

Federal Court



Cour fédérale

**Date: 20171208**

**Docket: T-632-05**

**Citation: 2017 FC 1119**

**Ottawa, Ontario, December 8, 2017**

**PRESENT: The Honourable Madam Justice Kane**

**BETWEEN:**

**ALPHA MARATHON TECHNOLOGIES INC.**

**Plaintiff**

**and**

**DUAL SPIRAL SYSTEMS INC. AND  
RAFAEL J. CASTILLO**

**Defendants**

**ORDER AND REASONS**

[1] The Defendants, Dual Spiral Systems Inc. [DSS] and Rafael Castillo [Castillo] seek an Order, pursuant to Rule 221 of the *Federal Courts Rules*, SOR/98-106 [*Federal Courts Rules*] to strike the Plaintiff's Statement of Claim and dismiss the Plaintiff's action. The Defendants submit that this Court is without jurisdiction to determine this action, which is about the ownership of an invention that is not patented in Canada and is based primarily on a contractual dispute.

[2] The Defendants also seek an Order pursuant to Rule 118 to dismiss the action because of the Plaintiff's failure to notify the Defendants of a transmission of interest in this litigation arising from the evolution in ownership and status of the Plaintiff, as required by Rule 117 of the *Federal Courts Rules*.

[3] Alternatively, in the event that the action is not dismissed, the Defendants seek an Order pursuant to Rule 416 requiring the Plaintiff to provide security for the Defendants' costs in the trial of the action.

I. Overview

[4] The Plaintiff's claim involves a dispute over the ownership of an invention that was patented by the Defendant, Castillo, in the United States. The Plaintiff claims to be a co-inventor of the invention due to the contractual relationship with the DSS and/or an employment relationship with Castillo. The Plaintiff also claims that its former principal, Alfredo Bentivoglio [Bentivoglio], "invented and/or discovered" the invention at issue, "together with" Castillo. In its Statement of Claim, the Plaintiff seeks declaratory and injunctive relief with respect to the invention claimed in the US Patent Application.

[5] The Plaintiff argues that because the claims relate to an invention made in Canada and by Canadians this Court has jurisdiction pursuant to subsection 20(2) of the *Federal Courts Act*, RSC 1985 c F7 [*Federal Courts Act*], which provides concurrent jurisdiction where the remedy sought is in law or equity with respect to "any patent of invention". The Plaintiff further argues that there is a body of federal common law regarding inventorship and patents that applies.

[6] For the more detailed reasons that follow, I find that the Plaintiff has not established that this Court has jurisdiction to determine its action. The test established in *International Terminal Operators Ltd. v Miida Electronics*, [1986] 1 SCR 752, 28 DLR (4<sup>th</sup>) 741 [*ITO*, or the *ITO* test], and more recently explained and applied in *Windsor (City) v Canadian Transit Co*, 2016 SCC 54, [2016] 2 SCR 617 [*City of Windsor*], which first requires that there is a statutory grant of jurisdiction to the Federal Court, has not been met.

[7] The Plaintiff has not pointed the Court to any jurisprudence where this Court has found jurisdiction based on subsection 20(2) to grant relief regarding an invention that has not been patented in Canada, or that is not subject to any pending patent application in Canada, or with respect to an invention patented in another country.

[8] Even if subsection 20(2) could be interpreted to provide a statutory grant of jurisdiction, the other aspects of the *ITO* test are not met. In addition, the dispute is primarily based on a contractual dispute and/or a disputed employer-employee relationship, not on principles or concepts of inventorship. In order to resolve this dispute, the Court would first be required to interpret the contractual documents and other evidence that the parties might adduce regarding their agreements. It does not appear that the common law regarding inventions or patent law, even if applicable, would be essential to the determination of the claims.

[9] The parties have been engaged in this litigation since 2005, although it appears that the Plaintiff's pursuit of its action has not been rigorous or consistent. Both parties acknowledge that they participated – off and on – in settlement discussions, without success. Regardless of the

passage of time or their earlier apparent assumption that the Federal Court had the jurisdiction to determine the Plaintiff's cause of action, the parties cannot attorn to the jurisdiction of the Court where the jurisdiction does not exist. The Defendants' delay in bringing this motion is curious given that both parties were represented by Counsel for most of the relevant period of the litigation, albeit with changes in counsel at various times. Ironically, in the Plaintiff's Reply and Defence to the Defendants' Counterclaim, filed on September 2, 2005, the Plaintiff raised, among other issues, the jurisdiction of the Court to address the Defendants' claims that their Trade-mark and Copyright had been infringed. It appears that the Plaintiff did not turn its mind to the jurisdiction of the Court to adjudicate its own action and assumed, with confidence, that it did. Unfortunately, much time and effort has been spent without looking to the fundamental basis of the claim.

[10] Due to this history and the importance of determining the jurisdictional issue, the jurisprudence has been carefully considered as documented in these reasons.

[11] Given my finding that the Defendants' Motion pursuant to Rule 221 will be granted because the Court lacks jurisdiction to determine the Plaintiff's cause of action, there is no need to address the Defendants' alternative relief. However, if I am wrong in finding that the Court lacks jurisdiction, I am not satisfied, based on the limited and conflicting evidence provided regarding the sale, bankruptcy and subsequent revival of the plaintiff corporation, that the action should be dismissed pursuant to Rule 118 as a result of the Plaintiff's alleged failure to provide a notice of transmission of interest as required by Rule 117. I am also not persuaded that an Order

for Security for Costs would be warranted if the trial were to proceed, although this issue could be revisited.

II. Background/Context

[12] The Plaintiff, Alpha Marathon Technologies Inc. purports to be an Ontario Corporation involved in the manufacturing and distribution of plastic molding equipment. According to the Corporate Record submitted by the Plaintiff at the hearing, Domenic Marzano is the President, Director and Secretary of a numbered company which, from 1997 until 2007, was previously known as Alpha Marathon Technologies Inc. The Defendants question the identity and legal status of the Plaintiff for this and other reasons.

[13] The Defendant, DSS is an Ontario Corporation involved in the design and development of plastic wrap production equipment. The Defendant, Castillo, is the principal of DSS.

[14] In or around November, 2000, the parties entered into a business relationship wherein Castillo would provide his research, design, and development services to the Plaintiff in exchange for payment. The Plaintiff alleges that this was an employment relationship. Castillo disputes this and maintains that he was an independent contractor, as clearly set out in the written Collaboration Agreement the parties later entered into.

[15] In addition, in or around August 20, 2001, the Plaintiff retained DSS to provide computer programming and modeling services. This arrangement was related to an Industrial Research

Assistance Program Project, arising out of a contract between Alpha Marathon Technologies Inc. and the National Research Council of Canada [the IRAP Project].

[16] It appears that as a result of work done pursuant to both these arrangements, new technology was invented relating to a “co-extrusion die system” [the Invention]. The Plaintiff alleges that it owns or co-owns the Invention because Castillo was its employee and because DSS acknowledged that all inventions arising out of the IRAP Project would be owned by Alpha Marathon Technologies Inc. The Plaintiff also alleges that its former president, Bentivoglio, “invented and/or discovered” the Invention “together with” the Defendants.

[17] In its Statement of Claim, the Plaintiff states that it intended to apply for a United States Patent respecting the Invention. The Plaintiff alleges that it directed Castillo to act as its representative to instruct a US Patent Agent. However, Castillo instructed the patent agent to list his name alone as the inventor.

[18] The US Patent was ultimately granted (US Patent No. 6,902,385 B2), listing Castillo as the sole inventor. The US Patent is described as a “continuation-in-part” of an earlier patent in which Castillo held a one-third interest along with two other inventors, neither of whom are involved in the present dispute.

[19] The Plaintiff alleges that Castillo ignored or refused its demands to execute an assignment of all the rights under the US Patent to Alpha Marathon Technologies Inc.

[20] In its Statement of Claim, the Plaintiff alleges that it is the owner of all right, title and interest in and to all technologies, discoveries and inventions claimed in the US Patent Application. The Plaintiff seeks the following relief, as well as damages:

- A declaration that Bentivoglio is a co-inventor of technologies, discoveries, and inventions claimed in the US Patent Application;
- A declaration that the Plaintiff is the owner (or, in the alternative, “co-owner”) of all right, title and interest in and to the technologies, discoveries and inventions claimed in the US Patent Application, and all priority rights derived therefrom;
- An interim, interlocutory, permanent and mandatory injunction against the Defendants requiring them to “execute all documents and to do all things necessary to convey” their interest in the US Patent Application to the Plaintiff (or, in the alternative, to declare Bentivoglio as inventor on said US Patent Application);
- An interim, interlocutory, permanent and mandatory injunction against the Defendants from infringing the US Patent Application;
- An interim, interlocutory, permanent and mandatory injunction against the Defendants requiring them to “execute any and all further papers which may be necessary or desirable to vest or perfect the title in and to any and all technologies, discoveries and inventions claimed in the US Patent Application”.

[21] The Defendants recount the events and relationship with the Plaintiff very differently.

The Defendants deny that the Plaintiff had any role in the discovery of the Invention, and assert

that Bentivoglio's role was restricted to sales and marketing. The Defendants dispute that Castillo was an employee and point to the explicit terms of the Collaboration Agreement which state that Castillo is not an employee, but an independent contractor. The Defendants add that the agreement was that DSS would retain exclusive rights to any intellectual property developed during the course of the relationship.

[22] The Defendants also allege that the Plaintiff clandestinely copied information about the invention from Castillo's computer after inviting Castillo to a meeting, then ejected him from the premises without his computer.

[23] According to the Defendants, the Plaintiff applied for a Canadian patent respecting the same Invention in 2003, but abandoned the application soon after the Defendants filed an objection. The Defendants note that there is no Canadian patent or patent application with respect to the Invention.

### III. The Motion

[24] The Defendants' primary argument is that the Plaintiff's action should be dismissed because this Court has no jurisdiction to determine the claims given that the claims involve a dispute about the ownership of a US patent, and turn on matters of contract law.

[25] The Defendants also submit that the claim should be dismissed pursuant to Rule 118 because Alpha Marathon Technologies Inc. has passed through bankruptcy and been bought and



sold, without any notice of transmission or assignment of the interest of this litigation, as required by Rule 117.

[26] In the event that the Statement of Claim is not struck, the Defendants ask for Security for Costs pursuant to Rule 416 based on their allegation that Alpha Marathon Technologies Inc. is a holding company, which does not conduct any business, and is likely impecunious.

#### IV. The Issues

[27] The motion raises the following issues:

- Whether and how the Plaintiff's preliminary objections should be addressed.
- Whether the Federal Court has the jurisdiction to determine the Plaintiff's claims.
- Whether the action should be dismissed based on the Plaintiff's failure to notify the Defendants and the Court of a transmission of interest.
- Whether, if the action proceeds, the Plaintiff should be ordered to give security for costs.

#### V. The Preliminary Issues

[28] The Plaintiff first challenges whether section 221 can be relied on to strike the Plaintiff's Statement of Claim. A motion to strike under Rule 221 will succeed where it is "plain and obvious" that the claim discloses no reasonable cause of action (*Hunt v Carey Canada Inc.*, [1990] 2 SCR 959, [1990] 1 WDCP (2d) 523). The "plain and obvious" test also applies to the striking of claims for lack of jurisdiction (*Hodgson et al. v Ermineskin Indian Band et al.* (2000), 180 FTR 285 at 289, 95 ACWS (3d) 788 (TD), aff'd (2000) 267 NR 143, 102 ACWS (3d) 2 (CA), leave to appeal to SCC refused (2001) 276 NR 193, 2001 CarswellNat 1860).

[29] The plain and obvious test was endorsed more recently in *City of Windsor*, where the Court stated, at para 24:

The sole issue is whether the Federal Court has jurisdiction under the ITO test to hear the Company's application. If it is plain and obvious that the Federal Court lacks jurisdiction to hear this application, the motion to strike must succeed.

[30] The Plaintiff next submits that the Defendants' motion exceeds the Case Management Judge's direction. The Plaintiff explains that the Defendants initially brought their motion pursuant to Rule 221 to be determined by the Case Management Judge without a complete Motion Record. The Case Management Judge then set a date for the Court to determine the Motion and directed the Defendants to serve and file a revised Motion Record with written representations by July 24, 2017. The Plaintiff submits that the present motion should be restricted only to the Rule 221 issue and should not address the Defendants' request for relief based on the Plaintiff's alleged failure to give notice of transmission of interest or to address the issue of security for costs. I do not agree.

[31] There is no requirement for a party to seek leave of the Case Management Judge to bring a motion in the present circumstances. The Plaintiff has not cited any authority for its proposition that the motion should be restricted to that which the Case Management Judge directed. Nor has the Plaintiff suggested that it has suffered any prejudice in responding to the other grounds set out in the motion. The Plaintiff had more than ample notice of this motion which was filed in July 2017, and ample time to respond in advance of the hearing, which took place in October, 2017.

[32] The Plaintiff also challenges the affidavit of Castillo as irrelevant and inflammatory, and submits that it should be disregarded because Rule 221(2) provides that no evidence shall be heard on a Rule 221 motion.

[33] As the Defendants note, affidavit evidence is permissible where the motion to strike the pleadings is based on the Court's lack of jurisdiction. In *Mil Davie v Hibernia Management & Development Co.* (1998), 226 NR 369 at para 8 (CanLII), 1998 CarswellNat 814 (CA), the Federal Court of Appeal clarified that Rule 419, which is now Rule 221, could be relied on to strike pleadings for want of jurisdiction. The Court of Appeal also clarified that the prohibition on adducing evidence on such motions does not apply where the issue is the jurisdiction of the Court. At para 8, the Federal Court of Appeal stated:

Generally speaking, where an objection is taken to its jurisdiction, the Court must be satisfied that there are jurisdictional facts or allegations of such facts supporting an attribution of jurisdiction. The existence of the necessary jurisdictional facts will normally be found in the pleadings and in the affidavits filed in support of or in response to the motion. In this respect, the prohibition contained in Rule 419(2) against the admissibility of evidence does not apply when it is the jurisdiction of the Court which is contested as opposed to a mere objection to the pleadings on the basis that they do not reveal a reasonable cause of action. We mention this to dissipate any doubt as to the admissibility of affidavit evidence in the present instance.

VI. Does the Federal Court have Jurisdiction to Adjudicate the Plaintiff's Claim?

[34] The parties were requested to provide additional written submissions post-hearing to elaborate on the issue of the Court's jurisdiction, more specifically: the application of the *ITO* test and its recent consideration in *City of Windsor*; whether the Federal Court has the statutory jurisdiction to determine the claims at issue pursuant to Section 20(2); and, whether there is any

jurisprudence in support of the Plaintiff's position that this Court has the jurisdiction to determine claims about the ownership of an invention made in Canada but not patented in Canada. The post-hearing submissions are summarized below along with the other written and oral submissions.

A. *The Defendants' Submissions*

[35] The Defendants refute the Plaintiff's submission that it has attorned to the jurisdiction of this Court. The Defendants submit that, although the parties have been engaged in this litigation for several years and have engaged in two or three mediation sessions, the Defendants have not and cannot attorn to the jurisdiction of the Court because the jurisdiction simply does not exist. (*Canadian National Railway v Canada (Canadian Transportation Commission)* (1987), [1988] 2 FC 437; 1987 CarswellNat 226) (TD).

[36] The Defendants further submit that the jurisdiction of the Court can never be presumed. The onus to establish jurisdiction is on the party bringing the claim, in this case, the Plaintiff (*Norrail Transport Inc. v Canadian Pacific Ltd.* (1998), 154 FTR 161 at paras 22-23, 79 ACWS (3d) 288 (TD) [*Norrail*]).

[37] The Defendants argue that the Plaintiff has not established that the Federal Court has jurisdiction. The three essential requirements for the Federal Court to have jurisdiction were established by the Supreme Court of Canada in *ITO*: there must be a statutory grant of jurisdiction by the federal Parliament; there must be an existing body of federal law which is essential to the disposition of the case and which nourishes the statutory grant of jurisdiction;

and, the law on which the case is based must be a “law of Canada” as the phrase is used in section 101 of the *Constitution Act, 1867*, 30 & 31 Victoria, c3 (UK) [*Constitution Act*], meaning laws enacted by the Parliament of Canada (see also *Norrail* at paras 24-25).

[38] The Defendants submit that the first requirement – a statutory grant of jurisdiction – is not satisfied. Subsection 20(2), which provides concurrent jurisdiction for the Federal Court, is not applicable because the words “any patent of invention” in that section mean a patent of invention obtained in Canada, not simply an invention or a patent of invention obtained in another country.

[39] The Defendants point to the Plaintiff’s Statement of Claim which seeks declaratory and injunctive relief related to the ownership of a US patent. The Defendants submit that the question of who has rights to the technology or invention claimed in a US patent has nothing to do with the *Patent Act*, RSC 1985, c P4 [*Patent Act*] and cannot be determined in accordance with any other law within the meaning of “laws of Canada”.

[40] The Defendants also argue that even if a Canadian patent or patent application existed, there would be no jurisdiction for this Court to determine the claim because the dispute focuses on contractual issues, including the alleged employment relationship between the parties, and possibly tort (i.e., conversion). The Defendant notes that the Plaintiff points only to the Collaboration Agreement in support of its claim to an ownership interest in the US patent, which confirms that the basis of the dispute is contract. The Defendants submit that the proper forum for the dispute is the Superior Court of a province.

[41] The Defendants submit that *Kellogg Company v Kellogg* (1941), [1941] SCR 242, [1941] 2 DLR 545 (SCC) [*Kellogg*], relied on by the Plaintiff, is not authority for this Court to find jurisdiction in this case, noting that in *Kellogg*, a Canadian patent application was at issue, i.e., there was a statutory grant of authority.

The Defendants refute the Plaintiff's characterization of the dispute as about "inventorship", noting that there is no evidence on this issue, just a bare claim. Moreover, inventorship would have to be determined based on American patent law. The Defendants note that the Plaintiff has not pursued any action in the United States.

B. *The Plaintiff's Submissions*

[42] The Plaintiff first submits that the Defendants should have brought a preliminary motion pursuant to Rule 208 and, having not done so, have clearly attorned to the jurisdiction of this Court, which disposes of the jurisdictional argument. The Plaintiff notes that the Defendants filed a Statement of Defence and Counterclaim in 2005, and in the intervening years participated in two Court ordered mediations and a subsequent "impromptu" mediation, yet never challenged the jurisdiction of the Court, until now.

[43] Second, the Plaintiff submits that it has met the three part *ITO* test to establish that the Federal Court has jurisdiction.

[44] The Plaintiff notes that in *City of Windsor*, the Supreme Court of Canada reiterated the *ITO* test and stated that the starting point is to identify the nature or character of the claim (at para 25). The Plaintiff characterizes its claims as seeking equitable remedies (declaratory and injunctive relief) about the inventorship and ownership of Canadian "inventions claimed in US

Patent Application NO 10/060, 0081”. The Plaintiff also states that the essential character of its claim is a dispute over the inventorship and ownership of a Canadian invention made by Canadians in Canada against a Canadian resident, i.e., it is not about a US patent. The Plaintiff submits that the Federal Court has jurisdiction to decide the question of ownership and inventorship. The Plaintiff also submits that its claims for relief are based on common law with respect to patents, or are based on patent law, both of which are matters of federal competence.

[45] The Plaintiff submits that the contractual aspect in the dispute does not preclude the Court’s jurisdiction where the subject matter of the action concerns a patent, trade-mark or copyright (*Kellogg* at 249-250).

[46] The Plaintiff relies on subsection 20(2) of the *Federal Courts Act*, which provides concurrent jurisdiction to the Federal Court where a remedy is sought “at law or in equity respecting any patent of invention”. The Plaintiff submits that it seeks equitable remedies regarding “any patent of invention” and points to *Kellogg* at 249-250, in support of its position.

[47] With respect to the second part of the *ITO* test, the Plaintiff submits that the federal common law regarding patents and inventorship, which is well established (*Apotex v Wellcome*, 2002 SCC 77 at para 96-99, [2002] 4 SCR 153 [*Wellcome*]; *Weatherford v Corlac Inc*, 2011 FCA 228 at para 99, 422 NR 49 [*Weatherford*]), applies. The Plaintiff adds that the ownership of inventions made by employees is part of the body of federal patent law which “surrounds” the interpretation and application of the *Patent Act* (*C Searle & Co v Novopharm* 2007 FCA 173 at para 36-40, 281 DLR (4<sup>th</sup>) 207).

[48] With respect to the third part of the *ITO* test, the Plaintiff submits that the “law of Canada” relied on is both the federal common law regarding inventorship and patents, and the *Patent Act*.

[49] In response to the Court’s request to the Plaintiff to provide jurisprudence to support its position that the Federal Court has jurisdiction to determine a dispute about the ownership of a foreign patent – or simply of an invention – the Plaintiff continues to rely on *Kellogg*, noting that *Kellogg* has been cited with approval in other cases, including recently by the Federal Court of Appeal in *Allergan v Apotex Inc*, 2015 FC 367 at para 32- 33, 252 ACWS (3d) 433, rev’d on other grounds but aff’d on jurisdiction, 2016 FCA 155 at para 11-13, 399 DLR (4<sup>th</sup>) 549 [*Allergan*].

[50] The Plaintiff submits that *Cellcor Corp v Canada v Kotacka* (1976), [1977] 1 FC 227, 1976 CarswellNat 87 (CA) [*Cellcor*] (where the Court expressed disagreement with a passage in *Kellogg*) can be distinguished because in *Cellcor*, a patent application was pending, but in the present case, there is no patent application.

C. *The Federal Court Does Not Have Jurisdiction*

(1) The *ITO* test

[51] In *City of Windsor* the Supreme Court of Canada cautioned that the Federal Court only has the jurisdiction conferred on it by statute and that “the language of the [*Federal Court Act*] is completely determinative of the scope of the Court’s jurisdiction” (at para 33).



[52] As noted above, the Supreme Court of Canada reiterated the three essential requirements for the Federal Court to have jurisdiction as set out in *ITO*, all of which must be established, noting at para 34:

This Court held in *ITO* that a statutory grant of jurisdiction is necessary, but not alone sufficient, for the Federal Court to have jurisdiction in a given case. Because Parliament established the Federal Court pursuant to its competence, under s. 101 of the *Constitution Act, 1867*, to establish “additional Courts for the better Administration of the Laws of Canada”, the role of the Federal Court is constitutionally limited to administering “the Laws of Canada”, which in this context means federal law (*Thomas Fuller*, at p. 707; *Quebec North Shore*, at pp. 1065-66; *Consolidated Distilleries*, at pp. 521-22). The three-part ITO test for jurisdiction is designed to ensure the Federal Court does not overstep this limited role (*ITO*, at p. 766, per McIntyre J.):

1. There must be a statutory grant of jurisdiction by the federal Parliament.
2. There must be an existing body of federal law which is essential to the disposition of the case and which nourishes the statutory grant of jurisdiction.
3. The law on which the case is based must be “a law of Canada” as the phrase is used in s. 101 of the Constitution Act, 1867.

[53] Before assessing whether the three part test is met, the essential nature of the Plaintiff’s claim must be considered. As the Supreme Court of Canada noted in *City of Windsor* at para 25, “the conferral of jurisdiction depends on the nature of the claim or remedy sought”, adding that “Jurisdiction is not assessed in a piecemeal or issue-by-issue fashion”.

[54] The Plaintiff has characterized its claims in several ways and made related submissions that are difficult to reconcile. The Plaintiff states that it seeks equitable remedies (declaratory and injunctive relief) about the inventorship and ownership of Canadian inventions claimed in a US

Patent. The Plaintiff also states that the essential character of its claim is a dispute over the inventorship and ownership of a Canadian invention made by Canadians in Canada against a Canadian resident, i.e., it is not about an US patent or a patent at all. However, in relying on *Kellogg*, the Plaintiff argues that the presence of a contractual aspect in the dispute does not preclude the Court's jurisdiction "where the subject matter of the action concerns a patent, trade-mark or copyright", which is inconsistent with the Plaintiff's characterization of its claim as about an invention and not a patent.

[55] The Plaintiff also submits that the well-established federal common law dealing with patents and inventorship provides the basis for its claim and also "nourishes" it, at the second part of the *ITO* test. The Plaintiff adds that the ownership of inventions made by employees is part of the body of federal patent law which "surrounds" the interpretation and application of the *Patent Act*. However, the action is not based on the provisions of the *Patent Act*.

[56] The Plaintiff's Statement of Claim cannot be ignored in identifying the nature of the claim. As noted above, the Plaintiff seeks, among other relief: a declaration that it is the owner (or, in the alternative, "co-owner") of *all right, title and interest in and to the technologies, discoveries and inventions claimed in the US Patent Application*; and, an interim, interlocutory, permanent and mandatory injunction against the Defendants *from infringing the US Patent Application*. To the extent that the Plaintiff suggests some distinction between a patent "application" and a patent, the Plaintiff acknowledged that the US Patent was issued.

[57] In my view, the essential nature of the Plaintiff's claim is declaratory and injunctive relief (equitable remedies) with respect to the ownership of an invention, which is also the subject matter of a US Patent. Given this characterization of the claim, the first question is whether there is a statutory grant of authority pursuant to subsection 20(2).

(2) The Scope of Subsection 20 (2) of the *Federal Courts Act*

[58] Section 20 of the *Federal Courts Act* provides:

20 (1) The Federal Court has exclusive original jurisdiction, between subject and subject as well as otherwise,

(a) in all cases of conflicting applications for any patent of invention or for any certificate of supplementary protection under the *Patent Act*, or for the registration of any copyright, trade-mark, industrial design or topography within the meaning of the *Integrated Circuit Topography Act*; and

(b) in all cases in which it is sought to impeach or annul any patent of invention or any certificate of supplementary protection issued under the *Patent Act*, or to have any entry in any register of copyrights, trade-marks, industrial designs or topographies referred to in paragraph (a) made, expunged, varied or rectified.

20 (1) La Cour fédérale a compétence exclusive, en première instance, dans les cas suivants opposant notamment des administrés :

a) conflit des demandes de brevet d'invention ou de certificat de protection supplémentaire sous le régime de la *Loi sur les brevets*, ou d'enregistrement d'un droit d'auteur, d'une marque de commerce, d'un dessin industriel ou d'une topographie au sens de la *Loi sur les topographies de circuits intégrés*;

b) tentative d'invalidation ou d'annulation d'un brevet d'invention ou d'un certificat de protection supplémentaire délivré sous le régime de la *Loi sur les brevets*, ou tentative d'inscription, de radiation ou de modification dans un registre de droits d'auteur, de marques de commerce, de dessins industriels ou de topographies visées à l'alinéa a).

[59] As explained in greater detail below, I am of the view that subsection 20(2) does not provide a statutory grant of jurisdiction with respect to this dispute. In order to fall within subsection 20(2), the Plaintiff must be seeking a remedy that arises from “federal law”. With respect to patents, the only relevant “federal law” is the *Patent Act*, which does not create remedies respecting the ownership of unpatented inventions or foreign patents.

[60] In asserting that subsection 20(2) provides a statutory grant of jurisdiction over this dispute, the Plaintiff relies almost exclusively on *Kellogg*. *Kellogg* involved two competing patent applications for the same product allegedly made by an employer and its former employee (whose estate was pursuing the claim). The Commissioner of Patents determined that the respondent’s late husband was the first inventor. The appellant, employer, then launched proceedings in the Exchequer Court to determine the rights of the parties. One of the alternative claims made by the appellant was that even if the employee (the respondent’s husband) was the true inventor, the appellant was the owner of the invention by virtue of its contract of employment with the employee. The Exchequer Court struck out the alternative claim on the ground that that it was a contractual issue over which the Court had no jurisdiction. The Supreme Court disagreed and restored the claim. The Supreme Court noted, at 249, that presuming the allegations in the alternative claim are true, this would provide one reason to declare the appellant entitled to the issue of a patent, including the claims in conflict, and would lead to the remedies sought which are within section 44 of the *Patent Act, 1935* (Dom c32). The Supreme Court then stated at page 249-250),

“It is undoubtedly true...that the Exchequer Court has no jurisdiction to determine an issue concerning a contract between subject and subject...but here the subject-matter of the appellant’s allegation only incidentally refers to the contract of

employment...The allegation primarily concerns the invention alleged to have been made by [the employee] and of which the appellant claims to be the owner as a result of the contract and of the other facts set forth; in the allegation. The contract and the claims based thereon are advanced for the purpose of establishing that the appellant is entitled both to the rights deriving from the invention and to the issue of a patent in its own name. That is precisely the remedy which the Exchequer Court of Canada has the power to grant under paragraph (iv) of subsec. 8 of sec. 44 of the Patent Act.

[Emphasis added]

[61] The Plaintiff first relies on *Kellogg* for the proposition that, although some contractual issues are involved in the determination of its claim, the jurisdiction of the Federal Court is not precluded. This proposition is not in dispute. *Kellogg* is still cited for the proposition that the Federal Court may resolve “incidental” contractual issues where the overall claim is, in “pith and substance”, within the Court’s jurisdiction (*ITO* at 781; *Allergan* at paras 11-13; *Ballantrae Holdings Inc. v Pheonix Sun (The)*, 2016 FC 570 at para 142, 267 ACWS (3d) 259). In *Kellogg*, the Court found that the remedy sought was based on section 44 of the *Patent Act* and that the contractual issue was incidental; the overall claim was within the Court’s jurisdiction.

[62] In *Allergen*, at paras 11-13, the Federal Court of Appeal reiterated that contractual issues can be addressed by the Federal Court where it is “part and parcel of a matter over which the Court has statutory jurisdiction”. Justice Stratas explained at para 13:

[13] On the issue of jurisdiction, I agree with the Federal Court and substantially adopt its analysis. I would add the following. Contract law, when viewed in a vacuum, is normally under provincial jurisdiction. However, the Federal Court has jurisdiction when the contract law issue before the Court is part and parcel of a matter over which the Federal Court has statutory jurisdiction, there is federal law essential to the determination of the matter, and that federal law is valid under the constitutional division of

powers: *ITO-Int'l Terminal Operators v. Miida Electronics*, [1986] 1 S.C.R. 752, 28 D.L.R. (4th) 641; *Canadian Transit Company v. Windsor (Corporation of the City)*, 2015 FCA 88, 384 D.L.R. (4th) 547.

[63] In *Salt Canada Inc v Baker*, 2016 FC 830, 269 ACWS (3d) 153 [*Salt Canada*] the applicant sought a declaration under section 52 of the *Patent Act* that it was the owner of a registered Canadian patent. The Court acknowledged that it had authority to determine questions of patent ownership in some circumstances, but found that the Court “lacks jurisdiction where determination of ownership of the patent depends upon the application and interpretation of contract law principles” (para 20). The Court noted that the common thread in the relevant jurisprudence is that the Court is without jurisdiction when “determining patent ownership first requires the interpretation of contractual documents” (para 23).

[64] As the jurisprudence makes clear, there must first be a statutory grant of jurisdiction. The incidental contractual issues will not necessarily preclude jurisdiction if the contractual dispute is “part and parcel” of the overall claim, which is otherwise within the Court’s jurisdiction. On the other hand, where the claim is “purely and simply” a contractual dispute, or where an issue over which the Court might have jurisdiction is “secondary to and dependent upon” the resolution of a contractual issue, the Court has no jurisdiction (see *Salt Canada*).

[65] These principles are well established, however, they are of no assistance to the Plaintiff. The question in the present case is not simply whether the contractual issues are “part and parcel” of the overall claims or merely incidental, but whether the overall claims are, in “pith and

substance”, within the Court’s jurisdiction (*Kellogg*), i.e., whether there is a statutory grant of jurisdiction.

[66] In attempting to address this question, the Plaintiff also relies on *Kellogg* for the proposition that subsection 20(2) provides jurisdiction where a remedy is sought in law or equity concerning “any patent of invention”. In *Kellogg*, the Supreme Court of Canada’s comments suggest a broad interpretation of paragraph 22(c) of the *Exchequer Court Act*, RSC 1927, c 34 [*Exchequer Court Act*] which is the forerunner/predecessor to the current subsection 20(2) of the *Federal Courts Act*. The Supreme Court of Canada noted at page 250:

It will be noticed that subsec. (c) deals with the "remedy" which is sought. And it enacts that the Exchequer Court shall have jurisdiction between subject and subject in all cases where a "remedy is sought" "respecting any patent of invention" "under the authority of any Act of the Parliament of Canada or at Common Law or in Equity." The remedy sought by the appellant, as a result of paragraph 8 of its statement of claim, is evidently a remedy in Equity respecting a patent of invention. The appellant claims that remedy as a consequence of the facts alleged in its paragraph 8. It claims the remedy as owner deriving its title from the same alleged inventor of whom the respondent claims to be the assignee, through other assignors. In such a case, the invention or the right to the patent for the invention is primarily the subject matter of the appellant's claim, and the remedy sought for is clearly "respecting any patent of invention." And this is covered by subsec. (c) of sec. 22 of the Exchequer Court Act, as it stands at present.

[67] This paragraph, read in isolation, suggests that the Federal Court has jurisdiction over any action which seeks any remedy respecting a patent based on common law or equity. However, the words of the paragraph must be considered in the context of the decision as a whole and the facts in *Kellogg*. I do not interpret this as support for the view that subsection 20 (2) provides this Court with concurrent jurisdiction in all circumstances where any equitable remedy is sought

with respect to *any patent of invention*. In *Kellogg*, the subject of the claim was a pending *Canadian* patent application and a decision of the Commissioner of Patents, which the appellants challenged. As noted above, the Court found that the remedy sought was based on section 44 of the *Patent Act*.

[68] Moreover, this passage must be interpreted in light of subsequent jurisprudence, both with respect to the *Federal Courts Act* generally and subsection 20(2) in particular.

[69] The subsequent jurisprudence reflects a more constrained approach to the interpretation of the *Federal Courts Act*, which considers the constitutional status and role of the Federal Court (*ITO, Quebec North Shore Paper v CP Ltd.*, [1977] 2 SCR 1054, 71 DLR (3d) 111 [*Quebec North Shore*], *City of Windsor*). As noted below, the broad and literal reading of the forerunner to subsection 20(2) offered in *Kellogg*, particularly with respect to the phrase “a remedy is sought under the authority of an Act of Parliament or at law or in equity” has not been reflected in more recent jurisprudence. The more recent jurisprudence has confirmed that, in order to establish a statutory grant of jurisdiction, the “remedy” sought must arise from “federal law”, whether statutory or otherwise (*Quebec North Shore* at 1065-1066). The jurisprudence does not support the notion that subsection 20(2) provides a statutory grant of authority for any action in which a party seeks *any* equitable remedy respecting *any* patent of invention.

[70] *Cellcor* is the most analogous case to the present facts. In *Cellcor*, Kotacka sought a declaration that it was “the inventor of the subject matter of the United States Patent Application . . . filed by or on behalf of the Defendant Hughes and the person entitled to apply for and obtain



letters patent therefor in Canada” (para 4). There was no equivalent Canadian patent respecting the invention. The Federal Court had found that the circumstances were similar to those in *Kellogg* and that the Court had jurisdiction to determine the ownership of the subject matter of a US patent.

[71] Cellcor appealed and argued that the Court had no jurisdiction because the *Patent Act* did not provide any right to the relief sought. The appellant argued that the federal legislative power under subsection 91(22) of the *Constitution Act* is limited to legislation relating to “patents of invention and discovery”, it does not extend to legislation relating to inventions in themselves, and that the jurisdiction of the Federal Court pursuant to section 20 of the *Federal Court Act* would be subject to the same limitation. The appellant noted that the dispute was about the ownership of an invention for which no patent was applied for or obtained. The appellant added that section 20 of the *Federal Courts Act* deals only with jurisdiction and does not create the right to relief, which must be found in some other statutory provision; the Federal Court does not have jurisdiction in respect of letters patent of invention if a right to relief does not exist under federal legislation. In other words, there was no legal basis for the relief sought.

[72] The respondent, Kotacka, argued that the relief sought was a declaration that, as the owner of the invention, it was entitled to apply for letters patent under the *Patent Act*, which is relief “respecting a patent of invention within the meaning of section 20”. In allowing the appeal, the Court of Appeal agreed with the appellant, Cellcor’s, submission that there was no legal basis for the relief claimed (i.e. to make a declaration that a party was the owner of an invention) and, therefore, that the Court was without jurisdiction, explaining at para 10,

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.

[Emphasis added]

[73] The Federal Court of Appeal acknowledged, at para 11, that its conclusion may be difficult to reconcile with the comments of the Supreme Court of Canada in *Kellogg* at page 250, but added that the statements in *Kellogg* were also difficult to reconcile with the Supreme Court of Canada's subsequent decision in *Radio Corporation of America v Philco Corporation (Delaware)*, [1966] SCR 296, 56 DLR (2d) 407 [*Radio Corporation*]. In *Radio Corporation*, the Supreme Court of Canada found that, although the Exchequer Court had jurisdiction pursuant to paragraph 22(c) of the *Exchequer Court Act* (the forerunner to subsection 20(2) of the *Federal Courts Act*) to determine conflicting applications for a patent pursuant to section 45 of the *Patent Act*, the Court did not have jurisdiction to determine claims which were not based on the *Patent Act*. In other words, you need to first find the legal basis for the claim in the federal statute or law.

[74] In *Cellcor*, the Court of Appeal clearly confirmed that jurisdiction cannot be found pursuant to subsection 20(2) where the remedy sought has no legal basis. The Court of Appeal's agreement with the appellant's arguments and its reference to the *Patent Act* reflect that the Court of Appeal accepted that the *Patent Act* is the sole source of "federal law" in the realm of patents. Accordingly, the Federal Court does not have jurisdiction to make declarations about the ownership of inventions claimed within a foreign patent, for which there is no Canadian equivalent, because the *Patent Act* does not give the Federal Court that authority.

[75] *Cellcor* was applied in *Suncor Energy Inc. v MMD Design*, 2008 FC 488, 327 FTR 22 [*Suncor*]. In *Suncor*, the plaintiff sought a declaration that it was the true owner of the intellectual property described in a Canadian patent application, for which no patent had yet been issued. The Prothonotary struck the claim for lack of jurisdiction. The Court upheld the Prothonotary's order, noting at para 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 [Patent Act], this Court may become seized of the matter.

Justice O'Keefe added at para 11, that "The Prothonotary was correct in holding that this Court has no jurisdiction to make a preliminary decision as to the ownership of the invention."

[Emphasis added]

[76] The Plaintiff argues that *Cellcor* should be distinguished because there was a patent application in *Cellcor*, and not in the present case. I do not agree. First, it is not clear whether

there was a patent application in *Cellcor*. Second, the Plaintiff's submission misses the point made by *Cellcor* and *Suncor*: the Court has no jurisdiction to determine the ownership of an invention, because nothing in the *Patent Act* allows for it. I also note that Justice O'Keefe rejected the opposite argument, advanced by the plaintiff in *Suncor*, that *Cellcor* could be distinguished because there were "no patent entries at issue in *Cellcor*". In the present case, there is no patent or patent application – there is only the invention.

[77] *Cellcor* was also relied on in *Peak Innovations Inc. v Meadowland Flowers Ltd.*, 2009 FC 661, 75 CPR (4<sup>th</sup>) 359 [*Peak Innovations*], where Justice Tremblay-Lamer rejected the Plaintiff's argument that subsection 20(2) of the *Federal Courts Act* could be relied on to find jurisdiction and stated at paras 8-9;

[8] The Plaintiff relies on s. 20(2) of the *Federal Courts Act*, R.S.C. 1985, c. F-7 to argue the Federal Court has jurisdiction over declaratory relief in the form of a declaration of non-infringement, since it has jurisdiction to address "any remedy" – the Federal Court has broad jurisdiction to address any remedy relating to industrial designs, and the jurisdiction extends to any remedy sought under the overall law of industrial designs. I disagree.

[9] Section 20(2) of the *Federal Courts Act* only establishes jurisdiction for remedies where jurisdiction for the underlying cause of action is established elsewhere in a statute. This is supported by the analysis used in *Radio Corporation of America v. Philco Corporation (Delaware)*, [1966] S.C.R. 296 (S.C.C.); and *Cellcor Corp. of Canada Ltd. v. Kotacka* (1976), 27 C.P.R. (2d) 68 (F.C.A.).

[78] Justice Tremblay-Lamer made the same point as in *Cellcor*, that subsection 20(2) of the *Federal Courts Act* by itself cannot establish jurisdiction for a cause of action; the remedy must be found in a federal statute (at para 10, 12).

[79] In *City of Windsor*, the Supreme Court of Canada interpreted the term “under an Act of Parliament of Canada or otherwise” in paragraph 23(c) to mean under “federal law, whether under statute or regulation or common law” (at para 40, quoting *Quebec North Shore*). The Court stated, at para 41, that this language requires “the claimant’s cause of action, or the right to seek relief” to be “created or recognized by a federal statute, a federal regulation or a rule of the common law dealing with a subject matter of federal legislative competence”. Although the wording of subsection 20(2) is not identical, it is similar.

[80] Applying the same approach to the wording of subsection 20(2), I cannot find that the Plaintiff’s remedy or “cause of action or the right to seek relief” is created or recognized by “an Act of Parliament or at law or in equity” dealing with a subject matter of federal legislative competence.

[81] With respect to patents, the only relevant federal law is the *Patent Act*, which is a complete statutory scheme (Clarizio et al, *Hughes and Woodley on Patents*, 2nd ed (Markham, Ont: LexisNexis, 2005) (loose-leaf revision 57-6/2017) §2 at pg. 105, citing *Commissioner of Patents v Fabwerks Hoechst Atiengesellschaft Vormals Meister Bruning*, [1964] SCR 49 at 57, 41 CPR 9, among others). This is implicit in *Cellcor* and *Suncor* where the Courts held that they had no jurisdiction over the dispute, because nothing in the *Patent Act* provided the remedy which the Plaintiffs were seeking.

[82] In *Safematic, Inc. v Sensodec Oy* (1988), 21 CPR (3d) 12, 20 FTR 132 (TD) [*Safematic*] the Plaintiffs alleged that the Defendants falsely held themselves out as owners of patent rights

which belonged to the Plaintiffs, but for which the Plaintiffs held no patent. The Court granted the Defendant's motion to strike on jurisdictional grounds, finding that "rights under the Patent Act only arise once the monopoly has been granted" under that Act (at 21).

[83] In the present case, no monopoly has been granted under the *Patent Act*. Therefore, no rights arise from that Act. There is nothing in the *Patent Act* that creates the relief sought by the Plaintiff regarding the ownership of the invention. If the cause of action were to some extent about inventorship (unrelated to the issue of the disputed employment or contractual relationship), the *Patent Act* does not provide for the Federal Court to resolve questions of inventorship until, at least, the party has sought patent protection in Canada. Nor does any Canadian law govern the ownership of infringement of a US Patent.

[84] To summarize, the jurisprudence establishes that: the Federal Court's jurisdiction must be conferred by statute (*City of Windsor*); the statutory grant of jurisdiction is not, on its own, sufficient, i.e., all three elements of the *ITO* test must be established (*City of Windsor*); the conferral of jurisdiction depends on the essential nature of the claim (*City of Windsor*); contractual disputes will not preclude the Federal Court's jurisdiction where the overall claim is within the Court's statutory jurisdiction (*Kellogg, ITO, Allergan*) but where the contractual dispute is central to resolving the issues, the Court does not have jurisdiction (*Kellogg, Salt Canada*); the statutory jurisdiction provided by subsection 20(2) deals only with jurisdiction and does not create the right to relief or legal basis for the claim, which must be found in a federal statute or other law within federal competence (*Cellcor, City of Windsor, Peak Innovations*); the Federal Court does not have jurisdiction to determine the ownership of an "invention" (*Suncor*),

because nothing in the *Patent Act* allows for it; rights arise under the *Patent Act*, a matter of federal legislative competence, only once the Patent has been granted or remedies under that Act have been sought (*Safematic*).

[85] Based on the jurisprudence, I find that there is no statutory grant of jurisdiction for this Court to determine the Plaintiff's claims. Nothing in the *Patent Act* provides for determining the rights of parties regarding a foreign patent, for which Canadian patent protection has not been sought nor is there any *federal* common law which provides a legal basis to determine the ownership of an invention.

(3) Parts 2 and 3 of the *ITO* Test

[86] Having found that the first step of the *ITO* test has not been satisfied, it is unnecessary to consider steps two and three. Moreover, the application of steps two and three are somewhat illogical given the necessary connection to a statutory grant of jurisdiction. However, if subsection 20(2) could possibly be interpreted to provide a statutory grant of jurisdiction, I also find that the Plaintiff has not satisfied the second and third steps in the *ITO* test.

[87] The second part of the *ITO* test imposes a high threshold. It is not enough that a consideration of federal law is a "necessary component"; it must be essential to the disposition of the case. At para 67 of *City of Windsor*, the Court stated,

[67] The second part of the *ITO* test requires that federal law be "essential to the disposition of the case" such that it "nourishes the statutory grant of jurisdiction" (p. 766, per McIntyre J.). Indeed, the fact that the claim involves rights and obligations conferred by federal law will be relevant to this question. This requirement is

important because it speaks to the constitutional status and role of the Federal Court under s. 101 of the *Constitution Act, 1867*.

[88] The Court reiterated this again, at para 69, noting, “[t]he fact that the Federal Court may have to consider federal law as a necessary component is not alone sufficient; federal law must be “essential to the disposition of the case”. It must “nourish” the grant of jurisdiction.””

[89] The Plaintiff submits that the federal common law regarding inventorship must be considered to determine the claim. The Plaintiff points to *Wellcome* at paras 96-99, and *Weatherford* at para 99 as reflecting the body of federal common law regarding inventorship.

[90] In *Wellcome*, the issue was the validity of a Canadian patent. Clearly there was no issue of the Federal Court’s jurisdiction to determine the claims. The Supreme Court of Canada found that the patent would only be void pursuant to section 53 of the *Patent Act* if there was a material misstatement (regarding the inventor) that was willfully made to mislead and found there was no such evidence. The Court referred to the jurisprudence regarding the various nature and roles of inventors at paras 94-99, noting at para 99:

To the extent this suggests that an individual who contributes to the inventive concept may be a co-inventor without being the prime originator, I agree with it. To the extent, however, that it can be read to include as inventors those who help the invention to completion, but whose ingenuity is directed to verification rather than the original inventive concept, I respectfully, for the reasons already given, disagree.



[91] *Weatherford* was an infringement action pursuant to the *Patent Act*. Again, the Court's jurisdiction was not at issue. The Federal Court of Appeal, at para 99 endorsed the law regarding "inventorship" as articulated in *Wellcome*.

[92] In the present case, the Plaintiff submits that the federal common law regarding inventorship will apply to determine the claims. I do not agree, based on the allegations in the Statement of Claim and the submissions made on this Motion, that inventorship is a key issue in the Plaintiff's claims. The Plaintiff's claims are based to a greater extent on the contractual and/or alleged employment relationship. The common law regarding inventorship, to the extent that *Wellcome* and *Weatherford* can be regarded as common law, given that the Courts were addressing claims under the *Patent Act*, is not essential to the disposition of the issues in this case. It cannot be said to "nourish" the statutory grant of jurisdiction, even if such jurisdiction were established.

[93] The Plaintiff also submits that federal patent law applies to the determination of the claims. As noted above, this is not so, given that there is no Canadian patent at issue or any other remedy pursuant to the *Patent Act*.

[94] The third part of the *ITO* test requires that the law on which the case is based must be "a law of Canada" as the phrase is used in section 101 of the *Constitution Act, 1867*. The federal law relied upon to support the Court's jurisdiction must be within the legislative competence of Canada (*ITO* at 777).

[95] In *City of Windsor*, the Supreme Court recognized that this part of the test is “somewhat duplicative” of the second part, and that the first two parts of the test do the “heavy lifting in the analysis” (*City of Windsor at para 117*, Moldaver and Brown JJ’s dissent (though not on this point), citing *Stratas JA in the judgment under appeal, 2015 FCA 88*). As found above, the Plaintiff’s claim is not based on a law of Canada as that term has been interpreted in *City of Windsor* and other cases.

(4) Primarily a Contractual Dispute

[96] Even if subsection 20(2) could be interpreted to find a statutory grant of jurisdiction in these circumstances and if the other two parts of the *ITO* test were also established; in other words, the Court had concurrent jurisdiction, the pleadings reveal that the contractual issues raised by the parties are central to resolving the claims. The Plaintiff’s claims regarding its ownership or inventorship of the Invention appear to depend to a greater extent on the contractual and/or alleged employment relationship and not on the additional claim, which is not explained, that Bentivoglio was a co-inventor.

[97] The Plaintiff’s other claims are also clearly based on the contractual relationships with Castillo, including the alleged employment relationship, and with DSS (e.g. the IRAP Project). The Defendants submit that these contracts explicitly state that intellectual property arising from the relationship is to be retained by the Defendants. To resolve the question of ownership, this Court would first be called upon to interpret the contractual documents and other evidence that the parties might adduce regarding the agreements they entered into. It does not appear that

patent law, even if it were applicable, would be essential to determine the claims. As found in *Salt Canada*, this Court would not have the jurisdiction to resolve the central contractual issues.

VII. Should the Claim be struck pursuant to Rule 117-118?

[98] The Defendants acknowledge that it does not have first-hand knowledge of the Plaintiff's business history, including its bankruptcy. However, the Defendants note the answers provided by Mr. Marzano (President of Alpha-Marathon Technologies Inc.) on cross-examination of his affidavit and a publicly available interview of Mr. Marzano which revealed that he was Vice-President from 2000-2006, the company was sold in 2006, the company was bankrupt in 2008, and Mr. Marzano purchased the assets of the bankrupt company from the trustee in bankruptcy and incorporated a new company.

[99] The Defendants also rely on the affidavit of Castillo, which recounts, among other things, that: in 2006 Alpha Marathon Technologies Inc. was sold to Robert Kazimowicz, who subsequently sold the assets to Alpha Marathon Technologies Group Inc.; in 2008, Alpha Marathon Technologies Group Inc. was declared bankrupt; and, subsequently, Mr. Marzano purchased the assets of the company from the trustee in bankruptcy and established Alpha Marathon Film Extrusion Technologies. The Defendants assert that this litigation was not listed in the assets of the bankrupt company and it was not notified of any transmission of interest.

[100] The Defendants submit that there is at least some evidence that the plaintiff corporation was sold at least twice. The Defendants add that the records relating to the bankruptcy of Alpha Marathon Technologies Inc. do not list this litigation as an asset. The Defendants, therefore,

submit that the action should be dismissed pursuant to Rule 118 because the Plaintiff failed to notify the Defendants of the transmission of interest in the litigation.

[101] The Plaintiff responds that the Defendants' serious allegations that the failure to provide notice amounts to criminal misconduct are based on hearsay and speculation and are groundless and should be sanctioned by an award of costs forthwith.

[102] The Plaintiff acknowledged in oral submissions that it did not provide a notice of transmission of interest with respect to this litigation, but submits that this was not necessary because a third party went bankrupt, not Alpha Marathon Technologies Inc. At the hearing of this motion, the Plaintiff submitted a Corporation Profile Report dated February 18, 2014 for a numbered Ontario Company – 1234001 Ontario Inc. This Report includes the Corporate Name History; 1234001 Ontario Inc. has been in effect since January 30, 2007 and Alpha Marathon Technologies Inc. was in effect from April 18, 1997. Domenic Marzano is identified as the Director, Secretary and the President. The Plaintiff submits that the numbered company is the same legal entity as the Plaintiff.

[103] I note that the Plaintiff cross-examined Castillo about the source of his information about the bankruptcy of Alpha Marathon Technologies Inc., which he stated came from several sources, including publicly available sources. The Plaintiff also questioned Castillo about his filing of a Statement of Defence and Counterclaim in 2005, which was later amended, whether he changed counsel at various times since 2005, and Castillo's participation in two or three mediations.

[104] I find that it is not necessary to address the Defendants' motion pursuant to Rule 118 given that the action is dismissed pursuant to Rule 221 for the reasons provided above; this Court does not have jurisdiction to determine the Plaintiff's action. However, if I am wrong in finding that the Court lacks jurisdiction, I am not satisfied, based on the limited and disputed evidence provided regarding the sale, bankruptcy and subsequent revival of the Plaintiff corporation, that the action should be dismissed pursuant to Rule 118 as a result of the Plaintiff's alleged failure to provide a notice of transmission of interest as required by Rule 117.

VIII. Should the Plaintiff be ordered to pay Security for Costs?

[105] The Defendants alternatively argue that if the action proceeds, the Plaintiff should provide security for costs. The Defendants submit that if Alpha Marathon Technologies Inc. continues to exist, it is merely a shell and may be without any assets. The Defendants dispute that their delay in bringing this motion for security of costs bars this relief, noting that the Plaintiff has offered no evidence that it would suffer prejudice as a result.

[106] The Plaintiff responds that the Court should not exercise its discretion to order security for costs pursuant to Rule 416 given the delay of the Defendants in bringing this motion and given that the Defendants rely on facts that were known at least as early as 2014 at the time of examinations for discovery.

[107] Again, I find that it is not necessary to address the Defendants' motion pursuant to Rule 416 given that the action is dismissed pursuant to Rule 221 because this Court does not have jurisdiction to determine the Plaintiff's action. However, if I am wrong in that finding, and the

action proceeds, the issue of security of costs can be revisited based on the evidence available at that time.

IX. Conclusion

[108] In conclusion, the Defendants' motion pursuant to Rule 221 to strike the Plaintiff's Statement of Claim is granted as it is plain and obvious that this Court lacks jurisdiction to determine the Plaintiff's claims. The Defendants' alternative motion pursuant to Rule 118 to strike the Plaintiff's Statement of Claim due to its failure to notify the Defendants of a transmission of interest need not be determined. Nor does the Defendants' alternative motion pursuant to Rule 416 need to be determined.

[109] I decline to make any Order with respect to Costs. Although the Plaintiff launched its Statement of Claim in 2005 and the Defendants responded with a Statement of Defence and Counterclaim, the litigation languished over the years for long periods. Both parties participated in mediation attempts – on and off – which were unsuccessful. The parties apparently assumed that this Court had jurisdiction. As noted above, the Plaintiff argued in its response to the Defendants' Counterclaim that the Court lacked jurisdiction to determine certain claims, but did not consider the Court's jurisdiction to determine its own claims. The Plaintiff bears the onus of establishing that the Court has jurisdiction. The Defendants' motion, which raises a fundamental issue of this Court's jurisdiction, was made very late in the day – after the trial date had been set and after time and effort had been spent by both parties. Although successful on the motion, I do not find that costs in favour of the Defendants are warranted. Nor do I find that the Plaintiff should be awarded costs based on the Defendants' allegations regarding the possible

consequences of the Plaintiff's failure to provide notice of a transmission of interest, if such a notice were required. Although the allegations may be regarded by the Plaintiff as inflammatory, they are not irrelevant or baseless. There is some evidence to support the Defendants' motion pursuant to Rule 118, but it is not sufficient for the Court to make a finding, nor is such a finding necessary.

**ORDER**

**THIS COURT ORDERS that:**

1. The Defendants' Motion pursuant to Rule 221 to strike the Plaintiff's Statement of Claim is granted.
2. The Defendants' Motion pursuant to Rule 117 need not be determined.
3. The Defendants' Motion pursuant to Rule 416 need not be determined.
4. There is no order for Costs.

"Catherine M. Kane"

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Judge



**FEDERAL COURT**  
**SOLICITORS OF RECORD**

**DOCKET:** T-632-05

**STYLE OF CAUSE:** ALPHA MARATHON TECHNOLOGIES INC. v DUAL SPIRAL SYSTEMS INC. AND, RAFAEL J. CASTILLO

**PLACE OF HEARING:** TORONTO, ONTARIO

**DATE OF HEARING:** OCTOBER 17, 2017

**ORDER AND REASONS:** KANE J.

**DATED:** DECEMBER 8, 2017

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