

Federal Court



Cour fédérale

Date: 20100108

Docket: T-1554-08

Citation: 2010 FC 23

Ottawa, Ontario, January 8, 2010

PRESENT: The Honourable Mr. Justice de Montigny

BETWEEN:

**PRENBEC EQUIPMENT INC. and
QUADCO EQUIPMENT INC.**

**Plaintiffs /
Defendants by Counterclaim**

and

TIMBERBLADE INC.

**Defendant /
Plaintiff by Counterclaim**

and

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

Third parties

REASONS FOR JUDGMENT AND JUDGMENT

[1] This is a motion by the plaintiffs seeking a stay of the re-examination process before the patent re-examination board (the “Board”) appointed by the Canadian Commissioner of Patents (the “Commissioner”) to review Canadian Patent No. 2,084,013 (the “’013 Patent”) owned by the plaintiffs. That process was initiated by a Request for re-examination that the defendant filed with the Commissioner on December 10, 2008.

I. Facts

[2] The plaintiffs are engaged in the business of developing, designing, manufacturing and selling wood harvesting products, including tree felling heads, saw discs, tooth holders and saw teeth. Quadco Equipment Inc. (“Quadco”) is an affiliate of Prenbec. Mr. Charles MacLennan is the president of Quadco.

[3] Timberblade was founded by Maurice Micacchi, former research and development manager at Timberjack Inc. and an engineer at Koehring Waterous Inc., a division of Timberjack Inc.

[4] The ‘013 Patent, entitled *Saw Tooth for Circular Saw*, issued on November 1, 1994 for an invention related to an improved detachable saw tooth that can be mounted on a circular saw disc for a felling head or a feller buncher (the “Invention”). The application for the ‘013 Patent was filed on November 27, 1992, and claimed a priority date of October 9, 1992, based on the filing of a corresponding application in the United States. A patent was also granted in the United States for the Invention on April 27, 1993, under Serial Number 5,205,199 (the “U.S. Patent”). The Canadian and U.S. claims are identical.

[5] The plaintiffs claim that the Invention was conceived by Charles D. MacLennan (the listed inventor) in the fall of 1991 and that drawing of the tooth were prepared by an employee of Quadco in or about September 1991. Testing of the saw tooth constructed in accordance with the Invention began in January of 1992, followed by commercialisation thereof soon after. The Invention has been a significant commercial success in Canada and in the United States.

[6] In Canada, the '013 Patent was the subject of litigation before the Federal Court and the Federal Court of Appeal in the late 90's and early 2000's: see *Quadco Equipment Inc. v. Timberjack Inc.*, 2002 FCT 528, [2002] F.C.J. No. 682, aff'd in 2003 FCA 93, [2003] F.C.J. No. 264. In that case, Quadco claimed that three models of saw teeth manufactured and sold by Timberjack infringed claims 1 and 5 of the '013 Patent.

[7] Seeking to invalidate the '013 Patent, Timberjack alleged in counterclaim (much as the defendant alleges in the case at bar) that a saw tooth falling within the claim of the '013 Patent, the Koehring Waterous 4000 saw tooth, had already been disclosed to the public at a trade show in Tifton, Georgia in April 1992 and that Timberjack advertised the teeth to the public in a June 1992 Timberjack product news bulletin (the *Southern Loggin' Times*). According to Timberjack, these facts would have been admitted by Mr. MacLennan, on behalf of Quadco, on his examination for discovery.

[8] Quadco, however, asserted, and still assert in the present action, that Mr. MacLennan conceived the Invention in the fall of 1991. During the January 1992 testing phase, Mr. MacLennan would have personally delivered samples of both versions of the saw teeth to a sales representative of Warrior Tractor & Equipment Company Inc. (Warrior Tractor). During that visit, John Lide, a sales representative of Timberjack, would have been present at Warrior Tractor & Equipment premises and would have seen the prototype. The plaintiffs also allege in the current litigation that it was later discovered that a tooth was missing from the testing prototype. They further state that John Lide admitted to Mr. MacLennan at the April 1992 trade show in Georgia that Timberjack had copied Quadco's saw tooth, which had been given to Warrior Tractor for testing purposes in January 1992.

[9] After having examined Mr. MacLennan for discovery, Timberjack moved for summary judgment to dismiss Quadco's action and to grant Timberjack's counterclaim invalidating the '013 Patent. Justice Elizabeth Heneghan dismissed this motion for summary judgment, being of the view that the Court could not decide upon the issue in a summary fashion since Timberjack had not proved that there were no genuine issues of fact that would require the assessment of credibility at trial. The Federal Court of Appeal upheld the decision of Justice Heneghan.

[10] With approximately four years remaining on the term of '013 Patent, the plaintiffs served a Statement of Claim upon the defendant on October 15, 2008, seeking that Timberblade cease and desist the use of an alleged infringing product of the patented saw tooth. In its Statement of Defence and Counterclaim, served on the plaintiffs on December 12, 2008, Timberblade denies infringement

and counterclaims that the '013 Patent is invalid *inter alia* due to disclosure prior to October 9, 1992 by others, including Koehring Waterous (then a division of Timberjack), of the tooth defined in the claims of the '013 Patent.

[11] One day prior to service of its Statement of Defence, the defendant also filed a Re-examination Request of the '013 Patent with the Canadian Patent Office. In its Re-examination Request, the defendant submits the same arguments and bases itself on the same prior art raised in its Statement of Defence, including the *Southern Loggin' Times* publication.

[12] On March 18, 2009, the defendant served a Notice of Motion seeking to establish a timetable for the patent infringement action that “suspends all deadlines pending further action by the Re-examination Board appointed pursuant to section 48.2 of the *Patent Act*, R.S.C. 1985, C. P-4 as amended (the “Act”) to re-examine the '013 Patent. This motion, in effect, was for a stay of the patent infringement proceeding before this Court pending the outcome of the re-examination process, and was interpreted as such by Prothonotary Kevin Aalto. In a decision released on June 3, 2009, the Prothonotary dismissed the defendant’s motion: *Prenbec Equipment Inc. v. Timberblade Inc.*, 2009 FC 584, [2009] F.C.J. No. 775; that decision was not appealed. Prothonotary Aalto was of the view that the plaintiffs would suffer prejudice if Timberblade’s motion was granted, since the Re-examination Board could not deal with credibility issues. Here is what he wrote in that respect:

[17] The Re-examination Board does not deal with credibility issues and cannot determine the real issue at play in this case as credibility is central to the dispute between the Plaintiffs and Timberblade. No cross-examination of witnesses or indeed the hearing of oral testimony from witnesses is contemplated in the re-examination process.

[18] Thus, in my view the Plaintiffs will suffer prejudice if Timberblade's motion is granted. This is sufficient to dispose of the motion. (...)

[13] On April 6, 2009, the plaintiffs were informed by the Canadian Intellectual Property Office that the Board had been established and that it would give notice of its determination as to whether a substantial new question of patentability is raised before July 6, 2009. On June 15, 2009, the Board constituted pursuant to s. 48.2 of the Act wrote to the plaintiff Prenbec to advise it that it had made a determination that a substantial new question of patentability was raised by the Request for Re-examination. The plaintiffs were given until September 15, 2009, to file their response with the Board. The plaintiffs sought an extension of time to file their submissions, but it was denied by the Board on the basis that the deadline is set by the Act and cannot be extended.

[14] On September 17, 2009 the plaintiffs served a motion record for an order for joinder to add the Commissioner of Patents (the "Commissioner") as third party to the plaintiff's present motion for a stay. This motion was granted on September 21, 2009 and Justice Michael M. Shore ordered that the Commissioner be added as a third party.

II. Issue

[15] In my view, this motion raises three questions which can be stated as follows:

- a.) Does this Court have jurisdiction to order a stay of the Re-examination Board's ongoing proceeding conducted pursuant to sections 48.1 ff. of the Act?

- b.) If the Court does have that jurisdiction, what is the applicable test for granting the stay?
- c.) Should the stay be granted in light of the facts before the Court?

III. Analysis

A. *Preliminary remarks*

[16] Counsel for the Commissioner of Patents argued that the Commissioner of Patents should be struck from the style of cause and replaced by Her Majesty the Queen, in accordance with the subsection 48(1) of the *Federal Courts Act*, R.S.C. 1985, c. F-7. That provision is to the effect that an action against the Crown is brought against Her Majesty the Queen.

[17] It is true that the plaintiffs' motion does not contemplate staying a proceeding under the control of the Commissioner. Indeed, the role of the Commissioner is rather limited. Upon receiving a request for the re-examination of a patent, she is responsible for sending a copy of this request to the patentee, if necessary, as well as for establishing a Re-examination Board to which the request is referred for determination. Once the Re-examination Board is established, the Commissioner has no further part in the re-examination process: Act, ss. 48.1(1) and (3), and s. 48.2(1).

[18] The statutory duties to make the determination as to whether or not the request for re-examination raises a substantial new question of patentability, pursuant to subsection 48.2(2) of the Act, as well as the duties to issue a certificate, in accordance with section 48.4 of the Act, and to cancel or confirm a patent, or parts thereof, rest entirely with the Re-examination Board. The

motion for a stay is therefore directed at the Re-examination Board, a statutory entity which cannot be sued or named as a party to an action.

[19] That being said, I am not convinced that the Commissioner is not the proper third party. Indeed, this issue has been fully canvassed as a result of an earlier motion before this Court. On June 11, 2009, counsel for the Attorney General of Canada wrote to the Court to advise that while the Attorney General of Canada had received a copy of the plaintiffs' motion record, as neither it nor the Commissioner of Patents were a party to the cause or matter, the re-examination process could not be stayed as requested by the plaintiffs. Counsel for the plaintiffs then filed a motion, pursuant to rule 104(1)(b) of the *Federal Courts Rules (SOR/98-106)*, for an order that the Commissioner of Patents be added as a third party to the plaintiffs' motion. Counsel for the Commissioner, who happened to be the same counsel representing the Attorney General of Canada, appeared and made representations at the hearing of this motion, on September 21, 2009. Having heard the arguments of the parties, Justice Shore ordered that the Commissioner of Patent be added as a third party to the present motion to ensure that all matters in dispute may be effectually and completely determined.

[20] The Attorney General of Canada could have sought leave to intervene, pursuant to section 109(1) of the *Federal Courts Rules*, but failed to do so. For all intent and purposes, this may well be of no practical importance, as the Attorney General of Canada would in all likelihood be represented by the same counsel as the Commissioner and make the same representations. To the extent that the Attorney General of Canada's presence could be relevant to the enforcement of any

order that could be made by this Court, though, it may be advisable to make him a party to this motion. All parties having agreed to that request made by counsel for the Commissioner, the Attorney General of Canada shall therefore be added as a third party to the plaintiff's motion.

- (1) Does this Court have jurisdiction to order a stay of the Re-examination Board's ongoing proceeding conducted pursuant to sections 48.1 ff. of the Act?

[21] Section 50(1)(b) of the *Federal Courts Act* provides that the Federal Court of Appeal or the Federal Court can, in its discretion, stay proceedings in any cause of matter where it is in the interest of justice that the proceedings be stayed. I agree with counsel for the plaintiffs that this provision is not limited to proceedings before the Federal Court, but encompasses other proceedings in addition to those pending before this Court. There is nothing, either in the French or in the English versions of that section, which would indicate an intention to restrict the power of this Court to stay proceedings to only those before it. As the Court of Appeal stated in *New Brunswick Electric Power Commission v. Maritime Electric Company Limited and National Energy*, [1985] 2 F.C. 13 (at para. 16), it would have been easy for Parliament to so constrain the power of the Court had it wished to do so:

Subsection 50(1) of the Act is not on its face limited to proceedings "before the Court". The inclusion of those words or words of like effect would, I think, have removed any doubt as to the intention of Parliament. Omission of them from subsection 50(1) lends some support to an argument that by "proceedings" Parliament intended to confer power, in appropriate circumstances, to stay proceedings in addition to those pending in the Court itself. (...)

See also: *Yri-York Ltd. v. Canada (Attorney General)*, [1988] 3 F.C. 186, [1988] F.C.J. No. 17 at para. 170.

[22] This power, it is true, has been used sparingly, contrary to the power to order stays of proceedings or orders of federal tribunals pending judicial review, pursuant to section 18.2 of the *Federal Courts Act*. But this is not to say that it has never been used, when it is in the interest of justice to do so. In *Royal Bank of Canada v. Canadian Imperial Bank of Commerce* (1994), 84 F.T.R. 148, [1994] F.C.J. No. 1341 for instance, the plaintiff successfully moved to stay opposition and section 45 proceedings before the Registrar of Trade-marks until the outcome of a trade-mark infringement action pending before the Federal Court. In ordering a stay of both administrative proceedings, the Court stated (at para. 16):

I am satisfied in the present matter that the continuation of the opposition proceedings and the s. 45 proceedings could cause a serious prejudice to the Royal Bank since the issues, including the validity of its trade marks, cannot be fully debated before the tribunal. In my view, the allegation by the CIBC in those proceedings that the Royal Bank did not or could not use its trade marks in relation to banking activities based on a legal prohibition should not be shielded from examination in light of the CIBC's own practice as revealed by the discovery in this action, which has been to consider such activities as authorized by law so long as they are ancillary to banking services. The continuation of the [opposition and Section 45] proceedings would be an abuse of the judicial process inasmuch as it would allow decisions to be made without the benefit of highly relevant evidence in circumstances where such evidence is known to exist and is available to both parties.

[23] More recently, the broad discretion of the Federal Courts to stay proceedings and issue interim orders was confirmed. In *Canada (Attorney General) v. Canada (Canadian International Trade Tribunal)*, 2006 FCA 395, [2006] F.C.J. No. 1827, the Federal Court of Appeal confirmed its jurisdiction to stay a proceeding before an administrative tribunal like the Canadian International Trade Tribunal (CITT), even if in that specific case it refused to do so because the requirements of the test to grant a stay were not met. Responding to an argument made by one of the respondents

that the Court had no jurisdiction to issue a stay because the CITT is under a statutory duty to deal with a procurement complaint within 135 days after it is filed, Justice John Evans wrote:

8 I do not agree. Paragraph 50(1)(b) of the *Federal Courts Act*, R.S.C. 1985, c. F-7, confers a broad power on each of the Federal Courts to stay proceedings “in any cause or matter” where it is in the interests of justice that proceedings be stayed. Section 18.2 and subsection 28(2) empower this Court to issue interim orders pending the final disposition of an application for judicial review. The plenary jurisdiction exercisable by the Federal Courts over the matters entrusted to them, including interim measures to regulate disputes before them (see *Canada (Human Rights Commission) v. Canadian Liberty Net*, [1998] 1 S.C.R. 626 at para. 36) is not lightly ousted.

[24] Counsel for the Commissioner similarly argued, in the case at bar, that to stay the re-examination process would be inconsistent with the mandatory limitation period prescribed by subsection 48.3(3) of the Act, which states that a re-examination of a patent shall be completed within twelve months of the commencement of the process. I do not find this argument persuasive. It is true that one of the reasons given by Justice Evans in the above quoted case, that a time limitation period found in a regulation (the 135 day limitation was prescribed by paragraph 12(c) of the *Canadian International Trade Tribunal Procurement Inquiry Regulations*, SOR/93-602) could not prevail over an Act of Parliament, does not apply here as the limitation period is found in the Act itself. But Justice Evans was also of the view that language similar to that found in s. 48.3(3) cannot be interpreted as mandatory, in the sense that a decision outside the limitation period is void, as it would defeat the purpose of the provision. In any event, it would take more than a time limitation within which a tribunal must rule on an administrative proceeding to oust the very explicit jurisdiction conferred on the Federal Courts by Parliament. Subsection 48.3(3) of the Act may well

be an important factor to take into consideration in deciding whether to grant or not the stay sought by the plaintiffs, but it cannot curtail the jurisdiction of this Court.

[25] I am therefore of the view that section 50(1) of the *Federal Courts Act* does confer on this Court the power to issue a stay of the re-examination proceedings before the Re-examination Board, when it would be in the interest of justice to do so.

B. *What is the applicable test for granting the stay of proceedings?*

[26] There is not much dispute with respect to the appropriate test to be applied when considering a motion for a stay of proceeding. It has been definitively set out by the Supreme Court of Canada in *RJR-MacDonald Inc. v. Canada (Attorney General)*, [1994] 1 S.C.R. 311, [1994] S.C.J. No. 17. At the first stage, an applicant must demonstrate a serious question to be tried. Whether that first part of the test has been satisfied should be determined on the basis of common sense and an extremely limited review of the case on the merits. Since the Court will only dismiss a motion when the case is frivolous or vexatious on its merits, the plaintiffs correctly concentrated their arguments on the second and third branches of the test. At the second stage, the applicant must convince the Court that he will suffer irreparable harm if the relief is not granted. Finally, the third branch of the test requires an assessment of the balance of inconvenience. As the Court recently stated in *Kent v. Universal Studios Canada Inc.*, 2008 FC 906, [2008] F.C.J. No. 1129 at para. 15:

The general test to be applied on a motion for a stay pursuant to section 50(1) of the *Federal Courts Act* is a two-part test, which has been consistently applied by this Court and other Courts over many years. This two-part test requires that the defendant demonstrate:

(a) that the continuation of the action will cause prejudice or injustice (not merely inconvenience or extra expenses) to the defendant [plaintiffs]; and

(b) that the stay will not work an injustice to the plaintiff [defendant].

[27] The onus is obviously on the party seeking a stay to establish that these two conditions are met. The grant or refusal of the stay is within the discretionary power of the judge. In exercising that discretion and weighing the advantages and disadvantages of granting the stay, the judge may take into account the fact that one proceeding is broader than the other, the possibilities of inconsistent findings, the similarity of the legal issues involved and the relief sought in the two proceedings and the existence of a time limitation within which a proceeding may have to be completed: see *White v. E.B.F. Manufacturing Ltd.*, 2001 FCT 713, [2001] F.C.J. No. 1073; *Sanwa Tekki Corp v. Pacific Scientific Co.*, [1984] F.C.J. No. 1159.

C. *Should the stay be granted in light of the facts before the Court?*

[28] The patent system serves both the patentee and the Crown, who represents the public interest, by providing a limited time statutory monopoly over subject matter of an invention in exchange for full disclosure to the public. There is no inherent right to a patent. To obtain this monopoly, the patentee must demonstrate that his invention meets the statutory requirements of novelty, ingenuity and utility. The Commissioner grants a patent if all requirements for the issuance of a patent are met.

[29] It is essential to ensure a strict compliance with the statutory scheme as it is in the public interest to make sure that the patentees hold their end of the bargain. In addition, it is also in the public interest to ensure that, throughout the life of a patent, the monopoly enjoyed by the patentee is justified. In furtherance of that objective, the Act was amended in 1987 to provide for re-examination of claims of a patent after the patent has been issued. The re-examination process is set out in sections 48.1 to 48.5 of the Act. As this Court held in *Genencor International, Inc. v. Canada (Commissioner of Patents)*, 2008 FC 608, [2008] F.C.J. No. 752, one of the purposes of these new sections is to provide a relatively summary and inexpensive alternative to a full blown impeachment process by litigation before the Federal Court pursuant to s. 60(1) of the Act.

[30] Section 48.1 and following of the Act provide for a procedure wherein any person may request re-examination of any claim of a patent by filing with the Commissioner of Patents prior art, consisting *inter alia* of printed publications and setting forth the pertinency of the prior art and the manner of applying the prior art to the claim for which re-examination is requested.

[31] Upon receipt of a satisfactory request identifying the prior art and the manner of applying it, a Re-examination Board is established in order to determine whether a substantial new question of patentability affecting any claim of the patent at issue is raised by the request for re-examination: s. 48.2.

[32] Where the Board determines that a request for re-examination raises a substantial new question affecting the patentability of a claim of the patent concerned, the patentee is given notice of

its decision and, within three months, may make reply submissions on the question of the patentability of the claim of the patent in respect of which the notice was given: s. 48.2.

[33] Re-examination proceedings commence upon receipt of a reply or in the absence of any reply, within three months after notice is given: s. 48.3.

[34] In its reply submissions, the patentee is limited to commenting solely on the question of the patentability of the claim(s) at issue in light of the prior art supplied by the requesting party. In this regard, while the Act defines the procedure and framework of re-examination proceedings, it does not provide the Board with any means for testing credibility to assess contested issues of fact. As stated in the *Manual of Patent Office Practice* at pp. 23-24, “[t]he re-examination board will not consider any matter except the claims in question in view of the supplied prior art”.

[35] Upon conclusion of the re-examination proceedings, the Board may issue a certificate cancelling any claim of the patent determined to be unpatentable and in the event where the certificate cancels all claims of the patent, the patent shall be deemed never to have been issued: s. 48.4.

[36] If the patentee is dissatisfied with the Re-examination Board’s final determination, he may appeal to this Court and, in the meantime, the effect of the board’s decision will be suspended until final judgment of this Court: s. 48.5.

[37] The plaintiffs allege that they will suffer prejudice if the re-examination procedure is allowed to continue, as the invalidity arguments made by the defendants raise an issue of credibility that cannot be assessed by the Re-examination Board. As already mentioned in paragraphs 7 and 8 of these reasons, in its Re-examination Request the defendant refer to the Canadian Timberjack litigation where Timberjack invoked the Koehring Waterous 4000 saw tooth and alleged that it had drawn the tooth covered by the '013 Patent before Charles D. MacLennan. On the other hand, the plaintiffs submit that any disclosure associated with the Koehring Waterous 4000 saw tooth and made after October 9, 1991, is not citable against the validity of the '013 Patent as this tooth is either the actual tooth conceived by Charles D. MacLennan or a copy thereof. It is the plaintiffs' thesis that a prototype of the saw tooth was stolen and that Timberjack had copied Quadco's saw tooth during the testing phase of the invention.

[38] In dismissing Timberjack's Motion for Summary Judgment, Justice Heneghan clearly acknowledged the serious credibility issues surrounding the Koehring Waterous 4000 saw tooth:

The difficulty with these allegations is the state of the evidence. The evidence submitted by the Defendant is not conclusive on the issue of prior publication. That evidence consists primarily of statements made by Mr. MacLennan upon discovery and certain interrogatories prepared by the Defendant in response to the Plaintiff in the context of litigation in the United States of America.

Both the evidence on discovery and the interrogatories are similar in nature; they are answers given under oath in legal proceedings but without the benefit of cross-examination. They represent a one-sided view. In my opinion, there are questions as to the sufficiency and reliability of this evidence. Both the issues of sufficiency and reliability would be better tested following a trial in which the credibility of witnesses would be assessed by the trial judge.

The presentation of a technical argument is insufficient, in the absence of conclusive and categorical evidence, to merit the entry of summary judgment. I conclude that such evidence has not been produced by the Defendant in support of this motion.

Quadco Equipment Inc. v. Timberjack Inc., *supra*, at paras. 21-23.

[39] Counsel for the defendant alleges that Justice Heneghan's decision cannot govern the case at bar, as the issue of credibility before her had to do with the handwritten date appearing on a copy of a drawing prepared by Timberjack and submitted to a manufacturer to produce the saw teeth. If proven, that date (May 5, 1991) would have established that the design of the saw tooth had been conceptualised before Mr. MacLennan's alleged discovery. This argument, however, is without merit. First of all, the same argument with respect to the actual date of the disputed document is still at issue between the parties. Indeed, the defendant alleges that Mr. MacLennan admitted in his examination for discovery in August 2000 that the Timberjack drawing was made in May 1991, an assertion vigorously disputed by the plaintiffs. There is still no clear evidence as to who wrote the date on the document afterwards. In short, the credibility issues surrounding this document are still very much alive.

[40] Moreover, the allegation of theft made by the plaintiffs was not before Justice Heneghan. Yet, she was clearly concerned by the credibility issues surrounding the coming into existence of the Koehring Waterous 4000 saw tooth. If anything, the possibility raised by the plaintiffs that Quadco's saw tooth prototype may have been stolen make the credibility issue even more central to the determination of the case.

[41] The defendant also argues that the publication filed in support of its Re-examination Request (the June 1992 issue of the *Southern Loggin' Times*) was not at issue before Justice Heneghan. That publication describes and advertises the same Koehring Waterous 4000 saw tooth invoked in the Canadian Timberjack litigation. Unless established that it directly or indirectly emanates from the patentee, thereby qualifying it as a permissible public disclosure made during the one-year grace period provided for in section 28.2(1) of the Act (from October 9, 1991, to October 9, 1992), this publication *prima facie* anticipates and therefore invalidates the '013 Patent given the October 9, 1992 claim date.

[42] I agree with the plaintiffs that they will suffer irreparable harm by the continuation of the re-examination proceedings since the Board will most likely ultimately invalidate the '013 Patent. It will consider the June 1992 *Southern Loggin' Times* publication at face value without having the benefit of questioning its source and appreciating the significant credibility issues surrounding the Koehring Waterous 4000 saw tooth. Indeed, the Re-examination Board determined on June 15, 2009, that a substantial new question of novelty and obviousness has been raised by the request for re-examination with respect to all claims, when viewed in light of the *Southern Loggin' Times* document. It is the only piece of prior art upon which the Board questions the validity of the '013 Patent.

[43] Of course, the plaintiffs could have filed an affidavit of Mr. MacLennan to the Re-examination Board. But there could be no cross-examination by the defendant, and the weight of such an affidavit would be limited in the absence of *viva voce* evidence. The plaintiffs could also

appeal an unfavourable decision from the Re-examination Board, but it is hard to see on what basis. If the credibility issue cannot be considered by the Board, there would presumably be no error in the decision.

[44] By filing its Re-examination Request after the commencement of the present infringement action before this Court, the defendant is merely attempting to avoid dealing with the issue of credibility surrounding its alleged prior art. This Court can already entertain any and all the invalidity arguments made in support of the defendant's Re-examination Request, which are already contained in its Statement of Defence and Counterclaim and, in particular, it can address the significant credibility issues, which only this Court is capable of hearing.

[45] On the other hand, the continuation of the re-examination proceedings will cause the plaintiffs to suffer an injustice since not only does it cast a cloud of uncertainty throughout the present action, but it will ultimately render the plaintiffs' action nugatory following the cancellation of all the claims of the '013 Patent by the Board after a summary consideration of the June 1992 *Southern Loggin' Times* publication.

[46] It is true that one of the purposes of re-examination proceedings is to provide a relatively summary and inexpensive alternative to a full blown impeachment process by litigation. But resort to the re-examination procedure is inappropriate in a situation such as the present, where it is being used by the defendant as a means to avoid dealing with the ultimate issue regarding the source of the Koehring Waterous 4000 saw tooth.

[47] This Court has already been seized by the plaintiffs and, in addition to issues regarding infringement, can hear any and all arguments pertaining to the invalidity of the '013 Patent raised by the defendant. This Court, however, unlike the Board, can also hear witnesses and test credibility which in light of the foregoing, is vital to a determination as to the validity of the '013 Patent. Such can hardly be considered to constitute a prejudice to the defendant. As already mentioned at paragraph 12 of these reasons, this was one of the key reasons given by Prothonotary Aalto to dismiss the defendant's motion to stay the proceedings before this Court.

[48] Moreover, as stated earlier, when determining whether to grant a stay, preference should be given to the proceedings which are more comprehensive of the two. In this regard, for reasons expressed above, re-examination proceedings are unequivocally less comprehensive as compared to an infringement/invalidity action before this Court.

[49] For all of the foregoing reasons, I am therefore of the view that it is in the interest of justice that a stay of the re-examination proceedings be granted pending the outcome of the present action before this Court.

[50] Both parties have requested costs on a solicitor-client basis. Such costs are awarded only on very rare occasions, when a party has displayed reprehensible, scandalous or outrageous conduct. Counsel for the plaintiffs argued that costs on a solicitor-client basis payable forthwith would serve to deter future parties from attempting to circumvent their obligations in a pre-existing and

comprehensive patent infringement action by inappropriately resorting to the re-examination procedure.

[51] I have not been convinced that this is an appropriate case for making an award of costs on a solicitor-client basis. There is no evidence that the re-examination request was made with the sole purpose of thwarting the purpose of this action. It is true that the defendant waited until the last minute, one day prior to service of its Statement of Defence, to file its Re-examination Request with the Canadian Patent Office. Nevertheless, the Re-examination Board found that the request raised, *prima facie*, a legitimate and substantial new question of novelty and obviousness. The defendant was entitled to use that summary and inexpensive procedure, and it cannot be said that such use was vexatious. I do not think that costs on a solicitor client basis should be used to deter future parties from exercising their rights, absent clear evidence of blameworthy or reprehensible behaviour. As a result, costs will be awarded to the plaintiffs in accordance with Column III of Tariff B of the *Federal Courts Rules*.

JUDGMENT

THIS COURT ORDERS AND ADJUDGES that the re-examination proceedings relating to the '013 Patent before the Re-examination Board be stayed until the final judgment of this Court in the present action, with costs to the plaintiffs according to Column III of Tariff B of the *Federal Courts Rules*. The style of cause is amended in order to add the Attorney General of Canada as a third party.

“Yves de Montigny”

Judge

FEDERAL COURT
SOLICITORS OF RECORD

DOCKET: T-1554-08

STYLE OF CAUSE: Prenbec Equipment Inc. et al. v. Timberblade Inc. et al.

PLACE OF HEARING: Montréal, Quebec

DATE OF HEARING: October 20, 2009

**REASONS FOR JUDGMENT
AND JUDGMENT BY:** Justice de Montigny

DATED: January 8, 2010

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