

Federal Court



Cour fédérale

Date: 20201022

Docket: T-40-18

Citation: 2020 FC 992

Ottawa, Ontario, October 22, 2020

PRESENT: The Honourable Madam Justice McVeigh

BETWEEN:

PAID SEARCH ENGINE TOOLS, LLC

Plaintiff

and

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

Defendants

ORDER AND REASONS

I. Introduction

[1] The Defendants, Google Canada Corporation, Google LLC and Alphabet Inc. [Google] seek an order directing the determination of a question of law pursuant to rule 220(1)(a) of the *Federal Courts Rules*, SOR/98-106.

[2] The question presented was:

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

II. Background

[3] On January 12, 2018, Paid Search Engine Tools, LLC [PSET], filed a Statement of Claim to seek a declaration to the effect that Google has infringed on Canadian Patent No 2,415,167 [‘167 Patent]. PSET also claimed reasonable compensation, pursuant to section 55(2) of the *Patent Act*, RSC 1985, c P-4 [*Patent Act*], for Google’s actions that would have constituted infringement of the application for the ‘167 Patent “after said application became open to public inspection, but prior to its issuance”.

[4] Section 55(2) of the *Patent Act* provides for liability for any damage sustained before a patent is granted, commencing from the date that a patent application is published. The application for the ‘167 Patent was published on January 10, 2002. After delays on the part of the Canadian Intellectual Property Office in the examination and issuance of the patent application, ‘167 Patent was finally issued on March 21, 2017. Section 55(2) of the *Patent Act* reads as follows:

Liability damage before patent is granted

55 (2) A person is liable to pay reasonable compensation to a patentee and to all persons claiming under the patentee for any damage sustained by the patentee or by any of those persons by reason of any act on the

Indemnité raisonnable

55 (2) Est responsable envers le breveté et toute personne se réclamant de celui-ci, à concurrence d’une indemnité raisonnable, quiconque accomplit un acte leur faisant subir un dommage après la date à laquelle

part of that person, after the specification contained in the application for the patent became open to public inspection, in English or French, under section 10 and before the grant of the patent, that would have constituted an infringement of the patent if the patent had been granted on the day the specification became open to public inspection, in English or French, under that section.

le mémoire descriptif compris dans la demande de brevet est devenu accessible au public, en français ou en anglais, sous le régime de l'article 10 et avant la date de l'octroi du brevet, dans le cas où cet acte aurait constitué une contrefaçon si le brevet avait été octroyé à la date où ce mémoire descriptif est ainsi devenu accessible.

[5] In Google's Statement of Defence and Counterclaim filed on November 12, 2018, they pled that, by virtue of the limitation set out in section 55.01 of the *Patent Act*, PSET is disentitled to any remedy for any alleged act of infringement occurring on or before January 12, 2012

[6] Section 55.01 of the *Patent Act* provides that no remedy may be awarded for an act of infringement committed more than six years before the commencement of the action for infringement. For the purposes of better understanding the factual background, it is worth reiterating that this action for infringement commenced on January 12, 2018. Section 55.01 of the *Patent Act* reads as follows:

Limitation

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

Prescription

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

[7] PSET as it appears from the Reply and Defence to Counterclaim denies that “any reasonable royalty obtained pursuant to subsection 55(2) is subject to the limitation in section 55.01 of the *Patent Act*”. Therefore PSET alleges that it is entitled to reasonable compensation

beyond six years before commencement of this action, reaching back to January 10, 2002, the date when the application for the '167 Patent was published.

III. Issue

[8] The issue is whether the question proposed for determination should be answered prior to trial.

IV. Analysis

A. *General Principles Applicable to Rule 220(1)(a) Motions*

[9] The requirements of rule 220(1)(a) were set forth in *Berneche v Canada*, [1991] 3 FC 383 [*Berneche*], which dealt with a predecessor of the current rule. It requires that the Court be satisfied that:

- a) there is no dispute as to any fact material to the question of law to be determined;
- b) that what is to be determined is a pure question of law, and
- c) that its determination will be conclusive of a matter in dispute so as to eliminate the necessity of a trial or, at least, shorten or expedite the trial.

[10] Later, the Federal Court of Appeal further elaborated the *Berneche* test in *Perera v Canada*, [1998] 3 FC 381, 158 DLR (4th) 341 [*Perera*]. Justice Létourneau held that pure questions of law are questions that may be answered without having to make any finding of fact (*Perera* at para 13). He said such a motion is an exceptional measure that the Court should only adopt when it is of the view that this exceptional course “will save time and expense” (*Perera* at

para 15). Those teachings were reiterated by the Federal Court of Appeal in *Rogers Communications Partnership v Society of Composers, Authors and Music Publishers of Canada (SOCAN)*, 2016 FCA 28 at paragraphs 42-45.

B. *Is the Proposed Question a Pure Question of Law?*

(1) Applicability of the Discoverability Principle to section 55.01 of the *Patent Act*

[11] Google argues that the question of the applicability of section 55.01 to the relief sought under section 55(2) of the *Patent Act* is a pure question of statutory interpretation which does not require any determination of fact. According to Google, the question at issue is related to a limitation of remedies available to PSET rather to a question of the applicability of the discoverability principle, which principle it claims does not apply to section 55.01.

[12] Google said this motion is appropriate given the context that the Plaintiff is claiming 16 years of damages in a patent case. 16 years of damages they say is astonishing in relation to section 55.01 of the *Patent Act* given that it is clear that damages should only be recoverable 6 years before the commencement of the action. Google argues if I address this issue today it will just save time, as it is just a question of law with no facts, and having this dealt with would save trial time and streamline the entire procedure.

[13] The Plaintiff is of the opinion that I should dismiss Google's motion on three bases. First, PSET argues that Google's proposed question is not a pure question of law. Rather, PSET claims that this question requires assessment of facts since the discoverability principle applies to the

limitation period pursuant to section 55.01 of the *Patent Act*. They argue that the proposed question requires assessment of facts that Google unilaterally characterizes as “irrelevant”, and that, contrary to Google’s submissions, the discoverability principle applies to section 55.01 of the *Patent Act*. Second, PSET claims that, as framed, the question would not dispose of a substantial part of the action. Lastly, PSET submits that the proposed determination will not save time and expense.

[14] I agree with PSET that the discoverability principle applies to the limitation period set forth at section 55.01 of the *Patent Act*. Based on my finding, Google’s proposed question is not a pure question of law, since facts relevant to PSET’s knowledge of the infringement and crystallization of its cause of action will need to be assessed.

[15] As well, the wording of the French version and of the English version of section 55.01 of the *Patent Act* seem to differ. Contrary to the English version, the French version does not refer to the “commencement of the action for infringement”. The six-year limitation period for a “remedy” or “recours” seems to run from the “act of infringement”, since the expression “celui-ci” at the end of the sentence refers to the “act of infringement”. This is something that should be fully argued and explored.

[16] In *Pioneer Corp v Godfrey*, 2019 SCC 42 at paragraph 31 [*Pioneer Corp*], the Supreme Court of Canada explained in those terms what constitutes the discoverability principle; it refers

to the principle that limitation periods only run when a plaintiff knows about the cause of action and is capable of commencing a lawsuit:

[31] This Court has recognized that limitation periods may be subject to a rule of discoverability, such that a cause of action will not accrue for the purposes of the running of a limitation period until “the material facts on which [the cause of action] is based have been discovered or ought to have been discovered by the plaintiff by the exercise of reasonable diligence” (*Central Trust Co. v. Rafuse*, 1986 CanLII 29 (SCC), [1986] 2 S.C.R. 147, at p. 224; *Ryan*, [2005 SCC 38] at paras. 2 and 22).

[17] The question of whether the discoverability principle applies to the limitation period found in section 55.01 of the *Patent Act* has not been yet resolved by the courts. Google asserts that the principle does not apply and that discoverability cannot be used as sword as it is a shield. PSET asserts that discoverability does apply. There do not appear to be any authorities answering the question.

[18] In *Pioneer Corp*, the Supreme Court of Canada further explained that the discoverability rule does not apply automatically to every limitation period. While it is a rule, it is “not a universally applicable rule of *limitations*, but a rule of construction to aid in the interpretation of statutory limitation periods” (*Pioneer Corp* at para 32). This principle applies to statutory limitation periods unless it is displaced by clear legislative language (*Ermineskin Indian Band and Nation v Canada*, 2006 FCA 415 at para 333). Clear statutory text is necessary to oust the application of the discoverability principle (*Pioneer Corp*, at para 36).

[19] However, absent any legislative intervention, this rule only applies “where the limitation period in question runs from the accrual of the cause of action, or from some other event that

occurs when the plaintiff has knowledge of the injury sustained...” (*Pioneer Corp*, at para 33). In other words, the discoverability principle applies where the event triggering the limitation period “is an element of the cause of action” or is “required to occur before the cause of action could accrue” (*Pioneer Corp* at para 40). The decision goes on to note that:

[34] Two points flow from this statement. First, where the running of a limitation period is contingent upon the accrual of a cause of action or some other event that can occur only when the plaintiff has knowledge of his or her injury, the discoverability principle applies in order to ensure that the plaintiff had knowledge of the existence of his or her legal rights before such rights expire (*Peixeiro*, [[1997] 3 SCR 549] at para. 39).

[35] Secondly (and conversely), where a statutory limitation period runs from an event unrelated to the accrual of the cause of action or which does not require the plaintiff’s knowledge of his or her injury, the rule of discoverability will not apply. In *Ryan*, for example, this Court held that discoverability did not apply to s. 5 of the *Survival of Actions Act*, R.S.N.L. 1990, c. S-32, which stated that an action against a deceased could not be brought after one year from the date of death. ...

[20] Contrary to Google’s assertion that the “limitation period” (pursuant to section 55.01 of the *Patent Act*) does not run from “an act of infringement”, I believe that it does, and is therefore subject to the discoverability principle. Google relied on *Fanshawe College of Applied Arts and Technology v AU Optronics Corporation*, 2016 ONCA 621 [*Fanshawe*] to support its statement that “the discoverability principle is not invoked”. I find that this is of no help to support their position. Even though *Fanshawe* was issued before *Pioneer Corp*, the same principles applied since the Ontario Court of Appeal relied notably on *Peixeiro v Haberman*, [1997] 3 SCR 549, 1997 CanLII 325 [*Peixeiro*], *Ryan v Moore*, 2005 SCC 38, [2005] 2 SCR 53 [*Ryan*] and *Fehr v Jacob*, (1993), [1993] 5 WWR 1. These same cases the Supreme Court of Canada relied on in

Pioneer Corp. Google failed to explain how *Fanshawe* was distinguishable from the factual situation at issue or the later jurisprudence.

[21] The question is whether the running of the limitation period is contingent upon the accrual of a cause of action. The text of section 55.01 of the *Patent Act* provides that no remedy may be awarded for an act of infringement committed more than six years before the commencement of the action for infringement. Section 36(4)(a)(i) of the *Competition Act*, RSC 1985, c C-34 provides that no action can be brought after two years from a day on which conduct contrary to a particular section of the *Competition Act* occurred. Similarly, just like in *Pioneer Corp* and the *Competition Act*, the event triggering this particular limitation period is an element of the underlying cause of action. In my opinion, the limitation period in section 55.01 of the *Patent Act* is triggered specifically by the occurrence of an element of the underlying cause of action – the commission of the act of infringement of ‘167 Patent.

[22] This interpretation is equally supported by academics. *Fox Canadian Law of Patents* applies the principles set out in *Peixeiro*, on which the Supreme Court of Canada based its reasoning in *Pioneer Corp*, to indicate that “section 55.01 [of the *Patent Act*] should be interpreted as being subject to the general rule of discoverability”.

[23] For these reasons, I believe that the discoverability principles apply to the limitation period pursuant to section 55.01 of the *Patent Act*.

(a) *Facts That Are Necessary to Answer the Proposed Question of Law*

[24] Google argues that the only facts that are relevant to answer the proposed question of law are certain relevant dates that are uncontroversial and uncontested. Those dates are the date of publication of the '167 Patent, the date of issuance of the '167 Patent and the date of commencement of PSET's action. However, since I concluded that the discoverability principle applies to the limitation period set out in section 55.01 of the *Patent Act*, there are other facts that are necessary to answer the proposed question of law. For instance, these facts will include the moment at which PSET learned of the patent infringement, the moment PSET was able to commence the action and the reasons for the delay, if any.

[25] It is obvious that both parties will dispute the facts. While the issue of whether a cause of action is statute barred by virtue of a limitation period can be an appropriate question of law for determination prior to trial, it is not when the determination is contingent on the resolution of any dispute as to facts (*Dow Chemical Co v Agnew* (1991), 116 NBR (2d) 1; *Zolotow v Canada (Attorney General)*, 2011 FC 816; *Bentley v Canada (Employment Insurance Commission)*, 2000 CanLII 15758 (FC)).

[26] It is trite law that the existence of facts that provide context for a legal question does not render that question of mixed fact and law, and does not preclude the Court from answering it. However, the facts must be undisputed (*Teva Canada Innovation v Pharmascience Inc*, 2019 FC 1394 at para 11 [*Teva*]).

[27] Google's argument is appealing in the sense that, because it claims that the discoverability principle does not apply to section 55.01 of the *Patent Act*, the necessary facts based on which its proposed question is to be determined are undisputed. These facts – the three dates – are uncontroversial and cannot be contested by PSET.

[28] However, since I concluded that the discoverability principle applies to section 55.01 of the *Patent Act*, I believe that there are disputed facts necessary to answer the proposed question. Therefore, the proposed question for determination does not constitute, in my opinion, a pure question of law.

[29] In itself, the conclusion that the proposed question for determination does not constitute a pure question of law is sufficient to dismiss Google's motion. However, I will also assess the two other criteria in order to give a complete overview of the situation.

(2) Would the Determination be Conclusive of the Action or of a Substantial Portion Thereof?

[30] Google argues that the determination of the question will be conclusive of the legal issue. They say if the proposed question is answered in the affirmative, no remedy, including no reasonable compensation, may be awarded for any act of infringement committed prior to January 12, 2012.

[31] In this case, the second criterion of the test is strongly interrelated with the first one. Even though the Court would determine that the limitation period set out in section 55.01 of the *Patent*

Act applies to section 55(2) of the *Patent Act*'s remedies, the Court would necessarily have to determine how the limitation period applies to the particular facts of the case. This is a result since I believe that the discoverability rule applies to section 55.01 of the *Patent Act*.

[32] Therefore, at trial, PSET will still be able to raise as a defence the applicability of the limitation period. Answering the proposed question will not be conclusive of the legal issue. I conclude that Google does not meet the second criterion of the test.

(3) Will there be Savings of Time and Money?

[33] Google claims that the determination of the question prior to the trial will eliminate over ten years of documents and evidence, including expert evidence, necessary to address alleged acts of infringement and corresponding financial remedies.

[34] According to PSET, Google has failed to demonstrate that there will be a reduction – not only of the evidence tendered – but also in the complexity of the evidence that will be tendered.

[35] In *Apotex Inc v Pfizer Ireland Pharmaceuticals*, 2012 FC 1301 [*Apotex*], a case cited by PSET, this Court only analyzed whether stating the question for determination would save time and expense. The Court stated that while doing so, it must take into consideration all of the circumstances of the case, including the six factors reproduced below:

[10] When considering whether stating a question for determination will save time and expense, the Court of Appeal in *Perera* indicated that the “Court must take into consideration all of the circumstances of the case” including
(i) any agreement of the parties,

- (ii) “the probability that the question will be answered in a manner that will dispose of the litigation,”
- (iii) the complexity of the facts that will have to be proved at the trial and the desirability, for that reason, of avoiding such a trial,”
- (iv) the difficulty and importance of the proposed question of law,”
- (v) “the desirability that they not be answered in a ‘vacuum’,” and
- (vi) “the possibility that the determination of the questions before trial might, in the end, save neither time nor expense.”

(*Apotex* at para 10, reformatted)

[36] I will consider the same six factors, which I believe also strongly militates in favour of dismissing Google’s motion.

[37] First, the parties did not reach an agreement on stating the question for determination. PSET opposes this motion, as appears from its written submissions.

[38] Second, and as indicated above, regardless of the answer to the proposed question, the litigation will continue since the Court will still need to determine whether the Plaintiff is entitled to a remedy for the period between January 12, 2012, and when the action was commenced. It will also need to determine whether Google infringed on ‘167 Patent.

[39] Third, I agree with PSET that Google has offered no evidence supporting its statement that answering the proposed question will “eliminate over ten years of otherwise “relevant” documents and evidence, including expert opinion evidence”. Google said that answering the question now will “significantly simplify, streamline, and substantially truncate the parties’ remaining discoveries and expert reports”. Since Google bears the burden on this motion, it seems difficult to accept the proposition that a reduction of necessary evidence or a streamline

and simplification of the discoveries and experts will occur without any evidence to this effect (*Apotex* at para 14). I believe that this situation is the same that occurred in *Apotex*, where the Court says that even if a statement to the effect that “the litigation will be significantly simplified and shortened” if the proposed question is answered has a superficial attractiveness, evidence is necessary to support it.

[40] Fourth, the parties have not argued whether the proposed question is both difficult and important. In any case, I believe this question is both difficult and important, since the Court will need to interpret the *Patent Act* in order to determine if the limitation period applies to remedies under section 55(2) of the *Patent Act*. This determination will also likely impact on others in actions for infringement. It is therefore difficult and important.

[41] Fifth, the question, as framed by Google, could be determined in a vacuum. However, since I believe that the discoverability principle applies to the limitation period set out in section 55.01 of the *Patent Act*, it is preferable that it is not answered in a vacuum.

[42] Sixth, it is quite likely that no time or expense will be saved if the question is determined before trial. The trial is set to commence in less than a year, in June 2021. The parties recently completed the second round of oral discoveries and are completing the undertakings. A hearing date was set for October 7, 2020, for the hearing of the refusals motion. This question could have easily been brought up before this stage of the proceedings, since as of November 2018, the argument of the applicability of the limitation period set out in section 55.01 of the *Patent Act* to remedies claimed under section 55(2) of the *Patent Act* was raised by Google.

[43] Moreover, Google asks that the hearing on the merits of the proposed question be scheduled within 30 days of the Order to be granted. Even though the parties would be ready to proceed on the merits of the proposed question within 30 days from the Order being granted and that a decision would be issued with only a short delay (which is not certain, due to the complexity of the question) – it is most likely that the losing party would appeal this determination since such a determination would highly affect its rights. It is possible that there would be no saving of time.

[44] In *Apotex Inc. v Merck & Co., Inc.*, 2005 FC 1452 at paragraph 18, Justice Gauthier, now a judge of the Federal Court of Appeal, held that it is not “irrelevant and a misuse of one’s discretion to consider an eventual appeal of the decision, with respect to the proposed question of law, and the ensuing delay of the trial of the other issues”.

[45] In this case, I believe that the Court Order would likely be appealed and that it would delay the trial of the remaining issues. It would also result in a further expenditure of time, effort and money. Similarly this was decided by Prothonotary Tabib in *Teva* at paragraph 20:

[20] Pharmascience’s motion has already consumed significant time and costs for its first stage, including the joint case/trial management conference that was convened to schedule the prospective steps of that motion, the constitution of the motion records for the first stage, and half a day of hearing. If the determination is allowed to proceed, more time will be required for the parties to brief the second stage and a full day of hearing has been requested and set aside. It would be naïve to think that, whatever the outcome, the unsuccessful party would not choose to appeal. **An appeal, whether as of right or by leave, would result in a further expenditure of time, effort and money, at a time where the parties ought to be focusing their efforts on getting ready for a trial.**

[21] Saving even one day of argument at trial is not worth the distraction, time and costs of resolving that lone question of law as a preliminary matter.

[Emphasis added]

[46] Therefore, my analysis leads me to believe that these factors strongly favour refusing Google's motion.

V. Conclusion

[47] In light of the above, and due to the exceptional nature of this type of determination prior to trial, I will dismiss Google's motion.

VI. Costs

[48] Both parties agreed that lump sum of \$2500.00 for costs would be appropriate.

[49] Therefore I will order costs in the lump sum amount of \$2,500.00 payable forthwith by Google to PSET.

ORDER IN T-40-18

THIS COURT ORDERS that:

1. The motion is dismissed
2. Costs payable forthwith by Google Canada Corporation, Google LLC and Alphabet Inc. to PAID SEARCH ENGINE TOOLS, LLC in the amount of \$2500.00

"Glennys L. McVeigh"

Judge

FEDERAL COURT
SOLICITORS OF RECORD

DOCKET: T-40-18

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

**HEARING HELD BY VIDEOCONFERENCE ON AUGUST 11, 2020 FROM
VANCOUVER, BRITISH COLUMBIA (COURT) AND OTTAWA, ONTARIO
(PARTIES)**

DATE OF HEARING: AUGUST 11, 2020

ORDER AND REASONS: MCVEIGH J.

DATED: OCTOBER 22, 2020

APPEARANCES:

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