Federal Court of Appeal in summary trial on ownership upholds finding that neither party owns the patent

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FCA majority

The Federal Court of Appeal (FCA) recently heard and dismissed an appeal of a summary trial decision. In Federal Court (FC), Mud Engineering, had sued Secure Energy (Drilling Services) and Secure Energy Services (collectively Secure Energy) for patent infringement. Secure Energy defended the action and counterclaimed alleging non-infringement, invalidity, and that Secure Energy (Drilling Services) was the rightful owner of the patents.

Mud Engineering brought a motion for summary trial seeking summary dismissal of the assertion that Secure Energy (Drilling Services) is the rightful owner of the patents. After that trial, the FC held that neither party had proven ownership of the patents. Thus, the FC dismissed the motion for a summary trial, the counterclaim, and the main action.

The FCA dismissed Mud Engineering's appeal. The majority of the FCA held that s. 43 of the *Patent Act* creates a *prima facie* presumption of both ownership and inventorship. The evidentiary burden lies on the party contesting ownership, but the presumption is weak. Then, once that party presents evidence to displace the presumption, the issue of ownership is to be decided on a balance of probabilities.

In this case, the FC held that Mud Engineering's evidence was extremely limited and was not enough to establish entitlement to a declaration of ownership. The FCA held that its job was not to reweigh the evidence before the FC.

The FC also held that Secure Drilling's evidence was not sufficient to establish a declaration of ownership. The FCA dismissed arguments that this led to the "absurd result" that no one owns the patents, and they thus, cannot be defended. The FCA held that while the decision binds the parties against each other, it does not bind them against third parties.

The FCA also considered and dismissed a companion appeal relating to a decision of the FC to strike certain paragraphs of Mud Engineering's evidence. The FCA

(unanimously) concluded that any errors in the evidentiary rulings with respect to the affidavit in question would not have changed the outcome of the proceeding.

Dissent

In a dissenting opinion, Justice Monaghan wrote that the appellants did not need to succeed on their declaration of ownership to succeed on a summary trial. Justice Monaghan wrote that the Federal Court erred in its finding that the burden of proof rested with the party that raised the issue on the motion rather than with the party that would normally bear that burden at trial and as a result, the FC did not focus on the substance of the motion.

Justice Monaghan wrote that the FC was required to discern the motion's real essence, which was the dismissal of the counterclaim and defence to the action based on the allegation that the patents were invalid because Secure Drilling owns them. The respondents were unsuccessful in establishing their claims as to who was the inventor and that Secure Drilling was the owner. Justice Monaghan wrote that the Secure Drilling needed to win on the ownership issue both to pursue their counterclaim and to have the infringement action dismissed. A "declaration of ownership is superfluous to the appellants' right to pursue an infringement action." (para 92)

Justice Monaghan wrote that by requiring Mud Engineering to prove ownership of the disputed patents, the FC was requiring them to prove an aspect of validity in order to pursue an infringement claim, and this is a reviewable error.

Key takeaways

The FCA declined to decide who bears the legal burden of proof in summary trials. However, the Court did make an important statement on the conduct of summary trials that should be noted by the profession. Justice Stratas, writing for the majority, held:

> Summary trials are not a time for parties to engage in strategic behaviour as far as the evidence is concerned. They are not a time to hold back evidence for later. Instead, the parties must put their best foot forward. If there are evidentiary shortcomings in a party's case in the summary trial, that party may well lose. (para 7)

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