Federal Court of Appeal | Cour d'appel fédérale

Date: 20220719

Docket: A-317-21

Citation: 2022 FCA 135

CORAM: **RENNIE J.A.**
LASKIN J.A.
MONAGHAN J.A.

BETWEEN:

FIBROGEN, INC.

Appellant

and

AKEBIA THERAPEUTICS, INC. AND
OTSUKA CANADA PHARMACEUTICAL INC.

Respondents

Heard by online video conference hosted by the Registry, on May 3, 2022.

Judgment delivered at Ottawa, Ontario, on July 19, 2022.

REASONS FOR JUDGMENT BY: RENNIE J.A.

CONCURRED IN BY: LASKIN J.A.
MONAGHAN J.A.

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REASONS FOR JUDGMENT

RENNIE J.A.

The background

[1] An understanding of the issues in this appeal and my proposed disposition begins, oddly but necessarily, with a description of interlocutory proceedings in a Federal Court action that never proceeded to trial.

[2] Akebia Therapeutics, Inc. and Otsuka Canada Pharmaceutical Inc. [Akebia] commenced an action to impeach three Canadian patents owned by FibroGen, Inc. [FibroGen]. There was also parallel litigation between the parties in the United States with respect to the U.S. patent.

[3] Consistent with the usual practice of the intellectual property bar, the parties entered into a Confidentiality Agreement [Agreement]. The purpose of the Agreement was to establish rules "regarding the maintenance and protection of the confidentiality of certain documents and information that may be exchanged in relation to the Action" (Agreement, Recitals). The Agreement defined four categories of information: publicly available information, non-public information, "Confidential Information" and "Highly Confidential Information".

[4] Public information comprised matters of public record, such as the patent. Non-public information was information that was not confidential but was not generally accessible to the public, such as the *curriculum vitae* of the inventors. Confidential Information comprised all other information of a proprietary, non-proprietary or business nature, including clinical study protocols, scientific data, test results, laboratory notes and materials related to regulatory approval and marketing plans. Highly Confidential Information comprised a subset of the Confidential Information, narrowed to include commercially sensitive information such as business strategies and information which "a Party in good faith believes could be harmful to the producing Party if the information were made available to the receiving Party" (Agreement, Art. 1(p)(iv)). From FibroGen's perspective, this latter category encompassed its "most secret and sensitive information because [the information] identif[ies] compounds that might be suitable for

development into commercially successful therapies" (Walkinshaw Affidavit, para. 11, Appellant's Compendium, Tab 14).

[5] The Agreement contemplated that a party sharing confidential information would designate it as Designated Confidential Information or Designated Highly Confidential Information. The distinction between Designated Confidential and Designated Highly Confidential Information was fine but important. It determined the circle of individuals, be they counsel, experts or scientific advisers both internal and external, that would have access to documents exchanged between the parties over the course of the litigation. With the exception of in-house counsel, employees of the parties did not have access to Highly Confidential Information of the opposing party.

[6] The Agreement described how Confidential and Highly Confidential Information was to be marked as an exhibit, who could attend discoveries and the distribution and control of discovery transcripts and exhibits. It prescribed the form of non-disclosure undertakings to be signed by all individuals with access and, importantly for the issues in this appeal, expressly noted that the Agreement did not affect any implied undertaking with respect to the use of documents (Art. 23(a)). The implied undertaking rule was also alluded to in Article 19, which stated that designated information shall be used "solely for the purpose of the within proceeding and may not be used for any other purpose … ". Article 32 directed that upon termination of the Federal Court proceeding, all copies of Designated Confidential Information and Designated Highly Confidential Information were to be destroyed within 90 days, save one copy to be maintained by external counsel.

[7] The Agreement anticipated that motions for confidentiality orders under Rule 151 of the *Federal Courts Rules*, S.O.R./98-106 [Rules] would be required (Arts. 4, 11, 13, 24). It specified that when a motion was made under Rule 151, the documents were to be filed under seal and identified as either Confidential or Highly Confidential. The Agreement provided that where it was not reasonably practicable to segregate Confidential or Highly Confidential Information from non-confidential information, a party could file an entire document under seal, provided that a redacted version was filed on the public record at the same time.

[8] I note, parenthetically, that five months prior to the execution of the Agreement in August 2020, this Court settled the question whether the *Sierra Club* standard (*Sierra Club of Canada v. Canada (Minister of Finance)*, 2002 SCC 41, [2002] 2 S.C.R. 522 [*Sierra Club*]) applied to protective orders (essentially court imposed confidentiality agreements), and confidentiality agreements such as the one under consideration. In February 2020, in *Canadian National Railway Company v. BNSF Railway Company*, 2020 FCA 45, [2020] 3 F.C.R. 124 [*Canadian National*], this Court held that the *Sierra Club* standard did not apply to protective orders.

[9] Protective orders and confidentiality agreements regulate how documents and information are to be exchanged between the parties during the pre-trial proceedings, and, as such, do not engage the open court principle and the *Sierra Club* standard. Sealing orders, in contrast, remove from the public record the materials that would otherwise be made public. In *Canadian National*, this Court said at paragraph 24 of its reasons:

> It bears emphasis that the underlying interests in seeking protective orders and confidentiality orders are significantly different. This was acknowledged by the Motions Judge in the present instance when he observed that "a protective order has no deleterious effects on the principle of open and public courts", unlike

> confidentiality orders. Yet, the Motions Judge deemed that "a request for a protective order should be considered using the same criteria as set out in paragraphs 53 and following of *Sierra Club* for a confidentiality order" (Motions Judge Reasons for Order at para. 19). This is inconsistent given that the criteria in *Sierra Club* are meant to address interests, in particular the open court principle, which are simply not in play in the context of protective orders at the pre-trial discovery stage. This was made clear by the Supreme Court in *Juman v. Doucette*, 2008 SCC 8, [2008] 1 S.C.R. 157, where the Court stated (at para. 21):
>
> > […] Pre-trial discovery does not take place in open court. The vast majority of civil cases never go to trial. Documents are inspected or exchanged by counsel at a place of their own choosing. In general, oral discovery is not conducted in front of a judge. The only point at which the "open court" principle is engaged is when, if at all, the case goes to trial and the discovered party's documents or answers from the discovery transcripts are introduced as part of the case at trial.

[10] Protective orders and confidentiality agreements are integral to how litigation proceeds in the Federal Court. These agreements, often reached with little or no intervention of the Court, ensure that pre-trial proceedings are conducted in an efficient manner and on a common understanding between the parties as to how documents will be exchanged in a manner that does not put legitimate business interests at risk. They ensure that discoveries are timely and progress in a predictable manner, which is particularly critical given the mandatory time frames within which lengthy and complicated intellectual property trials must be completed in the Federal Court. Protective orders and confidentiality agreements remain subject to the supervision of the Court, particularly by case management judges who may be called on from time to time to resolve differences of opinion as to their terms or to adjust the time frames.

[11] The jurisdiction of the Court to deal with confidentiality agreements as well as any post-trial issues with respect to documents does not depend on the agreement of the parties. This Court, as well as the Federal Court, has an implicit jurisdiction to deal with all documents that

are engaged in the proceedings before it both during and after the conclusion of litigation (*Canadian Broadcasting Corp. v. Manitoba*, 2021 SCC 33, 461 D.L.R. (4th) 635 at paras. 36, 62 [*CBC*]).

[12] The provisions in the Agreement whereby the parties attorn to the jurisdiction of the Federal Court to supervise its implementation, while understandably inserted out of an abundance of caution, were unnecessary. The Court will, if necessary, intervene and impose orders as required as part of its implied jurisdiction to supervise proceedings before it and after the litigation ends (*CBC*; *Dugré v. Canada (Attorney General)*, 2021 FCA 8, [2021] F.C.J. No. 50 (QL); *Hershkovitz v. Canada (Attorney General)*, 2021 FCA 38, 2021 CarswellNat 443).

[13] I return to the description of the pre-trial proceedings.

[14] On November 9, 2020, as the trial date approached, a trial case management conference was convened before Prothonotary Milczynski. Prothonotary Milczynski gave an oral direction that the pre-trial schedule proposed by the parties was acceptable to the Federal Court and would govern the next steps in the litigation. Step 43 of the pre-trial schedule required the exchange of fact witness statements two weeks prior to trial. I pause to note that Prothonotary Milczynski's direction was consistent with section 22 of the *Case and Trial Management Guidelines for Complex Proceedings and Proceedings under the PM(NOC) Regulations* [*Case and Trial Management Guidelines*], which reads:

> Exchanging a description of proposed areas of fact witness testimony. The parties shall exchange a brief description of the proposed areas of testimony of fact witnesses at least two (2) weeks before trial.

I will return to this point later in these reasons.

[15] In accordance with the Prothonotary's direction, FibroGen served the fact witness statements of Dr. Guenzler–Pukall and Dr. Seeley. These statements and their attachments, comprising over 2000 pages of documents produced in discovery, were designated by FibroGen as either Confidential or Highly Confidential under the Agreement.

[16] On February 16, 2021 on the eve of trial, the action was discontinued on consent.

Akebia's motion and the Federal Court decision

[17] Two months later, Akebia filed a motion in the Federal Court to challenge the confidentiality designations in FibroGen's fact witness statements and the accompanying documents. Akebia sought an order declaring that the statements of Dr. Guenzler–Pukall and Dr. Todd Seeley and the attachments, as redacted by Akebia, were neither Confidential nor Highly Confidential. As part of its motion record, Akebia filed the statements and attachments under seal and as part of its claim for relief sought an order directing that the seal be lifted. The order, if granted, would result in all materials which did not meet the *Sierra Club* standard being placed on the public court record of the discontinued action and available for viewing and use by the public.

[18] FibroGen raised two preliminary objections to the motion. It asserted that because the action was discontinued before Akebia's motion was brought, the motion was moot. FibroGen also contended that all of the information contained in the witness statements was subject to the

implied undertaking rule and that Akebia could not use that information for any purpose. It asserted that Akebia's motion was an attempt to evade its obligations under the implied undertaking rule.

[19] The Federal Court (*per* Barnes J., 2021 FC 1179) [Reasons] dismissed both of FibroGen's objections.

[20] The Federal Court judge ruled that the motion was not moot because Akebia might use the evidence in the parallel proceedings between the parties in the United States litigation. The judge reasoned that the potential use of the witness statements to impeach the testimony of Dr. Guenzler–Pukall and Dr. Todd Seeley in the United States was a live issue that could not be left unresolved. Further, the requirement in the Agreement that the parties destroy all Confidential and Highly Confidential documents affected the rights of the parties and had practical consequences.

[21] The judge found Akebia did not breach the implied undertaking rule by filing the witness statements under seal on the motion because, for Akebia to challenge the confidentiality designation, the Federal Court would have to review the productions in their entirety. The Agreement also contemplated that some of the pre-trial productions might eventually enter the public domain. As the Agreement contemplated public disclosure, FibroGen could not invoke the implied undertaking rule to prevent that result. Finally, and on what I understand to be the deciding factor in the judge's rejection of FibroGen's objection based on the implied undertaking rule, he ruled that the issue was premature. Should Akebia attempt to use the productions in the

United States litigation, FibroGen could renew its objection. I note, however, that he did not address how that would be done, or in what court.

[22] The Federal Court ordered that the materials remain under seal pending the filing of a redacted or public version of the motion materials, failing which the entirety of the motion record would be public (Federal Court Order at para. 1):

> The motion materials previously filed under seal on this motion shall remain under seal provided that within thirty [30] days the parties, or either of them, files a replacement motion record redacted in accordance with the parties' Agreement recorded at footnote 13 of the Plaintiff's Written Reply Representations. If a replacement record is not filed within thirty [30] days, the entire motion record as filed shall be unsealed and placed in the public record.

[23] The order was stayed by this Court (2021 FCA 235, *per* Gleason J.A., December 1, 2021 and *per* Boivin J.A., January 26, 2022) until disposition of this appeal.

[24] After the Federal Court issued its order, but before this appeal was heard, the United States litigation was also discontinued. The fact of this discontinuance was admitted as fresh evidence on appeal following a motion brought by FibroGen under Rule 351.

[25] This brings us to the issues before us. FibroGen contends that the Federal Court erred in not dismissing the appeal on the basis of mootness. It also contends that the Court erred in not finding that Akebia was bound by the implied undertaking rule.

[26] I agree with FibroGen. The judge erred on both grounds and the appeal ought to be allowed.

Mootness

[27] The ground has shifted since the Federal Court decision, and so too the primary rationale relied on by the Federal Court for finding that the appeal was not moot. With the discontinuance of the United States litigation, there is no litigation extant wherein Dr. Guenzler–Pukall and Dr. Todd Seeley might be impeached based on their witness statements prepared for the Federal Court action.

[28] It was, in any event, an error for the Federal Court to rely on the "potential" use of the witness statements in cross-examination (Reasons at para. 10). This was simply conjecture, which *Borowski v. Canada (Attorney General),* [1989] 1 S.C.R. 342, 57 D.L.R. (4th) 231 [*Borowski*] directs is to be avoided in assessing mootness (at para. 53). The rationale had none of the immediacy, certainty and precision to constitute an exception to the general rule that moot issues should not be heard.

[29] The Federal Court also found that determining which documents needed to be destroyed remained a live controversy. As noted, the Agreement contemplates the destruction of all Designated Confidential and Designated Highly Confidential documents (apart from one copy each to be retained by the parties' respective outside counsel) within 90 days following the end of the litigation. Akebia asserts that as a result of bringing the motion in the Federal Court, and filing the documents as part of that motion, the documents are now part of the public record and it need not destroy any documents that do not meet the *Sierra Club* standard. Those documents would, following the disposition of the Rule 151 motion, be on the public record and available for Akebia's use as it saw fit.

[30] The test governing whether or not a court will hear an appeal that is moot requires an assessment of whether the tangible and concrete dispute between the parties has disappeared (*Borowski*). The court must determine whether there remains a live controversy. If there is no longer a live controversy between the parties, the court must then decide whether it should nevertheless exercise its discretion to hear the case (*Hakizimana v. Canada (Public Safety and Emergency Preparedness)*, 2022 FCA 33, 87 Imm. L.R. (4th) 175 at para. 11).

[31] In the ordinary case, the legal and factual circumstances which underpin a mootness argument may be simply stated. This case is unique in that it requires an analysis of the substantive question which is said not to be moot – the scope of the obligation to destroy documents – in order to understand whether asking that question is in fact, moot. In my view, the question Akebia seeks answered is moot, and I would not exercise my discretion to entertain the question.

[32] Akebia says that FibroGen's assertion of confidentiality was too broad. That may be the case, but whether the confidentiality claims were justified or not is of no consequence. The confidentiality designations were made and remained valid at the time the litigation ended. If Akebia wished to preserve a right to contest any objections previously made, it ought not to have filed the discontinuance, or ought to have made a reservation to this effect. It did not. The Notice of Discontinuance simply reads:

> The Plaintiffs wholly discontinue this action, on a without costs basis, on consent of the Defendant.

[33] A party cannot challenge an outstanding objection to disclose based on solicitor-client privilege or an objection to produce on the basis of relevance following the filing of a

discontinuance. I see no reason why the result would be any different in this case. The question whether the documents were properly classified died with the termination of the action. Curiosity is not valid reason for a court to hear a spent issue.

[34] Article 31 provides that the Agreement survives the end of the litigation. However, I do not read the Agreement to constitute an agreement allowing the continued litigation of disputed claims of confidentiality.

[35] As the Recitals indicate, the purpose of the Agreement is to regulate the disclosure of information "in relation to the Action", and its application and interpretation is "in the discretion of the judge seized of this matter", namely, the action (Agreement, Art. 26). Article 31 reads:

> The termination of the within proceeding shall not relieve any person to whom Designated Confidential Information or Designated Highly Confidential Information was disclosed pursuant to this Agreement from the obligation of maintaining the confidentiality of such information in accordance with the provisions of this Agreement. The provisions of this Agreement shall continue, after the final disposition of this proceeding and this Court shall retain jurisdiction to deal with any issues relating to this Agreement, including, without limitation, its enforcement.

[36] Reading the Agreement as a whole in light of its purpose, and having regard to the clear language of Article 31, it cannot reasonably be understood to contemplate the continuation of disputes over confidentiality designations; rather the focus of the Agreement is to ensure that the Court remains engaged, if necessary, to enforce the implied undertaking (Arts. 19, 23). Again, these provisions were unnecessary, as the Court has a continuing jurisdiction to enforce the undertaking. It should not be forgotten that the undertaking is made to the Court.

[37] The obligation under the Agreement is clear. It provides that all copies of both Designated Confidential and Designated Highly Confidential Information "shall be destroyed". There is no ambiguity or uncertainty as to what the Agreement requires that justifies judicial determination and the exercise of discretion to hear the issue. As noted earlier, whether the documents are properly designated one way or another is not a live issue. Nor does the Agreement contemplate that which Akebia reads into it; a term that the obligation to destroy documents only applies to documents which the Court, even after the conclusion of the litigation, determines meet the *Sierra Club* standard. If Akebia's position is correct, an appeal from the Federal Court ruling on merits of the Rule 151 motion could be brought to this Court, and an application for leave made to the Supreme Court, months if not years after the action was discontinued. I am not prepared to read such an intention into Article 31 of the Agreement.

[38] *CBC* confirms that the open court principle encompasses a right of access to documents from completed court proceedings, but the documents in question here never entered the public Court record. Therefore, Akebia's motion for a determination under Rule 151 put the Court in an impossible position. *Sierra Club* requires the Court consider and balance the public interest in the open court principle against the interests sought to be protected. But here, there was no open court proceeding against which those interests could be balanced as the action had been terminated. There was nothing to be weighed, as the documents, regardless of their designation, never entered the public record. Simply put, Akebia's motion asked the Federal Court to embark on an exercise that it could not logically undertake. The motion was ill-conceived from the outset and ought to have been recognized as such.

[39] None of the discretionary considerations that might prompt a court to hear Akebia's motion were engaged or present at the time the Federal Court rendered its decision. There was no jurisprudential value in determining the extent to which the claims for confidentiality were justified. Claims of confidentiality are factually suffused questions, the answer to which may change with the assessment of business risks, the evolution of science and circumstances. Nor is the question evasive of review: should the issue arise between the parties in the conduct of future litigation, the Federal Court and the parties are well positioned to deal with a motion under Rule 151.

[40] The Federal Court action was settled on the eve of trial " … and as part of that settlement, was discontinued" (Akebia memorandum of fact and law, para. 16). In this context, to characterize a motion such as this – a zombie motion – as a live controversy would undermine the confidence and certainty that reasonable parties and their counsel place in notices of discontinuance. Any disputes over compliance with the terms of settlement can be addressed by the Federal Court as a discrete issue.

[41] A discontinuance of the whole of an action terminates the proceeding and closes a court file. It communicates to the parties that they can consider the matter concluded, although admittedly, in theory, a new proceeding can be started with respect to the same subject matter. Once a proceeding has ended by discontinuance, as here, any motions that were pending, die with the end of the proceeding (*Olumide v. Canada*, 2016 FCA 287, 272 A.C.W.S. (3d) 695 at para. 30; *Philipos v. Canada (Attorney General)*, 2016 FCA 79, [2016] 4 F.C.R. 268 at para. 8; *Mayne Pharma (Canada) Inc. v. Pfizer Canada Inc.*, 2007 FCA 1, 54 C.P.R. (4th) 353; Garry D.

Watson & Derek McKay, *Holmested and Watson: Ontario Civil Procedure*, loose-leaf, (Toronto: Thomson Reuters, 2022) at § 39:8. - Effect of Discontinuance).

[42] Akebia was pressed to identify any cognizable interest which would justify the adjudication of the motion where there was no extant litigation. Akebia asserted that judicial notice could be taken of the fact that pharmaceutical companies are in constant litigation with each other and that new litigation would arise, someday, somewhere, if not Canada, in the United States or Europe. It contended that future litigation between the parties was inevitable and that the discontinuances filed in both the Federal Court and the United States District Court for the District of Delaware were without prejudice. It asserted that even if the Court was not prepared to take judicial notice of the fact of the litigious nature of the pharmaceutical industry, Akebia was entitled to use the public versions of the statements as teaching tools, precedents or, indeed, for whatever purpose it wished – as wallpaper if it wished.

[43] With rare exceptions, such as when a matter is evasive of review or there is an important point of law of wider interest and application, the prospect of future litigation is not a sound basis upon which a court should exercise its discretion to hear an otherwise moot proceeding. A court should not hear a proceeding based on speculation as to circumstances that might arise so as to move the issues from the theoretical to the practical. The mere possibility of future litigation between the parties with respect to the patent is not enough to keep this appeal alive (*Amgen Canada Inc. v. Apotex Inc.*, 2016 FCA 196, 487 N.R. 202 at para. 20; *Sanofi-Aventis Canada Inc. v. Apotex Inc.*, 2006 FCA 328, 53 C.P.R. (4th) 447 at para. 18).

The implied undertaking rule

[44] I agree with FibroGen that the effect of Akebia's motion is to circumvent the implied undertaking rule. The rule imposes an undertaking on the parties not to use information or documents that parties are compelled to produce in the course of a civil proceeding for any use other than that proceeding. The undertaking is a continuing obligation; it survives the end of the litigation and is only extinguished when the documents or answers are used in open court. The undertaking is made to the Court and is enforceable by motion. By bringing the motion after the end of the action under guise of seeking an order which would expand the scope of the documents that are "public" or "non-public", Akebia seeks to evade the obligations associated with the rule (*Juman v. Doucette*, 2008 SCC 8, [2008] 1 S.C.R. 157 at paras. 21, 27, 51 [*Juman*]; *Duncan v. Lessing*, 2018 BCCA 9, 5 B.C.L.R. (6th) 81 at para. 5 [*Duncan*]).

[45] The implied undertaking rule applies to both documentary and oral information obtained on discovery: such evidence is not to be used except for the purpose of that litigation unless and until the undertaking is varied by court order (*Juman* at para. 4) or until the documents are admitted into evidence and become part of the public court record. Whether documents produced or answers given are privileged and confidential is irrelevant to the undertaking (*Juman* at para. 27).

[46] The judge's understanding of the implied undertaking rule was flawed, both analytically and substantively. The judge approached the question of the implied undertaking from the wrong perspective.

[47] The judge rejected FibroGen's assertion of the implied undertaking rule on the basis that it was premature, stating that whether it applied would depend on when and in what circumstances Akebia sought to use the documents (Reasons at para. 15). This was incorrect. The documents and information were already subject to the undertaking and the burden was on Akebia to demonstrate to the Court why, in all the circumstances, it should be relieved from its consequences. Similarly, the judge's order, noted earlier at paragraph 22, which placed an affirmative burden on FibroGen to file a redacted version and a public version of the confidential documents, does not conform to the rule.

[48] Put otherwise, it was not FibroGen's objection that was premature, it was Akebia's motion. Akebia was bound by the rule and the undertaking survived the discontinuance of the action. If it wanted to use the documents in the United States litigation, its first step ought to have been to bring a motion to be relieved from the undertaking. Indeed, the procedure followed by Akebia was directly contrary to that required by *Juman* (*Juman* at para. 30; *Goodman v. Rossi*, 120 D.L.R. (4th) 557, 1994 CanLII 10551 (ON CA) at 575-6 [*Goodman*]).

[49] An applicant seeking to be relieved from the undertaking must demonstrate, on a balance of probabilities, a public interest of greater weight than the values that the implied undertaking protects: privacy, candor and the efficient conduct of the litigation. The Federal Court did not apply this test nor did Akebia argue that the balance was in its favour (*Juman* at para. 32; *Lubrizol Corp. v. Imperial Oil Ltd.*, [1991] 1 F.C. 325, 39 F.T.R. 43 at para. 3; aff'd 41 F.T.R. 234, 1990 CarswellNat 1058). The judge proceeded on the erroneous assumption that the existence of foreign litigation was sufficient to justify waiver in circumstances where there was

no evidence as to the relevance of the statements protected by the undertaking to the issues at stake in the foreign litigation, let alone any certainty or immediacy of the issue arising.

[50] The judge also erred in construing the Agreement to displace the protection FibroGen received from the implied undertaking. The judge held that as the Federal Court could resolve confidentiality issues under the Agreement, FibroGen agreed to the possibility that some or all of the productions might enter the public domain. Thus, FibroGen could not seek the protection of the implied undertaking rule to prevent that result (Reasons at para. 14).

[51] This reasoning fails.

[52] Article 19 states that the Designated Information "shall be used solely for the purpose of the within proceeding and may not be used for any other purpose …" and 23(a) states that the Agreement does not "affect any implied undertaking". Therefore, the Agreement could not be read, as it was by the judge, as an implicit waiver of the implied undertaking. The implied undertaking is given to the Court and exists independent of the Agreement, and it applies regardless whether or not the information meets the definition of Confidential or Highly Confidential under the Agreement or is otherwise privileged.

[53] As *Juman* instructs, the implied undertaking rule applies at a minimum to all documents produced under compulsion, regardless of how they are treated or distributed according to the terms of any agreement between the parties. It applies to confidential documents and public documents, relevant documents and irrelevant documents, documents which would be admissible

at trial, and documents that would never be admissible at trial. The implied undertaking governs documents produced under compulsion as part of the pre-trial proceedings and continues afterwards with respect to documents that do not become part of the public record.

[54] Akebia also argues that the implied undertaking rule does not apply because FibroGen was not obligated by the Rules to produce the witness statements. It points to Rule 222, which, in contrast, compels the production of documents.

[55] Again, I do not agree. While Akebia is correct in noting that the Rules do not compel the production of witness statements, section 22 of the *Case and Trial Management Guidelines* requires the exchange of a description of proposed areas of testimony.

[56] As noted, on November 9, 2021, Prothonotary Milczynski issued a Direction detailing the remaining steps to be taken prior to trial. The Direction said that that the attached Schedule " … shall govern the remaining steps in the proceeding." The Direction required that witness statements be filed two weeks prior to trial. Consistent with section 22 of the *Case and Trial Management Guidelines*, there is nothing discretionary about the requirement in the Prothonotary's Direction.

[57] Rule 53(1) provides that "the Court may impose such conditions and give such directions as it considers just." The purpose of Rule 53 is to ensure that the Court's procedural systems work effectively. The Court has implied jurisdiction to impose sanctions for non-compliance with directions issued by it, including dismissal of the proceeding. Directions of the Court carry

the weight of judicial decision making. They are not mere suggestions as to what should happen in the conduct of a case, but are the expectation of the Court as to what will happen (*Canadian Slovak League v. Canada*, 2003 FCA 369, 313 N.R. 319 at para. 7; *Pfizer Canada Inc. v Apotex Inc.*, 2013 FC 1036, 441 F.T.R. 12 (Eng.) at para. 16).

[58] A broader, purposeful understanding of what constitutes compulsion in the context of the implied undertaking rule has also been adopted by the Australian High Court. In *Hearne v. Street*, [2008] HCA 36, (2008) 235 C.L.R. 125 at paragraph 96, the Court wrote:

> Where one party to litigation is compelled, either by reason of a *rule of court, or by reason of a specific order of the court, or otherwise*, to disclose documents or information, the party obtaining the disclosure cannot, without the leave of the court, use it for any purpose other than that for which it was given unless it is received into evidence. The types of material disclosed to which this principle applies include documents inspected after discovery, answers to interrogatories, documents produced on subpoena, documents produced for the purposes of taxation of costs, documents produced pursuant to a direction from an arbitrator, documents seized pursuant to an Anton Piller order, *witness statements served pursuant to a judicial direction* and affidavits. [emphasis added]

[59] I also note that the appellate courts in British Columbia and Ontario, as well as the Federal Court, have framed the undertaking as applying to information which could not have otherwise been obtained by a legitimate means independent of the litigation (*Duncan* at para. 5; *Andersen Consulting v. Canada*, [2001] 2 F.C. 324, 199 F.T.R. 150 at para. 4, citing *Goodman* at 617; *N.M. Paterson & Sons Ltd. v. St. Lawrence Seaway Management Corp*., 2002 F.C.T. 1247, 225 F.T.R. 308 at para. 4, aff'd 2004 FCA 210, 322 N.R. 83). As noted by Justice John B. Laskin in "The Implied Undertaking in Ontario" (1990), 11 Advocates Q. 298 at 312, there is no reason in principle why the rule should not apply to other forms of compulsion. This would apply to the witness statements of Dr. Guenzler–Pukall and Dr. Seeley.

[60] This, in my view, brings the statements within the scope of the implied undertaking rule. The witness statements attached some 2000 pages of exhibits which would, presumably, be tendered in evidence. The situation is no different than were counsel to prepare, as they often do, volumes of exhibits drawn from discovery that they propose to tender in evidence at trial. No one would argue that the preparation of a compilation of discovery documents, in advance of trial but never tendered in evidence, put the documents outside of the implied undertaking rule. It is only when the information is tendered in open court at trial that the undertaking is spent, but not otherwise except on consent or court order.

[61] Akebia points out, correctly, that the witness statements themselves were not required: that FibroGen did not have to call the witness. This is a remarkable argument, given that it is Akebia that sued FibroGen. It is tantamount to saying that FibroGen did not have to defend itself. It is an argument that ought not to have been made.

[62] Assume, further, that FibroGen called the witnesses without providing witness statements; it is easy to foresee the response of Akebia. Akebia cannot have it both ways; benefiting from pre-trial disclosure and asserting at the same time that disclosure amounts to a waiver of the implied undertaking rule. Similarly, while Akebia says that the statements were not compelled, the 2000 pages of exhibits, which are attached and were produced on discovery, are unquestionably subject to the undertaking. I do not accept that the undertaking should be parsed in the manner proposed by Akebia.

[63] Akebia points to three cases in support of its position that the implied undertaking was not engaged as the preparation and disclosure of the statements was voluntary. I do not agree that these cases support that conclusion.

[64] Akebia relies on the decision of this Court in *Canada v. Fio Corporation*, 2015 FCA 236, 478 N.R. 194 [*Fio*]. The facts of *Fio* are markedly different. There, this Court found that the implied undertaking rule did not apply to voluntary disclosures made before the litigation commenced. The documents in question were voluntarily disclosed by the taxpayer to the Canada Revenue Agency during the course of an audit. There was no litigation pending.

[65] Likewise, the decision of the Manitoba Court of Appeal in *J-Sons Inc. v. N. M. Paterson & Sons Limited*, 2003 MBCA 156, 180 Man. R. (2d) 178 dealt with a voluntary, tactical decision to include an expert report in a pre-trial brief (at para. 21), which was then shared with counsel in Alberta conducting related litigation against the defendant. The implied undertaking was not breached, however, as the Manitoba rules of practice narrowed the broad scope of the common law rule to cover only certain, specified pre-trial disclosure. The rules did not require the pre-trial disclosure of the report, nor was there any order that did.

[66] *Gilead Sciences, Inc. v. Teva Canada Limited*, 2016 FC 31, [2016] F.C.J. No. 378 [*Gilead*], discussed the circumstances where a party will be relieved from the undertaking, one of which is where the documents are sought to be used in a parallel action between the same parties on the same or similar issues. In the particular facts of *Gilead*, a party was relieved from the obligation where the undertaking was being relied on simply to delay access to documents in one

proceeding which it knew would inevitably be part of the public record in a parallel proceeding. By insisting on adherence to the rule in these circumstances, the party was simply impeding the efficient administration of justice (at para. 19).

[67] I close on a point of practice and procedure. The Federal Court found that Akebia had no choice but to file the statements with the Court. This was not the case.

[68] In many cases, and this is one of them, a party seeking to be relieved from the implied undertaking does not need to file the documents in question. As noted by the British Columbia Court of Appeal in *AM Gold Inc. v. Kaizen Discovery Inc.*, 2021 BCCA 70, 46 B.C.L.R. (6th) 135, it is often entirely unnecessary to include the information in the motion record in order to be relieved from the undertaking (at paras. 34-35). I agree with the observation of Groberman J.A. that "[a] generic description of the circumstances, which does not disclose confidential information, will usually be sufficient to allow a court to determine whether the implied undertaking should be relaxed …" (at para. 34).

Conclusion

[69] For these reasons, I would allow the appeal, set aside the Order of November 4, 2021 and dismiss Akebia's motion. I would award costs to Fibrogen in both this Court and in the Federal Court. Costs in this Court are fixed at $30,000.00 by agreement of the parties.

[70] FibroGen asserts that between November 4, 2021 (the date of the Federal Court order) and November 15, 2021 (when the notice of appeal was filed), Akebia provided portions of the

witness statements to persons unknown. It requests further relief to “minimize the harm” caused by what would be a breach of the implied undertaking. FibroGen requested that a number of measures be ordered by this Court in light of the apparent breach of the implied undertaking. (I add, parenthetically, that I make no findings of fact in this regard.) I propose that those measures be addressed in the Order issued concurrently with the Reasons for Judgment and Judgment in this appeal.

“Donald J. Rennie”

J.A.

“I agree.
J.B. Laskin J.A.”

“I agree.
K.A. Siobhan Monaghan J.A.”

FEDERAL COURT OF APPEAL

NAMES OF COUNSEL AND SOLICITORS OF RECORD

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CONCURRED IN BY:	LASKIN J.A. MONAGHAN J.A.
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