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 Dynacorp Fabricators Inc. [Dynacorp] heard at the special sitting on April 24, 2018 for:

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

(b) An order granting Dynacorp leave, pursuant to Rule 238 of the *Federal Courts Rules*, to examine for discovery Bill Rollins who owned Petrofield Industries, and is not a

party to the action, and not an expert witness and who has information on an issue in the action, including without limiting the generality of the foregoing information and documents relating to the first unit of the Plaintiff;

(c) An order granting Dynacorp leave to serve the notice of motion in relation to Rule 238 on the other parties and personally served on Bill Rollins;

(d) An order for costs of this motion to be payable to Dynacorp forthwith; and

(e) 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 Dynacorp's Pleading

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

[2] However, SDI opposes leave being granted to Dynacorp to amend its pleading to allege that SDI's patent rights in relation to all three patents at issue in the proceeding are invalid because they were anticipated by a prior public disclosure.

[3] The relevant portions of the proposed Amended Amended Statement of Defence and Counterclaim are as follows:

> A1) THE 554 PATENT IS INVALID DUE TO PUBLIC DISCLOSURE BY THE INVENTOR MORE THAN ONE YEAR BEFORE THE FILING DATE
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> 44a. 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.
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> …
>
> H1) THE 215 PATENT IS INVALID DUE TO PUBLIC DISCLOSURE BY THE INVENTOR MORE THAN ONE YEAR BEFORE THE FILING DATE
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> 71a. The invention was disclosed and made available to the public by an inventor more than one year before the filing date rendering the 215 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.
>
> …
>
> A1) THE 741 PATENT IS INVALID DUE TO PUBLIC DISCLOSURE BY THE INVENTOR MORE THAN ONE YEAR BEFORE THE FILING DATE
>
> 82a. The invention was disclosed and made available to the public by an inventor more than one year before the filing date rendering the 741 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.

[4] No other material facts are pleaded in relation to the allegations of public disclosure.

[5] In support of the motion, Dynacorp has filed 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.

[6] 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].

[7] 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].

[8] SDI opposes the 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.

[9] 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]

[10] 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).

[11] 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 111 at para 62; *Apotex Inc v Sanofi-Synthelabo Canada Inc*, 2008 SCC 61].

[12] I agree with SDI that Dynacorp's 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 Dynacorp to simply assert that it cannot provide further material facts as they are within the knowledge of SDI. Dynacorp 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 Dynacorp 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.

[13] 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).

[14] While at the hearing Dynacorp 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 Dynacorp to do so. Dynacorp 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.

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

(b) Motion to Examine Bill Rollins for Discovery

[16] Pursuant to Rule 238 of the *Federal Courts Rules*, the Court may grant leave to examine for discovery 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.

[17] Dynacorp's request to examine Mr. Rollins is premised on the assertion that Mr. Rollins has information and documentation relevant to Dynacorp's prior disclosure allegation. As I have not granted Dynacorp 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.

[18] 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 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. I am not satisfied that Dynacorp has established that Mr. Rollins has information to provide on this issue.

[19] Accordingly, Dynacorp's motion to examine Mr. Rollins for discovery will not be granted.

THIS COURT ORDERS that:

1. Dynacorp's motion for leave to amend its Amended Statement of Defence and Counterclaim to include an allegation that the patents are invalid due to public disclosure by the inventor more than one year before the filing date is denied. Dynacorp is granted leave to amend its Amended Statement of Defence and Counterclaim as otherwise set out in its proposed Amended Amended Statement of Defence and Counterclaim and shall serve and file its amended pleading by no later than May 7, 2018.

2. On the consent of the parties, SDI is granted leave to amend its Statement of Claim to address Dynacorp's corporate name change. SDI shall serve and file its amended Statement of Claim by no later than May 14, 2018.

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

4. Dynacorp's motion to examine Bill Rollins for discovery is denied.

5. 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