

**DISPUTE BETWEEN PARTIES WAS PRIMARILY CONTRACTUAL, FEDERAL COURT
RULES IN DISMISSING ACTION**

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The Federal Court of Canada recently dismissed a plaintiff's action for lack of jurisdiction. The real nature of the issues put forward by the plaintiff in its Statement of Claim raised a contractual debate between private parties for which the Court did not have jurisdiction (*Engineering Dynamics Ltd. v. Constantinos J. Joannou*, T-2910-93, October 17, 1996, Morneau Prothonotary).

The plaintiff, Engineering Dynamics Ltd., was a company involved in the development and fabrication of air filtering systems. In its Statement of Claim filed before the Trial Division of the Federal Court of Canada, it alleged that between April 1982 and July 1987, defendant Joannou was its employee and, as such, developed four types of filtering systems for which patent applications were filed in Canada during the same period. Four patents were eventually issued between October 1984 and January 1992 and named Joannou as inventor and owner. Engineering Dynamics Ltd. therefore requested from the Court a declaration that Joannou was the sole inventor of the inventions referred to in the various patents but that Engineering Dynamics Ltd. was the exclusive owner thereof and that the entries for these various Canadian patents be varied so as to name Engineering Dynamics Ltd. as grantee and owner thereof.

In its defence, Joannou denied being the employee of the plaintiff and pleaded that, in any event, the four patents were not conceived while he was allegedly the plaintiff's employee; he rather stated that he was plaintiff's shareholder (for 50% of the shares) and further added that he was rightly indicated as inventor and owner of the four patents. In a motion presented to the Court, Joannou further raised the absence of jurisdiction of the Federal Court in light of the facts raised by the plaintiff's case.

In Canada, to support a finding of jurisdiction in the Federal Court, there must be a statutory grant of jurisdiction by the Federal Parliament (*ITO-International*

Terminal Operators Ltd. v. Miida Electronics Inc. (1986) 1 S.C.R. 752 (S.C.C.)). This type of grant is found, for example, at Section 20 of the *Federal Court Act* (R.S.C. 1985, ch. F-7) which provides that the Trial Division has exclusive original jurisdiction, between subject and subject as well as otherwise, in all cases of conflicting applications for any patent of invention, or for the registration, *inter alia*, of any copyright, trade-mark or industrial design, and in all cases in which it is sought to impeach or annul any patent of invention or to have any entry in any register of copyright, trade-marks or industrial designs made, expunged, varied or rectified.

In support of its motion contesting the Court's jurisdiction, defendant Joannou testified by affidavit that the issues raised by the plaintiff had their source not in the patents but in a number of contractual arrangements made between the defendant and a Mr. William Pick, president and principal of the plaintiff corporation; defendant further stated that his agreements with Mr. Pick related to inventions and designs he had developed and patented in the fifteen years prior to their initial dealings with each other.

Defendant raised a good point. Prothonotary Morneau, before whom the debate occurred, reminded the parties that intellectual property disputes which include contractual disagreements are not unusual. Further, in his view, this fact alone would not preclude the Court's jurisdiction, provided the subject matter of the action primarily concerned a patent, trade-mark or copyright as the Federal Court has no jurisdiction to determine an issue which concerns purely and simply a contract (*Titan Linkabit Corp. v. S.E.E. See Electronic Engineering Inc.* (1992) 44 C.P.R. (3d) 469 (F.C.T.D.); *Kellogg Co. v. Kellogg* (1941) 1 C.P.R. 30 (S.C.C.)). In other words, contracts alleged by parties have been referred to incidentally while the main issue remained centered on relief that was within the Court's jurisdiction. In any event, contracts can nonetheless be raised in order to support, or in some cases negate, any relief within the Court's jurisdiction.

Having stated these general rules, Prothonotary Morneau further added that when consideration of the sought relief inevitably raises the issue of the validity of a contract between parties, in intellectual property matters or in any other field, this must automatically lead the Court to decline jurisdiction and refer the matter to provincial Courts.

In the dispute before it, the Court took note of the defendant's objection to the way plaintiff presented its case: in the defendant's view, plaintiff omitted an important contractual dimension to the case. The Court agreed with the defendant after reviewing documents submitted by the parties. A contract between the parties filed as evidence showed an assignment of the first patent made by the defendant to the plaintiff in 1984 and a further assignment of the same patent from the plaintiff back to the defendant on

July 27, 1987, upon termination of their agreement. It therefore appeared that the defendant acted as owner of the patent when he assigned it in 1984 to plaintiff. Further, in 1987 when it assigned back to the defendant the same patent, plaintiff acted as though the 1984 assignment were valid. If now, plaintiff wanted to be declared owner of that patent (and of the other three), it must have these two contracts declared invalid. However, in light of its jurisdiction, the Federal Court did not and does not possess such power. In the Court's view, the determination of the contractual issue dictated ownership of the patent. For this reason, it was concluded that this was primarily a case in contract and the patent issues were ancillary. The plaintiff's action was therefore dismissed.

This decision reminds us of the special care which must be taken by practitioners before initiating any suit on behalf of their clients. However, as can be seen from the facts of this case, whether the subject-matter of an action primarily or incidentally concerns a patent is not always crystal clear. For attorneys this is a reminder that all relevant facts should be obtained from the client before a decision is made regarding jurisdiction; for clients, this is an invitation to put forward to their attorneys all facts, whether considered relevant or not, in order to make this decision.

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