Federal Court  Cour fédérale

Date: 20100528

Docket: T-1270-08

Citation: 2010 FC 581

Ottawa, Ontario, May 28, 2010

PRESENT: The Honourable Mr. Justice Zinn

BETWEEN:

GARFORD PTY LTD.

Plaintiff

and

DYWIDAG SYSTEMS INTERENATIONAL, CANADA, LTD.,
MR. BOB BISHOP and MR. KENNETH R. SOSTEK

Defendants

REASONS FOR ORDER AND ORDER

[1] This is an appeal by the plaintiff from an order of a Prothonotary, dated February 5, 2010, wherein she bifurcated the issue of liability from the issues of damages or accounting for profits in the plaintiff's action.

[2] The plaintiff, Garford Pty Ltd., is suing the defendants, Dywidag Systems International, Canada, Ltd., Bob Bishop and Kenneth R. Sostek, for patent infringement and breach of the *Competition Act*, R.S.C. 1985, c. C-34. Although the defendants suggest the period of alleged infringement is not restricted, I am satisfied from a reading of the Amended Statement of Claim that counsel for the plaintiff was correct when he stated that the plaintiff alleges infringement between November, 2003 and March 31, 2004, and from April 1, 2005 to today.

[3] By motion, dated July 24, 2009, the defendants sought an order bifurcating the liability phase of the action from the damages or accounting for profits phase. By motion, dated January 14, 2010, the plaintiff sought leave to file three additional affidavits relating to the bifurcation issue. The Prothonotary permitted the filing of two of the three affidavits, but nonetheless granted the defendants' motion and ordered bifurcation.

The Order Under Appeal

[4] The Prothonotary noted that a bifurcation order will only follow where the Court is "satisfied, on a balance of probabilities, that bifurcation is more likely than not to result in the just, most expeditious and cost-effective determination of the proceeding." She then turned to the relevant factors to consider.

> The factors the Court will take into account include, but are not limited to considerations of:
>
> (i) The nature of the action and whether issues for the first trial are relatively straightforward;
>
> (ii) the extent to which the issues proposed for the first trial are interwoven with those remaining for the second;

> (iii) whether a decision from the first trial regarding liability is likely to put an end to the action altogether;
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> (iv) the extent to which the parties have already devoted resources to all of the issues;
>
> (v) the possibility of delay;
>
> (vi) any advantage or prejudice the parties are likely to experience; and
>
> (vii) whether the motion is brought on consent or over the objection of one or more of the parties.

[5] The Prothonotary stated that she preferred the evidence of the defendants to the effect that the financial information "was not readily available for the entire time in issue, and that obtaining hard copies would require a great deal of time and resources," but noted that the defendants' hardship was not determinative of the motion.

[6] The Prothonotary considered the complexity involved with "issues of infringement and validity" and that "the Court will first be called upon to construe the claims." She also considered the fact that examinations for discover had not yet begun.

[7] The Prothonotary noted that if the plaintiff was successful, bifurcation would cause "delay in obtaining a remedy," but held that "there is insufficient evidence of prejudice to the Plaintiff that would arise by granting the order sought." She stated:

> [w]ith the massive documentary production of complex financial documentation covering a variety of products in this case over a not insignificant period of time, the concern is that examinations for discovery would take a considerable amount of time, and would attract interlocutory steps that otherwise, with bifurcation, can be abbreviated or eliminated altogether. In my capacity as case manager of this proceeding, I have also had the opportunity to see how this litigation has been conducted thus far, and I am also satisfied that in this case, bifurcation is not only appropriate, but it is necessary. (emphasis added)

[8] On this basis, the Prothonotary granted the motion and ordered that the liability phase of the action be bifurcated from the quantum of damages or quantum of profits phase.

Analysis

[9] The Court of Appeal has instructed that discretionary orders of Prothonotaries are only to be disturbed on appeal where:

> (a) they are clearly wrong, in the sense that the exercise of discretion by the Prothonotary was based upon a wrong principle or upon a misapprehension of the facts, or
>
> (b) in making them, the Prothonotary improperly exercised his discretion on a question vital to the final issue of the case: *Merck & Co., Inc. v. Apotex Inc.*, 2003 FCA 488 at para. 17.

As counsel put it, they are to be given "elbow room" when managing the action.

[10] The parties are agreed that the issue of bifurcation is not related to a question vital to the final issue and that this Court may only exercise its discretion *de novo* if the Prothonotary's decision

is shown to be clearly wrong. This burden is indicative of the significant deference that is owed to Prothonotaries in the performance of their case management role.

[11] The plaintiff cites a number of Ontario decisions for the proposition that bifurcation should be ordered only in the clearest of cases. The plaintiff argues that the Prothonotary failed to consider the degree to which the financial information relevant to damages or accounting of profits would also be relevant to the test for obviousness or the examination of lessening of competition. The plaintiff submits that without the financial information they will be unable to properly elect between damages or accounting for profits. The plaintiff contends that the Prothonotary misunderstood that electronic financial information was readily available for the relevant period with the possible exception of about four to sixteen months where paper records would be required, and that this electronic information would be easily searchable for the necessary information. The plaintiff further submits that the Prothonotary was clearly wrong when she stated that an absence of birfurcation would necessitate a "massive documentary production". Finally, the plaintiff submits that the Prothonotary erred in relying on the complexity of the defences to patent infringement as well as in rejecting the plaintiff's submission regarding its prejudice.

[12] The defendants submit that the Prothonotary's order is entitled to deference and that the plaintiff has not shown the Prothonotary's order to be clearly wrong. They contend that the Prothonotary did not ignore the potential overlap between liability and the financial information relevant to damages or an accounting of profits, but that she was not convinced that such overlap militated against bifurcation. The defendants note that the importance of commercial success has

been significantly diminished in the most recent characterization of the test for obviousness. The defendants suggest that their motion to strike the *Competition Act* arguments may render this issue of overlap irrelevant and that in any event the Prothonotary's silence on this issue does not amount to an error of law. The defendants contend that the Prothonotary did not err in preventing the plaintiff from making an election as to remedy before the liability phase, did not err in her preference of the defendants' experts, and did not err in her conclusion that refusing the motion for bifurcation would result in a "massive documentary production" obligation on the defendants. The defendants submit that the Prothonotary adequately considered the alleged prejudice of the plaintiff resulting from bifurcation.

[13] Even if I agree with the plaintiff's submission, based on the jurisprudence from the Ontario courts, that bifurcation should be the exception not the rule, the Prothonotary stated that in this case "bifurcation is not only appropriate, but it is necessary." In short, the Prothonotary was of the view that this is one of those clearest of cases where bifurcation is warranted.

[14] The plaintiff's submission that the financial information is required with respect to the defence of obviousness is unconvincing. "Commercial success" is no longer a central component of the test for obviousness: *Apotex Inc. v. Sanofi-Synthelabo Canada Inc.*, 2008 SCC 61, therefore, the financial information which is clearly relevant to the remedy phase is not relevant to the assessment of the obviousness invalidity attack. It is true that complete financial information may be necessary for the plaintiff, if successful in proving liability, to properly elect between damages or an accounting of profits as a remedy; however, there is no reason that this election cannot come after

the liability phase is completed. The plaintiff cites no precedent in support of the proposition that the Prothonotary committed an error in law by noting the complexity of patent infringement and/or invalidity counterclaims. On the contrary, the plaintiff cites the Prothonotary's decision in *Merck & Co. v. Brantford Chemicals Inc.*, [2004] F.C.J. No. 2195 (QL), where she held that "the complexity of the issues to be tried" is one of many factors that can be considered when determining whether to grant a motion for bifurcation. It would seem that the complexity of patent litigation could properly be considered within this factor. Finally, the Prothonotary explicitly noted the prejudice the plaintiff would suffer, but determined that the efficiency gains from bifurcation outweighed this prejudice; this finding was reasonable and was not clearly wrong.

[15] Further, I am not convinced that the Prothonotary erred in her assessment of the evidentiary burden the defendants would face if the action was not bifurcated. It cannot be stated with assurance that no documentary evidence would be required to be produced in addition to the electronic records, nor is it clear that this might not be a very substantial volume of records. Further, and in spite of counsel's spirited submission, I am not convinced from a reading of the cross-examination of Mr. Kucera that his evidence changed from or was inconsistent with that offered in his affidavit; as such, the Prothonotary was under no obligation to address it more than she did.

[16] The one aspect of the plaintiff's appeal that has merit is its submission that the Prothonotary failed to explicitly consider the potential for overlap between the financial information necessary at the remedy phase and the proof of the claim for lessening of competition under the *Competition Act*.

[17] The defendants acknowledge, as they must, that the Prothonotary's reasons fail to show that she explicitly considered the potential overlap between the competition claims and the financial information relevant to the remedy phase. They submit that *P.L. Construction Ltd. v. Canada*, [1998] F.C.J. No. 936 (F.C.A.) (QL), stands for the proposition that this silence is not an error of law. In *P.L. Construction*, at paras. 4-6, the Court of Appeal cited the Supreme Court decision in *R. v. Burns*, [1994] 1 S.C.R. 656 for the proposition that "skimpiness of the reasons" does not necessarily constitute a reviewable error. In *Burns*, at 664-665, the Supreme Court stated:

> [f]ailure to indicate expressly that all relevant considerations have been taken into account in arriving at a verdict is not a basis for allowing an appeal under s. 686(1)(*a*). This accords with the general rule that a trial judge does not err merely because he or she does not give reasons for deciding one way or the other on problematic points. The judge is not required to demonstrate that he or she knows the law and has considered all aspects of the evidence. Nor is the judge required to explain why he or she does not entertain a reasonable doubt as to the accused's guilt. Failure to do any of these things does not, in itself, permit a court of appeal to set aside the verdict.
>
> This rule makes good sense. To require trial judges charged with heavy caseloads of criminal cases to deal in their reasons with every aspect of every case would slow the system of justice immeasurably. Trial judges are presumed to know the law with which they work day in and day out. If they state their conclusions in brief compass, and these conclusions are supported by the evidence, the verdict should not be overturned merely because they fail to discuss collateral aspects of the case.

The Court of Appeal relied on the following passage…:

> Where the record, including the reasons for judgment, discloses a lack of appreciation of relevant evidence and more particularly the complete disregard of such evidence, then it falls upon the reviewing tribunal to intercede.

> This statement should not be read as placing on trial judges a positive duty to demonstrate in their reasons that they have completely appreciated each aspect of relevant evidence. The statement does not refer to the case where the trial judge has failed to allude to difficulties in the evidence, but rather to the case where the trial judge's reasons demonstrate that he or she has failed to grasp an important point or has chosen to disregard it, leading to the conclusion that the verdict was not one which the trier of fact could reasonably have reached [citations omitted].

[18] *P.L. Construction* and *Burns* provide that the mere shortness of reasons or silence of a motions judge on a particular point does not constitute a reviewable error unless it can be shown that such short shrift amounts to a significant lack of appreciation for a relevant point.

[19] An overlap between the evidential underpinnings necessary to prove liability and the evidence necessary to determine the quantum on remedy is an important factor on a motion for bifurcation. If evidence critical to a party being able to establish liability or a defence to liability is not available to that party as a consequence of a bifurcation order, then I fail to see how it can be said that the order results in the "just" determination of the proceeding, even though it may result is a more expeditious and cost-effective proceeding.

[20] The Prothonotary, on the face of the decision, does not appear to have considered whether the action for breach of the *Competition Act* could be proven without some or all of the financial information that was also necessary for quantification of damages or account of profits. I place no stock in the defendants' submission that their motion to strike the competition claims may render

this aspect of the decision immaterial. The whole point of bifurcation is to achieve the expeditious completion of litigation. If the competition claims are not struck, and a significant portion of the financial information is necessary to prove lessening of competition, then, in my view, the whole rationale for bifurcation is undercut. The defendants did not submit that this financial information was irrelevant to the plaintiff's competition claims. I accept the plaintiff's submission that it is relevant and critical to establishing the breaches of the *Competition Act* that it alleges.

[21] The defendants' motion to strike that part of the action for breach of the *Competition Act* is not scheduled to be heard until September – nearly four months from now. In my view, only if there was no claim under the *Competition Act* would the Prothonotary's order have been proper. Accordingly, I am of the view that this appeal must succeed at this time, as the claims under the *Competition Act* are a part of the plaintiff's action and it cannot establish liability without that information.

[22] The parties were canvassed in accordance with the Court's recent Notice to the Parties and Profession on costs. The plaintiff proposed costs be awarded the successful party in an amount between $2,000 and $5,000; the defendants proposed costs of $10,000, being one-half the amount fixed by the Prothonotary on the motion before her. In my view, costs of $5,000.00 inclusive of fees, disbursements and taxes are appropriate on this appeal.

ORDER

THIS COURT ORDERS that:

1. This appeal is allowed and the order of the Prothonotary dated February 5, 2010 is set aside; and;
2. The plaintiff is entitled to its costs of this appeal fixed at $5,000.00, inclusive of fees, disbursements and taxes, and is also awarded its costs of the motion before the Prothonotary, in an amount to be agreed upon by the parties, or failing such agreement within 10 days, to be fixed by the Prothonotary.

"Russel W. Zinn"
Judge

FEDERAL COURT

SOLICITORS OF RECORD

DOCKET:	T-1270-08
STYLE OF CAUSE:	GARFORD PTY LTD. v. DYWIDAG SYSTEMS INTERENATIONAL, CANADA, LTD., MR. BOB BISHOP and MR. KENNETH R. SOSTEK
PLACE OF HEARING:	Toronto, Ontario
DATE OF HEARING:	May 25, 2010
REASONS FOR JUDGMENT AND JUDGMENT:	ZINN J.
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APPEARANCES:

P. Bradley Limpert Christine Capone Settimi	FOR THE PLAINTIFF
Heather E. A. Watts Lauren R. Lodenquai	FOR THE DEFENDANTS

SOLICITORS OF RECORD:

CAMERON MACKENDRICK LLP Barristers & Solicitors Toronto, Ontario	FOR THE PLAINTIFF
DEETH WILLIAMS WALL LLP Barristers & Solicitors Toronto, Ontario	FOR THE DEFENDANTS