Federal Court  Cour fédérale

**Date: 20171220**

**Docket: T-151-16**

**Montréal, Quebec, December 20, 2017**

**PRESENT: Prothonotary Richard Morneau**

**BETWEEN:**

**ANGELCARE DEVELOPMENT INC.**
**AND**
**EDGEWELL PERSONAL CARE CANADA ULC**
**AND**
**PLAYTEX PRODUCTS, LLC**

**Plaintiffs/**
**Defendants by counterclaim**

**and**

**MUNCHKIN, INC.**
**AND**
**MUNCHKIN BABY CANADA, LTD.**

**Defendants**

**ORDER**

[1] This is a motion by the plaintiffs/defendants by counterclaim Angelcare Development Inc. [Angelcare] and Edgewell Personal Care Canada ULC and Playtex Products, LLC [collectively, Edgewell], in short, not to decide whether to issue a protective and confidentiality order [hereinafter a Protective Order] containing two protection levels, including a "Confidential – Counsel's Eyes Only" level [CEO level], but rather to decide a serious ongoing dispute

between the parties about whether to disclose to in-house counsel, on both sides, information that is designated CEO level under the Protective Order.

[2] In practice, and more specifically, the debate is really whether CEO level information or documents from the plaintiffs/defendants by counterclaim [collectively the Plaintiffs] should be disclosed to in-house counsel appointed under the Protective Order by the defendants/plaintiffs by counterclaim [collectively Munchkin], namely Mr. Robert Z. Evora.

[3] Munchkin argues that they should, while the Plaintiffs contend that they should not.

[4] The Plaintiffs have the burden of establishing under this motion that Mr. Evora cannot receive such information or documents.

[5] For the reasons that follow, I consider that the Plaintiffs' motion must fail.

[6] There is no doubt from the outset that the Plaintiffs and Munchkin are the principal, if not only, competitors in the market of baby care products and more specifically in regard to diaper pails and diaper pail cassettes to dispose of dirty diapers.

[7] Through their action for various patent infringements, the Plaintiffs allege that Munchkin is selling diaper pails and diaper pail cassettes that infringe their patents. In its counterclaim, Munchkin impugned the validity of the patents referred to by the Plaintiffs.

[8] Some cases, such as the leading case referred to by the Plaintiffs, namely Shore J.'s decision of November 2006 in *Rivard Instruments Inc. v Ideal Instruments Inc*., 2006 FC 1338 [*Rivard*], establish that the central goal of a CEO level between competitors (see *inter alia* paragraphs 2, 39, and 40 of *Rivard*) is to prevent the management of the party receiving the CEO level information from basing its decisions, knowingly or unknowingly, on that information.

[9] However, more recent 2017 decisions show that, to prevent the disclosure of CEO level information to in-house counsel, the Court must have before it concrete evidence that establishes on a balance of probabilities that there will be actual prejudice if that disclosure is allowed, in order to preserve and not interfere with the sacrosanct relationship between a party and its in-house counsel.

[10] On this point, even though the issue bore on the disclosure to in-house counsel of a witness' personal medical information and not on commercial information, Manson J. of this Court in *Bard Peripheral Vascular Inc. v W.L. Gore & Associates, Inc.*, 2017 FC 585 [*Bard Peripheral*] stated in June 2017 that to prevent this disclosure:

> [16] … the harm caused by the disclosure of the CEO information must be a serious threat to the interest in question and must be real, substantial, and grounded in the evidence (Sierra Club at para 54).

[11] Faced with evidence similar to this case, where Munchkin establishes in Mr. Evora's affidavit dated November 30, 2017 [the Evora Affidavit] that in-house and outside counsel must consult, the Court in *Bard Peripheral* states the following at paras 33, 35, and 37:

> [33] Outside counsel for Gore, having seen the Subpoena Order and the Medical Records during the US Proceeding, states that

> they absolutely will need to seek instruction from Gore's in-house counsel, Ms. Testa and Mr. Wheatcraft, before proceeding with this action. While this is not a determinative factor, it highlights the sacrosanct relationship between client and counsel in our legal system. […]
>
> […]
>
> [35] Although this is not a case about solicitor-client privilege, these statements from the Supreme Court emphasize the seriousness of the deleterious effects created by precluding Gore's in-house counsel, Ms. Testa and Mr. Wheatcraft, from consulting with Gore's outside counsel in a fully informed manner.
>
> […]
>
> [37] […] CEO orders are a serious deviation from the normal solicitor-client relationship and are not granted for the purpose of convenience.
>
> [Emphasis added.]

[12] In July 2017, in an intellectual property case where an order was sought to prevent any in-house or outside counsel of a party from using future information, Manson J., while recognizing that the three-part test of *Apotex Inc v Wellcome Foundation Ltd*, [1993] FCJ No. 1117, at paras 14 to 16, did not apply to the order sought, namely, to the issuance of a "Prosecution Bar", stated the following at paragraphs 15 to 17 of *Abbvie Corp. v Samsung Bioepis Co.*, 2017 FC 675 [*Abbvie*], with regard to the quality of the evidence necessary to justify the fear that in-house or outside counsel will misuse the confidential information disclosed to them:

> [15] Although Bioepis also argues that their commercial business or scientific interests may be seriously harmed by conscious or unconscious misuse of their confidential information, they have provided no evidence to support the conclusion that this is a reasonably held belief. All individuals included within the protective order have a serious obligation not to disclose or otherwise use confidential information originating from this action

> for purposes other than this litigation. Therefore, it is not reasonable for the Court to find that the Proposed Prosecution Bar should be granted, without concrete evidence to prove, on a balance of probabilities, that these individuals are at risk to misuse the confidential information disclosed to them.
>
> B. Should the Proposed Prosecution Bar be granted?
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> [16] Bioepis argues that once AbbVie's employees have had access to Bioepis' proprietary information, they can no longer be expected to have an "empty head" with respect to such information. This knowledge could lead them to misuse Bioepis' confidential information in the prosecution of AbbVie's Canadian and foreign patent applications.
>
> [17] I agree with AbbVie that these assertions are mere speculation of a nebulous future wrongdoing. For example, Bioepis asserts that AbbVie's knowledge of its proprietary information may lead an AbbVie employee to amend pending patent claims in applications not at issue in these proceedings to "read on" Bioepis' processes, or to file new patent applications over processes, products, or formulations that are disclosed in Bioepis' NDSs. However, Bioepis has not provided any evidence to demonstrate that there is an actual risk that the information disclosed in this action could or would be used inappropriately. As such, this is not a concrete harm.

[13] In the case before this Court, the Plaintiffs filed, as central evidence, an affidavit dated November 21, 2017, from Douglas Sweetbaum [the Sweetbaum Affidavit]. Mr. Sweetbaum is the "President of the Diaper and Litter Disposal Group of Angelcare".

[14] In his affidavit, Mr. Sweetbaum attempts to establish the necessity of a Protective Order that prevents disclosure to Mr. Evora.

[15] Referring to documents regarding Mr. Evora, Mr. Sweetbaum contends that Mr. Evora has decision-making responsibilities, which at the very least must place him:

> … in a position to analyse the Plaintiffs' development and manufacturing processes for their Diaper Genie products, identify and target their strengths and weaknesses, and develop and market improved products that will be direct competition with the Plaintiffs' products.

[16] However, in the Evora Affidavit, Mr. Evora establishes that his responsibilities are limited to documents in the areas of "patent litigation" and "patent prosecution". This leads him to state at paragraph 19 of the Evora Affidavit that, contrary to what is claimed in the Sweetbaum Affidavit:

> 19. … I do not have decision-making responsibilities that would involve the development and marketing of improved products.

[17] As for the need to have access to CEO level information, Mr. Evora states this at paragraph 6 of his affidavit:

> 6. … If I do not have access to certain documents, information or evidence disclosed by the Plaintiffs and designated CEO, this will significantly impair my ability to understand the Plaintiffs' case, to make informed decisions about this litigation, to provide instructions and assistance to counsel, to safeguard Munchkin's interests and to coordinate Munchkin's litigation activities worldwide.

[18] He then sets out the concerns in detail in his affidavit.

[19] Indeed, with regard to the leak or release of CEO level information within Munchkin, we must consider that this could only happen if Mr. Evora were involved since he would be the only one within the corporation to have access to that information.

[20] The Court cannot accept the Plaintiffs' views because they presume bad faith, because they imply, *inter alia*, that Mr. Evora would not respect his code of ethics, that he would breach the implied undertaking rule, as well as the undertaking to the same effect that would certainly be set out in any Protective Order signed by the Court.

[21] Quite the contrary, and as set out in the following at para 12 of Munchkin's written submissions referring to the Evora Affidavit, Mr. Evora, as a lawyer in good standing, intends to respect his ethical and legal obligations to respect any order of the Court:

> 12. … He is member of the State Bar of New Jersey and is fully aware of and complies with his ethical obligations to not share confidential information. He is aware of the severe consequences that would arise as a result of a breach of a Court Order. Moreover, he has agreed to abide by the implied undertaking rule and any protective and confidentiality order issued in this Court.

[22] Indeed, the Plaintiffs forcefully contended that even if Mr. Evora could be trusted to not disclose any CEO level information, that information would be in his head and we could not expect that Mr. Evora would not use it, if even unconsciously. This "empty head" argument is squarely dismissed at paras 15 to 17 of *Abbvie* referred to above at paragraph [12].

[23] Second, I do not think that disclosure can be denied on the basis that Mr. Evora did not in his affidavit respond at length to work areas mentioned here and there in the documents attached to the Sweetbaum Affidavit (in such areas as "due diligence" "licensing", "trade secrets", etc.) because, in the Evora Affidavit, Munchkin attempted to respond to the substance of Sweetbaum's Affidavit and the Plaintiffs' written submissions, and because those particular

work areas were not specifically raised in the Sweetbaum Affidavit or in the Plaintiffs' written submissions.

[24] Further, the Plaintiffs did not seek to cross-examine Mr. Evora on his affidavit.

[25] Finally, if CEO level information were not disclosed to Mr. Evora, he could not participate in an enlightened manner in the approach suggested by the Plaintiffs, namely, that all the Plaintiffs' CEO level information would be provided first and foremost to the outside counsel and to Munchkin's experts so that counsel for each party could then determine what CEO level information Mr. Evora could see.

[26] In order for Munchkin's external counsel to make an enlightened decision on this point, it is logical that they would be able to ask Mr. Evora for his views. Accordingly, Mr. Evora must also see this information to be able to instruct Munchkin's outside counsel. Therefore, the approach suggested by the Plaintiffs cannot be accepted.

[27] Accordingly, for the reasons given above, I do not consider that the Plaintiffs established on a balance of probabilities through their evidence that actual prejudice would occur if CEO level information were disclosed to Mr. Evora.

**ACCORDINGLY, THE COURT ORDERS AS FOLLOWS:**

1. The Plaintiffs' motion is dismissed, the whole with costs established at $1,500.00.

2. The Court directs the parties to agree on the text of a Protective Order that:

(a) authorizes the disclosure of CEO level information to Mr. Evora, for Munchkin.

(b) for the Plaintiffs, authorizes the disclosure of CEO level information to in-house counsel at Edgewell.

3. To submit the draft order in question to the Court within seven (7) days of this order once it is final.

"Richard Morneau"
Prothonotary