



Nidek Co. v. VISX Incorporated, 1996 CanLII 11534 (FCA)

Date: 1996-12-30

File number: A-526-94

Other 209 NR 342; 72 CPR (3d) 19; [1996] FCJ No 1721 (QL); 69 ACWS (3d) 59
citations:

Citation: Nidek Co. v. VISX Incorporated, 1996 CanLII 11534 (FCA), <<http://canlii.ca/t/fwkwk>>,
retrieved on 2018-03-22

CORAM: THE CHIEF JUSTICE

McDONALD J.A.

HENRY D.J.

BETWEEN:

A-526-94

NIDEK CO., LTD. and

707284 ONTARIO INC.

c.o.b. as INSTRUMED CANADA

Appellants

(Defendants)

- and -

VISX INCORPORATED

Respondent

(Plaintiff)

A-683-95

NIDEK CO., LTD. and

707284 ONTARIO INC.

c.o.b. as INSTRUMED CANADA

Appellants

(Defendants)

- and -

VISX INCORPORATED

Respondent

(Plaintiff)

A-225-96

NIDEK CO., LTD. and 707284 ONTARIO INC.

c.o.b. as INSTRUMED CANADA

DR. HOWARD RIMBEL and

DR. DONALD JOHNSON

Appellants

(Defendants)

- and -

VISX INCORPORATED

Respondent

(Plaintiff)

Heard at TORONTO on Thursday, November 21, 1996.

Reasons delivered at OTTAWA on Monday, December 30, 1996.

REASONS FOR JUDGMENT BY: THE CHIEF JUSTICE

CONCURRED IN BY: McDONALD J.A.

HENRY D.J.

CORAM: THE CHIEF JUSTICE

McDONALD J.A.

HENRY D.J.

BETWEEN:

A-526-94

NIDEK CO., LTD. and

707284 ONTARIO INC.

c.o.b. as INSTRUMED CANADA

Appellants

(Defendants)

- and -

VISX INCORPORATED

Respondent

(Plaintiff)

A-683-95

NIDEK CO., LTD. and

707284 ONTARIO INC.

c.o.b. as INSTRUMED CANADA

Appellants

(Defendants)

- and -

VISX INCORPORATED

Respondent

(Plaintiff)

A-225-96

NIDEK CO., LTD. and 707284 ONTARIO INC.

c.o.b. as INSTRUMED CANADA

DR. HOWARD RIMBEL and

DR. DONALD JOHNSON

Appellants

(Defendants)

- and -

VISX INCORPORATED

Respondent

(Plaintiff)

REASONS FOR JUDGMENT

THE CHIEF JUSTICE

The respondent in these appeals is the owner of three patents which relate to excimer laser devices used to reshape the cornea by ablating cells on the cornea surface. The respondent has brought an action for the alleged infringement of these patents by the appellants. The appellants are defending the main action by denying any infringement of the respondent's patents on the basis that the laser devices manufactured, marketed or sold by them have different characteristics than those claimed in the respondent's patents. The appellants have also counterclaimed, challenging the validity of two of the respondent's three patents.

The present proceeding relates to three appeals from interlocutory orders made by the Motions Judge in the Trial Division. All three interlocutory orders were discretionary orders relating to the appellants' statement of defense and counterclaim, and proposed amendments thereto.

By the first order (A-526-94), dated 27 September 1994, the Motions Judge dismissed the appeal from the order of the Associate Senior Prothonotary made on 23 August 1994 striking out paragraphs 17, 27, 28, 29, 32 and 36(e) of the appellants' statement of defense and counterclaim without leave to amend. The order of the Associate Senior Prothonotary was made pursuant to a Rule 419 motion to strike brought by the respondent. The Motions Judge held that the paragraphs were properly struck out because they did not disclose any reasonable defence within the meaning of Rule 419(1)(a).

The second order (A-683-95) relates to an application by the appellants for leave to amend their statement of defence and counterclaim under Rule 420. The appellants' amendments were in paragraphs 28 to 30 of their proposed pleadings. These amendments plead that two of the respondent's patents are invalid for lack of utility on the basis that they are ineffective for their stated purpose, performing ophthalmological surgery, because the range of frequencies of light proposed for use in accordance with the patents include frequencies which may cause mutations and cancerous tumours. By the second order, dated 17 October 1995, the Motions Judge dismissed the appellants' appeal from the order of the Associate Senior Prothonotary, made on 18 September 1995, refusing the appellants leave to file a third amended statement of defence and counterclaim incorporating these amendments.

Subsequent to the second order by the Motions Judge, on December 19, 1995, the respondent filed an amended statement of claim in order to add two new defendants. On February 2, 1996, the appellants filed a third amended statement of defence and counterclaim. The respondent brought a motion to disallow or strike out the third amended statement of defence and counterclaim or, in the alternative, to disallow or strike out paragraphs 26, 27 and 30 of the pleadings pursuant to Rule 419 or Rule 422 on the basis that the appellants' amendments were not related to the addition of the two new defendants and they did not disclose any reasonable defence. By order made on 26 February 1996, the Associate Senior Prothonotary disallowed paragraph 30, which contained an entirely new argument, but allowed paragraphs 26 and 27 notwithstanding that they were very similar to the amendments disallowed by the second order dated 17 October 1995.

By the third order (A-225-96), the Motions Judge allowed the respondent's appeal from the order of the Associate Senior Prothonotary with respect to paragraphs 26 and 27, and dismissed the

appellants' appeal with respect to paragraph 30, with the result that all three paragraphs were disallowed.

The appeals from the three interlocutory orders were heard together by consent of the parties. At the conclusion of argument, the Court reserved its decision.

I have reached the conclusion that all three appeals should be dismissed. At the hearing, the submissions of counsel for the parties focused on re-arguing the merits of their case as if these appeals were motions *de novo*. Having considered their arguments as well as the authorities cited to us, I fully agree with all of the conclusions reached by the Motions Judges and I am in substantial agreement with the reasons that they have advanced in support of their conclusions. I do not think, however, that it is necessary or desirable to dispose of these appeals on the basis of the merits of the contentions made before the Motions Judges and again before us.

In my respectful view, where, as here, an appeal is taken from a discretionary order of the Motions Judge in an interlocutory matter, a disposition most consistent with the optimum use of judicial resources and the optimum conservation of judicial time should focus not on the merits of the contentions before the Motions Judge, but rather on the question of whether or not the Motions Judge exercised his or her discretion judicially in the making of the order. In other words, on appeal, the merits of the contentions should only be dealt with by counsel to the extent required in order to demonstrate that the discretion of the Motions Judge was not exercised judicially. I have concluded that the appellants did not succeed in demonstrating that the Motions Judges in the three appeals before us failed to exercise their discretion judicially, and therefore it follows that all three appeals must be dismissed.

It is well-settled jurisprudence that this Court will not interfere with the discretion of a Motions Judge in making interlocutory orders of this kind unless it is demonstrated to the satisfaction of the Court that the Motions Judge either erred in his or her appreciation of the pleadings or if he or she erred in law in making the order, either by misapplying a principle of law or by applying an erroneous principle. If the appellants have not met this standard of review, this Court cannot allow the appeal even where, on the merits of the contentions, we would have decided otherwise had we heard the matter at first instance. In *Algonquin Mercantile Corporation v. Dart Industries Canada Ltd.* (1984), 5 C.I.P.R. 40 at 41, MacGuigan J.A. stated on behalf of a unanimous panel of this Court that a discretionary order made by a motions judge "... should be overruled only if the motions Judge were [*sic*] clearly wrong on the facts, or proceeded on an erroneous principle of law, or his decision resulted in some injustice to the appellant ..." Similarly, in *The Queen v. Reza*, 1994 CanLII 91 (SCC), [1994] 2 S.C.R. 394 at 404, the Supreme Court of Canada expressed the standard of review in the following way:

... the test for appellate review of the exercise of judicial discretion is whether the judge at first instance has given sufficient weight to all relevant considerations: *Friends of the Oldman River Society v. Canada (Minister of Transport)*, 1992 CanLII 110 (SCC), [1992] 1 S.C.R. 3 at 76-77, per La Forest J...

See also, *Int. Business Machines Corp. v. Xerox of Can. Ltd.* (1977), 16 N.R. 355; *Armstrong Cork Canada Ltd. et al v. Domco Industries Ltd. et al.* (1983), 71 C.P.R. (2d) 5; and *Procter & Gamble Co. v. Nabisco Brands Ltd.* (1985), 62 N.R. 364 (F.C.A.). Regardless of the specific manner in which the standard of review is formulated or expressed, I find that the appellants' have fallen short in all three appeals before us.

Before disposing of the appeal, I wish to comment on a novel issue which arose in relation to the appeal from the second order of the Motions Judge (A-683-95). On this Rule 420 motion, the

appellants filed evidence consisting of the affidavit of a witness to which were exhibited five technical articles in support of the facts pleaded in the paragraphs added to the third amended statement of defence and counterclaim. As stated above, the facts alleged in the impugned paragraphs were that two of the respondent's patents may cause mutations and tumours if used in ophthalmological surgery according to the instructions contained in the patents. The appellants' argument was that, for this reason, the two patents lack utility and therefore are invalid. The affidavit evidence and technical articles were advanced by the appellants as support for the facts alleged in these amendments.

The Associate Senior Prothonotary did not give any reasons in refusing the appellants leave to amend by adding these paragraphs. On appeal, the Motions Judge gave three reasons in affirming the Associate Senior Prothonotary's refusal to allow these amendments. First, the Motions Judge held that the evidence before her clearly established that, if operated properly and within the frequency range set out in the patents, the lasers would function as described in the patents (i.e., the correction of myopia and astigmatism). Therefore, the patents have utility. Second, the Motions Judge considered the evidence submitted by the appellants and found it insufficient to establish the facts pleaded. Third, even assuming that the facts pleaded by the appellants were true, the Motions Judge was not persuaded that the existence of potential side effects (i.e., mutations or tumours) raises a utility issue. Given that, in her view, the appellants' amendments could not lead to a finding of inutility, the Motions Judge concluded that the proposed amendments were not necessary for determining any real questions in controversy, and therefore she affirmed the refusal of the Associate Senior Prothonotary to allow the amendments.

Before us, counsel for the appellants contended that the Motions Judge was wrong in reaching a conclusion based, in part, on her consideration of the affidavit evidence and technical articles that the appellants submitted in support of their motion for leave to amend, since it would have been open to the appellants at trial to adduce additional evidence to prove the facts pleaded in these amendments.

In argument, counsel for the appellants conceded that the procedure of filing affidavit evidence in support of amendments to pleadings where the proposed amendments are clear in and of themselves, is a novel approach and perhaps should not have been used in the present proceedings. In most cases, as here, affidavit evidence is unnecessary. Nonetheless, counsel maintained that the Motions Judge should not have refused leave to amend on the basis that the affidavit evidence that was provided was insufficient.

The Rules are clear that pleadings are to contain the material facts, and only the material facts, upon which the parties rely. Where the nature of the amendments is clear, there is no requirement to plead the evidence by which those facts are to be proved. See *de Korompay v. Ontario Hydro* (1990), 34 C.P.R. (3d) 168 (F.C.T.D.). In determining whether an amendment to a defence should be allowed, it is often helpful for the Court to ask itself whether the amendment, if it was already part of the proposed pleadings, would be a plea capable of being struck out under Rule 419. If yes, the amendment should not be allowed. See, for example, *Chrysler Canada Ltd. v. The Queen*, [1978] 1 F.C. 137 (T.D.). Procedurally, the Court will not receive any evidence where the basis for striking out paragraphs in a statement of defence is alleged to be that they disclose no reasonable defence [Rule 419(1)(a)]. Rule 419(2) expressly prohibits the use of evidence on a Rule 419(1)(a) motion. In similar fashion, the Court should not accept any evidence in support of an application for leave to amend pleadings under Rule 420, unless evidence is required in order to clarify the nature of the proposed amendments. Rather, the Court must assume that the facts pleaded in the amendments are true for the purposes of considering whether or not to grant leave to amend.

The nature of, and the reasons for, the amendments before the second Motions Judge were clear. Therefore, the affidavit evidence should not have been filed and, even if the respondent took no

objection to this evidence, the Motions Judge ought not to have considered it. However, even though the Motions Judge fell into error in doing so, I do not consider this error to be a sufficient reason to reverse the second order made on 17 October 1995 in view of the fact that the Motions Judge also expressly concluded that, even if the facts pleaded in the amendments were true, the amendments did not reveal any reasonable defence. In so finding, the decision of the Motions Judge to affirm the Associate Senior Prothonotary's refusal to grant the appellants leave to amend was properly made in accordance with the law, and is therefore unassailable.

For all of these reasons, the appeals will be dismissed with costs, but counsel for the respondent shall have one counsel fee for the hearing of the appeals.

These reasons shall be filed in A-526-94, a copy shall be filed in A-683-95 and A-225-96, and when so filed, shall be deemed to be a disposition of the appeal in each of those files.

"Julius A. Isaac"

C.J.

"I agree

F.J. McDonald J.A."

"I agree

D.H.W. Henry D.J."

FEDERAL COURT OF APPEAL

BETWEEN:

A-526-94

NIDEK CO., LTD. and

707284 ONTARIO INC.

c.o.b. as INSTRUMED CANADA

Appellants

(Defendants)

- and -

VISX INCORPORATED

Respondent

(Plaintiff)

A-683-95

NIDEK CO., LTD. and

707284 ONTARIO INC.

c.o.b. as INSTRUMED CANADA

Appellants

(Defendants)

- and -

VISX INCORPORATED

Respondent

(Plaintiff)

A-225-96

NIDEK CO., LTD. and 707284 ONTARIO INC.

c.o.b. as INSTRUMED CANADA

DR. HOWARD RIMBEL and

DR. DONALD JOHNSON dr

Appellants

(Defendants)

- and -

VISX INCORPORATED

Respondent

(Plaintiff)

REASONS FOR JUDGMENT

FEDERAL COURT OF APPEAL

NAMES OF COUNSEL AND SOLICITORS OF RECORD

COURT FILE NO.: A-526-94

APPEAL AGAINST A JUDGMENT OF THE TRIAL DIVISION DELIVERED SEPTEMBER 28, 1994
- TRIAL DIVISION COURT FILE NO. T-195-94

STYLE OF CAUSE: Nidek Co., Ltd. et al. v. VISX Incorporated

PLACE OF HEARING: Toronto, Ontario

DATE OF HEARING: November 21, 1996

REASONS FOR JUDGMENT BY: The Chief Justice

CONCURRED IN BY: McDonald J.A. Henry D. J.

DATED: December 30, 1996

APPEARANCES:

Mr. Roger Hughes, Q.C. for the Appellants Mr. Arthur Renaud

Mr. Gregory A. Piasetzki for the Respondent Mr. Steven Shoshan

SOLICITORS OF RECORD:

Sim, Hughes, Aston & McKay for the Appellants Toronto, Ontario

Piasetzki & Nenniger for the Respondent Toronto, Ontario

FEDERAL COURT OF APPEAL

NAMES OF COUNSEL AND SOLICITORS OF RECORD

COURT FILE NO.: A-225-96

APPEAL AGAINST A JUDGMENT OF THE TRIAL DIVISION DELIVERED MARCH 11, 1996 -
TRIAL DIVISION COURT FILE NO. T-195-94

STYLE OF CAUSE: Nidek Co., Ltd. et al. v. VISX Incorporated

PLACE OF HEARING: Toronto, Ontario

DATE OF HEARING: November 21, 1996

REASONS FOR JUDGMENT BY: The Chief Justice

CONCURRED IN BY: McDonald J.A. Henry D.J.

DATED: December 30, 1996

APPEARANCES:

Mr. Roger Hughes, Q.C. for the Appellants Mr. Arthur Renaud

Mr. Gregory A. Piasetzki for the Respondent Mr. Steven Shoshan

SOLICITORS OF RECORD:

Sim, Hughes, Aston & McKay Toronto, Ontario

for the Appellants

Piasetzki & Nenniger Toronto, Ontario

for the Respondent

FEDERAL COURT OF APPEAL

NAMES OF COUNSEL AND SOLICITORS OF RECORD

COURT FILE NO.: A-683-95

APPEAL AGAINST A JUDGMENT OF THE TRIAL DIVISION DELIVERED OCTOBER 17, 1995 -
TRIAL DIVISION COURT FILE NO. T-195-94

STYLE OF CAUSE: Nidek Co., Ltd. et al. v. VISX Incorporated

PLACE OF HEARING: Toronto, Ontario

DATE OF HEARING: November 21, 1996

REASONS FOR JUDGMENT BY: The Chief Justice

CONCURRED IN BY: McDonald J.A. Henry D.J.

DATED: December 30, 1996

APPEARANCES:

Mr. Roger Hughes, Q.C. for the Appellants Mr. Arthur Renaud

Mr. Gregory A. Piasetzki for the Respondent Mr. Steven Shoshan

SOLICITORS OF RECORD:

Sim, Hughes, Aston & McKay for the Appellants Toronto, Ontario

Piasetzki & Nenniger for the Respondent Toronto, Ontario

