Federal Court  Cour fédérale

Date: 20160330

Docket: T-2051-10

Citation: 2016 FC 361

Ottawa, Ontario, March 30, 2016

PRESENT: The Honourable Mr. Justice Hughes

BETWEEN:

THE DOW CHEMICAL COMPANY, DOW GLOBAL TECHNOLOGIES INC., and DOW CHEMICAL CANADA ULC

Plaintiffs

and

NOVA CHEMICALS CORPORATION

Defendant

ORDER AND REASONS

[1] The Plaintiffs, Dow et al, have brought this motion seeking relief expressed as:

> *1. An Order:*
>
> *(a) Declaring that: "The phrase "film-grade polymers under the name SURPASS", as found in paragraph 1 of the trial judgment of Justice O'Keefe, dated May 7, 2014 includes within its scope and meaning the film-grade SURPASS polymers: FPs016-A, EX-FPs016-A01, EX-FPs225-A01 and FPs417-A"; and*

> *(b)* *Requiring Nova to disclose and produce all relevant documents pertaining to these film-grade SURPASS polymers.*

[2] Alternative relief is also sought in the Notice of Motion but Plaintiffs' Counsel stated at the hearing that they were not seeking such alternative relief.

[3] The trial of this action was completed some two years ago. Judgment was rendered by Justice O'Keefe of this Court on May 7, 2014 in which he held that Canadian Patent No. 2,160,705 [the 705 Patent] owned by the Plaintiffs, Dow et al, was valid and had been infringed by the Defendant, Nova. Reasons for Judgement were given subsequently by Justice O'Keefe on September 5, 2014 which are cited as 2014 FC 844. Justice O'Keefe has retired from this Court, thus the present motion is heard by me. The 705 Patent expired in April 2014.

[4] An appeal from Justice O'Keefe's decision was heard by a panel of the Federal Court of Appeal in January, 2016 but, as the date of the giving this Order, no decision has been released by that Court. Notwithstanding the lack of such a decision, the parties insisted that I hear and dispose of the present motion.

[5] The trial of the action was bifurcated such that matters pertaining to quantification of profits or damages were not dealt with by Justice O'Keefe. I am advised that these matters are scheduled to be heard in December of this year.

I. HISTORY OF THESE PROCEEDINGS

[6] A review of the history of these proceedings is essential to the disposition of this motion.

[7] This action was commenced in December, 2010. As noted by Justice O'Keefe at paragraph 12 of his Reasons, *supra*, there was litigation in the United States in relation to a corresponding U.S. patent. A first trial had taken place in that United States action in May/June 2010. A second trial was heard in early 2013.

[8] In the action in this Court, the Plaintiffs' Statement of Claim, as amended February 22, 2012, identified the Defendant's products that the Plaintiffs alleged to infringe certain claims of the 705 Patent as follows:

> *1. ...*
>
> *(b) a permanent injunction restraining the defendant, together with all officers and directors of the defendant, and all agents, employees, servants, and persons under the control of, or acting in concert with, the defendant, from:*
>
> *(i) infringing the 705 Patent and, in particular, claims 10, 11, 15, 29, 30, 33, 35, 36, 41 and 42 of the 705 Patent;*
>
> *(ii) manufacturing, distributing, offering for sale, selling, licensing or otherwise making available or using in Canada the infringing film-grade ethylene copolymer (polyethylene) compositions sold under the name SURPASS, or under any other name, as described further below;*
>
> [My emphasis]

[9] The identification of products "as described further below" occurs first in paragraphs 10 and 11 of the Amended Statement of Claim:

> *Activities of the Defendant:*
>
> *10. Since at least as early as 2004, the defendant has manufactured and sold polyethylene film-grade copolymers under the name SURPASS in Canada. In particular, the defendant manufactured and sold, and continues to manufacture and sell the polyethylene film-grade copolymers identified in the attached Appendix A. Three product categories, FPs016, FPs117 and FPs317, as described in Appendix A, were found to infringe U.S. Patents 5,847,053 and 6,111,023, owned by the plaintiff, The Dow Chemical Company, in the United States District Court for the District of Delaware, C.A. No. 05-737 (JJF)*
>
> *11. The polyethylene film-grade copolymers manufactured and sold by the defendant under the SURPASS name, including those identified in the attached Appendix A, are ethylene polymer blends that include a homogeneously branched linear ethylene/α-olefin interpolymer and a heterogeneously branched ethylene/α-olefin polymer as described and claimed in the 705 Patent.*

[10] Paragraphs 12 through 21 of the Amended Statement of Claim refer to the Defendant's film as that "*under the SURPASS name, including those identified in Appendix A*". Paragraphs 23 and 24 refer to the Defendant's product simply as "*SURPASS polyethylene film-grade copolymers*".

[11] Appendix A to the Amended Statement of Claim lists some 59 designations of film in four general categories; namely, FPs016, FPs117, FPs317, and FPs225.

[12] The evidence of Dr. Speed filed on this motion includes product sheets of the Defendant where, for example at Exhibit E, the Defendant's product sheet refers to SURPASS® FPs417-A

Resin. Exhibit D to the Speed affidavit sets out some pages of the Defendant's literature explaining the nomenclature protocol for its products which nomenclature is apparently subject to several exceptions.

[13] On March 11, 2011, Prothonotary Milczynski made an Order upon a motion by the Defendant, *inter alia*, for particulars of the products alleged by the Plaintiffs to infringe the patent. In her Order, she wrote, in part:

> ***AND UPON*** *dismissing the motion at the conclusion of the hearing of the motion on March 10, 2011;*
>
> *The Plaintiff has, through its response to the Defendant's demand for particulars and through its submissions on this motion, confirmed that (i) the license referred to in paragraph 5 of the Statement of Claim is not in written form; and (ii) the list of products currently known to the Plaintiff, that the Plaintiff alleges infringe the patent in issue, are those products listed in Appendix A to the Statement of Claim. The Defendant accepts these responses and acknowledges that to the extent further products are alleged to infringe, the Statement of Claim can be amended.*

[14] It appears that the Plaintiffs were quite aware of this Order as the Amended Statement of Claim of February 22, 2012 added to Appendix A a fourth category of SURPASS film identified as FPs225-A.

[15] The attitude of the parties throughout this litigation appears to be hostile, particularly on the part of the Defendant. Justice O'Keefe dealt with this in his costs Order. A transcript of part of the Plaintiffs' Examination for Discovery of the Defendant held on October 31, 2011, has been put in the motion record before me as Exhibit F to the affidavit of Deborba. It shows that the Defendant's Counsel was resisting giving answers in respect of any film product not listed in

Appendix A to the Statement of Claim, and very careful answers were given with respect to those that were listed such as saying that it did not make a product called FPs317 but admitted that it did make a product called FPs317-A.

[16] Meanwhile, litigation continued in the United States in a second phase of proceedings there. While there were Confidentiality or Protective Orders in the proceedings in the United States Court as well as this Court, it is common ground between the parties that the parties to the proceedings in this Court had access to relevant information produced in the United States proceedings and vice-versa. On or about August 16, 2012, Nova revealed to Dow in the United States proceeding that it made additional grades of film which Counsel have agreed in the motion before me are those identified as FPs417-A, FRs416-A, and EX-FPs016-A01. These additional grades were included as part of an agreement reached between the parties in respect of a supplemental damage phase of the United States proceedings on or about April 12, 2013.

[17] Prior to the trial of this action, it appears that Prothonotary Milczynski had made a bifurcation Order on April 27, 2011 but had not signed it. Accordingly, on May 7, 2014, the same date as his final judgment, Justice O'Keefe made an Order, retroactive to April 27, 2011, stating:

> ***THIS COURT ORDERS that:***
>
> *1. The following paragraphs are hereby added to the April 27, 2011 scheduling order of Prothonotary Milczynski nunc pro tunc and are retroactively effective from the date of its issuance.*
>
> *2. In this order:*
>
> *(a) "Patent" means Canadian Letters Patent No. 2,160,705.*

(b) *"Liability Issues" mean all of the issues in this action, other than the Quantification Issues. For greater certainty, the Liability Issues include:*

(i) *the issue of whether the Patent has been infringed by the defendant and on what products;*

(ii) *the issue of whether the Patent is valid;*

(iii) *the issue of the plaintiffs' entitlement, if any, to declaratory relief, injunctive relief and delivery up; and*

(iv) *the issue of the plaintiffs' entitlement to an election of profits or damages.*

(c) *"Liability Phase" means discovery and all other steps up to and including a trial or other determination of all of the Liability Issues, excluding any appeals.*

(d) *"Quantification Issues" mean:*

(i) *the quantities of the products that infringe or have infringed the Patent;*

(ii) *the quantum of damages arising from any infringement by the defendant of the Patent;*

(iii) *the quantum of reasonable compensation, if any, arising from any infringement by the defendant of the Patent; and*

(iv) *the quantum of any profits arising from any infringement by the defendant of the Patent.*

3. *The Quantification Issues in this action shall be determined separately from and only after the Liability Phase, if necessary, depending upon the outcome of the Liability Phase. For greater certainty, during the Liability Phase, there shall be no documentary or other discovery on matters solely relating to the Quantification Issues.*

4. *If it is necessary, depending upon the outcome of the Liability Phase, to proceed to a determination of the Quantification Issues, the procedure to be followed for the determination of the Quantification Issues, including*

> *whether such determination shall be by way of further trial or reference, shall be as directed by the Liability Phase trial judge and either party may bring a motion for such directions after judgment following the trial in the Liability Phase. Such a motion for directions may be brought regardless of whether the judgment is being appealed.*
>
> *5. There shall be no order as to costs.*

[18] The trial of this action in this Court took place between September and November, 2013. None of the FPs417-A or FRs416-A or EX-FPs016-A01 had been listed in Appendix A of the Amended Statement of Claim or were otherwise specifically put in issue at that trial. It appears that, while some 59 different films were identified in Appendix A to the Amended Statement of Claim, the Plaintiffs put in evidence only some 14 different mixtures of the film components which were apparently accepted by the Trial Judge as typical of all 59 film mixtures.

[19] Plaintiffs' Dow's Counsel submitted a Memorandum of Fact, Law and Argument at trial. Paragraph 1 of that Memorandum said:

> ***THE ACCUSED SURPASS RESINS***
>
> *1. Nova makes and sells products under the Surpass trade name. There are fifty-nine (59) Surpass products at issue in this action, which have been divided into four product categories: FPs016, FPs117, FPs317, and FPs225, on the basis of their melt indices.*

[20] Dow's Counsel submitted a Draft Judgment as part of Counsel's Opening Statement at trial. That Draft said, *inter alia*:

> ***Draft Judgment***
>
> *THIS COURT ADJUDGES AND DECLARES AS FOLLOWS:*

> 1. *The Defendant, NOVA Chemicals Corporation, has infringed at least claims 11, 29, 30, 33, 35, 36, 41 and 42 of Canadian Patent No.2,160,705 (the"705 Patent) by manufacturing, distributing, offering for sale, selling, licensing or otherwise making available or using in Canada the infringing film-grade ethylene copolymer (polyethylene) compositions sold un the name SURPASS, or under any other name;*
>
> 2. *The Plaintiffs are entitled to elect either an accounting of profits of the Defendant or all damages sustained as a result of the infringement by the Defendant of the above-mentioned patents (sic). Such damages will be assessed by reference preceded by discovery if requested:*

[21] In his Judgment dated May 7, 2014, Justice O'Keefe identified the product at issue only as "SURPASS". The Judgment said, *inter alia,:*

> ***THIS COURT'S JUDGMENT IS THAT:***
>
> 1. *A declaration will issue that claims 11, 15, 29, 30, 33, 35, 36, 41 and 42 of Canadian Patent No. 2,160,705 are valid and that Nova Chemicals Corporation has infringed these claims by manufacturing in Canada and distributing, offering for sale, selling or otherwise making available film-grade polymers under the name SURPASS.*
>
> 2. *The plaintiffs are entitled to elect after due inquiry and full discovery, either an accounting of profits of the defendant or all damages sustained by reason of infringement by the defendant of the above mentioned patent. Such damages or accounting of profits will be assessed by reference preceded by discovery if requested.*
>
> ...

[22] Justice O'Keefe's Reasons do not go into detail as to what he meant by "SURPASS" film-grade polymers. At paragraph 8, he repeats the Plaintiffs' claim for relief as set out in the Amended Statement of Claim (previously repeated herein) which, at paragraph 1(b)(ii), refers to "compositions sold under the name SURPASS, or any other name as described below".

[23] At paragraph 283 of his Reasons, Justice O'Keefe states his disposition of the action including a recital of paragraphs 1 and 2 of his Judgment which have been previously set out here.

[24] After Justice O'Keefe released his Judgment as to liability, the parties proceeded to examination for discovery on the quantification stage. During a discovery of a Defendant held on September 11, 2015, Plaintiffs' Counsel identified certain grades of SURPASS film that were not pleaded in Appendix A of the Amended Statement of Claim but, Counsel asserted, were at issue during the reference (Exhibit I to the Grembowicz affidavit). They were identified as EX-FPs 016-A01, FRs016-A, FPs417-A, XJs-X38B and XJs-X38U. Defendant's Counsel refused to answer questions in respect of these films. The same position was taken on a September 14, 2015 discovery (Exhibit J to Grembowicz). Counsel continued with their positions in subsequent correspondence.

[25] Ultimately, Plaintiffs' Counsel filed a Notice of Motion on January 20, 2016 which is the motion before me, to include within the scope of Justice O'Keefe's Judgment, SURPASS film identified as FPs016-A, EX-FPs016-A01, EX-FPs225-A01 and FPs417-A.

II. POSITION OF THE PARTIES

[26] The Plaintiffs' Dow's position is summarized in their Memorandum of Argument, paragraphs 7 and 8, as follows:

> *7. In any event, and as specified further below:*
>
> *(a) each of the Additional Grades are film-grade SURPASS polymers;*

> *(b) each of the Additional grades fall within one of the four product categories identified in the appendix to Dow's Claim (i.e. FPs016, FPs117, FRs225 and FPs317);*
>
> *(c) the additional film-grade FPs016-A is simply the infringing film-grade FRs016, as identified in Dow's Claim, with a non-polymer "additive";*
>
> *(d) the additional film-grade FPs41-A is, as recognized by Nova, a "minor variant" and in all relevant respects indistinguishable from the infringing film-grade FRs317-A, as identified in Dow's claim; and*
>
> *(e) the additional film-grades EX-FPs016-A01 and EX-FPs225-A01 are merely the pre-commercial versions of, and substantially similar to FPs016-A (described above) and FPs225-A (as identified in Dow's Claim).*
>
> *8. As such, none of the Additional Grades differ materially from the named infringing grades: they are "film-grade polymers under the name SURPASS" as specified in the Trial Judgement.*

[27] The Defendant's position is set out essentially at paragraphs 15 to 19 of its Memorandum:

> *15. Whether FPs417-A infringes is a matter for a trial, not summary determination on this motion. For purposes of this case, however, NOVA does not dispute the similarity of the products other than FPs417-A. Dow now seeks to add others for which infringement was found, in that they differ only in experimental designations or the additive packages. NOVA would also defend Dow's claims on all of the Additional Products as an abuse of process. These products were known to Dow all along. Dow could have, and should have, raised all of them for the liability trial. Claims based on the Additional Products are now barred.*
>
> *16. As a further defence, NOVA is also entitled to the benefit of the six-year limitation period under section 55.01 of the Patent Act.*

> *17. NOVA cannot be prejudiced and deprived of its right to defend by Dow's motion.*
>
> *18. There are no unforeseen or newly discovered facts to which Rule 399(2)(a) can apply to vary or re-open the Judgment. It is a final decision that Dow did not appeal, and is now subject to a pending decision on NOVA's appeal. Dow is merely seeking to expand its infringement case based on evidence it could have tendered at the trial.*
>
> *19. Dow's therefore relies on a literal interpretation of the Judgment to argue that "film-grade polymers made and sold by NOVA under the name SURPASS" as a general class infringe. This ignores how the case was framed and the evidence adduced at trial. The Trial Judge was referring to the pleaded products he had before him using language based on the pleading and as they were referred to by counsel. He heard no evidence about infringement of other film grade polymers marketed under the SURPASS name or other names, and the Bifurcation Order mandated that all issues with respect to what products infringe be determined as a Liability Issue.*

[28] Put simply, the Plaintiffs submit that the particular films sought to be added to the reference are implicitly within the decision of Justice O'Keefe and are mere minor variants. The Defendant argues, at least with respect to one of these films, FPs417-A, that there are substantive technical arguments as to whether there is infringement or not and, with respect to the others, there are issues respecting estoppel, abuse of process and periods of limitation and prescription that the Defendant should be allowed to raise.

III. ANALYSIS

[29] The Plaintiffs' motion proceeded essentially on three grounds:

1. The specific films sought to be added on the reference were implicitly at issue all along and are mere variants of those more specifically set out in Appendix A to the Amended Statement of Claim;
2. The Defendant Nova has played hardball throughout and has avoided being frank and open in identifying all the films at issue; it has an obligation to reveal, during the discovery process, all relevant designations of the SURPASS film at issue; and
3. Rule 399(2)(a) of this Court permits the Court to set aside or vary an Order by reason of a matter discovered subsequent to the making of that Order.

[30] The Defendant argues essentially that:

1. It did disclose three additional films in the context of the United States proceedings in February, 2012. Dow was aware of this disclosure and had access to it in the context of the Canadian proceeding but did nothing. The Order of Prothonotary Milczynski of March 11, 2011 made it quite clear that Appendix A of the Statement of Claim was to list the specific products at issue, and if any other products come to light, the Statement of Claim could be amended as the Plaintiffs did on February 22, 2012;
2. Rule 399 does not apply since the Plaintiffs were well aware of the further film designations before the trial. There was no matter subsequently discovered that was not previously known or ought to be known by the Plaintiffs;
3. To include further films at this time would effectively deprive the Defendant of defences, at least in one case on the technical specifications of its FPs417-A film

and, in respect of the rest, at least defences of *res judicata*, abuse of process and limitation and prescription.

[31] At the hearing, I asked Defendant's Counsel whether there was any prohibition against the Plaintiffs to prevent them from starting a new action in which the four designated films sought to be included in the reference could be put in issue in such a new action. Presumably, *res judicata* would apply to Justice O'Keefe's findings as to claim construction, validity and at least certain matters as to infringement. Nova could raise defences as to non-infringement at least in respect of FPs417-A film and defences as to *res judicata*, abuse of process, limitation and prescription.

[32] A new action is a waste of the resources of this Court. While I agree with the Defendant in respect of its arguments as set out in paragraphs 1 and 2 above, I do not believe that a just, most expeditious and least expensive determination of the issues between the parties justifies forever precluding the Plaintiffs from putting before the Court the four further films as designated. Nor should it preclude the Defendant from raising defences that it believes to be proper.

[33] The parties have been through extensive discoveries and a trial. There have been many facts adduced and many findings of the Trial Judge. They should not be wasted.

[34] I will permit the Plaintiffs, effective the day they filed this motion, January 20, 2016, to further Amend their Statement of Claim to include, in Appendix A, films designated as FPs016,

FPs117, FPs225, and FPs317. The Defendant may amend its Defence in response thereto. All previous discoveries and evidence adduced at trial may continue to be used and evidence adduced on this motion before me, can be used by the parties as if it had been given on discovery. In addition they may have such further discovery as reasonably necessary. It may be that before the reference is held in December 2016, a trial of further issues may be needed or that reference may be postponed. So be it. I believe that this is the fairest way to deal with the matter.

[35] Costs of this motion and further consequent discoveries and other proceedings are left to the Judge or other person hearing the reference.

ORDER

THIS COURT THEREFORE ORDERS that:

1. The Plaintiffs are allowed to amend Appendix A to their Amended Statement of Claim to add films designated as FPs016, FPs117, FPs225, and FPs 317 effective as of January 20, 2016;
2. The Defendant is allowed to amend its Defence in response to the amendments allowed in paragraph 1;
3. The parties may use the evidence adduced on this motion as discovery and may conduct further discovery reasonably consequent upon the above amendments;
4. The parties are to seek Case Management as to the determination of any issues raised by such amendments and any issues as to the reference and timing thereof;
5. Costs of this motion as well as the amendments and discovery are left to determination upon the reference.

"Roger T. Hughes"
Judge

FEDERAL COURT

SOLICITORS OF RECORD

DOCKET:	T-2051-10
STYLE OF CAUSE:	THE DOW CHEMICAL COMPANY, DOW GLOBAL TECHNOLOGIES INC., and DOW CHEMICAL CANADA ULC v NOVA CHEMICALS CORPORATION
PLACE OF HEARING:	TORONTO, ONTARIO
DATE OF HEARING:	MARCH 24, 2016
REASONS FOR ORDER AND ORDER:	HUGHES J.
DATED:	MARCH 30, 2016

APPEARANCES:

Steven B. Garland Ryan T. Evans Daniel S. Davies	FOR THE PLAINTIFFS
Michael E. Charles Michael D. Burgess	FOR THE DEFENDANT

SOLICITORS OF RECORD:

Smart & Biggar Barristers and Solicitors Toronto, ON - and - Dimock Stratton LLP Barristers and Solicitors Toronto, ON	FOR THE PLAINTIFFS
Bereskin & Parr LLP Barristers and Solicitors Toronto, ON	FOR THE DEFENDANT