for protective orders in patent and trade-mark litigation. In other words, in patent and trade-mark cases, the interest of the parties in protecting the confidential nature of material such as research data and financial records usually outweighs the public interest in viewing those materials.

In *Apotex Inc. v. Wellcome Foundation Ltd.*, for example, the court stated that:

The general principle of the court and its process being open to public scrutiny, including access for the public to court documents, is fundamental to our system of justice. Striking a balance between that principle and the interests of justice between the parties, including the bona fide commercial and proprietary interests of parties to litigation has led to the practice in this and other courts of providing by protective or confidentiality orders that information obtained in preparation for trial may, in appropriate cases, be maintained in confidence, not accessible to the general public, in the court's processes.¹⁶

At issue in the case was the validity of the defendant's patent. The defendant applied for, and was granted, a confidentiality order to protect the confidentiality of laboratory notebooks, research reports, memos, and other forms of documents containing research results.

¹⁵*Warner-Lambert Co. v. Glaxo Laboratories Ltd.* [1975] R.P.C. 354 at 359 (C.A.).

¹⁶*Apotex Inc. v. Wellcome Foundation Ltd.* (1993), 51 C.P.R. (3d) 305 at 309-310 (F.C.T.D.).

The court held that the moving party's belief that its proprietary, commercial and scientific interests would be seriously harmed by producing information relating to these interests was sufficient to demonstrate need for a confidentiality order. The court went on to allow the defendant's application, referring to three factors which favoured the grant of a confidentiality order. First, parallel litigation subject to protective orders was underway in the United States and it made sense to provide comparable protection in Canada. Second, the terms of the draft order were broad enough to allow the producing party to decide whether documents were confidential, and to allow the receiving party to object to such claims. Finally, the court noted that its own practice was to issue protective orders where a party has a belief in good faith that its commercial or scientific interests associated with trade secrets could be seriously harmed by public disclosure.¹⁷

At times, the court has balked and refused to grant a protective order as requested, usually when the moving party has asked for more than the typical protective order. For example, in *Molson Breweries v. Labatt Brewing Co.*, the plaintiffs had moved for, and obtained, a protective order on an *ex parte* basis. The order designated certain agreements between the plaintiffs as "secret", as they were confidential, and unrelated to the subject-matter of the litigation. The secret documents were to be disclosed only to the court, and not to the defendant. On appeal by the defendant, the Federal Court of Appeal struck out the portion of the order relating to "secret documents". The court noted that "the law leans against any fetter on the openness of proceedings", and that "disclosure should be limited as minimally as possible".¹⁸ In this case, the protective order had gone far beyond such minimal limitation in making documents inaccessible to the defendants, in being granted on an *ex parte* basis, and in covering all "secret documents" which might be required to be produced throughout the proceeding.

Similarly, the court has often refused to grant protective orders restricting access to "trial counsel's eyes". Such orders would preclude any of the parties' employees from viewing confidential documents. Highly restrictive orders make it difficult for counsel to communicate with and receive instructions from their clients, and are therefore granted only where an overwhelming need arises.

For example, in *Zeneca Pharma Inc. v. Canada (Minister of Health and Welfare)*, the respondent Apotex Inc. sought an order to amend a previously granted protective order. Apotex wished to add a provision to the protective order such that each party would have the right to designate material as confidential information for counsel's eyes only. The court reviewed the factors set out in *Apotex Inc. v. Wellcome Foundation Ltd.*¹⁹, noting the lack of evidence that some material was of a higher order of confidentiality than other material, and the absence of "for counsel's eyes only" provisions in parallel U.S. litigation. Finally, the court stated that:

¹⁷*Ibid*, at 311.

¹⁸*Molson Breweries v. Labatt Brewing Co.* (1992), 43 C.P.R. (3d) 61 at 65 (F.C.A.).

¹⁹*Supra*, note 16.

In litigation involving highly technical or scientific information, information made available to counsel by virtue of a court order will often be of little or no use if counsel cannot consult with her or his client with respect to the information. In such circumstances, the court order would be effectively frustrated. This court should not lightly contribute to such a result.²⁰

The court accordingly dismissed the motion, since the applicant had not demonstrated sufficient cause for the drastic action of limiting disclosure to counsel.

Similarly, in *Pfizer Canada Inc. v. Novopharm Ltd.*, the applicants sought to amend the respondents' draft confidentiality order, in order to permit disclosure of confidential material to the parties' employees. The order as drafted permitted disclosure only to counsel and up to three experts and support staff, provided they were not employees of the parties. The court cited *Zeneca Pharma*²¹, noting that the onus was on the party requesting a more restrictive order to establish the need for such a restriction. Some of the confidential documents were of crucial significance to the case, and in order to allow the applicants to prepare an adequate defence to the respondents' case it was necessary to allow disclosure to at least one expert employed by the applicants. The court ordered accordingly.²²

The Federal Court of Appeal in *Glaxo Group Ltd. v. Novopharm Ltd.* agreed with this line of cases, refusing to restrict disclosure under a protective order to "counsel's eyes only" because the evidence adduced was insufficient to illustrate how the respondents would be harmed if the documents in question reached the eyes of the appellant.²³

Occasionally, the Federal Court has voiced a concern with regard to protective orders on consent, noting that the court has a duty to ensure that it is appropriate to treat the documents in question as confidential information.

In *Kastner v. Painblanc*, a patent infringement action, the defendants applied for a protective order with respect to information relating to technical, administrative and financial aspects such as profit margins, technical details of the production process, correspondence clients, and minutes of meetings with clients and suppliers. The court declined to grant the order without reviewing the documents in question, stating that:

Protective orders are an exception to the general rule that a party is required to produce for inspection of other parties all documents which may relate to any matter at issue in the cause. The party seeking such exceptional treatment must make the necessary application. The supporting material must also include the information for which exemption from disclosure is sought in such a way as to

²⁰*Zeneca Pharma Inc. v. Canada (Minister of National Health and Welfare)* (1994), 55 C.P.R. (3d) 1 at 7 (F.C.T.D.).

²¹*Ibid.*

²²*Pfizer Canada Inc. v. Novopharm Ltd.* (1996), 70 C.P.R. (3d) 176 (F.C.T.D.).

²³*Glaxo Group Inc. v. Novopharm Ltd.* (1998), 81 C.P.R. (3d) 185 (F.C.A.).

permit scrutiny of it by the court before any such order is made.²⁴

In *Eli Lilly and Co. v. Novopharm Ltd.*, the court not only refused outright to grant a protective order on consent, but added that protective orders were not appropriate in proceedings under the *Patented Medicine (Notice of Compliance) Regulations*. The applicant had originally sought an order in accordance with the regulations to prohibit the Minister of National Health and Welfare from issuing a Notice of Compliance to the respondent. In this proceeding, the applicant brought a motion to compel the respondent to answer questions in cross-examination of an affidavit sworn in support of the respondent's Notice of Allegation. The court noted that the parties had consented to a confidentiality order which they expected the court to "rubber stamp". Justice Muldoon made it clear that the final discretion in granting a confidentiality order belonged to the court:

There is an element of public law in these proceedings...An order of this sort goes against the inherent nature and constitutional imperatives of this court. It is an affront which is to be suffered by the court only in instances of dire, demonstrated need, if ever at all... A heavy onus naturally does, and in practice always should, rest on those who seek a confidentiality order, whether by consent or not, for the proceedings are not entirely in the domain of purely private law...Even if the parties do consent, the court should jealously guard against all but the most demonstratively necessitous affront to its very nature. Such secrecy order should never go just for the asking.²⁵

The court concluded that since there was nothing "preciously secret" about the matters disclosed during the proceedings, the order on consent should not be granted.

The court's concerns about granting a protective order without viewing the confidential documents were consistent with other decisions and with new rule 151.²⁶ However, the court's general comments about the lack of necessity for protective orders in Notice of Compliance proceedings have not been followed in subsequent decisions.

In *AB Hassle v. Canada (Minister of National Health and Welfare)*, the parties were in dispute over whether certain affidavit evidence filed by the generic drug manufacturer RhoxalPharma Inc. was confidential. RhoxalPharma had previously obtained a confidentiality order protecting the identity of RhoxalPharma's supplier of omeprazole, and the process, components and formulae for the manufacture of RhoxalPharma's omeprazole tablets. The Federal Court of Appeal found that the information in issue — a list of ingredients of the omeprazole tablets and expert evidence bearing on the distinctions between RhoxalPharma's tablets and those of AB Hassle — was confidential.

The court also noted that protective orders are generally granted in Notice of Compliance proceedings, for several reasons. First, the perceived confidentiality of information is a

²⁴*Kastner v. Painblanc* (1994), 59 C.P.R. (3d) 302 at 305 (F.C.T.D.).

²⁵*Eli Lilly and Co. v. Novopharm Ltd.* (1994), 56 C.P.R. (3d) 437 at 439-440 (F.C.T.D.).

²⁶See *infra*, note 29.

cornerstone of the regulatory scheme set out in the *Patented Medicine (Notice of Compliance) Regulations* and the *Food and Drug Regulations*, and in order for the scheme to function properly, the confidentiality of information submitted in accordance with these regulations ought to be maintained to the greatest extent possible.

Second, in striking a balance between the need for public scrutiny of the court process and the protection of the parties' commercial and proprietary interests, the latter often outweighed the former in Notice of Compliance proceedings. The court noted that there was "little, if any, public interest in knowing the specific content of drug processes", and that the issue of a protective order in NOC proceedings was unlikely to imperil the principle of open justice.²⁷ Furthermore, the court referred to the decision in *AB Hassle v. Canada (Minister of National Health and Welfare)*, where the Federal Court of Appeal held that in Notice of Compliance proceedings, "a confidentiality order may be issued on the basis of a subjective but reasonably held belief".²⁸

In summary, the Federal Court has been quite liberal in awarding protective orders in patent and trade-mark cases, only objecting when the parties have gone too far by attempting to obtain unnecessarily restrictive orders or by failing to recognize the court's role in assessing the need for a confidentiality order.

Effect of New Federal Court Rules

The Federal Court Rules now provide specific authority to grant protective orders, and rule 151(2) requires the court to satisfy itself that given material should be treated as confidential:

151 (1) **Motion for order of confidentiality** — On motion, the Court may order that material to be filed shall be treated as confidential.

(2) **Demonstrated need for confidentiality** — Before making an order under subsection (1), the Court must be satisfied that the material should be treated as confidential, notwithstanding the public interest in open and accessible court proceedings.

152 (1) **Marking of confidential material** — Where the material is required by law to be treated confidentially or where the Court orders that material be treated confidentially, a party who files the material shall separate and clearly mark it as confidential, identifying the legislative provision or the Court order under which it is required to be treated as confidential.

(2) **Access to confidential material** — Unless otherwise ordered by the Court,

²⁷*AB Hassle v. Canada (Minister of National Health and Welfare)* (2000), 5 C.P.R. (4th) 149 at 154 (F.C.A.).

²⁸*AB Hassle v. Canada (Minister of National Health and Welfare)* (1999), 87 C.P.R. (3d) 191 at 192 (F.C.A.).

- (a) only a solicitor of record, or a solicitor assisting in the proceeding, who is not a party is entitled to have access to confidential material;
- (b) confidential material shall be given to a solicitor of record for a party only if the solicitor gives a written undertaking to the Court that he or she will
 - (i) not disclose its content except to solicitors assisting in the proceeding or to the Court in the course of argument,
 - (ii) not permit it to be reproduced in whole or in part, and
 - (iii) destroy the material and any notes on its content and file a certificate of their destruction or deliver the material and notes as ordered by the Court, when the material and notes are no longer required for the proceeding or the solicitor ceases to be solicitor of record;
- (c) only one copy of any confidential material shall be given to the solicitor of record for each party; and
- (d) no confidential material or any information derived therefrom shall be disclosed to the public.

What effect have the new rules had on protective orders in the Federal Court? The recent case of *Levi Strauss & Co. v. Era Clothing Inc.*, a trade-mark infringement action, sheds some light on the answer to this question. In *Levi Strauss*, the defendant Era brought a motion for a confidentiality order pursuant to rule 151.²⁹ The defendant wished to protect commercial information including financial records and sales figures. In a motion before the Prothonotary, the plaintiff objected to the form of the order, stating that since the order applied only to documents included in the defendant's motion record, the parties would be required to return to the court each time new documents came to light. The plaintiff also noted that the form of the order was contrary to the form accepted by the court through established practice. The Prothonotary agreed with the plaintiff, and granted a confidentiality order in the form requested by the plaintiff.

The defendant appealed to the Federal Court Trial Division, arguing that previous practice of the court with respect to the form of confidentiality orders was irrelevant, given the recent change in court rules. In particular, the effect of rule 151(2) was to require the court to satisfy itself that, with respect to each document subject to the confidentiality order, the claim for confidentiality outweighed the public interest in open and accessible court proceedings. This precluded blanket orders which covered broad categories of documents.

The court accepted the defendant's argument, but only with respect to "material to be filed". In the interests of efficiency and expeditiousness, parties should be able to obtain umbrella confidentiality orders covering materials not to be filed. The court acknowledged that this might require parties to seek a second confidentiality order when it came time to file documents, but

²⁹*Levi Strauss & Co. v. Era Clothing Inc.* (1999), 1 C.P.R. (4th) 513 (F.C.T.D.)

stated that a better solution would be to discourage parties from applying for a confidentiality order until ready to file.³⁰

In *Chao v. Costco Canada Inc.*, Prothonotary Morneau refused to grant a motion on consent for a confidentiality order because it was not satisfied that the draft order was "in accordance with the teachings of this Court in *Levi Strauss & Co. v. Era Clothing Inc.*."³¹

Also decided since the new rules have come into effect are *AB Hassle v. Canada (Minister of National Health and Welfare)*³² and *AB Hassle v. Canada (Minister of National Health and Welfare)*³³, discussed above, where the Federal Court of Appeal granted protective orders on the basis of a reasonably held belief that substantial harm would result from full disclosure.³⁴

The new rules reflect the existing law on protective orders, and have not imposed any drastic changes. As pointed out in *Levi Strauss*, rule 151 does require the court to review all confidential material that is to be filed. However, in light of previous decisions in which the court commented on its role in protecting public interest and in reviewing allegedly confidential material, this is unlikely to result in a change in court practice. It is interesting to note that the courts have already interpreted rule 151 in such a manner as to soften its potentially harsh effects; the court has held that rule 151 applies only to material to be filed³⁵, and that it may be sufficient for the court to read summaries of the material instead of the complete documents³⁶.

Rule 152(2)(a) provides that by default, access to confidential material shall be granted only to the solicitor of record. Access may be expanded if the court orders otherwise. It is too early to determine the impact of this rule. As noted above, the overwhelming trend in Canada has been to grant restrictive protective orders only in exceptional cases. It remains to be seen whether this new rule will have any effect on the number of restrictive or "counsel's eyes only" protective orders granted.

³⁰*Ibid*, at 518-520.

³¹(November 1, 2000) Court File No. T-1045-00 (F.C.T.D.) at par. 1. As an aside, a colleague of mine has recently been refused a protective order covering material not to be filed. The court cited *Levi Strauss*, stating that the order must specifically provide that a further order would be required if and when the material were filed.

³²*Supra*, note 27.

³³*Supra*, note 28.

³⁴As an interesting aside, the Federal Court of Appeal in *Sierra Club of Canada v. Canada (Minister of Finance)* [2000] 4 F.C. 426 (F.C.A.) noted at p. 474 that the decision to grant a protective order in *AB Hassle* was an indication of the relatively small public interest at stake in the proceedings.

³⁵See *Levi Strauss*, *supra* note 29.

³⁶See *Sierra Club of Canada*, *supra* note 34 at 478.

Based on this brief overview of American, British and Canadian court practice relating to protective orders, it appears that basic protection of confidential information is generally available to intellectual property litigants. However, this is not always the case; the following examples illustrate that in some situations protective orders may be unavailable or ineffective.

Protective Orders and the Trade-marks Opposition Board

Although protective orders are available at many Canadian tribunals, such as the Canadian International Trade Tribunal and the Competition Tribunal, they are not available for proceedings before the Trade-marks Opposition Board ("TMOB"). This is the case despite the fact that parties appearing before the TMOB must often disclose financial records in order to demonstrate use of a trade-mark or goodwill associated with a trade-mark.

The TMOB's failure to provide protection for confidential information is unusual in comparison to practices in other countries. Protective orders are available in proceedings before the American Trademark Trial and Appeal Board. Upon motion by any party, the Board has the power to make any order required by justice, as set out in the Federal Rules of Civil Procedure.³⁷ Similarly, the United Kingdom Patent Office makes provision for confidentiality orders in *inter partes* proceedings before the Registrar of Trade-marks.³⁸ Upon request, the Registrar will restrict disclosure to the public, but will only restrict disclosure to opposing parties in exceptional circumstances.³⁹

The unavailability of protective orders may have a chilling effect on parties' willingness to proceed before the TMOB. In fact, there is some evidence that parties will withdraw from litigation if they cannot obtain protection for confidential information.⁴⁰ A further danger is the potential for abuse, in that parties may initiate TMOB proceedings simply to obtain access to a competitor's information.

The TMOB's failure to allow for the protection of confidential information is a major shortfall. It is inconsistent with trade-mark tribunal practice in other countries such as the United States and the United Kingdom, and it may result in serious harm to parties before the TMOB.

³⁷*Trademark Trial and Appeal Board Manual of Procedure*, September 1995, Rule 416.01.

³⁸*Trade Marks Rules 2000*, S.I. 2000/136, r. 51.

³⁹See Trade Marks Law Section Practice Notice on "Confidentiality of evidence filed in inter partes proceedings"

⁴⁰See, for example, *Coca-Cola Bottling Co. of Shreveport, Inc. v. The Coca-Cola Company* 227 U.S.P.Q. 18 (Dist. Ct. Del 1985), where the court ordered the plaintiff Coca-Cola Company to disclose its secret formula for Coca-Cola. Although the formula would have been subject to a protective order, the plaintiff settled the litigation rather than disclose its valuable trade secret.

Protective Orders and Parallel Litigation

An issue of increasing importance in today's global economy is the treatment of confidential materials from outside the country where litigation is taking place. For example, parallel litigation involving the same parties often takes place in both Canada and the United States. Confidential material produced in the course of Canadian litigation and subject to a Canadian protective order may not be protected in the corresponding American litigation. A protective order granted by a Canadian court has no extraterritorial effect, and therefore provides no guarantee of protection outside of Canada.

Often Canadian courts will take into consideration the terms of an American protective order.⁴¹ In *Foseco International Ltd. v. Bimac Canada*, the Federal Court noted that it would be "highly undesirable" for the protective order in the Canadian proceedings to differ substantially from that issued in parallel American proceedings.⁴²

However, American courts do not always demonstrate the same concern for homogeneity. In some cases, American courts have refused to grant a protective order under the same terms as a Canadian protective order, or have refused to grant a protective order altogether. What is more, these same courts have ordered parties to produce all documents which were produced in the parallel Canadian litigation, even those which had been subject to a protective order.⁴³ As a result, parties who have agreed to disclose sensitive material in Canada because of the protection promised by a confidentiality order are then faced with a nasty surprise. They must choose between defying the American court order and suffering the severe penalties that would ensue, and disclosing confidential information to the public.

Where American courts ignore Canadian protective orders in this way, the protection offered by the Canadian orders becomes meaningless. The American courts effectively undercut the power of Canadian courts to protect the interests of parties involved in Canadian litigation.

Given that the jurisdiction of Canadian courts is limited to proceedings in Canada, one way that Canadian courts could sanction this behaviour would be by imposing penalties within the context of Canadian litigation. A possible solution could be the inclusion of a clause in Canadian protective orders to the effect that if either party seeks an order before a foreign court to have all documents produced, regardless of their confidentiality status, that party will automatically forfeit its case before the Canadian court and be forced to pay costs on a solicitor-client basis. Such a draconian measure might not find favour in Canadian courts, and might also provoke more drastic reactions in American courts.

Alternatively, Canada and the United States might agree to amend their respective procedural rules. These amendments would require courts to consider the terms of protective orders in parallel litigation, and to grant orders under similar terms unless exceptional circumstances

⁴¹See *Apotex Inc. v. Wellcome Foundation Ltd.*, *supra* note 16.

⁴²(1980), 51 C.P.R. (2d) 51 at 53 (F.C.T.D.).

⁴³Similarly, American courts have ordered production of documents which would be protected by privilege in Canada, but are not considered to be privileged in the United States.

existed. This measure would likely be more palatable for the courts, but practically it might be difficult to accomplish.

Conclusion

Protective orders require a balancing of the litigants' interest in maintaining the confidentiality of sensitive information against the public interest in transparent, open court proceedings. In patent and trade-mark matters, the protection of confidential information is often so important to the parties that they would withdraw from litigation rather than disclose such information. It is essential for courts to recognize this fact, and to respond by granting protective orders.

Courts in the United States, the United Kingdom, and Canada are generally favourable to granting protective orders under moderate terms in intellectual property cases. As a result, the interests of patent and trade-mark litigants are, for the most part, well protected. However, notable exceptions to this protection include the Canadian Trade-mark Opposition Board's failure to provide for confidentiality orders, and lack of protection from disclosure of confidential information in parallel foreign litigation.

Strong protection for confidential information in intellectual property matters is crucial if parties are to have fair access to legal recourse. As it stands, protection is reasonably good, but there is room for improvement.