Federal Court  Cour fédérale

Date: 20211104

Docket: T-1004-18

Citation: 2021 FC 1179

Ottawa, Ontario, November 4, 2021

PRESENT: The Honourable Mr. Justice Barnes

BETWEEN:

AKEBIA THERAPEUTICS, INC.
OTSUKA CANADA PHARMACEUTICAL INC.

Plaintiffs

And

FIBROGEN, INC.

Defendant

ORDER AND REASONS

[1] This is a motion brought by the Plaintiff, Akebia Therapeutics Inc. [Akebia], asking the Court to vacate the Defendant's [Fibrogen] designation of confidentiality over two fact witness statements delivered to Akebia in the course of underlying patent impeachment litigation. The witness statements pertained to the proposed evidence from two named inventors of the subject Canadian patents. The combined length of the statements is over 2000 pages and they include hundreds of additional pages of attachments [productions].

[2] The principal problem presented on this motion stems from Fibrogen's designation of the entirety of the productions as confidential or highly confidential under the terms of a confidentiality agreement [Agreement] entered into between the parties in early August of 2020. The stated 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". Fibrogen maintains that, under the terms of the Agreement, it was entitled to designate all of the productions as confidential or highly confidential whether or not the information they conveyed was commercially or scientifically sensitive. According to Fibrogen, the Agreement did not contemplate the removal or redaction of information that would typically be considered a trade secret and it was, therefore, entitled to protect all of the productions' content except to the extent otherwise permitted.[1] Akebia asserts that under the Agreement, Fibrogen's confidentiality designation was made in bad faith and that only commercially sensitive information contained within the productions could be so designated.

[3] Notwithstanding the intervening consent discontinuance of the underlying action, Akebia seeks to have Fibrogen's confidentiality designations lifted by the Court except to the extent that Fibrogen's commercial interests could be compromised. Akebia has acknowledged that its motivation for this motion is to potentially use the "non-confidential" productions in closely related litigation between the parties in the United States.

[4] Before considering the merits of Fibrogen's confidentiality designations, it is necessary to deal with two preliminary issues that Fibrogen raised.

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[1] The Agreement designates a limited number of persons who are able to access the productions.

[5] Fibrogen argues that because the underlying action was discontinued before Akebia's motion was brought forward, and the productions were not filed with the Court except under seal on this motion, the motion is rendered moot.

[6] Fibrogen also contends that all of the information contained within the productions is subject to the implied undertaking rule and Akebia cannot use it for any purpose in the United States litigation. Fibrogen is vexed by Akebia's filing of the productions in its motion record – albeit under seal. This step, it says, represents an inappropriate end-run by Akebia around its implied undertaking commitment. By placing the productions into the Court record, the implied undertaking is arguably extinguished, at least to the extent that the filed information does not satisfy the *Sierra Club* test: see *Sierra Club of Canada v Canada (Minister of Finance)*, 2002 SCC 41, [2002] 2 SCR 522 and *Sherman Estate v Donovan*, 2021 SCC 25, [2021] SCJ No 25.

I. Mootness

[7] Fibrogen says that the discontinuance of the underlying action renders this motion moot. It relies on several decisions to that general effect, including *Borowski v Canada (Attorney General)*, [1989] 1 SCR 342, [1989] SCJ No 14 (SCC) at para 15; *Philipos v Canada (Attorney General)*, 2016 FCA 79 at paras 13, 16 and 17, [2016] 4 FCR 268 and *Olumide v Canada*, 2016 FCA 287 at paras 29-30, [2016] FCJ No 1269.

[8] Fibrogen does acknowledge that some procedural matters requiring adjudication may survive a discontinuance. However, it says this motion bears no connection to any issue that was pending before the Court at the time of the discontinuance. The terms of the Agreement

extending a right to Akebia to challenge a confidentiality designation only pertain to some purpose related to the prosecution of the action and Fibrogen says "the action is over". While admitting that this Court has a limited discretion to decide a moot issue, the applicable considerations do not contemplate engaging in a purely academic exercise divorced from any underlying dispute: *Canada (National Revenue) v McNally*, 2015 FCA 248 at paras 7-15, [2015] FCJ No 1310.

[9] There are a number of weaknesses to Fibrogen's mootness argument, most notably related to the Agreement's terms. Firstly, under the Agreement both parties attorned to the Court's jurisdiction and they agreed that it was enforceable in this Court by way of any remedy the Court considered just. These provisions at least imply that the Court has ongoing authority to enforce the Agreement even after the litigation ended. Article 31 makes this point explicitly:

> 31. 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.

[10] Fibrogen's implied undertaking argument also detracts from its mootness argument. It cannot be disputed that the Court has an ongoing authority to enforce a party's implied undertaking and Article 23(a) of the Agreement states that the Agreement does not "affect any implied undertaking". Presumably if Fibrogen was troubled by a perceived breach of the Agreement or of an implied undertaking by Akebia, it could seek an appropriate remedy from the

Court notwithstanding the discontinuance. In that event, it would be open to Akebia to challenge the validity of Fibrogen's confidentiality designations. Here, Akebia is only seeking to invoke its right to pre-emptively challenge those designations for potential exploitation of the evidence in the United States District Court. Subject to any remaining implied undertaking, there is nothing inappropriate about Akebia's conduct in seeking to challenge Fibrogen's confidentiality designations in this Court in advance of the potential use of the productions in the United States for an appropriate purpose such as impeaching a witness. The issue cannot be left unresolved in the very forum where the parties agreed to resolve it and where Akebia would otherwise be obliged to destroy the documents. Rather, this is an issue "which affects or may affect the rights of the parties" with some potential for a "practical effect on such rights": see *Borowski* at para 15. Clearly the Agreement imposes obligations on both parties that outlive the litigation and the motion is, therefore, not moot.

II. The Implied Undertaking Rule

[11] Fibrogen also invokes the implied undertaking rule to resist the lifting of its confidentiality designations. This rule of evidence is presumably only applicable if Akebia attempts to use the information for some inappropriate collateral purpose. Fibrogen asserts that Akebia has already breached its undertaking by filing the productions under seal on this motion, thus putting it in the position of "proving the confidential nature of every part of every document that was filed, despite these documents never having otherwise been brought before the Court": see the Defendant's Written Representations at para 51.

[12] I do not agree that Akebia has breached the implied undertaking rule by proceeding as it did. Indeed, Akebia was acting in accordance with the terms of the Agreement when it filed the productions under seal on this motion. When the confidentiality issue was discussed in earlier case management, it was agreed that this motion would be required. From then and until the filing of the motion records, the parties did not agree on what parts of the productions were subject to designation. Absent agreement, it was the expectation that, if the Court were to accept Akebia's argument, the Court would have to review the productions in their entirety.[2]

[13] The Agreement clearly contemplates the process Akebia followed. Firstly, it requires that a party's confidentiality designation be supported by a "reasonable" belief and made in "good faith": see Articles 4 and 5. Articles 4 and 23(b) recognize that such designations can be challenged and Article 23(c) permits an "adjudication" of the issue. Article 1 defines "confidential information" and goes on to identify what the definition does not include. It stands to reason that, in order to segregate confidential from non-confidential information, the Court would need before it the entirety of the disputed records. That task required initially filing the complete productions under seal and potentially, in whole or in part, into the public record of the Court. Any part of the record that ultimately makes its way into the Court record is then subject to a motion under Rule 151 of the *Federal Courts Rules*, SOR/98-106: see Articles 11 to 13.

[14] By attorning to this Court's jurisdiction to resolve these confidentiality issues, Fibrogen opened up the possibility that some or all of the productions would enter the public domain. It cannot now seek the protection of the implied undertaking rule to prevent that result. If the

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[2] In the interim, the parties reached an agreement on this, subject to the Court's ruling on the scope of the permitted designations under the Agreement: see Footnote 13 of the Plaintiff's Written Reply Representations.

parties did not want to assume this risk, they could have stipulated that any confidentiality adjudication, *ex post facto* or otherwise, would proceed by private arbitration and not in this Court.

[15] I am also not persuaded that Akebia's stated intent to potentially use the productions in the United States litigation provides a foundation for applying the implied undertaking rule at this stage. Whether or not that will happen remains to be seen and, even then, the admissibility of evidence subject to the implied undertaking rule often turns on the purpose of its use or on other contextual circumstances. For instance, an implied undertaking is often waived where the use of the evidence is limited to the impeachment of a witness: see *Juman v Doucette*, 2008 SCC 8 at para 41, [2008] 1 SCR 157. It is also not uncommon to waive the rule where the same or similar parties are engaged in related proceedings involving the same or similar issues: see *Juman* at para 35. At this stage, I do not know whether or in what circumstances Akebia will use the productions. If the issue manifests, that will be when its resolution is required.

III. Was Fibrogen's Designation Made in Accordance With the Agreement?

[16] Article 24 of the Agreement stipulates that the party asserting confidentiality (ie. Fibrogen) has the burden of proof on a balance of probabilities in the event of a challenge to a confidentiality designation.

[17] Fibrogen contends that if any document within the productions contains any amount of confidential or highly confidential and non-public information, the entirety of the document may be so designated. According to this argument, Fibrogen was not required to parse through the

documents to identify and designate only commercially or scientifically sensitive and non-public information. I do not accept this argument because it is inconsistent with the language and intent of the Agreement.

[18] The Agreement's purpose was to limit the circulation of commercially sensitive information to a select number of opposite party representatives who needed to see it in the conduct of the litigation. No purpose would be served by including parts of documents that would not compromise Fibrogen's scientific or commercial interests on disclosure.

[19] Although the definition of confidential and highly confidential information in the Agreement does not purport to be exhaustive, the examples it provides (eg. clinical study protocols, scientific data, clinical development plans, marketing plans, chemical identities of proprietary compounds and confidential technical, sales, marketing, financial and business strategies) also belie the larger scope of protection asserted by Fibrogen [emphasis added].

[20] The idea that Fibrogen was entitled in good faith to protect the entirety of a document because it contained a limited amount of commercially sensitive information is also inconsistent with Article 1(g)(ii), which affords protection over "any portion of any affidavit, document, material exhibit, evidence or examination transcript that is produced" and which, directly or indirectly refers to "confidential information". The inference is that only the portion of a document that is confidential is subject to protection. This is also consistent with the language of Article 4 which provides for the designation of "information" and not of the entirety of a document that contains such information.

[21] I am also not persuaded that the reference in Article 1(g)(i) to "non-public and confidential or proprietary" information supports Fibrogen's interpretation. That phrase is stated in the conjunctive by the use of "and", presumably to exclude protection over confidential or proprietary information that has, nevertheless, entered the public domain. I would add that Fibrogen's position could easily have been reduced to clear language if the scope of the intended protection was as broad as it now asserts.

[22] In conclusion, I agree with Akebia that only commercially and scientifically sensitive information in the productions can be the subject of a *bona fide* confidentiality designation. Because the parties have recently reached an agreement as to the information in the productions that falls within the above standard, the motion will be resolved on that basis.

IV. What to Do About the Motion Materials Presently Filed Under Seal?

[23] While I acknowledge Akebia's argument that Fibrogen should have contemplated the above disposition and sought relief under Rule 151, I think it is suitable to appropriately protect Fibrogen's recognized commercial interests. The motion materials presently filed under seal shall remain filed under seal provided that within thirty [30] days the parties, or either of them, files a redacted public record in accordance with the terms of the intervening agreement between the parties as set out at footnote 13 of the Plaintiff's Written Reply Representations. If a redacted record is not filed within thirty [30] days, the entirety of the sealed motion record will be unsealed and placed into the public record.

V. Costs

[24] Costs of the motion are awarded to Akebia in the amount of $10,000.

ORDER IN T-1004-18

THIS COURT ORDERS that the motion is allowed on the following terms:

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.

2. The unredacted information described in the preceding paragraph is not confidential and is not Designated Confidential Information or Designated Highly Confidential Information under the parties' Confidentiality Agreement.

3. Costs of the motion are payable to the Plaintiff in the amount of $10,000.

"R.L. Barnes"

Judge

FEDERAL COURT

SOLICITORS OF RECORD

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