

Court of King's Bench of Alberta

**Citation: JL Energy Transportation Inc v Alliance Pipeline Limited Partnership, 2024
ABKB 72**

Date: 20240208
Docket: 1601 06322
Registry: Calgary

Between:

JL Energy Transportation Inc.

Plaintiff

- and -

**Alliance Pipeline Limited Partnership, Alliance Pipeline Ltd., Alliance Pipeline L.P.,
Alliance Pipeline Inc., Aux Sable Liquid Products LP (Formerly Known As Alliance
Pipeline NGL, LP), and Aux Sable Liquid Products Inc. (Formerly Known As Alliance
Pipeline NGL Inc.)**

Defendants

**Reasons for Decision
of the
Honourable Justice K.M. Horner**

I. Introduction

[1] JL Energy Transportation Inc. (“**JL**”) owns intellectual property relating to the use of natural gas mixtures to improve the hydraulic efficiency of high-pressure gas pipelines, storage, and extraction facilities (the “**Licensed Technology**”). The Licensed Technology eliminates the necessity of having separate transportation systems for natural gas and ethane, propane, butane, or mixtures thereof (“**NGLs**”). It also eliminates the need for multiple separation and treatment facilities in production fields by enabling the separation of NGLs from enriched natural gas at the terminus of the pipeline system.

[2] JL granted a limited use license of the Licensed Technology to one or more of the Defendants.

[3] On May 11, 2016, JL brought an action against the Defendants in relation to their use of the Licensed Technology. JL alleges that the Defendants have:

- (1) caused damage to JL by disclosing or using the Licensed Technology in breach of the Limited Use Licenses; and
- (2) infringed Patents held by JL which are associated with the Licensed Technology.

[4] According to JL, it never authorized the Defendants to use the Patents or proprietary Licensed Technology except as permitted in the limited use licenses. JL contends that the Defendants have infringed the Patents by using the Licensed Technology to transport enriched natural gas at pressures over 1,000 psi in its pipelines.

[5] The Defendants have applied for Summary Dismissal of this action.

[6] The Defendants' application has two parts:

- (1) An application to strike and/or summarily dismiss those portions of JL's Statement of Claim which are time-barred pursuant to the Alberta *Limitations Act*, RSA 2000, c L-12 (the "*Limitations Act*"); and
- (2) An application to strike and/or summarily dismiss those portions of JL's Statement of Claim relating to (i) allegations of breaches of US Patent 6,201,163, and (ii) allegations associated with the "US Extraction Facility" (as defined below), for lack of jurisdiction.

[7] For the reasons that follow, I grant the Defendants' application and dismiss this action on the basis of limitations. If, however, I am wrong and the action survives, I find that those portions of JL's Statement of Claim relating to US patents are outside the jurisdiction of this Court and must be struck from the claim. Therefore, any surviving action is limited to Canadian patent infringement.

II. Background

A. The Parties

[8] JL is an Alberta company which carries on the business of developing technology for use in the design, construction, and operation of high pressure, rich natural gas pipeline and extraction systems. At all material times, John Lagadin ("**Lagadin**") owned JL and its corporate predecessor, 665976 Alberta Ltd. Lagadin was the director of two of the Defendants, Alliance Pipeline Ltd ("**APL**") and Alliance Pipeline Inc ("**API**"), between 1995 and 2000. Lagadin passed away in 2020 and was not available to provide affidavit evidence in this matter.

[9] Alliance Pipeline Limited Partnership is a limited partnership formed pursuant to the laws of Alberta ("**AP Canada**"), which has its head office in Calgary, Alberta and carries on business in Alberta and elsewhere. AP Canada is a party to the Canadian Pipeline License. AP Canada is in the business of permitting, designing, engineering, constructing, commissioning, and operating enriched natural gas pipelines in western Canada.

[10] Alliance Pipeline Ltd (“**APL**”) is a company incorporated pursuant to the laws of Canada which is extra-provincially registered to carry on business in Alberta. It has its head office in Calgary, Alberta, and is the general partner of AP Canada.

[11] Alliance Pipeline L.P. is a limited partnership formed pursuant to the laws of the state of Delaware, USA (“**AP US**”). AP US is a party to the US Pipeline License.

[12] Alliance Pipeline Inc. (“**API**”) is a corporation incorporated pursuant to the laws of Delaware. It is the general partner of AP US.

[13] Aux Sable Liquid Products LP is a limited partnership constituted on May 10, 1996 pursuant to the laws of Delaware (“**Aux Sable US**”). Aux Sable US is a party to the US facility License.

[14] Aux Sable Liquid Products Inc. (“**Aux Sable Inc.**”) is a company incorporated pursuant to the laws of Delaware and is the general partner of Aux Sable US.

B. The Pipelines

[15] The “**Alliance System**” is comprised of a Canadian Pipeline, a US Pipeline, and an NGL extraction facility located in the Chicago area. The Alliance System was designed to provide competitively priced transportation of enriched natural gas from the western Canadian sedimentary basin to major gas markets in the United States. It transports enriched natural gas from northeastern British Columbia to Channahon, Illinois.

[16] The Alliance System was placed into service using the Licensed Technology on December 1, 2000.

[17] John Lagadin has been referred to as the “father” of the Alliance System. Under Lagadin’s guidance, the concept of the Alliance System was first developed by Glen Perry (“**Perry**”) and Ian Morris (“**Morris**”). Together, Perry and Morris were the inventors of the Licensed Technology and the designers of the Alliance System. Other members of Lagadin’s team included Jack Crawford (“**Crawford**”) and Ron Sikora (“**Sikora**”).

C. The Patents

[18] On November 16, 1999, JL was granted Canadian Patent 2,205,670 in relation to a portion of the Licensed Technology relating to the pipeline transmission method (the “**Canadian Gas Transportation Patent**”). That patent expired on May 16, 2017.

[19] On March 12, 2001, JL was issued US Patent 6,201,163 in relation to a portion of the Licensed Technology relating to the pipeline transmission method (the “**US Gas Transportation Method**”). That patent expired on November 17, 2015.

D. The License Agreements

[20] On May 10, 1996, JL entered into a limited use license agreement with AP Canada to allow AP Canada to use the Licensed Technology for the Canadian Pipeline (the “**Canadian Pipeline License**”).

[21] On June 25, 1996, JL entered into a limited use license agreement with AP US to allow AP US to use the Licensed Technology for the US Pipeline (the “**US Pipeline License**”). JL also entered into a limited use license agreement with Aux Sable US to allow Aux Sable to use the Licensed Technology in the US Extraction Facility (the “**US Facility License**”).

[22] On November 13, 2000, AP Canada, AP US, and Aux Sable began paying a licensing fee pursuant to their respective licensing agreements.

[23] Each of the Defendants covenanted to maintain the confidentiality of the Licensed Technology as a condition to JL providing the limited use licenses.

[24] The parties to the Canadian Pipeline License, US Pipeline License, and US Facility License attorned to the jurisdiction of Alberta pursuant to Article 11.2 of those agreements.

E. The Alleged Breaches of the Licensing Agreements and Infringement of Patents

[25] JL contends that in 2010 the Defendants began transporting and processing enriched natural gas using the Licensed Technology on pipelines which are not within the scope of the limited use licenses. The pipelines at issue are:

- (1) The Septimus pipeline located near Fort St. John in northeastern British Columbia (the “**Septimus Pipeline**”);
- (2) The Prairie Rose pipeline in North Dakota (the “**Prairie Rose Pipeline**”); and
- (3) The Tioga pipeline in North Dakota (the “**Tioga Pipeline**”).

[26] All three lateral pipelines (and related facilities) (the “**Laterals**”) were added to the Alliance System between 2010 and 2013.

[27] The Septimus Pipeline began transporting enriched natural gas in September 2010.

[28] The Prairie Rose Pipeline began transporting non-Canadian enriched natural gas produced from the US Bakken shale formation in February 2010.

[29] The Tioga Pipeline began transporting non-Canadian enriched natural gas produced from the US Bakken shale formation in October 2013.

[30] According to JL, the use of the Licensed Technology in these pipelines is in breach of the limited use licenses and an infringement of the Patents held by JL. Increasing the volume of enriched natural gas in the US Pipeline via the Prairie Rose Pipeline and the Tioga Pipeline has deprived Canadian producers the opportunity to increase volumes in the Canadian Pipeline, thereby depriving JL the opportunity to increase royalty revenues from the Canadian Pipeline. JL also argues the Defendants are unjustly enriched by the revenues generated from the non-Canadian enriched natural gas processed at the US Facility. Further, one or more of the Defendants improperly and in breach of the limited use licenses provided the confidential and proprietary Licensed Technology to third parties for use in the infringing pipelines.

F. Relevant Procedural History — The “Waiver Decision”

[31] In *JL Energy Transportation v Alliance Pipeline Limited Partnership*, 2021 ABQB 223 [the “**Waiver Decision**”], Kirker J, as she then was, ruled that JL had waived privilege over various records that now form part of the evidence in this case.

[32] The waiver of privilege issue arose, in part, because, in defence of the Defendants’ application for summary dismissal on the basis of limitations, JL filed an affidavit sworn by its former counsel, Mr. Jeff Bright (“**Bright**”) (the “**Bright Affidavit**”). The Bright Affidavit explained what he and his client understood about the Defendants’ use of the Licensed Technology between 2012 and 2015 and the basis of that understanding: *Waiver Decision* at para 12.

[33] Kirker J held at para 79 that:

[I]t would be unfair to permit JLET to set up its answer to the limitations defence based on the Bright Affidavit, parts of which are clearly premised on communications between Mr. Bright and his client and upon Miller Thomson's undisclosed factual investigation, and then preclude the Defendants from testing the factual assertions made with reliance upon claims of solicitor-client and litigation privilege. To conclude otherwise would leave the Defendants with no reasonable method for testing JLET's evidence.

[34] As such, Kirker J found that JL had implicitly waived:

- (a) its right to assert solicitor-client privilege in relation to its communications with Mr. Bright and other lawyers at Miller Thomson about the facts underlying its claim; and,
- (b) its right to assert litigation privilege over any factual information shared with or gathered by Miller Thomson.

[35] Therefore, from the date Mr. Bright and Miller Thomson were retained in relation to concerns about whether the Defendants were wrongfully making use of the Technology until the date when the Statement of Claim was filed, JL and/or Miller Thomson had to disclose:

1. Emails and documents exchanged between JL and Miller Thomson containing information about the facts known, understood or being investigated in relation to the Defendants' use of the Licensed Technology. This only applied to information related to the facts. Privilege in relation to any legal advice sought or received remained in place;
2. Handwritten notes and/or memos to file recording telephone conversations or meetings between JLET and Miller Thomson regarding the facts known, understood or being investigated in relation to the Defendants' use of the Licensed Technology;
3. Emails and documents exchanged between JL and/or Miller Thomson on the one hand, and Mr. Morris and/or other persons on the other hand, containing information about the facts known, understood or being investigated in relation to the Defendants' use of the Licensed Technology;
4. Handwritten notes and/or memos to file recording telephone conversations or meetings between JL and/or Miller Thomson on the one hand, and/or any third parties on the other hand, regarding the facts known, understood or being investigated in relation to the Defendants' use of the Licensed Technology; and
5. Documents gathered by JL and/or Miller Thomson related to the investigation of the Defendants' use of the Licensed Technology.

[36] JL and Miller Thomson proceeded to comply with Kirker J's decision and disclosed the relevant materials. Those materials now form part of the record before me in this application for summary dismissal.

III. Issues

[37] This Summary Dismissal Application raises the following issues and sub-issues:

- (1) Is this an Appropriate Case for Summary Judgement?
- (2) Has the Applicable Limitation Period Expired?
 - a. What is the applicable limitation period?
 - b. Were the alleged injuries underlying these proceedings discoverable before May 11, 2014?
 - c. Did the Defendants' denial of liability obstruct discoverability or mislead the Plaintiff to an extent sufficient to prevent the limitation period from beginning?
 - d. Are patent infringement claims subject to a rolling limitations period?
- (3) If not, is US Patent Infringement within the Jurisdiction of this Court?

IV. Analysis

A. This is an Appropriate Case for Summary Judgement

[38] The Parties are in agreement as to the Law of Summary Dismissal.

[39] Rule 7.3(1)(b) of the Alberta *Rules of Court*, Alta Reg 124/2010 (the "*Rules of Court*") allows for summary dismissal of all or part of a claim if there is "no merit to a claim or part of it".

[40] *Hryniak v Mauldin*, 2014 SCC 7 sets out the analytical framework for determining whether there is "no merit" or "no defence" to a claim pursuant to r 7.3. The applicant for summary dismissal must show that there is no genuine issue requiring a trial, such that the Court is able to reach a fair and just determination on the merits: *Weir-Jones Technical Services Incorporated v Purolator Courier Ltd*, 2019 ABCA 49 at paras 15, 43, citing *Hyrniak* at para 23. This condition is satisfied where the process:

- (1) Allows the judge to make the necessary findings of fact;
- (2) Allows the judge to apply the law to the facts; and
- (3) Is a proportionate, more expeditious and less expensive means to achieve a just result.

Weir-Jones at para 21, citing *Hyrniak* at para 49.

[41] As recognized by Slatter JA in *Weir-Jones* at para 21, cases based on the expiration of the limitation period, such as this one, often satisfy the first two parts of the test. The third criterion acts as a final check "to ensure that use of a summary judgement procedure (rather than a trial) will not cause any procedural or substantive injustice to either party": *Weir-Jones* at para 21.

[42] The party moving for summary judgement, in this case the Defendants, must prove the factual elements of its case on a balance of probabilities, and demonstrate that there is no

genuine issue requiring a trial: *Weir-Jones* at paras 32, 35. The party resisting summary judgement, in this case JL, has the burden of persuading the court that there is a genuine issue for trial: *Weir-Jones* at para 35. The resisting party need only demonstrate that the record, the facts, or the law preclude a fair disposition: *Weir-Jones* at para 32. In doing so, a resisting party must lead its best evidence or risk losing for not having done so: *Weir-Jones* at para 37; *Canada (Attorney General) v Lameman*, 2008 SCC 14 at para 11.

[43] In its written submissions, JL argues that “[i]n the context of arguments regarding limitations and discoverability, the determination of whether a limitation period has expired is a mixed question of fact and law, which contains both an element of time (fact) and discoverability (law)” (citing *Brandner v Alberta (Solicitor General)*, 2014 ABQB 211 at para 43), and that an assessment of credibility is required to determine the factual dispute as to what the claimant knew. With respect, on the evidence in this application I disagree.

[44] In this case, due to JL’s waiver of privilege over many communications between itself and its former legal counsel, there is an extensive and detailed contemporaneous record of actual knowledge held by JL and its legal and technical advisors in the period leading up to the filing of the Statement of Claim spanning, generally, the years 2008 to 2013. This type of record is somewhat unique in that it contains an extraordinary level of detail pertaining to JL’s investigation of whether or not it had a claim. This limits issues concerning credibility and allows for the necessary findings of fact on a balance of probabilities required to determine the limitations issue.

[45] Therefore, I am sufficiently satisfied and comfortable with the record to conclude that the limitation and jurisdictional issues can be addressed summarily. The quality of the evidence is such that it is fair to conclusively adjudicate this action, and I am confident that summary dismissal can fairly resolve the dispute. The trial judge will be in no better position than I to determine the issues raised, which will either end the action or narrow the remaining issues. Therefore, summary judgement is appropriate in these circumstances: see eg *Apotex Inc v Eli Lilly Canada Inc*, 2021 ONSC 1588, aff’d 2022 ONCA587, application to appeal to the SCC refused, 40420 (27 April 2023).

B. The Limitation Period has Lapsed and Therefore this Action is Summarily Dismissed

1. The Applicable Limitation Period for Breach of a Licensing Agreement and Patent Infringement is 2 Years in Alberta

[46] JL argues that the 2-year limitation period does not apply to claims that concern patent infringement. Instead, JL suggests that the 6-year limitation period set out in the *Patent Act*, RSC 1985, c P-4, s 55.01 should apply.

[47] Before addressing the applicable limitation period with respect to patent infringement, it is worth highlighting that JL’s Statement of Claim focusses on breach of the License Agreements. License Agreements are clearly contractual. There is no dispute that the limitation period for breach of contract is two years in Alberta. In signing the License Agreements, the Parties expressly attorned to the jurisdiction of Alberta and agreed that the License Agreements would be governed by the laws of Alberta. As such, JL’s claim for breach of the License Agreements is subject to a two-year limitation period.

[48] The limitation period with respect to patent infringement claims brought in provincial superior courts was, until recently, more ambiguous.

[49] In *Secure Energy Services Inc v Canadian Energy Services Inc*, 2022 ABCA 200 at paras 16-24, the Alberta Court of Appeal confirmed that the 2-year limitation period under the *Limitations Act* applies to claims for patent infringement commenced in Alberta. As in *Secure Energy*, the proceedings brought here are enforcement proceedings and any defences the Parties might have apply to that action: *Secure Energy* at para 13. Available defences include that a claim is statute barred under the [Limitations Act](#). At para 19 of *Secure Energy* the Court stated:

[I]t is uncontested that the provincial courts have concurrent jurisdiction to hear disputes over patent infringement cases. [Section 12 of the Limitations Act](#) is a conflict of laws section which states that the limitations law of Alberta applies to any proceeding commenced in Alberta in which a claimant seeks a remedial order.

[50] Counsel for JL argued in oral submissions that *Secure Energy* had been wrongly decided and/or that the Court of Appeal’s comments regarding the limitation period applicable to “patent infringement claims” were *obiter* and not binding on this Court.

[51] With respect, I cannot agree. The second line of *Secure Energy* clearly states: “This is a patent infringement case”. At paras 18–24 of *Secure Energy*, the Court references both the Alberta *Limitations Act* and the 6-year limitation period included in s 55.01 of the *Patent Act*. The Court was clearly alive to the issue of conflicting limitation periods for patent infringement claims brought in provincial Superior Courts. It nonetheless decided that the 2-year limitation period under the Alberta *Limitations Act* applied. I am bound by this decision. Therefore, the applicable limitation period for breach of Licensing Agreements and Patent Infringement is two years in Alberta.

2. JL’s Alleged Injuries were Discoverable Before May 11, 2014

[52] Section 3(1) of the *Limitations Act* provides that:

3(1) Subject to subsections (1.1) and (1.2) and sections 3.1, 3.2 and 11, if a claimant does not seek a remedial order within

(a) 2 years after the date on which the claimant first knew, or in the circumstances ought to have known,

(i) that the injury for which the claimant seeks a remedial order had occurred,

(ii) that the injury was attributable to conduct of the defendant, and

(iii) that the injury, assuming liability on the part of the defendant, warrants bringing a proceeding,

or

(b) 10 years after the claim arose,

whichever period expires first, the defendant, on pleading this Act as a defence, is entitled to immunity from liability in respect of the claim.

JL filed its Statement of Claim on May 11, 2016. Therefore, JL's claim is statute barred if, prior to May 11, 2014: (1) it was reasonably aware of the injury suffered; (2) it could attribute the injury to the Defendants; and (3) the injury was sufficiently serious to warrant a proceeding for a remedial order: *Weir-Jones* at paras 50-54.

[53] The Defendants argue that Lagadin and Morris maintained their personal and professional interest in, and paid attention to, the ongoing development of the Alliance System. As a result, they were aware of the planned construction of the Laterals as the projects made their way through regulatory approvals beginning in 2008.

[54] In 2008, during preliminary planning of the Laterals, Lagadin asked Morris to determine if the new pipelines would be "a fit" for the Licensed Technology. Morris undertook preliminary modelling in July and August 2008 and determined that the pipelines were a "fit" for the technology once constructed. He reported those conclusions to Lagadin in 2008. Morris revisited these findings in 2010, and again reported to Lagadin that the pipelines were a "fit" for the Licensed Technology.

[55] In the spring of 2010, Sikora learned that Aux Sable was finalizing a project with North Dakota gas producers to transport significant amounts of liquid-rich gas to the Alliance System through the Prairie Rose Pipeline. Sikora asked the then-President and CEO of Aux Sable, Bill McAdam ("**McAdam**"), whether the project was covered by the License Agreements as he was concerned with the unauthorized use of the Licensed Technology in the new pipeline. According to affidavit evidence sworn by Sikora, McAdam denied the project would be using the Licensed Technology. Sikora was suspicious of that response but chose not to challenge Aux Sable at that time. He did, however, report the potential licensing issue to Lagadin.

[56] In mid-2010, Lagadin had a meeting with McAdam and Murray Birch ("**Birch**") (the then CEO of Alliance). McAdam and Birch again denied that the Prairie Rose pipeline would be using the Licenced Technology and requests for technical data were also declined.

[57] In 2011, Sikora became aware of Alliance's plan to construct the Tioga Pipeline. Sikora and Lagadin again contemplated whether the Prairie Rose Pipeline or the Tioga Pipeline was or would be using the Licensed Technology.

[58] By April 18, 2012, JL had retained Bright as counsel with respect to its concerns over the unauthorized use of the Licensed Technology by the Defendants. By this point, Morris was also actively engaged in trying to determine whether the Defendants were using the Licensed Technology in the Laterals.

[59] On April 18, 2012, Lagadin sent Bright an email (cc'ing Morris) that contained an attachment entitled "Summary of License and Patent Infringement Issues by Alliance Pipeline (US) and Aux Sable" ("**Summary**"). The attachment summarizes what Lagadin and Morris felt the potential infringements were with respect to the Prairie Rose Pipeline, Tioga Pipeline, and US Extraction Facility. It includes Tioga Pipeline even though that project was at the permit processing stage.

[60] During oral submissions, counsel for the Defendants submitted that if you compare JL's Statement of Claim filed on May 11, 2016 with the attachment included in the Summary, they are essentially the same thing. According to the Defendants, this document proves that JL knew

about the impending injury, they knew who it was attributable to, and they were able to articulate that injury to the same lawyer whose office would ultimately file the Statement of Claim. During oral submissions, Counsel for the Defendants also stressed that a map of the Tioga and Prairie Rose Pipelines was included as an attachment to the Summary, and that this map was subsequently included in the Statement of Claim. An email sent from Morris to Lagadin on April 12, 2012 indicates that Morris lifted the map from the Alliance site. It is worth noting that the maps eventually included in the May 11, 2016 Statement of Claim are slightly different than the one included in email attachment. Maps of specified areas, by their nature, are similar to one another. I'm not sure any conclusions can be drawn as to the knowledge JL had at that time regarding any potential injury it may have suffered simply based on the inclusion of a similar map in the email attachment.

[61] I would note that the Summary attachment contains no mention of the Septimus Pipeline. However, during questioning held on March 7, 2023, Bright confirmed that as of April 2012 JL was also concerned that the Septimus Pipeline was using the Licensed Technology outside the scope of the Licensing Agreements. It is clear that any concerns JL expressed regarding the use of its Licensed Technology in the US Laterals extended to the Canadian Lateral.

[62] While the attachment included in the Summary contains some similarities to the allegations eventually included in the Statement of Claim, the two-page document falls short of demonstrating that JL had sufficient knowledge of its injury as required by the *Limitations Act*. Inferences may be drawn from the title of the document that JL was exploring whether or not it had claims in relation to the License Agreements and Patents, but most of the document is what I would refer to as “background information” on the Licenses, Patents, and Pipelines. Although it is true that during cross-examination on his affidavit evidence Morris acknowledged that, as of April 12, 2012, it was his understanding that both the Prairie Rose Pipeline and the Tioga Pipeline were likely using, or would be using, the Licensed Technology, this understanding was based on the pressures at which the Pipelines were (or would be) operating at. It is not clear that suspected operating pressures of the Pipelines was sufficient to conclude that JL had incurred an injury. At most, it amounts to a suspicion. As confirmed by the Supreme Court of Canada in *Grant Thornton LLP v New Brunswick*, 2021 SCC 31 at para 46: “The plausible inference of liability requirement ensures that the degree of knowledge needed to discover a claim is more than mere suspicion or speculation”. Therefore, I find that as of April 2012, JL did not have the requisite knowledge of its injury required to start the limitation period.

[63] I also agree with JL's written submission that its knowledge of the “existence” of the Lateral Pipelines is not sufficient to start the clock on the limitation period. According to JL, the “injury” it has allegedly suffered is not the existence or the construction of the Lateral Pipelines, but the use of the Licensed Technology within the Lateral Pipelines. The evidence leading up to April 2012 does not suggest JL knew or ought to have known its Licensed Technology was being used in the Lateral Pipelines. As stated above, JL had a suspicion, at most.

[64] On July 26, 2012, Bright emailed the Senior Corporate Counsel for APL, Larry Dunn (“Dunn”), a memorandum dated July 6, 2012 (the “**2012 Bright Memo**”). The 2012 Bright Memo was initially addressed to Lagadin with the subject line: “Alliance Pipelines license agreements”. It appears to have been prepared in connection with ongoing negotiations with APL to renegotiate the terms of the existing Licenses. Those negotiations had been ongoing since August of 2010, and by July of 2012 had culminated in APL proposing a “**Paid Up License Agreement**” to JL. Under the Agreement, Alliance would pay JL \$200,000 for a “paid up license

in perpetuity for the Licensed Technology for all their present and future pipelines, including laterals”. The 2012 Bright Memo explains JL’s understanding of the License Agreements and offered some brief comments on the proposals JL had received regarding License renegotiations. A quarter of the way down page 2, the 2012 Bright Memo states:

Alliance is currently adding volume to the US Pipeline System by feeding gas in from other pipelines in the US, including the pipelines now owned by Aux Sable. It is our understanding that neither Aux Sable nor Alliance has any rights under the license agreements to use the technology in these other pipelines, for the transportation of such gas in the System, or for processing such gas at the Facility, and is therefore violating JL's patent rights. Alliance has acknowledged this and the corresponding need for an additional license by proposing the new "paid up " license agreement.

While JL is interested in granting the right to use the technology in further Alliance and Aux Sable projects, the terms of the proposed agreement are far too broad and prejudicial to be agreed as they currently stand:

[emphasis added]

[65] The Memo proceeds to list JL’s issues with the new Licensing Agreement as proposed.

[66] On October 1, 2012, Dunn, on behalf of APL, acknowledged receipt of the Memo, withdrew its offer of the Paid Up License Agreement, and subsequently declined Bright’s request to meet. That same day, Bright forwarded to Lagadin a press release published in the Daily Oil Bulletin that confirmed Alliance was moving ahead with construction preparations for the Tioga Pipeline and planned for it to be in-service by summer 2013.

[67] In early 2013, a JL team comprised of Morris, Lagadin, Bright, and Sikora continued looking into the methodology of transporting NGLs and NGL/gas mixtures on the Alliance mainline and all three Laterals. In particular, Lagadin asked Morris to investigate whether the pressures, temperatures, and NGL concentrations present within the mainline and Laterals fell within the operational parameters of the Licensed Technology.

[68] On February 13, 2013, Lagadin met with APL’s new CEO, Terrance Kutryk (“**Kutryk**”), and Aux Sable’s CEO, Bill McAdam (“**McAdam**”). The “talking points” for the meeting were shared with Bright, Sikora, and Morris. One of the headings included in the talking points states: “Explain Reason JL requested meeting”. The reasons provided are as follows:

- To make Bill and Terrance directly aware of JL issues re: Prairie Rose and Tiogo
- To discuss a go forward game plan
 - o Step 1— legal review by JL and Alliance
 - o Step 2 — negotiate
 - o Step 3 — litigation, if necessary
- Historic approach has not worked!
- Review chronological order of events

- Last response from Larry Dunn appears to be a "kiss off" response — is this the case?

[69] According to the Defendants, these talking points demonstrate JL was contemplating litigation as of February 13, 2013. During oral submissions, the Defendants argued that these talking points prove Lagadin knew of the injury and knew who to threaten with the injury.

[70] On March 4, 2013, Bright sent Lagadin another memorandum (the “**2013 Bright Memo**”) that summarized a March 1, 2013 meeting between Bright and Dunn (Senior Corporate Counsel for APL). The 2013 Bright Memo describes a meeting in which both Bright and Dunn set out their respective interpretations of the License Agreements. In cross-examination on his affidavit evidence, Bright confirmed that the meeting was relatively short due to the Parties’ disagreement on interpretation. He also confirmed that, at that time, he believed APL was using the Licensed Technology. The final section of the 2013 Bright Memo contains a section titled “Next Steps”. It provides as follows:

It would appear that Mr. Dunn is preparing to dispute as many provisions of the agreements as possible, and given the value of the technology, this is not unexpected. We have discussed with you the strengths of the licenses, the history of the parties, and the ability to easily demonstrate use of the patented technology outside those licenses. However, as we have already discussed, a discussion at a high level that is focussed on a good business decision and mutual benefits would be a better alternative for both parties. Therefore we would encourage JL to continue its technical analyses and preparations for potential litigation, but prior to initiating any such actions, it would serve both parties to exhaust all potential negotiated business solutions. If we can be of any assistance in that regard, we would of course be happy to help.

[emphasis added]

[71] Bright proceeded to draft a letter to Dunn dated March 18, 2013 summarizing JL’s position after the March 1st meeting. The draft letter notes that JL’s experts, “who were instrumental in the design and construction of the pipeline”, disagreed with the Defendants’ position that they were not using the Licensed Technology in the Laterals. The draft letter goes on to state that:

Our client remains confident in its position that Alliance has no right to use the licensed or patented technology in the transport of gas, other than as specifically granted in the licenses, yet continues to use the technology with respect to operations outside these licenses. The licenses were put in place for a specific and limited purpose at the time of construction, when our client was working alongside Alliance to create a system that has proven to be the cornerstone of Alliance’s value and a key building-block in Aux Sable’s success.

Although our client is reluctantly willing to rely on the Court’s authority for an equitable remedy, we agree that it would not be beneficial to all parties, including a number of strategic partners with a vested interest in the uninterrupted operation of the pipeline. Our client would prefer it if Alliance would be willing to have a technical discussion of its position with our client’s technical experts, or simply forego the dissection of terms aimed at dishonouring the intent of the agreements

and embark on good faith negotiations. Please discuss this option with your business people and let us know of your intended course of action.

[emphasis added]

[72] An updated draft of this letter, prepared in June 2013, states that JL’s experts had “examined substantial amounts of data available with respect to the operation of Alliance’s pipeline system”, and that JL was “confident that Alliance is using the licensed or patented technology in the transport of gas, and has no right to use it other than as specifically granted in the licenses, yet Alliance continues to use the technology with respect to operations outside those licenses”.

[73] Neither the March nor June 2013 letters were ultimately sent to the Defendants. Nonetheless, these draft letters, sent between Bright and Lagadin, provide insight as to what the Plaintiff knew or ought to have known at the time they were drafted.

[74] In April 2013, James Lagadin (one of John Lagadin’s sons) estimated the value of the NGL’s transported through the Laterals. He used publicly available gas composition mixes from the Alliance website and other sources to calculate the volumes of NGL’s transported in each of the Laterals. James Lagadin informed his father via email on April 29, 2013, that “the value captured by Aux Sable in utilizing the technology is significant”. One of the estimates suggested that a net value per year of over \$46,809,423 was being realized on the Tioga Pipeline alone. Lagadin forwarded the “value proposition for the three infringing pipelines” to Bright on May 1, 2013 via an email with the subject line “Project Karma – Alliance Mainline”. The Defendants suggest that as of May 1, 2013, JL was certainly aware of the significant amounts at issue in the action and the benefit the Defendants were potentially receiving from the alleged use of the Licensed Technology.

[75] In September 2013, Lagadin specifically requested that Morris model the hydraulics of the Alliance mainline and Laterals and comment on the possibility that the Defendants had developed and were using a new and different pipeline transmission technology. According to JL’s written submissions, the Defendants refused to provide JL with requested technical data regarding the operation of the Laterals and continued asserting that they were not using the Licensed Technology in the Laterals — the Defendants assured JL they were using a new, different technology. Therefore, in order to model the operational parameters of the Laterals to determine whether or not the Licensed Technology was being used within them, the team had to rely on publicly available information and records.

[76] The 2013 modelling by Morris was based solely on the assumption that the Alliance mainline and Lateral Pipelines were operating at maximum design capabilities and specifications, and it did not contain any verified or verifiable volumes or gas constituents. Morris swore in affidavit evidence that the results of the 2013 modelling indicated that the Laterals fell under the terms of the Patent and License Agreements. Although the 2013 modelling was rooted in assumptions regarding operating conditions, Morris acknowledged that “the limited analysis was... sufficient to justify the continued investigation into the as-built structures and the actual operating criteria and specifications”. He also stated that “[s]uch investigation of the as-built information and operating records might ultimately have supported, verified or confirmed the validity of my initial theoretical findings”.

[77] In their written submissions, both JL and the Defendants agree that “Mr. Morris’ modeling in 2013 showed that the Alliance mainline and the Lateral Pipelines could be using the Licensed Technology”. Where they disagree is with respect to the degree of certainty required to establish that JL “knew or ought to have known” it had suffered an injury and had a potential claim sufficiently serious enough to be worth pursuing.

[78] According to JL, the 2013 Morris Modelling was of limited use as it was not based on any actual data from the Lateral Pipelines. Morris stated in affidavit evidence that he “expressed [his] suspicions of the use of the Technology” to JL, but also “expressed [his] serious concern ... that [his] 2013 hydraulic modelling was of limited use as it did not have any actual Alliance sourced data from the Lateral Pipelines themselves”. It was Morris’ understanding that JL used his theoretical study at meetings with APL to persuade Alliance/Aux Sable to either confirm their use of the Technology or, at the very least, provide the actual operating data. In cross-examination, in addressing his takeaways from the 2013 modelling study, Morris stated that as of November 2013: “I didn’t have absolute proof that would stand up. What evidence did I have, which we’d mentioned, of mixtures, pipelines and pressures, et cetera, it was a very, very strong suspicion”.

[79] The Defendants, on the other hand, take the position that the 2013 Morris Modelling was more comprehensive and conclusive than JL would care to admit. Using software called Pipeflo, Morris prepared “detailed hydraulic modelling of five separate pipelines: the two main lines (Canadian and US) and the three laterals”. On September 26, 2013 he generated 20 “runs” within the Pipeflo software, which produce a set of data and a graph called a “phase diagram”. The phase diagrams depict the behaviour of a particular gas mixture as a function of pressure and temperature (i.e., the software produced a “**Pressure v Temperature Curve**” for each gas mixture). On each of the phase diagrams, Morris plotted an area that reflected the pressure and temperature conditions covered by JL’s patents (the “**Patent Claim Boundary**”). Morris confirmed on cross-examination that if a Pressure v Temperature Curve produced during a run intersected the Patent Claim Boundary, he drew the conclusion that the Licensed Technology was being used in the Pipeline. He later confirmed that, based on his analysis, the pipeline Pressure v Temperature Curve always fell inside the box on his model. In essence, every one of Morris’ 2013 models tested positive for the use of the Licensed Technology. He again emphasized, however, that the models were based on his assumptions and publicly available data opposed to information directly from Alliance.

[80] Morris confirmed in cross-examination that as of 2013 he believed that Alliance was using the Licensed Technology in all three Lateral Pipelines. The Defendants contend that Morris’ 2013 models, affidavit evidence, and testimony given in cross-examination demonstrate that as of September 2013, Morris had formed a clear opinion that the Licensed Technology was being used in the Lateral Pipelines. As of September 2013, it is not clear whether senior officers of JL, including Lagadin, accepted Morris’ opinion.

[81] However, on October 4, 2013, Lagadin forwarded phase diagrams he received from Morris to Bright, Sikora, and James Lagadin. The email describes the 2013 Morris modelling, acknowledges that the Pressure v Temperature Curves are intersecting the Patent Claim Boundary on the phase diagrams, and states that “this clearly shows the situation”.

[82] Further, by November 2013, JL (specifically Lagadin and Morris) had prepared an 18-page draft position presentation called the “Alliance Story” which was shared with Lagadin, Morris, Bright, Sikora, and James Lagadin. The document concluded that:

- 1) The Licensed Technology was being used in the Septimus, Prairie Rose, and Tioga Pipelines;
- 2) Alliance and Aux Sable were infringing on the Licenses and the Patents; and
- 3) Alliance and Aux Sable were benefitting substantially at JL’s expense.

[83] The Defendants refer to this presentation as a “Litigation Manual”. At page 11, the presentation states that “it is and should be obvious to those experienced and familiar with the matter that the explicit and implicit intent and purpose of the JL Technology was used for [the Prairie Rose, Tioga, and Septimus Pipelines]”. The document goes on to threaten litigation in the event that APL chose not to negotiate.

[84] In an email sent from Lagadin to Bright, Morris, Sikora, and James Lagadin on November 27, 2013, which included the Litigation Manual as an attachment, Lagadin notes that “[t]he technical section is not complete but should be by the end of the week, as Ian [Morris] will be in tomorrow to complete this section”. The email also states that:

The plan still is to meet with Terrance Kutryk [i.e., the then CEO of APL] and show him (not leave him) the presentation and let him know that we are serious and very well prepared to litigate and immediately send a statement of claim if Alliance is not prepared to negotiate fair compensation by a certain date (i.e 3 months). The inclusion of BP, and the producers supplying the rich gas in the statement of claim will be brought up which should intensify their attention on the matter.

[85] In their written submissions, the Defendants contend that: “There can be no doubt of any kind that by November 27, 2013 at the very latest JLET believed the Technology was being used by Alliance and Aux Sable in violation of both the Licenses and the Patents, and that it fully understood its ability to litigate those issues”.

[86] JL, on the other hand, argues that it did not have the requisite knowledge to know that the injury had occurred until late 2014. In 2014, Morris undertook further hydraulic modelling at the request of Lagadin. In September/October of 2014, Morris still did not have operating data for the Lateral Pipelines from Alliance but had reviewed information regarding gas compositions at compressor stations upstream and downstream of the Prairie Rose and Tioga pipelines. Based on this information, Morris was able to extrapolate the data to create a useable operating matrix for the Lateral Pipelines. According to Morris’ affidavit evidence, this was actual, but indirect data, as opposed to the assumptions he had relied on in his 2013 study. The 2014 study provided a “tighter fit” to the Licensed Technology and was a more refined analysis in comparison to the 2013 study.

[87] According to the Defendants, Morris’ work in 2014 was merely a “tweaking” of his 2013 study to accommodate a different question asked by Lagadin (i.e., whether Alliance could accommodate the direct injection of higher concentrations of ethane into the US Alliance mainline). In cross-examination on his affidavit evidence, Morris admitted the following regarding the 2014 study:

It wasn't as detailed a study as 2013. It was in response as John Lagadin hearing that there was an injection of ethane into the system, most likely at the plants, how would that affect the pipelines.

And the essence there was how much could they put in winter and summer without the liquids falling out. The more value they could put in, the better the system was giving them a return on everything.

[88] Morris proceeded to admit that the 2014 study was a “tweaking or sensitivity analysis” of the 2013 study, and that the 2014 study confirmed the results of the 2013 study.

[89] It is worth noting that the 2014 study does not reference the Septimus Pipeline at all. The Defendants explained this in oral argument by suggesting that the premises of the 2013 and 2014 studies were completely different. In essence, the 2014 study had nothing to do with the 2013 study other than confirming its results. The 2014 study was conducted purely to address Lagadin’s question as to whether it was possible for additional ethane to be injected into the US mainline. According to the Defendants, nothing changed in terms of JL’s perceived basis for litigation between 2013 and 2014 — everything after November 27, 2013 simply built out JL’s case.

[90] In *Grant Thornton LLP v New Brunswick*, 2021 SCC 31 at para 3, the Supreme Court of Canada stated that “a claim is discovered when the plaintiff has knowledge, actual or constructive, of the material facts upon which a plausible inference of liability on the defendant’s part can be drawn”. In Alberta, claims are discoverable if the claimant (1) was reasonably aware of the injury suffered; (2) could attribute the injury to the Defendants; and (3) the injury was sufficiently serious to warrant a proceeding for a remedial order: *Limitations Act*, s 3.

[91] After reviewing the record between 2008 to May 2016 (i.e., the filing of the Statement of Claim), I am satisfied that JL had sufficient knowledge to establish its claims for breach of the License Agreements, Patent infringement, and disclosure of confidential information as of November 27, 2013, at the very latest. The presentation attached to the November 27, 2013 email from Lagadin to Bright, Morris, Siroka, and James Lagadin can, indeed, be described as a Litigation Manual. In addition to outlining the injury JL had suffered, identifying the culprits responsible for that injury, and providing a rough estimate of the monetary value of the injury, the document also laid out subsequent steps JL would take in the event an agreement couldn’t be reached. These steps included litigation. After failing to negotiate an agreement throughout the remainder of 2013, 2014, and 2015, JL finally filed a Statement of Claim on May 11, 2016. The grounds included in the Statement of Claim were no broader than what had been identified as of November 27, 2013. The data upon which the Statement of Claim was based was equivalent to that known in November of 2013. Nothing changed. Essentially, JL laid out its Litigation Plan in November of 2013 and “followed it to a tee”.

[92] Any follow up analyses completed, or additional legal opinions received by JL after November 2013 were for the purpose of proving its claim, in hopes of achieving absolute certainty before launching litigation. Discoverability does not require perfect knowledge or certainty that the claim will succeed: *Weir-Jones* at para 58, citing *De Shazo v Nations Energy Co*, 2005 ABCA 241 at paras 31-32; *Grant Thornton* at para 46.

[93] It is clear on the evidence that JL knew or ought to have known that it had suffered an injury as of November 27, 2013, that that injury was attributable to the Defendants, and that it

was worth pursuing a claim for the injury. This date precedes the two-year limitation period for breach of the Licensing Agreements (i.e., breach of contract) under s 3(1) of the *Limitations Act*. Therefore, I grant the Defendants' application for summary dismissal and dismiss this action wholly, both with respect to allegations of breach of contract and patent infringement.

3. Discoverability was not Obstructed by the Defendants' Denial of Liability nor did the Defendants Mislead the Plaintiffs and Thereby Delay the Commencement of the Limitation Period

[94] JL argues that the Defendants obstructed discoverability and misled JL by refusing information requests, denying use of the Licensed Technology, and indicating that they were willing to work with JL to resolve the issue by specifically seeking proposals from JL in December 2014.

[95] According to JL, if the Defendants had cooperated and provided JL the requested technical data, it would have allowed Morris to actually determine if the Defendants were using the Licensed Technology within the Laterals. In response, the Defendants argue that while actual operating data may have allowed Morris to conclusively verify whether or not the Licensed Technology was being used in the Laterals, verification or proof is not needed — only knowledge of the material facts to draw a plausible inference, which is more than mere suspicion but less than perfect knowledge, is required.

[96] I agree with the Defendants. It is true that a defendant's statements, actions, or omissions can affect a plaintiff's state of knowledge and duty to inquire: *Milota v Momentive Speciality Chemicals*, 2020 ABCA 413, citing *Canadian Natural Resources Limited v Husky Oil Operations Limited*, 2020 ABCA 386 at paras 34–36, *James H Meek Trust v San Juan Resources Inc*, 2005 ABCA 448 at para 33, *Geophysical Service Incorporated v Encana Corporation*, 2018 384 at para 27. However, no such statement, action, or omission sufficient to displace JL's state of knowledge occurred in this case. As described above, as of November 27, 2013, JL was capable of articulating its alleged injuries to the point of being able to prepare a "Litigation Plan". The Defendants' denial of any wrongdoing and/or refusal to disclose its operational data did nothing to disrupt that knowledge and thereby delay the commencement of the limitation period.

[97] I also find that the Defendants did not mislead JL by denying liability or by entering into negotiations to resolve the dispute.

[98] As recognized by Slatter JA in *Weir-Jones* at para 57:

The appellant indicates that it did not commence a court action for close to three years after it discovered its claim "in part because of the potential for a global settlement of the matters alleged in the Statement of Claim, informally or otherwise, along with the labour matters." If the plaintiff fails to seek a "remedial order" within the limitation period because of a mistaken view of the availability of an alternative procedure, the claim will be barred: *Babcock & Wilcox Canada Ltd. v. Agrium Inc.*, 2005 ABCA 82 (Alta. C.A.) at para. 16, (2005), 39 Alta. L.R. (4th) 197, 363 A.R. 103 (Alta. C.A.).

[emphasis added]

[99] The Defendants made no assurances of any resolution and consistently denied liability. Therefore, discoverability was not obstructed by the Defendants’ denial of liability nor did the Defendants mislead JL and thereby delay the commencement of the litigation period.

4. There is No Rolling Limitation Period for Patent Infringement Claims in Alberta

[100] JL argues in the alternative that breaches arising from the Defendants’ use of the Licensed Technology or infringement of JL’s Patents are continuous breaches and, as such, are subject to a rolling limitation period. According to JL, each time the License Agreements were breached, or the JL Patents were infringed, a new limitation period started and each breach/infringement that occurred within two years of the Statement of Claim being filed are not statute barred by the *Limitations Act*. In essence, “[e]ach instant gas flows through the Lateral Pipelines using the Licensed Technology, the License Agreements are breached (and as a result, the JLET Patents are infringed, as these two are inextricably linked...)”.

[101] The Defendants rely on *Geophysical Service Incorporated v Encana Corporation*, 2018 ABCA 384, leave to appeal to SCC refused, 38486 (23 May 2019) [*GSI v Encana*] in response, and propose that rolling limitation periods do not apply to patent infringement claims. According to the Defendants, JL is attempting to argue that the alleged injury (the unauthorized use of the Licensed Technology) is continuous because the impact of that use (i.e., the flow of molecules in the Laterals) is continuous. The Defendants contend that injuries are not continuous simply because the damages associated with them continue to accrue — otherwise, no limitation period would ever start to run where damages are ongoing, which is inconsistent with the intent of the *Limitations Act*. The Defendants say that the focus of the analysis under s 3(1) of the *Limitations Act* must be on JL’s “knowledge of the alleged injury, not the cause of action asserted in respect of that injury”.

[102] In *GSI v Encana*, Geophysical Service Incorporated (GSI) claimed damages from Encana Corporation (Encana) for allegedly copying and possessing confidential seismic data that GSI had created — Encana possessed seismic data from GSI, which GSI argued was not part of any license agreement. Encana argued that the data did not fit the definition of “seismic data” in the license agreements. GSI’s statement of claim pleaded breach of contract, copyright infringement, breach of confidence, and unjust enrichment. Encana defended on the basis that the claims were statute-barred by the *Limitations Act* — “GSI did not seek a remedial order within two years after it knew or ought to have known that Encana had infringed GSI’s intellectual property rights by copying the [seismic data]”: *GSI v Encana* at para 12.

[103] At para 31, the Court explained:

The focus of an inquiry under [section 3\(1\)\(a\) of the *Limitations Act*](#) is on the injury, not the cause of action. The "statute asks whether the *injury* (assuming liability) warrants bringing a proceeding. It does not ask whether the *particular* statement of claim suit which later was finally issued had warranted filing at the relevant time. It asks about whether some court proceeding had been warranted": *Boyd v. Cook*, [2013 ABCA 27](#) (Alta. C.A.) at para 16, [\(2013\), 542 A.R. 160](#) (Alta. C.A.) (emphasis in original). To be clear, GSI's injury is the unauthorized use of its seismic data. It is an injury to its intellectual property rights. This is the same injury whether the cause of action sounds in contract, tort, equity or copyright. The chambers judge improperly conflated the cause of action

pleaded (breach of contract) with injury. This was a palpable and overriding error. On this record, applying [section 3\(1\)\(a\)](#) leads clearly to the conclusion that Encana has a complete defence to the Accessed Data Claim.

[emphasis added]

[104] The Court found that the breach of confidence, unjust enrichment, and copyright claims were based upon the same injury: accessing and copying unlicensed seismic data. The Court concluded that the claims were statute barred by s 3(1)(a) of the *Limitations Act* and the three-year discovery limitation in the *Copyright Act*, RSC 1985, c C-42, s 43.1. Therefore, the Court concluded that the chambers judge erred in determining that s 3(1)(a) of the *Limitations Act* was not a complete defence to GSI's claim.

[105] Further, as the Alberta Court of Appeal recognized in *Secure Energy* at para 30, “the continued use of property, including intellectual property, does not constitute an ongoing tort. To find otherwise would render limitation periods meaningless.”

[106] Like *Secure Energy*, this is not a case that deals with a series of breaches or where successive non-payment of royalty payments gives rise to separate claims: see e.g. *James H Meek Trust v San Juan Resources*, 2005 ABCA 448; *Secure Energy* at para 30.

[107] I find that the Defendants' alleged continuing use of the Licensed Technology outside the scope of the License Agreements did not give rise to separate and continuing injuries. JL had knowledge of the alleged injury it suffered (i.e., breach of License Agreements and infringement of Patents) as of November 27, 2013. It had two years to pursue compensation for this injury. It failed to do so. To decide otherwise would allow owners of Intellectual Property to discover an unlawful use of their property, sit on their hands until the unlawful business built around the use of that property grew to a sufficient size, and then launch a lawsuit after the defendant's work reliant on the property became sufficiently ripe to make damages worthwhile. This is a mischief to be avoided, and specifically addressed by limitations periods. Intellectual Property rights are rights created and bestowed upon the owner by law. The owner is therefore bound by limitation rights set out in law in enforcing these rights.

[108] In summary, there is no rolling limitation period for patent infringement claims in Alberta.

C. If the Action Survives, it is Limited to Canadian Patent Infringement

[109] If I am wrong with respect to the limitation period, any surviving action should be limited to Canadian patent infringement. US Patent Infringement is outside the jurisdiction of this Court.

1. US Patent Infringement is Outside the Jurisdiction of this Court

[110] The Defendants have applied under rule 3.68(2)(a) of the Alberta *Rules of Court* to strike JL's claims to the extent that they include claims for infringement of United States patents which occurred in the United States, and which were committed by companies registered in the United States (the “**United States Patent Claims**”).

[111] The Defendants argue that this Court does not have jurisdiction to adjudicate any claims relating to US patents as such jurisdiction is a matter of American law and is reserved to the US Federal Court. Their position is based on four points:

(a) patents are strictly territorial and must be adjudicated by their issuing country;

- (b) there is no authority in the Canadian *Patent Act* or the United States *Patent Act* that grants this Court jurisdiction over JL’s US Patent Claims;
- (c) this Court has no “real and substantial” connection to JL’s US Patent Claims; and
- (d) this Court should apply the same approach as the United States Court of Appeals which has denied jurisdiction over Canadian patent claims on the basis of territoriality.

[112] It is not disputed that patent law is territorial in nature. Patent rights are entirely created by statute and granted by individual countries on the basis of their respective country’s patenting criteria and law — there is no common law right to a patent. A US patent is property created under the law of the United States. The Defendants argue that in effect, JL is asking this court to define the boundaries of property created under US law and enforce those boundaries.

[113] Indeed, I was not pointed to any authority that suggests I can adjudicate a US Patent infringement claim. Given that the first patent statute governing Canadian territory was enacted in 1823 (see the *Lower Canada Patent Act* (UK), 4 Geo IV, c 25 (LC) (1823); Stephen J Perry & T Andrew Currier, *Canadian Patent Law* (Markham, ON: LexisNexis, 2012) at 25), pre-Confederation, the scarcity of case law may speak to the rarity of provincial superior courts being asked to adjudicate foreign patents, and may reflect the Defendants’ position that this Court does not have subject matter jurisdiction over US patent infringement claims.

[114] Nonetheless, I must assess whether this Court has jurisdiction over US Patents according to the jurisdiction *simpliciter* analysis outlined in *Club Resorts Ltd v Van Breda*, 2012 SCC 17 [*Van Breda*].

[115] When a court considers issues of jurisdiction, its analysis must deal first with those concerning the assumption of jurisdiction itself: *Van Breda* at para 69. Jurisdiction is determined using the “real and substantial connection test” as proposed in *Morguard Investments Ltd v de Savoye*, [1990] 3 SCR 1077 [*Morguard*].

[116] According to *Morguard*, a court has jurisdiction to issue a judgement when there is a “real and substantial connection” between the matter and the chosen forum. The real and substantial connection test holds that jurisdiction is presumptively established where objective factors connect the subject matter of the litigation with the forum: *Van Breda* at para 82. Presumptive connecting factors include:

- (1) Property connected with the dispute is located in the territory;
- (2) A contract connected with the dispute was made in the territory;
- (3) The parties have expressly or impliedly attorned to the territory;
- (4) The defendant carries on business in the territory;
- (5) A tort was committed in the territory; and
- (6) The defendant is domiciled or resident in the territory.

Van Breda at paras 82-90.

[117] The list of presumptive connecting factors is not closed: *Van Breda* at para 91.

[118] Where a presumptive connecting factor applies, a court can assume that it is properly seized of the subject matter of the litigation and that the defendant has been properly brought before it: *Van Breda* at para 94. The court will maintain jurisdiction unless the presumption is rebutted by the challenging party.

[119] Once jurisdiction *simpliciter* is established, a claim can proceed subject to a court's discretion to stay proceedings under the doctrine of *forum non conveniens*: *Van Breda* at 100. For the doctrine of *forum non conveniens* to apply, the defendant must identify another forum that has an appropriate connection to the action and demonstrate why that alternative forum is "clearly more appropriate": *Van Breda* at paras 103, 108.

[120] Jurisdiction *simpliciter* is not to be confused with the doctrine of *forum non conveniens*. As highlighted by the Supreme Court of Canada in *Tolofson v Jensen*, [1994] 3 SCR 1022 at 1049:

[the real and substantial connection] test has the effect of preventing a court from unduly entering into matters in which the jurisdiction in which it is located has little interest. In addition, through the doctrine of *forum non conveniens* a court may refuse to exercise jurisdiction where, under the rule elaborated in *Amchem* ... there is a more convenient or appropriate forum elsewhere.

[emphasis added]

[121] The Defendants argue that questions concerning this Court's ability to adjudicate US patents can be answered solely on the basis of jurisdiction *simpliciter*, and there is no need to engage in a *forum non conveniens* analysis. They say that subject matter jurisdiction lies with the US Federal District Court which has original and exclusive jurisdiction to determine US patent infringement claims. Their position is based on five points:

- (a) The cause of action is based on a patent right that was granted by the United State of America under the United States *Patent Act*;
- (b) The US Laterals are entirely within the United States, not in Canada;
- (c) The alleged infringing activity (i.e., the use of the invention disclosed in the US Patent on the US Laterals) is entirely within the United States;
- (d) The parties alleged to have infringed the US Patents are United States entities;
and
- (e) The law applicable to assess JL's US Patent Claims is United States law, not the law of this Court, nor the laws that govern patents in Canada.

[122] This Court has previously acknowledged that the US clearly has exclusive jurisdiction regarding US patent validity, enforceability, and infringement, and that Alberta courts do not have subject matter jurisdiction of US patent matters: *TR Technologies Inc v Verizon Communications Inc*, 2011 ABQB 390 at paras 38, 81. Further, I have not been pointed to any international treaty, Canadian legislation, or US legislation that would allow this Court to adjudicate a US patent. I have, however, been pointed to persuasive US case law that suggests nothing in international patent treaties allows one jurisdiction to adjudicate the patent claims of another, and that US Courts have refused to exercise jurisdiction over patent infringement claims in relation to Canadian patents: see *Voda v Cordis Corp*, 476 F 3d 887 (Fed Cir 2007) at 898-899. As such, after considering the real and substantial connection factors addressed by the

Defendants, I am satisfied that this Court does not have jurisdiction *simpliciter* over US patent infringement claims. If this action survives, JL's claims of patent infringement related to US patents should be struck under rule 3.68(2)(a) of the Alberta *Rules of Court*.

[123] This finding should not be interpreted as saying this Court would never have jurisdiction over a Licensing Agreement or other contract concerning patents in which the parties expressly attorn to the jurisdiction of Alberta. Had the two-year limitation period for breach of the Licensing Agreements in this case not expired, this Court may very well have had jurisdiction to hear a dispute regarding those agreements given that the Parties expressly attorned to this jurisdiction. Under the real and substantial connection test from *Van Breda*, attorning to the jurisdiction of Alberta may presumptively connect the Licensing Agreements to Alberta and give this Court jurisdiction *simpliciter* over the matter. It would then be up to the Defendants to rebut the presumption or raise arguments of *forum non conveniens*. Again, given that the two-year limitation period for breach of contract has expired, I make no finding as to whether this Court could consider a breach of contract claim in which the breach is tied to patents in a foreign jurisdiction: see e.g. *TR Technologies Inc; Seismotech Safety Systems Inc v Forootan*, 2021 FC 773.

2. Provincial Superior Courts have Jurisdiction to Hear Canadian Patent Infringement Claims

[124] The Parties do not contest that provincial superior courts have jurisdiction to adjudicate Canadian patent infringement claims. Section 54 of the *Patent Act* states:

Infringement

Jurisdiction of courts

54 (1) An action for the infringement of a patent may be brought in that court of record that, in the province in which the infringement is said to have occurred, has jurisdiction, pecuniarily, to the amount of the damages claimed and that, with relation to the other courts of the province, holds its sittings nearest to the place of residence or of business of the defendant, and that court shall decide the case and determine the costs, and assumption of jurisdiction by the court is of itself sufficient proof of jurisdiction.

Jurisdiction of Federal Court

(2) Nothing in this section impairs the jurisdiction of the Federal Court under section 20 of the *Federal Courts Act* or otherwise.

[125] As recognized by the Alberta Court of Appeal in *Secure Energy* at para 9:

While patent infringement actions are commonly brought as a practical matter in the Federal Court, where Canada-wide remedies are available and there is no issue regarding extra-provincial enforcement of judgments, nothing in the Federal Court Act, RSC 1985, c F-7, or *Patent Act* ousts the jurisdiction of provincial superior relief in patent infringement cases.

[126] It appears to be settled law that superior courts have concurrent jurisdiction to hear disputes over patent infringement cases: *Secure Energy* at para 8. Therefore, if I am wrong with respect to the limitation issues outlined above, and the 6-year limitation period from the *Patent*

Act applies to patent infringement actions brought in provincial superior courts, any surviving action will be limited to the alleged infringement of Canadian patents.

V. Conclusion

[127] The Defendants' application for summary dismissal is granted. The two-year limitation period applicable to breach of the License Agreements and Patent Infringement in Alberta has expired. This action in its entirety is therefore dismissed.

[128] It is clear that the Defendants have succeeded in this motion. If counsel cannot agree on costs, I will entertain written submissions from the Parties no longer than five pages in length, with no more than 20 pages in attachments.

Heard on the 11th, 12th, and 13th day of December, 2023.

Dated at the City of Calgary, Alberta this 8th day of February, 2024.

K.M. Horner
J.C.K.B.A.

Appearances:

Andrew Wilson KC, Charlotte Stokes, David J. Marshall, Chunyi Huang
for JL Energy Transportation Inc

Matthew R. Lindsay, KC, Andrew Wilkinson, Michelle Herron, and Kyle Harder
for Alliance Pipeline Limited Partnership, Alliance Pipeline Ltd., Alliance Pipeline L.P.,
Alliance Pipeline Inc.

Roger Smith, KC, Kelly Moffet-Burima, Stephanie Frazer, and Chelsea Nimmo
for Aux Sable Liquid Products LP and Aux Sable Liquid Products Inc.