

Federal Court of Appeal



Cour d'appel fédérale

Date: 20210325

Docket: A-269-20

Citation: 2021 FCA 63

**CORAM: WEBB J.A.
RENNIE J.A.
DE MONTIGNY J.A.**

BETWEEN:

**GOOGLE CANADA CORPORATION,
GOOGLE LLC, AND ALPHABET INC.**

Appellants

and

PAID SEARCH ENGINE TOOLS, LLC

Respondent

Heard by online video conference hosted by the Registry on March 17, 2021.

Judgment delivered at Ottawa, Ontario, on March 25, 2021.

REASONS FOR JUDGMENT BY:

DE MONTIGNY J.A.

CONCURRED IN BY:

**WEBB J.A.
RENNIE J.A.**

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REASONS FOR JUDGMENT

DE MONTIGNY J.A.

[1] The appellants, Google Canada Corporation, Google LLC and Alphabet Inc. (Google) appeal from the Order and Reasons of Justice McVeigh (the Motion Judge) of the Federal Court dated October 22, 2020 whereby their motion seeking an order directing the determination of a question of law pursuant to Rule 220(1)(a) of the *Federal Courts Rules*, SOR/98-106 (the Rules) was dismissed.

[2] The underlying proceeding is an action by the respondent Paid Search Engine Tools, LLC (PSET) commenced on January 12, 2018 and seeking remedies under the *Patent Act*, R.S.C. 1985, c. P-4 (the Patent Act) for alleged acts of infringement of Canadian Patent No. 2,415,167 (the '167 Patent) dating back to 2002, the year the '167 Patent application was published. The '167 Patent did not issue until 2017.

[3] Subsection 55(2) of the Patent Act provides for liability for damage sustained before a patent is granted, commencing from the date that the patent is published. Subsection 55(4) adds that pre-grant conduct is deemed to be an act of infringement of the patent.

[4] In their Statement of Defence and Counterclaim, the appellants pled that the respondent was not entitled to any remedy for any act of infringement occurring on or before January 12, 2012, that is six years prior to the filing of the action for infringement. They relied for that proposition on section 55.01 of the Patent Act, which reads as follows:

Limitation

55.01 No remedy may be awarded for an act of infringement committed more than six years before the commencement of the action for infringement.

Prescription

55.01 Tout recours visant un acte de contrefaçon se prescrit à compter de six ans de la commission de celui-ci.

[5] In its Reply and Defence to Counterclaim, the respondent denied that the limitation period disentitles it to the claimed remedies. Google then brought, a year and a half later, a motion under Rule 220(1)(a) of the Rules requesting a preliminary determination of the following purported question of law:

Does the six-year limitation in section 55.01 of the *Patent Act* apply to a claim for “reasonable compensation” for “any damage sustained” pursuant to section 55(2) of the *Patent Act* such that in the present action no remedy, including no reasonable compensation, may be awarded for any act of infringement committed prior to January 12, 2012?

[6] Pursuant to Rule 220(1)(a), the Court must first determine whether it is appropriate, in the specific circumstances of the case, for the proposed question to be addressed in a preliminary motion before trial. It is only when the Court answers that question affirmatively that it proceeds to the second stage to determine the legal question as set out and approved by the Court at the first stage. This two-step process is sometimes collapsed when the parties agree on the legal question(s) to be put to the Court: see, for example, *Rogers Communications Partnership v. Society of Composers, Authors and Music Publishers of Canada (SOCAN)*, 2016 FCA 28, 480 N.R. 325 at paras. 42 and 48 [*Rogers*]. In the case at bar, there was no such agreement between the parties and it was therefore incumbent on the party seeking a preliminary determination of a question of law to first bring a motion to this effect. Indeed, the Notice of Motion of Google before the Federal Court was for an Order “authorizing the Defendants to seek a determination” of the question quoted above.

[7] Since Rule 220(1)(a) only contemplates the determination of questions of law, the proposed questions put to the Court must satisfy the following three requirements: 1) that there is no dispute as to any fact material to the question of law to be determined; 2) that what is to be determined is a pure question of law; and 3) that its determination will be conclusive of a matter in dispute so as to eliminate the necessity of a trial or, at least, shorten or expedite the trial: see, for example, *Berneche v. Canada*, [1991] 3 F.C. 383, 133 N.R. 232 (C.A.) at para. 6, quoted with

approval in *Rogers* at para. 43. This last requirement is meant to ensure that the proposed question is not purely academic and is likely to dispose, in whole or in part, of the litigation.

[8] It is worth pointing out that the determination of a question of law prior to the trial is a departure from the general rule according to which the whole of the case must be heard and determined all at once. As a result, the Court always retains its discretion not to grant a Rule 220(1)(a) motion, even when the question to be dealt with is a pure question of law, if it is not satisfied that the adoption of this exceptional course of action will save time and expense. Indeed, to quote from Justice Létourneau in *Perera v. Canada*, [1998] 3 F.C. 381, 225 N.R. 162 at paragraph 15 [*Perera*], “the Court must take into consideration all the circumstances of the case which, in its view, militate in favour or against the granting of the motion”.

[9] Applying these principles, the Court below found that Google’s proposed question was not a pure question of law. In coming to that conclusion, the Motion Judge essentially ruled that the discoverability principle applies to the limitation period set forth in section 55.01 of the Patent Act, as a result of which Google’s proposed question cannot be a pure question of law. Indeed, under that approach to section 55.01, facts relevant to PSET’s knowledge of the infringement and crystallization of its cause of action would need to be assessed. In the same vein, the Motion Judge also held that the answer to the proposed question would not be conclusive of the legal issue; having found that the discoverability principle applies to the limitation set forth at section 55.01, the Court would necessarily have to determine how the limitation applies to the particular facts of the case. Finally, the Federal Court held that the

determination of the proposed question would not save time and money for a variety of reasons, which are discussed more thoroughly below.

[10] On appeal, Google took the position that the Motion Judge erred in finding that the discoverability principle applies to the limitation set out in section 55.01 of the Patent Act. Because of that alleged error, the Federal Court would have mistakenly found that the proposed question was not a pure question of law and that there would be no savings in time and money if the question were determined before trial, which is set to commence in June 2021.

[11] For the reasons that follow, I am of the view that we need not decide whether the limitation period is subject to the discoverability principle. As previously mentioned, the only question to be determined at the first stage of a Rule 220(1)(a) motion is whether the proposed question can be appropriately determined before trial. Possibly because of the extensive arguments presented by counsel from both sides on the substantive issue raised by the proposed question, the Motion Judge effectively addressed that question and answered it. For all intents and purposes, she collapsed the two stages of the process and went beyond the relief sought in the motion that was before her. In so doing, I am of the respectful view that she erred.

[12] Before us, the same confusion permeated the written representations. Counsel argued at length on the proper interpretation to be given to section 55.01 of the Patent Act, while also debating whether the Court below committed a reviewable error in dismissing the appellants' motion to have its proposed question determined as a question of law before trial in accordance with Rule 220(1)(a). After much probing from the Court at the hearing, counsel for the

appellants acknowledged that the only remedy that this Court could provide if it allowed the appeal, pursuant to subparagraph 52(b)(i) of the *Federal Courts Act*, R.S.C., 1985, c. F-7, was to grant the Order that the Federal Court should have granted and therefore direct the determination of the proposed question (or of a revised version thereof). This is indeed consistent with the Order sought both in the Notice of Appeal and in the Memorandum of Fact and Law of the appellants. As a result, I wish to express no view as to the substance of the legal question raised by the appellants on their motion, and these reasons should not be taken as an endorsement of the views expressed by the Motion Judge as to the application of the discoverability principle in the context of section 55.01 of the Patent Act.

[13] Turning then to the gist of this appeal, the question to be answered is relatively simple: Did the Motion Judge err in dismissing the appellants' motion? To answer that question, I must be guided by the requirements deriving from Rule 220(1)(a) and by the principles elaborated in the case law. More particularly, I must assess whether the Federal Court erred in concluding that the proposed question is not a pure question of law, and in finding that in any event its determination would not be conclusive of the action and would not save time and money.

[14] As this Court stated in *Hospira Healthcare Corporation v. Kennedy Institute of Rheumatology*, 2016 FCA 215, [2017] 1 F.C.R. 331, the applicable standard of review on appeal of discretionary orders by motion judges is that described by the Supreme Court in *Housen v. Nikolaisen*, 2002 SCC 33, [2002] 2 S.C.R. 235. Accordingly, questions of law must be reviewed on a standard of correctness, whereas questions of fact and questions of mixed fact and law, absent an extricable legal principle, are subject to the palpable and overriding error standard.

[15] There is no doubt in my mind that if the proposed question had proceeded to the second stage, the applicable standard of review could only have been correctness. By definition, only questions of law can be determined by the Court before trial. At the first stage of a Rule 220(1)(a) motion, however, the issue is not the determination of the proposed question but rather whether that question can properly be the subject of a pre-trial determination. To answer that question, the judge must apply the law to the question put to him or her, in the factual context of the case. These issues are best characterized as questions of mixed fact and law. As such, they are reviewable on the standard of palpable and overriding error. There is no suggestion that the Motion Judge misdirected herself with respect to the law governing the motion before her or committed any extricable error of law.

[16] I am prepared to accept that the proposed question by the appellants to the Motion Judge was a pure question of law. Whether the discoverability principle applies to the limitation period set forth at section 55.01 of the Patent Act is clearly a question that can be answered on the basis of legal reasoning alone and that is not predicated on the assessment of facts. Further, previous decisions have held that the application of a limitation period is a question of law that is suitable for determination before trial: see, for example, *Zolotow v. Canada (Attorney General)*, 2011 FC 816, 393 F.T.R. 182; *Bentley v. Canada (Employment Insurance Commission)*, [2000] 4 F.C. D-29, 2000 CanLII 15758, aff'd 2002 FCA 49; *Dow Chemical Company v. Agnew*, 1991 CanLII 4102 (NB CA), 116 N.B.R. (2d) 1. As a matter of fact, I note that the Motion Judge dealt with the proposed question, and answered it on the sole basis of her discussion of the relevant case law and the wording of the Patent Act.

[17] It is only once the proposed question is resolved the way the Motion Judge actually resolved it, namely by endorsing the application of the discoverability principle to the limitation set forth at section 55.01, that the disputed facts relating to PSET's knowledge of the patent infringements become relevant. However, at the risk of repeating myself, this is not the determination that the Motion Judge was asked to make. At the first stage of a Rule 220(1)(a) motion, the only order that is sought is for an authorization to have a proposed question determined before trial.

[18] Accordingly, I am of the view that the Motion Judge erred in dismissing Google's motion on the basis that its proposed question did not constitute a pure question of law. This is not sufficient, however, for Google to succeed on their appeal. As stated above, the Court always has the discretion not to grant a Rule 220(1)(a) motion, even when the question to be dealt with is a pure question of law, if it is of the view that it would not be appropriate in light of all the circumstances of the case.

[19] In the case at bar, the Motion Judge considered the overall context and concluded that stating Google's proposed question for determination would not save time and expense. To reach this conclusion, she went through the six factors analyzed by the Federal Court in *Apotex Inc. v. Pfizer Ireland Pharmaceuticals*, 2012 FC 1301, 105 CPR (4th) 81, which are for the most part unrelated to the discoverability issue. These factors, as transposed to the present case, are the following:

- i) The parties did not agree on the phrasing of the question for determination;
- ii) The litigation will continue regardless of the answer to the proposed question;

- iii) Google has offered no evidence to the effect that answering the proposed question will save time and expense;
- iv) The question is both difficult and important;
- v) Having determined that the discoverability principle applies to section 55.01, it is preferable that the question not be answered in a vacuum; and
- vi) Considering that the trial is set to commence in June 2021, it is quite likely that no time or expense will be saved if the question is determined before trial. Moreover, it is likely that the party losing the Rule 220 motion will appeal, thereby affecting any potential time savings.

[20] Google acknowledges that the Court's determination as to whether the determination of a proposed question would save time and money is a question of mixed fact and law reviewable on the standard of palpable and overriding error, and yet made very few arguments susceptible to convince this Court to intervene.

[21] Google first advances in its Memorandum an argument about the changing nature of its product and, presumably, the complexity that would be involved in assessing the various iterations of its product if the relevant period for the alleged infringements goes back to January 2002. The problem with this argument is that it was not made in the Court below, in addition to not being supported by the record before us. That being the case, I fail to see how it can be of any assistance to Google in its quest to have the Motion Judge's decision overturned.

[22] Google further argues that the elimination of 10 years of infringement analysis and remedy calculations will save both the Court and the parties' time and money; in its view, this is self-evident and the Court should not have required evidence to support that proposition.

However, I agree with the Motion Judge (at paragraph 39 of her Reasons) that the moving party must do more than baldly assert savings in time and money. They should also provide evidence to support the amount of time and money that would potentially be saved.

[23] PSET vigorously disputes Google's contention, pointing out that experts would need to look at Google's financials statements from 2002 to present, regardless of the limitation period, to assess royalties. I agree that when reasonable compensation is claimed under subsection 55(2) of the Patent Act, the remedy is often in terms of reasonable royalty, itself quantified through an exercise of "hypothetical negotiation" aimed at determining the terms the parties would have agreed to had they decided to negotiate a licence: see, for example, *Jay-Lor International Inc. v. Penta Farm Systems Ltd.*, 2007 FC 358, 313 F.T.R. 1 at para. 120; *Seedlings Life Science Ventures, LLC v. Pfizer Canada ULC*, 2020 FC 1 at paras. 218-219. Moreover, there is no evidence that the infringement pattern has changed since 2002, such that what took place before 2012 could be relevant to rule on the infringement action. It is therefore far from clear that the determination of Google's proposed question, even if it were found in their favour, would result in a significant reduction of the length or complexity of the trial.

[24] Finally, Google contends that the Motion Judge erred in stressing that either party would likely appeal the result of the Rule 220(1)(a) motion, with the consequence that there would be no saving of time. According to Google, it is not appropriate for courts to punish a moving party

based on the mere speculation that there could be an appeal. Google cites no authority for that proposition, and as a matter of fact, courts routinely consider the possibility of an appeal as a factor in the exercise of their discretion pursuant to Rule 220(1)(a): see, for example, *Apotex Inc. v. Merck & Co.*, 2005 FC 1452, 282 F.T.R. 150 at paras. 18-19; *Perera* at para. 20; *Teva Canada Innovation v. Pharmascience Inc.*, 2019 FC 1394 at para. 20.

[25] On the basis of the foregoing, I am therefore of the view that the Motion Judge made no palpable and overriding error in the exercise of the discretion that Rule 220(1)(a) confers on her. She considered all the circumstances of the case and concluded that they strongly favoured refusing Google's motion. Not all legal questions need to be answered prior to trial and it was open to the Motion Judge to conclude, on the basis of the record, that answering the question would not save time and expense. I have not been convinced this analysis should be set aside because it is fatally flawed.

[26] If anything, the decision of the Motion Judge makes even more sense today than it did five months ago. The trial is set to begin in less than three months, examinations for discovery are complete, and expert reports (both in-chief and in response) appear to have been filed. It is clear that returning this file to the Federal Court for a decision on the proposed question would only delay the trial. In those circumstances, the better course of action is clearly to let the trial proceed and leave it to the trial judge to adjudicate the limitation issue raised by Google, including the discoverability issue, with a full record. As this question involves an examination of the statute itself, it should thus only be answered following an examination of the provision's

text, context, and purpose (*Rizzo & Rizzo Shoes Ltd., Re*, [1998] 1 S.C.R. 27, 154 D.L.R. (4th) 193 at para. 21).

[27] For all of the foregoing reasons, I would dismiss the appeal, with costs.

"Yves de Montigny"

J.A.

"I agree
Wyman W. Webb J.A."

"I agree
Donald J. Rennie J.A."

FEDERAL COURT OF APPEAL

NAMES OF COUNSEL AND SOLICITORS OF RECORD

DOCKET: A-269-20

STYLE OF CAUSE: GOOGLE CANADA
CORPORATION, GOOGLE LLC,
AND ALPHABET INC. v. PAID
SEARCH ENGINE TOOLS, LLC

PLACE OF HEARING: HEARD BY ONLINE VIDEO
CONFERENCE HOSTED BY
THE REGISTRY

DATE OF HEARING: MARCH 17, 2021

REASONS FOR JUDGMENT BY: DE MONTIGNY J.A.

CONCURRED IN BY: WEBB J.A.
RENNIE J.A.

DATED: MARCH 25, 2021

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