Federal Court  Cour fédérale

Date: 20180430

Docket: T-598-15

Ottawa, Ontario, April 30, 2018

PRESENT: Case Management Judge Mandy Aylen

BETWEEN:

SPECIALIZED DESANDERS INC.

Plaintiff/
Defendant by Counterclaim

and

DYNACORP FABRICATORS INC. AND
PROGRESS ENERGY CANADA LTD.

Defendants/
Plaintiffs by Counterclaim

ORDER

UPON MOTION by Progress Energy Canada Ltd. [Progress] heard at the special sitting on April 24, 2018 for:

(a) An order granting Progress leave to file an Amended Statement of Defence and Counterclaim;

(b) An order granting Progress leave to examine Bill Rollins for discovery;

(c) An order for costs of this motion to be payable to Progress forthwith; and

(d) Such further and other relief as counsel may advise and this Honourable Court may consider just;

CONSIDERING the motion materials filed by the parties and the submissions of counsel at the hearing of the motions;

(i) Motion to Amend Progress' Pleading

[1] In advance of this motion, Progress served the Plaintiff, Specialized Desanders Inc. [SDI], with its proposed Amended Statement of Defence and Counterclaim. SDI does not take issue with numerous amendments contained therein, including amendments related to the list of prior art and various amendments to Progress' invalidity and non-infringement defences. Accordingly, those amendments will be permitted.

[2] Progress seeks leave to make the following three amendments to its Statement of Defence and Counterclaim, which are opposed by SDI:

(i) The disclosure amendment, specifically:

> The 554 Patent is Invalid Due to Public Disclosure
>
> The invention was disclosed and made available to the public by an inventor more than one year before the filing date rendering the 554 Patent invalid pursuant to section 28.2(1)(a) of the Patent Act. More particularly, the invention was disclosed at least in a Manufacturers Data Report dated on or about October 5th, 2001, and earlier, the particulars of which are known to the Plaintiff.

(ii) The trespass amendment, specifically:

> [SDI] engaged in unlawful conduct in illegally trespassing on wellsites to gather information that formed the basis for this claim.

(iii) The rental admission, specifically:

> This Defendant admits that it has ~~rented~~ purchased the Dual-Horizontal Desander from Dynacorp. It has not rented any other type of desander from Dynacorp.

[3] In support of the motion, Progress relies, in part, on the affidavit of Justin Morin sworn February 22, 2018. Mr. Morin's evidence is that at the examination for discovery of a representative of SDI, Dynacorp learned that SDI had taken a sketch to Petrolab, a fabricator, and had a test unit built by Petrolab. After the examination, Mr. Morin met with Mr. Rollins, who had in his possession "old records relating to the first unit manufactured by SDI in accordance with their 554 Patent which records included a Manufacturer's Data Report ("MDR") dated October 5, 2001 as well as drawings". Mr. Morin further states that he reviewed the documents in Mr. Rollins possession during their meeting and saw the MDR, which was dated more than one year before the filing date of the 554 Patent.

[4] Motions for leave to amend are governed by Rule 75 of the *Federal Courts Rules*. Amendments may be permitted where they would help determine the real question in controversy, where they would not create an injustice that cannot be compensated by costs and where they would serve the interest of justice [see *Canderel Ltd v Canada*, [1993] FCJ No 777]. However, as a preliminary matter, the proposed amendment must have a reasonable prospect of success. If a proposed amendment does not have a reasonable prospect of success, the Court need not consider any other matter, such as the potential prejudice to the opposing party occasioned by the amendment [see *Teva Canada Limited v Gilead Sciences Inc*, 2016 FCA 176 at paras 29-32].

[5] In determining whether a proposed amendment has a reasonable prospect of success, its chance of success must be examined in the context of the law and the litigation process and a realistic view must be taken [see *Teva*, supra at para 30]. If a proposed amendment would not withstand a motion to strike, the amendment must be refused [see *Lantech.com, LLC v Wulftec International Inc*, 2018 FC 41].

[6] SDI opposes the prior public disclosure amendment on the basis that the amendment would be subject to being struck pursuant to Rule 221(1)(a) of the *Federal Courts Rules* as it fails to plead sufficient material facts. If a pleading contains bare assertions without material facts upon which to base those assertions, then it discloses no reasonable cause of action and is liable to be struck.

[7] On the requirement to plead material facts at the time that a claim or defence is asserted, the Supreme Court of Canada stated in *R v Imperial Tobacco Canada Ltd*, 2011 SCC 42 at para 22:

> It is incumbent on the claimant to clearly plead the facts upon which it relies in making its claim. A claimant is not entitled to rely on the possibility that new facts may turn up as the case progresses. The claimant may not be in a position to prove the facts pleaded at the time of the motion. It may only hope to be able to prove them. But plead them it must. The facts pleaded are the firm basis upon which the possibility of success of the claim must be evaluated. If they are not pleaded, the exercise cannot be properly conducted. [Emphasis added]

[8] As has been recognized by the Federal Court of Appeal, it is fundamental to the trial process that a party plead material facts in sufficient detail to support the claim and relief sought. Pleadings play an important role in providing notice and defining the issues to be tried. The Court and opposing parties cannot be left to speculate as to how the facts might be variously

arranged to support various causes of action or defences (see *Mancuso v Canada (National Health and Welfare)*, 2015 FCA 227 at paras 16–17).

[9] In order to establish that an invention was anticipated by a prior disclosure, a defendant must first establish that there was public disclosure at least one year before the filing date of the relevant patent and that (i) the prior disclosure must disclose subject matter which, if performed, would necessarily result in infringement of the patent; and (ii) a person skilled in the art would have been able to perform what had been disclosed [see *Packers Plus Energy Services Inc. v. Essential Energy*, 2017 FC 1111 at para 62; *Apotex Inc v Sanofi-Synthelabo Canada Inc*, 2008 SCC 61].

[10] I agree with SDI that Progress' proposed pleading fails to plead the necessary material facts to make out a defence of prior disclosure. No supporting material facts are pleaded as to what information was made public, what elements of the claims at issue in each of the three patents were disclosed in the MDR or elsewhere, how it was disclosed, or how the alleged disclosure would have enabled a person skilled in the art to practice the invention claimed in the patents [see *Lantech.com, LLC v Wulftec International Inc, supra*]. SDI and the Court are left entirely in the dark as how the facts might be variously arranged to support this defence. I am not satisfied that it is sufficient for Progress to simply assert that it cannot provide further material facts as they are within the knowledge of SDI. Progress must have a proper factual basis for asserting a prior use defence, absent which the defence is nothing more than a bald allegation designed to permit Progress to engage in a fishing expedition on the examinations for discovery, which is improper. I find that given the absence of the required material facts, the amendment is subject to being struck under Rule 221(1)(a) and therefore has no reasonable prospect of success.

[11] Further, I find that the amendment is also subject to being struck pursuant to Rule 221(1)(c) as frivolous and vexatious as the pleading is so deficient in factual material that SDI cannot know how to answer and the Court will be unable to regulate the proceeding (see *kisikawpimootewin v Canada*, 2004 FC 1426 at para 8).

[12] While at the hearing Progress suggested that it should be granted leave to further amend its proposed amended pleading to remedy any deficiency in material facts, I will not exercise my discretion to permit Progress do so. Progress was unable to articulate at the hearing any further material facts that it could plead if it was granted leave to further amend its proposed amended pleading that would address the deficiencies noted above.

[13] Accordingly, Progress will not be granted leave to amend to its Statement of Defence and Counterclaim to plead prior public disclosure.

[14] With respect to the trespass amendment, Progress asserts that SDI is not entitled to the various forms of equitable relief that it has sought on the basis that SDI has unclean hands. Progress seeks to particularize its pleading of unclean hands to include an allegation that SDI engaged in unlawful conduct in illegally trespassing on wellsites belonging to third parties to take photographs and gather information that formed the basis for SDI's claims.

[15] SDI opposes the amendment on the basis that the amendment has no reasonable prospect of success as the improper conduct alleged does not relate directly to the basis of SDI's claim. The basis of SDI's claim is that: (i) SDI owns patent rights in the 554 Patent; and (ii) Progress has infringed one or more of those rights. To disentitle SDI from equitable relief, SDI asserts that its past conduct must "cast a shadow" over either one of those two facts, which it does not do.

[16] I agree with SDI that the proposed trespass amendment has no reasonable prospect of success. As pleaded, the alleged trespassing is entirely unrelated to SDI's claims of patent infringement. It relates solely to information gathering about alleged on-going infringement. As the alleged trespassing does not cast a shadow on the patent rights themselves or the question of whether infringement has occurred, there is no relationship that could justify the allowance of the proposed amendment [see *Bristol-Myers Squibb Company v Apotex Inc*, 2008 FC 1196; *Apotex Inc v Sanofi-Aventis Canada Inc*, 2008 FCA 175]. Accordingly, Progress is denied leave to amend its Statement of Defence and Counterclaim in this regard.

[17] With respect to the withdrawal of the rental admission amendment, Progress clarified at the hearing of the motion that the actual amendment it seeks to make would be a withdrawal of the rental admission and clarification that it had not rented any Dual-Horizontal Desander from Dynacorp. Progress acknowledged that it has in fact rented single horizontal desanders from Dynacorp.

[18] The parties agree that when considering whether to permit the withdrawal of an admission, the Court should consider whether the admission was inadvertent, whether the motion to withdraw was timely and whether it is in the interests of justice that the admission be withdrawn. SDI opposes the amendment on the basis that Progress has not established that the admission was inadvertent and that SDI will suffer prejudice from any withdrawal of the admission.

[19] The late filing of additional evidence by Progress on the eve of the motion hearing to bolster its evidence in support of this motion, without leave of the Court or the consent of the parties, was improper and I will entertain cost submissions from SDI related thereto on a later

date. However, I am satisfied that leave should be granted to Progress to withdraw the rental admission. Any potential prejudice to SDI arising from the withdrawal of this admission can be avoided by permitting SDI to examine Progress' representative as to whether Progress ever rented any type of Dynacorp desander and the particulars of any such rentals, and the particulars of Progress' purchases of any Dynacorp desanders. Moreover, to the extent that Progress has not already produced its relevant documents related to the rentals and purchases of Dynacorp desanders, such documents shall be produced forthwith and in advance of any continued examination of the Progress representative.

(b) Motion to Examine Bill Rollins for Discovery

[20] Pursuant to Rule 238 of the *Federal Courts Rules*, the Court may grant leave to examine a person who is not a party to an action if it is satisfied that: (i) the person may have information on an issue in the action; (ii) the moving party has been unable to obtain the information informally from the person or from another source by any other reasonable means; (iii) it would be unfair not to allow the moving party an opportunity to question the person before trial; and (iv) the questioning will not cause undue delay, inconvenience or expense to the person or to the other parties.

[21] Progress' request to examine Mr. Rollins is premised on the assertion that Mr. Rollins has information and documentation relevant to Progress' prior disclosure allegation. As I have not granted Progress leave to amend its pleading to make that allegation, prior disclosure is not an issue in the action and the first requirement of the test in Rule 238(3) is not met.

[22] At the hearing of the motion, Dynacorp argued that it should be granted leave to examine Mr. Rollins even if Dynacorp was not granted leave to amend its pleading to include a prior public disclosure allegation on the basis that Mr. Rollins' evidence is relevant to Dynacorp's allegation that the 554 Patent is void because it contains allegations willfully made for the purpose of misleading. It is my understanding that Progress also asserts this basis for examination of Mr. Rollins. I am not satisfied that Progress has established that Mr. Rollins has information to provide on this issue.

[23] In its written submissions, Progress made the bald assertion that Mr. Rollins' information is relevant to Progress' claim of lack of utility. No further submissions were made by Progress at the hearing of the motion in support of this assertion to explain how the sketches and drawings of the prototype desander are relevant to this issue. I am not satisfied that Progress has established that Mr. Rollins' information would be relevant to Progress' claim of lack of utility.

[24] Accordingly, Progress' motion to examine Mr. Rollins for discovery will not be granted.

THIS COURT ORDERS that:

1. Progress's motion for leave to amend its Statement of Defence and Counterclaim to include an allegation that: (i) the 554 patent is invalid due to public disclosure by the inventor more than one year before the filing date; and (ii) SDI engaged in trespassing, is denied. Progress is granted leave to amend its Statement of Defence and Counterclaim to withdraw its rental admission and to make the other non-contentious amendments set out in its proposed Amended Statement of Defence and Counterclaim. Progress shall serve and file its amended pleading by no later than May 7, 2018.

2. Progress' representative shall re-attend for examination for discovery to be examined in relation to Progress' rental and purchasing history of Dynacorp desanders on a date to be agreed to by the parties.

3. Progress shall, by no later than May 10, 2017, produce by way of a supplementary affidavit any relevant documents not already produced related to its rentals and purchases of Dynacorp desanders.

4. SDI shall serve and file any amended Reply and Defence to Counterclaim by no later than May 17, 2018.

5. Progress' motion to examine Bill Rollins for discovery is denied.

6. The costs of these motions shall be determined following the hearing of the remaining motions arising from the examinations for discovery.

"Mandy Aylen"
Case Management Judge