Between:

INNOTECH PTY. LTD.

Plaintiff,

- and -

PHOENIX ROTARY SPIKE HARROW LTD.,
BRIAN READ and
SELECT INDUSTRIES LIMITED

Defendants.

REASONS FOR ORDER

ROTHSTEIN, J.:

This is an application by the defendants to stay this patent infringement action. According to the submissions of the parties, the principal issue in the action is whether the defendants were acting under a valid license agreement or whether that agreement had been terminated.

The defendants had counterclaimed for an injunction to enforce the licence agreement and damages for the alleged breach by the plaintiff of the licence. The plaintiff moved to strike out the counterclaim on the ground that the Federal Court does not have the jurisdiction to deal with a claim that primarily involves an alleged breach of contract. The Trial Division dismissed the plaintiff's motion to strike, but on June 18, 1997, the Federal Court of

Appeal allowed an appeal from the Trial Division's decision and ordered the counterclaim struck out.

As a result, the defendants, on July 14, 1997, commenced an action in the Court of Queen's Bench of Alberta for a declaration that the licence agreement is valid and subsisting and for damages and other relief relating thereto. Now the defendants apply to this Court to stay the plaintiff's patent infringement action pending determination of the defendants' action respecting the validity of the licence in the Alberta Queen's Bench.

The defendant's basic argument is that the Court of Queen's Bench of Alberta can determine all issues relating to the licence agreement whereas the Federal Court's jurisdiction is limited. As to the lateness of seeking this stay in proceedings that commenced in 1993, the defendants say it was the plaintiff's delay in moving to strike the defendants' counterclaim that caused the delay and they should not be held accountable for the delay.

The stay application will be dismissed for the following reasons. First, I do not think the defendants' characterization of comprehensiveness as between the Alberta Queen's Bench and the Federal Court accurately describes the situation in this case. According to the Federal Court of Appeal's decision of June 18, 1997, the Federal Court may decide the plaintiff's patent infringement action and incidental thereto, may consider "the licence, its existence, terms, and validity". The Federal Court may therefore decide, as fully as the Alberta Queen's Bench, questions relating to validity and subsistence insofar as the licence is concerned.

What the Federal Court may not do is deal with the relief to which the defendants may be entitled in the event it is determined the licence is valid

and subsisting. That will have to be pursued by the defendants in their Alberta action.

However, the Alberta Court of Queen's Bench will not deal with the question of patent infringement (unless the plaintiff was to counterclaim for patent infringement in the Alberta action, which it is not obliged to do) and the parties will have to return to the Federal Court even if this action is stayed pending the determination of the validity of the licence agreement by the Alberta Court of Queen's Bench.

In the result, both the Alberta Court of Queen's Bench and the Federal Court may decide the question of validity and subsistence respecting the licence, but neither court will deal with all remaining issues between the parties. For this reason I do not accept the defendants comprehensiveness argument.

Further, even if the question of the validity and subsistence of the licence is decided in one court or the other, the unsuccessful party will not necessarily be precluded from having the questioned determined again in the other court. Perhaps a defence of *res judicata* may be raised, but whether it would apply in the circumstances cannot be determined at this time. Therefore, it cannot be said with certainty that a determination of validity or invalidity of the licence by the Alberta Queen's Bench will absolutely resolve the issue insofar as the patent infringement action is concerned..

Finally, while there is rational explanation as to why the Alberta Queen's Bench action was not commenced until this month, it is still a fact that the stay application was not brought until now, the Federal Court action has been outstanding since 1993, and is set down for trial commencing on

November 24th of this year. From a practical and objective perspective, it would not be reasonable at this late stage, in view of the readiness of the matter for trial in the Federal Court, to stay these proceedings.

The stay application is dismissed. The plaintiff is entitled to costs of $800. inclusive of disbursements on the motion. While defendants' counsel submits he had an obligation to inform this Court of the newly commenced Alberta Court of Queen's Bench action, the stay application was unsuccessful and is independent of the merits of the patent infringement action. Costs of the motion will therefore be to the plaintiff in any event of the cause.

Marshall E. Rothstein

Judge

Ottawa, Ontario
July 29, 1997

FEDERAL COURT OF CANADA
TRIAL DIVISION

NAMES OF SOLICITORS AND SOLICITORS ON THE RECORD

COURT FILE NO.:	T-1455-93
STYLE OF CAUSE:	INNOTECH PTY. LTD. v. PHOENIX ROTARY SPIKE HARROWS LTD. ET AL
PLACE OF HEARING:	Toronto, Ontario
DATE OF HEARING:	July 25, 1997

REASONS FOR JUDGMENT OF the Honourable Mr. Justice Rothstein

DATED: July 29, 1997

APPEARANCES:

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