

Federal Court of Appeal



Cour d'appel fédérale

Date: 20240815

**Dockets: A-136-22
A-177-22**

Citation: 2024 FCA 131

**CORAM: STRATAS J.A.
LASKIN J.A.
MONAGHAN J.A.**

BETWEEN:

MUD ENGINEERING INC. and AN-MING (VICTOR) WU

Appellants

and

**SECURE ENERGY SERVICES INC. and
SECURE ENERGY (DRILLING SERVICES) INC.**

Respondents

Heard at Calgary, Alberta, on June 20, 2023.

Judgment delivered at Ottawa, Ontario, on August 15, 2024.

REASONS FOR JUDGMENT BY:

STRATAS J.A.

CONCURRED IN BY:

LASKIN J.A.

DISSENTING REASONS BY:

MONAGHAN J.A.

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REASONS FOR JUDGMENT

STRATAS J.A.

[1] The appellants bring two appeals in this Court:

- I. *The appellants' main appeal.* The appellants appeal from the Federal Court's judgment against them on June 30, 2022. In a summary trial, the Federal Court

dismissed the appellants' motion for a declaration of ownership and their patent infringement action: 2022 FC 943 (*per* St-Louis J.) (file A-177-22).

- II. *The companion appeal.* The appellants appeal from the Federal Court's order on June 15, 2022. The Federal Court struck out significant portions of their affidavit filed in the summary trial (file A-136-22).

In the summary trial, the Federal Court also dismissed the respondents' counterclaim. They have not appealed from the dismissal.

[2] These are the reasons for judgment in both appeals. The original of these reasons shall be filed in A-177-22 and a copy shall be filed in A-136-22.

[3] In the Federal Court, the appellants have brought an action against the respondents for infringement of their patents. But—and this is the main question in this case—do the patents belong to the appellants? If not, the appellants have no standing to sue for infringement and so their action must be dismissed.

[4] The appellants say that the appellant, Mud Engineering Inc., owns the patents. The respondents say that the respondent, Secure Energy (Drilling Services) Inc., owns the patents.

[5] At the center of this dispute was one Mr. An-Ming (Victor) Wu. Mr. Wu worked for Secure's predecessor, Marquis Fluids Inc., but later left for elsewhere. The ownership issue came

down to a number of particular questions, including the following. What did Mr. Wu invent? When did he invent it? Was he working for Marquis (Secure) when he invented it or was he otherwise under an obligation to assign to Secure whatever he invented?

[6] In the Federal Court, the appellants moved for a summary trial to resolve this ownership issue. The appellants and the respondents sought competing declarations of ownership.

[7] 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.

[8] In this case, the parties must be taken to have put their best foot forward. In practical terms in this case, their foot forward very much came down to the testimony of two rival witnesses. For the appellants it was Mr. Wu. For the respondents it was Dr. Eric Rivard.

[9] Who was more credible? Whose evidence was more believable? As we shall see, on these factually suffused questions the Federal Court came down firmly and overwhelmingly on the side of Dr. Rivard and the respondents.

[10] The Federal Court began its analysis of ownership by noting that, absent evidence to the contrary, subsection 43(2) of the *Patent Act*, R.S.C. 1985, c. P-4, creates a *prima facie*

presumption of both ownership and inventorship in a granted patent. Here, the presumption worked in favour of the appellants. Before us, no one contests this.

[11] An evidentiary burden lies on the party contesting ownership. Here, it fell to the respondents to displace the presumption that one of the appellants, Mud Engineering Inc. (through Mr. Wu), was the true inventor. The presumption is a weak one. Again, before us, no one contests this.

[12] The Federal Court found that the respondents had presented some evidence to displace the presumption. In this Court, the appellants do not contest that the presumption was displaced.

[13] Once the presumption is displaced, the issue of ownership is to be decided on the balance of probabilities. In assessing this, including the state of the evidence before it, the Federal Court said it was not persuaded that the appellants had adduced enough admissible and credible evidence to establish an entitlement to a declaration of ownership. Thus, the Federal Court refused to give the appellants a declaration of ownership and dismissed their infringement action. In its words (at paras. 98 and 105), “there [was] a dearth of evidence from [the appellants]” and “extremely limited evidence” to “establish that [the named inventor,] Mr. Wu invented what he disclosed in the [patents in issue]”. “Dearth” and “extremely limited” are strong words indeed. The main appeal is from this holding.

[14] As for the respondents, the Federal Court also refused to give them the declaration of ownership they sought, again on the state of the evidence. But that refusal is not before us because the respondents have not cross-appealed against it.

[15] In my view, the main appeal must be dismissed. In substance, the appellants ask us to reweigh the evidence before the Federal Court and re-do the Federal Court's findings on factually suffused questions of mixed fact and law. This we cannot do: *Housen v. Nikolaisen*, 2002 SCC 33, [2002] 2 S.C.R. 235 at para. 22.

[16] The appellants raise questions about the Federal Court's choice of wording at some portions of its reasons, alleging that the Federal Court erred in law by slipping into the task of assessing validity of the patents, not ownership. I agree that issue can be taken with the word choice and phrasing of certain portions in the Federal Court's reasons. But appellate review is not an exercise in literary criticism. Indeed, "the craft of writing reasons" is "an imprecise art suffused by difficult judgment calls that cannot be easily second-guessed": *Mahjoub v. Canada (Citizenship and Immigration)*, 2017 FCA 157, [2018] 2 F.C.R. 344, at para. 69. Instead, we must look at the real essence and true substance of what the Federal Court did, reading its reasons holistically and practically, in light of the record before it, without fastening onto matters of form. Once we do this, it can be seen that the Federal Court did not commit legal error or palpable and overriding error in its decision that is the subject of the main appeal.

[17] The appellants also submit that the Federal Court's decision in the main appeal has created an absurd result: neither the appellants nor the respondents obtained a declaration that

they own the patents and so, as a result, no one owns them. They raise the spectre that we now have patents that cannot be defended.

[18] The result is not absurd. Courts do not declare that someone owns property unless they are satisfied they have the factual and legal bases to make that declaration. Here, after weighing the evidence before it, the Federal Court found that both sets of parties fell short of the mark. The Federal Court was entitled to so find, given the state of the evidence before it.

[19] Further, the Federal Court's decision in the main appeal does not leave the parties without a remedy for an infringement of the patents in appropriate circumstances. The decision binds these two parties as against each other but does not bind them against third parties. Absent an abuse of process (see, e.g., *Toronto (City) v. C.U.P.E., Local 79*, 2003 SCC 63, [2003] 3 S.C.R. 77), either remains free to contest an infringement of the patents by third parties and to succeed if, among other things, their ownership of the patents is contested and they are able to offer sufficient evidence proving ownership.

[20] Now to the companion appeal. In this appeal, the appellants target some of the Federal Court's evidentiary rulings concerning some paragraphs in the affidavit of Mr. Wu, the named inventor. The companion appeal matters: if the appellants establish an error of law or palpable and overriding error in the Federal Court's evidentiary rulings, the Federal Court's overall ruling in the main appeal might fall.

[21] Some background to the companion appeal is needed.

[22] In the Federal Court, the appellants chose not to tender expert evidence in the summary trial. Instead, the appellants sought to rely solely on the lay affidavit evidence of Mr. Wu. The Federal Court found that Mr. Wu's affidavit included expert evidence, untranslated foreign language evidence (contrary to Rule 68(1) of the *Federal Courts Rules*, S.O.R./98-106), hearsay evidence, irrelevant evidence, and matters covered by settlement privilege. It excluded from evidence the affected portions.

[23] Some of the Federal Court's evidentiary rulings are open to doubt. For example, I query the Federal Court's conclusion that some of Mr. Wu's evidence was covered by settlement privilege. There may not have been a litigious dispute in contemplation between the parties at all material times. I also query the Federal Court's conclusion that some of Mr. Wu's evidence was inadmissible as hearsay and opinion evidence. Many of the paragraphs do not appear to constitute hearsay because they do not appear to have been tendered for the truth of their contents. A number of paragraphs also do not contain opinion evidence offered by a lay person and should not have been excluded on that ground.

[24] If we find that the Federal Court erred in law in these respects, we do not stop there. An appellate court's finding that a first-instance court committed reversible error is one thing. But whether it should grant a remedy for that error and, if so, what sort of remedy, is quite another. A number of remedies are available to address errors of law, including sending the matter back to the Federal Court for redetermination: *Federal Courts Act*, R.S.C. 1985, c. F-7, s. 52(b).

[25] And sometimes no remedy should be given at all. An appellate court will send the matter back for redetermination only if, among other things, there is some possibility that the error might have changed the outcome. Sending a case back to a first-instance court for redetermination, when the outcome would have remained the same despite the error, makes no sense.

[26] In assessing this, the appellate court must follow the appellate standard of review. It must take as given all of the first-instance court's factual findings, weighings, and credibility assessments that are unsullied by legal error or palpable and overriding error and then assess whether the outcome might be different when the correct law is applied to the case. A finding of some sort of reversible error on the part of the first-instance court does not give the appellate court a licence to act *de novo*, *i.e.*, to re-do or rerun the case, reassess the evidence, and replace the first-instance court's unsullied factual findings with its own.

[27] Under subparagraph 52(b)(i) of the *Federal Courts Act*, this Court can also give the judgment the first-instance court should have given. The need for the appellate court to follow the appellate standard of review applies here again. This Court must take as given all of the first-instance court's factual findings, weighings, and credibility assessments that are unsullied by legal error or palpable and overriding error. It cannot override them.

[28] These limits on appellate courts matter especially in this context, a summary trial. A summary trial is meant to be a single litigation event that, if possible on the facts and the law, will end the proceedings or one or more issues: quickly, one way or the other, once and for all.

An unwarranted, improper and pointless re-do and rerun of a summary trial runs against its purpose—to determine disputes quickly and finally.

[29] In this case, sending the summary trial back to the Federal Court for redetermination makes no sense. The outcome would have been the same.

[30] The all-important contest between Mr. Wu and Dr. Rivard was a mismatch. Even if the Federal Court erred in certain evidentiary rulings, it still would have been a mismatch. Taking the unsullied evidentiary and credibility findings of the Federal Court at face value, Mr. Wu’s evidence counted for very little:

- The Federal Court found Mr. Wu not to be credible. This was not a marginal or difficult call. The Federal Court found that Mr. Wu “often evaded questions or provided answers unrelated to the questions” in cross-examination and, overall, had “serious credibility issues”. He did not “come across as a direct, sincere and candid fact witness”. In the end, the Federal Court “granted very little weight” to his testimony (at paras. 94 and 97).
- By a wide margin, the Federal Court simply could not find a basis for the appellants owning the patents as a result of Mr. Wu’s work. Mr. Wu “did not exhibit the facility of understanding of an inventor”, “could not articulate his own [alleged] invention”, “could not establish that the drilling fluids he worked on while at Marquis...were completely different than the ones covered by the

[patents in issue]” that he supposedly invented later, did not “explain the work that [led] him to the filing of [the patents in issue]”, was not present for some experiments, and “was not able to provide lab book or documentation supporting the experiments”, and “Mr. Wu provided no evidence relating to actual work he did to develop the invention disclosed in the 969 [p]rovisional application” (at paras. 95-96, 103-104).

- As well, Mr. Wu’s testimony was “problematic”. He was “unprepared, acknowledged that he had not reviewed the patents at issue in ten (10) years, had not carefully read [the patents] even when they were filed, did not understand portions of his own patents and likewise, did not understand portions of his own affidavit” (at paras. 94 and 101).
- In an important finding of fact, the Federal Court held that even if it erred on the issue of opinion evidence—even if the portions of Mr. Wu’s affidavit concerning the patents in question and a technical primer were admissible as expert opinion—it would have given those portions absolutely no weight (para. 94).
- Overall, the appellants provided a “dearth of evidence” and “extremely limited evidence” to establish that Mr. Wu invented what was disclosed in the patents in question (at paras. 98 and 105). In the view of the Federal Court, the appellants failed to fill key gaps in their position (at para. 93). The evidence said to have been wrongly excluded would not have filled those gaps.

[31] In his testimony, Dr. Rivard strongly favoured the respondents' position and rejected the appellants' position. The Federal Court found Dr. Rivard "knowledgeable, independent, credible and thorough, and was solid and frank...under cross-examination", and "straightforward, frank, clear and engaging". It gave Dr. Rivard's opinion "much weight" (at para. 99).

[32] In the view of the Federal Court, the appellants fell substantially short of the threshold for a declaration of ownership in their favour. This was so even taking into account possible legal errors on some evidentiary issues. Had this been a closer contest between Mr. Wu and Dr. Rivard, the evidence the Federal Court excluded might have made a difference. But this case was far from close. Sending it back to the Federal Court for redetermination would be an exercise in futility.

[33] Two further issues need to be addressed.

[34] First, in the companion appeal, the appellants challenge the Federal Court's order because it was "brief...without reasons". In particular, the appellants submit that the Federal Court did not set out the legal test for settlement privilege and so its reasons are legally insufficient.

[35] I disagree. In three-and-a-half pages of single spaced reasons set out in its order, the Federal Court met the legal standard for sufficiency of reasons: see *R. v. Sheppard*, 2002 SCC 26, [2002] 1 S.C.R. 869 at para. 55. The non-mention of some evidence in the reasons does not mean that the court ignored that evidence; to the contrary, there is a presumption that in reaching

its decision the first-instance court considered all of the evidence before it: *Housen* at para. 46; *Manitoba v. Canada*, 2015 FCA 57, 470 N.R. 187 at para. 26.

[36] It is true that the Federal Court did not explicitly set out the test for settlement privilege. However, it did state that it drew upon the respondents' written submissions. In their written submissions, the respondents cited a leading Supreme Court authority on point, *Sable Offshore Energy Inc. v. Ameron International Corp.*, 2013 SCC 37, [2013] 2 S.C.R. 623, that sets out the relevant principles on settlement privilege. Reasons are to be read not literally with a dictionary in our hand, but holistically in light of the record before the Court, including the submissions and authorities put to the Court: *Housen* and *Manitoba*, above. This Court can discern the basis upon which the Federal Court decided the settlement privilege issue. The Federal Court's reasons were adequate.

[37] Second, in the main appeal, the parties offer submissions on the unsettled legal issue of who bears the burden of proof in summary trials. In this Court, this issue is open. It has never been decided explicitly in considered reasons for judgment. In particular, I do not consider that *ViiV Healthcare Company v. Gilead Sciences Canada, Inc.*, 2021 FCA 122, 460 D.L.R. (4th) 272 decided it.

[38] Given the state of the evidentiary record as found by the Federal Court—one that fell well short of establishing the appellants' ownership of the patents—it is unnecessary in this case to say anything further about this issue. As the respondents put it, “[based] upon the [Federal Court's] balancing of evidence, it is immaterial where the legal burden of proving inventorship

lies”: respondents’ memorandum of fact and law at para. 76. In my view, the issue of who bears the legal burden of proof in summary trials should await full submissions and thorough consideration in a case that calls for it.

[39] My colleague, while substantially agreeing with much of the above, suggests that the Federal Court erred in dismissing the appellants’ infringement claim. I disagree.

[40] In this Court, the appellants did not offer independent grounds, such as those offered by my colleague, for not dismissing the infringement claim. The entire record before us, including the notice of appeal and the appellants’ memorandum of fact of law shows us this. Throughout, the appellants have implicitly accepted that if the appellants did not establish ownership in the summary trial and no error of law or palpable and overriding error were present in the evidentiary rulings, the appellants’ infringement claim should be dismissed. As well, in the Federal Court, no party took the view that the granting of judgment, one way or the other, would be unjust under Rule 216(6).

[41] This makes sense. As explained in paragraph 28 above, the whole point of a summary trial is to achieve a once-and-for-all, final determination of one or more issues in dispute. Thus, in the summary trial, the appellants had to put their best foot forward and adduce all the evidence they had on the issue of ownership: see also Rule 216(1). Having put their best foot forward, they lost on the ownership issue.

[42] That is the end of the matter. Absent a finding of ownership by the appellants, they cannot maintain an action for infringement. The Federal Court was right to dismiss the action. The dismissal was warranted by the poor state of the appellants' evidence before it. We cannot interfere with the Federal Court's dismissal of the action unless there is an error of law or palpable and overriding error. There is none here.

[43] The consequences of viewing summary trials in a different way are startling. If parties such as the appellants can fail on the ownership issue at the summary trial but then can rerun the ownership issue at a full trial in order to have standing to bring an infringement action, what value is a summary trial in the litigation process? It would be nothing more than a consequence-free dress rehearsal for a later trial.

[44] And it would be one-sided too. A party wins at a summary trial? The case is over. The party loses at a summary trial? It need not worry. It can proceed to trial and try again.

[45] If summary trials work that way, why should a party bother to adduce all possible evidence, *i.e.*, put one's best foot forward, at the summary trial? If unsuccessful, the party can rerun the case before a different judge, even with exactly the same evidence. Or despite the obligation to put one's best foot forward in the summary trial and having lost, the party could try harder, come up with more evidence, and try its luck before a different judge.

[46] My colleague suggests that the infringement action should not have been dismissed because the appellants benefit from the statutory presumption of ownership. But the Federal

Court found that the presumption was easily rebutted on the state of the evidence before it—a finding that no party challenged in this Court. On this record, we have no business restoring the presumption of ownership in order to keep this proceeding alive and permit the appellants a rerun of the issues in the summary trial.

[47] Allowing a rerun in these circumstances would subvert the purpose of summary trials: *Hryniak v. Mauldin*, 2014 SCC 7, [2014] 1 S.C.R. 87. Summary trials, if granted, are meant to end issues or end the entire litigation summarily and once and for all, not protract them.

[48] No longer having the benefit of the statutory presumption and not having established their ownership of the disputed patents in the summary trial, the appellants could no longer maintain their claim against the respondents for infringement. The Federal Court was right to dismiss the claim.

[49] Therefore, I would dismiss both appeals. The respondents ask for costs in the amount of \$15,000 in the main appeal and \$10,000 in the companion appeal. The appellants agree with that quantum if the respondents are successful. Therefore, I would grant the respondents their costs in those amounts.

“David Stratas”

J.A.

“I agree.

J.B. Laskin J.A.”

MONAGHAN J.A. (Dissenting Reasons)

[50] In my view, the Federal Court erred in concluding that the appellants bore the onus of establishing that Mud Engineering Inc. (Mud) owns the patents in issue in order to succeed on their motion for summary trial. This led the Federal Court to err in dismissing the appellants' action for infringement. Accordingly, I would allow the appeal from the Federal Court's judgment on the motion for summary trial. Before I explain my reasons for this conclusion, I will briefly address three other matters.

[51] First, I agree entirely with my colleague's comments on the evidentiary rulings concerning Mr. Wu's affidavit, and his conclusion that any errors in those rulings would not change the outcome of this appeal. Thus, I concur in the dismissal of the companion appeal.

[52] Second, I agree that this Court did not decide who bears the burden of proof in a summary trial in *ViiV Healthcare Company v. Gilead Sciences Canada, Inc.*, 2021 FCA 122, 460 D.L.R. (4th) 272 [ViiV].

[53] Finally, I take no issue with my colleague's conclusion that the Federal Court did not err in declining to grant the appellants a declaration that Mud owns the patents in dispute.

[54] However, in my view, the appellants did not need that declaration to succeed on the summary trial. In my view, the Federal Court erred in dismissing the appellants' infringement action because they did not prove Mud was the owner and Mr. Wu was the inventor.

I. Background

[55] To place my analysis in context, some additional background may be helpful.

[56] The motion for a summary trial arose in the context of the appellants' action against the respondents for infringement of two patents. In their statement of claim, the appellants stated as a fact that Mud owns those patents. This can hardly be surprising given that the patentee and those persons claiming through it are the persons able to bring an infringement action: *Patent Act*, R.S.C. 1985, c. P-4, s. 55. Mud is the owner and An-Ming (Victor) Wu is a named inventor in the patents in dispute. Among other relief, in their statement of claim the appellants sought a declaration that the patents were valid and have been owned by Mud at all relevant times.

[57] The respondents issued a statement of defence and counterclaim (SDC) advancing a number of defences to the appellants' infringement action, including non-infringement, implied licence to use, and invalidity on the basis of anticipation, obviousness, overbreadth, inutility, and insufficient disclosure. However, the motion for summary trial arose from the respondents' claim that one of them, Secure Energy (Drilling Services) Inc. (Secure Drilling), rather than Mud, is the owner of the subject matter of the disputed patents. This claim was advanced in the SDC both as a defence to the infringement action and as a basis for Secure Drilling's counterclaim.

[58] In particular, the respondents denied "that Mud Engineering and/or Mr. Wu are the owner or inventor" of the disputed patents and plead "that the subject matter disclosed in and claimed by the [disputed patents] is owned by Secure Drilling" such that Mud held legal title as trustee

for Secure Drilling (SDC at paras. 28, 43, 89-90). The respondents' reasons for these assertions are set out in the immediately following paragraphs of the SDC (at paras. 29-44) and are repeated as part of their counterclaim. Their reasons may be summarized as follows:

- i) Mr. Wu worked on or made the inventions while he was employed by Marquis Fluids Inc. (Marquis), a predecessor of Secure Drilling, and thus owed a duty to assign the inventions to Marquis—now Secure Drilling: see SDC at paras. 31, 37, 40 and 79;
- ii) Mr. Wu did not make the inventions, because they overlap with other patents owned by the respondents, and Jay Brockhoff (a Secure Drilling employee formerly employed by Marquis) was the inventor or co-inventor: see SDC at paras. 12(a), 17, 20, 32-36 and 41; and
- iii) Mr. Wu misappropriated confidential and proprietary information belonging to Marquis and used it to make the inventions after he left the employ of Marquis: see SDC at paras. 12(b), 38, 40 and 80-82.

[59] Among other relief, in their SDC the respondents sought a declaration that the subject matter of the disputed patents is rightfully owned by Secure Drilling and an order pursuant to section 52 of the *Patent Act* directing that the records in the patent office be amended to reflect that ownership: see SDC at para. 62(c).

[60] Importantly, the respondents did not allege that anyone else was the inventor or owner. Simply put, their position was Secure Drilling—not Mud—was the owner and Mr. Brockhoff—not Mr. Wu—was the inventor.

II. Motion for summary trial

[61] Given these competing claims to ownership of the subject matter of the patents, the appellants brought a motion for “the adjudication of the title” to the patents by summary trial. The notice of motion sought an order declaring that Mud is the owner of the disputed patents, dismissing Secure Drilling’s counterclaim of ownership in the subject matter of those patents, the related relief, and costs of the motion.

[62] The parties and the Federal Court agreed that the onus of establishing the appropriateness of a summary trial rests with the moving party. The Federal Court was satisfied that the appellants met that onus. The dispute centred on what came next—which party bore the onus on the issue to be determined on the summary trial. Each party approached the motion with a different view as to where the burden lay.

[63] The appellants argued that the onus lies with the party that would bear it on the issue in the underlying action. Here, said the appellants, the respondents bore the onus of proving that Secure Drilling is the rightful owner or co-owner because they raised the ownership issue in their defence and counterclaim. Accordingly, the appellants explained, the facts in their notice of

motion focused on responding to the three bases on which the respondents alleged Secure Drilling is the owner, not Mud: reasons at paras. 20, 31.

[64] The respondents argued that the legal burden lies with the party raising the issue in the summary trial. The Federal Court described their position as “the burden of proof on the summary trial pertains to what is raised in the motion, not to what is raised in the underlying action”: reasons at para. 21. Accordingly, said the respondents, the appellants “bore the burden to prove the ownership allegation that they raised on their Motion for summary trial” and the onus of “[proving] on a balance of probabilities, that Mud... is the rightful owner... to be entitled to the ownership declaration they seek”: reasons at paras. 21, 76.

[65] The Federal Court agreed with the respondents, relying largely on *ViiV*, and rejecting the appellants’ assertion that *ViiV* did not consider where onus lies. The Federal Court concluded:

[29] ...[T]he relative burden can be shifted in a motion for summary trial scenario because it is the party who is asserting a particular fact or legal conclusion in the motion for summary trial that bears the burden to prove it on a balance of probabilities. ...

[30] Here, [the appellants] are the moving party and seek a declaration that [Mud] owns the Disputed Patents, based on a particular set of allegations.

[31] [The appellants] submit that, in the present Motion, they only put into issue the facts pertaining to [the respondents'] assertion that [Secure Drilling] is the "true owner" of the Disputed Patents. As I mentioned earlier, they add that all the facts referenced in their Notice of Motion are in response to the three (3) bases of ownership that were alleged by [the respondents] in their Defence and Counterclaim. However, [the appellants are] the moving party and based on [ViiV], [the appellants] bear the burden to prove the allegations they raised in their Motion for summary trial by relevant evidence and the application of appropriate law.

[Emphasis added.]

[66] However, the Federal Court also said the respondents had a burden to establish that Secure Drilling owns the disputed patents: reasons at para. 34.

[67] Neither the appellants nor the respondents met the burden the Federal Court said they had to meet. Because the appellants did not establish that Mr. Wu is the inventor and Mud owns the patents, the Federal Court declined to grant the appellants the declaration of ownership they sought. But it went further. It concluded that "since they have not established that [Mud] owns the Disputed Patents, the underlying action must be dismissed as well": reasons at paras. 105-106.

[68] On the other hand, because the respondents did not establish, on a balance of probabilities, the allegations they raised in the motion or that Secure Drilling owns or co-owns the disputed patents, the Federal Court did not grant them a declaration of ownership, but dismissed their counterclaim: reasons at paras. 6, 147.

III. The appeal

[69] The appellants submit the Federal Court erred in law by finding the burden of proof applicable on the issue to be decided on a summary trial rests with the party making an assertion without regard to who would carry that burden at trial. They submit the Federal Court should have placed the persuasive burden on the party challenging ownership of the patents—here the respondents—who would bear that burden at trial. They say the Federal Court erred because it determined the ownership issue twice, rather than determining which party had the persuasive burden to prove that Mud was not the owner and Mr. Wu was not the inventor—a burden the appellants say the respondents bore but did not meet.

[70] I agree the Federal Court erred.

A. *What was the consequence of the focus on burden of proof?*

[71] There is no doubt that the Federal Court’s conclusion on the burden of proof was determinative of the motion. This is evident in its framing of the issues, the lengthy discussion of burden (reasons at paras. 17-35), the number of times it states that the burden rests with the appellants (reasons at paras. 6, 40, 76, 90, 93, 105, 110) and its express statement that “the determination of where the burden lies on a motion for summary trial is dispositive in these proceedings”: reasons at para. 35.

[72] However, an assertion that Mud is not the rightful owner is an attack on the validity of the patent: *Eli Lilly Canada v. Apotex Inc.*, 2015 FC 875, 132 C.P.R. (4th) 319 at para. 189, aff'd on other grounds 2016 FCA 267, 142 C.P.R. (4th) 171, leave to appeal to SCC refused, 23868 (27 April 2017); *A. Pellerin et Fils Ltée. v. Entreprises Denis Darveau Inc.*, (1994), 59 C.P.R. (3d) 511, 92 F.T.R. 137; *Trojan Technologies Inc. v. Suntec Environmental Inc.*, 2003 FC 825, 26 C.P.R. 417; *Patent Act*, s. 43.

[73] The burden to establish invalidity rests with the party making that claim. Here, the respondents attacked Mud's ownership (and so the validity) of the patent. They based their attack solely on their assertion that Secure Drilling was the owner of the subject matter of the claims and Mr. Brockhoff was the inventor or co-inventor.

[74] The Federal Court held that the onus to establish those facts rested with the respondents. I agree, but principally because the respondents advanced those facts to challenge Mud's ownership (and so validity) of the patents in support of the relief the respondents sought—dismissal of the infringement action, a change to the records in the patent office, and a right to pursue their counterclaim—and, yes, a declaration of ownership.

[75] However, it is equally clear that the Federal Court concluded, based on its view of what *ViiV* decided concerning onus in a summary trial, the appellants had to prove Mud's ownership. It focused on Mud's request for a declaration of ownership, rather than on the substance of the issue before it.

B. *What was the issue on the summary trial?*

[76] The substance of the issue on summary trial was the respondents' challenge to the appellants' ownership of the patent. In my view, the Federal Court misunderstood the nature of the motion before it. It did not approach the motion for adjudication of title as one brought in the context of the respondents' challenge to validity of the patents in defence of an infringement claim.

[77] Rather, it viewed the motion as requiring it to answer two independent questions: (i) Did the appellants establish that Mud owns the patents so it is entitled to a declaration of ownership? (ii) Did the respondents establish that Secure Drilling owns the patents so it is entitled to a declaration of ownership? The Federal Court appears to have concluded that these questions addressed all of the issues raised on the motion.

[78] In characterizing the motion, the Federal Court focused only on one aspect of the relief sought—the declarations of ownership—rather than the substance of the motion. This is clear from how the Federal Court framed the issues before it ((C) and (D) in reasons at para. 15), how it analyzed those issues, and what the Federal Court said about the onus:

[33] In this Motion, [the appellants] bear the burden to prove, on balance of probabilities, the facts they raised to assert ownership of the Disputed Patents and obtain the declaration of ownership they seek.

[34] On the other hand, [the respondents] assert that Mud cannot own the Disputed Patents and that [Secure Drilling] owns the Disputed Patents. [The respondents] thus raise their own set of allegations to support their ownership claim. [The respondents] bear that burden. In each instance, the burden is the usual burden in civil cases – a balance of probabilities.

[Emphasis added.]

[79] Nowhere does the Federal Court meaningfully engage with an analysis of what is necessary to grant the other relief sought—in the case of the appellants, dismissal of that portion of the respondents’ counterclaim based on Secure Drilling’s ownership and, in the case of the respondents, dismissal of the appellants’ infringement action. And yet, the Federal Court granted both of those remedies, in both cases because the party against whom the remedy was sought did not prove ownership of the patent. Remarkably, despite the Federal Court’s focus on what the parties had to prove to be entitled to declarations of ownership, its judgment says nothing about the declarations.

[80] In my view, the Federal Court was required to go beyond the manner in which the appellants framed their motion and discern the motion’s “real essence” and “essential character”:
Leahy v. Canada (Citizenship and Immigration), 2020 FCA 145, 323 A.C.W.S. (3d) 406 at para. 4, citing *Canada (National Revenue) v. JP Morgan Asset Management (Canada) Inc.*, 2013 FCA 250, [2014] 2 F.C.R. 557 [*JP Morgan*] at paras. 49-50. The Federal Court “must gain ‘a realistic appreciation’ of the [motion’s] ‘essential character’ by reading it holistically and practically without fastening onto matters of form”: *JP Morgan* at para. 50. The context in which the motion arose is relevant to identifying its real essence and essential character.

[81] The respondents alleged that Mr. Wu is not the inventor because Mr. Brockhoff is. The respondents alleged that Mud is not the owner because Secure Drilling is. Based on those claims in their SDC, the respondents sought dismissal of the infringement action, a declaration Secure Drilling was the owner of the subject matter of the disputed patents, and an order that the records in the patent office be changed. This is the context in which the appellants brought their motion for summary trial. This is the explanation for the appellants “[asserting] that the facts referenced in their Notice of Motion were made *in response* to the three (3) bases of ownership that were alleged by [the respondents] in their [SDC]”: reasons at para. 20 [emphasis in original].

[82] The essence of the appellants’ motion was dismissal of the respondents’ counterclaim and defence to the infringement action based on the respondents’ assertion the patents were invalid because Secure Drilling, not Mud, owns the subject matter of the patents. The appellants’ clear objective was to resolve that particular claim to ownership so the trial could proceed on all other matters—including the appellants’ infringement action and the respondents’ other challenges to validity of the patent.

[83] At the summary trial, the respondents were wholly unsuccessful in establishing their claims that Mr. Brockhoff is an inventor and Secure Drilling is an owner. The Federal Court was “left searching through [the respondents’] submissions to infer [the respondents’] arguments in support of the claim and allegations of ownership...and for the pieces of evidence that precisely support each of these allegations”: reasons at para. 118. Appropriately, in my view, the Federal Court drew an adverse inference from the respondents’ failure to adduce evidence from

Mr. Brockhoff, the alleged inventor/co-inventor, employed by the respondents when the motion was heard: reasons at para. 141.

[84] The Federal Court found “no evidence that Mr. Wu ...appropriated confidential or proprietary information”: reasons at para. 136. It found that the respondents “failed to establish that Mr. Brockhoff made the alleged contribution to the Disputed Patents”: reasons at para. 140. The respondents “tendered no evidence from any witness with personal knowledge of the purported facts underlying” their claim that “Mr. Wu *worked on* the subject matter of the Disputed Patents” while an employee at Marquis: reasons at paras. 145-46 [emphasis in original].

[85] The Federal Court “[could not] conclude that [the respondents] have established, on a balance of probabilities, that [Secure Drilling] owns or co-owns the Disputed Patents”: reasons at para. 147. Because the respondents failed in proving their allegations, they were not entitled to a declaration Secure Drilling is the owner.

[86] While I take no issue with this conclusion, the Federal Court’s analysis focused on what the respondents needed to establish to obtain the declaration they sought. The Federal Court does not address the essence of the motion—the respondents’ challenge to the validity of the patents through their claim that Secure Drilling, not Mud, is the owner. In my view, the respondents needed to prove their ownership not only to pursue their counterclaim based on ownership, but critically to have the appellants’ infringement action dismissed because, they said, Secure

Drilling is the owner. The Federal Court is clear—the respondents’ did not establish any of their allegations.

[87] Indeed, it is significant that the Federal Court did not find that Mr. Wu is not the inventor, nor that Mud is not the owner—only that the appellants were not entitled to a declaration of ownership based on the evidence they led. The Federal Court did not order any change to the records at the patent office.

[88] Thus, until a court determines otherwise, as against the world, Mr. Wu is the inventor and Mud is the owner of the disputed patents. As against the world, the patents in dispute are presumed to be valid: *Patent Act*, s. 43.

[89] To be clear, there would be no rerun or re-do of the ownership issue at trial. The respondents’ failure to establish Secure Drilling is the owner brings their attack on ownership to an end. That is the value of the summary trial in the litigation process. It is not consequence-free.

C. *Is a declaration of ownership necessary?*

[90] I take no issue with the Federal Court’s conclusion that neither party was entitled to a declaration of ownership. Declaratory relief is a discretionary remedy: *Solosky v. Her Majesty the Queen*, [1980] 1 S.C.R. 821, 105 D.L.R. (3d) 745 at 832-33 (S.C.R.). Thus, even if one of the parties had met the onus the Federal Court said they had to meet, the Federal Court was not required to grant a declaration.

[91] But, in these circumstances, a declaration in favour of the appellants would add nothing. Mud, as named patentee in the patent office records, is the owner and does not need a declaration to that effect: *Computalog Ltd. v. Comtech Logging Ltd.* (1992), 44 C.P.R. (3d) 77, 34 A.C.W.S. (3d) 830 at 92 (C.P.R.) (F.C.A.).

[92] In other words, a declaration of ownership is superfluous to the appellants' right to pursue an infringement action.

[93] The respondents point to *Milliken & Co. v. Interface Flooring Systems (Canada) Inc.*, [1998] 3 FC 103, aff'd 5 C.P.R. (4th) 209 (FCA) [*Milliken*]; *Consolboard Inc. v. MacMillan Bloedel (Saskatchewan) Ltd.*, [1978] 2 A.C.W.S. 215, 39 C.P.R. (2d) 191 (F.C.T.D), rev'd on appeal but reaffirmed *Consolboard Inc. v. MacMillan Bloedel (Saskatchewan) Ltd.*, [1981] 1 S.C.R. 504, 122 D.L.R. (3d) 203 [*Consolboard*]; *Milano Pizza Ltd. v. 6034799 Canada Inc.*, 2018 FC 1112, 159 C.P.R. (4th) 275 [*Milano Pizza*]; and *671905 Alberta Inc. v. Q'Max Solutions Inc.*, 2003 FCA 241, 27 C.P.R. (4th) 385, leave to appeal to SCC refused, 29926 (29 April 2004) [*Q'Max*]; and *Laboratoires Servier, Adir, Oril Industries, Servier Canada Inc. v. Apotex Inc.*, 2008 FC 825, 67 C.P.R. (4th) 241, aff'd 2009 FCA 222, 75 C.P.R. (4th) 443, leave to appeal to SCC refused, 33357 (25 March 2010) [*Laboratoires*]. The respondents say these cases support the proposition that it was incumbent on Mud to prove Mr. Wu was the inventor so Mud could establish its standing to bring the infringement action.

[94] I disagree.

[95] While none of these cases expressly considered who bore the onus of proving ownership in a context similar to this case, there are other distinctions. *Consolboard* and *Q'Max* dealt with alleged flaws in a chain of title because of failures in the assignments of the patents. *Milliken* and *Milano Pizza* also addressed a chain of title issue, albeit in the context of copyright. They turned on subsection 13(4) of the *Copyright Act*, R.S.C. 1985, c. C-42. It provides that no assignment of copyright is valid unless in writing signed by the owner or its duly authorized agent.

[96] This is not a case about flaws in a chain of title and it is not a case governed by the *Copyright Act*. Here, the alleged flaw in title—that Secure Drilling is the owner, not Mud, and that Mr. Brockhoff is the inventor not Mr. Wu—is not grounded in a failed assignment of the patent.

[97] But critically, in each of these cases the evidence established the correct owner/inventor/copyright holder. Here the only offered alternative inventor and owner, Mr. Brockhoff and Secure Drilling, respectively, were not satisfactorily proven. The Federal Court expressly said the respondents had not established either allegation: reasons at para. 47.

[98] *Laboratoires* dealt with standing to bring an infringement claim as a person claiming under the named patentee. Again, that is not the issue here. I see nothing in the record suggesting the respondents took issue with the appellants' standing to advance an infringement claim if Secure Drilling is not the true owner.

[99] No doubt the declarations the parties sought on the motion and their onus submissions confused matters. Had the appellants sought only dismissal of the respondents' defence and counterclaim based on Secure Drilling's asserted ownership, the Federal Court may have come to a different conclusion, although I confess some uncertainty on this given its comments on onus. However, that is the essence of what they sought. The respondents bore the onus on any challenge to validity—including ownership.

D. *Did the appellants have to prove other facts they asserted?*

[100] The respondents suggested that the Federal Court could “give [the respondents] the choice about whether they want title to the Disputed Patents or that the Disputed Patents be declared invalid.”: reasons at para. 109. The Federal Court said it would not entertain that remedy because validity was not an issue in the motion for summary trial. A challenge to ownership is a challenge to validity. However, I take the Federal Court here to be speaking of the other challenges to validity the respondents raised—anticipation, obviousness, overbreadth, lack of utility and insufficient disclosure.

[101] Notwithstanding its recognition that validity in those senses was not in issue, the Federal Court said it was “necessary for [the appellants] to establish, on balance of probabilities, the facts they raised hence, notably, that the various drilling fluids that Mr. Wu worked on while at Marquis were of a completely different type than the Disputed Patents”: reasons at paras. 93, 96, 101.

[102] I cannot agree.

[103] While the appellants asserted that the drilling fluids were different from those Mr. Wu worked on while at Marquis, they did so in response to the respondents' claim that Mr. Wu worked on the subject matter of the patents while at Marquis. The respondents made this claim in support of their allegation Secure Drilling owns the subject matter of the patents. But the respondents' failed to establish that Secure Drilling was the owner. To then ask the appellants to prove that the fluids are "of a completely different type" did more than put aspects of validity not raised on the motion in issue. It required the appellants to prove validity simply because, to defend against the respondents' challenge to one aspect of validity—ownership—they asserted a fact. Once the Federal Court concluded the respondents' challenge failed, facts alleged by the appellants to further support that conclusion had no relevance.

E. *Why did the Federal Court dismiss the infringement action?*

[104] It is clear that the Federal Court granted the appellants the essence of what they sought on the motion for summary trial—dismissal of the counterclaim—because the respondents failed to prove their allegations that Mr. Brockhoff is the inventor and Secure Drilling is the owner. In other words, the respondents did not establish that the patent is invalid.

[105] In contrast, the Federal Court did not find that Mud is not the owner or that Mr. Wu is not the inventor—only that they had not proven they are. The patent records continue to reflect Mr. Wu as the inventor and Mud as the owner.

[106] Therefore, on what basis did the Federal Court dismiss the appellants' infringement action?

[107] The Federal Court tells us: because they did not establish that Mud is the owner of the subject matter of the patents, notwithstanding that it is named owner in the patent record. This amounts to asking the appellants to prove an aspect of validity of the disputed patents in order to pursue an infringement claim. In my view, this is the reviewable error.

F. *What about the Federal Court's credibility findings?*

[108] I take no issue with my colleague's discussion of the Federal Court's credibility findings regarding Mr. Wu and Dr. Rivard. There is no dispute that this Court's role is not to reweigh the evidence. However, I find myself questioning the relevance of Dr. Rivard's evidence to dismissal of the infringement action.

[109] Dr. Rivard was asked "to provide his opinion on a series of issues related to the [patents in dispute and the respondents' patents], essentially to identify the invention of each patent, compare them to one another and examine if each of their invention [sic] overlap with one another" and "to describe the subject matter of the work of Mr. Wu at Marquis from 2001-2006 and how it relates to the invention of the Disputed Patents" and "to provide his opinion on when the invention of the [patents in dispute] crystallized, namely whether it was during Mr. Wu's employment with Marquis": reasons at paras. 85-86. Credible though he was, the Federal Court

concluded Dr. Rivard's evidence did not establish the respondents' claims to ownership: reasons at paras. 138, 139, 144, 145. And that, in my view, was the determinative question on motion.

[110] The Federal Court relied on Dr. Rivard's evidence in two respects. First, it concluded that his evidence rebutted the presumption that the named inventor, Mr. Wu, is the inventor and so that Mud is the owner: reasons at para. 89. That may be true, such that the ownership issue was put in play. But, in my view rebutting the presumption is not enough to dismiss the infringement action because, having rebutted it, the respondents failed to persuade the Federal Court that any one else was the inventor or owner. Critically, the Federal Court did not conclude Mr. Wu was not the inventor nor Mud not the owner. In my view, the appellants did not have to establish they were in order to pursue an infringement action. They remain inventor and owner of record in the patent office and subsection 43(2) of the *Patent Act* applies.

[111] Second, the Federal Court contrasts Dr. Rivard's "[opinion] that the similarities between [one of the respondents' patents], of which Mr. Wu is a co-inventor, and the Disputed Patents are striking" with the appellants' failure to "establish that the Disputed Patents' drilling fluids are completely different from the ones Mr. Wu worked on while at Marquis": reasons at paras. 100-101. For reasons I have explained, while possibly relevant to other claims of invalidity, I do not see this as relevant to the motion before the Federal Court.

[112] Mr. Wu's evidence did not convince the Federal Court he was the inventor and so it was not prepared to give Mud the declaration it sought. However, in my view, the appellants were not obliged to prove Mr. Wu was the inventor to pursue their infringement action. Put another way,

if the appellants led no evidence whatsoever, given the Federal Court's findings about the respondents' claim to ownership as described in paragraphs 83-85 above, on what basis could the Federal Court dismiss the infringement action?

IV. Conclusion

[113] I would dismiss the appeal of the Federal Court's decision in the companion appeal (motion to strike) and award costs of that appeal to the respondents in the agreed amount of \$10,000.

[114] In their notice of appeal, the appellants seek a dismissal of particular aspects of the counterclaim, replicating the relief sought on the motion for summary trial before the Federal Court. However, in paragraph 2 of its judgment, the Federal Court dismissed the counterclaim entirely. That aspect of the judgment has not been appealed and is not before us. In these circumstances, an order dismissing particular aspects of the counterclaim would be superfluous.

[115] I would allow the appeal of the Federal Court's decision on the motion for summary trial. Like my colleague, I would not send the matter back to the Federal Court for the reasons he expresses. Rather, I would amend the Federal Court's order to read as follows:

1. The motion for summary trial is granted.
2. Secure Drilling's counterclaim is dismissed.

3. Neither Mud nor Secure Drilling is entitled to the declaration of ownership that they sought.
4. Costs in the Federal Court are awarded to Mud and Mr. Wu.

[116] I would also award the appellants costs of this appeal in the agreed amount of \$15,000.

“K.A. Siobhan Monaghan”

J.A.

FEDERAL COURT OF APPEAL

NAMES OF COUNSEL AND SOLICITORS OF RECORD

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CONCURRED IN BY: LASKIN J.A.

DISSENTING REASONS BY: MONAGHAN J.A.

DATED: AUGUST 15, 2024

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