

INTERNATIONAL MINERALS AND
CHEMICAL CORPORATION (*De-*
fendant)

APPELLANT; 1964
*June 15, 16
Oct. 6

AND

POTASH COMPANY OF AMERICA }
(*Defendant*) } RESPONDENT;

AND

DUVAL POTASH AND SULPHUR COMPANY
(*Plaintiff*)

AND

THE COMMISSIONER OF PATENTS (*Defendant*)

ON APPEAL FROM THE EXCHEQUER COURT OF CANADA

Practice and Procedure—Conflict between applicants for patent—Application by third party to be added as a defendant—Whether Exchequer Court had jurisdiction to add party—Patent Act, R.S.C. 1952, c. 203, s. 45(8)—Exchequer Court Rules, r. 42—R.S.C. (Eng.), Ord. 16, r. 11.

In an action concerning two pending applications for patents for a method of handling flotation middlings in ore concentration processes, one made by the plaintiff company D and the other by the defendant company I, D asked for a declaration that it was entitled to the issue of a patent containing the claims in conflict or, failing that relief, that there was no conflict. I, by its defence, asserted that the Commissioner of Patents was right in determining that the inventor named in its application was the prior inventor of the claims in conflict and asked for dismissal of the action. A third company P claimed prior knowledge and use of the process; P had negotiated with I in regard to making application for a patent and subsequently P and I jointly negotiated with D but without success. I later decided to negotiate with D on an entirely independent basis. P made application to the Exchequer Court to be added as a party defendant in the action brought by D against I and such order was made by the President of the Court. With leave, I appealed from that order and contended that there was no jurisdiction to make it.

Held: The appeal should be dismissed.

The Exchequer Court was a superior court of record and was properly seized of the action between D and I; its general jurisdiction over its own process was not restricted by the circumstance that the action was commenced pursuant to s. 45(8) of the *Patent Act*.

By virtue of r. 42 of the *Exchequer Court Rules* the practice as to adding parties was governed by r. 11 of order 16 of the Rules of the Supreme

*PRESENT: Taschereau C.J. and Cartwright, Abbott, Martland and Spence JJ.

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Court of Judicature in England. It was not necessary in this case to choose between the wider and the narrower view as to the scope of that rule, which was considered in *Amon v. Raphael Tuck & Sons Ltd.*, [1956] 1 Q.B. 357. D was asking that it be declared that it was entitled to the issue of a patent which, if granted, would confer upon it the exclusive right of using the flotation process which P had been using for years. The order would affect the legal right of P to continue to carry on its business. To allow the action to proceed to judgment without the intervention of P, leaving it to its rights under ss. 61 and 62 of the *Patent Act*, would be to countenance the multiplicity of proceedings which it was one of the objects of the rule to avoid.

The President had jurisdiction to make the order adding P as a defendant and he exercised his discretion correctly.

APPEAL from an order made by Thorson P., whereby the respondent was added as a party defendant in an action pending in the Exchequer Court of Canada. Appeal dismissed.

Christopher Robinson, Q.C., and *J. D. Kokonis*, for the defendant, appellant.

Hon. C. H. Locke, Q.C., and *Ross G. Gray, Q.C.*, for the defendant, respondent.

The judgment of the Court was delivered by

CARTWRIGHT J.:—This appeal is brought, pursuant to leave granted by my brother Abbott, from an order made by Thorson P., without recorded reasons, on December 12, 1963, whereby the respondent, Potash Company of America, hereinafter referred to as "PCA" was added as a party defendant in an action pending in the Exchequer Court of Canada.

The action was commenced on June 14, 1961, by Duval Sulphur and Potash Company, hereinafter referred to as "Duval", as plaintiff, against the appellant, International Minerals and Chemical Corporation, hereinafter referred to as "International", and the Commissioner of Patents as defendants.

In the amended statement of claim Duval alleges (i) that conflict exists, within the meaning of the *Patent Act*, R.S.C. 1952, c. 203, as amended, between two pending applications for patents for a method of handling flotation middlings in ore concentration processes, one made by Duval and the other by International; (ii) that D. J. Bourne and M. H. Harrison are the inventors of the subject-matter of the

patent claims and that Duval is the assignee of their invention; (iii) that International claims that one G. E. Atwood is the inventor and that it is the assignee of Atwood's rights; and (iv) that the Commissioner of Patents by decision dated March 17, 1961, has declared Atwood to be the prior inventor thus deciding the conflict in favour of International.

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The statement of claim concludes by asking for judgment, with costs, determining the rights of the parties and declaring:

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(a) That the plaintiff Duval is entitled to the issue of a patent containing the claims in conflict;

(b) In the alternative and only if the foregoing relief is not granted, that there is in fact no conflict between the alleged conflicting claims;

(c) Such further and other relief as plaintiff may be advised.

On October 20, 1961, International filed a brief statement of defence, admitting the existence of the conflict, denying that Bourne and Harrison are the inventors of the subject-matter of the conflicting claims, stating that the Commissioner of Patents was right in determining that Atwood is the prior inventor, and asking that the action be dismissed with costs.

The Commissioner of Patents is taking no part in the action.

Duval does not appeal against the order of Thorson P.

The application of PCA to be added as a defendant was supported by two affidavits, dated September 26, 1963 and November 15, 1963, made by its resident counsel, Roy H. Blackman an attorney at law; the contents of the first of these may be summarized as follows.

Since prior to World War II PCA has been engaged in the commercial production of potassium chloride from sylvinit (a soluble potash ore) at its mines and plant in New Mexico, U.S.A. and is currently engaged in the development of its potash ore deposit in Saskatchewan, Canada.

On August 26, 1958, United States Patent No. 2,849,113 issued to Duval as assignee of Bourne and Harrison. The said patent claimed an invention corresponding to the invention claimed in one or more of the conflicting claims referred to in the statement of claim. Shortly after the issuance of this patent Blackman had discussions with representatives of International concerning the validity of the said U.S. patent.

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At some time subsequent to the issue of the said U.S. patent and before May 25, 1959, Blackman became aware that Duval had pending in Canada an application for patent for the same invention as that covered by the said U.S. patent. In the early part of 1959 Blackman was approached by International and requested to help it in preparing a defensive position against the said U.S. patent and agreed to co-operate. In May 1959, Blackman conferred with Mr. Harold J. Birch, an attorney representing International who informed Blackman that International had filed an application in Canada for a patent for substantially the same invention as that covered by Duval's U.S. patent, that the said application was based upon 1949 disclosures of Atwood made when he was an employee of International, and that it was filed as a defensive measure to provoke a conflict with the pending Canadian patent application of Duval. Birch also stated that if the said U.S. patent claimed a patentable invention he considered it likely that a patent of similar scope would issue to International in Atwood's name and not to Bourne. Birch said that International's primary objective was invalidation of the said U.S. patent and prevention of issuance of a corresponding Bourne Canadian patent. Birch agreed that International and its counsel would make their best efforts to employ any disclosures made by PCA including disclosures of work done prior to the 1949 Atwood disclosures to that end, despite the effect any such efforts might have on the Atwood Canadian application filed by International. Blackman then agreed to disclose and did in fact disclose to Birch work done several years previously by PCA relating to the treatment of middling material in its potash flotation circuit which he considered to be relevant to any assessment of the validity of the claims of the U.S. patent and the corresponding Canadian application.

During the summer and early fall of 1959 PCA caused a Canadian patent application to be prepared based upon the previous work of PCA referred to above and a copy of the specification and claims of the said patent application was sent to Birch. As early as October 12, 1959, the attorneys for International requested Blackman not to file the proposed PCA Canadian patent application. Blackman expressed to them his concern that if PCA acceded to the request and if International prevailed in the anticipated

Canadian conflict with Duval and obtained a Canadian patent, International might seek to assert the patent against PCA. Blackman indicated that if PCA's position in this respect were protected PCA would refrain from filing its Canadian application. Following discussions International agreed that it would not assert its prospective Canadian patent against PCA and this was confirmed by letter dated January 13, 1960. Since the receipt of this letter and because of it PCA has made no attempt to file its Canadian patent application.

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During the summer of 1961 PCA agreed with International that PCA would share with International and another interested company the Canadian counsel fees and out-of-pocket expenses in respect of International's defence to the present action. PCA and International further agreed that they would jointly negotiate with Duval with the objective of settling the dispute on a basis that would include provision for a royalty-free licence both to PCA and International under the said U.S. patent and under any corresponding Canadian patent that might issue to Duval. It was further agreed between International and PCA that if such negotiations were unsuccessful International's defence to the present action would be vigorously prosecuted. Thereafter International and PCA jointly negotiated with Duval but such negotiations were not successful.

Further discussions and correspondence continued until on September 3, 1963, one of the attorneys for International telephoned Blackman and told him that International had decided, as a matter of policy, to negotiate with Duval on an entirely independent basis. Blackman took the position that International was not free to do this because of its obligations to PCA but International by letter dated September 3, 1963, repeated its decision.

Paragraph 14 of Mr. Blackman's first affidavit is as follows:

In view of International's announced intention to negotiate with Duval on an entirely independent basis, PCA fears that International may withdraw its defence to the present action, or consent to judgment therein in favour of Duval, with the possible result that Duval's said Canadian application would issue to patent, thereby reversing the Commissioner of Patents' decision awarding the claims in conflict to International, without the Exchequer Court having had an opportunity to consider in contested proceedings the merits of the issues presently defined by the pleadings, or the merits of further grounds that could be and should be pleaded by International for denying the issuance of a patent to Duval.

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Mr. Blackman's second affidavit describes in considerable detail the work done and the methods of handling flotation middlings used by PCA from 1944 on, and expresses the opinion that the facts stated show knowledge and use by PCA of what is claimed by Duval as an invention in its application for the Canadian patent which is in question in this action, for years prior to the date on which Duval claims the invention was made.

Paragraph 31 of the affidavit is as follows:

It is the desire of PCA to operate in Saskatchewan a flotation process which would be within the scope of claim C 5, and other claims of the said Duval application, in the beneficiation of the potash ores from its deposits in Saskatchewan. The grant to Duval of an exclusive right to practise the invention claimed in the Duval application would adversely affect the interests of PCA.

Mr. Blackman was not cross-examined and the only challenge to any of the statements set out in his affidavits is contained in para. 2 of an affidavit made by Mr. Irons, an attorney for International, which is as follows:

The allegations of paragraph 14 of the Blackman affidavit dated the 26th day of September, 1963, and filed in support of the Potash Company of America's motion to the effect that "... International may withdraw its defence to the present action or consent to judgment therein in favour of Duval ..." is not well founded. I state on behalf of and with the knowledge and approval of LMC that IMC will neither 'withdraw its defence to the present action' nor 'consent to judgment therein in favour of Duval.' To the contrary, IMC will insist on an adjudication of the conflict controversy on its merits by the Exchequer Court.

While many of the matters of fact set out above may be in controversy at the trial, we should in dealing with this appeal proceed on the basis that the facts are as stated.

Counsel for the appellant attacks the order appealed from on the ground that there was no jurisdiction to make it. He disclaims any suggestion that we should review the discretion exercised by the learned President if he had jurisdiction to add PCA as a defendant.

The argument is based on two main grounds.

First, it is said that in an action commenced pursuant to s. 45(8) of the *Patent Act*, as was this action, the Exchequer Court has jurisdiction to deal with an objection to the grant of a patent only by way of review of a decision of the Commissioner and only at the instance of an applicant for patent whose application has been in unsuccessful conflict with another application. It is argued that to allow PCA to

intervene in the action between Duval and International in order to contend (as it does in para. 10 of its statement of defence) that neither of them is entitled to the issue of a patent including the claims in conflict would be contrary to the whole scheme of procedure in the *Patent Act* respecting applications for patent.

In my opinion, this argument is not entitled to succeed. One of the matters which the Exchequer Court is called upon to decide by s. 45(8)(b) of the *Patent Act*, is whether or not any of the applicants is entitled to the issue of a patent. Under s. 21(a) of the *Exchequer Court Act* that Court "has jurisdiction as well between subject and subject as otherwise,

(a) in all cases of conflicting applications for any patent of invention . . .

The Exchequer Court is a superior court of record and is properly seized of the action between Duval and International; its general jurisdiction over its own process is not restricted by the circumstance that the action was commenced pursuant to s. 45(8) of the *Patent Act*.

The second argument of the appellant, is that the order under appeal is outside the jurisdiction to add parties conferred on the Exchequer Court by the applicable rules of practice. By virtue of r. 42 of the *Exchequer Court Rules* the practice as to adding parties is governed by r. 11 of order 16 of the Rules of the Supreme Court of Judicature in England, which reads as follows:

No cause or matter shall be defeated by reason of the misjoinder or nonjoinder of parties, and the Court may in every cause or matter deal with the matter in controversy so far as regards the rights and interests of the parties actually before it. The Court or a Judge may, at any stage of the proceedings, either upon or without the application of either party, and on such terms as may appear to the Court or a Judge to be just, order that the names of any parties improperly joined, whether as plaintiffs or defendants, be struck out, and that the names of any parties, whether plaintiffs or defendants, who ought to have been joined, or whose presence before the Court may be necessary in order to enable the Court effectually and completely to adjudicate upon and settle all the questions involved in the cause or matter, be added. No person shall be added as a plaintiff suing without a next friend without his own consent in writing thereto. Every party whose name is so added as defendant shall be served with a writ of summons or notice in manner hereinafter mentioned, or in such manner as may be prescribed by any special Order, and the proceedings as against such party shall be deemed to have begun only on the service of such writ or notice.

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In support of this argument the appellant relies chiefly on the judgment of Devlin J., as he then was, in *Amon v. Raphael Tuck & Sons Ltd.*¹, in which the construction and scope of order 16 r. 11 are fully considered.

After quoting the rule Devlin J. says that there are two views about its scope and that authority can be cited for both. One, the wider, is that the rule gives a wide power to the Court to join any party who has a claim which relates to the subject-matter of the action; the other, and narrower, is that the power given by the rule is hedged about with limitations which are to be found in the decided cases and which do not merely set out principles on which the Court's discretion should be exercised but place limits on its jurisdiction. At p. 363 of the report Devlin J. quotes, as an accurate statement of the narrower view of the application of the rule, the following portion of a note in the White Book (1955 ed., p. 232):

"Generally in common law and Chancery matters a plaintiff who conceives that he has a cause of action against a defendant is entitled to pursue his remedy against that defendant alone. He cannot be compelled to proceed against other persons whom he has no desire to sue . . . Generally speaking, intervention can only be insisted upon in the three classes of case, namely: (A) In a representative action where the intervener is one of a class whom plaintiff claims to represent", but who denies that the plaintiff does in fact represent him; "(B) Where the proprietary rights of the intervener are directly affected by the proceedings," and "(C) In actions claiming the specific performance of contracts where third persons have an interest in the question of the manner in which the contract should be performed."

After an elaborate review of the relevant authorities Devlin J. expresses the view that the narrower construction of the rule should be adopted. To decide whether a particular case falls within class (B) in the passage from the White Book, quoted above, Devlin J. proposes the following test:

May the order for which the plaintiff is asking directly affect the intervener in the exercise of his legal rights?

On the material before him in the *Amon* case Devlin J. held that this question should be answered in the affirmative and accordingly allowed the intervention.

In order to decide the present appeal I do not find it necessary to choose between the wider and the narrower view as to the scope of the rule and I refrain from doing so.

¹ [1956] 1 Q.B. 357.

On the material before us I am satisfied that in this case the question formulated by Devlin J. should be answered in the affirmative. The order for which Duval is asking in the action is that it be declared that it is entitled to the issue of a patent which, if granted, will confer upon it the exclusive right of using the flotation process which PCA has been using for years and proposes to use in the development of its deposits of potash ores in Saskatchewan. The order sought would, in my opinion, affect the legal right of PCA to continue to carry on its business. It is true that if the intervention were not allowed the question of the validity of any patent to which Duval might be declared entitled would not as against PCA be *res judicata* and could be put in question under either s. 61 or s. 62 of the *Patent Act*, but until the patent was successfully impeached the right of PCA set out above would be affected. To allow the present action to proceed to judgment without the intervention of PCA, leaving it to its rights under the sections mentioned, would be to countenance the multiplicity of proceedings which it was one of the objects of the rule to avoid.

In my opinion the learned President had jurisdiction to make the order adding PCA as a defendant; I have already mentioned that it was not argued that we should review the discretion which he exercised if we came to the conclusion that the order was one within his jurisdiction, but I think it proper to say that, in my opinion, on the material before him his discretion was rightly exercised.

I would dismiss the appeal with costs.

Appeal dismissed with costs.

Solicitors for the defendant, appellant: Smart & Biggar, Ottawa.

Solicitors for the defendant, respondent: Herridge, Tolmie, Gray, Coyne & Blair, Ottawa.

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