Federal Court  Cour fédérale

Date: 20190726

Docket: T-1066-17

Citation: 2019 FC 1004

Ottawa, Ontario, July 26, 2019

PRESENT: The Honourable Mr. Justice Manson

BETWEEN:

T-REX PROPERTY AB

Plaintiff/
Defendant by Counterclaim

and

PATTISON OUTDOOR ADVERTISING LIMITED PARTNERSHIP, PATTISON OUTDOOR ADVERTISING LTD., JIM PATTISON INDUSTRIES LTD. AND ONESTOP MEDIA GROUP INC.

Defendants/
Plaintiffs by Counterclaim

JUDGMENT AND REASONS

I. Introduction

[1] This is an appeal from the Order of Prothonotary Steele [the Case Management Judge] dated June 17, 2019 [the Order], which, among other things, granted a bifurcation order, a protective order, and a confidentiality order.

II. Background

[2] The Plaintiff, T-Rex Property AB [T-Rex], is a United States company in the business of licensing the intellectual property rights it owns, notably Canadian patent number 2,252,973 titled “Digital Information System” which expired on April 23, 2017 [the ‘973 Patent], shortly before this proceeding was commenced.

[3] The Defendants, Pattison Outdoor Advertising Limited Partnership, Pattison Outdoor Advertising Ltd., Jim Pattison Industries Ltd., and Onestop Media Group Inc. [collectively, Pattison] form part of a Canadian group of related companies in the field of outdoor advertisement panels and displays.

[4] The underlying patent infringement action is outlined by the Case Management Judge at paragraphs 6 to 8 of the Order:

> [6] T-Rex has initiated an action against Pattison for infringement of twenty four (24) out of the thirty (30) claims of the ‘973 Patent. As it appears from the *Second Amended Statement of Claim* dated October 11, 2017, T-Rex seeks various forms of relief against the four Pattison defendants, including a declaration of infringement, a declaration of validity of the twenty four (24) asserted claims, as well as a claim for damages or an accounting of profits, whichever T-Rex may elect, for such alleged acts of infringement.
>
> [7] The activities of Pattison which are alleged to be infringing relate to digital signs used to display advertisements via display control software. There are three (3) Pattison systems in issue: the Content Management System, the Smart-Ad System and the Ad Shop digital advertisement sales/management platform. The displays using these systems are situated in multiple locations across Canada.
>
> [8] In its *Second Amended Statement of Defence and Counterclaim* dated February 18, 2018, Pattison denies infringement and seeks a

> declaration of non-infringement of any valid and asserted claim. Pattison also seeks a declaration of invalidity of each claim of the '973 Patent (there are thirty (30) in total) on seven (7) grounds, in particular unpatentable subject matter, anticipation, obviousness, claims based on common general knowledge, indefiniteness, ambiguity and insufficiency of the disclosure and material misrepresentations.

[5] The pleadings are closed. On September 15, 2017, T-Rex posted security for costs in the amount of $50,000 for the various steps up to and including examination for discovery, as agreed to by the parties.

[6] After T-Rex asked for discovery dates to be set, Pattison requested case management.

[7] On May 25, 2018 Pattison filed a motion requesting this action be bifurcated.

[8] On June 14, 2018 Prothonotary Steele was assigned as the Case Management Judge for this proceeding.

[9] On August 6, 2018 Prothonotary Steele ordered that Pattison's motion to bifurcate and Pattison's proposed motion for confidentiality and protective orders be heard jointly on October 17, 2018.

[10] On September 4, 2018 Pattison filed its motion seeking a confidentiality order and a protective order, and included draft orders.

[11] A joint oral hearing for both motions was held before Prothonotary Steele on October 17, 2018.

[12] Pursuant to the Court Order of February 27, 2019, the parties have exchanged affidavits of documents for all relevant non-financial documents. This exchange was done without prejudice to the parties' positions in this appeal.

III. Decision Under Appeal

[13] On June 17, 2019, the Case Management Judge issued the Order under appeal, which ordered, among other things, that:

> (i) The present action be bifurcated, and issues of liability be determined prior to issues regarding the quantification of damages [the Bifurcation Order].
>
> (ii) Costs for the bifurcation motion to Pattison at the upper end of Column V of Tariff B, payable immediately.
>
> (iii) The motion for a protective order [the Protective Order] and a confidentiality order [the Confidentiality Order] is granted, with the protective order limited to documents and information necessary for the determination of liability, and to include "confidential" and "outside counsel eyes only" [OCEO] designations.
>
> (iv) The protective order will include a provision that counsel for the receiving party may communicate with or advise their client of general or high level conclusions based on their review of "Confidential Information", including OCEO-designated information.
>
> (v) Costs for the protective order and confidentiality order to Pattison at the middle of Column V of Tariff B, payable immediately.

[14] T-Rex appeals from the Order of the Case Management Judge.

IV. Issues

[15] The issues are:

(i) Did the Case Management Judge err by granting the Bifurcation Order?

(ii) Did the Case Management Judge err by basing her decision regarding the Protective Order on a question that was not before the Court?

(iii) Did the Case Management Judge err by ordering costs for both motions to be payable immediately, despite the Plaintiff having posted security for costs?

V. Standard of Review

[16] The applicable standard of review governing appeals of discretionary orders of prothonotaries is (1) the correctness standard for questions of law and questions of mixed fact and law, where there is an extricable legal principle at issue; and (2) palpable and overriding error for factual conclusions and questions of mixed fact and law (*Housen v Nikolaisen*, 2002 SCC 33; *Hospira Healthcare Corporation v Kennedy Institute of Rheumatology*, 2016 FCA 215 at paras 66, 79).

VI. Analysis

A. *Did the Case Management Judge err by granting the Bifurcation Order?*

[17] Rule 107 of the *Federal Courts Rules*, SOR/98-106 [the Rules] allows the Court to order that issues in a proceeding be determined separately.

[18] A severance of issues constitutes a departure from the general principle that a litigant has the right to have all of the issues disputed during a single trial (*Apotex Inc v Bristol-Myers Squibb Co*, 2003 FCA 263 at para 7 [*Apotex*]).

[19] The onus of proof is on the moving party to show that the severance of proceedings will "more likely than not result in the just, most expeditious and least expensive determination of the proceedings on the merits" (*Apotex*, above at para 10). In making this determination, the Court may consider the following list of factors (*Teva Canada Limited v Janssen Inc*, 2016 FC 318 at para 6):

(i) the complexity of issues to be tried;

(ii) whether the issues of liability are clearly separate from the issues of remedy;

(iii) whether the factual structure upon which the action is based is so extraordinary or exceptional that there is good reason to depart from normal practice requiring the single trial of all issues in dispute;

(iv) whether the trial judge will be better able to deal with the issues of the injuries of the plaintiff and the plaintiff's losses, by reason of having first assessed the credibility of the plaintiff during the trial of the issue of damages;

(v) whether a better appreciation of the nature and extent of injuries and consequential damage to the plaintiff may be more easily reached by trying the issues together;

(vi) whether the issues of liability and damages are so inextricably interwoven if bound together that they ought not to be severed;

(vii) whether, if the issues of liability and damages are severed, there are facilities in place which will permit these two separate issues to be tried expeditiously before one court or before two separate courts, as the case may be;

(viii) whether there is a clear advantage to all parties to have liability tried first;

(ix) whether there will be a substantial saving of costs;

(x) whether it is certain that the splitting of the case will save time, or will lead to unnecessary delay;

(xi) whether, or to what degree in the event severance is ordered, the trial of the issue of liability may facilitate or lead to settlement of the issue of damages; and

(xii) whether it is likely that the trial on liability will put an end to the action.

[20] In support of its motions, Pattison filed the affidavit of Michael Shortt, an intellectual property lawyer with the law firm representing Pattison [the Shortt Affidavit], and the affidavit of Randall Otto, President and CEO of the Defendant Pattison Outdoor Advertising Limited Partnership [the Otto Affidavit]. Mr. Otto was cross-examined on his affidavit; Mr. Shortt was not.

[21] T-Rex opposed the motion for bifurcation, and filed the affidavit of Mats Hylin, CEO and co-owner of T-Rex [the Hylin Affidavit]. Mr. Hylin was cross-examined on his affidavit.

[22] In the Order, the Case Management Judge outlined the law on bifurcation motions, including (1) that granting the motion would be a departure from the general principle that a litigant has the right to have all of the issues disputed during a single trial, (2) that the burden of proof rested on Pattison, and (3) the various factors outlined above which may be taken into account.

[23] The Case Management Judge reviewed Pattison's six arguments for why the bifurcation motion should be granted:

(i) the issues of liability and quantification are highly complex;

(ii) these issues do not overlap;

(iii) the bifurcation would allow for substantial economies;

(iv) a decision in favour of Pattison with respect to liability could put an end to the suit;

(v) a bifurcation could prevent the disclosure of confidential and commercially sensitive information; and

(vi) there is no prejudice to T-Rex as a result of the bifurcation.

[24] The Case Management Judge then reviewed T-Rex's arguments in opposition, and the evidence put forward by the parties, before making the following findings:

(i) This case is sufficiently complex to warrant a severance of issues;

(ii) There is minimal overlap between liability and quantification;

(iii) Any savings, or (iv) the early termination of the litigation, will depend on the outcome of the trial on liability;

(v) Disclosure of confidential information is not a relevant factor in a motion for bifurcation;

(vi) There is minimal, if any, prejudice to T-Rex as a result of the bifurcation.

[25] The Case Management Judge granted the bifurcation motion, finding that "notwithstanding T-Rex's opposition, a severance of issues would lead to the most just, expeditious and least expensive determination of this proceeding on its merits."

[26] T-Rex submits that the Case Management Judge erred by reversing the onus and requiring T-Rex to prove that the case should not be bifurcated, and makes three specific arguments:

(i) The Case Management Judge reversed the onus of proof by finding the action to be complex because there was no evidence to the contrary, therefore requiring T-Rex to prove that the action was not complex when the burden rested on Pattison to put forward evidence of complexity;

(ii) When finding that there was minimal overlap between issues of liability and issues of quantification, the Case Management Judge made palpable and overriding errors

by finding in the absence of any evidence that dealing with the non-infringing characteristics of the Pattison advertising systems, and non-infringing alternatives, at both the liability and quantification stages would result in only minimal overlap.

(iii) When finding that the possibility of savings favoured severance, the Case Management Judge erred by misapprehending the relevant factor to be a possibility of savings, rather than "whether there will be a substantial saving of costs".

[27] The complexity of this proceeding is evident from the pleadings, which the Case Management Judge referred to, including an expired patent with 30 claims, all of which are alleged to be invalid for basically all possible attacks on validity, four Defendants each accused of infringing 24 claims through the use of three different digital advertising systems, and a plaintiff who is a non-practicing entity and has deferred election between its damages or Pattison's profits. Moreover, the question of whether a non-practicing entity is entitled to elect between damages or profits appears to be a novel legal issue which adds to the proceeding's complexity. Finally, there was evidence in the Otto Affidavit that the determination of revenues derived from the alleged infringement would be a complex process.

[28] I agree with Pattison that occasional references by the Case Management Judge to a paucity of evidence put forward by T-Rex, upon which T-Rex relies heavily in this appeal, were simply an acknowledgement of the "tactical burden" which may rest on an opposing party once a the moving party has put forward evidence upon which a bifurcation order could reasonably be granted (*Apotex* at paras 10-11).

[29] With respect to the issue of overlap, as "commercial success is no longer a central component of the test for obviousness" (*Garford Pty Ltd v Dywidag Systems International, Canada, Ltd*, 2010 FC 581 at para 14, citing to *Apotex Inc v Sanofi-Synthelabo Canada Inc*, 2008

SCC 61), the Case Management Judge was quite reasonable to conclude that while some financial information may be disclosed at the liability phase in the context of the obviousness analysis, there was nonetheless benefit to severance. Similarly, the Case Management Judge found that the potential need for evidence regarding the non-infringing characteristics of the Pattison systems and non-infringing alternatives at the quantification stage would be minimal. These findings reveal no palpable and overriding error.

[30] Addressing the issue of savings, the Case Management Judge correctly outlined the law relating to this factor, assessed the evidence, and weighed the evidence in reaching her conclusion that bifurcation had the potential to preserve both the parties' and the Court's limited resources. She correctly construed the issue before her at paragraph 37 of the Order, citing to *Apotex Inc v Sanofi-Aventis Canada Inc*, 2009 CarswellNat 5922 at paragraphs 22, 24: "The real question is therefore whether it is more efficient to expend the resources now, when all of the issues are on the table or to defer the expense until there is clarity with respect to liability". She then answered this question, concluding that it would be more efficient to defer the expenses regarding quantification until there was clarity with respect to liability. Again, there is no palpable and overriding error with this finding.

[31] Overall, I find that the Case Management Judge reviewed the evidence, and did not reverse the onus of proof. The Case Management Judge had sufficient evidence before her to conclude that the bifurcation of the proceeding would more likely than not result in the just, most expeditious and least expensive determination of the proceedings on the merits.

B. *Did the Case Management Judge err by basing her decision regarding the Protective Order on a question that was not before the Court?*

[32] The parties agreed that a confidentiality order and a protective order containing "confidential" and OCEO designations were appropriate. A draft order was prepared by Pattison. The only issue in dispute before the Case Management Judge was the scope of the OCEO designation.

[33] T-Rex submitted that the OCEO provision should be limited so that "Parties will be able to receive and view high level financial information/documents…". Pattison expressed concerns that T-Rex's request would require it to create certain documents not currently in existence to summarize and then disclose high level financial information, which could lead to disclosure of highly sensitive information, and there was already a sufficient mechanism in the draft protective order for T-Rex to challenge the designation of information as OCEO.

[34] The Case Management Judge found that both a confidentiality order and a protective order were appropriate, and that an OCEO provision was justified, before turning to the scope of the OCEO designation. The Case Management Judge articulated the legal principles that govern the issuance of an OCEO protective order, and rejected T-Rex's proposed "limitations" on the basis that they would compel Pattison to prepare and disclose high level information which may or may not exist in a document.

[35] The Case Management Judge then concluded at paragraph 64 of her Order that a provision should be added to the draft Protective Order to allow counsel to advise their clients of high level conclusions stemming from their review of confidential information:

> I further have no evidence to support the argument that without the high level information sought, T-Rex cannot adequately instruct its counsel. I do however note that the draft protective order does not provide for counsel for the receiving party to communicate with or advise their client of general or high level conclusions based on their review of "Confidential Information", including OCEO designated information. This provision should be added to the draft protective order and would in my view address, or at least alleviate, T-Rex's concerns with respect to its solicitor—client relationship.
>
> [Emphasis added]

[36] T-Rex argues that the Case Management Judge erred by misconstruing their argument – they desired only an OCEO provision that permitted receiving counsel to disclose high level financial information to its client, not a provision that compelled the disclosure of high level financial information. In light of this, T-Rex suggests that the provision the Case Management Judge added to the draft order, permitting counsel to communicate high level conclusions to their client, effectively granted what they were requesting, and as such the costs award against them was inappropriate.

[37] Pattison argues that T-Rex's request was not about limiting the scope of what the parties could designate as OCEO, but rather to incorporate provisions mandating broad access by the parties to the OCEO financial information of the other party. Moreover, Pattison submits that, as evidenced in paragraphs 62 to 63 of the Order, T-Rex's request was denied because the Case

Management Judge found that T-Rex should not be entitled to access the restricted OCEO information of the Defendants.

[38] As the Case Management Judge correctly noted, mechanisms exist in the Protective Order as drafted for either party to challenge the designation of information as OCEO information. Any arguments seeking additional clarity as to what may or may not be designated as OCEO information are premature at this stage of the proceeding.

[39] Moreover, on the record before me, I fail to see evidence that that the Case Management Judge committed a palpable or overriding error by misconstruing T-Rex's arguments. Having reviewed the pleadings and written representations which were before the Case Management Judge, it is clear that the issue of whether T-Rex was suggesting to limit the scope of OCEO information, or seeking mandatory access to high level financial information, was a live issue before the Case Management Judge. At paragraphs 62 to 63 of the Order, the Case Management Judge concluded that T-Rex was suggesting a mechanism to force Pattison to prepare and disclose high level information which it would otherwise not be entitled to access. The Case Management Judge's interpretation of T-Rex's submissions reveals no palpable and overriding error.

[40] T-Rex also argues that the OCEO designation included in the Protective Order was inappropriate based on the evidence before the Case Management Judge. However, this argument was absent from T-Rex's notice of motion initiating this appeal, and was raised for the

first time in T-Rex's written representations. In these circumstances, I decline to consider this argument (*Crone v Canada*, 2009 FCA 37 at para 5).

C. *Did the Case Management Judge err by ordering costs for both motions to be payable immediately, despite the Plaintiff having posted security for costs?*

[41] T-Rex argues that the Case Management Judge erred by requiring costs for both motions to be payable immediately, despite T-Rex having posted security for costs. T-Rex puts forward no case law in support of this proposition.

[42] An award of costs is "quintessentially discretionary", and Rule 400(1) of the Rules gives the Court "full discretionary power over the amount and allocation of costs and the determination of by whom they are to be paid" (*Alani v Canada (Prime Minister)*, 2017 FCA 120 at para 11 [*Alani*]). To succeed in their argument, T-Rex must demonstrate an error of law or a palpable and overriding error of fact or mixed fact and law (*Alani*, above at para 12).

[43] Rule 401(2) of the Rules provides that, "where the Court is satisfied that a motion should not have been brought or opposed, the Court shall order that the costs of the motion be payable forthwith." The posting of security for costs is governed by Rules 415 to 418.

[44] T-Rex has placed no authority before this Court which suggests that the posting of security for costs should shield a party from Rule 401(2). Therefore, while I may not myself have awarded costs payable forthwith in these circumstances, I find that the Case Management Judge committed no reviewable error in awarding costs payable forthwith.

[45] The Plaintiff's motion is dismissed.

[46] The Defendants have sought the costs of this motion fixed at $5000.00 payable forthwith. Exercising my discretion pursuant to Rule 400 of the Rules, I award $3000.00 in costs, payable in any event of the cause.

JUDGMENT in T-1066-17

THIS COURT'S JUDGMENT is that

1. The appeal is dismissed.

2. Costs to the Defendants fixed in the amount of $3000.

"Michael D. Manson"
Judge

FEDERAL COURT

SOLICITORS OF RECORD

DOCKET:	T-1066-17
STYLE OF CAUSE:	T-REX PROPERTY AB v PATTISON OUTDOOR ADVERTISING LIMITED PARTNERSHIP, PATTISON OUTDOOR ADVERTISING LTD., JIM PATTISON INDUSTRIES LTD. AND ONESTOP MEDIA GROUP INC.
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