Cassels

Where Does Infringement Arise? Untangling the Knot of Patent Infringement Limitation Periods

Andrew Skodyn, Kassandra Shortt, Cindy Njoki Kamau

July 17, 2024

CASE COMMENTARY: *JL Energy Transportation Inc. v. Alliance Pipeline Limited Partnership*, [2024] A.J. No. 575

On May 27, 2024, the Alberta Court of Appeal granted JL Energy Transportation Inc. (JL) leave to argue on appeal that its previous decision in *Secure Energy Services Inc. v Canadian Energy Services Inc.*, 2022 ABCA 200 (*Secure Energy*) should be reconsidered.[1] JL is appealing the summary dismissal of its claim for patent infringement and breach of licensing agreements against various defendants for the use of JL's intellectual property in Canada and the US. In dismissing the claim, the chambers judge held that (i) JL knew or ought to have known of the basis for its claim more than two years before it commenced its action, (ii) *Secure Energy* was binding on her and therefore (iii) the claim had to be dismissed since it was commenced after the expiry of the two-year limitation period in Alberta's *Limitations Act*.

In *Secure Energy*, the Alberta Court of Appeal previously held that the Alberta *Limitations Act* applied to patent infringement claims, resulting in a two-year limitation period rather than the six-year period provided under the *Patent Act*, and that patent infringement is not subject to a rolling limitation period. On its forthcoming appeal, JL is asking for reconsideration of these two principles from *Secure Energy*:

- that the *Limitations Act*[2] applies to claims for a remedy for an act of infringement of the *Patent Act*[3] brought in Alberta, not the six-year limitation period specified under s. 55.01 of the *Patent Act*; and
- that "the continued use of property, including intellectual property, does not constitute an ongoing tort."[4]

These principles engage the evidentiary challenge in determining where an act of patent infringement arose, whether in a single province or otherwise, the legal challenge in determining which limitations law applies, and the practical consequences of choosing to sue in a provincial superior court as opposed to the Federal Court. The outcome of this appeal should provide helpful guidance to parties in all three of these areas.

Background

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 prevents the need to separate transport systems for various gases, as well as the need for multiple separation and treatment facilities in production fields. JL granted a limited use license of the Licensed Technology to one or more of the defendants.

The “Alliance System” uses the Licensed Technology under license from JL, including a Canadian pipeline, a US pipeline, and an extraction facility near Chicago. JL alleged that in 2010, the defendants began transporting and processing enriched natural gas using the Licensed Technology on additional, lateral pipelines, specifically: the Septimus pipeline in northeastern British Columbia, the Prairie Rose pipeline in North Dakota, and the Tioga pipeline in North Dakota. All three lateral pipelines were added to the Alliance System between 2010 and 2013.

In May 2016, JL brought an action against the defendants in relation to the use of the Licensed Technology in the lateral pipelines. First, JL alleged that the defendants caused damage to JL by disclosing or using the Licensed Technology in breach of certain licensing agreements.[5] Second, JL alleged that the defendants infringed its patents associated with the Licensed Technology.

The defendants applied for summary dismissal of the action by relying on the *Limitations Act* to strike and or/summarily dismiss portions of JL’s claim.[6] The defendants argued that JL’s claims are time-barred pursuant to the two-year limitation period prescribed by the *Limitations Act* and that the alleged acts of patent infringement of JL’s US patents taking place in the US are outside the jurisdiction of the Alberta court.[7]

The Court heard the dismissal application in December 2023 and granted it in February 2024.[8] The Court dismissed JL’s action on the basis that the limitation period had lapsed for both the contractual and the patent infringement claims. The chambers judge held that it was not controversial that the two-year limitation period of the Alberta *Limitations Act* applied to the contractual claims. The chambers judge further held that *Secure Energy* was binding, and therefore that the same two-year limitation period applies to claims for patent infringement arising in Alberta. The chambers judge further held that the defendant’s alleged breaches arising from its use of the technology or infringement of JL’s patents were not continuous breaches (i.e., that there is no rolling limitation period for patent infringement).[9]

Grey Area: The Limitations Act, the Federal Courts Act, or the Patent Act?

One specific issue that JL argued should be reconsidered was whether the two-year limitation period of the *Limitations Act* applies to claims for patent infringement under the *Patent Act*, brought in Alberta, rather than the six-year limitation period specified under s. 55.01 of the *Patent Act*.[10] JL argued that the two-year limitation period should not apply to claims that concern patent infringement in favor of the six-year limitation period set out in s. 55.01 of the *Patent Act*. When seeking leave for reconsideration of *Secure Energy*, JL argued that it is a recent decision that has not become settled law, and the lack of appellate court authority

and examination in provincial courts on this issue requires reconsideration.

The Alberta Court of Appeal briefly considered section 39 of the *Federal Courts Act* (FCA) in *Secure Energy* before holding that the provincial courts have concurrent jurisdiction to hear disputes regarding patent infringement and that Secure Energy was seeking a "remedial order." Section 12 of the Alberta *Limitations Act* addressed the conflict of laws and states that the limitations law of Alberta applies to any proceeding commenced in Alberta in which a claimant seeks a remedial order.[11] Accordingly, the Court of Appeal held that the Alberta *Limitations Act* applied.

If the action had been brought in the Federal Court, a fact-driven inquiry prescribed by the Federal Court of Appeal would have applied to determine whether any provincial limitation period applies to patent infringement. Section 39 of the FCA provides:

(1) Except as expressly provided by any other Act, the laws relating to prescription and the limitation of actions in force in a province between subject and subject apply to any proceedings in the Federal Court of Appeal or the Federal Court in respect of any cause of action **arising in that province**.

(2) A proceeding in the Federal Court of Appeal or the Federal Court in respect of a cause of action **arising otherwise than in a province** shall be taken within six years after the cause of action arose.[12]

In approaching the issue of limitation periods for patent infringement, the Federal Court of Appeal held that the FCA "requires an inquiry into the place where each cause of action arose" and "the critical fact is that, following the jurisprudence of this Court, a cause of action arises in a province if all the elements of the cause of action occur in that province… Hence the provincial limitation period would apply to acts of infringement which are limited to a single province."[13]

With the pipelines at issue passing through at least British Columbia, Alberta, and Saskatchewan, it is likely the Federal Court would conclude that at least some of the acts of patent infringement were not confined to a single province, thus attracting the six-year limitation period of s. 39(2) of the FCA. That limitation period, which applies to the commencement of the action, is much more consistent with (though not identical to) the six-year remedial limitation period in s. 55.01 of the *Patent Act*,[14] than the two years provided for in Alberta.

Patent Infringement is Not Subject to a Rolling Limitation Period in Alberta

Another specific issue for JL's appeal is "whether the continued use of property, including intellectual property, does not constitute an ongoing tort."[15] The chambers judge held that patents are not subject to a rolling limitation period. The Court relied on the ruling in *Secure Energy*, where the Court held that "to find

intellectual property as an ongoing tort would render limitation periods meaningless."[16]

The Alberta Court of Appeal cited three prior decisions of that Court in support of its conclusion, however none of those decisions were directly on point. In contrast, the Federal Court of Appeal has directly considered the issue and held that "each act of [patent] infringement constitutes a distinct cause of action."[17] It will be interesting to see if the jurisprudence of the Federal Court of Appeal is brought to the attention of the Alberta Court of Appeal when reconsidering *Secure Energy* and, if so, whether the Alberta Court of Appeal reconsiders its position and adopts the approach of the Federal Court of Appeal (which regularly deals with patent issues).

Regardless, it seems clear that if JL had brought its patent infringement claims in the Federal Court, the Federal Court would likely have considered the limitation period for each act of infringement separately, effectively applying a rolling limitation period for patent infringement. JL's action, at least in respect of the claims of patent infringement, would therefore probably have survived.

Stay Tuned

The vast majority of actions involving claims for patent infringement are brought in the Federal Courts. Those courts can grant Canada-wide remedies and have a level of familiarity with patent law that makes them the go-to forum for most patent plaintiffs. That said, there are times where bringing an action in a provincial superior court is preferred, especially where there are important (and independent) causes of action that are outside the jurisdiction of the Federal Courts.

It is therefore relatively rare that the two systems collide in the way they have in this case and in *Secure Energy*. JL's appeal is scheduled to be heard in December 2024 and its outcome will be closely watched. Stay tuned!

---

[1] Under the Alberta *Rules of Court*, a party must apply to reconsider a previous decision of the Court of Appeal before proceeding to do so in its appeal factum. Rules 14.46 and 14.72.

[2] RSA 2000, c L-12.

[3] RSA 1985, c P-4.

[4] *JL Energy Transportation Inc. v. Alliance Pipeline Limited Partnership at* Para 3, 2024 ABCA 175 [*JL Energy, 175*].

[5] *JL Energy Transportation Inc. v. Alliance Pipeline Limited Partnership*, [2024] 2024 ABKB 72 [*JL Energy, 72]*.

[6] *Alberta Limitations Act*, RSA 2000, c L-12 (*Limitations Act*).

[7] *JL Energy 175, supra* note 1 at para 2.

[8] The hearing of the dismissal application was delayed for many years while a related patent impeachment action proceeded in the Federal Court (see *Aux Sable Liquid Products LP v. JL Energy Transportation Inc*., 2019 FC 581), and then by various other interlocutory matters.

[9] *Secure Energy Services Inc v. Canadian Energy Services Inc,* 2022 ABCA 200 [*Secure Energy*].

[10] *Limitations Act* at *supra* note 4; *Patent Act, RSC 1985, c. P-4,* s. 55.01 [*Patent Act*].

[11] *Limitations Act*, s. 12.

[12] R.S., 1985, c. F-7 [emphasis added].

[13] *Apotex Inc. v AstraZeneca Canada Inc*., 2017 FCA 9 at paras 113-114. Cited on this point in *Fox on the Canadian Law of Patents, 5th Edition*, §13:62 (Limitation Period).

[14] *Patent Act*, s. 55.01. Section 55.01 provides that "[n]o remedy may be awarded for an act of infringement committed more than six years before the commencement of the action for infringement."

[15] *Secure Energy supra* note 5 at para 30.

[16] *Ibid*.

[17] *Apotex Inc. v AstraZeneca Canada Inc*., 2017 FCA 9 at para 112.
