

Federal Court



Cour fédérale

**Date: 20180705**

**Docket: T-598-15**

**Citation: 2018 FC 689**

**Vancouver, British Columbia, July 5, 2018**

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

**BETWEEN:**

**SPECIALIZED DESANDERS INC.**

**Plaintiff/  
Defendant by Counterclaim**

**and**

**ENERCORP SAND SOLUTIONS INC. AND  
PROGRESS ENERGY CANADA LTD.**

**Defendants/  
Plaintiffs by Counterclaim**

**ORDER AND REASONS**

**I. Overview**

[1] This Order addresses two motions, one brought by each of the Defendants under Rule 51 of the *Federal Courts Rules*, appealing two Orders of Prothonotary Mandy Aylen dated April 30, 2018 [the Orders]. Prothonotary Aylen [the Prothonotary] is case managing the underlying patent infringement action that gives rise to these motions. The Orders, *inter alia*, denied motions by

the Defendants seeking (a) leave to amend their respective Statements of Defence and Counterclaim, to include an allegation that the patents in the within action are invalid due to public disclosure by the inventor more than one year before the filing date, (b) if necessary, leave to further amend those pleadings to further particularize such allegation, and (c) discovery of a third party witness named Bill Rollins.

[2] The parties argued the two appeals together. The Defendants submit that the Prothonotary erred in fact and law in denying their motions, and they request that I grant the relief that they submit the Prothonotary should have granted. As explained in greater detail below, both motions are denied, because I have found that the Prothonotary did not err in law, or make a palpable and overriding error of fact or mixed fact and law, in arriving at her decision to deny the Defendants' motions.

## II. Background

[3] On April 16, 2015, the Plaintiff, Specialized Desanders Inc. [SDI], brought an infringement action against the Defendants, Enercorp Sand Solutions Inc. (formerly named Dynacorp Fabricators Inc.) [Enercorp] and Progress Energy Canada Ltd. [Progress], alleging infringement of SDI's Canadian patent 2,407,554 [the 554 Patent]). The 554 Patent claims a vessel and method for removing particulates (mostly sand, and therefore the invention is colloquially called a desander) from a fluid stream coming out of a gas well. The Defendants have defended the action by denying infringement and asserting that the claims of the 554 Patent are invalid. They have also asserted invalidity of two other patents held by SDI, Canadian patent 2,433,741 and Canadian patent 2,535,215.

[4] Examination for discovery of SDI's representative, Christopher Allan Hemstock, took place on December 13 and 14, 2017. Mr. Hemstock testified that he hired a fabricator, Petrofield Industries [Petrofield], to build SDI a test unit sometime in 2001 and that the test unit was an ABSA-certified vessel. ABSA is the Alberta Boiler Safety Association, which is responsible for certifying that pressure vessels manufactured or brought into Alberta meet applicable safety codes and standards. After the vessel was manufactured, it was tested on a wellsite with an operator in attendance. Mr. Hemstock testified that the testing occurred sometime late in 2001 but was not certain of the date.

[5] Mr. Hemstock also testified that the fabricator was given a sketch to build the test unit, but he did not know if the sketch still existed. SDI undertook to make inquiries for the document, to see what they had, and determine what, if anything, they would produce. SDI subsequently responded to that undertaking by stating that a search was conducted and that no further documents will be produced.

[6] Following Mr. Hemstock's discovery, Enercorp's representative, Justin Morin, met on December 15, 2017, with Bill Rollins, the owner of Petrofield. Mr. Rollins advised Mr. Morin that he had records related to the first unit manufactured in accordance with the 554 Patent, including drawings and a Manufacturers Data Report [MDR] dated October 5, 2001. On the advice of his counsel, Mr. Rollins was not prepared to provide such documents other than under a court order.

[7] As a result of the information learned during the discovery of Mr. Hemstock and the meeting with Mr. Rollins, the Defendants take the position that the invention claimed in the patents that are the subject of this litigation was disclosed to the public more than one year before the applicable filing date. The significance of such disclosure is that s 28.2(1) of the *Patent Act*, RSC 1985, c P-4, provides that the subject matter defined by a claim in an application for a patent in Canada must not have been disclosed by the applicant more than one year before the filing date, in such a manner that the subject matter became available to the public. The Defendants note that the MDR referenced by Mr. Rollins was dated October 5, 2001, which is more than one year prior to the October 10, 2002 filing date of the 554 Patent. The Defendants therefore sought to amend their Statements of Defence and Counterclaim to allege invalidity of the patents due to public disclosure under s 28.2(1)(a) of the *Patent Act*.

[8] The amendment proposed by Progress in its motion before the Prothonotary claimed invalidity of only the 554 Patent, while Enercorp's proposed amendment claimed invalidity of the three patents that are the subject of this litigation. Otherwise, the language of the amendment proposed by each of the Defendants is materially the same. For simplicity, I will reproduce Progress' proposed amendment, which reads as follows:

**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.

[9] The Defendants' motions also sought leave to examine Mr. Rollins.

[10] These motions were considered with personal appearances on April 24, 2018, and were denied by the Prothonotary on April 30, 2018, in the Orders that are the subject of the present appeals.

### III. Prothonotary's Decision

[11] The Prothonotary issued two Orders, as there were two motions (one by each Defendant) before her. Those Orders are not identical, as the Defendants were also claiming other relief that is not relevant to the present appeal. However, the portions of the Orders that address the proposed public disclosure amendment are materially identical and, with one exception noted later in these Reasons, the two Orders are also identical in their disposition of the request to discover Mr. Rollins.

[12] The Prothonotary identified Rule 75 of the *Federal Courts Rules* as governing motions for leave to amend and noted the principle from *Canderel Ltd v Canada*, [1993] FCJ No 777 [*Canderel*], that 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 interests of justice. She also noted that, as a preliminary matter, the proposed amendment must have a reasonable prospect of success. Citing *Teva Canada Limited v Gilead Sciences Inc*, 2016 FCA 176 [*Teva*] at paras 29-32, the Prothonotary observed that, 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. The Prothonotary therefore explained that, if a proposed amendment would not withstand a motion to strike, the amendment must be refused.

[13] The Prothonotary then identified the principle that, 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. Citing *Mancuso v Canada (National Health and Welfare)*, 2015 FCA 227 [*Mancuso*] at paras 16-17, the Prothonotary explained that a party must plead material facts in sufficient detail to support the claim and the relief sought, as the Court and opposing parties cannot be left to speculate as to how the facts might be variously arranged to support causes of action or defences.

[14] It was this principle upon which the Prothonotary's decision to deny the proposed amendments was based. For reasons canvassed in detail in the Analysis section below, the Prothonotary concluded that the amendments would not withstand a motion to strike under Rule 221(1)(a) of the *Federal Courts Rules*, because they failed to plead sufficient material facts to make out a defence of prior disclosure, and that they therefore had no reasonable prospect of success. The Prothonotary also found that the amendments were subject to being struck pursuant to Rule 221(1)(c) as frivolous and vexatious, as the pleading was so deficient in factual material that SDI could not know how to answer and the Court would be unable to regulate the proceeding.

[15] The Prothonotary noted that the Defendants had suggested at the hearing of the motions that they should be granted leave to further amend their proposed amended pleading to remedy any deficiency in material facts. However, she declined to exercise her discretion to permit further amendment, stating that the Defendants were unable to articulate at the hearing any

further material facts, that they could plead if granted leave to further amend, which would address the deficiencies in the pleading that the Prothonotary had previously identified.

[16] With respect to the requests to examine Mr. Rollins, the Prothonotary referred to Rule 238 of the *Federal Courts Rules* as governing applications to discover a person who is not a party to an action. This Rule requires, *inter alia*, that the Court be satisfied that the person may have information on an issue in the action. The Prothonotary denied the requests because she was not satisfied that Mr. Rollins had such information. The Defendants' requests to examine Mr. Rollins were premised on the assertion that he had information and documentation relevant to the prior disclosure allegation. As leave to amend the Defendants' Statements of Defence and Counterclaim to include that allegation had been denied, this was not an issue in the litigation.

[17] The Defendants also alleged that Mr. Rollins' evidence was relevant to their allegation that the 554 Patent is void because it contains allegations willfully made for the purpose of misleading. However, the Prothonotary was not satisfied that the Defendants had established that Mr. Rollins had information to provide on this issue.

[18] The Order disposing of Progress' motion also addressed an additional argument by that Defendant in support of the request to discover Mr. Rollins. Progress included in its written submissions an argument that Mr. Rollins had information relevant to its claim of lack of utility of the impugned patent. However, the Prothonotary noted that no further submissions were made by Progress at the hearing to explain how the sketches and drawings of the prototype desander

were relevant to this issue. The Prothonotary was not satisfied that Progress had established that Mr. Rollins' information would be relevant to the claim of lack of utility.

[19] In the result, the Orders denied the motions to amend the pleadings to allege public disclosure and denied the motions to examine Mr. Rollins. The question of costs on the motions was reserved to following the hearing of other outstanding motions arising from the discovery examinations that had previously been conducted.

#### IV. Issues

[20] The parties' arguments raise the following issues for the Court to consider in this appeal:

- A. Did the Prothonotary err in finding that the Defendants failed to plead sufficient material facts in the proposed amendment?
- B. Did the Prothonotary err in finding that the proposed amendment was frivolous and vexatious?
- C. Did the Prothonotary err in failing to allow the Defendants to further amend their proposed amended pleading to address any deficiencies?
- D. Did the Prothonotary err in denying the request for discovery of Mr. Rollins?

#### V. Standard of Review

[21] The parties do not disagree on the principles surrounding the applicable standard of review, although they do disagree on the application of those principles to the particular issues raised in this appeal.



[22] As explained by the Federal Court of Appeal in *Hospira Healthcare Corporation v Kennedy Institute of Rheumatology*, 2016 FCA 215 at paras 28 and 79, the standard of review prescribed by the Supreme Court of Canada in *Houssen v Nikolaisen*, 2002 SCC 33 at paras 19-37, applies to a judge of the Federal Court reviewing a decision by a prothonotary of this Court. The standard of correctness applies to questions of law and questions of mixed fact and law containing an extricable legal principle, while questions of fact and mixed fact and law are reviewable on a standard of palpable and overriding error.

[23] In considering when a palpable and overriding error has been established, it is also helpful to consider the explanation of the Federal Court of Appeal in *Bauer Hockey Corp. v Sport Maska Inc.*, 2014 FCA 158 [*Bauer*] at para 12, which addressed the appellate standard for reviewing the decision of a judge to grant or refuse a motion to strike or amend a pleading. A discretionary decision of this sort is entitled to deference in the absence of an error of law, a misapprehension of the facts, a failure to give appropriate weight to all relevant factors, or an obvious injustice.

[24] The Defendants submit that the arguments they raise, in support of their position that the Prothonotary erred in denying them the relief they claimed, involve errors of law which are reviewable on a standard of correctness. SDI takes the position that the issues raised by the Defendants' arguments are governed by the standard of palpable and overriding error. I will identify what I consider to be the appropriate standard of review in considering in the below Analysis each of the individual issues raised by the Defendants.

VI. Analysis

A. *Did the Prothonotary err in finding that the Defendants failed to plead sufficient material facts in the proposed amendment?*

[25] The Defendants raise a number of arguments in support of their position that the Prothonotary erred in concluding that they failed to plead sufficient material facts in support of their proposed prior disclosure amendment. First, they argue that the Prothonotary applied an incorrect legal test in considering the sufficiency of their proposed pleading. They submit that this represents an error of law, reviewable on a standard of correctness.

[26] I do not understand the Defendants to be arguing that the Prothonotary erred in identifying the test or principles governing when the Court should grant leave to amend a pleading under Rule 75 (per *Canderel* and *Teva*), or the principles applicable to a motion to strike and the rules of pleading (per *Mancuso*). Regardless, I consider the Prothonotary to have correctly identified those principles, as set out earlier in these Reasons. Rather, the argument the Defendants raise is that, in considering whether the proposed amended pleading contained sufficient material facts to withstand a motion to strike, the Prothonotary applied an incorrect test as to what facts must be pled to make out the prior disclosure defence applicable under s 28.2(1)(a) of the *Patent Act*.

[27] The Prothonotary's analysis of this point is set out in two paragraphs in each of the Orders. These paragraphs are materially the same in both Orders and, taken from the Order disposing of Enercorp's motion, read as follows (with my emphasis in the second paragraph):

[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.

[28] The Defendants argue that the case law cited by the Prothonotary does not support a conclusion that proper pleading of the prior disclosure defence requires pleading of the categories of material facts captured in the emphasized sentence above. They submit that imposing this requirement, in assessing the sufficiency of the Defendants' pleading, represents an error of law that is reviewable on a standard of correctness.

[29] Returning to the standard of review, I accept that the question raised by the arguments above, of whether the Prothonotary's analysis demonstrates a misunderstanding of the legal principles applicable to the prior disclosure defence, is a question of law reviewable on a standard of correctness (see *Bauer* at paras 28-31, in which the Federal Court of Appeal held that the motions judge erred in law in striking a claim for punitive damages based on an incorrect conclusion that punitive damages can only be awarded in connection with litigation misconduct). In contrast, the Prothonotary's application of legal principles to the facts of the case represents a matter of mixed fact and law, reviewable on the standard of palpable and overriding error (see *Elbit Systems Electro-Optics Elop Ltd. v Selex ES Ltd.*, 2016 FC 1129 at para 18).

[30] Applying these principles governing the standard of review, and first examining paragraph 11 from the Order as quoted above, I find no error of law. The Prothonotary explains in that paragraph the elements that a defendant must establish in order to succeed in the defence that an invention was anticipated by a prior disclosure. While s 28.2(1)(a) of the *Patent Act* does not expressly set out the elements described by the Prothonotary, those elements are derived from the authorities cited by the Prothonotary in interpreting that provision (*Packers Plus Energy Services Inc v Essential Energy*, 2017 FC 1111 [*Packers Plus*] at para 62; and *Apotex Inc v Sanofi-Synthelabo Canada Inc*, 2008 SCC 61).

[31] The Prothonotary then turns, in paragraph 12 of the Order, to whether the proposed amendment pleads sufficient material facts to make out the prior disclosure defence. Referencing *Lantech.com, LLC v Wulftec International Inc*, 2018 FC 41 [*Lantech*], the Prothonotary states (in the impugned sentence emphasized above) that no supporting material facts are pleaded as to

what information was made public, what elements of the claim 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 patent. The Defendants argue that *Lantech* does not support the proposition that a defendant is required to plead all of these supporting facts.

[32] The relevant passages of *Lantech* are as follows, at paras 9-10:

[9] The proposed paragraph 48 of the Defendant's Fresh Re-Amendment Statement of Defence and Counterclaim regarding anticipation is as follows:

44. The Metered Film System, was disclosed in the public prior than one year before the earliest filing date of the three Patents in suit, i.e. April 7, 2006 and as such they are invalid by anticipation.

[10] It is acknowledged that the Metered Film System is the commercial description of the embodiment of the Patents. There are no supporting material facts provided concerning what particular machine or product was allegedly disclosed, when it was disclosed, where it was disclosed, how it was disclosed, or what particular information would have been available to a member of the public as a result of such disclosure. The single paragraph is a bald allegation without supporting material facts, which this Court has recognized is impermissible: Rule 174; *Mancuso v Canada (National Health and Welfare)*, 2015 FC 227 at para 17.

[33] I do not read these paragraphs from *Lantech*, or the impugned sentence from the Prothonotary's Orders, as setting out a legal test for the material facts which must be pleaded in connection with the prior disclosure defence. Rather, they are statements as to what was not pleaded in each particular case and representing the application of the law to the facts. Whether the Prothonotary erred in that component of her analysis therefore represents a question of mixed law and fact, reviewable on the standard of palpable and overriding error.

[34] Turning to that review, I have considered whether the Prothonotary's analysis demonstrates a misapprehension of the facts, a failure to give appropriate weight to all relevant factors, or an obvious injustice. The Defendants submit that their proposed pleading was sufficient, because it alleged disclosure of the invention in the MDR as of a particular date, which was more than one year prior to the patent filing date. They argue that the reference to the MDR identifies the Defendants' allegation as to how the invention was disclosed and what information was made public, i.e. the disclosure was through the MDR and made public the information contained in the MDR. In advancing this position, the Defendants point out that the material before the Prothonotary on the motions included the *Pressure Equipment Safety Regulation*, Alta Reg 49/2006 [the Safety Regulation], s 15(1) of which the Defendants say prescribes as follows the information that would have been required in connection with the generation of the MDR:

- (A) The design pressure and temperature;
- (B) The details of the arrangement and dimensions of all component parts;
- (C) ASME specification numbers for all materials;
- (D) Weld joint details;
- (E) Non-destructive examination details;
- (F) The welding procedure specification numbers;
- (G) The title of the applicable code or standard, including the relevant edition and addenda dates;
- (H) Calculations;

- (I) A report of any physical test conducted for the purpose of establishing the working pressure of the boiler or pressure vessel or any part of it; and
- (J) Any other information that is necessary for the Administrator or a safety codes officer to survey the design and determine whether it is suitable for the registration.

[35] It is clear that the Prothonotary did not overlook the fact that the MDR was referenced in the proposed pleadings. Her Orders expressly set out the proposed pleadings, and her analysis of their sufficiency includes a statement that no supporting material facts are pleaded as to what elements of the claims at issue in the patents were disclosed in the MDR. I agree with the Defendants that the Orders do not refer to the Safety Regulation. However, the absence of such a reference does not mean that this was overlooked. To the extent the Safety Regulation provides some insight into the sort of information contained in an MDR, in my view it provides little insight into the question the Prothonotary was considering (whether the proposed pleading contained sufficient detail). It does not make clear what particular information is alleged to meet the test for the public disclosure defence, so as to enable SDI to respond to the allegation. I do not consider the Safety Regulation to be sufficiently probative of the issue before the Prothonotary to conclude that a lack of analysis of that document suggests that it was overlooked. Nor does my review of the Safety Regulation lead me to the conclusion that the Prothonotary made a palpable and overriding error in finding, notwithstanding the pleading of the MDR, that SDI would be left in the dark as to how the Defendants might employ the information contained therein to establish the public disclosure defence.

[36] I appreciate that, because the Defendants' proposed pleading references the MDR as a material fact, its level of detail is greater than that in the prior disclosure pleading considered by Justice Annis in *Lantech*. I would not conclude that a pleading, which invokes the prior disclosure defence through little more than a reference to the document alleged to contain the disclosure, will necessarily fail to survive a motion to strike. The level of detail necessary to constitute a legally sufficient pleading must be considered on the facts of each individual case. Indeed, Justice Zinn's decision in *Throttle Control Tech Inc. v Precision Drilling Corp.*, 2010 FC 1085 at para 37, demonstrates a conclusion in that particular case, albeit in the context of a demand for particulars, that the prior disclosure pleading was not required to indicate to whom allegedly disclosed documents were addressed, under what circumstances they were allegedly disclosed, or how the recipient is alleged to constitute the public as required by s 28.2(1) of the *Patent Act*. Rather, my conclusion is that, applying the applicable standard of review to the decision by the Prothonotary in the case at hand, I cannot find that the analysis or result demonstrates a palpable and overriding error, by misapprehending or ignoring relevant material, creating injustice, or otherwise.

[37] In reaching this conclusion, I have also considered the Defendants' argument that that they are left in an impossible position, that they are not permitted to plead the prior disclosure defence without evidence to prove it, and they are not allowed to discover this evidence without first pleading the defence. They submit that the Prothonotary did not appreciate this dilemma. I find little merit to this argument. The Orders state that the Prothonotary is not satisfied that it is sufficient for the Defendants simply to assert that they cannot provide further material facts because they are within the knowledge of SDI. As such, the Prothonotary clearly understood and



considered this argument by the Defendants but concluded that the Defendants were required to plead a factual basis for the defence. This does not represent a conclusion that the Defendants were required either to plead evidence or to have evidence, at the pleading stage, to support their allegations of fact.

[38] Finally, I have also considered the Defendants' argument that the Prothonotary erred in law in relying on affidavit evidence that SDI filed at the hearing of the motions. The Defendants rely on *Visx Inc. v Nidek Co.* (1996), 209 NR 342 (FCA) at para 16, for the position that a court is not to consider evidence on a motion to amend pleadings. More precisely, I regard that authority as identifying the principle that no evidence is admissible on a motion to strike pleadings under Rule 221(1)(a) on the ground that they disclose no reasonable cause of action or defence. This prohibition is expressly set out in Rule 221(2). I agree that the prohibition also applies, on a motion to amend pleadings, to the Court's consideration whether the proposed amendment would be subject to a successful motion to strike under Rule 221(1)(a). However, outside consideration of the effect of Rule 221(1)(a), evidence can be received on a motion to amend pleadings under Rule 75, for instance in considering the factors prescribed by *Canderel*, or in considering the possible application of Rule 221(1)(c), i.e. whether the proposed pleading would survive a motion to strike on the basis that it is scandalous, frivolous, or vexatious.

[39] In considering this point on a standard of correctness, I find no error in law arising from the introduction of evidence before the Prothonotary on these motions. Indeed, as observed by SDI, all parties introduced evidence in support of their respective positions. More to the point, I find that the Prothonotary did not rely on evidence in reaching the conclusion that the proposed

amendment was subject to being struck under Rule 221(1)(a). The Prothonotary's analysis in arriving at that conclusion was based on the content of the proposed pleading and applicable legal principles. The Prothonotary considered the allegations of fact, not evidence relevant thereto.

[40] In summary, on the first issue raised by the Defendants, I find no error by the Prothonotary in concluding that the Defendants failed to plead sufficient material facts in the proposed amendment.

B. *Did the Prothonotary err in finding that the proposed amendment was frivolous and vexatious?*

[41] After finding that the amendments were subject to being struck under Rule 221(1)(a), the Prothonotary reached the same conclusion under Rule 221(1)(c), finding that the pleading was frivolous and vexatious, in that it was so deficient in factual material that SDI could not know how to answer and the Court would be unable to regulate the proceeding.

[42] The Defendants argue that this demonstrates the Prothonotary applying the same test under Rule 221(1)(c) as she applied under Rule 221(1)(a). The Defendants submit that this is an error in law, as the two paragraphs of Rule 221(1) must have a distinct character. They also reference the explanation by the Federal Court of Appeal in *Kremikovtzi Trade v Phoenix Bulk Carriers Limited.*, 2007 FCA 381 [*Phoenix*] at para 32, to the effect that the test is just as stringent as under Rule 221(1)(a), if not more so, when dismissal is sought on the ground that a proceeding is frivolous or vexatious.

[43] I note that Progress also observes that, if the Court finds against it on its appeal of the Prothonotary's findings under Rule 221(1)(a), then the proposed amendment will not be allowed and the Prothonotary's finding under Rule 221(1)(c) is moot. Given my conclusions above, Progress is correct that the Defendants' arguments surrounding the Prothonotary's Rule 221(1)(c) analysis are moot. However, for the sake of good order, I confirm that I would find no legal error by the Prothonotary in this analysis, which relies accurately on *kisikawpimootewin v Canada*, 2004 FC 1426 at para 8, where Justice Snider held as follows:

[8] As stated in *Ceminchuk*, supra, at para. 10:

A scandalous, vexatious or frivolous action may not only be one in which the claimant can present no rational argument, based upon the evidence or law, in support of the claim, but also may be an action in which the pleadings are so deficient in factual material that the defendant cannot know how to answer, and a court will be unable to regulate the proceedings, is an action without reasonable cause, which will not lead to a practical result.

C. *Did the Prothonotary err in failing to allow the Defendants to further amend their proposed amended pleading to address any deficiencies?*

[44] The Defendants refer to the principle, described in paragraph 32 of *Phoenix*, that the Court should be slow to strike a pleading under Rule 221(1)(a) and should do so only when it is clear that by no proper amendment can it be revised so as to survive a motion to strike (see also *Simon v Canada*, 2011 FCA 6 at paras 8 and 15). They note that the Federal Court of Appeal also explained in *Heli Tech Services (Canada) Ltd. v Weyerhaeuser Company Limited*, 2011 FCA 193 at para 25, that when a party seeks leave to amend deficient pleadings, it is relevant to consider all the relevant circumstances, which may include any evidence submitted by the party to establish that the pleadings are capable of being amended to cure the deficiency.

[45] The Defendants argue that the Prothonotary erred in law by failing to allow them to propose a further amended version of their proposed pleading (i.e. to propose a version different from the version that was the subject of their original motions) in an effort to cure the deficiencies that the Prothonotary identified. They submit that the Prothonotary failed to take into account the possibility of an amendment to include content from the Safety Regulation, as well as the evidence in the motion records referring to the test of the prototype desander on a wellsite with an operator in attendance. With respect to the wellsite test, the Defendants argue that the circumstances surrounding the conduct of this test could represent prior public disclosure of the sort that was accepted as a defence in *Packers Plus*.

[46] In support of their position that their proposed pleading was capable of further amendment which would have addressed its deficiencies, the Defendants' written representations in this appeal identify such a further amendment as follows:

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*.

In particular, prior to October 10, 2001, SDI publicly disclosed documents, drawings, and specifications to Bill Rollins of Petrofield Industries, among others, that fully described the embodiment of the 554 Patent in such a way that the disclosure would disclose subject matter, which, if performed, would necessarily result in the infringement of the 554 Patent. This disclosure included:

- a) details of the design temperature and pressure of the vessel,
- b) the arrangement and dimensions of all component parts,
- c) the weld joint details,
- d) the non-destructive examination details,

- e) the welding procedure specification numbers,
- f) the calculations used to design the vessel.

This disclosure, which included all aspects of the embodiment of the 554 Patent and all elements of the claims in the 554 Patent was sufficient to allow a person skilled in the art to perform what had been disclosed.

In a similar manner, the embodiment of the 554 Patent was disclosed through the public exhibition of the prototype of the 554 Patent on a well-site in Alberta prior to October 5, 2001 in the presence of the public, including the operator of the well.

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.

[47] I note that this proposed further amendment is presented to the Court in this appeal but was not presented to the Prothonotary. SDI argues that the proposed further amendment still fails to sufficiently particularize the pleading that was before the Prothonotary, related to public disclosure through the MDR, and pleads different public disclosures, i.e. disclosure to Bill Rollins of Petrofield and disclosure through the conduct of the wellsite test.

[48] The Prothonotary's consideration of the possibility of leave to further amend the proposed amended pleadings is set out in one paragraph of each of the Orders. These paragraphs are materially the same and, taken from the Order disposing of Enercorp's motion, read as follows:

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.

[49] I accept that, if the Prothonotary had failed to consider whether the proposed pleading was capable of further amendment to resolve its deficiencies, this could represent an error of law reviewable on a standard of correctness. However, the above paragraph from the Orders demonstrates that that this is not what occurred. Rather, the Prothonotary considered the possibility of a further amendment, which had been raised by the Defendants at the hearing, but concluded that a legally sufficient amendment was not possible. The Prothonotary reached this conclusion because the Defendants were unable to articulate at the hearing further material facts that they could allege if given the opportunity to do so.

[50] The standard of review applicable to that conclusion by the Prothonotary is palpable and overriding error. Given the Prothonotary's reasons, based on the Defendants' inability to articulate further amendments to propose if given the opportunity, I cannot conclude that the Prothonotary erred in failing to consider the content of the Safety Regulation or the effect of the wellsite test.

[51] I have also considered the fact that Defendants take issue with the factual accuracy of this component of the Prothonotary's reasons. Progress states in its submissions on appeal that it was never asked to articulate further material facts that it could plead. Enercorp similarly submits that it was a misapprehension of the evidence by the Prothonotary to state that it was unable to particularize its pleading. SDI argues the contrary. Its counsel submitted at the hearing of this appeal that the Prothonotary did afford the opportunity to articulate further material facts at the hearing of the Defendants' motions.

[52] The difficulty for the Court in adjudicating this particular issue is that the Defendants have not provided the Court with any basis to assess their assertions that the Prothonotary has incorrectly stated that they could not identify further material facts to plead. They argued at the hearing of this appeal that the Court should review the recording of the hearing before the Prothonotary. SDI's counsel objected to this suggestion, submitting that the Defendants had the opportunity to prepare a transcript of the hearing and include it in their motion record on this appeal. SDI argues that they would be prejudiced if the Court were to review, after the hearing of the appeals, a recording that did not form part of the record in the appeal motions.

[53] I agree with SDI's position on this point. The record before the Court in the appeal is that which has been provided by the parties in their respective motion records. Rule 364(2)(d) of the *Federal Courts Rules* requires a moving party's motion record to include the portions of any transcripts on which it intends to rely. To argue that the Prothonotary erred in misapprehending what occurred at the hearing before her, the Defendants should have included a record of that hearing in their motion materials. SDI could then have responded to the Defendants' submissions based on that record, and the Court would have been in a position to adjudicate the issue with the benefit of the parties' respective submissions as to what occurred. In the absence of such a record, the Court has no basis to conclude that the Prothonotary erred in stating that the Defendants were unable to articulate at the hearing further material facts that they could allege. In that context, there is no basis to find a palpable and overriding error in the Prothonotary's resulting decision not to exercise her discretion to allow the Defendants an opportunity to propose a further amendment.

D. *Did the Prothonotary err in denying the request for discovery of Mr. Rollins?*

[54] The Prothonotary's decision to deny the request for discovery of Mr. Rollins turned largely on the fact that the amendment, to plead the prior disclosure defence, was not allowed. The issues that are appropriate to be canvassed on discovery are defined by the pleadings and, without the inclusion of that defence, there is no basis for discovery relevant to prior public disclosure. As I have upheld the Prothonotary's decision to deny the amendment, there remains no foundation for discovery based on the prior disclosure defence.

[55] The Orders demonstrate that the Prothonotary also considered the Defendants' arguments that discovery of Mr. Rollins would be relevant to (a) an allegation that the 554 Patent is void because it contains allegations wilfully made for the purpose of misleading or (b) the defence of lack of utility. The Prothonotary found no basis for a conclusion that Mr. Rollins had information relevant to either of these defences. The Defendants submit in this appeal that Mr. Rollins has information with respect to the manufacture of the SDI prototype and related drawings and again argue that this information is relevant to the claim of lack of utility. However, the Defendants have provided no further explanation of the relevance of this information to the allegation of lack of utility. This component of the Prothonotary's decision is reviewable on the standard of palpable and overriding error, and I find no basis to interfere with the Prothonotary's dismissal of the motion to examine Mr. Rollins.



VII. Costs

[56] All counsel took the position at the hearing of this appeal that costs of this appeal should follow the event. When asked to speak to qualification of costs, SDI's counsel took the position that the figure of \$4000.00 was appropriate, to be paid together by the Defendants, in the event SDI were successful. The Defendants did not object to this quantification of costs in the event of SDI's success, but took the position that, in the event the Defendants prevailed, they should receive \$4000.00 each from SDI.

[57] I accordingly accept the proposed figure of \$4000.00, and award costs in that amount to SDI, payable by the Defendants. I note that I am not addressing costs on the motions before the Prothonotary. The disposition of those costs does not form part of the Orders under appeal, as they were reserved for determination following other motions that the Prothonotary was to determine in her case management role.

**ORDER in T-598-15**

**THIS COURT ORDERS that:**

1. The Defendants' appeals are dismissed; and
2. The Plaintiff is awarded costs of \$4000.00 in these appeals.

"Richard F. Southcott"

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Judge

**FEDERAL COURT**

**SOLICITORS OF RECORD**

**DOCKET:** T-598-15

**STYLE OF CAUSE:** SPECIALIZED DESANDERS INC. v ENERCORP SAND SOLUTIONS INC. AND PROGRESS ENERGY CANADA LTD.

**PLACE OF HEARING:** VANCOUVER, BRITISH COLUMBIA

**DATE OF HEARING:** JUNE 26, 2018

**REASONS FOR ORDER AND ORDER:** SOUTHCOTT J.

**DATED:** JULY 5, 2018

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