Cour d'appel fédérale | Federal Court of Appeal

**Date: 20240912**

**Docket: A-277-23**

**Citation: 2024 FCA 144**

**CORAM:** **DE MONTIGNY C.J.**
**MACTAVISH J.A.**
**LEBLANC J.A.**

**BETWEEN:**

**SEISMOTECH IP HOLDINGS INC.**
**SEISMOTECH SAFETY SYSTEMS INC.**

**Appellants**

**and**

**ECOBEE TECHNOLOGIES ULC**

**Respondent**

Heard at Vancouver, British Columbia, on September 12, 2024.
Judgment delivered from the Bench at Vancouver, British Columbia, on September 12, 2024.

REASONS FOR JUDGMENT OF THE COURT BY: LEBLANC J.A.

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**REASONS FOR JUDGMENT OF THE COURT**
**(Delivered from the Bench at Vancouver, British Columbia, on September 12, 2024).**

**LEBLANC J.A.**

[1] This is an appeal from an order of Justice Grammond of the Federal Court (the Motion Judge), dated October 5, 2023 (2023 FC 1335). In his order, the Motion Judge added the respondent as a party defendant to the present simplified action (Court file T-1147-23). He did so pursuant to Rule 104(1)(*b*) of the *Federal Courts Rules*, SOR/98-106 (the *Rules*), being satisfied that the outcome of the action would inevitably affect the respondent's legal interests.

[2] In their action, the appellants claim to have owned four patents, which allegedly relate to smart thermostat technologies widely used in Canada. They are suing as of yet unidentified end users – hundreds of thousands of them according to the appellants - of some 36 alleged infringing products made by Canadian manufacturers. The respondent is one of these manufacturers. The present action is also one of four actions launched by the appellants in connection with the alleged infringement of these patents.

[3] The Motion Judge held that the respondent's legal interests would be affected in two ways. First, because the relief sought in the action pertains to the lawfulness of its products. Second, because the respondent is likely to be sued in warranty if end users are found to have infringed, it would be directly prejudiced if such finding is made without certain defences having been put forward.

[4] The appellants contend that the Motion Judge committed reversible errors by: (i) proceeding on the respondent's motion without any notice having been given to the defendants directly affected by it; (ii) relaxing the legal test applicable on Rule 104(1)(*b*) motions; and (iii) misapplying that test in the circumstances of this case.

[5] Orders made under Rule 104(1)(*b*) are discretionary in nature (*Air Canada v. Thibodeau*, 2012 FCA 14 at para. 10, referring to *Stevens v. Canada (Commissioner, Commission of Inquiry*) [1998], 4 F.C. 125 at para. 10; see also *Janssen Inc. v. Teva Canada Limited*, 2012 FCA 137 at para. 1). To intervene, the Court must be satisfied that the Motion Judge erred on a question of law or committed a palpable and overriding error in applying the law to the facts of the case

(*Housen v. Nikolaisen*, 2002 SCC 33; *Hospira Healthcare Corporation v. Kennedy Institute of Rheumatology*, 2016 FCA 215).

[6] Having read the Motion Judge's reasons and having heard the submissions of counsel for the appellants, we see no such errors. Contrary to the appellants' contention, we are satisfied that there was no relaxation of the test applicable to a Rule 104(1)(*b*) motion. The Motion Judge was alive to the principle of party autonomy in civil proceedings and to this Court's narrow interpretation of Rule 104(1)(*b*). He set out the jurisprudential guidelines for assessing whether a proposed defendant's presence is necessary to ensure that all matters in dispute in the proceeding may be effectually and completely determined. That said, he correctly pointed out that the mere existence of Rule 104 shows that there are circumstances where the plaintiff's choice to sue certain defendants but not others may be overridden.

[7] We are all of the view that the Motion Judge correctly directed himself on the law. As to his application of the law to the facts of the case, the appellants have not met the very demanding task of showing that the Motion Judge committed a palpable and overriding error. It was open to the Motion Judge to find that the appellants' action cannot be allowed without determining the lawfulness of the respondent's products, thereby making the respondent's presence as a defendant in the action necessary to ensure that all matters in disputes in the proceeding is effectually and completely determined. This is especially so in circumstances where, as noted by the respondent, the end user defendants are likely to lack the necessary experience, knowledge and resources to properly defend the action, including the lawfulness of its own products.

[8] The appellants argue that the expiry of the allegedly infringed patents means that the respondent's rights are not implicated so no injunction relief is being sought. We see no merit to this argument as the appellants continue to seek a declaration that the end users infringed these patents by the mere use of the allegedly infringing products. They further contend that adding the respondent as a defendant to the action would be impractical and would create a multiplicity of actions. However, at the same time, they recognize that the Federal Court could benefit from the respondent's participation in the action, albeit "for discrete steps" that would require the respondent to seek intervener status in each instance. We agree that this would not be an effective use of the Court and party resources and, in any event, fail to see how this whole argument assists the appellant in this appeal.

[9] Relying on this Court's decision in *McCain Foods Limited v. J.R. Simplot Company*, 2021 FCA 4, the appellants also assert that the Motion Judge erred in considering the impact of possible claims in warranty against the respondent because of the Federal Court's lack of jurisdiction to adjudicate third party claims in contract. This argument misses the mark as the Motion Judge only underscored the likelihood of such claims being made against the respondent, irrespective of the jurisdiction in which these claims would be brought.

[10] Finally, the appellants' lack of service argument must also fail. According to a case management order issued by the Federal Court on July 5, 2023, the appellants' action was "removed from the operation of Rule 139(2)", which requires service of a document on all parties, with the only exception being for documents pertaining to a "particular defendant". Since the joinder motion did not pertain to any specific defendant, the respondent was not required to

serve its motion to the end user defendants, or even, only to a category of them, as contended by the appellants.

[11] While we find that the present appeal cannot succeed on the merits, the Motion Judge's order must nevertheless be varied. Indeed, it is trite law that as a matter of procedural fairness, costs cannot be awarded when they have not been requested, which, admittedly, is the case here (*Exeter v Canada (Attorney General)*, 2013 FCA 134 at para. 12; *Haynes v. Canada (Attorney General)*, 2023 FCA 244 at para. 5). As a result, the appeal will be granted but only in relation to the costs award. Otherwise, it is dismissed. Since, this time, the respondent is seeking costs, they will be awarded to it.

"René LeBlanc"

J.A.

**FEDERAL COURT OF APPEAL**

**NAMES OF COUNSEL AND SOLICITORS OF RECORD**

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| **DOCKET:** | A-277-23 |
| **STYLE OF CAUSE:** | SEISMOTECH IP HOLDINGS INC., SEISMOTECH SAFETY SYSTEMS INC. v. ECOBEE TECHNOLOGIES ULC |
| **PLACE OF HEARING:** | Vancouver, British Columbia |
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| **REASONS FOR JUDGMENT OF THE COURT BY:** | DE MONTIGNY C.J.<br>MACTAVISH J.A.<br>LEBLANC J.A. |
| **DELIVERED FROM THE BENCH BY:** | LEBLANC J.A. |

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