

Date: 20070924

Docket: T-830-05

Citation: 2007 FC 957

Vancouver, British Columbia, September 24, 2007

**PRESENT: Roger R. Lafrenière, Esquire
Prothonotary**

BETWEEN:

ROBBINS & MYERS CANADA, LTD.

**Plaintiff
(Defendant by Counterclaim)**

and

**TORQUE CONTROL SYSTEMS LTD;
and ANDREW WRIGHT**

**Defendants
(Plaintiffs by Counterclaim)**

REASONS FOR ORDER AND ORDER

[1] The Plaintiff, Robbins & Myers Canada, Ltd. (Robbins), seeks an order disqualifying the law firm of Ridout & Maybee, LLP (Ridout) from acting for Torque Control Systems Ltd (TCS) and Andrew Wright (Wright), the Defendants in this action for patent infringement, based on conflict of interest.

[2] The Defendants oppose the motion on the grounds that their solicitors have never had any relationship with Robbins and are not privy to any confidential information that would give rise to a conflict of interest. They also complain that they have been prejudiced by Robbins' delay in objecting to the alleged conflict of interest.

[3] The key issue on this motion is whether a lawyer who has acted on behalf of a former client by drafting and filing an application from which a patent issued can then turn around and accept a retainer from another client for the purpose of invalidating the very same patent acquired by a third party.

[4] A careful analysis of the facts adduced by the parties on this motion leads me to conclude that acceptance of the retainer by Ridout has every appearance of impropriety and constitutes a disqualifying conflict of interest.

Factual background

[5] In support of its motion, Robbins relied on four affidavits: the affidavit of Curtis Ring (Ring) sworn June 28, 2006; the affidavit of Amy L. Jobson sworn August 20, 2006; a second affidavit of Ring sworn October 18, 2006; and the affidavit of Chris Blundell (Blundell) sworn October 12, 2006. In support of their position, the Defendants filed two affidavits, both sworn by Wright. Ring and Wright were cross-examined on their respective affidavits.

[6] The patent at issue in this proceeding is entitled "Pull-through Tubing String Rotator for An Oil Well" (the '975 Patent). The invention that is the subject matter of the '975 Patent (the Invention), was initially owned by a company named Alberta Basic Industries Ltd. (ABIL), whose employees conceived the Invention.

[7] ABIL retained Peter Everitt (Everitt), then of Kvas Miller Everitt (Kvas Miller), to prepare and file patent applications for the Invention in the United States and Canada. Everitt arranged for the filing of a U.S. patent application on February 25, 1999 (the US Application), naming three ABIL employees as inventors: Ring, Blundell and Wright.

[8] Ring was Engineering Manager of ABIL from 1997 to 2001. He states that Everitt and his prior firm, Kvas Miller, were privy to confidential and privileged information concerning the '975 Patent as a result of Everitt's involvement in preparing and filing the '975 Patent.

[9] Ring declares that the specification of the Invention was drafted by Everitt. He states that Everitt had previously been retained to draft several patent applications for other inventions owned by ABIL and that, for matters in which he was named as an inventor, he would typically have discussions with Everitt prior to filing such applications. According to Ring, such discussions would usually focus on the inventive features of the invention, the advantages of the invention over other products previously disclosed or known to be available to the public, alternative embodiments of the invention (including the advantages of various embodiments), the meaning of various terms to appear in the patent specification, and the appropriate scope of the claims in the applications for the

invention. Ring claims that he had numerous discussions by telephone with Everitt regarding the Invention, including two calls that took place in February 1999.

[10] In cross-examination, Ring admitted that he could not recall specific information or details regarding his conversations with Everitt in relation to the Invention. He also admitted that he had mixed up the prosecution of the '975 Patent with the prosecution of other patents on behalf of ABIL by Everitt. He insisted however, in re-examination, that he had conversations with Everitt prior to the filing of the '975 Patent.

[11] Wright was employed by ABIL as a manager/salesman from 1996 to 1999 and is listed as one of the inventors of the '975 Patent. He was not present during any of the conversations between Ring and Everitt. He was informed, however, by Everitt (who declined to file his own affidavit in response to Robbins' motion) that Everitt "has no confidential information" concerning any aspect of the invention set forth in the '975 Patent, or concerning the preparation and filing of the patent application that led to the '975 Patent. Everitt also told Wright that any information he had concerning the nature, structure and function of the device described in the '975 Patent, its inventive features and advantages over prior devices, and the scope of the patent's claims, can be found within the text of the document that was published by the Canadian Patent Office.

[12] On January 24, 2000, Everitt filed an application in Canada on behalf of ABIL for the Invention, which later issued to the '975 Patent, claiming priority from the US Application. The petition accompanying the application identifies the firm of Kvas Miller as ABIL's agents of record.

The firm remained the agent and representative of record for ABIL in respect of the '975 Application in Canada until April 24, 2001.

[13] On June 12, 2001, ABIL assigned the Invention, including the '975 Application, to Robbins. The '975 Patent issued on December 14, 2004, reflecting Robbins as owner thereof.

[14] In its Statement of Claim issued in May 2005, Robbins alleges that the Defendants have infringed various claims of the '975 Patent. On May 27, 2005, Everitt spoke to Robbins' solicitor, Michael Manson, to give notice that Kvas Miller had been retained to defend the action and to request an extension of time within which to file a statement of defence. Wright was advised by Everitt that Kvas Miller's former representation of ABIL was brought to Manson's attention, and that no objection was raised at the time. The Defendants filed their Statement of Defence and Counterclaim on June 27, 2005, in which Kvas and Everitt, and the firm of Kvas Miller were reflected as the Defendants' solicitors of record.

[15] On March 16, 2006, counsel for Robbins wrote to Kvas Miller requesting that the firm immediately withdraw as counsel due to a "clear conflict of interests" arising from its previous involvement with the '975 Patent. Kvas Miller refused to do so.

[16] In June 2006, Chris Kvas (Kvas) and Everitt both joined the law firm of Ridout, which has also refused to withdraw as counsel for the Defendants, and continues to act on their behalf.

Analysis

[17] In the seminal decision of *Macdonald Estate v. Martin*, [1990] 3 S.C.R. 1235 (*Martin*), the Supreme Court of Canada determined that a law firm should be disqualified when: (a) a lawyer at the firm has confidential information attributable to a previous or current solicitor-and-client relationship; (b) the confidential information is relevant to a current matter; and (c) the lawyer or the law firm are in a position to use the information against the former client.

[18] In considering whether there is a disqualifying conflict of interest, the moving party does not need to show that there is a probability of mischief. Rather, the test is whether the public, as represented by a reasonably-informed person, would be satisfied that no use of confidential information would occur. That is the over-riding policy that applies and will inform the Court in answering the question: “Is there a disqualifying interest?”

[19] Had ABIL retained ownership of the Invention and instituted the present action on its own behalf, I would have no difficulty in concluding that Ridout has placed itself in a conflict of interest. It is clear that there was a solicitor-client relationship between Kvas Miller and ABIL when the application for the '975 Patent was prepared and filed. Moreover, there is no question that the original retainer between ABIL and Kvas Miller is sufficiently related to the present proceeding, namely a patent infringement action based on the '975 Patent which Ridout now seeks to invalidate on behalf of the Defendants.

[20] The Defendants would have me believe that Everitt did not obtain any confidential information in his dealings with Ring. However, all the evidence submitted by the Defendants in relation to whether or not confidential information was disclosed is based on information and belief. Wright, the only deponent for the Defendants, was not privy to any of the conversations between Ring and Everitt in relation to the Invention, and therefore cannot testify as to the nature of the information discussed between Ring and Everitt. In fact, Wright had no dealings whatsoever with Everitt in relation to the Invention at the time of drafting the US Application and the '975 Application, or at any other time during prosecution of the application.

[21] While some of the information disclosed by Ring to Everitt regarding the Invention would have been incorporated into the text of the '975 Patent, the same cannot be said about Ring's private thoughts, concerns, and musings, which he no doubt shared with Everitt. I am satisfied, based on Ring's account, that Everitt engaged in confidential discussions with Ring in preparing and filing the US Application and the '975 Application, which would have included canvassing the prior art, the inventive features, different embodiments, the meaning of the language, and the scope of the claims.

[22] Ring acknowledged in cross-examination that he did not have any specific recollection of what was discussed with Everitt. However, a client cannot be expected to remember all of the information imparted to the solicitor, nor appreciate what may be confidential in the sense of being relevant to the second matter.

[23] In any event, given the pivotal role played by a patent lawyer, I fail to see how Everitt could have been effective or useful without having first obtained confidential information and instructions from his client. By its very nature, a lawyer's retainer entails consultation with the client, solicitation of information, and provision of legal advice. Accordingly, in the absence of any direct evidence to contradict Ring's evidence, I conclude that relevant confidential information was likely imparted to Everitt by Ring on behalf of ABIL.

[24] But what of Robbins, the successor in title of the Invention and the '975 Patent? A threshold condition which a moving party must satisfy is that there was a previous relationship sufficiently related to the retainer from which it is sought to remove the solicitor. In the present case, the Defendants correctly point out that their former and current solicitors have never had any relationship with Robbins.

[25] However, in deciding whether a previous relationship exists, the word "client" can be taken to include "persons who were involved in or associated with" the client in connection with the original matter: *UCB Sidac International Ltd. v. Lancaster Packaging Inc.*, (1993), 51 C.P.R. (3d) 449 at 452 (Ont Ct GD) (Sidac). This expansion of the definition of client was adopted by Justice Barry Strayer in *Almecon Industries Ltd. v. Nutron Manufacturing Ltd.* (1994), 55 C.P.R. (3d) 327, and subsequently affirmed by the Federal Court of Appeal at (1994), 57 C.P.R. (3d) 69.

[26] *Almecon* involved two patent infringement actions, involving the same patent, against two different defendants, Anchortek and Nutron. The solicitor in question was originally involved in the defence on behalf of the Anchortek for one of these two infringement suits. The solicitor then

changed employment to another law firm, this new law firm representing the patent owner in respect of the other patent infringement suit against the other defendant, Nutron. After noting that discussions took place between the solicitors for Anchortek and Nutron regarding the patent in issue, the Court then presumed that, Nutron being entitled to assume that the confidentiality of a solicitor-client relationship existed with respect to the information and opinions conveyed by its lawyers to Anchortek's lawyers, "confidential information was imparted". The new firm of the lawyer originally involved with Anchortek was therefore not entitled to act for the patent owner against Nutron, notwithstanding the fact that Nutron had not been in a solicitor-client relationship with the lawyer's original firm.

[27] In light of the *Sidac* and *Almecon* decisions, the Court is required to look beyond the strict solicitor-client relationship. As stated by the Federal Court of Appeal in *Almecon* at p. 88: “[i]t is possible, in cases where a previous relationship establishes a clear nexus with the solicitor's retainer, to conclude that the Martin test should be applied.”

[28] ABIL assigned the Invention and the '975 Application to Robbins in a commercial transaction for value. ABIL had a vested interest in ensuring that the purchaser of its intellectual property obtained good title, including all rights, interests, and advantages associated to the property. As an assignee of rights in and to the Invention and the '975 Application, Robbins could reasonably expect that ABIL's counsel would not act against its interests with respect to the validity of the patent, to the extent such interests are consistent with those of ABIL.

[29] In *R. v. Neil*, [2002] 3 S.C.R. 631, the Supreme Court of Canada concluded that the fiduciary relationship between a lawyer and client imposes on the lawyer more than a duty not to disclose confidential information. It includes a duty of loyalty and, in particular, a duty to avoid conflicting interests if there is a substantial risk that a lawyer's representation of a client would be materially and adversely affected by the lawyer's duties to a former client.

[30] The fiduciary duty of loyalty owed by a lawyer to a former client continues after termination of the solicitor-client relationship such that a lawyer may not act in a manner that will injure the former client in matters involving the prior representation. Having represented a party in applying for a patent, a lawyer may not thereafter represent another party in an action against his former client's interests arising out of, or closely related to, the patent at issue. Such conduct would involve the lawyer in the representation of interests directly in conflict with those of the first client for whom he acted as counsel and to whom he still owes a duty of loyalty. To hold otherwise would go against the fundamental principle the conflict of interest laws are designed to prevent, namely the appearance of impropriety. The lawyer could also be called as a witness by either party, compounding the potential conflict of interest.

[31] In the particular circumstances of this case, I conclude that the duty of loyalty owed by Everitt to ABIL extends to Robbins, as a customer of ABIL and assignee of the patent.

Waiver of conflict and Delay by Robbins

[32] The Defendants submit that at the commencement of the proceedings, Robbins expressly consented to the representation of the Defendants by their counsel and thereby waived any right that it may have had to challenge the representation of the Defendants by Ridout. The Defendants also argue that because Robbins has delayed in bringing this motion, they should be allowed to continue with counsel of their choice.

[33] The fact that counsel for Robbins did not raise any objection when he was informed that Kvas Miller was representing the Defendants does not establish that the conflict of interest was waived. The matter was raised in an informal manner between counsel for the parties in the context of a request for an extension of time. It is unclear whether the implications of the information were fully understood by Robbins' counsel at the time. In the circumstances, I am not satisfied that Robbins ever condoned, let alone waived, the conflict of interest.

[34] Robbins concedes that there was some delay on its part in acting when it became aware of the conflict of interest. Regrettably, there is no evidence to account for the failure by Robbins to object to the conflict between the date of filing the Statement of Claim and its first request in writing over eight months later. At the same time, the Defendants have not established any serious prejudice as a result of the delay.

[35] It remains that delay in objecting to a conflict of interest does not correct the existence of the conflict. The Defendants in fact contributed to the delay by failing to provide full and frank disclosure of a potential conflict of interest that they themselves identified. Since any prejudice the Defendants may have suffered can be addressed by an order of costs, I conclude that Robbins ought

not to be unduly penalized for failing to object in a timely manner to Everitt or Kvas Miller remaining as counsel of record.

Conclusion

[36] In *Macdonald Estate*, the Supreme Court of Canada identified three competing values that must be taken into account when dealing with a potential conflict of interest:

- (a) maintaining the high standards of the legal profession and the integrity of our system of justice;
- (b) not depriving litigants of their counsel of choice without good cause; and,
- (c) allowing reasonable mobility in the legal profession.

[37] Disqualification of a party's chosen counsel is an extraordinary remedy which should be resorted to sparingly. However, the appearance of impropriety remains an over-riding principle in conflict of interest cases.

[38] Part of the Defendants' defence in this proceeding is the impugment of the validity of the '975 Patent, for which the application was prepared and filed by the very lawyer whose firm now seeks to invalidate it. A reasonably-informed person could not, in such circumstances, be satisfied that there would be no improper use of confidential information imparted as a result of a solicitor-client relationship. The present circumstances have every appearance of impropriety.

[39] There are no hard-and-fast rules to avoid all potential conflicts of interest. And those rules that do exist are not absolute. As Everitt has received confidential information and could potentially use it to Robbins' disadvantage or the Defendants' advantage, he is automatically disqualified from acting in respect of this proceeding. The Defendants have submitted no evidence that proper safeguards have been put in place to prevent Everitt from disclosing confidential information relating to the Invention or the '975 Application to Kvas or other members of Ridout. It follows that Ridout is tainted by the same conflict of interest. In the interests of the integrity of justice and the solicitor-client relationship, Ridout must accordingly be disqualified as the solicitors for the Defendants in these proceedings.

[40] As for costs of the motion, none will be awarded. The parties agree that the assessed costs of the motion would have been approximately \$5000.00, based on a draft Bill of Costs prepared by Robbins' counsel. Such costs would have been ordered payable by the Defendants to Robbins in light of its substantial success on the motion. However, they are completely off-set by an equivalent amount of costs thrown-away by the Defendants for discovery preparation resulting from Robbins' delay in bringing this motion.

ORDER

THIS COURT ORDERS that:

1. The firm of Ridout & Maybee, LLP is hereby disqualified from acting for the Defendants, Torque Control Systems Ltd. and Andrew Wright, in respect of this proceeding.
2. There shall be no order as to costs on this motion.
3. The firm of Ridout & Maybee, LLP is not disqualified from acting for the Defendants, Torque Control Systems Ltd. and Andrew Wright, for the limited purpose of any appeal to this Order.

“Roger R. Lafrenière”

Prothonotary

FEDERAL COURT

SOLICITORS OF RECORD

DOCKET: T-830-05

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