Federal Court  Cour fédérale

Date: 20110415

Docket: T-436-05

Citation: 2011 FC 467

Ottawa, Ontario, April 15, 2011

PRESENT: The Honourable Mr. Justice Phelan

BETWEEN:

VARCO CANADA LIMITED
VARCO, L.P.
WILDCAT SERVICES, L.P. and
WILDCAT SERVICES CANADA, ULC

Plaintiffs
(Defendants by Counterclaim)

and

PASON SYSTEMS CORP. and
PASON SYSTEMS INC.

Defendants
(Plaintiffs by Counterclaim)

REASONS FOR ORDER AND ORDER

I. INTRODUCTION

[1] The trial in this matter concluded on February 11, 2011. The matter is under reserve and no reasons or judgment have been issued. The Defendants now seek to reopen the trial.

[2] The subject of a motion to reopen the trial to admit new evidence first arose in a letter from Plaintiffs' counsel to the Court which commenced:

> I am writing pursuant to R. 4.01(5) of the *Rules of Professional Conduct* which requires counsel to correct evidence which, unknowingly, was led before you and which we have since discovered to be inaccurate.

[3] The letter went on to disclose that the file of a Texas patent agent, Mr. Bates, (Bates File) had been discovered and that as a result, a key witness for the Plaintiffs, Robert Bowden Jr., the patent inventor, now had a different recollection of events than his testimony before this Court disclosed. The letter went even further to describe what the evidence would be if Bowden were to testify and his explanation for his faulty memory.

[4] The Court commends Plaintiffs' counsel for acting as they did and for doing so promptly and forthrightly. It was disappointing that the Defendants, who also had the Bates File, did not immediately inform the Court. However, the Defendants did bring this motion to reopen. Despite the Plaintiffs' acknowledgement that Bowden's evidence on certain key events and at critical times was inaccurate, the Plaintiffs have resisted this motion.

It would be a curious thing if the *Rules of Professional Conduct* were to impose an obligation on counsel to advise the Court of inaccurate evidence led by counsel and the Court was not expected to take some actions to ensure the accuracy of the trial record. A letter from counsel as

to what that corrected evidence might be is not sufficient in this case where cross-examination can be anticipated and the Court must assess credibility of the witness on this new recollection.

II. BACKGROUND

[5] Bates is now an elderly and potentially ill man. His role in certain events relevant to this trial is important. He was the first patent agent that the inventor Bowden went to and it is established that he gave advice on the prior art which might impact Bowden's chances of securing a patent. This letter, the "Bates Letter", has been put in evidence and there has been much argument on its meaning and significance.

[6] The Defendants, as part of this attack on the validity of the patent, have alleged that there was inequitable conduct by the Plaintiffs' predecessors in claim which invalidates the patent.

[7] In general terms this novel theory is that the Canadian Patent Office was misled on the issue of prior art because the US PTO was given deliberately false and misleading evidence from Bowden. The alleged "fraud on the US PTO" (a US concept) had the knock-on effect of misleading the Canadian Patent Office.

[8] The gist of the allegation is that Bowden, having received the problematic Bates Letter, went to another patent agent-lawyer, failed to disclose the prior art cited in the Bates Letter, and had the new patent agent file the patent application in the US without disclosing the prior art.

[9] Bowden's evidence is that he had minor telephone contact with Bates between September 1991 and September 1992. He testified that he did not meet with Bates nor provide him with any documents.

[10] As the result of different litigation in Texas not directly involving these Defendants, a Mr. Kling, counsel for Autodrill Inc., – a defendant in that other litigation brought by the US arm of the Varco plaintiff – tracked down the existence of the Bates File and obtained it.

[11] The Bates File would suggest a different version of events than that currently before the Court on such matters as the retention of Bates' services, the nature and extent of the contact between Bowden and Bates, and the information disclosed including drawings, notes and other items. The Bates File also touches upon the retention of the second patent agent Mr. Comuzzi and the first use and disclosure of the invention.

[12] The Plaintiffs resist this motion primarily on the matter of the Defendants' lack of due diligence in securing the Bates File, the lack of relevance of the File because it relates to an arguably suspect theory of inequitable conduct and its lack of relevance because it does not support the Defendants' theory of the case even as to issues of public disclosure. In this last respect the Plaintiffs argue that the documents are consistent with the Plaintiffs' theory of public disclosure – that any such disclosure was within the one-year grace period to file a patent application.

A. *Legal Principles*

[13] There is a paucity of law on the issue of reopening a trial after argument but before judgment is entered or reasons given.

[14] Despite this lacuna, the law on reopening a trial after reasons have been issued gives guidance to the considerations which the Court must give in the specifics of this case.

[15] The first point and an overarching aspect is that reopening is a matter of broad discretion but one which should be exercised sparingly and cautiously. Finality of a trial is a critical concept in our justice system – no one appreciates that concept more than a trial judge who is faced with the generally unpleasant task of reopening a case on which he or she has commenced writing.

[16] While the discretion is broad, there are some factors which should be considered. The decision in *671122 Ontario Ltd. v Sagaz Industries Canada Inc.*, 2001 SCC 59, [2001] 2 SCR 983 has set out the questions a court should consider:

1. Would the evidence, if presented at trial, have changed the result?
2. Could the evidence have been obtained before trial by the exercise of reasonable diligence?

[17] The *Sagaz* decision is not strictly applicable here because it dealt with a motion to reopen after judgment had been rendered. On the first test the situation is quite different where the Court has not yet reached its final conclusion. In the current situation it is more appropriate to ask – could the evidence, if it had been presented, have had any influence on the result? This engages an inquiry as to materiality/relevance.

[18] The second branch of the *Sagaz* test can be more easily imported into the situation of new evidence before decision where it is a factor for consideration but not necessarily determinative of the issue.

[19] The judicial policy captured by the two-prong test is well described in *Risorto v State Farm Mutual Automobile Insurance Co.*, (2009), 70 CPC (6th) 390 (Ont. Div. Ct.), in paragraphs 34-36:

> **34** The principles applied by the Supreme Court of Canada in *Sagaz*, *supra*, are not new. They have been applied by Canadian courts for decades: see *Becker Milk Co. Ltd. v. Consumers' Gas Co.* (1974), 2 O.R. (2d) 554 (C.A.); and *Scott v. Cook*, [1970] 2 O.R. 769 (H.C.J.). They have been applied in the case of both trials and motions: see *DeGroote v. Canadian Imperial Bank of Commerce*, [1998] O.J. No. 1696 (S.C.J.); aff'd (1999), 121 O.A.C. 327 (C.A.); *Jaskiewicz v. Humber River Regional Hospital* (2000), 4 C.C.L.T. (3d) 85 (Ont. S.C.J.); *1307347 Ontario Inc. v. 1243058 Ontario Inc.* (2001), 4 C.P.C. (5th) 153 (Ont. S.C.J.); and *Wong v. Adler* (2004), 10 C.P.C. (6th) 58 (Ont. S.C.J.). In all such cases, the test for reopening the matter and permitting the calling of new evidence is the same. The moving party must satisfy the Court that the proposed evidence would probably change the result, and that it could not have been discovered by the exercise of due diligence.
>
> **35** The policy reasons for the adoption of the two-pronged test are well-known, and have been discussed in a number of the cases to which I have referred. An orderly system of litigation requires that each party put his or her best foot forward. It contemplates that judgment will be rendered after each party has done so. Litigation by instalments is not to be encouraged. There is a strong interest in finality, which should only be departed from in exceptional circumstances. Parties make strategic decisions in the course of litigation, and except in narrow circumstances they must be held to those decisions. At para. 14 of her judgment in *DeGroote*, *supra*, Lax J. quoted with approval the following statement by Wilkins J. in *Strategic Resources International Inc. v. Cimetrix Solutions Inc.* (1997), 34 O.R. (3d) 416, at p. 421:
>
> > After the trial is complete and judgment is rendered, it is always a simple matter, utilizing hindsight, to go about reconstructing a better method of presenting the

> case when one finds oneself in the sorry position of being a loser.
>
> **36** In the same paragraph, Lax J. noted the observation of the Court of Appeal in *Becker Milk, supra*, at p. 556, that "An unsuccessful litigant, save in very special circumstances, should not be allowed to come forward with new evidence available prior to judgment when he was content to have the trial judge bring forward his judgment based on the record produced at a trial in which that litigant actively participated."

[20] Added to the two-part test is a consideration of whether these are exceptional circumstances that would justify setting aside the “due diligence” test or at least reducing its overall importance in the exercise of discretion. The danger that a court would be misled is an aspect of the “exceptional” circumstances consideration.

> **25** It appears that the appeal of the decision of Lax J. did not include an appeal from this decision, but rather only her decision to grant summary judgment, but nevertheless the Court of Appeal commented on her decision to dismiss the motion to permit this new affidavit to be filed. Without express reference to the test as stated in *Scott v. Cook*, the Court implicitly accepted this two part test as the appropriate test and went on to state that the issue in that case was whether there were *exceptional circumstances* that warranted setting aside the due diligence requirement, (at paras. 3-4). The Court found no basis to interfere with Lax J.'s decision in assuming that the solicitor was negligent but that even so, the circumstances were not so exceptional as to warrant the exercise of discretion in favour of the appellants.
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> **26** Having considered these cases then, I come to the same conclusion that Justices Wilkins and Lax did. I will consider the two part test in *Scott v. Cook* and consider whether or not there are exceptional circumstances in this case that would warrant setting aside the due diligence requirement. This could include a finding that there was a real prospect that the court was misled.
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> *Lo v Ho* (2010), 86 CPC (6^{th}) 370 (Ont. SCJ)

[21] In this Court, Justice Snider had to consider a motion to reopen after the evidence was closed but before argument. Her decision has been inaccurately described as setting a test for reopening based upon whether reopening "would cause more harm than good" (*Sanofi-Aventis Canada Inc. v Apotex Inc.*, 2009 FC 294 at para. 8). That quote is no more than judicial shorthand for acknowledgement of the broad discretion to be exercised sparingly.

A fairer analysis of the reasons shows that in that situation the Court addressed five factors: relevance, necessity, reliability, due diligence and prejudice.

[22] In my view, when all of the various factors, tests and considerations are taken together, the importance of the integrity of the trial process – the search for the truth through evidence – is an overarching consideration. To some extent that consideration is addressed in the issue of whether a court would be misled.

B. *Application of Legal Principles*

(1) Potential to Change Result/Influence the Result

[23] Since there is no result to change, the relevant question is whether the new evidence could influence the result – is the evidence relevant?

[24] The Bates File contains documents and notes which touch upon the matter of public disclosure. Each side suggests that the notes establish opposite conclusions – the Plaintiffs contend that the notes are consistent with Bowden's evidence; the Defendants say that the notes show that public disclosure occurred outside the one-year grace period. The Bates File clearly passes this relevancy threshold.

[25] The Bates File is also relevant, by the Plaintiffs' own admission, because it shows Bowden's evidence to be inaccurate – a matter which goes to credibility.

[26] The Bates File is not just marginal to the case. The materials go directly to critical matters at issue including the alleged inequitable conduct claim which the Defendants have the right to try to make out. The File is necessary for completeness of the trial testimony.

[27] No one has suggested that the Bates File is unreliable.

[28] The receipt of this evidence, properly established, may influence the final decision and most certainly would be part of the Court's reasons. If nothing else, the evidence and Bowden's explanation (the Plaintiffs indicating that if there is a reopening, Bowden will testify) would correct the evidence in this action.

(2) Due Diligence

[29] On this issue the Defendants have some significant problems. Bates' role in the issues in the action has been known for years. It seems that he has been residing at the same place in Texas throughout this litigation and before, yet no attempt was made to search for him. It is the Defendants' burden in this instance because it is their allegations of invalidity which are at stake.

[30] The Bates File surfaced through the diligence of Mr. Kling. The Defendants had merely asked Kling to inform them if he found anything useful in that other litigation. The Defendants cannot ride Kling's coat-tails in establishing due diligence.

[31] However, the Defendants' deficiency is not without contribution by the Plaintiffs. In discoveries and until 2009 the Plaintiffs had said that they thought Bates was dead. In 2009 it became known that he was alive; however, Bowden's evidence was that he had minimal contact with Bates and had left him no documents. The suggestion was clear that anything Bates had was marginal.

[32] While the Defendants were misled by the Plaintiffs, the Defendants have vigorously contested Bowden's overall credibility and truthfulness throughout this action; as such, it was a highly risky proposition for the Defendants to rely on Bowden and to place their fate on this issue in the hands of another lawyer.

[33] The Plaintiffs share, in healthy measure, responsibility for the delay in the disclosure of the Bates File. The Defendants' actions or inactions must be measured against the backdrop of Bowden's minimalization of his interaction with Bates and the corresponding likelihood that there was nothing of significance in any files he kept.

[34] There is more than enough fault to be shared between all the parties for the lack of diligence here. However, there is precedent as cited above for the principle that any lack of due diligence must be tempered by the crucial factor that a court should not be misled as to the true facts.

III. CONCLUSION

[35] In my view, the primary concern must be for the integrity of the trial process. No significant prejudice to reopening has been identified.

[36] The Court is now faced with knowledge that sworn evidence before it is inaccurate and that it is possible to have more accurate information produced. The Court cannot turn a blind eye to the admission that Bowden's evidence, in some material aspects, was inaccurate. A court cannot then go on to make findings of fact on this inaccurate evidence.

[37] The Court is also faced with the knowledge that there is material evidence which goes to the Defendants' claim of inequitable conduct. One can ask rhetorically how the Court could ignore all this evidence particularly where the Court has not yet issued reasons or entered judgment.

[38] Therefore, this motion will be granted. Each of the parties shall have 21 days to file its proposals as to how and where this new evidence and any other necessary related evidence will be dealt with. A case conference thereafter is highly likely.

Given the contribution of both parties to the need for this motion, there will be no order for costs; each is to bear their own costs.

ORDER

THIS COURT ORDERS that this motion to reopen the trial is granted without costs. The parties are to submit within 21 days their proposals for the method of dealing with the new evidence.

"Michael L. Phelan"
Judge

FEDERAL COURT

SOLICITORS OF RECORD

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