

Date: 20080417

Docket: T-1001-07

Citation: 2008 FC 488

Ottawa, Ontario, April 17, 2008

PRESENT: The Honourable Mr. Justice O'Keefe

BETWEEN:

SUNCOR ENERGY INC.

Plaintiff

and

**MMD DESIGN AND CONSULTANCY LIMITED
And ALAN POTTS**

Defendants

REASONS FOR ORDER AND ORDER

O'KEEFE J.

[1] This is a motion by MMD Design and Consultancy Limited and Alan Potts (together the defendants or MMD) pursuant to Rule 51 of the *Federal Courts Rules*, S.O.R. 98-106 for the following:

1. An Order allowing this appeal and setting aside the order of Prothonotary Morneau dated September 11, 2007;

2. An Order setting a date for the defendants to file a statement of defence;
3. An Order directing that MMD pay Suncor Energy Inc.'s (the plaintiff) costs of this motion and the previous motion;
4. Such further and other relief as this honourable Court may deem just.

[2] By his order dated September 11, 2007, Prothonotary Morneau ruled that the Court did not have jurisdiction over the cause of action raised by the plaintiff and consequently, he struck out the plaintiff's statement of claim with no right to amend. He also awarded costs to the defendants.

Background

[3] Prothonotary Morneau stated the background in the following terms:

[3] The statement of claim submitted to this Court states that in 2003, Suncor concluded an agreement with, among others, MMD Design, for the latter to develop and build a certain type of equipment to help Suncor develop tar sands. Over the course of the development and eventual trials of this equipment, the employees of MMD Design and Suncor seem to have interacted to a certain extent.

[4] This contact between the employees of the two companies allegedly resulted in MMD Design learning confidential information regarding another type of technology that Suncor employees were developing concurrently, technology that would eventually make the equipment or technology being developed by MMD Design for Suncor's project obsolete.

[5] On the basis of the confidential information and trade secrets that it had elicited, MMD Design allegedly filed a patent application covering precisely the invention being perfected concurrently by Suncor's employees.

[6] Angered by MMD Design's action, Suncor commenced two legal proceedings on June 1, 2007, namely, this case before the Federal Court (the Federal Court proceedings) and the Alberta proceedings.

[7] In paragraph 1 of its statement of claim to the Federal Court, Suncor seeks a declaration to the effect that it, and not MMD Design, is the owner of the invention at issue and asks this Court to order that the records of the Patent Office be varied accordingly and that Suncor's employees be identified in the records as the true inventors.

[8] Reproduced below is the text of paragraphs 1a. and b., which I consider sufficient for our purposes, of the statement of claim in the Federal Court proceedings:

1. The Plaintiff claims:

a. A declaration that the plaintiff Suncor Energy Inc. is the owner of the subject matter described and claimed in Canadian Patent Application No. 2,558,059;

b. An order pursuant to s. 52 of the *Patent Act*, R.S.C. 1985, c. P-4, as amended, directing that the records of the Patent Office relating to Canadian Patent Application No. 2,558,059 be varied to:

i. strike the current listed owner and applicant, and identify the plaintiff Suncor Energy Inc. as the sole owner and applicant; and

ii. strike the current listed inventor and identify Brad Bjornson, Doug Cox, Paul MacDougall and Garth Booker as inventors.

[9] It is worth noting at the outset that in the Alberta proceedings, in addition to various types of damages sought from the defendants, including MMD Design, Suncor is also seeking a declaration of ownership of the invention. The statement of claim in the Alberta proceedings contains the following claims to that effect:

a. A declaration that Suncor is the owner of, and that Suncor's employees are inventors of, the subject matter disclosed and claimed in, the following:

- i. Canadian Patent Application No. 2,558,059;
- ii. the foreign patent applications from which Canadian Patent Application No. 2,558,059 claims priority; and
- iii. all patent applications or corresponding patents, in all jurisdictions, derived from the above priority applications and/or the PCT application filed as Canadian Patent Application No. 2,558,059;

...

e. In the alternative, if this Honourable Court does not issue a declaration that Suncor is the owner of the subject matter described and claimed in Canadian Patent Application No. 2,558,059, an order that Suncor be declared a co-applicant of the patent application or, in the further alternative, that the application be declared invalid and void.

Issue

[4] Does this Court have jurisdiction to grant the relief requested?

Analysis and Decision

[5] The Federal Court of Appeal in *Merck & Co. v. Apotex Inc.* (2003), 30 C.P.R. (4th) 40 at paragraphs 17 to 19 stated:

17 This Court, in *Canada v. Aqua-Gem Investment Ltd.* [1993] 2 F.C. 425 (F.C.A.), set out the standard of review to be applied to discretionary orders of prothonotaries in the following terms:

[...] Following in particular Lord Wright in *Evans v. Bartlam*, [1937] A.C. 473 (H.L.) at page 484, and Lacourcière J.A. in *Stoicovski v. Casement* (1983), 43

O.R. (2d) 436 (Div. Ct.), discretionary orders of prothonotaries ought not to be disturbed on appeal to a judge unless:

(a) they are clearly wrong, in the sense that the exercise of discretion by the prothonotary was based upon a wrong principle or upon a misapprehension of the facts, or

(b) they raise questions vital to the final issue of the case.

Where such discretionary orders are clearly wrong in that the prothonotary has fallen into error of law (a concept in which I include a discretion based upon a wrong principle or upon a misapprehension of the facts), or where they raise questions vital to the final issue of the case, a judge ought to exercise his own discretion *de novo*.

18 MacGuigan J.A. went on, at pp. 464-465, to explain that whether a question was vital to the final issue of the case was to be determined without regard to the actual answer given by the prothonotary:

[...] It seems to me that a decision which can thus be either interlocutory or final depending on how it is decided, even if interlocutory because of the result, must nevertheless be considered vital to the final resolution of the case. Another way of putting the matter would be to say that for the test as to relevance to the final issue of the case, the issue to be decided should be looked to before the question is answered by the prothonotary, whereas that as to whether it is interlocutory or final (which is purely a pro forma matter) should be put after the prothonotary's decision. Any other approach, it seems to me, would reduce the more substantial question of "vital to the issue of the case" to the merely procedural issue of interlocutory or final, and preserve all interlocutory rulings from attack (except in relation to errors of law).

This is why, I suspect, he uses the words "they (being the orders) raise questions vital to the final issue of the case", rather than "they (being the orders) are vital to the final issue of the case". The emphasis is put on the subject of the orders, not on their effect. In a case such as the present one, the question to be asked is whether the proposed amendments are vital in themselves, whether they be allowed or not. If they are vital, the judge must exercise his or her discretion *de novo*.

19 To avoid the confusion which we have seen from time to time arising from the wording used by MacGuigan J.A., I think it is appropriate to slightly reformulate the test for the standard of review. I will use the occasion to reverse the sequence of the propositions as originally set out, for the practical reason that a judge should logically determine first whether the questions are vital to the final issue: it is only when they are not that the judge effectively needs to engage in the process of determining whether the orders are clearly wrong. The test would now read:

Discretionary orders of prothonotaries ought not be disturbed on appeal to a judge unless:

- a) the questions raised in the motion are vital to the final issue of the case, or
- b) the orders are clearly wrong, in the sense that the exercise of discretion by the prothonotary was based upon a wrong principle or upon a misapprehension of the facts.

[6] I am of the opinion that the issue raised in this appeal is vital to the final issue of the case as the result of the order was that the statement of claim was struck out and the claim dismissed. I must therefore exercise my discretion *de novo*.

[7] In paragraph 1a of its statement of claim, the plaintiff seeks:

a. A declaration that the plaintiff Suncor Energy Inc. is the owner of the subject matter described and claimed in Canadian Patent Application No. 2,558,059; . . .

[8] The Federal Court of Appeal in *Cellcor Corp. of Canada Ltd. et. al. v. Kotacka* (1977), 27 C.P.R. (2d) 68 reviewed what is now section 52 of the *Patent Act*, R.S.C. 1985, c. P-4 (the Act) and made the following statement at paragraphs 10 and 11:

10 The respondent's contention is, in my view, ill-founded. Assuming that the declaration sought in this action is a remedy respecting a patent of invention, within the meaning of section 20, I am nevertheless of opinion that, in the circumstances of this case, it is not a relief that the Federal Court has power to grant because I agree with the appellants' view that there is no legal basis for it. Under the *Patent Act*, the official who must first decide whether a patent may issue to an applicant is the Commissioner. The Act does not empower the Courts to give him directions on the decision he should reach; it is only if he is alleged to have made a wrong decision that, under the statute, the Courts may be seized of the matter. In my view, it would be contrary to the scheme of the *Patent Act* for the Courts to assume the power, in a case like the present one, to make the declaration sought. In my opinion, the power of the Court, under Rule 1723, to make "binding declarations of right" cannot be exercised in respect of letters patent of invention when its exercise is not expressly or impliedly contemplated by the *Patent Act* or another statute within the legislative jurisdiction of Parliament.

11 I know that my conclusion may be difficult to reconcile with the statement made by Mr. Justice Rinfret (as he then was) at page 250 of his reasons for judgment in *Kellogg Company v. Kellogg*, [1941] S.C.R. 242. However, I find that statement equally difficult to reconcile with the subsequent decision of the Supreme Court in *Radio Corporation of America v. Philco Corporation (Delaware)*, [1966] S.C.R. 296.

[9] In *Cellcor*, above the factual background was stated by Mr. Justice Pratte of the Federal Court of Appeal as follows at paragraph 4:

The allegations of the statement of claim may be easily summarized. In December 1973, the plaintiff (respondent in this appeal) made an invention which, shortly afterwards, was disclosed confidentially to the defendant Hughes. In spite of the fact that the invention was clearly the property of the plaintiff, Hughes falsely represented himself as the inventor and caused an application for letters patent to be filed in the United States, which application he assigned to his co-defendant Cellcor Corporation of Canada Limited. The defendants "have prepared and filed, or in the alternative intend to prepare and file an application or applications for patent in Canada corresponding to the United States application ...". Hughes has also, in his personal capacity as well as on behalf of his two co-defendants, entered into negotiations with third parties offering to grant licences in respect of the invention. The prayer for relief reads as follows:

THE PLAINTIFF THEREFORE CLAIMS:

(a) a declaration that as between the parties the Plaintiff is the inventor of the subject matter of the inventions relating to a process and apparatus for producing a new product useful in the formulation of paints and in other applications and in particular is the inventor of the subject matter of United States Patent Application No. 439,715 filed by or on behalf of the Defendant Hughes and the person entitled to apply for and obtain letters patent therefor in Canada; . . .

[10] The plaintiff submitted that the *Cellcor* case could be distinguished from the present case in that there were no patent entries at issue in *Cellcor*, above. I do not accept this argument. The Federal Court of Appeal clearly stated in *Cellcor*, above that the proper person to decide whether the patent should issue to the defendant was the Commissioner. In the present case, that has not yet been done. It may be that should the Commissioner make a wrong decision under the Act, this Court may become seized of the matter.

[11] The Prothonotary was correct in holding that this Court has no jurisdiction to make a preliminary decision as to the ownership of the invention. I reach the same conclusion.

[12] As noted earlier, the plaintiff also claims the following relief:

b. An order pursuant to s. 52 of the *Patent Act*, R.S.C. 1985, c. P-4, as amended, directing that the records of the Patent Office relating to Canadian Patent Application No. 2,558,059 be varied to:

i. strike the current listed owner and applicant, and identify the plaintiff Suncor Energy Inc. as the sole owner and applicant; and

ii. strike the current listed inventor and identify Brad Bjornson, Doug Cox, Paul MacDougall and Garth Booker as inventors.

[13] Prothonotary Morneau held that based on the facts of this case, the requested relief could not be granted pursuant to section 52 of the Act. In reaching this conclusion, the Prothonotary relied on the following sections of the Act:

49.(1) A patent may be granted to any person to whom an inventor, entitled under this Act to obtain a patent, has assigned in writing or bequeathed by his last will his right to obtain it, and, in the absence of an assignment or bequest, the patent may be granted to the personal representatives of the estate of the deceased inventor.

(2) Where an applicant for a patent has, after filing the application, assigned his right to obtain the patent, or where the applicant has either before or after filing the application assigned in writing the whole or part of his property or interest in the invention, the assignee

49.(1) Un brevet peut être concédé à toute personne à qui un inventeur, ayant aux termes de la présente loi droit d'obtenir un brevet, a cédé par écrit ou légué par son dernier testament son droit de l'obtenir. En l'absence d'une telle cession ou d'un tel legs, le brevet peut être concédé aux représentants personnels de la succession d'un inventeur décédé.

(2) Si le demandeur d'un brevet a, après le dépôt de sa demande, cédé son droit d'obtenir le brevet, ou s'il a, avant ou après le dépôt de celle-ci, cédé par écrit tout ou partie de son droit de propriété sur l'invention, ou de son intérêt dans l'invention, le cessionnaire peut faire

may register the assignment in the Patent Office in such manner as may be determined by the Commissioner, and no application for a patent may be withdrawn without the consent in writing of every such registered assignee.

(3) No assignment shall be registered in the Patent Office unless it is accompanied by the affidavit of a subscribing witness or established by other proof to the satisfaction of the Commissioner that the assignment has been signed and executed by the assignor.

50.(1) Every patent issued for an invention is assignable in law, either as to the whole interest or as to any part thereof, by an instrument in writing.

(2) Every assignment of a patent, and every grant and conveyance of any exclusive right to make and use and to grant to others the right to make and use the invention patented, within and throughout Canada or any part thereof, shall be registered in the Patent Office in the manner determined by the Commissioner.

(3) No assignment, grant or conveyance shall be registered in the Patent Office unless it is accompanied by the affidavit of a subscribing witness or established by other proof to the

enregistrer cette cession au Bureau des brevets, en la forme fixée par le commissaire; aucune demande de brevet ne peut dès lors être retirée sans le consentement écrit de ce cessionnaire.

(3) La cession ne peut être enregistrée au Bureau des brevets à moins d'être accompagnée de l'affidavit d'un témoin attestant, ou à moins qu'il ne soit établi par une autre preuve à la satisfaction du commissaire, que cette cession a été signée et souscrite par le cédant.

50.(1) Tout brevet délivré pour une invention est cessible en droit, soit pour la totalité, soit pour une partie de l'intérêt, au moyen d'un acte par écrit.

(2) Toute cession de brevet et tout acte de concession ou translatif du droit exclusif d'exécuter et d'exploiter l'invention brevetée partout au Canada et de concéder un tel droit à des tiers sont enregistrés au Bureau des brevets selon ce que le commissaire établit.

(3) L'acte de cession, de concession ou de transport ne peut être enregistré au Bureau des brevets à moins d'être accompagné de l'affidavit d'un témoin attestant, ou à moins

satisfaction of the Commissioner that the assignment, grant or conveyance has been signed and executed by the assignor and by every other party thereto.

qu'il ne soit établi par une autre preuve à la satisfaction du commissaire, qu'un tel acte de cession, de concession ou de transport a été signé et souscrit par le cédant et aussi par chacune des autres parties à l'acte.

51. Every assignment affecting a patent for invention, whether it is one referred to in section 49 or 50, is void against any subsequent assignee, unless the assignment is registered as prescribed by those sections, before the registration of the instrument under which the subsequent assignee claims.

51. Toute cession en vertu des articles 49 ou 50 est nulle et de nul effet à l'égard d'un cessionnaire subséquent, à moins que l'acte de cession n'ait été enregistré, aux termes de ces articles, avant l'enregistrement de l'acte sur lequel ce cessionnaire subséquent fonde sa réclamation.

52. The Federal Court has jurisdiction, on the application of the Commissioner or of any person interested, to order that any entry in the records of the Patent Office relating to the title to a patent be varied or expunged.

52. La Cour fédérale est compétente, sur la demande du commissaire ou de toute personne intéressée, pour ordonner que toute inscription dans les registres du Bureau des brevets concernant le titre à un brevet soit modifiée ou radiée.

[14] The plaintiff submitted that section 52 was broad enough to give the Court jurisdiction to strike the current listed owner and applicant and identify the plaintiff as sole owner and applicant, and to strike the current listed inventor and substitute others as the inventors.

[15] The plaintiff relied on the decision in *Love v. Claveau*, [1990] F.R.C. 64 (F.C.T.D) to state that section 52 of the Act gives this Court jurisdiction to grant the relief requested in paragraph 1b

of the claim. The case of *Love*, above dealt with the propriety of an assignment document filed with the Canadian Patent Office.

[16] I have reviewed the statement of claim and it appears that the allegations concern the alleged misuse and misappropriation of confidential information in order to apply for the patent. In fact, the heading in the statement of claim just before paragraph 17 states “MMD’s MISUSE OF SUNCOR CONFIDENTIAL INFORMATION”.

[17] In *R.W. Blacktop Ltd. et. al. v. Artec Equipment Co. et. al.* (1991), 39 C.P.R. (3d) 432 (F.C.T.D.), Mr. Justice Rouleau stated at page 439:

In the present case, this is an action for infringement of the plaintiffs’ patent. The plaintiffs’ allegations relating to breach of contract and breach of fiduciary duty, are not advanced for the purpose of establishing infringement. The subject matter of the plaintiffs’ allegations does not incidentally refer to certain contracts between the parties. Rather, these claims are advanced for the sole purpose of establishing that there was a breach of these contracts. These allegations are not incidental to the cause of action such as to confer jurisdiction on this court per *Kellogg, supra*.

[18] The present case also concerns who should become the proper owner of the patent. In *Axia Inc. v. Northstar Tool Corporation* (2005), 39 C.P.R. (4th) 299 (F.C.), Mr. Justice Von Finckenstein stated at page 304:

Second, the question to be decided involves the ownership of patents. To determine that ownership, the various contractual documents between the parties need to be interpreted. Their interpretation will determine the ownership. This is a matter of property and civil rights, with the patents being merely the item the ownership of which is in dispute. Clearly, the patent aspect is secondary to the ownership.

[19] In my view, the present case deals with who will become the owner of the patent which is ultimately issued by the Commissioner and the alleged misuse and misappropriation of confidential information. The case is not about what patent will issue. Consequently, I am of the opinion that based on the facts of this case, this Court does not have jurisdiction to deal with the relief requested in paragraph 1b of the claim. The application must first be dealt with by the Commissioner.

[20] My conclusion is fortified by the remarks of Mr. Justice Pratte for the Court in *Cellcor*, above at page 74:

[. . .] Under the *Patent Act*, the official who must first decide whether a patent may issue to an applicant is the Commissioner. The Act does not empower the Courts to give him directions on the decision he should reach; it is only if he is alleged to have made a wrong decision that, under the statute, the Courts may be seized of the matter. [. . .]

(Emphasis Added)

[21] The decision in *Love*, above deals with a debate over whether the Commissioner should have decided to accept the assignment in question and as such, section 52 of the Act would apply so as to give this Court jurisdiction.

[22] As I am of the opinion that the Court does not have jurisdiction to grant the relief claimed in paragraph 1b of the claim; Prothonotary Morneau made no error in his decision. The motion of the plaintiff is dismissed with costs to the defendants.

ORDER

[23] **IT IS ORDERED that** the plaintiff's motion is dismissed with costs to the defendants.

"John A. O'Keefe"

Judge

FEDERAL COURT
SOLICITORS OF RECORD

DOCKET: T-1001-07

STYLE OF CAUSE: SUNCOR ENERGY INC.

- and -

MMD DESIGN AND CONSULTANCY LIMITED
and ALAN POTTS

PLACE OF HEARING: Toronto, Ontario

DATE OF HEARING: October 22, 2007

**REASONS FOR ORDER
AND ORDER OF:** O'KEEFE J.

DATED: April 17, 2008

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