

Federal Court



Cour fédérale

Date: 20240202

Docket: T-1449-20

Citation: 2024 FC 175

Ottawa, Ontario, February 2, 2024

PRESENT: The Honourable Mr. Justice Manson

BETWEEN:

PROSLIDE TECHNOLOGY, INC.

Plaintiff

and

WHITEWATER WEST INDUSTRIES, LTD.

Defendant

JUDGMENT AND REASONS

I. Introduction

[1] WhiteWater West Industries, Ltd. (“WhiteWater”) appeals the order of Associate Judge Crinson (the “Order”) pursuant to Rule 51 of the *Federal Courts Rules*, SOR/98-106 (the “Rules”). The Order denied, in part, WhiteWater’s motion for leave to amend its Statement of Defence and Counterclaim.

[2] For the reasons that follow, I dismiss the appeal.

II. Background

A. *The Underlying Action*

[3] ProSlide Technology, Inc. (“ProSlide”) brought an action against WhiteWater alleging infringement of the following five patents, as well as one other patent and five industrial designs:

- A. Canadian Patent No. 2, 951,552 (the “552 Patent”);
- B. Canadian Patent No. 3,063,073 (the “073 Patent”);
- C. Canadian Patent No. 3,063,078 (the “078 Patent”);
- D. Canadian Patent No. 3,063,165 (the “165 Patent”); and
- E. Canadian Patent No. 3,085,150 (the “150 Patent”).

(collectively, the “impugned patents”)

[4] WhiteWater defended the action and commenced a counterclaim alleging, in part, that the impugned patents are invalid. WhiteWater’s pleadings as initially filed included no allegations with respect to sufficiency of the disclosures of the impugned patents.

B. *The Motion to Amend*

[5] In its motion before the Associate Judge, WhiteWater proposed various amendments. The amendments at issue before the Court on this appeal allege that the impugned patents fail to correctly and fully describe the invention and are consequently invalid (the “Sufficiency Amendments”).

[6] The Sufficiency Amendments are contained in paragraphs 59.5, 86.5, 116.5, 150.5, and 184.5 of the Amended Statement of Defence and Counterclaim, as initially proposed. The text of each of the Sufficiency Amendments in these paragraphs is similar to the others, except as to which patent is at issue:

The [patent at issue] does not correctly and fully describe the invention and its operation or use as contemplated by the inventor. The [patent at issue] also fails to set out clearly the method of making the claimed subject matter in such full, clear, concise and exact terms as to enable any person skilled in the art or science to which it pertains to make the claimed subject matter. The named inventor of the [patent at issue] told the Canadian government that downhill roll geometry, with no tilt, is key to the technology disclosed and claimed in the [patent at issue]. The named inventor provided additional details to the Canadian government on the technology disclosed and claimed in the [patent at issue]. The named inventor made these statements to the Canadian government in a SR&ED document dated March 31, 2015. The statements to the Canadian government were made for the purpose of securing financial incentives in the form of tax credits and/or refunds. All details on the technology provided to the Canadian government are essential to the manufacture and operation of the subject matter disclosed and claimed in the [patent at issue]. These details are omitted from the [patent at issue]. The full extent of documents submitted to the Canadian government to secure tax credits and/or refunds for projects leading to the patents and industrial designs asserted in this proceeding, including the [patent at issue], that describe details on the technology and the supporting documents that the Plaintiff possess are unknown to WhiteWater but are known

to the Plaintiff. The [patent at issue] fails to comply with subsections 27(3)(a) and (b) of the *Patent Act* and is invalid.

C. *The Order Subject to Appeal*

[7] The Associate Judge's Order granted, in part, WhiteWater leave to file and serve most of its proposed amendments, but not with respect to the Sufficiency Amendments at issue here.

[8] In his reasons for the Order, the Associate Judge canvassed the applicable legal standards on a motion for leave to amend the pleadings. He noted that, as a threshold issue, where a proposed amendment has no reasonable prospect of success, leave must be denied. Otherwise, leave is granted where doing so is more consonant with the interests of justice. The Associate Judge then listed several factors to consider when determining if it is in the interests of justice to grant a motion to amend the pleadings.

[9] The Associate Judge held that the Sufficiency Amendments were abusive, had no reasonable prospect of success, and were not timely. On the question of abuse of process, the Associate Judge found that the Sufficiency Amendments were not adequately particularized so as to allow ProSlide to properly respond. He observed that the breadth and scope of the proposed pleadings encompassed “[a]ll details on the technology provided to the Canadian government”, including statements “unknown to WhiteWater”.

[10] As to their prospect of success, the Associate Judge noted that the Sufficiency Amendments misunderstand the scope of sufficiency as requiring the patentee to disclose “everything it knows

or has said” about the claimed invention, including commercial information and preferred embodiments. Instead, sufficiency is concerned with “disclosing sufficient information in a patent specification to enable the skilled person to produce the claimed invention”.

[11] Finally, in concluding that the Sufficiency Amendments were not timely, the Associate Judge observed that the allegations within the Sufficiency Amendments raise a new invalidity challenge and therefore constitute a “radical departure” from the prior pleadings. Because sufficiency relates to disclosure of the invention *in the patent*, the allegation that new information arose in discovery regarding ProSlide’s disclosures to a third party does not explain raising it now as a new ground of invalidity. WhiteWater was aware of the impugned patents since the underlying action first began several years prior.

D. *The Appeal*

[12] WhiteWater submits that the Associate Judge erred in denying it leave to amend the Statement of Defence and Counterclaim to include the Sufficiency Amendments by:

- A. incorrectly articulating the law of sufficiency of disclosure;
- B. misapplying the applicable law of sufficiency to find that the Sufficiency Amendments have no reasonable prospect of success;
- C. finding that the Sufficiency Amendments are inadequately particularized;
- D. finding that the Sufficiency Amendments constitute a “radical departure” from the prior pleadings; and

- E. finding that the Sufficiency Amendments are untimely and failing to consider other factors to assess whether granting the motion was in the interests of justice.

[13] WhiteWater requests that the Order be set aside insofar as it denies leave to file the Sufficiency Amendments, or in the alternative, WhiteWater be granted leave to “reapply” to further amend its Statement of Defence and Counterclaim.

III. Issues

[14] Did the Associate Judge err by:

- A. incorrectly articulating the law of sufficiency of disclosure?
- B. misapplying the applicable law of sufficiency to find that the Sufficiency Amendments have no reasonable prospect of success?
- C. finding that the Sufficiency Amendments are inadequately particularized?
- D. finding that the Sufficiency Amendments constitute a “radical departure” from the prior pleadings?
- E. finding that the Sufficiency Amendments are untimely or otherwise failing to consider other relevant factors?

[15] If the Court does not set aside the Order as it pertains to the Sufficiency Amendments, should the Court grant WhiteWater leave to make further amendments?

IV. Analysis

A. *The Standard of Review*

[16] The standard of review on an appeal pursuant to Rule 51 of the *Rules* is correctness on a pure or extricable question of law, and palpable and overriding error on a question of fact or a question of mixed law and fact (*Hospira Healthcare Corporation v Kennedy Institute of Rheumatology*, 2016 FCA 215 at para 79, citing *Housen v Nikolaisen*, 2002 SCC 33 at paras 8, 10, 36). Accordingly, the standard of review applicable on the first issue is correctness, while the standard of review applicable on all other issues is palpable and overriding error.

B. *Did the Associate Judge err by incorrectly articulating the law of sufficiency of disclosure?*

[17] WhiteWater argues that a correct articulation of the law of sufficiency of disclosure must acknowledge “the key principle that information known by the patentee may be considered in assessing whether the disclosure is sufficient”. It also claims that “[f]acts known by the inventor, and intentionally omitted or not communicated in the description of a patent can result in disclosure being insufficient”.

[18] WhiteWater cites *Teva Canada Ltd v Pfizer Canada Inc*, 2012 SCC 60 [*Teva*] in support of its position. It relies in particular on paragraph 70 of *Teva*, where the Supreme Court of Canada held that the specification “must define the ‘precise and exact extent’ of the privilege being claimed”.

[19] WhiteWater's position broadens the scope of sufficient disclosure beyond what the law actually supports. Section 27(3) of the *Patent Act*, RSC, 1985, c P-4, requires the patent to make a full disclosure, but that requirement pertains to "the invention and its operation or use as contemplated by the inventor" in the patent. Therefore, the extent of the obligation to make sufficient disclosure is limited in two ways. First, the information need only pertain to the invention as disclosed and claimed by the patent. Second, that information must enable the skilled person to make or use that invention (*Teva* at paras 50-52, 70). Further disclosure is not necessary to meet the requirements of sufficiency as contemplated by section 27(3).

[20] Accordingly, the Associate Judge was correct to say that a patentee is not required to disclose all preferred embodiments, potential commercial products, or other information known to it that are not relevant to the invention as claimed in the patent. He made no error in his articulation of the law of sufficiency of disclosure.

C. *Did the Associate Judge err in finding that the Sufficiency Amendments have no reasonable prospect of success?*

[21] WhiteWater submits that, even if the Associate Judge articulated the test for sufficiency of disclosure correctly, he nevertheless erred in finding that the Sufficiency Amendments have no reasonable prospect of success.

[22] In particular, WhiteWater argues that the Associate Judge wrongly understood the amendments as saying that the patentee withheld information regarding a preferred embodiment that was not part of the claimed invention. WhiteWater readily conceded in oral submissions that

information about preferred embodiments or products need not necessarily be disclosed in a patent to meet the requirements of section 27(3) of the *Patent Act*. However, WhiteWater stressed that that is not what the Sufficiency Amendments actually allege. Rather, they allege that the inventor made representations stating that a certain embodiment is “key to the technology disclosed and claimed” [emphasis added] and that, crucially, this supports the view that certain elements within the patent that are “key” to be able to make and use the invention are not provided in the disclosure. WhiteWater says that, in failing to appreciate this distinction, the Associate Judge committed a palpable and overriding error.

[23] I do not agree that the Associate Judge erred on this issue, and certainly not that he committed a palpable and overriding error.

[24] In determining whether an amendment to a pleading has a reasonable prospect of success, one must assess whether it is plain and obvious that the amendment would fail, presuming its allegations to be true (*McCain Foods Limited v JR Simplot Company*, 2021 FCA 4 [*McCain*] at para 20).

[25] Taken as true, the notion that the inventor represented to the Government of Canada for tax purposes that “downhill roll geometry, with no tilt, is key to the technology disclosed and claimed” may indicate a preference *by that inventor* to that particular embodiment within the bounds of the invention. However, it does not mean that that embodiment must be disclosed so as to enable a person of ordinary skill in the art, who is not the inventor, to make and use the invention as disclosed and claimed.

[26] WhiteWater again cites *Teva* in support of its submissions on this issue. The facts in *Teva* are distinguishable from what is before the Court here. In *Teva*, the patentee claimed a large number of chemical compounds for the treatment of erectile dysfunction. It further claimed a narrow range within those chemical compounds which it described as “preferred” compounds. That patent further disclosed that “one of the especially preferred compounds induces penile erection in impotent males”, but did not disclose which compound that was. For that reason, the Supreme Court of Canada held that the patent was invalid for insufficient disclosure.

[27] While WhiteWater argues that the representation to the Canadian government shows that a downhill geometry with no tilt is essential to the invention disclosed and claimed, it is in fact but one embodiment within many disclosed in the patents. The patents clearly describe embodiments of various roll angles, some of which have a pitch angle of zero, but stresses that that is one of many contemplated embodiments. The following excerpt from pages 26 and 27 of the 552 Patent is notable:

Some embodiments having a roll angle only (i.e., a non-zero roll angle and a pitch angle of zero) may reduce or eliminate uphill portions of the slide feature 1402, for example reducing or eliminating portions of the sliding surface 1420 that may have a negative (uphill) gradient. [...]

In particular, embodiments featuring a combination of a roll angle only with an angle of revolution of 180° or less may allow uphill portions of the slide feature 1402 to be substantially eliminated. [...] It should be understood, however, that other embodiments of the slide feature 1402 are contemplated.

[Emphasis added]

[28] In the absence of other material facts and not legal conclusions or conclusory statements to support the allegations within the Sufficiency Amendments, it was open to the Associate Judge

to find that the amendments have no reasonable prospect of success. He made no palpable and overriding error in doing so.

D. *Did the Associate Judge err in finding that the Sufficiency Amendments are inadequately particularized?*

[29] WhiteWater argues that the Associate Judge erred in concluding that the Sufficiency Amendments were not adequately particularized. It alleges that the Associate Judge disregarded the material facts in the proposed amendments, and focused narrowly on the open-ended aspects of the proposed Sufficiency Amendments.

[30] WhiteWater cites *Mancuso v Canada (National Health and Welfare)*, 2015 FCA 227 at paragraph 18, which acknowledges that “there is no bright line between material facts and bald allegations” and stresses that the Court must ensure that the pleadings define the issues with sufficient precision to make the proceedings both “manageable and fair”. WhiteWater also relies on *McCain*, at paragraph 23, where the Federal Court of Appeal held that ensuring pleadings are “manageable and fair” requires acknowledging the relative knowledge and means of the parties. This involves preventing the pleadings from becoming “instruments of oppression in the hands of those who have knowledge of material facts at the expense of those who seek to rely on those facts without, however, having the means of knowing those facts”.

[31] Finally, WhiteWater cites *Wi-LAN Inc v Apple Canada Inc*, 2022 FC 974 [*Wi-LAN*] at paragraphs 27-32, in which the Court found that a non-exhaustive infringement allegation still had sufficient material facts to allow the defendant to reply. WhiteWater says that, similarly here, the

Sufficiency Amendments contain enough material facts to permit ProSlide to reply, while acknowledging that the full extent of the documents in question is unknown to it but are known to ProSlide. Therefore, WhiteWater argues that the Associate Judge's finding that the Sufficiency Amendments are not adequately particularized constitutes a palpable and overriding error.

[32] I do not agree. First, the Associate Judge did not overemphasize the open-ended portions of the Sufficiency Amendments while disregarding material facts. He considered the entirety of the Sufficiency Amendments' text. He observed that WhiteWater was alleging that all details of the technology made to the Canadian government are essential for the manufacture and operation of the subject matter disclosed and claimed in the impugned patents, further acknowledging that those representations were unknown to it. Consequently, it was open to the Associate Judge to find that the Sufficiency Amendments were more in the nature of bald allegations that do not permit ProSlide to properly plead in response.

[33] Further, as ProSlide correctly points out, while it is true that in *Wi-LAN* the Court permitted open-ended pleadings with respect to an allegation of patent infringement, it found that those pleadings contemplated infringing products that share the same infringing characteristic as products in the material facts. Therefore, a nexus existed between the open-ended pleadings and the material facts. Here, the Sufficiency Amendments do not identify a common set of essential elements that ProSlide has failed to disclose. Instead, they allege that certain documents unknown to WhiteWater may exist, and that those documents may present essential elements not yet disclosed. There is no nexus between such open-ended allegations and the material facts elsewhere

in the pleadings. More specifically, the open-ended allegations are not limited to the one feature of a preferred embodiment of downhill roll geometry with no tilt.

[34] The Associate Judge did not make a palpable and overriding error in finding the Sufficiency Amendments to be inadequately particularized.

E. *Did the Associate Judge err in finding that the Sufficiency Amendments were a “radical departure” from the other validity pleadings?*

[35] WhiteWater submits that the Sufficiency Amendments are not a radical departure from the other validity pleadings, and that the Associate Judge committed a palpable and overriding error in finding otherwise.

[36] WhiteWater is correct in noting that the case law shows that a radical departure arises where the amended pleadings (a) are inconsistent with earlier positions taken by the amending party, (b) withdraw or repudiate admissions previously made, or (c) materially change the fundamental issues to be considered (*Hospira Healthcare Corporation v The Kenny Trust for Rheumatology Research*, 2020 FCA 191 at para 5; *Merck & Co Inc v Apotex Inc*, 2003 FCA 488 at para 47; *J2 Global Communications Inc v Protus IP Solutions Inc*, 2008 FC 759 at paras 17-18).

[37] There is nothing in the language of the Sufficiency Amendments nor in the Associate Judge’s reasons that suggest any of the above applies here. In fact, the Associate Judge held that the Sufficiency Amendments constituted a radical departure simply because they are new and were not previously raised. This is not a radical departure, and the Associate Judge erred in finding

otherwise. While this finding may be an error, it is not determinative as to the final outcome of this appeal.

F. *Did the Associate Judge err in finding the Sufficiency Amendments to be untimely?*

[38] WhiteWater says that it became aware of a new document that gave rise to an insufficiency challenge only in the course of examinations for discovery. It argues that the Sufficiency Amendments were timely once that factual context is considered.

[39] The Associate Judge found that the Sufficiency Amendments were not timely. The Associate Judge observed that sufficiency is assessed by determining whether the patent's disclosure would enable the skilled person to make and use the invention as claimed. Because the patents were known to WhiteWater at least since the commencement of the underlying action, any insufficiency of disclosure should have been identified by it around that time.

[40] While the Associate Judge erred in finding that the Sufficiency Amendments were untimely as being available from the date of the Statement of Claim in December 2020, given that the impetus for the Sufficiency Amendments was the information that came to its attention in December 2022, there is nonetheless an extended period of time from then to when WhiteWater sought to amend in August 2023. During that time, WhiteWater had numerous opportunities to prepare its motion to amend the pleadings and to do so adequately, including by providing the requisite material facts to support the amendment. It failed to do so. Therefore, even if timeliness was assessed from December 2022, the amendments are still untimely.

G. *Did the Associate Judge err by not considering factors other than timeliness to ascertain the interests of justice?*

[41] WhiteWater argues that the Associate Judge failed to consider other relevant factors when assessing whether it is in the interests of justice to grant its motion.

[42] WhiteWater is correct to observe that the case law lists certain factors that the Court should consider to determine if it is in the interests of justice to grant a motion for leave to amend the pleadings (*Janssen Inc v Abbvie Corporation*, 2014 FCA 242 at para 3). That said, it was not necessary for the Associate Judge to fully canvass these factors, since he was able to dispose of the motion on separate grounds, namely the lack of a reasonable prospect of success, as well as the lack of particulars in the Sufficiency Amendments.

[43] Even so, WhiteWater argues that, had the Associate Judge considered those other factors, he would have granted the motion. It cites three factors in particular: (1) the amendments will not delay the trial, (2) the amendments will facilitate consideration of the true substance of the dispute, and (3) ProSlide will not suffer prejudice that cannot be compensated with costs. I disagree with WhiteWater's position on all three factors.

[44] First, the Sufficiency Amendments will not facilitate consideration of the true substance of the dispute. As discussed above, the amendments have no reasonable prospect of success and are not adequately particularized. Far from facilitating consideration of the true substance of the dispute, allowing such amendments will further confound the dispute.

[45] Second, on the question of delay, ProSlide notes that the existing deadline for the parties to exchange expert reports is March 1, 2024. Responding reports are due two months after that date. This leaves the parties with roughly two more months to prepare for the trial itself and to resolve any outstanding interlocutory issues. Permitting a new invalidity challenge may require further discovery, supplemental expert reports, and responding reports.

[46] WhiteWater assures the Court that the parties have already examined further witnesses for discovery and that the experts have not yet begun drafting their reports. It also stresses that ProSlide will not need to amend its defence to the counterclaim if the Sufficiency Amendments are allowed, since ProSlide's defence is a wholesale denial of invalidity in general, without further particulars. WhiteWater concedes that allowing the Sufficiency Amendments may not have a *positive* effect on the progression of the underlying action, but argues that the Court should view delay as a neutral factor in light of its submissions.

[47] Despite WhiteWater's assurances, I am still of the view that the risk of further delays is substantial. The timetable as it exists now is already compressed. With only a handful of months before trial, permitting a new invalidity challenge to the underlying action adds a new front to this proceeding around which further interlocutory disputes may arise.

[48] I am cognizant here of the Federal Court of Appeal's finding in *Apotex Inc v Bristol-Myers Squibb Company*, 2011 FCA 34 at paragraph 4, that an amendment should be allowed at any stage of an action for the purpose of determining the real questions in controversy between the parties, provided that the allowance would not result in an injustice to the other party not capable of being

compensated by an award of costs and that it would serve the interests of justice. However, the amendments are not adequately particularized, they have no reasonable prospect of success, and are more likely than not to confound and prolong the expeditious resolution of the dispute at issue.

[49] I am not convinced that the parties would suffer prejudice beyond the above noted delay and the costs associated therewith. Nevertheless, the neutrality of this factor does little to offset the negative weight attached to the other two.

H. *Should the Court grant WhiteWater's request for alternate relief in this appeal?*

[50] If the Order is not set aside, WhiteWater requests that it be granted leave to “reapply” to amend the Statement of Defence and Counterclaim. WhiteWater has not raised this request in its submissions before the Associate Judge. It is a novel submission made for the first time on appeal. In the appeal hearing, WhiteWater indicated that, in addition to improving the language of its existing proposed amendments, it may also file other amendments that are new in substance.

[51] While I invited WhiteWater to provide what it would propose as an amended plea of insufficiency by January 26, 2024, which it did, having fully considered the issues above and that such an amendment was not sought before the Associate Judge and cannot now be properly sought on appeal, I agree with ProSlide that it is improper for WhiteWater to seek this form of relief at this stage. It is well established that appeals under Rule 51 of the *Rules* are not *de novo* hearings (*Hospira* at para 64). This Court has also held that novel arguments on an appeal from the decision of an Associate Judge should generally not be considered (*RE/MAX, LLC v Save Max Real Estate*

Inc, 2022 FC 1268 at para 41, citing *Guindon v Canada*, 2015 SCC 41 at para 22; *ViiV Healthcare Company v Gilead Sciences Canada Inc*, 2019 FC 1579 at para 50).

[52] Moreover, the Sufficiency Amendments are not adequately particularized. They are improper in breadth and scope and have no reasonable prospect of success. To grant WhiteWater a second attempt at filing the amendments would run contrary to the very purpose of the Court's case management and the finality and certainty it seeks to bring to the interlocutory disputes surrounding the proceedings before it. It frustrates the Court's process and is abusive, particularly if doing so would permit new substantive amendments to the proceeding.

[53] The Defendant has failed to establish palpable and overriding error by the Associate Judge that is determinative of the outcome.

V. Conclusion

[54] The appeal is dismissed.

[55] WhiteWater's request for leave to "reapply" to further amend the Statement of Defence and Counterclaim is also dismissed.

[56] Costs are in the cause.

JUDGMENT in T-1449-20

THIS COURT’S JUDGMENT is that:

1. The appeal is dismissed.
2. WhiteWater’s request for leave to “reapply” to further amend the Statement of Defence and Counterclaim is also dismissed.
3. Costs are in the cause.

“Michael D. Manson”

Judge

FEDERAL COURT
SOLICITORS OF RECORD

DOCKET: T-1449-20

STYLE OF CAUSE: PROSLIDE TECHNOLOGY, INC. v WHITEWATER
WEST INDUSTRIES, LTD.

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