Federal Court of Appeal  Cour d'appel fédérale

Date: 20130219

Dockets: A-337-12
A-338-12
A-339-12

Citation: 2013 FCA 45

CORAM: **BLAIS C.J.**
GAUTHIER J.A.
TRUDEL J.A.

Docket: A-337-12

BETWEEN:

APOTEX INC.

Appellant

and

ELI LILLY CANADA INC.

Respondent

Docket: A-338-12

BETWEEN:

APOTEX INC.

Appellant

and

ELI LILLY CANADA INC.,
ELI LILLY AND COMPANY, ELI LILLY S.A. and
LILLY, S.A.

Respondents

Docket A-339-12

BETWEEN:

APOTEX INC. and
TEVA CANADA LIMITED
(Formerly known as NOVOPHARM LIMITED)

Appellants

and

ELI LILLY CANADA INC.,
ELI LILLY AND COMPANY,
ELI LILLY S.A. and LILLY, S.A.

Respondents

Heard at Montreal, Quebec, on February 19, 2013.

Judgment delivered from the Bench at Montreal, Quebec, on February 19, 2013.

REASONS FOR JUDGMENT BY: THE COURT

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REASONS FOR JUDGMENT BY THE COURT
(Delivered from the Bench at Montreal, Quebec, on February 19, 2013)

[1] These are consolidated appeals commenced by Apotex Inc. (Apotex) from an order by Rennie J. of the Federal Court (2012 FC 880) upholding the order of Prothonotary Aronovitch (T-656-09, T-512-10, T-516-10) permitting the Eli Lilly group of companies (Lilly) to obtain samples from various batches of bulk raloxifene hydrochloride for the purpose of conducting tests described in said order. The impugned order was made pursuant to Rule 249 of the *Federal Courts Rules*, SOR/98-106 (the Rules) the interpretation of which is at the heart of these appeals.

[2] These appeals were heard on the same day as other appeals commenced by Apotex in the same context. In appeal A-300-12, Apotex and Apotex Pharmachem Inc. appeal from an order made by Tremblay-Lamer J., T-1407-09, upholding the previous order made by Prothonotary Tabib, this time in favour of H. Lundbeck A/S. In appeal A-370-12, Apotex and Apotex

Pharmachem Inc. appeal from an order made by Mosley J. (2012 FC 991) also upholding a previous order by Prothonotary Aronovitch in a file opposing Apotex to the Astrazeneca group of companies (Astrazeneca).

[3] As a result, the reasons of this Court disposing of Apotex's arguments regarding the Federal Court's interpretation of Rule 249 in these consolidated appeals will be incorporated by reference into the reasons issued in appeals A-300-12 and A-370-12. Of course, any issue specific to one of these files will, if needed, be discussed in the reasons disposing of that particular appeal.

[4] It is trite law that discretionary orders of Prothonotaries ought not to be disturbed on appeal to a Judge unless:

> (a) they are clearly wrong, in the sense that the exercise of discretion was based upon a wrong principle or a misapprehension of facts; or
>
> (b) in making them, the prothonotary improperly exercised his or her discretion on a question vital to the final issue of the case.
>
> (*Z. I. Pompey Industrie v. ECU-Line N.V.*, 2003 SCC 27 at paragraph 18, endorsing *Canada v. Aqua-Gem Investments Ltd.*, [1993] 2 F.C. 425 at 462-463 (F.C.A.)).

[5] Rule 249 is a discovery mechanism allowing the Court if satisfied that it is "necessary or expedient [*nécessaire ou opportun*] for the purpose of obtaining information or evidence in full [*renseignements complets ou preuve complete*]", to order in respect of any property that is the subject-matter of an action:

> (a) a sample be taken of the property;
>
> (b) an inspection be made of the property; or
>
> (c) an experiment be tried on or with the property.

[6] Apotex's submissions are best summarized at paragraph 5 of its Memorandum of fact and law:

> … The decisions below trivialize the "necessity or expediency" requirements imposed by Rule 249, disregard this Court's caution to only grant samples in exceptional circumstances and fail to require the moving parties to meet their evidentiary burden on a motion under Rule 249. In the result, the decisions below replace this Court's historical reluctance to encroach on a party's property rights with an apparent willingness to do so, in effect making Rule 249 redundant.

[7] Rule 249 reads essentially as former Rule 471 (pre 1998 revision of the Rules). The language of Rule 249 is very similar to the Rules of practice applicable in Saskatchewan, British Columbia or the Yukon which both include the words "necessary or expedient" (*Saskatchewan Queen's Bench Rules*, rule 390; *British Columbia Supreme Court Civil Rules*, B.C. Reg. 168/2009, rule 7-6(4); *British Columbia Supreme Court Rules*, B.C. Reg. 221/90, rule 30(4) (Repealed); *Yukon Rules of Court*, Yuk. Reg. O.I.C. 2009/65, rule 30(5)), while the applicable rules in Ontario, Manitoba, Prince Edward Island or New Brunswick, for example, only refer to the concept of what is "necessary for the determination of an issue in the proceeding" (*Ontario Rules of Civil Procedure*, R.R.O. 1990, Reg.194, rule 32.01; *Manitoba Court of Queen's Bench Rules*, Man. Reg. 553/88, rule 32.01; *Prince Edward Island Rules of Civil Procedure*, rule 32.01; *Rules of Court of New Brunswick*, N.B. Reg. 82-73, rule 35.01).

[8] The parties have provided us with case law indicating that the word "necessary" used in these various provincial Rules appears to have been consistently understood to mean that there is "a reasonable possibility that the proposed test will reveal something useful for the trier of fact (that is something which will assist the trier of fact in determining an issue in the proceeding)" (See for example *Peel School District No. 19 v. 553518 Ontario Ltd. (c.o.b. Munden Park Electric*), [2000] O.T.C. 687, 49 C.P.C. (4th) 384 at paragraph 16 (S.C.J.); *I.C.R. General Contractors Ltd. v.*

Broadview Developments Ltd., 2011 NBBR 20 at paragraph 12; *Thorpe v. Honda Canada Inc.*, 2009 SKQB 488 at paragraph 22; *Bennett v. D.C. Jones Circle V. Ranches Ltd.* (1987), 20 C.P.C. (2d) 213, 52 Alta. L.R. (2d) 253 at paragraphs 2, 4 (A.C.Q.B.); *Dexter Estate v. Economical Mutual Insurance Co.*, 2007 NBQB 266 at paragraphs 6-7)).

[9] Apotex has not explained why this interpretation should not be adopted in respect of Rule 249. It simply relies on the previous decisions from this Court, which, in Apotex's view, indicate that the word "necessary" has a different meaning in Rule 249. Apotex argues that the test of relevance which drives other discovery Rules, such as Rule 223, is not sufficient to meet the requirements of Rule 249. Why else require an order of the Court? Necessarily because, Apotex claims, the test under Rule 249 is a more stringent one. We disagree with Apotex's approach to Rule 249.

[10] Read in the context of Rule 3, which was added in the 1998 revision of the Rules, the test set out in Rule 249 is clear and does not require that this Court provide more detailed and strict guidelines in respect of its application. In fact, it would be unwise to try to do so as it is evident that the use of the words "necessary or expedient" was intended to give a broad discretion to the Court. As always, facts do matter and they are particularly important when dealing with motions such as those under Rule 249 which require the Court to balance any number of factors relevant to the three main interests at play: those of the party requesting the inspection or samples, those of the party in possession of the property concerned and those of the trier of fact. It is because of this need to balance all the relevant factors that a party must move to get an order under Rule 249, contrary to

other discovery Rules. In our view, this is exactly how the Prothonotary approached her task when she set out to determine the motions before her.

[11] We do not accept Apotex's submission that our Court set out a strict test in *P.J. Wallbank Manufacturing. Co. Limited v. Kuhlman Corporation*, [1981] 1 F.C. 645, 50 C.P.R. (2d) 145 at 146 (F.C.A.) (*Wallbank*) and in *Posi-Slope Enterprises Inc. v. Sibo Inc.*, 1 C.P.R. (3d) 140, [1984] F.C.J. no. 507 (QL) at 141 (F.C.A.) (*Posi-Slope*) and that the Prothonotary and the Judge were bound to require evidence that the proposed tests were "the only means" for the Respondents to establish their case or at least that this was an "exceptional case" where such testing was the solution of "last resort" as mentioned in *Gerber Garment Technology Inc. v. Lectra Systems of Canada*, 66 C.P.R. (3d) 24, [1996] F.C.J. no. 41 (QL) at paragraph 3 (F.C.A.) (*Gerber*).

[12] In *Wallbank*, this Court overturned the decision of Cattanach J. on the basis that he was wrong when he found that the inspection of the premises was the only means available to the plaintiff. That being so and considering the irreparable harm (prejudice) that could result from the said inspection, this Court found that the Judge should not have issued the Order. This conclusion was based on the balancing of the relevant factors in the particular facts of that case.

[13] It is also clear from the decision of this Court in *Posi-Slope*, above, that the motion was dismissed as "it was not necessary for either the purpose of pleading or for any immediate purpose" expressly leaving the door open for the applicant to bring a further motion at a later stage. *Posi-Slope* cannot be read as construing the full scope of Rule 249 (as it then read) when the very language of the Rule is absent from the Court's reasons.

[14] The Court agrees with Apotex that the same test applies to all orders pursuant to Rule 249. But once again, facts matter. We understand that the balancing of the relevant factors may well weigh more in favour of dismissing a motion for the inspection of private premises, as it was the case in *Wallbank* and *Posi-Slope*, as it often involves a serious intrusion and possibly irreparable harm for the party whose property is concerned.

[15] Usually, the information that is available through discovery (for example, a full and detailed description of the property or machinery or photographs thereof) is sufficient to satisfy all the interests at play. However, in complex pharmaceutical patent cases like the present ones, the usual mechanisms of discovery may well not suffice and parties will often have to rely on Rule 249. Of course, orders will still only issue upon the Federal Court being satisfied that the requirements of Rule 249 have been met.

[16] In such cases, "expediency" may well be a major factor for the Court in exercising its discretion (*Richter Gedeon Vegyészeti Gyar RT v. Apotex Inc.*, Order of Lutfy, A.C.J. dated 4 December 2000, Docket T-2520-93; *Richter Gedeon Vegyészeti Gyar RT v. Apotex Inc.*, 2002 FCT 1284, affirmed 2003 FCA 221; *Glaxo Group Ltd. v. Novopharm Ltd*, 87 A.C.W.S. (3d) 356, [1999] F.C.J. no. 381 (QL) (F.C.T.D.)).

[17] We are satisfied that the Judge and Prothonotary below were alive to Apotex's submissions, including the argument that Lilly had already obtained an order for a first round of samples. We agree, substantially for the reasons it gave with the Federal Court's analysis and the ensuing result.

[18] In concluding as we do, we are reminded of the principle set out in previous decisions of this Court that one should be particularly reluctant to interfere with discretionary decisions made on non-vital issues such as those raised in the current appeal by Prothonotaries or Federal Court Judges in the course of case managing a matter (See *Sawbridge Indian Band v. Canada (Minister of Indian Affairs and Northern Development*, 2001 FCA 338 at paragraph 11; *j2 Global Communications Inc. v. Protus IP Solutions*, 2009 FCA 41 at paragraph 16; *Mushkegowuk Council v. Canada (Attorney General)*, 2011 FCA 133 at paragraph 5).

[19] Therefore, the appeals will be dismissed with costs and a copy of these reasons will be placed in each of the consolidated appeals (A-337-12; A-338-12; A-339-12) with a formal judgment issuing in each of these appeals.

"Pierre Blais"
Chief Justice

"Johanne Gauthier"
J.A.

"Johanne Trudel"
J.A.

FEDERAL COURT OF APPEAL

NAMES OF COUNSEL AND SOLICITORS OF RECORD

DOCKET:	A-337-12 A-338-12
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DELIVERED FROM THE BENCH BY:	TRUDEL J.A.

APPEARANCES:

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