

Federal Court



Cour fédérale

Date: 20190204

Docket: T-913-17

Citation: 2019 FC 142

Ottawa, Ontario, February 4, 2019

PRESENT: The Associate Chief Justice Gagné

BETWEEN:

**CANADIAN NATIONAL RAILWAY
COMPANY**

**Responding Party/
Defendant by Counterclaim**

and

BNSF RAILWAY COMPANY

**Moving Party/
Plaintiff by Counterclaim**

and

**THE COMMISSIONER OF PATENTS AND
THE ATTORNEY GENERAL OF CANADA**

Third Parties

ORDER AND REASONS

I. Nature of the Matter

[1] BNSF Railway Co. [BNSF] is seeking an order to stay the prosecution and issuance by the Commissioner of Patents [Commissioner] of Canadian Patent Application no. 3,004,843 [843 Application] and Canadian Patent Application no. 3,004,874 [874 Application, and together, the Divisional Applications], as well as any further divisional patent applications filed and deriving from either of the Divisional Applications, pending the determination by this Court of the validity of related patents that are predecessors to the Divisional Applications.

II. Facts

[2] CN Railway Co. [CN] and BNSF are competing companies in the North American rail freight transportation market.

[3] In June 2017, CN commenced its action in the present file, alleging BNSF's infringement of Canadian Patent No. 2,922,551 and 2,880,372. CN later amended its statement of claim to add Canadian Patent No. 2,958,024 to the action [together, the Asserted Patents]. These patents all relate generally to a system allowing the fulfillment of a rail-shipment service transaction online.

[4] In August 2018, BNSF filed a statement of defence and counterclaim alleging that CN engaged in improper divisional filing practice and that the Asserted Patents are invalid due to lack of novelty or obviousness.

[5] The Divisional Applications are linked to the Asserted Patents through another divisional patent, Canadian Patent No. 2,969,278, which is neither the subject of the present proceedings nor at stake before the Commissioner. The 843 Application and the 874 Application were respectively allowed on October 15, 2018 and June 21, 2018.

[6] On September 18, 2018, CN filed a voluntary submission of information with respect to the Divisional Applications, listing several references and prior art including BNSF's statement of defence and counterclaim in the present file.

[7] A few days later, CN filed its reply but eventually wholly discontinued its action without prejudice. Yet, BNSF confirmed its intention to continue with its counterclaim.

[8] On November 14, 2018, BNSF wrote a letter to the Commissioner requesting the stay or adjournment of the issuance of the Divisional Applications until this Court's final decision in the present file. The Commissioner did not grant the required stay but instead treated BNSF's letter as a protest under section 10 of the *Patent Rules*, SOR/96-423.

III. Issues

[9] BNSF raises the following substantive issues:

- A. *Does the Federal Court have jurisdiction to stay the prosecution of the Divisional Applications, the filing of any subsequent divisional applications, or alternatively, the issuance of the patents arising therefrom?*
- B. *If the answer to (A) is affirmative, should the prosecution of the Divisional Applications, the filing of any subsequent divisional application, or alternatively, the issuance of the*

patents arising therefrom, be stayed pending a determination of the issues raised by BNSF in its statement of defence and counterclaim in the within action?

IV. Analysis

Preliminary issue: Adding the Commissioner and the Attorney General of Canada as third parties for the purposes of this motion

[10] BNSF submits that the Commissioner and the Attorney General of Canada must be added as parties to the present file, failing which it might be unclear whether they would be bound by an order of this Court.

[11] First, as a general rule, a Court cannot issue an order against a person that is not a party to the proceedings before it.

[12] Second, the test to determine whether a person or entity should be added as a third party is found at paragraph 104(1)(b) of the *Federal Courts Rules*, SOR/98-106. A third party may be added at any time by the Court if that person ought to have been joined as a party or if that person's presence before the Court is necessary to ensure that all matters in dispute in the proceeding be effectually and completely determined.

[13] One needs to look at the matters currently in dispute to determine whether a third party's presence is necessary for a complete and effectual resolution of the matter.

[14] For the reasons discussed in more details below (and taking into consideration that the necessity to join the Commissioner as a party to the present case and this Court's jurisdiction to

stay proceedings before the Commissioner are interrelated issues), I am of the view that the presence of the Commissioner and the Attorney General of Canada is necessary for the purposes of this motion.

[15] However, the presence of the Commissioner and the Attorney General of Canada is not necessary to resolve the issues raised in the within action, namely, assessing whether CN has engaged or is engaging in improper divisional filing practice, and whether the Asserted Patents are invalid. These issues are not currently before the Commissioner and this Court's decision in the within action will not have a definitive impact on new and different patents to be issued by the Commissioner. Conversely, the allowance or issuance of the Divisional Applications by the Commissioner will not affect the outcome of the within action.

[16] Therefore, the Commissioner and the Attorney General of Canada will only be parties to the present proceedings for the purposes of this motion.

A. *Does the Federal Court have jurisdiction to stay the prosecution of the Divisional Applications, the filing of any subsequent divisional applications, or alternatively, the issuance of the patents arising therefrom?*

[17] Subsection 50(1) of the *Federal Courts Act*, RSC 1985, c F-7 [the Act] grants jurisdiction to the Federal Court of Appeal and to this Court to stay a proceeding "in any cause or matter" on the ground that the claim is proceeding in another court or jurisdiction or where it is in the interests of justice. BNSF argues that this power is not limited to a proceeding that is pending before the Federal Court of Appeal or this Court (*Yri-York Ltd v Canada (Attorney General)*, [1988] 3 FC 186 (QL) at para 18; *Royal Bank v Canadian Imperial Bank of Commerce*, [1994]

FCJ No 1341 (QL) (FCTD) at para 16; *Canadian National Railway v BNSF*, 2016 FCA 284 at paras 8-9; *Prenbec Equipment Inc v Timberblade Inc*, 2010 FC 23 at para 25).

[18] As I indicated to the parties during the hearing of this motion and with the greatest of respect, I do not believe that in enacting section 50 of the Act, Parliament intended to give the Federal Court of Appeal and this Court powers over proceedings pending before federal boards, commissions or other tribunals beyond those already granted pursuant to paragraph 18(1)(a) (Extraordinary remedies, federal tribunals) and section 18.2 (Interim orders), which are only available in the context of an application for judicial review. Here are a few reasons why I believe the power to authorize a stay of proceedings pursuant to section 50 should be limited only to proceedings pending before this Court, in cases where this Court is otherwise validly seized of a matter over which it has jurisdiction:

- The Federal Court of Appeal and this Court found that section 50 can be used to stay proceedings pending before a federal board, commission or other tribunal because it does not specifically limit this power to proceedings “before the Court”. With respect, since this Court is a statutory Court, silence should not be interpreted as a specific grant of jurisdiction;
- Section 50 is not under the heading **Jurisdiction of Federal Court** (sections 17 to 26) but rather under the heading **Procedure** (sections 45 to 51). All the provisions under that latter heading are procedural in nature and none of them could be read to grant this Court jurisdiction *ratione materiae*;
- The expression “in any cause or matter” found in paragraph 50(1)(b) and said to support the proposition that it is general enough to encompass proceedings pending before a federal board, commission or other tribunal, is also found in subsection 50(2). It can certainly not be said that the use of the same expression in the latter provision supports the proposition that this Court has jurisdiction to stay

proceedings before a superior Court of a province that has concurrent jurisdiction over claims against the Crown.

[19] In addition, as justice David Stratas puts it in *Canadian National Railway*, above, at paragraph 14, where “a party is seeking to stay an administrative decision-maker’s proceedings, the party is actually seeking prohibition of those proceedings.” In my respectful view, relying on paragraph 50(1)(b) to stay proceedings before a federal board, commission or other tribunal is not only wrong but it is unnecessary as this power is specifically granted under paragraph 18(1)(a) of the Act; it simply has to be accessed by way of an application for judicial review.

[20] That being said, I acknowledge that I am bound by the decisions of the Federal Court of Appeal on this issue, notably by *Canadian National Railway*, above, where justice Stratas clearly states:

[8] Section 50 of the *Federal Courts Act* sets out circumstances where stays can be granted. Relevant here is paragraph 50(1)(b) of the *Federal Courts Act*. It allows the Court to grant stays of “proceedings in any cause or matter...where for any other reason it is in the interests of justice that the proceedings be stayed.” In my view, this wording, read literally, is broad enough to include stays of administrative proceedings.

[9] That literal reading is supported by other sections in the *Federal Courts Act* and its overall purposes. The Act vests in the Federal Courts broad powers of supervision of the actions of federal boards, commissions and other tribunals: *Canada (Human Rights Commission) v. Canadian Liberty Net*, [1998] 1 S.C.R. 626, 157 D.L.R. (4th) 385; *Canada (National Revenue) v. RBC Life Insurance Company*, 2013 FCA 50, 443 N.R. 378. The power to stay administrative proceedings is one that a supervisory court would need on occasion to discharge its mandate. The literal wording of paragraph 50(1)(b) sets out exactly that power.

[21] These are not my only concerns, as I am of the view that using paragraph 50(1)(b) to stay proceedings pending before a federal board, commission or other tribunal brings an additional difficulty: which test should be applied? The tripartite test set out in *RJR-MacDonald Inc v Canada (Attorney General)*, [1994] 1 SCR 311, which has been used in the exercise of the power granted by section 18.2 of the Act, or the broad “interest of justice” test found in paragraph 50(1)(b) of the Act, used to stay proceedings before this Court (where this Court is otherwise validly seized of a matter over which it has jurisdiction), as complemented by the criteria enunciated by this Court in *White v EBF Manufacturing Limited*, 2001 FCT 713?

[22] BNSF argues that the following test should be applied:

- (a) Would the continuation of the action cause prejudice or injustice (not merely inconvenience or extra expense) to the moving party?
- (b) Would the stay work an injustice to the responding party?

[23] BNSF adds the Court may also take into account several other factors, including whether one proceeding is broader than the other and whether there is a possibility of inconsistent findings (*White*, above, at para 5):

1. Would the continuation of the action cause prejudice or injustice (not merely inconvenience or extra expense) to the defendant?
2. Would the stay work an injustice to the plaintiff?
3. The onus is on the party which seeks a stay to establish that these two conditions are met;
4. The grant or refusal of the stay is within the discretionary power of the judge;
5. The power to grant a stay may only be exercised sparingly and in the clearest of cases;

6. Are the facts alleged, the legal issues involved and the relief sought similar in both actions?
7. What are the possibilities of inconsistent findings in both Courts?
8. Until there is a risk of imminent adjudication in the two different forums, the Court should be very reluctant to interfere with any litigant's right of access to another jurisdiction;
9. Priority ought not necessarily be given to the first proceeding over the second one or, vice versa.

[24] CN instead proposes to apply the *RJR-MacDonald* tripartite test:

- a) there is a serious question to be tried;
- b) the applicant would suffer irreparable harm if the application were refused; and
- c) the balance of convenience favours the applicant.

[25] The *RJR-MacDonald* tripartite test applies when a party attempts to obtain interlocutory injunctive relief, while the factors identified in *White* deal with the question of related proceedings being pursued in different fora (*Tractor Supply Co of Texas, LP v TSC Stores LP*, 2010 FC 883 aff'd 2011 FCA 46 at paras 19-20, 23-24).

[26] While Justice Stratas suggests in obiter that the *RJR-MacDonald* test should be followed when this Court enjoins another body from exercising its jurisdiction (*Mylan Pharmaceuticals ULC v AstraZeneca Canada, Inc*, 2011 FCA 312 at para 5), this Court has held that there is no real difference between these two tests (*Camsco Inc v Soucy International Inc*, 2016 FC 1116 at paras 45-46, 64). This Court has also noted that even if the *White* test may be more appropriate

where a party seeks to stay one of two parallel proceedings, applying either test would lead to the same conclusion (*Tractor Supply Co of Texas LP*, above, at paras 29, 47-49).

[27] I agree that there is a significant overlap in the elements examined as part of both tests. On the one hand, the factors identified in *White* respond adequately to the question as to whether a stay should be ordered where there are related proceedings (*Tractor Supply Co of Texas, LP*, above, at paras 23-24; *Canada (Attorney General) v Cold Lake First Nations*, 2015 FC 1197 at para 15; *Dayton Boot Co Enterprises Ltd v Red Cat Ltd*, 2017 FC 973 at para 11). On the other hand, the moving party is requesting highly unusual relief, which, according to Justice Stratas in *Mylan Pharmaceuticals ULC*, above, at paragraph 5, requires the satisfaction of a demanding test. Considering that both tests converge towards the same result, it would be appropriate to apply either (or even both) of these tests, or to use the *White* criteria to guide the *RJR-MacDonald* analysis.

[28] I find that the result in this case would be identical whether the *RJR-MacDonald* test, the *White* test, or both tests are applied.

B. *If the answer to (A) is affirmative, should the prosecution of the Divisional Applications, the filing of any subsequent divisional application, or alternatively, the issuance of the patents arising therefrom, be stayed pending a determination of the issues raised by BNSF in its statement of defence and counterclaim in the within action?*

[29] I will first consider whether the legal issues considered and the relief sought are the same before the Commissioner and the Federal Court. It is difficult to conceive how there could be a

serious question warranting the stay of another tribunal's proceedings if the issues and the relief sought before that tribunal and this Court are not identical.

[30] Before this Court, BNSF attacks the validity of the Asserted Patents. If it is successful, these patents will be declared invalid.

[31] Before the Commissioner, the issue is whether the Divisional Applications, which are related to the Asserted Patents, should be allowed and issued. As it turns out, both the 843 Application and the 874 Application have already been allowed, respectively on October 15, 2018 and on June 21, 2018.

[32] After an application has been found allowable, the last remaining requirement before the issuance of the patent is the payment of the final fee within a six-month period following the date of the notice of allowance (subsection 30(1) of the *Patent Rules*). The Manual of Patent Office Practice states at section 13.11 that “[o]nce an application is allowed, prosecution before the examiner has technically ceased”, and at section 13.13 that “[u]pon payment of the final fee referred to in section 13.11, the Office will process the application to grant, and will generally issue the patent on a Tuesday approximately six weeks after payment of the final fee”.

[33] According to subsection 30(7) of the *Patent Rules*, the allowance may only be withdrawn after a notice of allowance is sent and before a patent is issued if the Commissioner has reasonable grounds to believe that the application does not meet the requirements of the *Patent Act*, RSC 1985, c P-4 or the *Patent Rules*.

[34] Since the notice of allowance has already been issued for both the 843 Application and the 874 Application, the Commissioner has a statutory duty to either a) issue a patent upon the payment of the final fee; or b) withdraw the notice of allowance if it has reasonable grounds to do so.

[35] It is therefore quite evident that the legal issues and the relief sought before the Commissioner and before the Federal Court are distinct.

[36] The allowance and issuance of the Divisional Applications do not turn on the validity of the Asserted Patents. While the 843 Application and the 874 Application are divisional applications related to those issued patents, subsection 36(4) of the *Patent Act* requires that they be treated as separate and distinct applications. Furthermore, sections 28.2, 28.3 and 58 of the *Patent Act* require examining allegations of invalidity or unpatentability due to lack of novelty or obviousness on a claim by claim basis (*Zero Spill Systems (Int'l) Inc v Heide*, 2015 FCA 115 at para 85). In other words, even if some (or all) of the claims contained in the Asserted Patents were found to be invalid due to lack of novelty or obviousness, the claims contained in the 843 Application and the 874 Application may still be valid. There is no possibility of inconsistent findings since the questions before the Commissioner and this Court are distinct.

[37] The issue of whether the claims in the Divisional Applications are patentable subject matter is not and cannot be before this Court unless the patents are issued and an impeachment action is launched pursuant to section 60 of the *Patent Act* (*Monsanto Co v Canada (Commissioner of Patents)*, 1999 CanLII 8504 (FC) at para 30). Moreover, since a decision by

the Commissioner to grant a notice of allowance is not a reviewable decision, the decision by the Commissioner not to withdraw a previously issued notice of allowance similarly cannot be reviewed by this Court (*Monsanto*, above, at para 27).

[38] I find that the issues and the relief sought before the Commissioner and this Court are not identical, and that the first prong of the *RJR-MacDonald* test is not met.

[39] I will now consider if and how BNSF would be affected if this Court does not grant the stay of proceedings. While any person may submit a communication to the Commissioner with the stated or apparent intention of protesting against the granting of a patent, the Commissioner's only obligation with respect to this communication is to acknowledge its receipt (section 10 of the *Patent Rules*). The prosecution before the Commissioner is a non-judicial and non-adversarial process. Third parties have no standing and are not "directly affected" by the matter in a legal sense, apart from their own competitive commercial interests (*Monsanto*, above, at para 37). The only person directly affected by the Commissioner's decision not to reopen the prosecution of the Divisional Applications is the applicant, CN (*Pharmascience Inc v Canada (Commissioner of Patents)*, [1998] FCJ No 1735 (FCTD) (QL) at para 9). Since BNSF is not directly affected by the proceedings before the Commissioner, it would not suffer any prejudice, injustice or irreparable harm if they were to continue. I find that the second and third prongs of the *RJR-MacDonald* test are therefore not met.

[40] I must add that at the hearing of this motion, BNSF's counsel admitted that if CN had not filed BNSF's statement of defence and counterclaim before the Commissioner, BNSF would not

have sought to stay the prosecution and issuance of the Divisional Applications. BNSF's counsel argued that by filing the statement of defence and counterclaim, CN placed a "cloud" over the treatment of BNSF's counterclaim by this Court. Not only did BNSF's counsel remain quite vague as to the nature of such a cloud, but CN's counsel undertook not to raise before this Court any argument that the Commissioner will be deemed to have considered and dismissed the submissions contained in BNSF's statement of defence and counterclaim.

V. Conclusion

[41] BNSF does not meet the test justifying its motion for a stay of proceedings, whether the *White* or the *RJR-MacDonald* test is applied. There is no serious question warranting the stay, since the issues and the relief sought before this Court and the Commissioner are not the same. BNSF has not shown that it would suffer any prejudice if the proceeding before the Commissioner was not stayed, apart from the potential impact on its competitive commercial interests flowing from the issuance of a patent to a competitor. Lastly, BNSF has not shown that the balance of convenience favours it. BNSF's motion is therefore dismissed.

ORDER in T-913-17

THIS COURT ORDERS that:

1. The moving party's motion is dismissed;
2. For the purposes of this motion, the style of cause is amended to include the Commissioner of Patents and the Attorney General of Canada as third parties;
3. Costs are granted in favour of the responding party only in the amount of \$7,500.

“Jocelyne Gagné”

Judge

FEDERAL COURT

SOLICITORS OF RECORD

DOCKET: T-913-17

STYLE OF CAUSE: CANADIAN NATIONAL RAILWAY COMPANY v
BNSF RAILWAY COMPANY

PLACE OF HEARING: OTTAWA, ONTARIO

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