

Federal Court



Cour fédérale

**Date: 20180917**

**Docket: T-449-17**

**Citation: 2018 FC 915**

**Vancouver, British Columbia, September 17, 2018**

**PRESENT: Case Management Judge Kathleen M. Ring**

**BETWEEN:**

**FARMOBILE, LLC.**

**Plaintiff/  
Defendant by Counterclaim**

**and**

**FARMERS EDGE INC.**

**Defendant/  
Plaintiff by Counterclaim**

**ORDER AND REASONS**

**I. Overview**

[1] The Plaintiff, Farmobile, LLC., owns Canadian Patent No. 2,888,742 (the “742 Patent”) which describes a relay device for tracking farming operations for a farming business, and a farming data exchange program for collecting and processing farming operation data for a farming business.

[2] In the underlying action, Farmobile alleges that the Defendant, Farmers Edge Inc., is infringing the '742 Patent through its manufacture, import, offer for sale, sale and use of a relay device and farming data exchange system, collectively under the name "FarmCommand", which includes a device known as the "CanPlug" device.

[3] In its Amended Statement of Defence and Counterclaim, Farmers Edge alleges, among other things, that it is the rightful owner of the '742 Patent having been assigned all rights of the invention claimed in the '742 Patent, that all rights to the invention claimed in the '742 Patent have been assigned to Farmers Edge, that there has never been a proper assignment of the invention claimed in the '742 Patent to Farmobile, and that rights in the '742 Patent of the alleged co-inventor, Ron Osbourne, had been assigned to Farmers Edge.

[4] In support of its assertion that all rights to the invention claimed in the '742 Patent were ultimately assigned to it, Farmers Edge pleads that (a) the three individuals who incorporated Farmobile, Heath Gerlock, Randall Nuss, and Jason Tatge, had previously been employed by Crop Ventures Inc., the corporate predecessor of Farmers Edge; (b) Ron Osborne, who was the CEO of Crop Ventures, and Gerlock and Nuss jointly conceived and developed the invention claimed in the '742 Patent while they worked for Crop Ventures; (c) Gerlock and Nuss each signed confidentiality and non-competition agreements whereby they assigned all rights and interests in the intellectual property to the inventions claimed in the '742 Patent to Crop Ventures; and (d) Tatge signed an employment terms letter agreement whereby he agreed to sign Crop Venture's standard Proprietary Information and Inventions Agreement [collectively the "Agreements"].

[5] The primary relief sought by Farmers Edge in its Counterclaim is: (a) a declaration that Farmers Edge is the owner of the subject matter described and claimed in the '742 Patent, and (b) an order pursuant to section 52 of the *Patent Act* directing that the records of the Canadian Patent Office relating to the '742 Patent be varied to remove the current listed owner and applicant and identify Farmers Edge as the sole owner and applicant of the '742 Patent.

[6] Farmobile has brought a motion to strike the portions of the Amended Statement of Defence and Counterclaim relating to ownership of the '742 Patent on the basis that the Court lacks jurisdiction to adjudicate on those matters, and for further particulars of Farmers Edge's pleadings, and other related interlocutory relief. Farmobile filed affidavit evidence in support of its motion which included copies of the Agreements described in the Amended Statement of Defence and Counterclaim.

[7] In response, Farmers Edge has filed its own motion seeking an order that, if the Court concludes that all or part of the Amended Statement of Defence and Counterclaim is to be struck on the grounds that the Court lacks jurisdiction, the proceedings in their entirety be struck out, or alternatively stayed, pending determination of the ownership issue.

[8] By the time these motions came on for hearing, the issues in dispute on Farmobile's motion had significantly narrowed by the parties. Farmers Edge had provided further particulars in response to Farmobile's motion, and it consented to the requested time extension for Farmobile to deliver a Reply and Defence to Counterclaim, and to have the matter designated as a specially managed proceeding.

[9] As I am of the view that the Amended Counterclaim and the Amended Statement of Defence must be separately considered, I have framed the issues remaining for determination on these motions as follows:

- (a) Should the impugned paragraphs of the Amended Counterclaim be struck out on the basis that this Court has no jurisdiction to determine the matters pled therein?
- (b) Should the impugned paragraphs of the Amended Statement of Defence be struck out on the basis that this Court has no jurisdiction to determine the matters pled therein?
- (c) If all or part of the impugned pleadings are struck out for lack of jurisdiction, should the entire proceeding be struck pending determination of the matters raised in the pleadings being struck out?
- (d) If all or part of the impugned pleadings are struck out for lack of jurisdiction, should the proceeding be stayed until further order of the Court?

[10] For the reasons that follow, I conclude that the impugned portions of the Amended Counterclaim must be struck out for lack of jurisdiction. I conclude that the impugned portions of the Amended Statement of Defence are within the jurisdiction of this Court because the defence differs in nature and purpose from the counterclaim. I dismiss the motion by Farmers Edge to strike out, or alternatively, stay the entire proceeding pending determination of the matters raised in the pleadings being struck out.

## **II. Farmobile's Motion to Strike**

[11] Farmobile brings this motion to strike out paragraphs 4(c), 4(d), 6(d), 6(e), 6(f), 6(g), 6(h), 7(a), 15(a), 15(c), 15(d), 15(e), 21, 22, 23, 24, 25, and 26 from the Amended Statement of Defence and Counterclaim, without leave to amend, pursuant to Rule 221 of the *Federal Courts Rules* [Rules] on the ground that the Federal Court lacks jurisdiction to adjudicate the issues raised in the impugned pleadings.

[12] The stringent test for striking out a claim on the basis that it discloses no reasonable cause of action is whether, assuming that the facts pleaded are true, it is plain and obvious that the claim discloses no reasonable cause of action. Another way of putting the test is that the claim has no reasonable prospect of success: *Hunt v Carey Inc*, [1990] 2 SCR 959 at para 36; *R v Imperial Tobacco Canada Ltd*, 2011 SCC 42 at para 17.

[13] The “plain and obvious” test also applies on a motion to strike for want of jurisdiction. That is, the lack of jurisdiction must be plain and obvious to justify striking out a pleading at this preliminary stage: *Windsor (City) v Canadian Transit Co*, 2016 SCC 54 at para 24 [*City of Windsor*]; *Alberta v Canada*, 2018 FCA 83 at para 20.

[14] Affidavit evidence is permissible where a motion to strike pleadings is based on the Court's lack of jurisdiction: *Mil Davie v Hibernia Management & Development Co* (1998), 226 NR 369 (CA) at para 8. Accordingly, I am permitted to consider affidavit evidence relating to jurisdictional facts on this motion despite the general prohibition in Rule 221(2) against evidence being led on a motion to strike.

**A. *Jurisdictional Challenge to Counterclaim Requires Separate Assessment***

[15] In its submissions, Farmobile treats the impugned portions of the Amended Statement of Defence and the Counterclaim as a package of pleadings that should collectively be struck out as being beyond the jurisdiction of the Federal Court.

[16] Farmers Edge explicitly argues that its Counterclaim does not stand on its own, but rather shares a legal and factual nexus with the main claim by Farmobile that necessitates the concurrent adjudication of both claims. Farmers Edge says that it pleads and relies on the Agreements in the Amended Statement of Defence and Counterclaim for the same purpose, namely to respond to the allegation of infringement and to attend to the necessary administrative requirements dictating the appropriate amendments to the Canadian Patent Office.

[17] Although it appears from their submissions that the Plaintiff and Defendant share the view that the Court should assess the impugned portions of the Amended Statement of Defence and Counterclaim as one package, I have concluded that the Amended Counterclaim must be separately assessed from the Amended Statement of Defence to determine whether it is plain and obvious that the impugned portions of the counterclaim are beyond the jurisdiction of this Court.

[18] It is well-established that a counterclaim must be treated as a distinct and separate action. Even if the main action falls squarely within the Court's jurisdiction, the jurisdiction of the Court to entertain the counterclaim must be assessed independently of the Court's jurisdiction over the main action: *Laboratoires Quinton Internationale SL v Biss*, 2010 FC 358 at para 7.

[19] In *Innotech Pty Ltd v Phoenix Rotary Spike Harrow Ltd*, (1997) 128 FTR 153; 72 CPR (3d) 522, the Court dismissed a motion to strike out portions of an Amended Counterclaim on the basis that the licence which formed the basis of the Counterclaim was the same one that formed the basis of the defence of non-infringement, and it would be inappropriate to microscopically sever the one pleading from the other. On appeal, the appellate court rejected the approach taken by this Court and struck out the Counterclaim: *Innotech Pty Ltd v Phoenix Rotary Spike Harrows Ltd*, (1997) 74 CPR (3d) 275 [*Innotech Pty Ltd*]. The Federal Court of Appeal held at pages 276-277:

With respect, it appears to us that although it is the same license which is involved in both the statement of defence and the counterclaim, it is invoked for a different purpose in each pleading. In the statement of defence it is being used as a shield against a claim of infringement. In the counterclaim it is being used as a sword, a basis for obtaining remedies against the appellant for its enforcement. The counterclaim, when viewed by itself, would stand alone as an action for breach of contract and as such is not within the jurisdiction of this Court. Using the language of *Kellogg v. Kellogg* the main action is primarily for the enforcement of a patent. That claim can be decided on the basis of the statement of claim and the statement of defence, and incidental to that determination the license, its existence, terms, and validity may well have to be considered. But the counterclaim which must be viewed as a distinct action<sup>2</sup> primarily involves a claim for an alleged breach of contract.

It may well be, as counsel for the respondent ably demonstrated, that this result will lead to inconvenience. But that is not, of itself, a basis for this Court assuming jurisdiction.

[20] Accordingly, I have assessed the Amended Counterclaim separately from the Amended Statement of Defence to determine whether the impugned portions of the counterclaim are plainly and obviously beyond the jurisdiction of the Federal Court.

**B. *Principles Governing the Federal Court’s Jurisdiction***

[21] In *International Terminal Operators Ltd v Miida Electronics*, [1986] 1 SCR 752, 28 DLR (4<sup>th</sup>) 741 at page 766 [*ITO*, or the *ITO* test], the Supreme Court established a three-part test for the Federal Court to have jurisdiction: (1) there must be a statutory grant of jurisdiction by the federal Parliament; (2) there must be an existing body of federal law which is essential to the disposition of the case and which nourishes the statutory grant of jurisdiction; and (3) the law on which the case is based must be “a law of Canada” as the phrase is used in section 101 of the *Constitution Act, 1867*.

[22] Before assessing whether the three-part test in *ITO* is met, however, it is first necessary to determine the essential nature or character of the impugned claim. The Supreme Court noted in *City of Windsor* that the essential nature of the claim must be determined on a “realistic appreciation of the practical result sought by the claimant” (para 26), and that “[j]urisdiction is not assessed in a piecemeal or issue-by-issue fashion” (para 25).

**C. *No Jurisdiction over Impugned Portions of Counterclaim***

[23] In its Counterclaim, Farmers Edge seeks the following two main remedies, and various other relief in the alternative:

- (a) A declaration that the defendant is the owner of the subject matter described and claimed in all claims set out in the ‘742 Patent;
- (b) An Order, pursuant to section 52 of the Act directing that the records of the Canadian Patent Office relating to the ‘742 Patent be varied to remove the current listed owner and applicant and identify Farmers Edge Inc. as the sole owner and applicant of the ‘742 Patent.



[24] Turning first to the preliminary characterization step mandated in *City of Windsor*, I find that the essence of the Amended Counterclaim is a declaration that Farmers Edge is the owner of the '742 Patent. The consequential order sought under section 52 of the *Patent Act* is contingent on Farmers Edge first establishing that it is the rightful owner of the '742 Patent, and that it should therefore be identified as the sole owner and applicant of the '742 Patent on the records of the Canadian Patent Office.

[25] With respect to the three-part *ITO* test, Farmobile's motion to strike for lack of jurisdiction focuses on the second element of the *ITO* test. Farmobile argues that there is no existing body of federal law which is essential to the disposition of the matters pled in the impugned pleadings, and which nourishes any statutory grant of jurisdiction. Specifically, Farmobile says that the adjudication of the impugned pleadings are secondary to and dependant on the Court first interpreting the contractual documents pled and relied on by Farmers Edge to determine if Farmers Edge's predecessors-in-title acquired ownership of the '742 Patent. Farmobile argues that the essence of Farmers Edge's impugned pleadings is primarily or solely contractual in nature, and that any patent law issues are merely incidental or ancillary.

[26] Conversely, Farmers Edge says that the contractual issues are ancillary to the patent issues, and that this Court has jurisdiction to hear all matters in dispute.

[27] It is well-established that this Court lacks jurisdiction to entertain a claim under section 52 of the *Patent Act* where the issue to be decided is the proper owner of a particular patent, and the determination of ownership depends on the interpretation of various contract documents between the parties and the application and interpretation of contract law principles.

In *Lawther v 424470 BC Ltd*, [1995] FCJ No 549 [*Lawther*], the Court dismissed a motion for summary judgment for lack of jurisdiction upon determining that the central issue arising on the pleadings involved the interpretation of an option agreement, and that the patent issues were ancillary to the determination of this contractual issue. The Court held that:

5 This Court has no jurisdiction to entertain a dispute which is solely a matter of contract. However, it will entertain an action which involves a contractual dispute, if the action primarily concerns a patent, trade mark or copyright <sup>1</sup> [*Titan Linkabit Corp. v. S.E.E. See Electronic Engineering Inc.*, [1992] F.C.J. No. 807, 44 C.P.R. (3d) 469 at 472]. In this case, the pleadings disclose that the principal issue is whether or not the Plaintiff is entitled, in Canada, to a reassignment of the Patent. The Defendant alleges that the Plaintiff was offered an option to reacquire the patent but that the Plaintiff refused to pay the agreed price and that the option has lapsed. The central issue would seem to be the nature of the option agreement and whether or not the parties have complied with its terms.

6 In my view, the determination of this contractual issue will dictate ownership of the patent and the appropriate relief in respect of the patent. For this reason, I have concluded that this is primarily a case in contract and that the patent issues are ancillary. Accordingly, this Court is without jurisdiction. The Plaintiff should pursue his rights in the Supreme Court of British Columbia. As Mr. Justice Dubé noted in *Laurin v. Champagne* (1991), 38 C.P.R. (3d) 193 (F.C.T.D.) at p. 196, the Plaintiff may apply to this Court in the future to vary the registration of the Assignment should such an application be required.

[28] The Court has adopted the reasoning in *Lawther* in numerous decisions including *Axia Inc v Northstar Tool Corp*, 2005 FC 573 at paras 17 to 19 [*Axia*]; *RIP Machine & Steel Fabrication Inc v DiTullio*, 2001 FCT 245 at paras 35 to 39 [*RIP Machine*]; *Salt Canada Inc v Baker* 2016 FC 830 at para 20 [*Salt*]; *Alpha Marathon Technologies Inc v Dual Spiral Systems Inc*, 2017 FC 1119 at paras 63 and 64.

[29] In *Salt*, the Court acknowledged that it has authority to determine questions of patent ownership in some circumstances, but concluded that the Court “lacks jurisdiction where determination of ownership of the patent depends upon the application and interpretation of contract law principles” (para 20). It noted that the common thread in cases such as *RIP Machine*, *Axia*, *Lawther* and others is that the Court is without jurisdiction when “determining patent ownership first requires the interpretation of contractual documents” (para 23).

[30] The legal principles established in these cases apply equally to the present situation, and therefore I must conclude that this Court plainly and obviously lacks jurisdiction over the impugned portions of the Amended Counterclaim. In this case, as in *Salt*, Farmers Edge seeks an order to vary the records of the Patent Office on the basis that it is the owner of the patent. In this case, as in *Salt*, Farmers Edge claims to be the owner of the patent based on various contractual documents. The material facts pled by Farmers Edge, and on which it relies to establish its claim to ownership of the ‘742 Patent are primarily, if not solely, the series of Agreements described in the Amended Counterclaim whereby Farmers Edge asserts that all legal rights in the ‘742 Patent of each of the named inventors were expressly or impliedly assigned to Crop Ventures and ultimately to Farmers Edge. As in *Salt*, the issuance of the section 52 order sought in the Amended Counterclaim is secondary and dependant on a prior interpretation of these Agreements which, according to the Amended Counterclaim, make it the owner of the ‘742 Patent.

[31] On this motion, Farmers Edge does not dispute that its claim to ownership of the ‘742 Patent is based primarily on these Agreements, or that the Court will be required to interpret these contractual documents in order to determine ownership of the patent. Instead, Farmers

Edge argues that the cases relied on by Farmobile, such as *Lawther* and *Salt*, are distinguishable because the central issue in those cases was not infringement, but a related contractual issue.

[32] In my view, the Amended Counterclaim is not distinguishable on this basis. When the Amended Counterclaim is assessed independently as a separate action, as required, it is similarly not about infringement of a patent. It is about the ownership of the '742 patent, and a contractual dispute regarding whether certain agreements establish that Farmers Edge is the owner of the '742 Patent.

[33] Further, I am of the view that the Supreme Court's decision in *Kellogg Co v Kellogg*, [1941] SCR 242, is distinguishable and does not assist Farmers Edge in responding to Farmobile's motion to strike. In *Kellogg*, the moving party sought an order striking out a claim, *pled in the alternative*, that the plaintiff was entitled to the benefit of an invention by virtue of an employment contract. In the present case, the essence of the Amended Counterclaim, namely the claim of ownership to the subject matter of the '742 Patent based on a series of Agreements, is sought to be struck out.

[34] *Kellogg* stands for the proposition that the Federal Court may resolve incidental contractual issues where the overall claim is, in "pith and substance", within the Court's jurisdiction. However, this Court has no jurisdiction to adjudicate a claim (or in this case, a counterclaim), where the claim is "purely and simply" a contractual dispute (*Kellogg*), or where an issue over which the Court may have jurisdiction is "secondary to and dependent upon" the resolution of a contractual issue (*Salt*).

[35] Since the relief sought by Farmers Edge in its Amended Counterclaim is dependent on a prior determination of the rights conferred by the Agreements described in the Amended Counterclaim, and the interpretation of these Agreements is clearly a matter of contract, rather than patent law, it is plain and obvious that the Court lacks jurisdiction to adjudicate the impugned portions of the Amended Counterclaim, and those pleadings must be struck out.

**D. *Jurisdiction over Impugned Portions of Amended Statement of Defence***

[36] I conclude that the impugned portions of the Amended Statement of Defence are within the jurisdiction of this Court because they differ in nature and purpose from the Amended Counterclaim. Unlike the Amended Counterclaim, which must be treated as a separate and distinct action, the Amended Statement of Defence forms part of the main action. As such, the jurisdiction of the Court over the impugned paragraphs in the defence must be assessed in the context of the main action and having regard to the pleadings filed in the main action.

[37] The subject matter of the main action primarily concerns a patent. The Statement of Claim filed by Farmobile asserts patent infringement by Farmers Edge. The entirety of the Statement of Claim is based in law that is within the jurisdiction of the Federal Court. That some issues of contract raised in the Amended Statement of Defence may be reviewed by the Court in its overall consideration of the issues raised in the main action does not displace that jurisdiction. This Court can interpret and apply provincial law to proceedings that are otherwise founded upon federal law and are within the Court's jurisdiction: *ITO* at pages 781 and 782.

[38] Applying the reasoning of the Federal Court of Appeal in *Innotech Pty Ltd, supra*, even though the same Agreements are pled in both the Amended Statement of Defence and the Amended Counterclaim, they are invoked for a different purpose in each pleading. In the Amended Statement of Defence, the allegations regarding the Agreements are being used as a shield against Farmobile's claim of patent infringement. That claim can be decided on the basis of the Statement of Claim and the Amended Statement of Defence, and incidental to that determination, the agreements may need to be considered.

[39] In contrast, the Amended Counterclaim primarily involves a claim regarding ownership of the '742 Patent and variation of the records in the Patent Office to reflect that Farmers Edge is the owner of the patent. In the Amended Counterclaim, the agreements are being used as a sword, as a basis for obtaining a declaration of ownership against Farmobile. Accordingly, the Counterclaim, when viewed by itself, is not within the jurisdiction of this Court for the reasons already stated. While it may be that this result will lead to inconvenience, since the issues raised in the impugned portions of the Amended Counterclaim must be adjudicated in a different court, the Federal Court of Appeal held in *Innotech Pty* that such inconvenience "is not, of itself, a basis for this Court assuming jurisdiction".

[40] The cases relied on by Farmobile do not support its motion to strike the impugned portions of the Amended Statement of Defence. In those cases, the moving party did not seek to strike out allegations regarding a contractual dispute which were pled in a statement of defence as a shield against a patent infringement claim. Instead, the contractual issues in those cases were pled by the plaintiff, and were used as a sword to support a claim to ownership of a patent.

[41] Farmobile also argued in its initial written submissions, and at the hearing of the motion to strike, that this Court lacks jurisdiction to hear the matters raised in the impugned pleadings because the Agreements relied on by Farmers Edge contain exclusive jurisdiction clauses whereby the parties agreed that Nebraska law be applied in interpreting the Agreements. In its Additional Submissions, however, Farmobile appears to have resiled, at least to some extent, from this position as it now submits that the provincial superior courts of Canada can receive evidence of foreign law such as Nebraska foreign law and apply it to the facts of a case.

[42] Although neither party referred the Court to any jurisprudence of this Court to support or refute Farmobile's argument, I observe that a similar argument was dismissed by this Court in *International Water-Guard Industries Inc v Bombardier Inc*, 2007 FC 285. In that case, the defendant argued that the Federal Court lacked jurisdiction to determine any claim based on certain agreements since the agreements contained clauses giving exclusive jurisdiction to the Courts of Quebec over any "action, suit or proceedings arising out of, or connected with" the agreements. The Court rejected this argument and stated at paragraph 5 that:

"Exclusive jurisdiction clauses can no more remove from the Court a jurisdiction it otherwise possesses than they can confer upon it a jurisdiction it does not otherwise have. Exclusive jurisdiction clauses are bargains between the parties that are typically enforced, not by orders striking pleadings, but by orders staying proceedings in favour of the forum designated by the agreement."

[43] Based on the Court's reasoning in *International Water-Guard Industries Inc*, I reject Farmobile's argument that the Federal Court lacks jurisdiction to consider the Agreements pled in the impugned portions of the Amended Statement of Defence simply because the Agreements

contain exclusive jurisdiction clauses whereby Nebraska law is to be applied in interpreting the Agreements.

[44] For the above reasons, I conclude that it is not plain and obvious that this Court lacks jurisdiction over the impugned portions of the Amended Statement of Defence, and Farmobile's motion to strike those pleadings is therefore dismissed.

### **III. Farmers Edge's Motion to Strike**

[45] As I have concluded that the impugned portions of the Amended Counterclaim should be struck out for lack of jurisdiction, I must also consider the responding motion by Farmers Edge seeking an order striking out the entire proceeding or, alternatively, for a stay of the entire proceeding until further Order of the Court.

[46] Farmers Edge argues that if the Court determines that it lacks jurisdiction over the ownership issue, it should strike out the *entire* proceeding, including the main claim by Farmobile for patent infringement, because the ownership issue is a key issue in that action. Farmers Edge submits that it would be prejudicial and unjust to carve out a material defence and counterclaim to preserve the jurisdiction of the Court.

[47] Farmers Edge has not cited any case law where this Court has struck out a claim for patent infringement pending determination of a defendant's counterclaim, by a court of competent jurisdiction, asserting ownership of the patent in issue. To the contrary, the Court held in *Spangler Candy Inc v Karma Candy Inc*, 2013 FC 253 at para 59 that the defendant's concession, that its counterclaim seeking damages for alleged breach of contract was beyond the



jurisdiction of the Court, was not a ground for excluding the plaintiff from this Court for its intellectual property infringement claim.

[48] Farmers Edge relies on the decisions in *Salt* and *Lawther* in support of its motion to strike the entire proceeding. Neither of these decisions assist Farmers Edge because no counterclaim was in issue in either case, much less struck out in whole or in part for want of jurisdiction as in the present case. Accordingly, the Court did not have to determine whether it should decline jurisdiction over the main action based on its lack of jurisdiction over portions of the counterclaim.

[49] The motion by Farmers Edge to strike the entire proceeding is dismissed.

#### **IV. Farmers Edge's Motion for a Stay of Proceedings**

[50] Farmers Edge contends, in the alternative, that if the Court is not prepared to strike out the entire proceeding, then the entire proceeding ought to be stayed until further order of the Court.

[51] Section 50(1)(a) of the *Federal Courts Act* [Act] provides that the Court may, in its discretion, stay proceedings on the ground that the claim is being proceeded within another court or jurisdiction. Under section 50(1)(b), the Court may also stay proceedings where, for any other reason, it is in the interest of justice that the proceedings be stayed.

[52] In *White v EBF Manufacturing Ltd*, 2001 FCT 713 at para 3, the Court set out the factors to be considered in determining whether a stay should be granted under section 50(1) of the Act:

1. Would the continuation of the action cause prejudice or injustice (not merely inconvenience or extra expense) to the defendant?
2. Would the stay work an injustice to the plaintiff?
3. The onus is on the party which seeks a stay to establish that these two conditions are met;
4. The grant or refusal of the stay is within the discretionary power of the judge;
5. The power to grant a stay may only be exercised sparingly and in the clearest of cases;
6. Are the facts alleged, the legal issues involved and the relief sought similar in both actions?
7. What are the possibilities of inconsistent findings in both Courts?
8. Until there is a risk of imminent adjudication in the two different forums, the Court should be very reluctant to interfere with any litigant's right of access to another jurisdiction;
9. Priority ought not necessarily be given to the first proceeding over the second one or, vice versa.

[53] Farmers Edge argues that it will suffer prejudice if this action proceeds with a portion of the Amended Statement of Defence and Counterclaim being struck because it will not have available to it all possible defences in response to Farmobile's claim for patent infringement. Specifically, Farmers Edge says that it would be denied the opportunity to advance the position that it owns the invention claimed in the '742 Patent and therefore could not infringe what it owns at law.

[54] In light of my conclusion that no portions of Farmers Edge's Amended Statement of Defence should be struck out for lack of jurisdiction, there is no merit in the argument by

Farmers Edge that it will be prejudiced in its defence of Farmobile's claim if the main action is allowed to proceed. Farmers Edge retains the opportunity to respond to Farmobile's claim for infringement by advancing all defences currently pled in its Amended Statement of Defence, including its assertion that Farmers Edge owns the invention claimed in the '742 Patent.

[55] With respect to the Amended Counterclaim, Farmers Edge has not established that it will be irreparably prejudiced if the main action is allowed to proceed despite the impugned portions of the Amended Counterclaim being struck out. At best, it may result in an inconvenience, as the Federal Court of Appeal described it in *Innotech Pty Ltd* at page 277, but Farmers Edge can, if it so chooses, commence an action in an alternative forum having jurisdiction for determination of the contractual issues pled in the portion of the Amended Counterclaim being struck out, and then return to the Federal Court to seek to amend the title of the '742 Patent.

[56] Conversely, it would work an injustice to Farmobile if the entire proceeding is stayed, pending resolution of Farmers Edge's counterclaim in a court of competent jurisdiction, as Farmobile would be unable to prosecute its claim for patent infringement in this Court without undue delay.

[57] Farmers Edge also argues that if all or part of the impugned pleadings are struck out, the entire proceeding ought to be stayed until a parallel action in Nebraska is adjudicated and the issues regarding ownership of the inventions claimed in the '742 Patent have been decided. Farmers Edge contends that a stay will avoid a multiplicity of proceedings, and a risk of inconsistent findings as between the Nebraska District Court and this Court regarding the ownership of the '742 Patent.

[58] In 2016, Farmers Edge and others commenced an action in the United States District Court for the District of Nebraska against Farmobile, Tatge, Gerlock, and Nuss. In the Nebraska litigation, Farmers Edge alleges, among other things, that Tatge, Gerlock, and Nuss wrongfully used the intellectual property and corresponding inventions that were lawfully assigned to Crop Ventures for the benefit of Farmobile to create various devices, products and services that are similar to the FarmCommand system, and the CanPlug device. Farmers Edge says that the scope and enforceability of the Agreements, and specifically the assignment of intellectual property and inventions including those claimed in the '742 Patent, are at issue in the Nebraska litigation.

[59] In my view, there is no basis to stay these proceeding in favour of the Nebraska litigation. The parties to the two actions are not identical. The causes of action being asserted in each court are also different.

[60] Moreover, any prospect of inconsistent findings has been eliminated by two summary judgment orders rendered in the Nebraska litigation after the hearing of the present motions in this Court had concluded. By Order dated June 1, 2018, I granted leave to the parties to serve and file additional affidavit evidence and supplemental written representations limited to the two Nebraska Orders, and the positions taken and the arguments made by the parties in the Nebraska litigation leading up to those Orders insofar as they relate to ownership issues regarding the Canadian Patent, and insofar as that information could not have been obtained before the hearing of these motions.

[61] The two summary judgment orders issued in the Nebraska litigation on May 3, 2018 confirm that the Nebraska District Court does not have jurisdiction over the ownership of the

Canadian Patent (i.e. the '742 Patent). The Nebraska District Court denied a motion by Farmers Edge and other parties for summary judgment on its claims for, among other things, a declaration of ownership of several patents including the Canadian Patent, namely the '742 Patent. In dismissing Farmers Edge's motion, the Court observed that "The Canadian Patent is of no importance to this discussion. The court has no jurisdiction over the matter". With respect to a motion by Farmobile and the other defendants for summary judgment dismissing Farmers Edge's claims, the Court granted the motion in part and Farmers Edge's claims of ownership were dismissed.

[62] For these reasons, I conclude that there is no basis to stay the entire proceeding on the ground that the matter is being proceeded with in another court, or that it is otherwise in the interest of justice that the proceedings be stayed. Accordingly, Farmers Edge's motion for a stay is dismissed.

[63] The issue of costs is reserved. The parties are directed to make written submissions on costs, not exceeding seven (7) pages, in accordance with the following timelines:

- A. The Plaintiff shall serve and file its written submission on costs by September 24, 2018; and
- B. The Defendant shall serve and file its written submission on costs by October 1, 2018.

**ORDER in T-449-17**

**THIS COURT ORDERS that:**

1. The Plaintiff's motion to strike is granted in part. Paragraphs 15(a), 15(c), 15(d), 15(e), 21, 22, 23, 24, 25 and 26 are struck from the Amended Counterclaim.
2. The Defendant shall, within 14 days of the date of this Order, serve and file a further amended Statement of Defence and Counterclaim to remove the portions of the Amended Counterclaim that are struck out.
3. The Plaintiff shall serve and file its Reply and Defence to Counterclaim within 30 days of the date that the Defendant serves a further amended Statement of Defence and Counterclaim pursuant to this Order.
4. The Defendant's motion to strike the entire proceedings is dismissed.
5. The Defendant's motion, in the alternative, for a stay of proceedings is dismissed.
6. The issue of costs is reserved. The parties shall make written submissions on costs, not exceeding five (5) pages, in accordance with the following timelines:
  - (a) The Plaintiff shall serve and file its written submission on costs by September 24, 2018; and

- (b) The Defendant shall serve and file its written submission on costs by October 1, 2018.

“Kathleen M. Ring”  
\_\_\_\_\_  
Case Management Judge

**FEDERAL COURT**  
**SOLICITORS OF RECORD**

**DOCKET:** T-449-17

**STYLE OF CAUSE:** FARMOBILE, LLC. v FARMERS EDGE INC.

**PLACE OF HEARING:** VANCOUVER, BRITISH COLUMBIA

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**ORDER AND REASONS:** CASE MANAGEMENT JUDGE KATHLEEN M. RING

**DATED:** SEPTEMBER 17, 2018

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