Federal Court  Cour fédérale

Date: 20241007

Dockets: T-1429-21
T-786-21

Citation: 2024 FC 1571

Toronto, Ontario, October 7, 2024

PRESENT: The Honourable Madam Justice Furlanetto

Docket: T-1429-21

BETWEEN:

LIQUID POWER SPECIALTY PRODUCTS INC.

Plaintiff (Defendant by Counterclaim)

and

BAKER HUGHES CANADA COMPANY AND BAKER HUGHES COMPANY

Defendants (Plaintiffs by Counterclaim)

Docket: T-786-21

AND BETWEEN:

FLOWCHEM LLC

Plaintiff

and

LIQUID POWER SPECIALTY PRODUCTS INC.

Defendant

ORDER AND REASONS

[1] This decision relates to a motion brought by LiquidPower Specialty Products Inc. [LSPI], requesting an order that the following question be determined prior to trial pursuant to Rule 220(1)(a) of the *Federal Courts Rules*:

> Can a "material allegation … made in the petition of the applicants in the United States" be "incorporated by reference into Canada", for the purposes of subsection 53(1) of the *Patent Act*?

[2] The underlying proceedings include two actions that are scheduled for a 12-day trial commencing in just over five weeks, on November 12, 2024.

[3] The first action, T-786-21, is an impeachment proceeding brought by Flowchem LLC [Flowchem] in which Flowchem requests that the claims of Canadian Patent No. 2,657,755 [755 Patent], owned by LSPI, be declared invalid on a number of grounds, including subsection 53(1) of the *Patent Act*, RSC, 1985, c P-4 [*Patent Act*], which reads:

A patent is void if any material allegation in the petition of the applicant in respect of the patent is untrue, or if the specification and drawings contain more or less than is necessary for obtaining the end for which they purport to be made and the omission or addition is wilfully made for the purpose of misleading	Le brevet est nul si la pétition du demandeur, relative à ce brevet, contient quelque allégation importante qui n'est pas conforme à la vérité, ou si le mémoire descriptif et les dessins contiennent plus ou moins qu'il n'est nécessaire pour démontrer ce qu'ils sont censés démontrer, et si l'omission ou l'addition est volontairement faite pour induire en erreur.

[4] LSPI denies invalidity and in the second action (T-1429-21) separately alleges that Baker Hughes Canada Company and Baker Hughes Company [collectively, Baker Hughes] are

infringing claims 4, 5 and 10 of the 755 Patent. Baker Hughes denies infringement and alleges in defence and by counterclaim that the claims of the 755 Patent are invalid on the same grounds asserted by Flowchem. The allegations relating to subsection 53(1) of the *Patent Act* are virtually identical in T-786-21 and T-1429-21 and relate to five statements made by the inventor of the 755 Patent during prosecution of US Patent Application No. 11/615,539 [US Application], which is the priority patent application to PCT Application No. PCT/US2007/086923 from which the 755 Patent derived. The US Application issued to patent in the United States as US Patent No. 8,022,118.

[5] Flowchem and Baker Hughes assert that the five inventor statements are material allegations that were made in the petition of the US Application that were untrue and wilfully made for the purposes of misleading the United States Patent and Trademark Office [USPTO]. They allege that the statements were incorporated by reference into the prosecution of the application for the 755 Patent [Canadian Application] by virtue of LSPI's use of the Patent Prosecution Highway [PPH] to obtain accelerated approval of the 755 Patent.

[6] For the reasons set out further below, the motion is dismissed as the Court is not satisfied that the requirements for a Rule 220(1)(a) motion have been met or that the proposed motion will save time and expense, particularly at this late stage of the proceedings.

I. **Legal Principles**

[7] Rule 220(1)(a) of the *Federal Courts Rules* provides for the determination of a question of law in advance of trial where such determination ensures the just, least expensive, and most

expeditious determination of the issues: *Canada (Citizenship and Immigration) v Jozepović*, 2022 FC 21 at para 8. Rule 220(1)(a) provides for a two-stage procedure. In the first stage, a preliminary motion is brought asking the Court to determine whether it is appropriate for the proposed question of law to be addressed before trial. If the Court finds that it is appropriate, the second stage ensues and the question of law is determined in a separate hearing (*Google Canada Corporation v Paid Search Engine Tools, LLC*, 2021 FCA 63 [*Google*] at para 6).

[8] There are three requirements for a question of law to be entertained under Rule 220(1)(a): (1) there must be no dispute as to any fact material to the question of law to be determined; (2) what is to be determined must be a pure question of law; and (3) the determination must be conclusive of a matter in dispute so as to eliminate the necessity of a trial, or at least, shorten or expedite the trial (*Berneche v Canada*, [1991] 3 FC 383, 133 NR 232 (CA) at para 6; *Google* at para 7).

[9] As a determination of a question of law is a departure from the general rule that the whole of the case be heard and determined at once, even if the three requirements for the question are met, the Court still retains discretion and must be satisfied that the adoption of this exceptional course of action will save time and expense: *Google* at para 8. In exercising its discretion, the Court must take into consideration all of the circumstances of the case, including the following six non-exhaustive factors (*Perera v Canada (C.A.)*, [1998] 3 FC 381 (CA) [*Perara*] at paragraph 15):

a) any agreement of the parties as to the question;

b) the probability that the question will be answered in a manner that will not dispose of the litigation;

c) 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;

d) the difficulty and importance of the proposed question of law;

e) the desirability that the question of law not be answered in a "vacuum"; and

f) the possibility that the determination of the question before trial might, in the end, save neither time nor expense.

[10] In addition to the *Perara* factors, the Court has recognized that prejudice is a further factor that is relevant to the Court's analysis: *Apotex Inc v Pfizer Ireland Pharmaceuticals*, 2012 FC 1301 [*Pfizer*] at para 18.

II. **The Rule 220(1)(a) requirements**

[11] LSPI asserts that the question posed is a simple question of law and that all necessary material facts to answer the question are found in Baker Hughes' and FlowChem's pleadings. LSPI points to the identification of the inventor statements that were made during the prosecution of the US Application that are alleged to be a material allegation made in the petition, and the alleged failure of Baker Hughes and Flowchem to impugn any statement in the petition, specification, or drawings of the Canadian Application or the 755 Patent.

[12] However, even if I were to accept this characterization, I must also be satisfied that the third requirement of Rule 220(1)(a) has been met. The question as posed must be a useful one that the Court can and should answer because its determination is conclusive of a matter in dispute and will at least shorten, or expedite the trial. In my view, LSPI has fallen short of establishing this and relatedly, of establishing that there are no material facts in dispute that are relevant to the question.

[13] As a foundational matter, Baker Hughes and Flowchem object to the breadth and nature of the question posed. They assert that the Court should not answer whether *any* allegation made in the petition of the United States can be incorporated into Canada as that question goes beyond what is at issue under subsection 53(1), which is focussed on the particular factual context of the Canadian Application being examined via the PPH based on the approved US Application and on a lack of substantive Canadian review. They further argue that the question posed runs afoul of the guidance provided by the Federal Court of Appeal in *CanMar Foods Ltd v TA Foods Ltd*, 2021 FCA 7 [*CanMar FCA*] at paragraph 74 where the Court made the following comments when considering whether incorporation by reference could be broadly considered as an exception to the general prohibition on foreign prosecution files for section 53.1 of the *Patent Act*:

> [74] Yet, whether the doctrine of incorporation by reference should formally be treated as an exception to the general prohibition on foreign prosecution files, is a question best left for another day. Not only should courts refrain from deciding beyond what is strictly necessary for the resolution of the case which they are seized, but the facts of this case, in my view, do not lend themselves to a proper finding of incorporation by reference.

[14] LSPI takes issue with the specific reference to paragraph 74 of *CanMar* FCA and its applicability to the present motion, highlighting the distinction between section 53.1 and subsection 53(1) of the *Patent Act*. The former which relates to the admissibility of written communications prepared during prosecution of a Canadian patent application to rebut representations made by a patentee as to the construction of the claims of a patent, and not to the validity of a patent.

[15] In oral argument, counsel for LSPI made extensive submissions relating to *CanMar FCA* and the trial decision *CanMar Foods Ltd v TA Foods Ltd*, 2019 FC 1233 [*CanMar FC*]. It argued that if the Court in *CanMar FC* at paragraphs 70-74 sought to open the door to the admissibility of foreign prosecution history it did so only narrowly and with respect to section 53.1, not subsection 53(1).

[16] However, I agree with Baker Hughes and Flowchem that these submissions by LSPI go to the merits of the section 53(1) allegation, they do not relate to the arguments made by Baker Hughes and Flowchem as to the scope of the proposed question.

[17] In my view, LSPI's proposed question falls into the general caution highlighted in *CanMar FCA* in that as broadly framed, it encompasses more than what is in issue. It raises concern as to whether the question can or should be answered with a simple "yes" or "no" without considering the factual context and the Court availing itself of the opinions offered by the experts on the PPH and the events in the prosecution. It also raises concern as to whether it

would be practical and time efficient for the Court to try to do so in the time remaining before trial.

[18] As highlighted by Baker Hughes and Flowchem, what is meant by "incorporated by reference" involves a factual inquiry (see *CanMar FCA* at paras 75-76) and certain of the relevant alleged facts – *i.e.*, whether there was "no substantive examination" of the Canadian Application − remain disputed in LSPI's reply pleading.

[19] There is no specific case law on the implications of the PPH and its relationship to subsection 53(1) of the *Patent Act* which further complicates the analysis.

[20] Even if the proposed question could meaningfully be answered, LSPI's proposed question will not be conclusive of the action. Other numerous attacks on the validity of the 755 Patent (*i.e.*, anticipation, obviousness, double patenting, ambiguity, sufficiency, overbreadth, utility) have been alleged and remain in dispute along with the allegation of infringement against Baker Hughes. Many, if not all of the experts put forward on the subsection 53(1) allegation are also addressing other issues in the proceedings and will still need to appear at the trial. Baker Hughes and Flowchem also assert that the prosecution in the United States will remain relevant to their challenge to the presumption of validity of the 755 Patent and obviousness. While LSPI asserts that such reliance is subject to objection, without these arguments properly before me, I am unable to conclude to what extent answering the proposed question in the negative would narrow the evidence and issues at trial. Nor can I conclude at this stage, that the question would be answered in the negative.

[21] In my view, the requirements for a Rule 220(1)(a) determination have not been met.

III. ***Perara*** **factors and prejudice**

[22] Further, even if I were to get past the Rule 220(1)(a) test, the *Perara* factors weigh heavily against exercising my discretion to allow the question to be determined.

[23] First, as already highlighted, there is no agreement between the parties that the proposed question should be determined before trial. This factor does not favour a preliminary determination: *Dr. Reddy's Laboratories Ltd. v Janssen Inc*, 2022 FC 1672 [*Dr. Reddy's*] at para 42; *Pfizer* at para 12.

[24] Second, regardless of any possible answer to the proposed question, the litigation will continue and will remain complex for the reasons already identified.

[25] Third, it is at least arguable that evidence relating to the prosecution in the United States will remain relevant to other issues in the proceeding and thus, I cannot conclude that the complexity of the facts that will need to be proven will be significantly reduced.

[26] Fourth, the novelty of the proposed question adds to its importance and complexity. I agree with Baker Hughes and Flowchem that the proposed question could impact future cases where the implications of the PPH are at issue, making the question important and that this militates against a preliminary determination which will demand a shortened timeline for consideration of the arguments and for rendering a decision (see also *Dr. Reddy's* at para 50).

[27] Fifth, as previously addressed, the question as framed falls under the caution of *CanMar FCA* at paragraph 74 as extending beyond what is relevant to the issue raised. It requires context and determination of the factual disputes relating to the key allegations made. The uncertainty around the nature of the question militates against it moving forward to pre-trial determination.

[28] Importantly (and sixth), there is also a strong possibility that the determination of the question before trial might, in the end, save neither time nor expense. While LSPI refers to portions of the expert reports that it asserts are dedicated to the section 53(1) issue, the submissions lack clarity as to what type of time savings is asserted, particularly as aspects of those portions may remain relevant to other issues to which the experts are also speaking.

[29] It is not sufficient to argue that a savings of time and money are self-evident. The moving party under Rule 220(1)(a) must do more than baldly assert that there will be savings and should provide evidence to support the assertion: *Dr. Reddy's* at para 53; *Google* at para 22.

[30] As highlighted by Baker Hughes and Flowchem, with the parties just over one month away from trial there will be no savings of time and expense relating to pre-trial pleading and discovery, or in the preparation of expert reports as these steps have all taken place (see also *Pfizer* at para 17).

[31] Rather, proceeding forward with a pre-trial determination of the question at this late stage, along with the near certainty that there will be an appeal of any decision rendered (see *Google* at para 24; *Dr. Reddy's* at para 54), raises a strong possibility of actually increasing the

time and expense spent by the parties by adding to the work required, as the parties will need to prepare for either outcome to the question.

[32] Moreover, raising this issue now for determination will serve as a significant distraction from the numerous other issues that remain outstanding for trial.

[33] LSPI argues that they will suffer prejudice if there is no pre-trial determination of the question as the issues in play are akin to fraud and can irremediably damage the reputation of those involved.

[34] However, any such concerns, in my view, are outweighed by the prejudice that would be caused to Baker Hughes and Flowchem by complicating the time remaining to trial with preparations for the motion, its hearing and likely appeal, as well as the uncertainty of the answer to the question.

[35] As succinctly stated by Associate Judge Tabib in *Teva Canada Innovation v Pharmascience Inc*, 2019 FC 1394 at paragraph 34:

> [34] The preliminary determination of a question of law may well be a useful tool, in certain cases, to narrow issues ahead of a trial and thus save time and expenses. However where, as here, there is insufficient time to hear and finally resolve the question before trial, this tool becomes a source of distraction, of duplication of efforts and is ultimately wasteful of the parties' and the Court's time and resources.

[36] Further, as argued by Baker Hughes and Flowchem, any prejudice to LSPI is highly diminished by LSPI's delay in bringing this motion.

[37] Indeed, there is no doubt that this motion could have been brought earlier. Baker Hughes' section 53(1) allegations have been in the proceeding since its original pleading on November 1, 2021. LSPI had the opportunity to challenge the pleading when made, and again when the same allegations were added to Flowchem's pleading on August 24, 2022. Instead, it pled over the allegations, consented to the amendment by Flowchem, engaged in discovery on the issues, and filed expert evidence to counter the allegations made.

[38] While LSPI asserts that the timing of their Rule 220(1)(a) motion falls within the Trial Management Guidelines of this Court, it should be abundantly clear that motions of this magnitude and complexity should be identified and raised at the earliest opportunity even if not yet fully crystallized. As highlighted by Baker Hughes and Flowchem, the Court expressly asked the parties during trial management on August 29, 2024 whether any remaining motions were contemplated and this motion was not identified.

[39] The significant delay in bringing this motion militates strongly against any pre-trial determination.

[40] For all of these many reasons, the motion is dismissed.

IV. **Costs**

[41] As Baker Hughes and Flowchem have been successful on the motion, they are entitled to costs. However, as they have filed joint materials, the costs awarded shall not be duplicative.

[42] LSPI argues that costs of similar motions have been awarded on a lump sum basis in the range of $2,500 to $3,000. Baker Hughes argues that the specific circumstances around this motion justify an elevated award of $10,000. Flowchem admittedly does not seek duplication of the costs to be awarded in view of the joint materials filed, but requests an individual award of $4,000.

[43] In view of the circumstances around this motion, including its outcome and late emergence, I agree that an elevated cost award is justified and am of the view that the award should be made in any event of the cause. However, I will limit the award to $10,000 total. As Baker Hughes took the lead on the motion, I will award them $7,500 and $2,500 to Flowchem.

ORDER IN T-1429-21/T-786-21

THIS COURT ORDERS that:

1. The motion is dismissed.

2. Costs of the motion are awarded to Baker Hughes in the amount of $7,500 and to Flowchem in the amount of $2,500, each in any event of the cause.

"Angela Furlanetto"
Judge

FEDERAL COURT

SOLICITORS OF RECORD

DOCKETS:	T-1429-21 AND T-786-21
DOCKET:	T-1429-21
STYLE OF CAUSE:	LIQUID POWER SPECIALTY PRODUCTS INC. v BAKER HUGHES CANADA COMPANY AND BAKER HUGHES COMPANY
AND DOCKET:	T-786-21
STYLE OF CAUSE:	FLOWCHEM LLC v LIQUID POWER SPECIALTY PRODUCTS INC.
PLACE OF HEARING:	TORONTO, ONTARIO AND HELD BY VIDEOCONFERENCE
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ORDER AND REASONS:	FURLANETTO J.
DATED:	OCTOBER 7, 2024

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