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September 9, 2024

# Who Owns This Patent? The FCA Says It's as Clear as Mud

In its recent decision, *Mud Engineering Inc v Secure Energy Services Inc*, a divided Federal Court of Appeal considered the effect of the parties' failure to prove ownership in the context of a summary trial. Though both the majority and the dissenting opinions agreed that the *Patent Act* creates a rebuttable presumption of ownership, they differed on which party should bear the burden of proving ownership once that presumption has been successfully rebutted and on the effect of that rebuttal on the underlying infringement action.

## The Underlying Decision

The appellants ("Mud Engineering") were the plaintiffs in the underlying action, in which Mud Engineering alleged that the respondents ("Secure Drilling") infringed two of its patents. In response, Secure Drilling advanced a number of defences including non-infringement, implied licence, a variety of grounds of invalidity and also brought a counterclaim. Secure Drilling claimed (both in its defence and counterclaim) that Mud Engineering did not own the patents at issue, rather Secure Drilling was the rightful owner of the subject matter of the disputed patents.

Mud Engineering moved for summary trial to resolve the ownership issue, seeking the dismissal of Secure Drilling's counterclaim. Both parties sought declarations of ownership.

At the summary trial, the parties disagreed on who bore the onus of proof on the issue of ownership. Mud Engineering argued that Secure Drilling should bear the burden of establishing its claim that it is the rightful owner of the patents, as would be the case in the underlying action. Conversely, Secure Drilling argued that the legal burden should rest on Mud Engineering, as the party raising the issue in the summary trial. The Federal Court decided that the onus lay on both parties to establish their respective ownership claims. Ultimately, the Federal Court found that neither party was successful in meeting this burden; it declined to issue declarations of ownership for either party and dismissed both the underlying action and the counterclaim.

Mud Engineering appealed this decision.

## The FCA Decision

Justice Stratas, writing for the majority of the Federal Court of Appeal, dismissed Mud Engineering's appeal. The starting point for the FCA's analysis was that the respondents had presented sufficient evidence at the summary trial to displace the presumption of ownership and inventorship, and that the appellants "did not contest that the presumption was displaced."

The majority's decision focused on the Federal Court's finding that Mud Engineering had not provided enough evidence to establish that Mr. Wu was the inventor and, as a result, Mud Engineering had failed to establish a basis for owning the disputed patents. The majority found that even though the Federal Court may have made legal errors on some evidentiary issues, given the trial court's finding that Mud Engineering's evidence fell substantially short of establishing its ownership of the disputed patents, the outcome would have been the same absent these possible errors.

Justice Stratas found that the Federal Court was correct in finding that Mud Engineering was required to establish ownership of the patents in order to maintain its action from infringement. He emphasized that in the context of summary trials, parties "must put their best foot forward." Parties should not strategically hold back evidence at summary trial. The majority reasoned that if Mud Engineering failed to establish ownership at summary trial and was then allowed to rerun this issue at trial, it would reduce the summary trial to a "consequence-free dress rehearsal". If a dispute is appropriate for resolution by summary trial, then the summary trial is meant to finally resolve issues or end the entire litigation summarily and once and for all, not protract litigation. Justice Stratas did however state that the outcome of this particular summary trial bound the two parties against each other but did not bind them as against third parties, leaving the door open to future infringement actions.

Writing in dissent, Justice Monaghan, found that the Federal Court had committed a reviewable error in concluding that Mud Engineering bore the onus of establishing that it owned the patents at issue, and that the appeal should be allowed. In Justice Monaghan's view, the Federal Court should not have framed the ownership issue as two separate questions that required each party to establish its own ownership claim. Rather, in her view, in the context of this case, the issue of ownership only arose as a ground of invalidity – Secure Drilling alleged that Mud Engineering was not the rightful owner because Secure Drilling was the owner, without there being any other challenge to Mud Engineering's standing to advance an infringement claim. The burden to establish invalidity should

rest on the party making the claim. To meet this burden, Secure Drilling needed to prove that it was the rightful owner of the patents in order to have the infringement action dismissed, which the respondents failed to do

It was common ground that the *Patent Act* creates a presumption of both ownership and inventorship in a granted patent and that the evidentiary burden required to displace that presumption lies on the party contesting ownership.

The majority found that since the presumption of ownership had been rebutted by Secure Drilling, Mud Engineering was no longer entitled to rely on this presumption to maintain its infringement action.

Justice Monaghan disagreed, reasoning that, in the context of this case, rebutting the presumption was not enough to dismiss the infringement action because Secure Drilling failed to establish its own ownership. Having not done so, Mr. Wu and Mud Engineering remained inventor and owner of record in the patent office, and the presumption of validity continued to apply in the main action. Justice Monaghan went on to clarify that, given the nature of the ownership challenge in this case, there could be no retreading of the ownership issue at trial, as the respondents' failure to establish Secure Drilling as the rightful owner brings their attack on ownership to an end.

### **Our Takeaways**

- The majority's decision places the question of patent ownership as a threshold standing issue, rather than merely a common attack on validity. This finding may lead to more inventorship attacks.
- For litigants, this decision demonstrates the potential pitfalls of framing an issue for summary trial too narrowly. For Mud Engineering, the strategic choice to limit the evidence it presented to merely respond to the allegations of the defendant instead of advancing independent grounds of ownership may have been fatal to its infringement action.
- There is conflicting Federal Court jurisprudence as to which party bears the legal burden of proof in summary trials (see e.g., our previous commentary on *Janssen Inc v Pharmascience Inc*). Here, both the majority and dissenting opinions found that this question had not been decided previously by the Federal Court of Appeal. Unsatisfyingly, the majority explicitly stated that this issue did not need to be decided in the current appeal and this question remains open for another case.

For more information on the use of summary proceedings in the context of patent cases, see our previous commentary on *JL Energy v Alliance Pipeline*, *Gemak Trust v Jempak Corporation*, *Noco Company, Inc v Guangzhou Unique Electronics Co, Ltd*, *Janssen Inc v Pharmascience Inc*, *Kobold Corporation v NCS Multistage Inc*, *ViiV Healthcare Company v Gilead Sciences Canada, Inc* and *Canmar Foods Ltd v TA Foods Ltd*.