

Federal Court



Cour fédérale

**Date: 20240319**

**Docket: T-732-22**

**Citation: 2024 FC 440**

**Ottawa, Ontario, March 19, 2024**

**PRESENT: The Honourable Mr. Justice Southcott**

**BETWEEN:**

**PHARMASCIENCE INC.**

**Plaintiff**

**and**

**JANSSEN INC., JANSSEN ONCOLOGY,  
INC. and BTG INTERNATIONAL LTD.**

**Defendants**

**ORDER AND REASONS**

I. Overview

[1] This Order and Reasons address an appeal by the Plaintiff from the oral decision of Associate Judge Horne, the Case Management Judge in this matter, made on January 22, 2024, compelling the Plaintiff to produce its financial statements from 2019 to the present [Decision], further to a question that was refused during discovery. The Plaintiff's appeal is brought pursuant to Rule 51 of the *Federal Courts Rules*, SOR/98/106.

[2] As explained in greater detail below, the Plaintiff's motion and appeal will be dismissed, as the Plaintiff has not demonstrated any reviewable error on the part of the Case Management Judge in ordering the production of the financial statements.

## II. Background

[3] The underlying action in this matter is brought under section 8 of the *Patented Medicines (Notice of Compliance) Regulations*, SOR/93-133 [*Regulations*]. In this action, the Plaintiff, Pharmascience Inc. [PMS], seeks damages for its lost profits resulting from an unsuccessful action by the Defendants, Janssen Inc., Janssen Oncology, Inc., and BTG International Ltd. [together, Janssen] under the *Regulations* for patent infringement.

[4] The drug in issue is abiraterone, which is used to treat prostate cancer and is the subject of Canadian patent 2,661,422, [422 Patent]. In 2019, Janssen commenced actions under section 6 of the *Regulations* against several generic pharmaceutical manufacturers including PMS, alleging that their generic abiraterone tablets infringed the 422 Patent. These actions were consolidated and ultimately dismissed on the basis that the 422 Patent was invalid (*Janssen Inc v Apotex Inc*, 2021 FC 7) and that decision was upheld on appeal (*Janssen Inc v Apotex Inc*, 2022 FCA 184). PMS subsequently commenced this section 8 action against Janssen.

[5] In the present action, PMS claims damages for losses based on an assessment of the “but-for world” where PMS would have received a notice of compliance as early as September 30, 2019, and commenced sales of its abiraterone product at an earlier date than it did, had that not been prevented by Janssen's section 6 action and the resulting operation of the *Regulations*.

PMS's action includes claims for lost profits on lost sales, damages for permanent loss of market share, and pre-judgment interest [PJI].

[6] The parties conducted a first round of examinations for discovery in September 2023. On December 20, 2023, Janssen brought a motion to compel PMS to answer questions that were refused during discovery. In its responding motion record filed on January 15, 2024, PMS provided to the Case Management Judge the combined submissions of the parties [Combined Submissions], which identified the disputed questions using item numbers. In the motion, Janssen sought, among other answers, production of PMS's company-wide annual financial statements from fiscal year 2019 to the present. The request for production of the financial statements is listed as Item 41 in the Combined Submissions, and I will use the same item description in these Reasons.

### III. Order Subject to Appeal

[7] The Case Management Judge heard the motion on January 22, 2024. Some of the disputed items were adjudicated during the hearing, while others were taken under reserve. One of the items adjudicated during the hearing was the request for production of the financial statements, under Item 41, which forms the basis of this appeal. The Case Management Judge made his Decision on the financial statements orally, granting Janssen's production request and compelling PMS to produce the financial statements (although limiting production to the financial statements of Pharmascience Inc., as opposed to other related companies).

#### IV. Issues

[8] This motion under Rule 51, appealing the Case Management Judge's Decision, raises the following issues for the Court's determination:

1. What is the standard of review?
2. Did the Case Management Judge err in ordering production of the financial statements?
3. If the Court identifies a reviewable error by the Case Management Judge, how should the Court adjudicate the request for production of the financial statements?

#### V. Analysis

##### A. *What is the standard of review?*

[9] The applicable standard of review for an appeal of a discretionary order of an associate judge is palpable and overriding error for questions of fact and questions of mixed fact and law, and correctness for questions of law and questions of mixed fact and law where there is an extricable legal principle at issue (*Hospira Healthcare Corporation v Kennedy Institute of Rheumatology*, 2016 FCA 215 at paras 64, 66, citing *Housen v Nikolaisen*, 2002 SCC 33 [*Housen*] at paras 17-37). A question of law can be extricated from a question of mixed fact and law where a decision-maker states the correct legal test but fails to apply all of its elements (*Housen* at para 27).

[10] This Court has also recognized that associate judges in a case management role are very familiar with the particular circumstances and issues of the matter under management, as a result

of which intervention by a motions judge on a Rule 51 appeal should not come lightly. However, this does not mean that factual or legal errors should go undetected (*Hutton v Sayat*, 2020 FC 1183 at para 28).

[11] PMS argues in this motion that the Case Management Judge made two extricable error of law, reviewable on the correctness standard, in ordering production of the financial statements:

A. PMS submits that the Case Management Judge found that the financial statements were relevant to this proceeding based on the fact that certain financial statements were found to be relevant in a different section 8 decision (*Pharmascience Inc v GlaxoSmithKline Inc*, 2007 FC 1261 [*Carvedilol*]); and

B. PMS submits that the Case Management Judge erred in law by stating the incorrect legal standard for proportionality and then failing to consider all elements of proportionality when ordering PMS to produce the financial statements.

[12] Janssen takes the position that the applicable standard of review is palpable and overriding error. Janssen invokes the explanation in *Madison Pacific Properties Inc. v. Canada*, 2019 FCA 19, that the scope of permissible discovery depends upon the factual and procedural context of the case, informed by an appreciation of the applicable legal principles (at para 22). As a consequence, an associate judge's decision on whether to compel answers or order production on discovery is typically a question of mixed fact and law and subject to the palpable and overriding error standard (*Hospira Healthcare Corporation v Kennedy Institute of Rheumatology*, 2020 FCA 177 [*Hospira*] at para 7). Janssen also notes that the question of

proportionality has been characterized as discretionary (*Hospira Healthcare Corporation v. Kennedy Institute of Rheumatology*, 2015 FC 1292 at para 140).

[13] I accept the principles on which Janssen relies and agree that documentary production decisions by associate judges in a case management role are typically reviewed on the deferential standard of palpable and overriding error. However, PMS has raised particular arguments for the Court's adjudication, as to whether the Case Management Judge made certain extricable errors of law, and I agree with PMS that the Court's determination as to whether the Decision demonstrates such errors should be conducted on the correctness standard.

B. *Did the Case Management Judge err in ordering production of the financial statements?*

[14] As PMS submits, to obtain an order compelling the production of information or documentation on discovery, the moving party must demonstrate both that a question or request is relevant and that the principle of proportionality favours that production (*Hospira* at para 8).

(1) Relevance

[15] As noted above, PMS argues first that the Case Management Judge found that the financial statements were relevant to this proceeding based primarily on the fact that certain financial statements were found to be relevant in *Carvedilol*. PMS submits that this analysis represented application of the wrong test or consideration of an irrelevant factor, amounting to an error of law (see *Canada (Commissioner of Competition) v Canada Pipe Company Ltd*, 2006 FCA 233 at para 80).

[16] PMS further submits that the Case Management Judge erred by failing to appreciate that *Carvedilol* was neither binding nor persuasive and should have been distinguished. PMS relies on this Court's observation that the principles of *stare decisis* and judicial comity apply to prior findings of law, not to findings of fact or mixed law and fact (*Amgen Inc v Pfizer Canada ULC*, 2020 FC 522 at para 167).

[17] PMS's argument is based on the following paragraph from the transcript of the Decision:

What I'm going to do with this is, particularly in light of Justice Mandamin's decision in 2007 FC 1261 at paragraph 28 that financial statements can be relevant documents and subject to production, I am going to order item 41 answered. And if it's not implicit, I will say that those are the financial statements of Pharmascience Inc., as opposed to other related companies. But that's yes.

[18] I agree with PMS that this paragraph demonstrates that Justice Mandamin's decision in *Carvedilol* figured prominently in the Case Management Judge's determination that the financial statements were relevant and should be produced. However, as Janssen emphasizes, it is necessary to consider the Case Management Judge's reasoning as a whole (*Alberta Permit Pro v Booth*, 2009 ABCA 146 at para 45).

[19] In the case at hand, the Decision is not set out in a formal Order. Rather, the record before the Court on this appeal includes a transcript of the portion of the motion before the Case Management Judge that addressed Item 41, the request for production of financial statements, as well as a couple of other components of the hearing before and after that portion. This transcript of approximately 35 pages sets out the Case Management Judge's questioning of counsel for both parties and their responses and culminates with the above paragraph upon which PMS

relies. I agree with Janssen's position that review of the entirety of the transcript is necessary to assess whether the Case Management Judge fell into error. Indeed, I do not understand PMS to be arguing that only the final paragraph (as set out above) should inform an understanding of the Case Management Judge's reasoning.

[20] Reviewing the transcript as a whole, I agree with Janssen that it demonstrates the Case Management Judge recognizing that pleadings frame determinations of relevance for purposes of discovery and then considering the relevance of the financial statements to the three pleaded issues that had been raised by Janssen: (i) calculating PMS's expenses using the full costs accounting approach; (ii) assessment of the appropriate PJI claim; and (iii) the discount rate applicable to PMS's claim for future losses.

[21] In relation to the significance of *Carvedilol* in the Decision, I do not read the transcript as suggesting that that the Case Management Judge considered himself bound by that precedent as a matter of law, pursuant to principles of either *stare decisis* or judicial comity. Rather, the Case Management Judge treated *Carvedilol* as having persuasive value, after having sought counsel's submissions on that precedent, including asking PMS's counsel whether they considered *Carvedilol* to be distinguishable. In response to that invitation, PMS observed that the financial statements produced in *Carvedilol* were relevant to potential variable costs to be considered in the assessment of section 8 damages. PMS then focused on its position that, if the Court were to order production of financial statements, such production should be restricted to Pharmascience Inc., as opposed to a broader corporate group.



[22] I appreciate the argument advanced by PMS at the hearing of this appeal, that Janssen's request for production of the financial statements was not based on their relevance to the calculation of variable costs. However, other than noting that the financial statements in *Carvedilol* were produced as relevant to variable costs, the transcript does not indicate that PMS particularly developed that point into an argument that *Carvedilol* should be distinguished, i.e., that documents relevant to variable costs would not be relevant to the particular defence issues raised by Janssen.

[23] Overall, I interpret the transcript as demonstrating that the Case Management Judge took *Carvedilol* into account as a precedent that supported ordering production but also considered the relevance of the financial statements to the particular defence issues Janssen raised. I find no basis to conclude that *Carvedilol* played an inappropriate role in the Decision or that the Decision therefore demonstrates an extricable error of law of the sort that PMS argues.

(2) Proportionality

[24] PMS also argues that the Case Management Judge erred in law by stating the incorrect legal standard for proportionality and then by failing to consider all elements of proportionality in deciding to order production of the financial statements.

[25] First, PMS submits that the Case Management Judge did not understand the necessity to assess proportionality as a prerequisite to ordering production of the financial statements. Second, PMS submits that the Case Management Judge equated the proportionality principle with a requirement for PMS to show undue hardship if ordered to produce the financial

statements. PMS argues that the Case Management Judge thereby committed errors of law reviewable on the correctness standard.

[26] I accept that the Case Management Judge did not expressly make a finding of proportionality. However, I agree with Janssen's submission that the transcript as a whole demonstrates that the Case Management Judge performed a proportionality analysis. Janssen draws the Court's attention to the following components of the Decision as evidenced by the transcript:

- A. Having canvassed in the course of the hearing whether the requested production related just to Pharmascience Inc., or to the broader corporate group, the Case Management Judge confirmed when ordering production that the order applied only to Pharmascience Inc.;
- B. Before ordering production, the Case Management Judge inquired of Janssen's counsel as to the level of discovery that would result from production of the financial statements. Janssen confirmed its expectation, based on the advice of its experts, that the financial statements would contain the information sought and would not prompt further discovery requests;
- C. Before ordering production, the Case Management Judge inquired of Janssen's counsel whether production of the financial statements would eliminate other production requests, and Janssen confirmed that this was the case. In keeping with that point, immediately following the portion of the transcript where the Case

Management Judge ordered production of the financial statements, he ordered that other requested evidence (Item 39) need not be produced, because production of the financial statements would provide Janssen with what it needed; and

- D. Before ordering production, the Case Management Judge confirmed that the proceeding benefited from a protective order, including a “counsel’s eyes only” provision that could be used to protect the confidentiality of the financial statements.

[27] As Janssen submits, these components of the transcript demonstrate that the Case Management Judge was alive to the need to consider proportionality and did not order production of the financial statements based solely on their relevance.

[28] In arguing that the Case Management Judge equated proportionality with burden, and incorrectly imposed upon PMS a requirement to tender proof of burden, PMS relies on a portion of the transcript that captures an earlier part of the production hearing, on a different request related to rebate information. In this portion of the hearing, PMS’s counsel emphasized the application of the proportionality principle, in addition to the need for Janssen to demonstrate relevance, in response to which the Case Management Judge raised the lack of evidence of burden that production of rebate information would impose on PMS.

[29] Again, I agree with Janssen’s response that reading this portion of the transcript demonstrates attention to proportionality. Part of the Case Management Judge’s questioning of PMS’s counsel during this component of the hearing focused on the number of other drugs for

which rebate data should be produced. Further, as Janssen submits, the fact that the Case Management Judge questioned PMS's counsel, as to evidence of the burden that would result from production of rebate data, does not support a conclusion that the Case Management Judge considered burden to be the only consideration relevant to proportionality. Nor do I regard such questioning, of the party that was being asked to produce the disputed documentation, as giving rise to an error as to the burden of proof.

[30] I am also unable to conclude, based on the Case Management Judge's approach to proportionality in considering the request for production of the financial statements, that he believed burden to be the only consideration relevant to proportionality. I accept PMS's submission that the considerations relevant to proportionality include not only the burden to produce the requested evidence, but also the degree of significance or connection that the evidence has to the case, the scope of the request, and the availability of the information from other sources (*Hospira* at para 9). However, clearly the Case Management Judge's limitation of the production so that it did not extend to the Plaintiff's broader corporate group demonstrates consideration of scope. The attention to whether the financial statements would themselves contain the information sought, as opposed to leading to further discovery, represents consideration of the evidence's connection to the case. Similarly, the Case Management Judge's decision not to order production of Item 39, because the production of the financial statements would provide the required information, demonstrates awareness of the relevance of availability of information from other sources (albeit applied so as to grant the Item 41 request and deny the Item 39 request).

[31] As previously noted, the proportionality analysis is of a discretionary nature, as a result of which there are many ways in which some or all of the considerations relevant to proportionality could have been analysed in adjudicating Janssen's request for production of the financial statements, including in relation to its other requests. However, such analysis is entitled to the deference afforded by the standard of review that requires a palpable and overriding error, which is in any event not the sort of error raised by PMS in this motion. Rather, PMS argues that the Case Management Judge erred in law in misunderstanding or failing to apply in full the legal principles governing a request for documentary discovery, and PMS has not convinced me that the Decision demonstrates such an error.

C. *If the Court identifies a reviewable error by the Case Management Judge, how should the Court adjudicate the request for production of the financial statements?*

[32] At the hearing of this appeal, PMS's submissions devoted considerable attention to how the Court should adjudicate the production request, including considering the relevance of the financial statements to the issues of full cost accounting, PJI, and discount rate, if the Court were to identify a reviewable error in the Decision. However, despite PMS's able advocacy, I have identified no such error, this appeal will be dismissed, and it is not necessary to engage with those submissions.

## VI. Costs

[33] Each of the parties has claimed costs in the event of its success on this motion. The successful party, Janssen, seeks costs in the lump sum amount of \$3000.00, plus a disbursement of \$864.45 for the cost of the transcript of the hearing before the Case Management Judge. In

support of the lump sum figure, Janssen relies on *Apotex Inc v Janssen Inc*, 2022 FC 1476 [*Apo-abiraterone*], in which this Court considered a Rule 51 appeal of a case management judge's decision not to compel answers to certain discovery questions. That motion arose in the context of another action for section 8 damages against Janssen, resulting from its unsuccessful section 6 actions alleging infringement of the 422 Patent. This Court awarded cost of \$3000.00 to the successful party on the motion (at para 55).

[34] PMS prepared a Bill of Costs for this motion, employing the middle of column 3 of Tariff B, based on which it argues that costs of the motion should be quantified at \$1360.00. PMS also argues that Janssen's disbursement for the cost of preparing the transcript should not figure in any costs award, because that cost was incurred unnecessarily. PMS notes that it had proposed that each party prepare a transcript of the portion of the hearing upon which it relied, affording the other party an opportunity to comment thereon, and submits that it should not bear any cost arising from Janssen's unilateral decision to outsource the creation of the transcript.

[35] Leaving aside for the moment the cost of the transcript, I am satisfied that the \$3000.00 figure proposed by Janssen represents an appropriate quantification of costs. It is common practice to approach costs awards in interlocutory decisions in intellectual property matters on a lump sum basis, and I consider the nature of the motion in *Apo-abiraterone* to be sufficiently similar to support Janssen's figure.

[36] Turning to the disbursement for the transcript, I note that on March 3, 2024, the Court issued a direction to the parties, requiring them to prepare a transcript of the portions of the

hearing that were relevant to the Decision under appeal and to file that transcript by noon on March 6, 2024, in anticipation of the hearing the next morning. On March 4, 2024, PMS's counsel wrote to the Court, advising the parties had been unable to reach agreement on a process for preparation of the transcript, with PMS proposing the approach identified above and Janssen taking the position that PMS should retain a court reporter to prepare a transcript at PMS's cost. PMS sought the Court's direction to resolve this dispute. Janssen advised the Court later on March 4, 2024 that it had engaged a court reporter and expected to be able to provide a transcript by the required deadline. As such, no direction was issued.

[37] In my view, the parties should not have required the Court's direction to identify the need to provide a transcript to support their arguments in the Rule 51 appeal, rather than expecting the Court to rely on the DARS recording of the hearing before the Case Management Judge. If the parties had undertaken this work earlier in the appeal process, it may have been possible for them to produce the transcript more informally, as proposed by PMS. However, given the stage at which the Court realized that no transcript had been prepared and issued the resulting direction, with the hearing only three days away, I consider Janssen's approach and the resulting disbursement to have been reasonable. I am accordingly prepared to award the \$864.45 figure claimed for the disbursement.

**JUDGMENT IN T-732-22**

**THIS COURT'S JUDGMENT is that:**

1. The Plaintiff's motion and Rule 51 appeal are dismissed.
2. The Defendants are awarded cost of this motion in the lump sum amount of \$3000.00, plus disbursements of \$864.45.

"Richard F. Southcott"

Judge



**FEDERAL COURT**

**SOLICITORS OF RECORD**

**DOCKET:** T-732-22

**STYLE OF CAUSE:** PHARMASCIENCE INC. v JANSSEN INC., JANSSEN ONCOLOGY, INC. and BTG INTERNATIONAL LTD

**PLACE OF HEARING:** TORONTO, ONTARIO

**DATE OF HEARING:** MARCH 7, 2024

**ORDER AND REASONS:** SOUTHCOTT J.

**DATED:** MARCH 19, 2024

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