Federal Court Cour fédérale

Date: 20231005

Docket: T-1147-23

Citation: 2023 FC 1335

Ottawa, Ontario, October 5, 2023

PRESENT: Mr. Justice Sébastien Grammond

BETWEEN:

SEISMOTECH IP HOLDINGS INC.
SEISMOTECH SAFETY SYSTEMS INC.

Plaintiffs

and

JOHN DOES

Defendants

and

ECOBEE TECHNOLOGIES ULC

Moving Party

ORDER AND REASONS

[1] A patent-holder sues the end users of allegedly infringing products, but not the manufacturer. The manufacturer moves to be added as a party. I am granting the manufacturer's motion, because the outcome of the action will inevitably affect its legal interests.

I. Background

[2] The plaintiffs, which I will refer to as Seismotech, own four patents, broadly related to methods, apparatuses, media and signals for the management, monitoring, controlling or billing of public utility usage. They allege that several brands and models of intelligent thermostats infringe their patents. The moving party, Ecobee, is one of the manufacturers of the allegedly infringing devices.

[3] Seismotech brought four actions in this Court in respect of such infringement. The present action is a simplified action against a category of as of yet unidentified persons, described as "John Does," who purchased intelligent thermostats made by Canadian manufacturers, including Ecobee. Seismotech claims damages and an accounting of profits from each individual defendant, the "profits" being the savings made by each defendant on their public utility bills by using the allegedly infringing technology. It intends to obtain the names and addresses of the individual defendants through a *Norwich* order or similar means.

[4] Seismotech also brought a "reverse class action," that is, an action against a category of defendants comprising legal persons who manufactured, distributed or sold allegedly infringing intelligent thermostats in Canada. The proposed representatives of the defendant class are Rona

Inc. and Home Depot of Canada Inc. It is common ground that Ecobee would be included in the defendant class.

[5] Seismotech also brought a similar pair of actions related to intelligent thermostats made by manufacturers outside Canada.

[6] Ecobee now brings a motion to be added as a party to the "John Doe action" or, in the alternative, for leave to intervene in the action. It relies on rules 104 and 109 of the *Federal Courts Rules*, SOR/98-106.

II. Analysis

[7] I am allowing Ecobee's motion to be added as a party, because its legal interests are affected by Seismotech's action. My reasons follow. Given my decision on this issue, it is not necessary to decide whether Ecobee meets the test for intervener status. In any event, the rights of intervention sought by Ecobee are akin to those of a party, which means that the real issue is that of party status.

A. *Rule 104 and its Interpretation*

[8] Rule 104 reads as follows:

104 (1) At any time, the Court may	**104 (1)** La Cour peut, à tout moment, ordonner :
(a) order that a person who is not a proper or necessary	**a)** qu'une personne constituée erronément comme partie ou une partie dont la présence n'est pas nécessaire au

party shall cease to be a party; or	règlement des questions en litige soit mise hors de cause;
(b) order that a person who ought to have been joined as a party or whose presence before the Court is necessary to ensure that all matters in dispute in the proceeding may be effectually and completely determined be added as a party, but no person shall be added as a plaintiff or applicant without his or her consent, signified in writing or in such other manner as the Court may order.	**b)** que soit constituée comme partie à l'instance toute personne qui aurait dû l'être ou dont la présence devant la Cour est nécessaire pour assurer une instruction complète et le règlement des questions en litige dans l'instance; toutefois, nul ne peut être constitué codemandeur sans son consentement, lequel est notifié par écrit ou de telle autre manière que la Cour ordonne.
(2) An order made under subsection (1) shall contain directions as to amendment of the originating document and any other pleadings.	**(2)** L'ordonnance rendue en vertu du paragraphe (1) contient des directives quant aux modifications à apporter à l'acte introductif d'instance et aux autres actes de procédure.

[9] Seismotech argues, and I agree, that rule 104 should be interpreted and applied against the backdrop of the principle of party autonomy in civil litigation. According to this principle, parties are free to choose the manner in which they will assert or defend a claim, including the plaintiff's choice of the defendants against whom to bring an action. The principle of party autonomy is encapsulated in article 19 of the *Code of Civil Procedure*, CQLR, c C-25.01:

19. Subject to the duty of the courts to ensure proper case management and the orderly conduct of proceedings, the parties control the course of their case insofar as they comply with the principles, objectives and rules of	**19.** Les parties à une instance ont, sous réserve du devoir des tribunaux d'assurer la saine gestion des instances et de veiller à leur bon déroulement, la maîtrise de leur dossier dans le respect des principes, des objectifs et

procedure and the prescribed time limits. […]	des règles de la procédure et des délais établis. […]

[10] While the Code is not directly applicable to the present matter, the principle of party autonomy is recognized in the jurisprudence of the Federal Courts: *Viiv Healthcare Company v Gilead Sciences Canada, Inc*, 2021 FCA 122 at paragraph 17, [2021] 4 FCR 289. In particular, the plaintiff's decision to sue certain potential defendants but not others should usually be respected: *Ferguson v Arctic Transportation Ltd*, [1996] 1 FC 771 (TD) at 781; *Laboratoires Servier v Apotex Inc*, 2007 FC 1210 at paragraph 10 [*Servier*].

[11] It follows that rule 104 should not be given a wide ambit that would subvert the principle of party autonomy. The Federal Court of Appeal has interpreted rule 104 narrowly such that the proposed defendant's presence must be necessary for the determination of the action in order to be added as a party: *Canada (Fisheries and Oceans) v Shubenacadie Indian Band*, 2002 FCA 509 at paragraph 8; *Forest Ethics Advocacy Association v Canada (National Energy Board)*, 2013 FCA 236 at paragraphs 31–32 [*Forest Ethics*]. Certain guidelines for the application of rule 104 have been summarized in *Servier*, at paragraph 17:

> - The fact a person has evidence relevant to the plaintiff's statement of claim is not sufficient to make them a necessary defendant […].
>
> - The fact that a person may be adversely affected by the outcome of the litigation is not sufficient to make them a necessary defendant […].
>
> - A mere commercial interest rather than a legal interest is not sufficient to make a person a necessary party […].
>
> - Absent a specific legislative provision […], when the plaintiff's statement of claim seeks no relief against a person and makes no allegations against them the person will not be considered a necessary party […].

[12] Nevertheless, the mere existence of rule 104 shows that there are circumstances in which the plaintiff's choices must be overridden. What the above-noted cases show, by mirror effect, is that it will be necessary to add a party to a proceeding where that party's legal interests are affected by the outcome of the proceeding.

B. *Application to This Case*

[13] There are two reasons why this action affects Ecobee's legal interests. I will address them in turn.

(1) The Relief Requested Pertains to the Lawfulness of Ecobee's Products

[14] Ecobee is the manufacturer of certain products Seismotech alleges are infringing its patents. While the present action targets the end users of these products, it is obvious that the lawfulness of Ecobee's products is directly at stake.

[15] Paragraph 45 of the statement of claim alleges that some of the end users have infringed Seismotech's patents by using Ecobee's products. Paragraph 46 alleges that Ecobee's products contain all essential elements of, and infringe, Seismotech's patents. Paragraphs 47 and 48 state that the defendants' use of Ecobee's products is unlawful and infringes upon Seismotech's patents. Hence, if Seismotech is successful on this action, it will necessarily mean that Ecobee's products are infringing Seismotech's patents and that Ecobee has no right to manufacture them. As such, Ecobee is not a mere witness in this matter. The outcome of this matter will have a

practical effect on its rights, even though, from a technical standpoint, no relief is sought against it.

[16] The precedent that aligns most closely with the facts of this case is *Havana House Cigar & Tobacco v Persons Unknown* (1998), 80 CPR (3d) 443 (FCTD) [*Havana House*]. The owner of a trademark sued sellers of allegedly infringing cigars, but not their distributor. The Court added the distributor as a defendant in spite of the plaintiff's objections. Justice Marshall Rothstein, then a member of this Court, opined as follows:

> Kozy Korner's and Nigro are retail sellers, and Copa-Habana is the distributor to them. It may well be that Kozy Korner's and Nigro will defend, but there is no reason that Copa-Habana should have to accept that its interest and its ability to market its merchandise as the original distributor to them should have to be defended vicariously. Its rights and its pocket-book would be directly affected by any order made against Kozy Korner's and Nigro and it therefore has a direct interest to protect.

[17] To forestall the transposition of these wise words to the present case, Seismotech makes three submissions, with which I am unable to agree.

[18] First, Seismotech argues that *Havana House* has been overtaken by subsequent cases, insofar as an impact on the proposed defendant's pocket-book would be sufficient to justify party status. However, I do not read *Havana House* as saying that a monetary or commercial interest in the outcome of a case is sufficient to be added as a party. Copa-Habana's "ability to market its merchandise" was a legal right that would be affected by Havana House's trademark. This is similar to Ecobee's right to manufacture and sell its products, which would be affected by Seismotech's allegations of patent infringement. Ecobee's situation stands in contrast to that of

the proposed party in *Forest Ethics*, which had a commercial interest in the outcome of the proceeding, but no direct legal rights at stake.

[19] Second, Seismotech argues that Ecobee will not be bound by the outcome of this action because it is not a party. This argument, however, is circular and artificial. It is circular because in technical terms, a judgment never binds a non-party. Thus, one could always defeat a motion to add a party pursuant to rule 104 by arguing that the judgment will not bind the non-party. The argument is artificial because it overlooks the reality that the action cannot be allowed without determining the lawfulness of Ecobee's products.

[20] Third, in response to Ecobee's motion, Seismotech proposed to amend the statement of claim to restrict the allegations of infringement to what it calls the "method claims." If I understand correctly, it alleges that the end users' infringement of these claims would be independent from any infringement resulting from Ecobee's manufacturing of the accused products. Common sense, however, dictates that this cannot be so. The statement of claim does not allege that the end users have done anything other than buying, installing and using Ecobee's products according to Ecobee's instructions. Any method they used must have been developed or provided by Ecobee. At the hearing, Seismotech did not provide any meaningful explanation as to how the end users could have infringed its patents independently from Ecobee's infringement. In any event, Seismotech's attempt to divorce its claim from Ecobee's products is undercut by a cursory review of claim 1 of each patent, the purported method claims. Each of these claims comprises some sort of device installed at the customer site, including processing, communications, memory, and control devices.

[21] In sum, this action will affect Ecobee's rights, which warrants adding it as a party.

(2) The Defendants Will Likely Sue Ecobee in Warranty

[22] There is a second independent manner in which this action will affect Ecobee's rights. If the end users are found to infringe, it will be because they used Ecobee's infringing product (or method). End users will then likely sue Ecobee in warranty, possibly through a class action. The outcome of the present action will necessarily affect Ecobee's rights in an action brought by end users. Ecobee could be directly prejudiced if end users were found liable without having put forward certain defences.

[23] Seismotech retorts that Ecobee's contracts with its end users contain a waiver of liability that would be a complete answer to an action in warranty. Such a clause, however, could very well conflict with consumer protection legislation, for example sections 10 and 34–54 of the *Consumer Protection Act*, CQLR, c P-40.1. For the purposes of this motion, I need not go any further. This issue will be determined if and when it arises. The possibility that end users will sue in warranty is sufficient to engage Ecobee's legal interests. This further warrants adding it as a party to the present action.

C. *Seismotech's Other Objections*

[24] Seismotech also raises objections to Ecobee's participation even in the hypothesis that Ecobee's legal interests are affected. It argues that Ecobee can protect its interests either by bringing a separate action pursuant to section 60 of the *Patent Act*, RSC 1985, c P-4, to

invalidate Seismotech's patents or to declare that its products do not infringe these patents, or by participating in the reverse class action.

[25] It is unclear that Ecobee can bring an action pursuant to section 60, as Seismotech's patents are now expired. In any event, as a practical matter, any such action would have to be coordinated with the present action. I see no practical benefit in forcing Ecobee to bring a section 60 action, instead of making it a party to the present action.

[26] As to the reverse class action, Ecobee is not the proposed representative. While rule 334.23 allows for the participation of class members in certain circumstances, one cannot predict, at this early stage of the proceedings, whether the Court would grant Ecobee leave to intervene and on what terms.

[27] Hence, these hypothetical manners of asserting Ecobee's legal interests do not detract from the fact that the present action affects these interests and that Ecobee is entitled to be granted party status pursuant to rule 104.

[28] Lastly, Seismotech argues that Ecobee should have served this motion on the defendants. This submission is entirely devoid of merit. Because of the manner in which Seismotech framed its action, the identity of the defendants remains unknown and it is impossible to serve Ecobee's motion upon them.

III. Disposition

[29] As this action affects its legal interests, I will grant Ecobee leave to bring the present motion and order that Ecobee be added as a party, more specifically as a defendant. The style of cause will be amended accordingly. Seismotech will be condemned to pay the costs of the present motion to Ecobee.

ORDER in T-1147-23

THIS COURT ORDERS that

1. The moving party Ecobee Technologies ULC is granted leave to bring the present motion pursuant to rule 298(3)(a) of the *Federal Courts Rules*.
2. The moving party Ecobee Technologies ULC is added as a party to the present action.
3. The style of cause is amended to add Ecobee Technologies ULC as a defendant.
4. The plaintiffs are condemned to pay the costs of the present motion to Ecobee Technologies ULC.

"Sébastien Grammond"
Judge

FEDERAL COURT

SOLICITORS OF RECORD

DOCKET:	T-1147-23
STYLE OF CAUSE:	SEISMOTECH IP HOLDINGS INC., SEISMOTECH SAFETY SYSTEMS INC. v JOHN DOES AND ECOBEE TECHNOLOGIES ULC
PLACE OF HEARING:	BY VIDEOCONFERENCE
DATE OF HEARING:	SEPTEMBER 26, 2023
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