

# CHAPTER 7 — INFRINGEMENT

Donald M. Cameron  
Adam Bobker  
Bereskin & Parr LLP\*

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## EXECUTIVE SUMMARY:

A patent is infringed by any act that interferes with the full enjoyment of the monopoly granted to the patentee. This includes making, using and selling the invention. Infringement is determined by comparing the subject matter of the alleged infringement with the patent claims, as purposively construed. If the accused product, process or machine includes all of the essential elements of the invention it infringes. [Chapter 7.1.1]

Generally speaking, an act in relation to an infringing product, process or machine that makes a person liable for infringement must occur within Canada. [Chapter 7.1.2]

An action for patent infringement may be brought by the patentee and all persons claiming under the patentee, such as licensees and sub-licensees. [Chapter 7.1.3]

The unauthorized manufacture of a patented product in Canada, during the term of a patent, is an infringement. Although a patented product carries an implied licence that it may be repaired, remaking the invention is an infringement. [Chapter 7.2.1]

Using denotes utilization with a view to production or advantage. Commercial benefit to be derived from an invention belongs to the patentee. Possession of a patented article raises a rebuttable presumption of “use”. Proof of absence of an intention to use an article in an infringing manner can rebut this presumption. [Chapter 7.2.2] Experimental use is not infringing. [Chapter 7.6.1]

Generally speaking, where delivery and possession of infringing goods occur outside of Canada, and there is no contract for sale in Canada, there is no liability for patent infringement on the part of the seller. It is unclear whether a contract concluded in Canada for sale abroad constitutes infringement in Canada. [Chapter 7.2.3]

Products made abroad using a process or machine patented in Canada, if imported into Canada, are infringing. [Chapter 7.2.4] A person infringes a patent if they induce or procure another to do acts that constitute infringement, under certain conditions. [Chapter 7.3.1] This “indirect infringement” by a defendant occurs when:

1. A third party has made, used or sold an embodiment of the invention without a licence from the patent owner (the third party has “directly infringed” the patent) [Chapter 7.3.2.1];
2. The defendant induced the third party to make, use or sell the embodiment of the invention such that, without that influence, the infringing acts would not have occurred [Chapter 7.3.2.2]; and
3. The defendant knew that such influence on the third party would result in the acts by the third party occurring. [Chapter 7.3.2.3]

## 7.1 INTRODUCTION

### 7.1.1 What is Infringement?

Although the terms “infringe” or “infringement” are used in the *Patent Act*<sup>1</sup>, they are nowhere defined.

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<sup>1</sup> R.S.C. 1985, c. P-4, as amended. All references to the *Patent Act* in this chapter refer to R.S.C. 1985, c. P-4 unless otherwise noted.

The case law defines infringement as “any act that interferes with the full enjoyment of the monopoly granted to the patentee”<sup>2</sup> or any activity that deprives the inventor, in whole or in part, directly or indirectly, of full enjoyment of the monopoly conferred by law.<sup>3</sup>

The exclusive right granted to a patent owner is set out in s.42 of the *Patent Act*, which reads as follows:

Every patent granted under this Act shall contain the title or name of the invention, with a reference to the specification, and shall, subject to this Act, grant to the patentee and the patentee’s legal representatives for the term of the patent, from the granting of the patent, the **exclusive right, privilege and liberty of making, constructing and using the invention and selling it to others to be used**, subject to adjudication in respect thereof before any court of competent jurisdiction. (emphasis added)

It is the invention, as claimed, which defines the scope of the monopoly.<sup>4</sup> As set out in Chapter 6, “Claim Construction”, the claims are to be construed prior to determining infringement by determining which terms or phrases in the claims are essential, and which are non-essential.<sup>5</sup>

The essential features of the claim are then compared to the allegedly infringing device or method. There is infringement if all the essential elements of a claim are included in the defendant’s product or method.<sup>6</sup>

The interpretative task of the court in claims construction is to separate the one from the other, to distinguish the essential from the inessential, and to give to the “field” framed by the former the legal protection to which the holder of a valid patent is entitled.<sup>7</sup>

A purposive construction may expand or limit the literal text of a claim, as Hayhurst<sup>8</sup> points out in words that anticipated the trial judgment in *Whirlpool*:

Purposive construction may show that something that might literally be within the scope of the claim was not intended to be covered, so that there can be no infringement.<sup>9</sup>

For example, in *Whirlpool*, Justice Binnie construed a prior art patent containing a claim for a general element (“vanes”), in context, as being limited to “rigid vanes” and not including “flexible vanes”.<sup>10</sup> Thus a term that otherwise might have been construed broadly (and included both rigid and flexible vanes), was construed narrowly (to mean only “rigid vanes”).

There is no infringement if an essential element is different or omitted, even though the alleged infringing device performs substantially the same function as the patent.<sup>11</sup> There may still be infringement if non-essential elements

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<sup>2</sup> *Monsanto Canada Inc. v. Schmeiser*, [2004] 1 S.C.R. 902 (S.C.C.) at para. 34, quoting H. G. Fox; *The Canadian Law and Practice Relating to Letters Patent for Inventions*, 4th ed. (Toronto: Carswell, 1969) at 349, and *Lishman v. Erom Roche Inc.* (1996), 68 C.P.R. (3d) 72 (Fed. T.D.) at 77, affirmed 1996 CarswellNat 2051 (Fed. C.A.). See also *J.M. Voith GmbH v. Beloit Corp.* (1997), 73 C.P.R. (3d) 321, [1997] F.C.J. No. 486 (Fed. C.A.) at 334 [C.P.R.], per Isaac C.J., Stone and Desjardins J.J.A.

<sup>3</sup> *Monsanto Canada Inc. v. Schmeiser*, [2004] 1 S.C.R. 902 (S.C.C.) at para. 35.

<sup>4</sup> *Free World Trust c. Électro Santé Inc.*, [2000] 2 S.C.R. 1024 (S.C.C.) at para. 31. See also discussion of “The Principles of Claim Construction in *Free World*”, Chapter 6.5.

<sup>5</sup> *Whirlpool Corp. v. Camco Inc.*, [2000] 2 S.C.R. 1067 (S.C.C.) at para. 43, reconsideration / rehearing refused 2001 CarswellNat 283 (S.C.C.). See also discussion of “The First Duty of the Court”, Chapter 6.4 (The First Duty of the Court).

<sup>6</sup> *Free World Trust c. Électro Santé Inc.* (2000), 9 C.P.R. (4th) 168 (S.C.C.) at para. 68(4), per Binnie J.; *Eli Lilly & Co. v. Apotex Inc.*, 2009 FC 991 (F.C.) at para. 211, per Gauthier J., affirmed 2010 CarswellNat 5866 (F.C.A.), leave to appeal refused 2011 CarswellNat 1368, 2011 CarswellNat 1369 (S.C.C.), additional reasons 2011 CarswellNat 4151 (F.C.); *Bauer Hockey Corp. v. Easton Sports Canada Inc.*, 2010 FC 361 (F.C.) at para. 169, per Gauthier J., affirmed 2011 CarswellNat 4827, 2011 CarswellNat 561 (F.C.A.).

<sup>7</sup> *Free World Trust c. Électro Santé Inc.* (2000), 9 C.P.R. (4th) 168 (S.C.C.) at para. 15, per Binnie J.

<sup>8</sup> Hayhurst “The Art of Claiming and Reading a Claim” in *Patent Law of Canada* (Toronto: Carswell, 1994), edited by G.F. Henderson, Q.C., at 194.

<sup>9</sup> *Whirlpool Corp. v. Camco Inc.* (2000), 9 C.P.R. (4th) 129 (S.C.C.) at 151, para. 49(h), per Binnie J., reconsideration / rehearing refused 2001 CarswellNat 283, 2001 CarswellNat 284 (S.C.C.) quoting Hayhurst: “*The Art of Claiming and Reading a Claim*” in *Patent Law of Canada* (1994), edited by G.F. Henderson, Q.C., at 194. See also Hitchman and MacOdrum, “Don’t Fence Me In: Infringement in Substance in Patent Actions” (1990), 7 C.I.P.R. 167 at 202.

<sup>10</sup> *Whirlpool Corp. v. Camco Inc.* (2000), 9 C.P.R. (4th) 129 (S.C.C.) at 154, para. 54, per Binnie J., reconsideration / rehearing refused 2001 CarswellNat 283, 2001 CarswellNat 284 (S.C.C.).

<sup>11</sup> *Cascade Corp. v. Kinshofer GmbH*, 2016 FC 1117 (F.C.) (where it was essential that two “independent” hydraulic locking circuits operate without regard to the status or function of each other, a hydraulically circuit that did not perform in this manner did not infringe) at [82] and [86]–[87]; *Arctic Cat Inc. v. Bombardier Recreational Products Inc.*, 2016 FC 1047 (F.C.), affirmed 2018 CarswellNat 3395, 2018 CarswellNat 3396 (F.C.A.) (where an “ignition pattern” was essential to an ignition timing patent a timing system based on an “ignition point” did not infringe); *Excalibre Oil Tools Ltd. et al. v. Advantage Products Inc. et al.*, at [230]–[231] (where it was essential that the claimed “tubular housing having a wall for engaging the casing” of a downhole tool for oil production have a cylindrical shaped wall that engaged the casing, a similar tool that had “rigid slips” that extended from the wall for engaging with the casing did not infringe); *ABB Technology AG v. Hyundai Heavy Industries Co.*, 2015 FCA 181 (F.C.A.), per Stratus J.A., Webb & Near J.J.A. concurring at para. 80

are substituted or omitted.<sup>12</sup>

The exclusive rights of a patent last only during the term of the patent. For example, the manufacture of an article during the term of a patent is an infringement, but the use or sale of that article after the monopoly comes to an end is not.<sup>13</sup>

Infringement is not determined by comparing the defendant's allegedly infringing product to the Plaintiff's product which is representative of the patent.<sup>14</sup> Rather, the appropriate means of determining whether there is infringement is to compare the allegedly infringing product to the patent and, in particular, to the patent claims.<sup>15</sup>

### 7.1.1.1 *Infringement is a question of fact*

Infringement is generally a question of fact.<sup>16</sup> The issue of infringement is a mixed question of fact and law.<sup>17</sup> Claims construction is a matter of law.<sup>18</sup> Whether the defendant's activities fall within the scope of the monopoly thus defined is a question of fact.<sup>19</sup> In most patent infringement cases, once the claim has been construed it is clear on the facts whether infringement has taken place: one need only compare the thing made or sold by the defendant with the claims as construed.<sup>20</sup>

Infringement is a question of mixed fact and law; the court must first construe the claims and then determine whether, on the facts, the impugned device falls within them: *ABB Technology* at para. 30. Claims construction is therefore antecedent to consideration of infringement.<sup>24</sup> Once the infringement stage is reached, the focus is factual. As the Supreme Court stated in *Monsanto Canada Inc. v. Schmeiser*,<sup>25</sup> "once the claim has been construed it is [usually] clear on the facts whether infringement has taken place: one need only compare the thing made or sold [...] with the claims as construed."<sup>26</sup>

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(where it was essential that the assemblies incorporated a cable grounding feature). *Valeant Canada LP v. Ranbaxy Pharmaceuticals Canada Inc. et al.*, 2018 FC 847 at para. 102-103 (where it was essential that the amount of "permeation enhancer" used in a tablet be within 10% of the claimed range, an allegation of non-infringement was justified based on a finding that the amount of "permeation enhancer" in the generic tablet was more than 10% outside the claimed range);

<sup>12</sup> *Free World Trust c. Électro Santé Inc.* (2000), 9 C.P.R. (4th) 168 (S.C.C.) at para. 31(f), per Binnie J.; *Glaston Services Ltd. Oy v. Horizon Glass & Mirrors Ltd.*, 2010 FC 1191 (F.C.) at para. 77 (where it was not essential to a glass bending machine that the drive means operate "pneumatically" a screw drive was found to be within the scope of the claim); *Grenke v. DNOW Canada ULC*, 2018 FC 565 at para. 9 (where it was not essential that the "left-open leak passage" remain open at all times – since that would mean oil would be leaking out all over the well head – a selectively open leak passage was within the scope of the claim).

<sup>13</sup> *Mastini v. Bell Telephone Co. of Canada* (1971), 1 C.P.R. (2d) 1, 18 D.L.R. (3d) 215 (Can. Ex. Ct.), per Jackett P., additional reasons 1973 CarswellNat 388 (Fed. T.D.). It should be noted that the manufacture in question in this case occurred more than six years prior to the institution of the action and was therefore prescribed.

<sup>14</sup> *DuPont Canada Inc. v. Glopak Inc.* (1998), 81 C.P.R. (3d) 44 (Fed. T.D.) at para. 27, per Muldoon J; *MIPS AB v. Bauer Hockey Ltd.*, 2018 FC 485 at [186]-[190]

<sup>15</sup> *Rocform Corp. v. Levasseur Construction Inc.* (1961), 22 Fox Pat. C. 92 (C.S. Que.) at para. 13, per Puddicombe J.; *Durkee-Atwood Co. v. Richardson* (1962), 23 Fox Pat. C. 30 (Can. Ex. Ct.) at paras. 9 and 11, per Thorson, P.; *Airseal Controls Inc. v. M & I Heat Transfer Products Ltd.* (1993), 53 C.P.R. (3d) 259 (Fed. T.D.) at para. 35, per Dub  c J., affirmed 1997 CarswellNat 1912 (Fed. C.A.). See also, *DuPont Canada Inc. v. Glopak Inc.* (1998), 81 C.P.R. (3d) 44 (Fed. T.D.) at para. 28, per Muldoon J; and *Bombardier Recreational Products Inc. v. Arctic Cat, Inc.*, 2018 FCA 172 at para. 43-53

<sup>16</sup> *Monsanto Canada Inc. v. Schmeiser*, [2004] 1 S.C.R. 902 (S.C.C.) at para. 30 citing *Whirlpool Corp. v. Camco Inc.*, 2000 SCC 67, [2000] 2 S.C.R. 1067 (S.C.C.), reconsideration / rehearing refused 2001 CarswellNat 283, 2001 CarswellNat 284 (S.C.C.).

<sup>17</sup> *Whirlpool Corp. v. Camco Inc.*, 2000 SCC 67, [2000] 2 S.C.R. 1067 (S.C.C.) at para. 76, reconsideration / rehearing refused 2001 CarswellNat 283, 2001 CarswellNat 284 (S.C.C.).

<sup>18</sup> *Whirlpool Corp. v. Camco Inc.*, 2000 SCC 67, [2000] 2 S.C.R. 1067 (S.C.C.) at para. 76, reconsideration / rehearing refused 2001 CarswellNat 283, 2001 CarswellNat 284 (S.C.C.).

<sup>19</sup> *Whirlpool Corp. v. Camco Inc.*, 2000 SCC 67, [2000] 2 S.C.R. 1067 (S.C.C.) at para. 76, reconsideration / rehearing refused 2001 CarswellNat 283, 2001 CarswellNat 284 (S.C.C.) citing *Western Electric Co. v. Baldwin International Radio of Canada Ltd.*, [1934] S.C.R. 570 (S.C.C.) which provides at 586–587:

Infringement is a mixed question of law and fact. First of all, it involves the construction of the specification and, if there is any dispute about that, the issue, let me repeat, is an issue of law for the court.

There is further an issue of fact whether the invention, as disclosed by the specification as construed by the court, has been in substance taken by the defendant. This issue is, to adopt again the language of Lord Cairns in *Clark v. Adie* [(1877), (1876-77) L.R. 2 App. Cas. 315 (U.K. H.L.)], "either for a jury or for any tribunal judging of the facts of the case". It is for the appellants to establish by reasonable evidence to the satisfaction of the court, as judge of the facts, that the respondents have really taken and adopted the substance of the invention which Arnold specified in his specification.

<sup>20</sup> *Monsanto Canada Inc. v. Schmeiser*, [2004] 1 S.C.R. 902 (S.C.C.).

<sup>24</sup> *Mediatube Corp. v. Bell Canada*, 2017 FC 6 at para. 28, [2017] F.C.J. No. 6 (QL), affirmed 2019 FCA 176

<sup>25</sup> 2004 SCC 34 at para. 30, [2004] 1 S.C.R. 902

<sup>26</sup> *Human Care Canada Inc. v. Evolution Technologies Inc.*, 2019 FCA 209 at [23]-[24] (where the Trial Judge had construed a claimed "tension rod means" to require that the "means" be primarily in tension, it was an error of law not to apply that construction to the facts, and to make a finding of infringement based on the accused "buttressed beam" being "subject to tensile forces in addition to transverse forces.")

### 7.1.2 Territorial Limitations

The exclusive rights conferred by a Canadian patent are limited territorially to Canada and therefore, generally speaking, infringing acts must occur within Canada. A person who makes, constructs, uses or sells the invention beyond Canada commits no breach of a Canadian patent.<sup>21</sup>

A Canadian vehicle infringing a Canadian patented invention, outside of Canadian territory will not be liable for infringement because the ‘use’ is not occurring on Canadian territory. It is important to note that Canadian ships do not qualify as Canadian territory for the purposes of the *Patent Act*. However, the *Act* still recognizes Canadian territorial waters as Canadian territory.

It was not proved to my satisfaction that the device to which that Patent relates was ever used by the Defendants within the three-mile limit and, even if it was used without the three-mile limit, which I cannot take to have been proved, I am precluded by *Newall v. Elliott* (10 Jurist, New Series, page 954) from holding such user to be an infringement.<sup>22</sup>

As discussed in Chapter 7.6.3 below, activities in Canada in a ship, vessel, aircraft or land vehicle that has entered Canada temporarily or accidentally are exempt from infringement, provided that the invention is employed exclusively for the needs of the ship, vessel, aircraft or land vehicle, and not for the manufacture of any goods to be sold within or exported from Canada.

The construction of a patented combination abroad is not an infringement and cannot consequently trigger a domestic contributory infringement.<sup>23</sup>

Where delivery or transfer of possession of allegedly infringing goods takes place outside of Canada (even if promotional activities and offers for sale take place in Canada), but no contract for sale of the goods in Canada has taken place, there is no infringement by selling the invention<sup>24</sup> or, by taking delivery of and ownership of infringing goods, outside of Canada.<sup>25</sup>

The Internet has created new issues in cases of cross-border activities and whether they constitute patent infringement in Canada. It is an open question under Canadian law as to whether carrying out a method, partly in Canada and partly outside of Canada, constitutes infringement of a Canadian method claim. In *Canadian National Railway Company v. BNSF Railway Company*,<sup>29</sup> Justice Locke refused to strike out a Statement of Claim that alleged infringement of: (a) a method claim for conducting an online transaction to fulfill a service inquiry or a shipment serve ordering;<sup>30</sup> (b) a method claim for transporting goods by rail that includes adapting a Graphical User Interface (GUI);<sup>31</sup> and (c) a method for configuring a GUI,<sup>32</sup> where the tools are run on servers in Texas.<sup>33</sup> BNSF argued that many of the steps in the method claims would be performed outside Canada.<sup>34</sup> The motion to strike was dismissed as the question as to whether all steps of the method claims must be put into effect in Canada for there to be infringement is a question of law, the jurisprudence for which is not sufficiently settled.<sup>35</sup>

*Likewise, is an open question under Canadian law as to whether the use of a system, part of which is in Canada and part of which is not, by a user in Canada, constitutes infringement of a Canadian system claim.*

#### 7.1.2.1 The U.S. Perspective

<sup>21</sup> *J.M. Voith GmbH v. Beloit Corp.* (1997), 73 C.P.R. (3d) 321, [1997] F.C.J. No. 486 (Fed. C.A.) at 335 [C.P.R.], per Isaac C.J., Stone and Desjardins J.J.A.; and *Dole Refrigerating Products Ltd. v. Canadian Ice Machine Co.* (1957), 28 C.P.R. 32, 17 Fox Pat. C. 125 (Can. Ex. Ct.), per Thurlow J.; *V.D. Ltd. v. Boston Deep Sea Fishing & Ice. Co.* (1934), 52 R.P.C. 303 (C.A.) at 331, per Clauson, J.

<sup>22</sup> *V.D. Ltd. v. Boston Deep Sea Fishing & Ice. Co.* (1934), 52 R.P.C. 303 (C.A.) at 331, per Clauson, J.

<sup>23</sup> *J.M. Voith GmbH v. Beloit Corp.* (1997), 73 C.P.R. (3d) 321, [1997] F.C.J. No. 486 (Fed. C.A.) at 336 [C.P.R.], per Isaac C.J., Stone and Desjardins J.J.A., reversing in part (1993), 47 C.P.R. (3d) 448 (Fed. T.D.).

<sup>24</sup> *Domco Industries Ltd. v. Mannington Mills Inc.* (1990), 29 C.P.R. (3d) 481 (Fed. C.A.) at 496, leave to appeal refused 1990 CarswellNat 1541 (S.C.C.). The relevant statutory provision at the time referred to “vending” rather than “selling”, but the Court concluded at page 490 that there is no difference between these two terms. The *Domco* decision turned on a finding of fact that all sales were made f.o.b. New Jersey and therefore property and possession of the goods in question had passed in the U.S. (see page 486).

<sup>25</sup> *Laboratoires Servier v. Apotex Inc.* (2008), 67 C.P.R. (4th) 241 (F.C.) at para. 160, per Snider J., additional reasons 2008 CarswellNat 4195 (F.C.), affirmed (2009), 75 C.P.R. (4th) 443 (F.C.A.), leave to appeal refused 2010 CarswellNat 660 (S.C.C.).

<sup>29</sup> 2018 FC 614 (F.C. per Locke, J.)

<sup>30</sup> *Canadian National Railway Company v. BNSF Railway Company* 2018 FC 614 (F.C. per Locke, J.) at para. 15.

<sup>31</sup> *Canadian National Railway Company v. BNSF Railway Company* 2018 FC 614 (F.C. per Locke, J.) at para. 21.

<sup>32</sup> *Canadian National Railway Company v. BNSF Railway Company* 2018 FC 614 (F.C. per Locke, J.) at para. 23.

<sup>33</sup> *Canadian National Railway Company v. BNSF Railway Company* 2018 FC 614 (F.C. per Locke, J.) at para. 33.

<sup>34</sup> *Canadian National Railway Company v. BNSF Railway Company* 2018 FC 614 (F.C. per Locke, J.) at para. 36.

<sup>35</sup> *Canadian National Railway Company v. BNSF Railway Company* 2018 FC 614 (F.C. per Locke, J.) at para. 46.

U.S. law on the territoriality of patents is different from that of Canada. U.S. patent law prohibits the supply from the U.S. of:

1. “all or a substantial portion of the components of a patented invention ... in such a manner as to actively induce the combination of such components outside the United States in a manner that would infringe the patent” or
2. “any component of a patented invention that is especially made or especially adapted for use in the invention ... knowing that such component is so made or adapted and intending that such component will be combined outside the United States in a manner that would infringe the patent.”<sup>36</sup>

The Court of Appeals for the Federal Circuit commented on this issue in *NTP, Inc. v. Research In Motion, Ltd.*<sup>37</sup> RIM provided its famous BlackBerry service in the U.S. using a server located in Canada. The issue concerned whether this was sufficient to avoid infringement of the claims of the U.S. patent in suit. The Court concluded that there was no infringement of method claims but that system claims were infringed on the basis that the system was controlled and used in the U.S.

### 7.1.2.2 The U.K. Perspective

In the U.K., the Court of Appeal ruled that a defendant had infringed a patent to a computer gaming system with terminals and users in the UK, but with its server located outside the U.K. in Antigua or Curacao.<sup>38</sup> The Court’s conclusion was based on ss. 60(2) of the U.K. *Patents Act* 1977 which provides that it is an infringement to supply:

... in the United Kingdom a person other than a licensee or other person entitled to work the invention with any of the means, relating to an essential element of the invention, for putting the invention into effect when he knows, or it is obvious to a reasonable person in the circumstances, that those means are suitable for putting, and are intended to put, the invention into effect in the United Kingdom.

The case turned on the meaning of the phrase “... to put, the invention into effect in the United Kingdom.” Hill provided CDs to activate use of terminals located in the U.K. The court held that the claimed apparatus had to be put into effect and the means of the CD must be suitable for putting and be intended to put the claimed apparatus into a state of effectiveness, essentially to put into an infringing state in the U.K.<sup>39</sup> Putting “the invention into effect in the United Kingdom” come from Article 26 which did not use the word “infringement”.<sup>40</sup> The court held that the gambler (the “punter”) was using the system in the U.K. (or using the whole system as if it was in the U.K. and was, in substance, using the host computer in the U.K.<sup>41</sup>:

If the host computer is situated in Antigua and the terminal computer is in the United Kingdom, it is pertinent to ask who uses the claimed gaming system. The answer must be the punter. Where does he use it? There can be no doubt that he uses his terminal in the United Kingdom and it is not a misuse of language to say that he uses the host computer in the United Kingdom. It is the input to and output of the host computer that is important to the punter and in a real sense the punter uses the host computer in the United Kingdom even though it is situated in Antigua and operates in Antigua. In those circumstances it is not straining the word “use” to conclude that the United Kingdom punter will use the claimed gaming system in the United Kingdom, even if the host computer is situated in, say, Antigua. Thus the supply of the CD in the United Kingdom to the United Kingdom punter will be intended to put the invention into effect in the United Kingdom.<sup>42</sup>

### 7.1.3 Who Can Sue?

The exclusive rights enumerated in s. 42 of the *Patent Act* are granted to “the patentee and the patentee’s legal representatives”. “Patentee” is defined as “the person for the time being entitled to the benefit of a patent”.<sup>43</sup> “Legal

<sup>36</sup> 35 U.S.C. 271(f).

<sup>37</sup> *NTP, Inc. v. Research In Motion, Ltd.*, 418 F.3d 1282 (Fed. Cir. 2015).

<sup>38</sup> *Menashe Business Mercantile Ltd. v. William Hill Organisation Ltd.* (2002), [2003] R.P.C. 31 (C.A. (Civ. Div.)) at paras. 4 & 6.

<sup>39</sup> *Menashe Business Mercantile Ltd. v. William Hill Organisation Ltd.* (2002), [2003] R.P.C. 31 (C.A. (Civ. Div.)) at para. 24.

<sup>40</sup> *Menashe Business Mercantile Ltd. v. William Hill Organisation Ltd.* (2002), [2003] R.P.C. 31 (C.A. (Civ. Div.)) at paras. 24 & 28.

<sup>41</sup> *Menashe Business Mercantile Ltd. v. William Hill Organisation Ltd.* (2002), [2003] R.P.C. 31 (C.A. (Civ. Div.)) at para. 34.

<sup>42</sup> *Menashe Business Mercantile Ltd. v. William Hill Organisation Ltd.* (2002), [2003] R.P.C. 31 (C.A. (Civ. Div.)) at para. 33.

<sup>43</sup> *Patent Act*, s. 2.

representatives” includes heirs, executors, administrators, guardians, curators, tutors, assigns and all other persons claiming through or under applicants for patents and patentees of inventions.<sup>44</sup>

An action for patent infringement may be brought by the patentee and “all persons claiming under the patentee”.<sup>45</sup>

### 7.1.3.1 *Patentee*

The patentee must be made a party to any patent infringement action.<sup>46</sup> Therefore, if a patent infringement action is brought by a person claiming under the patentee, and the patentee is not willing to be named as a co-plaintiff, then the patentee must be named as a defendant<sup>47</sup> or “mise-en-cause” under Quebec law.<sup>48</sup>

### 7.1.3.2 *Licensee*

A person claiming under the patentee is a person who derives his rights to use the patented invention, at whatever degree, from the patentee.<sup>49</sup> This includes exclusive licensees<sup>50</sup> and non-exclusive licensees<sup>51</sup> and may extend to customers who can be considered sub-licensees.<sup>52</sup>

Not all customers are sublicensees. The sale of a licensed article does not have the automatic effect of constituting the purchaser a sublicensee and the fact that a third party enjoys the rights of use and alienation are not alone indicative of the existence of a sublicense (they can only be determinative when there has been no sale).<sup>53</sup>

### 7.1.4 *Who Can be Sued?*

Any person who infringes a patent may be sued for patent infringement. This may include any party in the chain of commerce within Canada of an infringing article, such as the manufacturer, the distributor, the retailer, or the user.

### 7.1.5 *Officers and Directors*

Under normal circumstances, infringing activities by a company do not result in liability for the officers and directors of the company. However, an officer or director of a company may be held liable for infringing acts of the company under certain circumstances. This may occur where the degree and kind of personal involvement of the director or officer is such as to make the tortious act his own.<sup>54</sup> There must be circumstances from which it is reasonable to conclude that the purpose of the director or officer was not the direction of the manufacturing and selling activity of the company in the ordinary course of his relationship to it but the deliberate, wilful and knowing pursuit of a course of conduct that was likely to constitute infringement or reflected an indifference to the risk of it.<sup>55</sup>

## 7.2 “DIRECT” INFRINGEMENT

Section 42 of the *Patent Act* provides that every patent “grants to the patentee and the patentee’s legal representatives for the term of the patent ... the exclusive right, privilege and liberty of making, constructing and using the invention and selling it to others to be used”. It is also accepted that, to this list of exclusive rights may be added the exclusive right to import the patented invention.

This section deals separately with the issues of (i) making and constructing; (ii) using; (iii) selling; and (iv) importing.

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<sup>44</sup> *Patent Act*, s. 2.

<sup>45</sup> *Patent Act*, s. 55(1).

<sup>46</sup> *Patent Act*, s. 55(3).

<sup>47</sup> *Pitney Bowes Inc. v. Yale Security (Canada) Inc.* (1987), 29 C.P.R. (3d) 557 (Fed. C.A.) at 558.

<sup>48</sup> *Bloc vibre Québec Inc. v. Entreprises Arsenault & frères Inc.* (1983), 76 C.P.R. (2d) 269 (Fed. T.D.) per Walsh J.

<sup>49</sup> *Signalisation de Montréal Inc. v. Services de Béton Universels Ltée* (1992), 46 C.P.R. (3d) 199 (Fed. C.A.) at 210, leave to appeal refused 1993 CarswellNat 2469 (S.C.C.).

<sup>50</sup> *Apotex Inc. v. Wellcome Foundation Ltd.* (1998), 79 C.P.R. (3d) 193 (Fed. T.D.) at 300, reversed in part on other grounds (2000), 10 C.P.R. (4th) 65 (Fed. C.A.), affirmed (2002), 21 C.P.R. (4th) 499 (S.C.C.).

<sup>51</sup> *Domco Industries Ltd. v. Armstrong Cork Canada Ltd.* (1982), 66 C.P.R. (2d) 46 (S.C.C.).

<sup>52</sup> *Signalisation de Montréal Inc. v. Services de Béton Universels Ltée* (1992), 46 C.P.R. (3d) 199 (Fed. C.A.), leave to appeal refused 1993 CarswellNat 2469 (S.C.C.).

<sup>53</sup> *Eli Lilly & Co. v. Novopharm Ltd.*, [1998] 2 S.C.R. 129 (S.C.C.) at paras. 70 & 71, per Iacobucci J.

<sup>54</sup> *Mentmore Manufacturing Co. v. National Merchandise Manufacturing Co.* (1978), 40 C.P.R. (2d) 164 (Fed. C.A.) at 172.

<sup>55</sup> *Mentmore Manufacturing Co. v. National Merchandise Manufacturing Co.* (1978), 40 C.P.R. (2d) 164 (Fed. C.A.) at 174. See also *Halford v. Seed Hawk Inc.*, 2004 FC 88, 31 C.P.R. (4th) 434 (F.C.) at 552—556 [C.P.R.], reconsideration / rehearing refused 2004 CarswellNat 882 (F.C.), affirmed 2006 FCA 275, 54 C.P.R. (4th) 130 (F.C.A.) at para. 54.

### 7.2.1 Making and Constructing

The manufacture of a patented product during the term of a patent is an infringement of the patent.<sup>56</sup> In one case, where one manufacturer's version of a product had been tested and found to infringe, in the absence of evidence to the contrary, the Court was satisfied on the application of "common sense" that another manufacturer's version of the same type of product also infringed.<sup>57</sup> In another case, a mere possibility of an intermediate crystal form being created during a chemical manufacturing process was not enough of a basis to allow the Court to infer that the infringing compound actually occurred during manufacture.<sup>58</sup>

It is not an infringement to sell non-patented components which later find themselves assembled into an infringing combination unless the vendor induced or procured the assembly of the components.<sup>59</sup> However, the manufacture of all of the components that are later sufficiently assembled to test the fitting of the parts, constitutes "making" a patented invention for the purposes of s. 42 of the *Act*.<sup>60</sup> This is the case even if the components are then disassembled and exported for assembly and use abroad.

A patent licensee may infringe by engaging in activities that are outside the scope of the licence. Where a licence agreement granted the licensee permission to manufacture "complete sound broadcasting receiving sets" under a Canadian patent, and very little was done to imported receiver sets to complete them (only the final step in the manufacturing occurred in Canada), it could not be said that the product was manufactured in Canada as permitted by the licence. The process of manufacture includes the final step but is not confined to it.<sup>61</sup>

Where a patent claims a product for a particular use,<sup>62</sup> it does not matter where that product is to be used (inside Canada or in the United States or elsewhere), or even whether it is ever used. Once the product is manufactured in Canada for that use, there is infringement.<sup>63</sup>

#### 7.2.1.1 Patented Process for Obtaining a New Product

Section 55.1 of the *Patent Act* states:

In an action for infringement of a patent granted for a process for obtaining a new product, any product that is the same as the new product shall, in the absence of proof to the contrary, be considered to have been produced by the patented process.

The presumption provided for in this section applies only to a patented process for obtaining a new product. Its application has been mainly limited to patents for new food or drug claims.<sup>64</sup> Even in a case where a product claim was defined as "substantially free from contamination", the "new product" of a process claim in the same patent was held to be the product itself, so that the presumption arose even in the absence of evidence that defendant's product was substantially free of contamination.<sup>65</sup>

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<sup>56</sup> Section 42 of the *Patent Act*; *Mastini v. Bell Telephone Co. of Canada* (1971), 1 C.P.R. (2d) 1, 18 D.L.R. (3d) 215 (Can. Ex. Ct.) at 11—12 [C.P.R.], per Jackett P., additional reasons 1973 CarswellNat 388 (Fed. T.D.).

<sup>57</sup> *E. Mishan & Sons, Inc. v. Supertek Canada Inc.*, 2014 FC 326 (F.C.), affirmed 2015 CarswellNat 2881, 2015 CarswellNat 12191 (F.C.A.).

<sup>58</sup> *Alcon Canada Inc. v. Cobalt Pharmaceuticals Co.*, 2014 FC 462 (F.C.), affirmed 2015 CarswellNat 4376, 2015 CarswellNat 9237 (F.C.A.), affirmed 2015 CarswellNat 4377, 2015 CarswellNat 9238 (F.C.A.).

<sup>59</sup> See discussion of "Inducement and procurement" in Chapter 7.3 below.

<sup>60</sup> *J.M. Voith GmbH v. Beloit Corp.* (1997), 73 C.P.R. (3d) 321, [1997] F.C.J. No. 486 (Fed. C.A.) at 339 [C.P.R.], para. 48, per Isaac C.J., Stone and Desjardins J.J.A., reversing in part (1993), 47 C.P.R. (3d) 448 (Fed. T.D.).

<sup>61</sup> *Canadian Marconi Co. v. Nordmende Phoenix Ltd.* (1962), 39 C.P.R. 185, 22 Fox Pat. C. 176 (Can. Ex. Ct.) at 200 [C.P.R.], per Thorson, P.

<sup>62</sup> Viz. "[a] polymeric film for use in the manufacture of sheet molding compound ...".

<sup>63</sup> *AlliedSignal Inc. v. DuPont Canada Inc.* (1993), 50 C.P.R. (3d) 1, [1993] F.C.J. No. 866 (Fed. T.D.) at 19 [C.P.R.], paras. 43—44, per Reed J., additional reasons 1993 CarswellNat 1372 (Fed. T.D.), reversed in part on other grounds (1995), 61 C.P.R. (3d) 417, [1995] F.C.J. No. 744 (Fed. C.A.) at 443—444 [C.P.R.], paras. 72—73, per Desjardins J.A., leave to appeal refused (1995), 63 C.P.R. (3d) v (note), 198 N.R. 160 (note) (S.C.C.).

<sup>64</sup> Former s. 39(1) of the *Patent Act* read as follows:

In the case of inventions relating to naturally occurring substances prepared or produced by, or significantly derived from, microbiological processes and intended for food or medicine, the specification shall not include claims for the resulting food or medicine itself, except when prepared or produced by or significantly derived from the methods or processes of manufacture particularly described and claimed.

<sup>65</sup> *Apotex Inc. v. Wellcome Foundation Ltd.* (1995), 60 C.P.R. (3d) 135, [1995] F.C.J. No. 226 (Fed. C.A.) at 153 [C.P.R.], paras. 40—41, leave to appeal refused *Wellcome Foundation Ltd. v. Apotex Inc.* (1995), 62 C.P.R. (3d) vi (note), 196 N.R. 77 (note) (S.C.C.) per Hugessen, Strayer and Decary J.J.A. Former s. 41(2) of the *Patent Act*, which governed in this case, was slightly different. It provided as follows:

In an action for infringement of a patent where the invention relates to the production of a new substance, any substance of the same chemical composition and constitution shall, in the absence of proof to the contrary, be deemed to have been produced by the patented



The presumption also applies in proceedings under the Patented Medicines (Notice of Compliance) Regulations, where a second person proposes to produce a drug in respect of which the patent was granted for the medicinal ingredient itself when prepared or produced by the methods or processes of manufacture particularly described and claimed in the patent, or by their obvious chemical equivalents.<sup>66</sup>

The term “new product” in s. 55.1 refers to a product that is inventive, not a product that is simply new to the commercial market.<sup>67</sup> However, the use of the word “new” in the section does not impose a burden on a plaintiff seeking to rely on the section of establishing that the product is “novel” in the patent sense because that would result in a reversal of the onus on a defendant to prove anticipation. The Court has defined a “new substance” as a substance that was not previously known.<sup>68</sup>

Therefore, if the alleged infringement relates to a claim to a process for obtaining a new product (as opposed to a process dependent product claim) and the Court is satisfied that the product is new, then the defendant has the burden of adducing evidence to rebut the presumption.<sup>69</sup> Such evidence may consist of evidence of the existence of an alternative process for manufacturing the product.<sup>70</sup>

### 7.2.1.2 *Repairing vs. Remanufacturing*

Purchasers of patented articles sold without restriction have an implied license to have those articles repaired where and by whom they choose, and may even procure entirely new parts without infringing the patent.<sup>71</sup> However, this implied license does not apply where the work goes beyond repair and amounts to remanufacture of the patented article resulting in a new merchantable article. Such remanufacture constitutes infringement of the patentee’s exclusive right to ‘make’ or ‘construct’ the invention per s. 42 of the *Patent Act*. One may prolong the life of a licensed article, but one must not make a new one under the cover of repair.<sup>72</sup>

Whether work performed on a patented article constitutes repair or amounts to remanufacture is a question of fact that will depend on the nature of the patented article and the character of the work carried out upon it.<sup>73</sup> For example, it has been held that, when a manufacturer takes the whole thing and sells what is a new tire with merely the old wires in it, there has been no license to use those old wires for the purpose of putting them into and making up precisely the same combination which is the subject of the patent.<sup>74</sup> In addition, a corporation’s activities in destroying the resilient annulus of a worn-out packer and molding a new annulus using steel inserts salvaged from one or more such worn-out packers has been found to constitute infringing reconstruction and not a repair of the patented packers sold by plaintiffs.<sup>75</sup>

The nature of the invention must be considered when determining whether or not an act is a non-infringing repair. Where the essence of the invention was to attach removable teeth to a tooth holder on a cutting disc, the operators were remaking the patented invention every time they replaced a tooth.<sup>76</sup>

Providing parts, services and assistance (and by extension manufacture of parts) is not infringement (unless there is

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process.

<sup>66</sup> Patented Medicines (Notice of Compliance) Regulations, SOR/93-133, s. 6(6), as amended. See also Chapter 10, “(PM(NOC) Proceedings”.

<sup>67</sup> *Eli Lilly & Co. v. Apotex Inc.* (2009), 80 C.P.R. (4th) 1 (F.C.) at paras. 213—214, affirmed 2010 FCA 240 (F.C.A.), per Gauthier J., leave to appeal refused 2011 CarswellNat 1368 (S.C.C.), additional reasons 2011 CarswellNat 4151 (F.C.).

<sup>68</sup> *Apotex Inc. v. Merck & Co.* (2010), 91 C.P.R. (4th) 1 (F.C.) at paras. 134—167, affirmed (2011), 102 C.P.R. (4th) 321 (F.C.A.), leave to appeal refused 2012 CarswellNat 2442, 2012 CarswellNat 2443, [2012] S.C.C.A. No. 82 (S.C.C.).

<sup>69</sup> *Wellcome Foundation Ltd. v. Apotex Inc.* (1998), 82 C.P.R. (3d) 466 (F.C.) at para. 21, additional reasons 1999 CarswellNat 330 (Fed. T.D.), additional reasons 2001 CarswellNat 501, 2001 CarswellNat 5462 (Fed. T.D.), affirmed (2011), 11 C.P.R. (4th) 218 (Fed. C.A.), leave to appeal refused 2001 CarswellNat 1776, 2001 CarswellNat 1777, [2001] S.C.C.A. No. 192 (S.C.C.).

<sup>70</sup> *Merck & Co, supra* at 48, para. 183—185.

<sup>71</sup> *Betts v. Wilmot* (1871), LT 6 Ch. App 239 at 245; *Novopharm Limited v. Eli Lilly and Company et al.*, [1998] 2 S.C.R. 129 at para. 99-100; *Rucker Co. v. Gavel’s Vulcanizing Ltd.* (1985), 7 C.P.R. (3d) 294, [1985] F.C.J. No. 1031 (Fed. T.D.) at 324 [C.P.R.], varied (1987), 14 C.P.R. (3d) 439 (Fed. T.D.), per Walsh J.

<sup>72</sup> *Rucker Co. v. Gavel’s Vulcanizing Ltd.* (1985), 7 C.P.R. (3d) 294, [1985] F.C.J. No. 1031 (Fed. T.D.) at 324 [C.P.R.], per Walsh J., varied 1987 CarswellNat 1256 (Fed. T.D.); *Solar Thomson Engineering Co. v. Barton*, [1977] R.P.C. 537 (Eng. C.A.) at 554, per Buckley, Orr and Goff L.J.; *Sirdar Rubber Co. v. Wallington, Weston & Co.* (1907), 24 R.P.C. 539 at 543, per Lord Halsbury.

<sup>73</sup> *Rucker Co. v. Gavel’s Vulcanizing Ltd.* (1985), 7 C.P.R. (3d) 294, [1985] F.C.J. No. 1031 (Fed. T.D.) at 324—325 [C.P.R.], per Walsh J., varied 1987 CarswellNat 1256 (Fed. T.D.); *Solar Thomson Engineering Co. v. Barton*, [1977] R.P.C. 537 (C.A.) at 554, per Buckley, Orr and Goff L.J.; *Schutz (UK) Limited v. Werit (UK) Limited*, [2013] UKSC 16

<sup>74</sup> *Rucker Co. v. Gavel’s Vulcanizing Ltd.* (1985), 7 C.P.R. (3d) 294, [1985] F.C.J. No. 1031 (Fed. T.D.) at 325 [C.P.R.], per Walsh J., varied 1987 CarswellNat 1256 (Fed. T.D.); *Dunlop Pneumatic Tyre Co. v. Neal* (1899), 16 R.P.C. 247 (C.A.) at 250, per North J.

<sup>75</sup> *Rucker Co. v. Gavel’s Vulcanizing Ltd.* (1985), 7 C.P.R. (3d) 294, [1985] F.C.J. No. 1031 (Fed. T.D.) at 325 [C.P.R.], per Walsh J., varied 1987 CarswellNat 1256 (Fed. T.D.); *Hydrill Co. v. Crossman Engineering Inc.*, 152 U.S.P.Q. 171 (U.S. E.D. Tex. 1966).

<sup>76</sup> *MacLennan c. Gilbert Tech Inc.* (2008), 67 C.P.R. (4th) 161 (F.C.A.) at paras. 22—23 & 30, per Noël, Nadon, Pelletier JJ.A.

inducement or procurement to infringe).<sup>77</sup>

Though not premised upon the same principle as discussed here concerning rules of repair, the modification and resale of a licensed product is generally permitted. This right is premised on the inherent right of an owner of property to deal with that property as he or she sees fit.<sup>78</sup>

While the immunity provided for in s. 56 of the *Patent Act* (prior acquired goods)<sup>79</sup> is limited to the specific article, machine, manufacture or composition of matter in question, and therefore does not include the right to replace such article, machine, manufacture or composition of matter,<sup>80</sup> this limitation does not interfere with the right to repair.<sup>81</sup>

## 7.2.2 Using

As discussed in Chapter 7.1.1 above, a patent provides the exclusive right, among other things, to use the invention.<sup>82</sup>

### 7.2.2.1 Monsanto Decision

The Supreme Court of Canada discussed the law as it pertains to “use” in the *Monsanto* decision.<sup>83</sup> In that case, Monsanto sued Schmeiser, a farmer, for infringement of a patent concerning herbicide-resistant canola. The claims in the patent related to a gene to make the canola herbicide-resistant, as well as a cell containing the gene.

By saving seed from canola plants that had survived spraying with herbicide, Schmeiser produced a crop of over 1000 acres comprising over 95% patented canola. Based on these facts, the Court ruled that Schmeiser knew or should have known that the crop contained the patented cell or gene.<sup>84</sup>

Schmeiser defended that he had not infringed the patent because he had not made, constructed or used the patented cell or gene, or sold it to others to be used. He had simply gathered seeds from successful plants for planting the following year, a practice he had followed for years.<sup>85</sup>

The 5-4 majority of the Court was inclined to agree that Schmeiser did not make or construct the patented cell or gene. The main area of debate was whether Schmeiser had used the patented cell or gene.<sup>86</sup>

Schmeiser argued that he had not infringed that patent because the claims concerned a cell or gene, whereas he had cultivated the whole plant. The plant itself could not be, and was not, patented.<sup>87</sup> Schmeiser also argued that, because he had not sprayed herbicide on the crop, he had not exploited the advantage of the invention and thus had not used it.<sup>88</sup>

The Court offered the following list of propositions concerning the meaning of “use” (or its French translation “exploiter”) under the *Patent Act*:

1. “Use” or “exploiter”, in their ordinary dictionary meaning, denote utilization with a view to production or advantage.
2. The basic principle in determining whether the defendant has “used” a patented invention is whether the inventor has been deprived, in whole or in part, directly or indirectly, of the full enjoyment of the monopoly conferred by the patent.

<sup>77</sup> *J.M. Voith GmbH v. Beloit Corp.* (1997), 73 C.P.R. (3d) 321, [1997] F.C.J. No. 486 (Fed. C.A.) at 341 [C.P.R.], per Isaac C.J., Stone and Desjardins J.J.A., reversing in part on other grounds (1993), 47 C.P.R. (3d) 448 (Fed. T.D.). See also discussion of “Inducement and Procurement” in Chapter 7.3 below.

<sup>78</sup> *Eli Lilly & Co. v. Novopharm Ltd.* (1998), 80 C.P.R. (3d) 321, [1998] S.C.J. No. 59 (S.C.C.) at 366—367 [C.P.R.], per L’Heureux-Dubé, Gonthier, Cory, McLachlin, Iacobucci, Major and Bastarache J.J., reversing (1996), 67 C.P.R. (3d) 377 (Fed. C.A.), reversing *Eli Lilly & Co. v. Apotex Inc.* (1996), 66 C.P.R. (3d) 329 (Fed. C.A.), reversing (1995), 60 C.P.R. (3d) 181 (Fed. T.D.), affirming (1995), 60 C.P.R. (3d) 206 (Fed. T.D.).

<sup>79</sup> See discussion of “Prior Acquired Goods” in Chapter 7.6.4 below.

<sup>80</sup> *Reeves Brothers Inc. v. Toronto Quilting & Embroidery Ltd.* (1978), 43 C.P.R. (2d) 145 (Fed. T.D.) at 163—164, per Gibson, J.

<sup>81</sup> *Diamond Shamrock Corp. v. Hooker Chemicals & Plastics Corp.* (1982), 66 C.P.R. (2d) 145 (Fed. T.D.) at 152—153, per Walsh J.  
<sup>82</sup> *Patent Act*, s. 42.

<sup>83</sup> *Monsanto Canada Inc. v. Schmeiser*, [2004] 1 S.C.R. 902 (S.C.C.).

<sup>84</sup> *Monsanto Canada Inc. v. Schmeiser*, [2004] 1 S.C.R. 902 (S.C.C.) at para. 67

<sup>85</sup> *Monsanto Canada Inc. v. Schmeiser*, [2004] 1 S.C.R. 902 (S.C.C.) at para. 60.

<sup>86</sup> *Monsanto Canada Inc. v. Schmeiser*, [2004] 1 S.C.R. 902 (S.C.C.) at para. 26.

<sup>87</sup> *Monsanto Canada Inc. v. Schmeiser*, [2004] 1 S.C.R. 902 (S.C.C.) at para. 76.

<sup>88</sup> *Monsanto Canada Inc. v. Schmeiser*, [2004] 1 S.C.R. 902 (S.C.C.) at para. 81.

3. If there is a commercial benefit to be derived from the invention, it belongs to the patent holder.
4. It is no bar to a finding of infringement that the patented object or process is a part of or composes a broader unpatented structure or process, provided the patented invention is significant or important to the defendant's activities that involve the unpatented structure.
5. Possession of a patented object or an object incorporating a patented feature may constitute "use" of the object's stand-by or insurance utility and thus constitute infringement.
6. Possession, at least in commercial circumstances, raises a rebuttable presumption of "use".
7. While intention is generally irrelevant to determining whether there has been "use" and hence infringement, the absence of intention to employ or gain any advantage from the invention may be relevant to rebutting the presumption of use raised by possession.<sup>89</sup>

The majority of the Court dismissed the first non-infringement defence (that Schmeiser cultivated the plant, not the patented cell or gene contained therein), stating as follows: "Provided the patented invention is a significant aspect of the defendant's activity, the defendant will be held to have "used" the invention and violated the patent ... Infringement does not require use of the gene or cell in isolation."<sup>90</sup>

With regard to the second non-infringement argument (that Schmeiser had not sprayed herbicide on his crop and thus had not exploited the invention), the majority of the Court ruled that the argument failed to take into account the stand-by or insurance utility of the properties of the patented genes or cells.

Schmeiser benefited from the invention by virtue of the fact that he could have sprayed herbicide if the need had arisen. He did not provide sufficient evidence to rebut the presumption of use that arose from his possession of the crop containing the patented genes and cells.<sup>91</sup>

In discussing the presumption that possession constitutes use, the majority noted the general rule that the defendant's intention is irrelevant to a finding of infringement.<sup>92</sup> The majority also discussed examples in which the "use" of an invention would constitute exploitation of the invention's stand-by utility. A fire extinguisher is "used" to provide the means for extinguishment should the need arise.<sup>93</sup> This is so even if there is never a fire to be extinguished. Patented pumps on a ship were "used" even though they were never used to pump water in British waters, because there was an intention to use them if the need arose.<sup>94</sup> This principle of stand by utility is directed to cases where the benefit of the invention is taken even when the actions described in the patent are not performed, as opposed to the possible modification of a non-infringing system.<sup>95</sup>

#### 7.2.2.2 *Use in an Unintended Manner*

While the general rule is that intention is irrelevant to the issue of infringement, if a device would infringe if used in a manner no consumer would knowingly use, it is not an infringement to sell such a device.<sup>96</sup> In this respect, it is relevant to inquire into the intended use of a device.

If directions provided by the manufacturer as to the manner in which a device is to be used result in no infringement and there is no ground for holding that such directions are colourable or given in the expectation that they will be disregarded, then there is no inducement of infringement of the invention, even if there is evidence that some workmen do not follow those directions and actually use the device in an infringing manner.<sup>97</sup>

#### 7.2.2.3 *Use of a Product of a Patented Process or Machine*

<sup>89</sup> *Monsanto Canada Inc. v. Schmeiser*, [2004] 1 S.C.R. 902 (S.C.C.) at para. 58.

<sup>90</sup> *Monsanto Canada Inc. v. Schmeiser*, [2004] 1 S.C.R. 902 (S.C.C.) at para. 80.

<sup>91</sup> *Monsanto Canada Inc. v. Schmeiser*, [2004] 1 S.C.R. 902 (S.C.C.) at paras. 84, 86.

<sup>92</sup> *Monsanto Canada Inc. v. Schmeiser*, [2004] 1 S.C.R. 902 (S.C.C.) at para. 49; *Computalog Ltd. v. Comtech Logging Ltd.* (1992), 44 C.P.R. (3d) 77 (Fed. C.A.) at 88, reversing (1990), 32 C.P.R. (3d) 289 (Fed. T.D.); *Stead v. Anderson* (1847), 4 C.B. 806, 136 E.R. 724 (Eng. C.P.) at 736 [E.R.]; *Bessette v. Quebec (Attorney General)*, 2019 FC 393 at paras. 243-244.

<sup>93</sup> *Monsanto Canada Inc. v. Schmeiser*, [2004] 1 S.C.R. 902 (S.C.C.) at para. 47.

<sup>94</sup> *Monsanto Canada Inc. v. Schmeiser*, [2004] 1 S.C.R. 902 (S.C.C.) at para. 51; *Adair v. Young* (1879), 12 Ch. D. 13 (Eng. Ch. Div.).

<sup>95</sup> *Mediatube Corp. v. Bell Canada*, 2017 FC 6 at paras. 221 to 224.

<sup>96</sup> *Illinois Tool Works Inc. v. Cobra Fixations Cie / Cobra Anchors Co.* (2002), 20 C.P.R. (4th) 402 (Fed. T.D.), per Pelletier J. at paras. 78, 81, affirmed (2003), 29 C.P.R. (4th) 417 (F.C.A.).

<sup>97</sup> *National Electric Products Corp. v. Industrial Electric Products Ltd.*, [1940] S.C.R. 406 (S.C.C.) at 409, per Duff C.J., affirming [1939] Ex. C.R. 282 (Can. Ex. Ct.) at 286-287, per Maclean J.; *Illinois Tool Works Inc. v. Cobra Fixations Cie / Cobra Anchors Co.* (2002), 20 C.P.R. (4th) 402 (Fed. T.D.), per Pelletier J. at para. 77, affirmed (2003), 29 C.P.R. (4th) 417 (F.C.A.).

It is an infringement of a patent to use (or sell) a product made according to a patented process or using a patented machine.<sup>98</sup>

This issue may be of practical importance where the patentee has no claim to the product itself and (i) the patentee seeks relief against a user or a seller of the product who was not the manufacturer and who, therefore, never used the patented process or machine; or (ii) the product has been manufactured abroad (where there may be no patent) and imported into Canada. This second issue is dealt with in Chapter 7.2.4 below (Importation).

The burden of proving what process was used by its supplier is generally on the defendant as, at common law, when the subject matter of an allegation lies particularly within the knowledge of one of the parties, that party must prove it whether it be an affirmative or negative character.<sup>99</sup>

### 7.2.3 Selling

As discussed in Chapter 5.1.1 above, the patentee and the patentee's legal representatives have the exclusive right to sell the invention to others.<sup>100</sup> Prior to October 1, 1989, s. 42 of the *Patent Act* defined this exclusive right by the word "vending" rather than "selling". However, the Federal Court of Appeal has ruled that these two words have the same meaning.<sup>101</sup>

One who purchases a patented device from the patentee or a licensee may use and sell the device subject only to any valid restrictions that may have been accepted by the purchaser.<sup>102</sup>

As discussed in Chapter 5.1.4 above, any party in the chain of commerce who sells the infringing device without authority may be liable for infringement, including the manufacturer, distributor and retailer.

As discussed in Chapter 5.1.2 above, where delivery or possession of allegedly infringing goods takes place outside of Canada, but no contract for sale of the goods has taken place in Canada, there is no infringement by selling the invention.<sup>103</sup> This is the case even if promotional activities and offers for sale take place in Canada.

It is not clear whether it is an infringement of a Canadian patent to conclude a contract in Canada for the sale abroad of goods that would infringe if in Canada.<sup>104</sup>

A "paper offer" without possession in Canada of the patented goods by the alleged infringer does not amount to selling, but possession of an infringing article, accompanied by exposure for sale, even without proof of actual sale, is actionable infringement.<sup>105</sup> Though an offer for sale may not be infringement, it may be a threat of infringement justifying a *quia timet* injunction.<sup>106</sup>

<sup>98</sup> *Reeves Brothers Inc. v. Toronto Quilting & Embroidery Ltd.* (1978), 43 C.P.R. (2d) 145 (Fed. T.D.) at 162—163, per Gibson J.; *American Cyanamid Co. v. Charles E. Frosst & Co.* (1965), 47 C.P.R. 215 (Can. Ex. Ct.) at 232, per Noel J., and *Micro Chemicals Ltd. v. Rhone-Poulenc S.A. (No. 1)* (1964), 44 C.P.R. 193 (Can. Ex. Ct.) at 201, affirmed (1964), 53 C.P.R. 140 (S.C.C.), per Noel J., each of the foregoing decisions of Noel J. citing *Hoffmann-La Roche Ltd. v. Canada (Commissioner of Patents)*, [1955] S.C.R. 414 (S.C.C.).

<sup>99</sup> *Eli Lilly & Co. v. Apotex Inc.*, 2009 FC 991 (F.C.) at para. 218, per Gauthier J., affirmed 2010 CarswellNat 5866 (F.C.A.), leave to appeal refused 2011 CarswellNat 1368 (S.C.C.), additional reasons 2011 CarswellNat 4151 (F.C.) quoting *Hoffmann-La Roche Ltd. v. Apotex Inc.* (1983), 41 O.R. (2d) 84 (Ont. H.C.) at para. 23, affirmed (1984), 47 O.R. (2d) 287 (Ont. C.A.), per Walsh J., leave to appeal refused 1985 CarswellOnt 1987 (S.C.C.).

<sup>100</sup> *Patent Act*, s. 42.

<sup>101</sup> *Domco Industries Ltd. v. Mannington Mills Inc.* (1990), 29 C.P.R. (3d) 481 (Fed. C.A.) at 490, leave to appeal refused 1990 CarswellNat 1541 (S.C.C.).

<sup>102</sup> *Eli Lilly & Co. v. Apotex Inc.* (1996), 66 C.P.R. (3d) 329 (Fed. C.A.) at 343, per Pratte J.A., reversed *Eli Lilly & Co. v. Novopharm Ltd.*, 1998 CarswellNat 1061 (S.C.C.); David Vaver, *Intellectual Property Law* (Concord: Irwin, 1997) at 152.

<sup>103</sup> *Domco Industries Ltd. v. Mannington Mills Inc.* (1990), 29 C.P.R. (3d) 481 (Fed. C.A.) at 496, leave to appeal refused 1990 CarswellNat 1541 (S.C.C.). See also footnote 19 above.

<sup>104</sup> *Domco Industries Ltd. v. Mannington Mills Inc.* (1990), 29 C.P.R. (3d) 481 (Fed. C.A.) at 495, leave to appeal refused 1990 CarswellNat 1541 (S.C.C.). At 493—494, the Court discussed the decision in *Badische Anilin & Soda Fabrik v. Hickson* (1906), 23 R.P.C. 433 in which the House of Lords ruled that it was not an infringement of a U.K. patent to enter into a contract in the U.K. for the sale of goods outside the U.K. that would infringe the U.K. patent. Iacobucci C.J. agreed in principle stating, for the Court, "I fail to see why the same result arrived at in *Hickson* should not be followed in the case at bar. The emphasis by the House of Lords on the fact that the goods were located abroad when delivery to or possession by the purported infringer took place is clearly relevant in determining what constitutes vending in Canada." However, the Court retreated somewhat from its initial agreement with the House of Lords after noting the factual distinction in *Domco* that the defendant Mannington had engaged in far more domestic sales and promotional activity than was present in the U.K. case. Iacobucci C.J. wrote: "I need not deal with that point except to say that I would perhaps attach somewhat greater importance to contracts of sale being made in the jurisdiction than did the House of Lords in the authorities cited to us."

<sup>105</sup> *Domco Industries Ltd. v. Mannington Mills Inc.* (1990), 29 C.P.R. (3d) 481 (Fed. C.A.) at 495, leave to appeal refused 1990 CarswellNat 1541 (S.C.C.), citing two U.K. Court of Appeal decisions: *No-Fume Ltd. v. Frank Pitchford & Co.* (1935), 52 R.P.C. 231 (C.A.); *British Motor Syndicate Ltd. v. J. Taylor & Sons Ltd.* (1890), 17 R.P.C. 723.

<sup>106</sup> *Domco Industries Ltd. v. Mannington Mills Inc.* (1990), 29 C.P.R. (3d) 481 (Fed. C.A.) at 495 and endnote 12, leave to appeal refused 1990

## 7.2.4 Importation

Canada's *Patent Act* does not provide explicitly that the exclusive rights associated with a patent include importation. Nevertheless, it is generally accepted that importation of an infringing article constitutes infringement.<sup>107</sup>

The Federal Court of Appeal has noted that the right to import, by itself, is not within the exclusive rights conferred by a Canadian patent. Importation may be evidence of an intent or a threat to infringe by using or selling but, by itself, it is not infringement.<sup>108</sup> Based on this, and considering the Supreme Court's decision in *Monsanto* to the effect that possession of a patented invention creates a presumption (but a rebuttable presumption) that there is an intent to use the invention (and thus infringe the patent),<sup>109</sup> it is arguable that importation simply creates a rebuttable presumption that it is with intent to infringe, for example by use or sale. Importation for a permissible purpose, e.g., private experiment or research, is presumably lawful.<sup>110</sup>

Query whether importation of a patented article for the purpose of subsequent export is permissible on the basis that no act of infringement (manufacture, use or sale) ever takes place in Canada. Although logic supports this view, recent authority suggests otherwise.<sup>111</sup>

### 7.2.4.1 Product Made Abroad by Patented Process or Intermediate

It is an infringement of a patent to import a product into Canada that was made abroad according to a patented process, even where the process was not the last stage of the article being produced,<sup>112</sup> so long as the use of the patented process in the production was not "merely incidental".<sup>113</sup> This is sometimes referred to as the *Saccharin* doctrine.<sup>114</sup> This follows from the general prohibition against importation and the general principle that it is an infringement of a patent to use or sell a product made according to a patented process.<sup>115</sup> It deprives the patentee of some part of the whole profit and advantage of the invention, and the importer is indirectly making use of the

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CarswellNat 1541 (S.C.C.), citing *No-Fume Ltd. v. Frank Pitchford & Co.* (1935), 52 R.P.C. 231 (C.A.) at 252.

<sup>107</sup> *Wellcome Foundation Ltd. v. Apotex Inc.* (1990), 32 C.P.R. (3d) 350 (Fed. T.D.) at 352, per Muldoon J., additional reasons 1990 CarswellNat 1298 (Fed. T.D.); *Toronto Auer Light Co. v. Colling* (1899), 31 O.R. 18 (Ont. C.A.) at 25–26; *Von Heyden v. Neustadt* (1880), 14 Ch. D. 230 (C.A.) at 233; J. Leger, "Patent Infringement: Back to Good Sense", in *Patent Law of Canada*, G.F. Henderson ed., (Scarborough: Carswell, 1994) at 252; H.G. Fox, *The Canadian Law and Practice Relating to Letters Patent for Inventions*, 4th ed (Toronto: Carswell, 1969) at 391–392.

<sup>108</sup> *Teledyne Industries Inc. v. Lido Industrial Products Ltd.* (1981), 57 C.P.R. (2d) 29 (Fed. C.A.) at 38, leave to appeal refused 1981 CarswellNat 813 (S.C.C.).

<sup>109</sup> See discussion of "*Monsanto* decision", Chapter 7.2.2.1 above.

<sup>110</sup> David Vaver, *Intellectual Property Law* (Concord: Irwin, 1997) at 153.

<sup>111</sup> See *obiter* in *Laboratoires Servier v. Apotex Inc.* (2008), 67 C.P.R. (4th) 241 (F.C.) at para. 143, additional reasons 2008 CarswellNat 4195 (F.C.), affirmed (2009), 75 C.P.R. (4th) 443 (F.C.A.), per Snider J., leave to appeal refused 2010 CarswellNat 660 (S.C.C.). See also Roger T. Hughes, *Hughes & Woodley on Patents*, 2nd ed. (Markham: LexisNexis Canada, 2005), s. 38, footnote 68.

<sup>112</sup> *Elmslie v. Boursier* (1869), L.R. 9 Eq. 217 (Eng. Ch. Div.) at 222; *Von Heyden v. Neustadt* (1880), 14 Ch. D. 230 (C.A.) at 232–233; *Auer Incandescent Light Manufacturing Co. v. O'Brien* (1897), 5 Ex. C.R. 243 (Can. Ex. Ct.) at 292; *Toronto Auer Light Co. v. Colling* (1899), 31 O.R. 18, [1899] O.J. No. 65 (Ont. C.A.); *Saccharin Corp. v. Anglo-Continental Chemical Works Ltd.* (1900), 17 R.P.C. 307 (Eng. Ch. Div.) at 319; *Hoffmann-La Roche Ltd. v. Canada (Commissioner of Patents)* (1955), 23 C.P.R. 1 (S.C.C.) at 3; *Micro Chemicals Ltd. v. Rhone-Poulenc S.A. (No. 1)* (1964), 44 C.P.R. 193 (Can. Ex. Ct.) at 205, affirmed (1964), 53 C.P.R. 140 (S.C.C.); *Union Carbide Canada Ltd. v. Trans-Canadian Feeds Ltd. (No. 1)* (1965), 49 C.P.R. 7 (Can. Ex. Ct.) at 13–14; *American Cyanamid Co. v. Charles E. Frosst & Co.* (1965), 47 C.P.R. 215 (Can. Ex. Ct.) at 232–233, per Noel J.; *Société des usines chimiques Rhône-Poulenc v. Jules R. Gilbert Ltd.* (1967), 55 C.P.R. 207 at 209 (Can. Ex. Ct.) at 257, affirmed on other grounds (1968), 55 C.P.R. 207 (S.C.C.) at 263; *Leesona Corp. v. Giltex Hosiery Ltd.* (1971), 2 C.P.R. (2d) 211 (Fed. T.D.), per Kerr J.; *Farbwerke Hoechst A.G. Vormals Meister Lucius & Bruning v. Halocarbon (Ontario) Ltd.* (1974), 15 C.P.R. (2d) 105 (Fed. T.D.) at 110, additional reasons 1974 CarswellNat 477 (Fed. T.D.), reversed 1976 CarswellNat 37 (Fed. C.A.), reversed [1979] 2 S.C.R. 929 (S.C.C.) at 941; *Reeves Brothers Inc. v. Toronto Quilting & Embroidery Ltd.* (1978), 43 C.P.R. (2d) 145 (Fed. T.D.) at 162–163; *Wellcome Foundation Ltd. v. Apotex Inc.* (1990), 32 C.P.R. (3d) 350 (Fed. T.D.) at 352, additional reasons 1990 CarswellNat 1298 (Fed. T.D.); *Wellcome Foundation Ltd. v. Apotex Inc.* (1991), 39 C.P.R. (3d) 289 (Fed. T.D.) at 314–315, per MacKay J., additional reasons 1992 CarswellNat 174 (Fed. T.D.), reversed in part 1995 CarswellNat 119 (Fed. C.A.), leave to appeal refused 1995 CarswellNat 2830 (S.C.C.) where trace amounts of the infringing intermediate were found in the final imported product. (See also *Pfizer Canada Inc. v. Canada (Minister of Health)*, 2007 FC 898 (F.C.) at para. 90, per Snider J.); *Eli Lilly & Co. v. Apotex Inc.*, 2009 FC 991 (F.C.) at paras. 270–318, per Gauthier J., affirmed 2010 CarswellNat 5866 (F.C.A.), leave to appeal refused 2011 CarswellNat 1368 (S.C.C.), additional reasons 2011 CarswellNat 4151 (F.C.).

<sup>113</sup> *American Cyanamid Co. v. Charles E. Frosst & Co.* (1965), 47 C.P.R. 215 (Can. Ex. Ct.) at 232–233, per Noel J.; *Wellcome Foundation Ltd. v. Apotex Inc.* (1991), 39 C.P.R. (3d) 289 (Fed. T.D.) at 314–315, additional reasons 1992 CarswellNat 174 (Fed. T.D.), reversed in part on other grounds (1995), 60 C.P.R. (3d) 135 (Fed. C.A.), leave to appeal refused *Wellcome Foundation Ltd. v. Apotex Inc.*, 1995 CarswellNat 2830 (S.C.C.).

<sup>114</sup> *Saccharin Corp. v. Anglo-Continental Chemical Works Ltd.* (1900), 17 R.P.C. 307 (Eng. Ch. Div.) at 319. See *Wellcome Foundation Ltd. v. Apotex Inc.* (1991), 39 C.P.R. (3d) 289 (Fed. T.D.) at para. 56, additional reasons 1992 CarswellNat 174 (Fed. T.D.), reversed in part *Apotex Inc. v. Wellcome Foundation Ltd.*, 1995 CarswellNat 119 (Fed. C.A.), leave to appeal refused 1995 CarswellNat 2830 (S.C.C.).

<sup>115</sup> See discussion of "Use of a Product of a Patented Process or Machine" in Chapter 7.2.2.3 above.

invention.<sup>116</sup>

Of course, the purchase and sale of such a product abroad does not trigger infringement unless and until it is imported into Canada.<sup>117</sup> Even if the product is imported into Canada, a company in part of the supply chain outside of Canada that did not conduct *any* of its activities in connection with the accused product within the territory of Canada, is not liable for direct infringement of a Canadian patent.<sup>118</sup>

Likewise, the use of a patented product offshore as an intermediate can also attract liability when the end product is imported into Canada.<sup>119</sup> When faced with such a situation, the court should have regard to the following factors:

The importance of the product or process to the final product sold into Canada. Where the use is incidental, non-essential or could readily be substituted (such as the Italian scissors example), a Court might be less inclined to find infringement.

Whether the final product actually contains all or part of the patented product. Where the patented product can actually be identified in the product sold into Canada, there may be a strong case for a finding of infringement.

The stage at which the patented product or process is used. For example, use of a process as a preliminary step of a lengthy production process may lead to a conclusion that the patentee has suffered little deprivation.

The number of instances of use made of the patented product or process. Where the same patented product is used repetitively through the production of the non-patented end product, there may be clearer evidence that the advantage of the patentee has been impaired.

The strength of the evidence demonstrating that, if carried out or used in Canada, the product or process would constitute infringement. On this point, my opinion would be that, where there is ambiguity in the evidence, the benefit of the doubt should go to the party using the product or process. This is, perhaps, simply another way of expressing the established principle that the patentee bears the burden of proving infringement.<sup>120</sup>

There must be a strong link established between the use of the patented process or product and the product sold into Canada.<sup>121</sup> The court could also consider whether the imported product was obtained directly from the patented process or whether the compound made by the patented process was materially changed or became a trivial or non-essential component of the imported product.<sup>122</sup>

The onus of proof at common law generally shifts to the defendant to show that the foreign supplier does not use the plaintiff's patented process because, of the two parties involved, the defendant is the only one having special knowledge of the process at issue<sup>123</sup> or having any real opportunity of determining the actual foreign process being employed.<sup>124</sup> This shift in onus flows from a common law principle that when the subject-matter of an allegation lies particularly within the knowledge of one of the parties, that party must prove it, whether it be of an affirmative or negative character.<sup>125</sup> The onus did not shift in PM(NOC) proceedings when they were brought by way of

<sup>116</sup> *Saccharin Corp. v. Anglo-Continental Chemical Works Ltd.* (1900), 17 R.P.C. 307 (Eng. Ch. Div.) at 319, quoted in *Monsanto Canada Inc. v. Schmeiser*, [2004] 1 S.C.R. 902 (S.C.C.) at paras. 43–44; at para. 78; *Pfizer Canada Inc. v. Canada (Minister of Health)*, 2007 FC 898 (F.C.) at para. 78, per Snider J.

<sup>117</sup> See *Saccharin Corp. v. Reitmeyer*, [1900] 2 Ch. 659, 17 R.P.C. 606 (Eng. Ch. Div.) at 611, lines 40–41 [R.P.C.]. Cited in *Eli Lilly & Co. v. Apotex Inc.*, 2009 FC 991 (F.C.) at para. 283, per Gauthier J., affirmed 2010 CarswellNat 5866 (F.C.A.), leave to appeal refused 2011 CarswellNat 1368 (S.C.C.), additional reasons 2011 CarswellNat 4151 (F.C.).

<sup>118</sup> *Hospira Healthcare Corporation v. The Kennedy Trust for Rheumatology Research*, 2020 FCA 30 at para. 33–37.

<sup>119</sup> *Obiter in Pfizer Canada Inc. v. Novopharm Ltd.*, 2004 FC 1633, 36 C.P.R. (4th) 117 (F.C.) per Gibson J., reversed 2005 FCA 270, 42 C.P.R. (4th) 97 (F.C.A.).

<sup>120</sup> *Pfizer Canada Inc. v. Canada (Minister of Health)*, 2007 FC 898 (F.C.) at para. 90, per Snider J.; *Eli Lilly & Co. v. Apotex Inc.*, 2009 FC 991 (F.C.) at para. 326, per Gauthier J., affirmed 2010 CarswellNat 5866 (F.C.A.), leave to appeal refused 2011 CarswellNat 1368 (S.C.C.), additional reasons 2011 CarswellNat 4151 (F.C.).

<sup>121</sup> *Pfizer Canada Inc. v. Canada (Minister of Health)*, 2007 FC 898 (F.C.) at para. 91, per Snider J. In the Ranbaxy case, the use of the intermediate was held to be neither insignificant nor incidental (para. 92). The intermediates were used in the final three stages of the manufacturing process (para. 93). Without the intermediates, Ranbaxy would not have been able to produce its form of atorvastatin (para. 94).

<sup>122</sup> *Eli Lilly & Co. v. Apotex Inc.*, 2009 FC 991 (F.C.) at para. 327, per Gauthier J., affirmed 2010 CarswellNat 5866 (F.C.A.), leave to appeal refused 2011 CarswellNat 1368 (S.C.C.), additional reasons 2011 CarswellNat 4151 (F.C.). There was no known method to make cefaclor without going through the [patented] 3-hydroxy-xephem [intermediate] compound (para. 334).

<sup>123</sup> *Eli Lilly & Co. v. Apotex Inc.*, 2003 FC 978, [2004] 1 F.C.R. 360, 238 F.T.R. 261, 28 C.P.R. (4th) 509 (F.C.), affirmed 2003 CarswellNat 3500 (F.C.), affirmed 2004 CarswellNat 1494 (F.C.A.).

<sup>124</sup> *Hoffmann-La Roche Ltd. v. Apotex Inc.* (1983), 71 C.P.R. (2d) 20 (Ont. H.C.) at 25, affirmed (1984), 1 C.P.R. (3d) 507 (Ont. C.A.), per Walsh J., leave to appeal refused 1985 CarswellOnt 1987 (S.C.C.).

<sup>125</sup> *Eli Lilly & Co. v. Apotex Inc.* (2009), 80 C.P.R. (4th) 1 (F.C.) at para. 218, affirmed 2010 FCA 240 (F.C.A.), per Gauthier J., leave to appeal refused 2011 CarswellNat 1368 (S.C.C.), additional reasons 2011 CarswellNat 4151 (F.C.). *Hoffmann-La Roche Ltd. v. Apotex Inc.* (1983), 41 O.R. (2d) 84, 145 D.L.R. (3d) 270 (Ont. H.C.), affirmed (1984), 47 O.R. (2d) 287, 11 D.L.R. (4th) 320 (Ont. C.A.), leave to appeal

application as opposed to by way of action for infringement.<sup>126</sup>

#### 7.2.4.2 *Product Made Abroad by Patented Machine*

Although there appears to be no Canadian case which explicitly so holds, it would seem to follow from the same reasoning as used in respect of process patents, that it would also be considered an infringement of a Canadian patent to import into Canada a product manufactured abroad by a machine patented in Canada. This is clearly the case in the U.K.<sup>127</sup>

#### 7.2.4.3 *Intermediate Made Abroad by Patented Process or Machine*

The principle discussed in Chapters 7.2.4.1 and 7.2.4.2 above (that it is an infringement of a Canadian patent for a process or a machine to import into Canada a product made using the patented process or machine) is limited by the *Wilderman v. F.W. Berk & Co.*<sup>112</sup> In not all situations does the importation of a product produced using a patented process constitute infringement. The extent to which the patented process has played a part in the production must also be considered.<sup>113</sup>

Where the patented product is an intermediate which is then used in the production of the imported product and where the use of the patented process has been of importance and was not merely incidental, there is justification to find the imported product to be infringing.<sup>114</sup>

The patentee has the burden of proving the importance of the patented process or machine to the imported product; in the absence of evidence on this point, infringement is not proved.<sup>115</sup>

#### 7.2.4.4 *Making Improvements to the patented invention*

It is no defence to infringement to make improvements to a patented invention:

The superadding of ingenuity to a robbery does not make the operation justifiable.<sup>116</sup>

### 7.3 “INDIRECT INFRINGEMENT” — INDUCEMENT AND PROCUREMENT

#### 7.3.1 *Overview*

Sometimes it is not in a patent owner’s interest to sue people making or using the patented combination or method (“the direct infringer”). For instance, the direct infringers might be the patentee’s customers or may be too numerous to sue efficiently. In such circumstances, the patent owner will attempt to stop the person or persons who are supplying components to the direct infringer or who are inducing or procuring the direct infringer to use the infringing method.

One such combination invention was explained in the *Burt Business Forms* case:

... it will at once become apparent that there was nothing new in the pad as described in the specification and that the only claim of novelty consisted in the so-called combination of elements, every one of which was old and every one of which had

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refused 1985 CarswellOnt 1987 (S.C.C.), *Pleet v. Canadian Northern Quebec Railway* (1921), 64 D.L.R. 316, 26 C.R.C. 227, 50 O.L.R. 223 (Ont. C.A.), affirmed (1921), [1923] 4 D.L.R. 1112, 26 C.R.C. 238 (S.C.C.), and *Toronto Auer Light Co. v. Colling* (1899), 31 O.R. 18 (Ont. C.A.).

<sup>126</sup> *Pharmacia Inc. v. Canada (Minister of National Health & Welfare)* (1995), 60 C.P.R. (3d) 328 (Fed. T.D.) at 340, per Wetston, J., additional reasons 1995 CarswellNat 1785 (Fed. T.D.), reversed in part 1998 CarswellNat 5403, 1998 CarswellNat 1934 (Fed. C.A.), affirmed 1995 CarswellNat 1845 (Fed. C.A.).

<sup>127</sup> *Wilderman v. F.W. Berk & Co.* (1925), 42 R.P.C. 79 (Eng. Ch. Div.).

<sup>112</sup> *Wilderman v. F.W. Berk & Co.* (1925), 42 R.P.C. 79 (Eng. Ch. Div.).

<sup>113</sup> *Wilderman v. F.W. Berk & Co.* (1925), 42 R.P.C. 79 (Eng. Ch. Div.), referred to in *Wellcome Foundation Ltd. v. Apotex Inc.* (1991), 39 C.P.R. (3d) 289 (Fed. T.D.) at para. 56, additional reasons 1992 CarswellNat 174 (Fed. T.D.), reversed in part *Apotex Inc. v. Wellcome Foundation Ltd.*, 1995 CarswellNat 119 (Fed. C.A.), leave to appeal refused 1995 CarswellNat 2830 (S.C.C.).

<sup>114</sup> *American Cyanamid Co. v. Charles E. Frosst & Co.* (1965), 47 C.P.R. 215 (Can. Ex. Ct.) at 232—233, per Noel J., quoted in *Wellcome Foundation Ltd. v. Apotex Inc.* (1991), 39 C.P.R. (3d) 289 (Fed. T.D.) at para. 58, additional reasons 1992 CarswellNat 174 (Fed. T.D.), reversed in part *Apotex Inc. v. Wellcome Foundation Ltd.*, 1995 CarswellNat 119 (Fed. C.A.), leave to appeal refused 1995 CarswellNat 2830 (S.C.C.).

<sup>115</sup> *Wilderman v. F.W. Berk & Co.* (1925), 42 R.P.C. 79 (Eng. Ch. Div.) at 87—88.

<sup>116</sup> *Wenham Gas Co. v. Champion Gas Lamp Co.* (1891), 9 R.P.C. 49 (C.A.) at 56; quoted in *Johnson Controls Inc. v. Varta Batteries Ltd.* (1981), 57 C.P.R. (2d) 132 (Fed. T.D.) per Mahoney J. at 146, additional reasons 1981 CarswellNat 788 (Fed. T.D.), affirmed 1984 CarswellNat 581 (Fed. C.A.), leave to appeal refused (1984), 56 N.R. 398n (S.C.C.).

been designed and used for a purpose which was old and well known in the art.<sup>117</sup>

It is important to determine at the outset whether the plaintiff has patent rights in respect of the components themselves.<sup>118</sup> If the patent claims a component of a combination, then the patent is infringed by the manufacture and sale of that component.<sup>119</sup> The mere making, using or vending of the components of a combination patent which afterwards enter into a combination is not prohibited by a patent on the combination.<sup>120</sup>

The general rule is that it is not an infringement of a patent to sell an article which does not itself infringe the patent even when the vendor knows that the purchaser buys the article for the purpose of using it in the infringement of the patent.<sup>121</sup>

There are only two exceptions to that rule, namely, that there is infringement, if:<sup>122</sup>

- (a) the vendor, alone<sup>123</sup> or in association with another person,<sup>124</sup> sells all the components of the invention to a purchaser in order that they be assembled by him; or
- (b) the vendor, knowingly and for his own ends and benefit, induces or procures the purchaser to infringe the patent.<sup>125</sup>

Likewise, with respect to method claims, it is an infringement to induce or procure an unlicensed party to use the patented method.

Cases refer to such conduct as “inducing or procuring infringement”, “indirect infringement” and sometimes by its U.S. term, “contributory infringement”.<sup>126</sup> For the purpose of this chapter, the term “indirect infringement” will be used.

The general rule that applies to both forms of indirect infringement requires the following elements:

1. A third party has made, used or sold an embodiment of the invention without a licence from the patent owner or threatens to do so (In other words, there has been an act of “direct” infringement of the patent<sup>127</sup> or it is threatened);<sup>128</sup>
2. The defendant caused the direct infringer to make, use or sell the embodiment of the invention. Without

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<sup>117</sup> *Burt Business Forms Ltd. v. Autographic Register Systems Ltd.*, [1933] S.C.R. 230, [1933] 2 D.L.R. 449 (S.C.C.) at 236—237 [S.C.R.], per Rinfret J.

<sup>118</sup> *Slater Steel Industries Ltd. v. R. Payer Co.* (1968), 55 C.P.R. 61 (Can. Ex. Ct.) at 65, per Jackett P.

<sup>119</sup> *Goucher v. Clayton* (1865), 11 Jur. N.S. 462, 147 R.R. 816, *Mailman v. Gillette Safety Razor Co.*, [1932] Ex. C.R. 54 (Can. Ex. Ct.), reversed 1932 CarswellNat 47 (S.C.C.).

<sup>120</sup> *Townsend v. Haworth* (1879), 48 L.J. Ch. 770n (C.A.) at 771 and 773, per Jessel, M.R., *Dunlop Pneumatic Tyre v. David Moseley & Sons*, [1904] 1 Ch. 164, 21 R.P.C. 274 (Eng. Ch. Div.) per Vaughan Williams, L.J. at 278 and 280 and Stirling L.J. at 281; *Burt Business Forms Ltd. v. Autographic Register Systems Ltd.*, [1933] S.C.R. 230, [1933] 2 D.L.R. 449 (S.C.C.) at 461—462 [D.L.R.], per Rinfret J.

<sup>121</sup> *Beloit Canada Ltée/Ltd. v. Valmet Oy* (1988), 20 C.P.R. (3d) 1 (Fed. C.A.) at 14, per Pratte, Marceau and MacGuigan JJ., leave to appeal refused 1988 CarswellNat 1494 (S.C.C.); *Burt Business Forms Ltd. v. Autographic Register Systems Ltd.*, [1933] S.C.R. 230, [1933] 2 D.L.R. 449 (S.C.C.) at 241 [S.C.R.], per Rinfret J.; *Townsend v. Haworth* (1879), 48 L.J. Ch. 770n; *Dunlop Pneumatic Tyre v. David Moseley & Sons*, [1904] 1 Ch. 164, 21 R.P.C. 274 (Eng. Ch. Div.) at 278 [R.P.C.], confirmed on appeal [1904] 1 Ch. 612 per Vaughan Williams, L.J.

<sup>122</sup> *Beloit Canada Ltée/Ltd. v. Valmet Oy* (1988), 20 C.P.R. (3d) 1 (Fed. C.A.) at 14, per Pratte, Marceau and MacGuigan JJ., leave to appeal refused 1988 CarswellNat 1494 (S.C.C.).

<sup>123</sup> *Windsurfing International Inc. v. Trilantic Corp.* (1985), 8 C.P.R. (3d) 241 (Fed. C.A.), per Urie J., additional reasons 1986 CarswellNat 1150 (Fed. C.A.).

<sup>124</sup> *Incandescent Gas Light Co. v. New Incandescent Mantle Co.* (1898), 15 R.P.C. 81.

<sup>125</sup> *Slater Steel Industries Ltd. v. R. Payer Co.* (1968), 55 C.P.R. 61, 38 Fox Pat. C. 139 (Can. Ex. Ct.).

<sup>126</sup> Contributory infringement” is not recognized as a cause of action under Canadian patent law. The term “contributing to” was struck from a Statement of Claim in *Faurecia Automotive Seating Canada Ltd. v. Lear Corp. Canada Ltd.* (2004), 35 C.P.R. (4th) 322 (F.C.) at 334, para. 50, per O’Keefe J. as it disclosed no cause of action. In *Apotex Inc. v. Nycomed Canada Inc.*, 2011 FC 1441 (F.C.) at para. 20, per Simpson J., affirmed 2012 CarswellNat 2154 (F.C.A.), Justice Simpson suggested that a pleading of contributory infringement involves an implicit admission that the defendants were only *partially* responsible for the infringement. This admission means that the plaintiff could not meet the second prong of the Inducement Test: that *but for* their inducing activities, the direct infringement would not have taken place.

<sup>127</sup> *MacLennan c. Gilbert Tech Inc.* (2006), 56 C.P.R. (4th) 273 (F.C.A.) at para. 22, per N—el, Létourneau and Pelletier J.J.A.; *Weatherford Canada Ltd. v. Corlac Inc.*, 2011 FCA 228 (F.C.A.) at para. 162, per Layden-Stevenson J.A., Nadon and Evans J.J.A., leave to appeal refused 2012 CarswellNat 846 (S.C.C.); *Apotex Inc. v. Nycomed Canada Inc.*, 2011 FC 1441 (F.C.) at para. 18, per Simpson J., affirmed 2012 CarswellNat 2154 (F.C.A.).

<sup>128</sup> *Warner-Lambert Co. v. Wilkinson Sword Canada Inc.* (1988), 19 C.P.R. (3d) 402 (Fed. T.D.) at 407, per Jerome A.C.J.; quoted with approval in *Dableh v. Ontario Hydro* (1996), 68 C.P.R. (3d) 129 (Fed. C.A.) at 148-149, leave to appeal refused 1997 CarswellNat 3240, [1996] S.C.C.A. No. 441 (S.C.C.) per Strayer, Linden and Robertson J.J.A.



such influence, infringement would not otherwise take place.<sup>129</sup> The influence of the alleged inducer constitutes a *sine qua non* of the direct infringement.<sup>130</sup>

In order to induce or procure another person to infringe a patent, one must do something that leads that other person to infringe the patent. For example, actively promoting an infringing product and comparing it to the patentee's product can constitute inducement<sup>131</sup>. If one does nothing, there cannot be any inducement.<sup>132</sup> For example, merely acting as a conduit through which title passes has been held not to be a sufficient basis to find inducement.<sup>133</sup>

Even though the equipment was sold in China, the Chinese manufacturer of a glass bending machine covered by the claims of a patent was liable for inducing infringement in Canada by their customer (who had gone bankrupt) because the Chinese company had installed the equipment in Canada, trained their Canadian customer to operate the machine, and provided the customer with a technical manual detailing the operation of the machine. On the other hand, a Finnish manufacturer of infrared ovens used to produce infringing plastic pipe was not liable for inducement, where the infringing equipment was sold in Finland and the irradiation of the plastic using the machine was only one component or aspect of the claim.<sup>134</sup>

3. The defendant knew such influence on the direct infringer would result in the infringing actions by the direct infringer<sup>135</sup> or will result in the completion of the act of infringement.<sup>136</sup>

As stated in *Innes v. Short*, "But I think it is a different case where the vendor himself asks and invites the purchaser to use the article so as to infringe somebody's patent, and I think, as a matter of fact, that Mr. Short did invite the persons who bought this article of commerce, powdered zinc from him, and hereby led them to infringe this patent at the time that he was selling the powdered zinc to them. That I think, is a violation of the plaintiff's rights."<sup>137</sup>

The three (3) elements of inducement were summarized by Justice Layden-Stevenson in *Corlac*: DMCDMC

It is settled law that one who induces or procures another to infringe a patent is guilty of infringement of the patent. A determination of inducement requires the application of a three-prong test. First, the act of infringement must have been completed by the direct infringer. Second, the completion of the acts of infringement must be influenced by the acts of the alleged inducer to the point that, without the influence, direct infringement would not take place. Third, the influence must knowingly be exercised by the inducer, that is, the inducer knows that this influence will result in the completion of the act of infringement: *Dableh v. Ontario Hydro*, [1996] 3 F.C. 751, paras. 42, 43, (C.A.), leave to appeal refused [1996] S.C.C.A. No. 441 (S.C.C.); *AB Hassle v. Canada (Minister of National Health and Welfare)*, 2002 FCA 421, 22 C.P.R. (4th) 1 para. 17, (C.A.), leave to appeal refused [2002] S.C.C.A. No. 531; *MacLennan v. Les Produits Gilbert Inc.*, 2008 FCA 35, 67 C.P.R. (4th) 161 para. 13. The test is a difficult one to meet.<sup>128</sup>

### 7.3.1.1 Comparison with U.K. and U.S. Tests

The American and British laws on this issue differ from the Canadian law.<sup>139</sup> Both the U.S.A. and the United Kingdom have specific sections in their respective *Patent Acts* dealing with certain forms of indirect infringement:

U.S. § 271. Infringement of patent

<sup>129</sup> *Warner-Lambert Co. v. Wilkinson Sword Canada Inc.* (1988), 19 C.P.R. (3d) 402 (Fed. T.D.) at 407, per Jerome A.C.J., quoted with approval in *Dableh v. Ontario Hydro* (1996), 68 C.P.R. (3d) 129 (Fed. C.A.) at 149, leave to appeal refused 1997 CarswellNat 3240, [1996] S.C.C.A. No. 441 (S.C.C.), per Strayer, Linden and Robertson J.J.A. *MacLennan c. Gilbert Tech Inc.* (2006), 56 C.P.R. (4th) 273 (F.C.A.) at para. 22, per Noël, Létourneau and Pelletier J.J.A.; *Weatherford Canada Ltd. v. Corlac Inc.*, 2011 FCA 228 (F.C.A.) at para. 162, per Layden-Stevenson J.A., Nadon and Evans J.J.A., leave to appeal refused 2012 CarswellNat 846 (S.C.C.); *Apotex Inc. v. Nycomed Canada Inc.*, 2011 FC 1441 (F.C.) at para. 18, per Simpson J., affirmed 2012 CarswellNat 2154 (F.C.A.).

<sup>130</sup> *MacLennan c. Gilbert Tech Inc.* (2008), 67 C.P.R. (4th) 161 (F.C.A.) at para. 38, per Noël, Nadon, Pelletier J.J.A.

<sup>131</sup> *AstraZeneca Canada Inc. v. Apotex Inc.*, 2015 FC 322 (F.C.), reversed in part 2017 CarswellNat 40 (F.C.A.), leave to appeal refused 2017 CarswellNat 2529, 2017 CarswellNat 2530 (S.C.C.).

<sup>132</sup> *Beloit Canada Ltée/Ltd. v. Valmet Oy* (1988), 20 C.P.R. (3d) 1 (Fed. C.A.) at 15, per Pratte J., leave to appeal refused 1988 CarswellNat 1494 (S.C.C.); *MacLennan c. Gilbert Tech Inc.* (2008), 67 C.P.R. (4th) 161 (F.C.A.) at para. 38, per Noël, Nadon, Pelletier J.J.A.

<sup>133</sup> *E. Mishan & Sons, Inc. v. Supertek Canada Inc.*, 2014 FC 326 (F.C.), affirmed 2015 CarswellNat 2881, 2015 CarswellNat 12191 (F.C.A.).

<sup>134</sup> *Uponor AB v. Healink Group Inc.*, 2016 FC 320 (F.C.) at 277—286.

<sup>135</sup> Jerome A.C.J.; quoted with approval in *Dableh v. Ontario Hydro* (1996), 68 C.P.R. (3d) 129 (Fed. C.A.) at 149, per Strayer, Linden and Robertson J.J.A., leave to appeal refused 1997 CarswellNat 3240, [1996] S.C.C.A. No. 441 (S.C.C.); *MacLennan c. Gilbert Tech Inc.* (2006), 56 C.P.R. (4th) 273 (F.C.A.) at para. 22, per Noël, Létourneau and Pelletier J.J.A.

<sup>136</sup> *Weatherford Canada Ltd. v. Corlac Inc.*, 2011 FCA 228 (F.C.A.) at para. 162, per Layden-Stevenson J.A., Nadon and Evans J.J.A., leave to appeal refused 2012 CarswellNat 846 (S.C.C.); *Apotex Inc. v. Nycomed Canada*.

<sup>137</sup> *Innes v. Short* (1898), 15 R.P.C. 449 at 452, Bigham J.

<sup>128</sup> *Weatherford Canada Ltd. v. Corlac Inc.*, 2011 FCA 228 (F.C.A.) at para. 162, per Layden-Stevenson J.A., Nadon and Evans J.J.A., leave to appeal refused 2012 CarswellNat 846 (S.C.C.).

<sup>139</sup> *MacLennan c. Gilbert Tech Inc.* (2008), 67 C.P.R. (4th) 161 (F.C.A.) at para. 31, per Noël, Nadon, Pelletier J.J.A.

(b) Whoever actively induces infringement of a patent shall be liable as an infringer.

(c) Whoever offers to sell or sells within the United States or imports into the United States a component of a patented machine, manufacture, combination or composition, or a material or apparatus for use in practicing a patented process, constituting a material part of the invention, knowing the same to be especially made or especially adapted for use in an infringement of such patent, and not a staple article or commodity of commerce suitable for substantial noninfringing use, shall be liable as a contributory infringer.<sup>140</sup>

U.K.: Meaning of infringement

60.(2) Subject to the following provisions of this section, a person (other than the proprietor of the patent) also infringes a patent for an invention if, while the patent is in force and without the consent of the proprietor, he supplies or offers to supply in the United Kingdom a person other than a licensee or other person entitled to work the invention with any of the means, relating to an essential element of the invention, for putting the invention into effect when he knows, or it is obvious to a reasonable person in the circumstances, that those means are suitable for putting, and are intended to put, the invention into effect in the United Kingdom.<sup>141</sup>

### 7.3.1.2 Characterization of the Cause of Action

The courts have rationalized why indirect infringement is infringement on several different bases:

#### 1. *The indirect infringer was a party to the infringement by the direct infringer*<sup>142</sup>

The inducement or procurement of direct infringement must be done by such acts as would constitute the defendant/supplier a party to the direct infringement.<sup>143</sup> The question appears to be one of degree: was the influence of a sufficient level?<sup>144</sup>

Justice Addy in *Procter & Gamble Co. v. Bristol-Myers Canada Ltd.* considered that Bristol-Myers had aided and abetted direct infringement by users of its product and therefore constituted itself “... a party to each infringement committed by such users.”<sup>145</sup>

In the *Windsurfing* case, Justice Urie held that where a distributor knew and intended that the ultimate purchaser would utilize the parts of a device for the assembly of an infringing device, the distributor became a party to the infringement.<sup>146</sup>

In determining who can be considered a party to infringement and thus subject to liability, one should have resort not to the law of the province where the infringement took place but rather to common-law principles of tort which are presumed to have been adopted by implication when Parliament enacted s. 57 of the *Patent Act*.<sup>147</sup>

#### 2. *The direct infringer acted as an agent of the indirect infringer*

If the direct infringer is considered to be the agent of the indirect infringer, then the indirect infringer will be liable for infringement.<sup>148</sup>

I am quite prepared to concede that if the person with whom I deal is my agent and I sell him one element of a combination in order for him to place that element in connection with other elements of a combination and so infringe a patent, I am an infringer.<sup>149</sup>

<sup>140</sup> Sections 271(b) and 271(c) of the Code of the Laws of the United States of America, 35 U.S.C. § 271 (1952) quoted in *MacLennan c. Gilbert Tech Inc.* (2008), 67 C.P.R. (4th) 161 (F.C.A.) at para. 32, per Noël, Nadon, Pelletier JJ.A.

<sup>141</sup> *Patent Act* 1977 (U.K.), 1977, c.37 quoted in *MacLennan c. Gilbert Tech Inc.* (2008), 67 C.P.R. (4th) 161 (F.C.A.) at para. 32, per Noël, Nadon, Pelletier JJ.A.

<sup>142</sup> *Townsend v. Haworth* (1879), 48 L.J. Ch. 770n (C.A.) at 771, per Mellish, L.J. and as viewed by Vaughan Williams, L.J. in *Dunlop Pneumatic Tyre v. David Moseley & Sons*, [1904] 1 Ch. 164, 21 R.P.C. 274 (Eng. Ch. Div.) at 279 [R.P.C.] and McLean, J. in *Mailman v. Gillette Safety Razor Co.*, [1932] Ex. C.R. 54 (Can. Ex. Ct.) at 62, reversed 1932 CarswellNat 47 (S.C.C.).

<sup>143</sup> *Slater Steel Industries Ltd. v. R. Payer Co.* (1968), 55 C.P.R. 61 (Can. Ex. Ct.) at 87, per Jackett P.

<sup>144</sup> *Dunlop Pneumatic Tyre v. David Moseley & Sons*, [1904] 1 Ch. 164, 21 R.P.C. 274 (Eng. Ch. Div.) at 280 [R.P.C.].

<sup>145</sup> *Procter & Gamble Co. v. Bristol-Myers Canada Ltd.* (1978), 39 C.P.R. (2d) 145 (Fed. T.D.) at 167, per Addy J., affirmed 1979 CarswellNat 798 (Fed. C.A.), leave to appeal refused 1979 CarswellNat 813 (S.C.C.).

<sup>146</sup> *Windsurfing International Inc. v. Trilantic Corp.* (1985), 8 C.P.R. (3d) 241 (Fed. C.A.) at 265—266, per Urie J., additional reasons 1986 CarswellNat 1150 (Fed. C.A.).

<sup>147</sup> *Reading & Bates Construction Co. v. Baker Energy Resources Corp.* (1986), 13 C.P.R. (3d) 410, 9 C.P.R. (3d) 158 (Fed. T.D.) at 185, per Strayer J., affirmed 1987 CarswellNat 771 (Fed. C.A.), affirmed (November 20, 1987), Doc. A-198-86 (Fed. C.A.).

<sup>148</sup> *Sykes v. Haworth* (1879), 48 L.J. Ch. 769, 12 Ch. D. 826 (Eng. Ch. Div.). Per Fry J. at 832 [Ch. D.]; *Procter & Gamble Co. v. Bristol-Myers Canada Ltd.* (1978), 39 C.P.R. (2d) 145 (Fed. T.D.) at 166, affirmed (1979), 42 C.P.R. (2d) 33 (Fed. C.A.), leave to appeal refused (1979), 42 C.P.R. (2d) 33n (S.C.C.) per Addy J.

<sup>149</sup> *Hatton v. Copeland-Chatterson Co.* (1906), 10 Ex. C.R. 224 (Can. Ex. Ct.) at 229, affirmed (1906), 37 S.C.R. 651 (S.C.C.) per Burbidge, J.

In *National Electric Products Corp. v. Industrial Electric Products Ltd.*, the Supreme Court found no evidence of agency or partnership but also cautioned that it was not holding that the existence of such relationship would be sufficient to establish liability.<sup>150</sup>

A parent company is not liable for acts of infringement of its subsidiary unless the parent company did something to induce the subsidiary to infringe:

The mere fact that Valmet did possess the power to influence the decisions of that board did not render Valmet liable for those decisions if, in effect, it did not influence them. A father may have much influence on his children; nevertheless a father against whom an injunction has been pronounced will not be in breach of that injunction for the sole reason that his son or daughter has done what he was enjoined from not doing; unless, of course, it be shown that the father did in fact influence his child's behaviour.<sup>151</sup>

Although not expressed as agency, the Federal Court more recently held that the indirect infringer could be held responsible for the act of the direct infringer:

A party who induces or procures another to infringe a patent is itself responsible for infringement of the patent.<sup>152</sup>

### 3. The direct infringement was knowingly "induced or procured" by the indirect infringer

One who knowingly, and for his own ends and benefit and to the damage of the patentee induces or procures another to infringe a patent, himself infringes the patent.<sup>153</sup>

The supplier must be found to have induced or procured the making of the patented combination by the direct infringer without a license from the patentee.<sup>154</sup>

Under this theory, the defendant has carried out a separate tort of inducing another person to commit an actionable wrong — infringement.<sup>155</sup>

But it does not follow of course that the actionable wrong that the Guertins in that way committed was an infringement of the patent. One who without justification or excuse induces another to break a contract may commit a wrong but he does not break the contract. One may commit a wrong by knowingly and for his own ends inducing another person to commit an actionable wrong, but the two wrongs may not always be the same.<sup>156</sup>

It was similarly described as a separate tort by the Federal Court of Appeal in *Dableh*<sup>157</sup> and *Halford*.<sup>158</sup>

Categorizing inducement or procurement of infringement as a separate tort may expose it to different limitation period considerations and an attack that the Federal Court lacks jurisdiction. The jurisdiction of the Federal Court is limited by statute and does not include jurisdiction over torts, *per se*:

In the present case, it is made clear that knowingly inducing an infringement is infringement. It does not appear to have been argued in this case that inducing infringement is a separate tort to that of infringement. If such is held to be the case then the further problem arises as to whether the Exchequer Court has jurisdiction to entertain the action to the separate tort of inducing infringement. However, as long as the knowing procurement of infringement is held to be infringement no problem of jurisdiction arises.<sup>159</sup>

The Supreme Court has held inducing and procuring to be infringement *per se*:

And it does not appear to me to be going too far to hold that any invasion or violation of that right is an infringement of the

<sup>150</sup> *National Electric Products Corp. v. Industrial Electric Products Ltd.*, [1940] S.C.R. 406 (S.C.C.) at 409, per Duff C.J.

<sup>151</sup> *Beloit Canada Ltée/Ltd. v. Valmet Oy* (1988), 20 C.P.R. (3d) 1 (Fed. C.A.) at 16, Pratte, Marceau and MacGuigan JJ., leave to appeal refused 1988 CarswellNat 1494 (S.C.C.).

<sup>152</sup> *AB Hassle v. Canada (Minister of National Health & Welfare)* (2001), 16 C.P.R. (4th) 21 (Fed. T.D.) per O'Keefe J., at para. 67, affirmed (2002), 22 C.P.R. (4th) 1 (Ont. C.A.) per Linden, Sexton and Evans JJ.A., leave to appeal refused 2003 CarswellNat 742, 2003 CarswellNat 743 (S.C.C.).

<sup>153</sup> *Hatton v. Copeland-Chatterson Co.* (1906), 10 Ex. C.R. 224 (Can. Ex. Ct.) at 246 per Burbidge, J., affirmed (1906), 37 S.C.R. 651 (S.C.C.); *Slater Steel Industries Ltd. v. R. Payer Co.* (1968), 55 C.P.R. 61 (Can. Ex. Ct.) at 82—83, per Jackett P.

<sup>154</sup> *Slater Steel Industries Ltd. v. R. Payer Co.* (1968), 55 C.P.R. 61 (Can. Ex. Ct.) at 87, per Jackett P.

<sup>155</sup> *Hatton v. Copeland-Chatterson Co.* (1906), 10 Ex. C.R. 224 (Can. Ex. Ct.) at paras. 18, 19, affirmed (1906), 37 S.C.R. 651 (S.C.C.) per Burbidge J. Later in the decision at para. 20, Burbidge J. characterized inducing or procuring infringement as infringement of the patent.

<sup>156</sup> *Hatton v. Copeland-Chatterson Co.* (1906), 10 Ex. C.R. 224 (Can. Ex. Ct.) at para. 19, affirmed (1906), 37 S.C.R. 651 (S.C.C.) per Burbidge J.

<sup>157</sup> *Dableh v. Ontario Hydro* (1996), 68 C.P.R. (3d) 129 (Fed. C.A.) at 131, 141 and 148, leave to appeal refused 1997 CarswellNat 3240, [1996] S.C.C.A. No. 441 (S.C.C.) per Strayer, Linden and Robertson JJ.A.

<sup>158</sup> *Halford v. Seed Hawk Inc.* (2004), 31 C.P.R. (4th) 434 (F.C.) at para. 341, per Pelletier J., reconsideration / rehearing refused 2004 CarswellNat 882 (F.C.), affirmed 2006 CarswellNat 2397 (F.C.A.).

<sup>159</sup> *Diamond Shamrock Corp. v. Hooker Chemicals & Plastics Corp.* (1982), 66 C.P.R. (2d) 145 (Fed. T.D.) at 157—158, per Walsh J.

patent. But is not that the right which one invades who knowingly and for his own ends induces or procures another to violate or infringe it? And if so, may not the act of the procurer or inducer be with propriety termed an infringement of the patent? In short does not one who knowingly and for his own ends and benefit and to the damage of the patentee induces or procures another to infringe a patent himself infringe the patent? It seems to me on principle that it comes to that.<sup>160</sup>

Likewise, in the *Windsurfing* case, the Court held inducement to be infringement:

... I think that the evidence as a whole leads irresistibly to the inferences that the respondent knew of the existence of the appellants' patent and by its conduct induced and procured purchasers of its sailboards (albeit in kit form) to infringe that patent and, thereby, itself infringes that valid patent.<sup>161</sup>

#### 4. Interference with the full enjoyment of the monopoly

A fourth theory is that the defendant has indirectly interfered with the full enjoyment of the monopoly granted to the patentee by s. 42 of the *Patent Act* as prohibited by the case law<sup>162</sup> and thus infringed the patent.

### 7.3.2 The Three Elements of Indirect Infringement

#### 7.3.2.1 Direct Infringement

There must be proof of a threat of<sup>163</sup> or actual<sup>164</sup> direct infringement of the patent before the question of indirect infringement can be answered.<sup>165</sup> If equipment is sold with instructions as to its operation, the instructions may be sufficient proof that the equipment has been operated in accordance with those instructions. It may not be necessary to call evidence from the equipment operator in order to prove the practice of the patented method.<sup>129</sup>

In order to infringe a combination patent there must be a combination of the components in the manner claimed in the patent,<sup>166</sup> and the person who combines the components must not be a licensee of the patent.<sup>167</sup>

In a case involving a patent that claimed "A polymeric film for use in the manufacture of sheet molding compound ..." it was held that, where the film was made in Canada but used in the manufacture of sheet molding compound in the United States, making the film in Canada constituted infringement.<sup>168</sup>

Where the indirect infringer has a licence to use technology but the licence is limited to its business and undertakings, and does not extend to the business and undertakings of others, an indirect infringer can be enjoined *quia timet* from prospective infringement so as to not make such technology available to others:

There appears to be enough evidence to indicate a real probability that the respondent would facilitate an unlicensed use by Hydro Quebec and/or New Brunswick Power, and therefore the issue of a permanent *quia timet* injunction is warranted.<sup>169</sup>

If there is no direct infringement (past, present or threatened), due to a statutory defence,<sup>170</sup> query whether there can be indirect infringement. Although it has been held that prior user rights under predecessor s. 58 of the *Patent Act* did not extend to those who induced users of the patented technology,<sup>171</sup> arguably if there is no direct infringement,

<sup>160</sup> *Hatton v. Copeland-Chatterson Co.* (1906), 10 Ex. C.R. 224 (Can. Ex. Ct.), affirmed (1906), 37 S.C.R. 651 (S.C.C.) at para. 20, Burbidge J.

<sup>161</sup> *Windsurfing International Inc. v. Trilantic Corp.* (1985), 8 C.P.R. (3d) 241 (Fed. C.A.) at 268, per Urie J., additional reasons 1986 CarswellNat 1150 (Fed. C.A.).

<sup>162</sup> *Monsanto Canada Inc. v. Schmeiser*, [2004] 1 S.C.R. 902 (S.C.C.) at para. 35.

<sup>163</sup> *Dableh v. Ontario Hydro* (1996), 68 C.P.R. (3d) 129 (Fed. C.A.), leave to appeal refused 1997 CarswellNat 3240, [1996] S.C.C.A. No. 441 (S.C.C.) per Strayer, Linden and Robertson J.J.A.

<sup>164</sup> *Slater Steel Industries Ltd. v. R. Payer Co.* (1968), 55 C.P.R. 61 (Can. Ex. Ct.) at 83, per Jackett P.

<sup>165</sup> *Dunlop Pneumatic Tyre v. David Moseley & Sons*, [1904] 1 Ch. 164, 21 R.P.C. 274 (Eng. Ch. Div.) at 279, [R.P.C.], per Vaughan Williams, L.J.; *Slater Steel Industries Ltd. v. R. Payer Co.* (1968), 55 C.P.R. 61 (Can. Ex. Ct.) at 86, per Jackett P.

<sup>129</sup> *Western Oilfield Equipment Rentals Ltd. v. M-I LLC*, 2019 FC 1606 at para. 125 to 134; *Grenke v. DNOW Canada ULC*, 2018 FC 565 at para. 15

<sup>166</sup> *McCormick v. Gray* (1861), 31 L.J. Ex. 42 per Pollock, C.B. at 46 and per Channell, B. at 49.

<sup>167</sup> *Dunlop Pneumatic Tyre v. David Moseley & Sons*, [1904] 1 Ch. 164, 21 R.P.C. 274 (Eng. Ch. Div.) at 281 [R.P.C.], per Stirling, L.J.

<sup>168</sup> The trial judge characterized it as causing or inducing the breach of the patent (*AlliedSignal Inc. v. DuPont Canada Inc.* (1993), 50 C.P.R. (3d) 1 (Fed. T.D.) at 19, per Reed J., additional reasons 1993 CarswellNat 1372 (Fed. T.D.), reversed in part 1995 CarswellNat 699 (Fed. C.A.), leave to appeal refused 1995 CarswellNat 2832 (S.C.C.)) whereas the Federal Court of Appeal characterized the making of the film to be an infringement (*AlliedSignal Inc. v. DuPont Canada Inc.* (1995), 61 C.P.R. (3d) 417 (Fed. C.A.) at 443–444, per Desjardins J.A., leave to appeal refused 1995 CarswellNat 2832 (S.C.C.)).

<sup>169</sup> *Dableh v. Ontario Hydro* (1996), 68 C.P.R. (3d) 129 (Fed. C.A.) at 157, leave to appeal refused 1997 CarswellNat 3240, [1996] S.C.C.A. No. 441 (S.C.C.) per Strayer, Linden and Robertson J.J.A.

<sup>170</sup> For example, s. 55.2 and 56 of the *Patent Act*.

<sup>171</sup> *Procter & Gamble Co. v. Bristol-Myers Canada Ltd.* (1978), 39 C.P.R. (2d) 145 (Fed. T.D.) at 168, affirmed (1979), 42 C.P.R. (2d) 33 (Fed. C.A.), leave to appeal refused (1979), 42 C.P.R. (2d) 33n (S.C.C.) per Addy J.; *Procter & Gamble Co. v. Calgon Interamerican Corp.*

none can be induced.<sup>172</sup>

### 7.3.2.2 *Inducing Conduct — Causation is Required*

“But for” the influence of the defendant, would the direct infringement have occurred?<sup>173</sup> The influence of the alleged inducer constitutes a *sine qua non* of the direct infringement.<sup>174</sup> Direct evidence of what caused the direct infringer to infringe the patent may be necessary.<sup>175</sup> For example, where prescribing physicians base their decisions on their skill and judgment applied to specific patient characteristics, the Court may find that the physicians were not induced to infringe a dosing regimen claim, even though the product monograph provides for the claimed dosing regimen. In such cases, the generic product monograph may not influence the prescribing physician to the point that, without the influence the direct infringement would not take place.<sup>130</sup>

It is a violation of the patentee’s rights to ask, invite and lead the purchaser of a product so as to infringe a patent,<sup>176</sup> except where such asking, inviting or leading is not the cause of the infringing act.<sup>177</sup> The supplier of the component must be shown to have exercised such influence on the direct infringer that they should be regarded as parties to a decision by the direct infringer to use the patented combination without getting a license.<sup>178</sup>

For example, if the direct infringer, with knowledge of the existence of the patent and having initiated the transaction, orders the component from the supplier for the purpose of infringing the patent, then the supplier of the component, without doing more, would not be held liable.<sup>179</sup> The question to be asked is whether the supplier has infringed the patent, not whether some act has occurred which falls short of being an infringement.<sup>180</sup> Merely doing something that was part of the events leading up to the wrongful act of the infringement is not enough to attach liability.<sup>181</sup>

In the case of inducement, size can matter. Without evidence of why a large entity infringed the patent, it is difficult to assume that a small supplier could have caused the large entity to infringe the patent.<sup>182</sup>

On the other hand, a large commercial entity can induce consumers to use a patented method by “brain softening” television advertising and package instructions.<sup>183</sup>

Indirect infringement is not limited to supplier/customer relationships. A customer can induce a supplier to make the infringing article.<sup>184</sup> An officer or director of a company can be held to be an infringer where the purpose of the director or officer was not the direction of the manufacturing and selling activity of the company in the ordinary course of his relationship to it but the deliberate, wilful and knowing pursuit of a course of conduct that was likely to constitute infringement or reflected an indifference to the risk of it.<sup>185</sup>

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(1982), 61 C.P.R. (2d) 1 (Fed. C.A.) at 24, per Urie J., leave to appeal refused 1982 CarswellNat 761 (S.C.C.).

<sup>172</sup> See “Prior User Rights and the Canadian Patent Act,” by Gregor Binkley, (2001) 18(1) C.I.P.R. 207, at 233.

<sup>173</sup> *Warner-Lambert Co. v. Wilkinson Sword Canada Inc.* (1987), 19 C.P.R. (3d) 402 (Fed. T.D.) at 407, per Jerome A.C.J.; quoted with approval in *Dableh v. Ontario Hydro* (1996), 68 C.P.R. (3d) 129 (Fed. C.A.) at 148—149, leave to appeal refused 1997 CarswellNat 3240, [1996] S.C.C.A. No. 441 (S.C.C.) per Strayer, Linden and Robertson JJ.A.

<sup>174</sup> *MacLennan c. Gilbert Tech Inc.* (2008), 67 C.P.R. (4th) 161 (F.C.A.) at para. 38, per Noël, Nadon, Pelletier JJ.A.

<sup>175</sup> *Slater Steel Industries Ltd. v. R. Payer Co.* (1968), 55 C.P.R. 61 (Can. Ex. Ct.) at 88—89, per Jackett P.

<sup>130</sup> *Janssen Inc. v. Teva Canada Ltd.*, 2020 FC 593 at para. 289-290

<sup>176</sup> *Innes v. Short* (1898), 15 R.P.C. 449 at 452, per Bigham J.

<sup>177</sup> *Allergan Inc. v. Canada (Minister of Health)*, 2011 FC 1316 (F.C.) at paras. 151ff.

<sup>178</sup> *Slater Steel Industries Ltd. v. R. Payer Co.* (1968), 55 C.P.R. 61 (Can. Ex. Ct.) at 88, per Jackett P.

<sup>179</sup> *Townsend v. Haworth* (1879), 48 L.J. Ch. 770n (C.A.) at 771, per Jessel, M.R.

<sup>180</sup> *Hatton v. Copeland-Chatterson Co.* (1906), 10 Ex. C.R. 224 (Can. Ex. Ct.) at 241, per Burbidge, J., affirmed (1906), 37 S.C.R. 651 (S.C.C.).

<sup>181</sup> *Slater Steel Industries Ltd. v. R. Payer Co.* (1968), 55 C.P.R. 61 (Can. Ex. Ct.) at 87, per Jackett P.

<sup>182</sup> *Slater Steel Industries Ltd. v. R. Payer Co.* (1968), 55 C.P.R. 61 (Can. Ex. Ct.) at 90, per Jackett P. This principle of *Slater Steel* has been distinguished on the facts in *Windsurfing International Inc. v. Trilantic Corp.* (1985), 8 C.P.R. (3d) 241 (Fed. C.A.) at 267, per Urie J., additional reasons 1986 CarswellNat 1150 (Fed. C.A.) and *MacLennan c. Gilbert Tech Inc.* (2008), 67 C.P.R. (4th) 161 (F.C.A.) at paras. 44—49, per Noël, Nadon, Pelletier JJ.A.

<sup>183</sup> *Procter & Gamble Co. v. Bristol-Myers Canada Ltd.* (1978), 39 C.P.R. (2d) 145 (Fed. T.D.) at 166—167, affirmed (1979), 42 C.P.R. (2d) 33 (Fed. C.A.), leave to appeal refused (1979), 42 C.P.R. (2d) 33n, 1979 CarswellNat 813 (S.C.C.) per Addy J.

<sup>184</sup> *Burns Foods (1985) Ltd. v. Maple Lodge Farms Ltd.* (1993), 51 C.P.R. (3d) 512 (Fed. T.D.) at 513, per Giles A.S.P.

<sup>185</sup> *Mentmore Manufacturing Co. v. National Merchandise Manufacturing Co.* (1978), 40 C.P.R. (2d) 164 (Fed. C.A.) at 174, affirming (1974), 14 C.P.R. (2d) 151 (Fed. T.D.) per Le Dain J.

## a) Manner of Inducement

Inducement or procurement may be done through written or oral instructions. It is not necessary for the supplier to have any personal or direct contact with the direct infringer.<sup>186</sup> If, for example, it is unavoidable that the use of an accused medicine in accordance with its product monograph will result in the use of that medicine to treat an indication in accordance with the claim, there may be infringement by inducement. It is not necessary to show that the medicine will be prescribed for treating the indication specified in the claim.<sup>131</sup>

Method or process claims can be indirectly infringed by providing instructions which, if carried out, perform the process or method.<sup>187</sup> The supply of components together with instructions that will result in infringement of the patent will, if it can be shown that they induced the infringement of the patent, amount to infringement.<sup>188</sup> The use of a price list to sell parts that indicated that the parts were replacements for the plaintiff's parts, was found to be sufficient to meet the test.<sup>189</sup>

The existence of an indemnification agreement between a supplier and a direct infringer whereby the supplier will hold the direct infringer harmless for patent infringement is not sufficient evidence, by itself, to hold the supplier liable.<sup>190</sup> Nevertheless, its existence may be indicative of inducement<sup>191</sup> but presumably only if it was entered into prior to the sale and use of the component. The provision of foreign litigation services and of an indemnity for liability under foreign patents does not constitute an infringement of a Canadian patent.<sup>192</sup>

The carrying on of a business in partnership with another party, whereby the direct infringer is supplied with all the components of a combination patent, may amount to infringement.<sup>193</sup>

### 7.3.2.3 Knowingly

Although older cases said that the intent or knowledge of the supplier as to the eventual use to be made of the component supplied is irrelevant to the question of infringement,<sup>194</sup> and that it was the inducement or procurement, if any, of the direct infringer which is relevant,<sup>195</sup> knowledge (or deliberateness) is now an important and necessary component to a finding of indirect infringement.<sup>196</sup>

... the seller knows his influence will result in the completion of the act of infringement.<sup>197</sup>

## a) Do Components Have Non-Infringing Use?

Although some Courts have said that it is not relevant whether the components could be used in a manner or device

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<sup>186</sup> *Procter & Gamble Co. v. Bristol-Myers Canada Ltd.* (1978), 39 C.P.R. (2d) 145 (Fed. T.D.) at 167, per Addy, J., affirmed 1979 CarswellNat 798 (Fed. C.A.), leave to appeal refused 1979 CarswellNat 813 (S.C.C.); *MacLennan c. Gilbert Tech Inc.* (2008), 67 C.P.R. (4th) 161 (F.C.A.) at para. 43, per Noël, Nadon, Pelletier JJ.A.

<sup>131</sup> *Janssen Inc. et al. v. Apotex Inc. et al.*, 2019 FC 1355 at para. 225-246

<sup>187</sup> *Procter & Gamble Co. v. Bristol-Myers Canada Ltd.* (1978), 39 C.P.R. (2d) 145 (Fed. T.D.) at 166—167, affirmed (1979), 42 C.P.R. (2d) 33 (Fed. C.A.), leave to appeal refused (1979), 42 C.P.R. (2d) 33n (S.C.C.) per Addy J.

<sup>188</sup> *Innes v. Short* (1898), 15 R.P.C. 449 per Bigham J., *Slater Steel Industries Ltd. v. R. Payer Co.* (1968), 55 C.P.R. 61 (Can. Ex. Ct.) per Jackett P., *Firth Industries Ltd. v. Polyglas Engineering Pty Ltd.*, [1977] R.P.C. 213 at 218, per Stephen J.; *Procter & Gamble Co. v. Bristol-Myers Canada Ltd.* (1978), 39 C.P.R. (2d) 145 (Fed. T.D.) at 166, affirmed (1979), 42 C.P.R. (2d) 33 (Fed. C.A.), leave to appeal refused (1979), 42 C.P.R. (2d) 33n (S.C.C.) per Addy J. *Windsurfing International Inc. v. Trilantic Corp.* (1985), 8 C.P.R. (3d) 241 (Fed. C.A.) at 264—268, per Urie J., additional reasons 1986 CarswellNat 1150 (Fed. C.A.); *Baker Petrolite Corp. v. Canwell Enviro-Industries Ltd.* (2001), 13 C.P.R. (4th) 193 (Fed. T.D.), reversed (2002), 17 C.P.R. (4th) 478 (Fed. C.A.) per Gibson J., additional reasons 2002 CarswellNat 3515 (Fed. C.A.).

<sup>189</sup> *MacLennan c. Gilbert Tech Inc.* (2008), 67 C.P.R. (4th) 161 (F.C.A.) at paras. 39—41, per Noël, Nadon, Pelletier JJ.A.

<sup>190</sup> *Townsend v. Haworth* (1879), 48 L.J. Ch. 770n (C.A.) per Jessel, M.R.

<sup>191</sup> *Slater Steel Industries Ltd. v. R. Payer Co.* (1968), 55 C.P.R. 61 (Can. Ex. Ct.) at 90, per Jackett P.

<sup>192</sup> *ADIR v. Apotex Inc.*, 2015 FC 721 (F.C.) at para. 30, reversed in part 2017 CarswellNat 217, 2017 CarswellNat 9806 (F.C.A.); *Apotex Inc. v. ADIR*, 2017 FCA 23 (F.C.A.), per Dawson J.A., Boivin and Woods JJ.A. concurring at para. 13.

<sup>193</sup> *Incandescent Gas Light Co. v. New Incandescent Mantle Co.* (1898), 15 R.P.C. 81 at 84, per Mathew, J., *United Telephone Co. v. Dale* (1884), 25 Ch. D. 778 (Eng. Ch. Div.) at 783, per Pearson, J.

<sup>194</sup> *McCormick v. Gray* per Bramwell, B. at 48, *Townsend v. Haworth* (1879), 48 L.J. Ch. 770n (C.A.) per Mellish, L.J. at 773, *Innes v. Short* (1898), 15 R.P.C. 449 at 450, per Bigham, J.

<sup>195</sup> *Slater Steel Industries Ltd. v. R. Payer Co.* (1968), 55 C.P.R. 61, 38 Fox Pat. C. 139 (Can. Ex. Ct.) at 88 [C.P.R.].

<sup>196</sup> *Slater Steel Industries Ltd. v. R. Payer Co.* (1968), 55 C.P.R. 61, 38 Fox Pat. C. 139 (Can. Ex. Ct.); *MacLennan c. Gilbert Tech Inc.* (2006), 56 C.P.R. (4th) 273 (F.C.A.) at para. 22, per Noël, Létourneau and Pelletier JJ.A.; *MacLennan c. Gilbert Tech Inc.* (2008), 67 C.P.R. (4th) 161 (F.C.A.) at para. 38, per Noël, Nadon, Pelletier JJ.A.

<sup>197</sup> *Dableh v. Ontario Hydro* (1996), 68 C.P.R. (3d) 129 (Fed. C.A.) at 148—149, per Strayer, Linden and Robertson JJ.A., leave to appeal refused 1997 CarswellNat 3240, [1996] S.C.C.A. No. 441 (S.C.C.); See also *MacLennan c. Gilbert Tech Inc.* (2008), 67 C.P.R. (4th) 161 (F.C.A.) at para. 38, per Noël, Nadon, Pelletier JJ.A.

other than that claimed in the patent,<sup>198</sup> if an article has only one use, it might be evidence of the knowledge of the indirect infringer as to the use to which the product will be put, establishing the third element of the cause of action:

There is in this case a knowing and purposeful manufacture of these bricks, because such bricks can serve one purpose and one purpose only, namely; to become a part of the plaintiff's combination in the practice of the invention. The defendants acting in concert, one as a manufacturer and the other as sale [sic] agent, have adopted, to the smallest detail, the method employed by the plaintiff in installing its fire arch; that they have copied its designs, its instructions, its shipping notice, requisition forms, contract forms, invoice forms; in short, they have jointly put in practice the invention covered by the patent in suit, in the only manner in which it could be put in practice and, as such, are infringers and are infringing the plaintiff's said Canada Patent No. 121416.<sup>199</sup>

On the other hand, if the components to a combination patent can be used in both infringing and non-infringing applications, then the supplier of the component is not an infringer without any other action being taken by the supplier,<sup>200</sup> but the end-user is an infringer if and only if he uses it in the infringing manner.<sup>201</sup>

In the context of a drug, where there is a non-patented use and a patented use, the Court will not enjoin the generic company from merely selling the product or selling it for the non-infringing use. To do so would in effect give the patent owner a monopoly on all uses of the drug, including non-infringing uses:

... a generic company cannot possibly control how everyone in the world uses its product, the prevention of the generic from marketing the product would further fortify and artificially extend the monopoly held by the patent holders. The patent holder would, therefore, effectively control not just the new uses for the old compound, but the compound itself, even though the compound itself is not protected by the patent in the first place. The patent holders, as a result, would obtain a benefit they were not meant to have.<sup>202</sup>

## b) Knowledge of the Patent

Until recently, there has been room for some doubt as to whether the knowledge requirement for inducing infringement required knowledge of the patent in issue, or merely knowledge of the influence exercised on the direct infringer. There are several examples in the jurisprudence of decisions in which knowledge of the patent by the alleged inducer, or absence of knowledge of the patent, has been considered by the Court in reaching its conclusion on inducement.<sup>203</sup> However, none of these decisions has discussed the question in any depth.

In the Federal Court decision in *Bauer Hockey Corp. v. Easton Sports Canada Inc.*,<sup>204</sup> Justice Gauthier discussed this issue in depth and ruled that knowledge of the patent was not a requirement for a finding of inducement. She noted that, since intention to infringe is not a requirement for a finding of direct infringement, there is likewise no requirement for an intention to infringe on the part of an alleged inducer.<sup>205</sup> The Court of Appeal subsequently confirmed that it is not necessary to show that the alleged infringer knew that the resulting activity of the direct infringer would be an infringement. It is sufficient to show that the alleged infringer knew that they were exercising influence on the direct infringer.<sup>132</sup>

It is notable that knowledge of the existence of the patent is a requirement for a finding of inducing infringement

<sup>198</sup> *Dunlop Pneumatic Tyre v. David Moseley & Sons*, [1904] 1 Ch. 164, 21 R.P.C. 274 (Eng. Ch. Div.) at 278 [R.P.C.], *Slater Steel Industries Ltd. v. R. Payer Co.* (1968), 55 C.P.R. 61 (Can. Ex. Ct.) per Jackett P.

<sup>199</sup> *American Arch Co. v. Canuck Supply Co.*, [1924] 3 D.L.R. 567 (C.S. Que.) at 576, per Duclos, J.

<sup>200</sup> *MacLennan c. Gilbert Tech Inc.* (2008), 67 C.P.R. (4th) 161 (F.C.A.) at para. 34, per Noël, Nadon, Pelletier J.J.A.; *Innes v. Short* (1898), 15 R.P.C. 449 at 451.

<sup>201</sup> *Cincinnati Grinders Inc. v. B.S.A. Tools Ltd.* (1931), 48 R.P.C. 33 (C.A.) at 58, per Clauson, J.

<sup>202</sup> *A B Hassle v. Canada (Minister of National Health & Welfare)* (2002), 22 C.P.R. (4th) 1 (Fed. C.A.) at para. 57, per Sexton J.A., leave to appeal refused 2003 CarswellNat 742 (S.C.C.); *Bayer Inc. v. Pharmaceutical Partners of Canada Inc.*, 2015 FC 797 (F.C.), affirmed 2016 FCA 13 (F.C.A.).

<sup>203</sup> See *Hatton v. Copeland-Chatterson Co.* (1906), 10 Ex. C.R. 224 (Can. Ex. Ct.) at 246, affirmed (1906), 37 S.C.R. 651 (S.C.C.) per Burbidge, J., *Procter & Gamble Co. v. Bristol-Myers Canada Ltd.* (1978), 39 C.P.R. (2d) 145 (Fed. T.D.) at 166, affirmed (1979), 42 C.P.R. (2d) 33 (Fed. C.A.), leave to appeal refused 1979 CarswellNat 813 (S.C.C.) and *MacLennan c. Gilbert Tech Inc.* (2008), 67 C.P.R. (4th) 161 (F.C.A.) at 268, in which knowledge of the patent was a factor applied in finding inducing infringement. Also, note that the courts in *Reading & Bates Construction Co. v. Baker Energy Resources Corp.* (1986), 13 C.P.R. (3d) 410 (Fed. T.D.) at 438–439, affirmed 1987 CarswellNat 771 (Fed. C.A.), affirmed (November 20, 1987), Doc. A-198-86 (Fed. C.A.) and *Davisco International Inc. v. Protose Separations Inc.* (1996), 72 C.P.R. (3d) 6 (Ont. Gen. Div.) at 8, found that there was no inducing infringement citing the lack of knowledge of the patent in suit.

<sup>204</sup> *Bauer Hockey Corp. v. Easton Sports Canada Inc.* (2010), 83 C.P.R. (4th) 315 (F.C.), affirmed 2011 FCA 83 (F.C.A.).

<sup>205</sup> *Bauer Hockey Corp. v. Easton Sports Canada Inc.* (2010), 83 C.P.R. (4th) 315 (F.C.), affirmed 2011 FCA 83 (F.C.A.) at paras. 193, 200.

<sup>132</sup> *Hospira Healthcare Corporation v. The Kennedy Trust for Rheumatology Research*, 2020 FCA 30 at para. 45

under U.S. law.<sup>206</sup>

### 7.3.3 Kits

Infringement does not occur until the combination is assembled.<sup>207</sup> The novelty or the advance, for which the patent is granted, is the combination itself, quite independent of the elements which compose it.<sup>208</sup>

However, selling all or most of<sup>209</sup> the component parts to a patent on a combination may amount to an invitation to infringe the patent.<sup>210</sup> One would be, in substance, selling the whole of the patented machine.<sup>211</sup> Where the sole purpose of the kit is to assemble the parts to use for the patented purpose, there is patent infringement. Infringement is not avoided by selling the component parts of a kit, where assembled, there would be infringement:

To suggest that a patent infringement suit can be successfully avoided by selling parts as components of a kit in contradistinction to their sale assembled is, in my view, errant nonsense.<sup>212</sup>

If the directions included with a kit of components do not direct that the components used in a manner which infringes a combination patent and if the directions are not colourable or given in the expectation that they will be disregarded then there is no indirect infringement.<sup>213</sup>

In *Beloit*, where the defendant had made a paper press in sections, the Federal Court of Appeal stated in obiter that, where the elements of an invention are sold in a substantially unified and combined form for the purpose of later assembly, infringement may not be avoided by a separation or division of parts which leaves to the purchaser a simple task of integration and assembly.<sup>214</sup> The language “substantially unified and combined form” suggests that the invention has been all but assembled and thus constitutes an infringement, but assembly short of complete assembly in Canada means the invention has not been fully assembled and there is arguably no infringement.

Exportation of parts for assembly outside Canada creates different considerations. A person who, beyond Canada, makes, constructs, uses, or sells the invention commits no breach of the Canadian patent.<sup>215</sup> The construction of a combination patent abroad is not an infringement, and cannot consequently trigger a domestic contributory infringement.<sup>216</sup>

Presumably there has to be direct infringement in Canada and inducement of such infringement in order to have liability for indirect infringement in Canada.

In *J.M. Voith GmbH v. Beloit Corp.*,<sup>217</sup> the defendant assembled the combination in Canada prior to disassembly and shipment to a foreign country. Such assembly in Canada constituted infringement. Subsequent disassembly did not “undo” such infringement:

A manufacturer cannot avoid liability for infringement by disassembling the machine after the completed assembly has occurred. In our view, the manufacture of all of the components that are later sufficiently assembled to test the fitting of the parts, constitutes “making” a patented invention for the purposes of section 44 of the Act.

Thus, the respondent VDI can be said to have made the patented invention when it manufactured the components, and then

<sup>206</sup> See *DSU Medical Corp v. JMS Co. Ltd.*, 04-1620, 05-1048, -1052; and *SEB S.A. v. Montgomery Ward & Co. Inc.*, 2009-1099, -1108, -1119.

<sup>207</sup> *McCormick v. Gray* (1861), 31 L.J. Ex. 42 per Pollock, C.B. at 46 and per Channell, B. at 49.

<sup>208</sup> *R. v. Irving Air Chute Inc.*, [1949] S.C.R. 613 (S.C.C.) at 618, per Rinfret C.J.

<sup>209</sup> *Control Data Canada Ltd. v. Senstar Corp.* (1989), 23 C.P.R. (3d) 449 (Fed. T.D.) at 493, per Cullen J.; *J.M. Voith GmbH v. Beloit Corp.* (1997), 73 C.P.R. (3d) 321 (Fed. C.A.) at 337, per Isaac C.J., Stone and Desjardins JJ.A.

<sup>210</sup> Obiter statement of Pearson, J. in *United Telephone Co. v. Dale* (1884), 25 Ch. D. 778 (Eng. Ch. Div.) at 782—783:

If there was a patent for a knife of a particular construction, and an injunction was granted restraining a defendant from selling knives made according to the patent, and he was to sell the component parts so that any schoolboy could put them together and construct the knife, surely that sale would be a breach of the injunction.

<sup>211</sup> *Dunlop Pneumatic Tyre v. David Moseley & Sons*, [1904] 1 Ch. 164, 21 R.P.C. 274 (Eng. Ch. Div.) at 280 [R.P.C.], per Vaughan Williams commenting on Pearson, J.’s comment in *United Telephone Co. v. Dale* (1884), 25 Ch. D. 778 (Eng. Ch. Div.) at 782—783.

<sup>212</sup> *Windsurfing International Inc. v. Trilantic Corp.* (1985), 8 C.P.R. (3d) 241 (Fed. C.A.) at 265, per Urie J., additional reasons 1986 CarswellNat 1150 (Fed. C.A.). Of note, the judgment in the *Windsurfing* appeal required delivery up for destruction of the kits thereby preventing their exportation to a country where there was no patent on the assembled sailboards.

<sup>213</sup> *National Electric Products Corp. v. Industrial Electric Products Ltd.*, [1939] Ex. C.R. 282, [1939] 3 D.L.R. 209 (Can. Ex. Ct.), affirmed [1940] S.C.R. 406, [1940] 3 D.L.R. 193 (S.C.C.) at 409 [S.C.R.], per Duff, C.J.C.

<sup>214</sup> *J.M. Voith GmbH v. Beloit Corp.* (1997), 73 C.P.R. (3d) 321 (Fed. C.A.) at 337, reversing in part (1993), 47 C.P.R. (3d) 448 (Fed. T.D.) per Isaac C.J., Stone and Desjardins JJ.A.

<sup>215</sup> *Dole Refrigerating Products Ltd. v. Canadian Ice Machine Co.* (1957), 28 C.P.R. 32 (Can. Ex. Ct.).

<sup>216</sup> *J.M. Voith GmbH v. Beloit Corp.* (1997), 73 C.P.R. (3d) 321 (Fed. C.A.) at 335—336, para. 34, reversing in part (1993), 47 C.P.R. (3d) 448 (Fed. T.D.) at 486, per Isaac C.J., Stone and Desjardins JJ.A.

<sup>217</sup> *J.M. Voith GmbH v. Beloit Corp.* (1997), 73 C.P.R. (3d) 321 (Fed. C.A.) per Isaac C.J., Stone and Desjardins JJ.A.



sufficiently assembled the machines to ensure their functionality in their workshops in Montreal. The fact that the press sections were then disassembled for the purpose of shipping and delivery cannot shield VDI from liability for having made in Canada press sections that infringe the appellants' patent. This conclusion does not constitute an extra-territorial application of the Act, but rather makes the respondent VDI liable for its domestic actions.

To find otherwise would unduly reward VDI for evading the responsibilities of the Canadian patent system. The monopoly granted by section 44 of the Act should not be construed so narrowly as to allow a competitor to manufacture components and assemble the components into the patented invention before shipment on the basis that the infringer had the good sense to deliver the product in a disassembled form.<sup>218</sup>

### 7.3.4 Pleading Indirect Infringement

Care must be taken in pleading the case in a manner consistent with the jargon of the case law. Pleading the cause of action as "aiding and abetting" or "contributing to infringement" is considered improper pleading.

"Aiding and abetting" infringement may not be an actionable tort. In *National Electric Products Corp. v. Industrial Electric Products Ltd.*, the Supreme Court found no evidence of a relationship of "principals in the first degree" or of "aider and abettor" but also cautioned that it was not holding that the existence of such relationship would be sufficient.<sup>219</sup> In *Procter & Gamble Co. v. Bristol-Myers Canada Ltd.*, Justice Addy held that Bristol-Myers had aided and abetted infringement:

It is difficult to conceive how the present defendant should not be considered as systematically engaging for its own profit in aiding and abetting any infringement by the public of the plaintiff's method claims and should not be considered as constituting itself a party to each infringement committed by such users.<sup>220</sup>

Since *Bristol-Myers*, courts have refused to recognize the existence of a separate tort of "aiding and abetting infringement" and have struck out a pleading alleging it to be infringement.<sup>221</sup> The same decision maintained the striking out of a plea alleging "contributing to" infringement.<sup>222</sup>

The problem with such pleadings however may only be semantic. As stated in *Hatton*:

But it is not at all clear that in this court there can be any question of contributory infringement. It depends perhaps on what is meant by that expression. The jurisdiction of the court is statutory. It has no common law authority to grant a remedy to anyone for the invasion of his rights. And with respect to the infringement of a patent of invention the jurisdiction is given in cases in which already is sought respecting such infringement. If the act complained of as a contributory infringement is in fact an infringement, well and good. The court has jurisdiction. But if it is not an infringement the court has no jurisdiction, and it will not acquire jurisdiction by introducing a term that is not to be found in the statute.<sup>223</sup>

### 7.3.5 Remedies for Indirect Infringement

The remedy for indirect infringement is, at least, an injunction from inviting direct infringers to use the components in the infringing manner<sup>224</sup> or by analogy, inducing others to use the patented method.

Damages are limited to those infringements proven.<sup>225</sup>

## 7.4 INFRINGEMENT BY COMMON DESIGN

In the *Monsanto* case, the Supreme Court of Canada held that any act that interfered with the full enjoyment of the monopoly granted to the patentee by s. 42 of the *Patent Act* was prohibited by the case law<sup>226</sup> and thus infringed the patent.

Some acts are sufficient for another party to become a party to the infringement done by another. As discussed

<sup>218</sup> *J.M. Voith GmbH v. Beloit Corp.* (1997), 73 C.P.R. (3d) 321 (Fed. C.A.) at 337, per Isaac C.J., Stone and Desjardins JJ.A.

<sup>219</sup> *National Electric Products Corp. v. Industrial Electric Products Ltd.*, [1940] S.C.R. 406 (S.C.C.) at 409, per Duff C.J.

<sup>220</sup> *Procter & Gamble Co. v. Bristol-Myers Canada Ltd.* (1978), 39 C.P.R. (2d) 145 (Fed. T.D.) at 167, per Addy J., affirmed 1979 CarswellNat 798 (Fed. C.A.), leave to appeal refused 1979 CarswellNat 813 (S.C.C.).

<sup>221</sup> *Faurecia Automotive Seating Canada Ltd. v. Lear Corp. Canada Ltd.* (2004), 35 C.P.R. (4th) 322 (F.C.) at 334, para. 8, per O'Keefe J. referring to an earlier order by Hansen J. and para. 49.

<sup>222</sup> *Faurecia Automotive Seating Canada Ltd. v. Lear Corp. Canada Ltd.* (2004), 35 C.P.R. (4th) 322 (F.C.) at 334, para. 50, per O'Keefe J. See also *Apotex Inc. v. Nycomed Canada Inc.*, 2011 FC 1441 (F.C.) at para. 21, affirmed 2012 FCA 195 (F.C.A.).

<sup>223</sup> *Hatton v. Copeland-Chatterson Co.* (1906), 10 Ex. C.R. 224 (Can. Ex. Ct.) at para. 14, affirmed (1906), 37 S.C.R. 651 (S.C.C.) per Burbidge J.; See also *Slater Steel Industries Ltd. v. R. Payer Co.* (1968), 55 C.P.R. 61 (Can. Ex. Ct.) at 63, per Jaccett P.

<sup>224</sup> *Innes v. Short, Adhesive Dry Mounting Co. v. Trapp* per Parker, J. at 353; *Copeland-Chatterson v. Hatton* per Burbidge J. at 247.

<sup>225</sup> *Skelding v. Daly* (1941), 57 B.C.R. 121, 2 Fox Pat. C. 61 (B.C. C.A.) at 74 [Fox Pat. C.], per O'Halloran, J.A.

<sup>226</sup> *Monsanto Canada Inc. v. Schmeiser*, [2004] 1 S.C.R. 902 (S.C.C.) at para. 35.

above in Chapter 7.3.1.2, one theory of inducing infringement is based upon the inducer being a party to the infringement of the inducee. For example, in the *Windsurfing* case, Justice Urie held that where a distributor knew and intended that the ultimate purchaser would utilize the parts of a device for the assembly of an infringing device, the distributor became a party to the infringement.<sup>227</sup>

Parties who act in concert to commit a tortious act can each be found liable if all the parties involved arrived at an agreement to carry out the tort.<sup>228</sup>

Based on the theory of joint tortfeasors, the U.K. courts have held that if there is a concerted design by two people to sell goods which in fact infringe an English patent, then the parties who have such design and do so sell are in fact joint tortfeasors and both infringe the patent.<sup>229</sup> In *Unilever plc v. Gillette (UK) Limited*,<sup>230</sup> Lord Mustill, then at the Court of Appeal of England, noted:

I use the words “common design” because they are readily to hand, but there are other expressions in the cases, such as “concerted action” or “agreed on common action” which will serve just as well. The words are not to be construed as if they formed part of a statute. They all convey the same idea. This idea does not, as it seems to me, call for any finding that the secondary party has explicitly mapped out a plan with the primary offender. Their tacit agreement will be sufficient. Nor, as it seems to me, is there any need for a common design to infringe. It is enough if the parties combine to secure the doing of the acts which in the event prove to be infringements.

In the *Unilever v Gillette* case, the court asked:

- (a) whether there was a common design between the parties to do acts which, if the patent is upheld, amounted to infringements, and
- (b) whether the defendant had acted in furtherance of that design.<sup>231</sup>

In the *Fabio Perini Spa v. LPC Group Plc & Ors*<sup>232</sup> case, the court was considering a case involving the assembly of an infringing machine that operated in accordance with a patented method, and referred to *Sabaf SPA v. Meneghetti SPA*<sup>233</sup> as authority for the proposition that:

The underlying concept for joint tortfeasance must be that the joint tortfeasor has been so involved in the commission of the tort as to make himself liable for the tort. Unless he has made the infringing act his own, he has not himself committed the tort. That notion seems to us what underlies all the decisions to which we were referred. If there is a common design or concerted action or otherwise a combination to secure the doing of the infringing acts, then each of the combinants has made the act his own and will be liable.

In the *Fabio* case, joint liability was found for a method claim:

It seems to me that the facts of the present case go much further than the mere supply of infringing goods for the purchaser to do what it wishes with them. Firstly, it is clear from the contract that the machine supplied was to be one which operated in accordance with the patented method. This is not a case where the supplier could be said to be ignorant or indifferent as to how the machine supplied was to be used: it was clearly to be used in a way that would infringe the claims in question. Secondly PCMC Italia have built the machine on LPC Limited’s premises and caused it to work in accordance with the method claims. It is beyond argument that this was done pursuant to a common design, evidenced by the contract between the parties. It seems to me to be entirely fair to say that by installing the Rotoseal and causing it to operate according to the patentee’s method in LPC Limited’s premises, PCMC Italia have acted in furtherance of that design by building the machine on LPC Limited’s premises and ensuring that it runs in accordance with the method. PCMC Italia are jointly liable with LPC Limited for infringement of the 929 patent.

Canadian courts have considered this principle in several cases.

In the *Bauer*<sup>234</sup> case, the issue was whether Easton, a marketer of skates, was liable for infringement in respect of skates that were manufactured for Easton by a contract manufacturer. Although the case was decided on the basis that Easton had induced the contract manufacturer to make the skates in accordance with the patented design, Easton

<sup>227</sup> *Windsurfing International Inc. v. Trilantic Corp.* (1985), 8 C.P.R. (3d) 241 (Fed. C.A.) at 265—266, per Urie J., additional reasons 1986 CarswellNat 1150 (Fed. C.A.).

<sup>228</sup> *Packers Plus Energy Services Inc. v. Essential Energy Services Ltd.*, 2017 FC 1111 (F.C.) at para. 48, per O’Reilly J., affirmed 2019 CarswellNat 1338 (F.C.A.).

<sup>229</sup> *Morton-Norwich Products Inc. v. Intercen Ltd.*, [1978] R.P.C. 501 (Eng. Ch. Div.) at 515.

<sup>230</sup> *Unilever plc v. Gillette U.K. Ltd.*, [1989] R.P.C. 583 (C.A.) at 609.

<sup>231</sup> *Unilever plc v. Gillette U.K. Ltd.*, [1989] R.P.C. 583 (C.A.) at 608—609.

<sup>232</sup> *Fabio Perini SPA v. LPC Group PLC*, [2009] EWHC 1929 (Eng. Patents Ct.) (Pat) at paras. 178—179.

<sup>233</sup> [2002] EWCA Civ 976; [2003] RPC 14

<sup>234</sup> *Bauer Hockey Corp. v. Easton Sports Canada Inc.*, 2010 FC 361, 83 C.P.R. (4th) 315 (F.C.), affirmed 2011 FCA 83 (F.C.A.).

was also found to have directly participated in the design of the skates. In this context, Gauthier J. stated of infringement “by common design”:

[W]hile it is not necessary to come to the conclusion in the case at bar, it is worth mentioning for future consideration that in England the courts applied the concept of infringement “by common design”, a notion that also exists in Canada although it has not been applied in the context of a patent infringement action.<sup>235</sup>

In *Packers Plus Energy Services Inc. v. Essential Energy Services Ltd.*,<sup>236</sup> the Court declined to apply the principle of common design from the *Fabio Perini* case to find infringement on the part of a tool company that had supplied tooling for hydraulic fracturing operations covered by the patented method. The Court cited *Sea Shepherd UK v. Fish & Fish Limited*<sup>237</sup> and found no common agreement to carry out the patented method.

In *Georgetown Rail Equipment Company v. Rail Radar Inc.*,<sup>238</sup> the Court held the written equipment purchase, license and service agreements between the defendant (who carried out the method steps of processing data) and its customer (CN, who carried out the method steps of collecting data) satisfied the criteria of the *Packers* case for the commission of the impugned acts in concert.<sup>239</sup> Given that the defendant did not argue that some of the essential steps were done by CN, and that it should escape liability as a result, the court made no finding on infringement by common design.<sup>240</sup>

## 7.5 DEFENCES TO INFRINGEMENT

### 7.5.1 The Gillette Defence

The “Gillette Defence” is not an independent defence to patent infringement, rather, it is a way of arguing non-infringement by proving invalidity. In circumstances where the patent is capable of two constructions — one wide and one narrow — the defendant gives the plaintiff a Hobson’s choice: if you construe the claim narrowly, the defendant does not infringe; construe the claim broadly and it encompasses the prior art which invalidates the patent. Either way, the plaintiff loses:

It follows, therefore, that no Patent of date subsequent to the publication of Butler’s Specification [the prior art] could possibly interfere with the right of the public to make the Defendants’ razor. If the claims of such a Patent were so wide as to include it, the Patent would be bad, because it would include something which differed by no patentable difference from that which was already in possession of the public. Such a Patent would be bad for want of novelty. If the claims were not so sufficiently wide to include the Defendants’ razor, the patentee could not complain of the public making it. In other words, the Defendants must succeed either on invalidity or on non-infringement.<sup>241</sup>

In the *Gillette* case, it was phrased as a way of pleading invalidity that did not require construing the patent but rather by comparing the alleged infringement to the prior art:

I am therefore of the opinion that in this case the Defendants’ right to succeed can be established without an examination of the terms of the Specification of the Plaintiffs’ Letters Patent. I am aware that such a mode of deciding a patent case is unusual, but from the point of view of the public it is important that this method of viewing their rights should not be overlooked. In practical life it is often the only safeguard to the manufacturer. It is impossible for an ordinary member of the public to keep watch on all the numerous Patents which are taken out and to ascertain the validity and scope of their claims. But he is entitled to feel secure if he knows that what he is doing differs from that which has been done of old only in non-patentable variations, such as the substitution of mechanical equivalents or changes in material size or shape. The defence that “the alleged infringement was not novel at the date of the plaintiff’s Letters Patent” is a good defence in law, and it would sometimes obviate the great length and expense of Patent cases if the defendant could and would put forth his case in this form, and thus spare himself the trouble of demonstrating on which horn of the well-known dilemma the plaintiff had impaled himself, invalidity or non-infringement.<sup>242</sup>

<sup>235</sup> *Bauer Hockey Corp. v. Easton Sports Canada Inc.*, 2010 FC 361, 83 C.P.R. (4th) 315 (F.C.) at para. 206, affirmed 2011 FCA 83 (F.C.A.), referring to *Unilever Plc v. Gillette U.K. Ltd.*, [1989] R.P.C. 583 (C.A.) at 609.

<sup>236</sup> *Packers Plus Energy Services Inc. v. Essential Energy Services Ltd.*, 2017 FC 1111 (F.C.) at paras. at 48—49, per O’Reilly J., affirmed 2019 CarswellNat 1338 (F.C.A.).

<sup>237</sup> *Sea Shepherd UK v. Fish & Fish Ltd.*, [2015] UKSC 10 (U.K. S.C.)

<sup>238</sup> *Georgetown Rail Equipment Company v. Rail Radar Inc.*, 2018 FC 70 (F.C.) at paras. 154—157, per Fothergill J.

<sup>239</sup> *Georgetown Rail Equipment Company v. Rail Radar Inc.*, *Georgetown Rail Equipment Company v. Rail Radar Inc.*, 2018 FC 70 (F.C.) at para. 156, per Fothergill J..

<sup>240</sup> *Georgetown Rail Equipment Company v. Rail Radar Inc.*, 2018 FC 70 (F.C.) at para. 157, per Fothergill J.

<sup>241</sup> *Gillette Safety Razor Co. v. Anglo-American Trading Co.* (1913), 30 R.P.C. 465 (U.K. H.L.) at 480, per Lord Moulton; *Tensar Technologies, Limited v. Envrio-Pro Geosynthetics Ltd.*, 2019 FC 277 at para. 135

<sup>242</sup> *Gillette Safety Razor Co. v. Anglo-American Trading Co.* (1913), 30 R.P.C. 465 (U.K. H.L.) at 480—481, per Lord Moulton.

The strategy of pleading both non-infringement and invalidity is wise as it tempers the scope attributed to the patent claim by the patent owner.

The Supreme Court in *Free World* requires that the claims be construed prior to determinations of infringement.<sup>243</sup> The concept of determining infringement without “examination of the terms of the Specification of the Plaintiffs’ Letters Patent” as proposed in *Gillette* case, would seemingly be contrary to this requirement of *Free World*. If the Court’s construction of the claims is to be directed to the points in issue between the parties,<sup>244</sup> and the point at issue is whether the alleged infringement is the same as or equivalent to the prior art, the entertainment of a *Gillette* Defence (perhaps on a summary judgment motion) would likely be an efficient use of the court’s time.

#### 7.5.1.1 *An Arrow Declaratory Order*

An adjunct to a *Gillette* defence is an *Arrow*<sup>245</sup> order, a declaratory order that is a product of UK law, not yet imported to Canada. In *Arrow*, a generic was threatened by a pending patent application and its exposure to potential pre-grant damages after the patent issued.<sup>246</sup> It sought an order that its *own* products were obvious as of the priority date of the divisional applications.<sup>247</sup> Its claim was held to be arguable and was allowed to proceed. Once declared obvious, any patent purporting to cover such products would be invalid based on a *Gillette* defence. Thus the threats of having to pay the UK equivalent of “reasonable compensation” pre-grant or damages post-grant were removed.

In *Fujifilm Kyowa Kirin Biologics Co., Ltd. v. Abbvie Biotechnology Ltd.*,<sup>248</sup> the England and Wales Court of Appeal held that they did not consider that there was any issue of principle which prevents the granting of *Arrow* declarations in appropriate cases.<sup>249</sup>

In *Glaxo Group Limited v. Vectura Ltd.*<sup>133</sup>, the Court granted an *Arrow* declaration with respect to the accused process for formulating a pharmaceutical composition and products of such a process. The accused process and the particular product at issue in the action had been held to be obvious over certain prior art. An undertaking by the patentee that it would not assert a defined group of subsequent patents did not provide the same degree of certainty as the requested *Arrow* declaration, as it left open the possibility of further claims for infringement of subsequent patents.

#### 7.5.2 *Limitation Period*

No remedy may be awarded for an act of infringement committed more than six years before the commencement of the action for infringement.<sup>250</sup>

### 7.6 EXEMPTIONS FROM INFRINGEMENT

#### 7.6.1 *Experimental Use*

##### 7.6.1.1 *Common Law*

There is at common law an exemption from infringement for “experimental use” of a patented invention.

... no doubt if a man makes things merely by way of *bona fide* experiment, and not with the intention of selling and making use of the thing so made for the purpose of which a patent has been granted, but with the view of seeing whether an improvement can be made or not, that is not an invasion of the exclusive rights granted by the patent. Patent rights were never granted to prevent persons of ingenuity exercising their talents in a fair way. But if there be neither using nor vending the invention for profit, the mere making for the purpose of experiment, and not for a fraudulent purpose, ought not to be considered within the meaning of the prohibition, and if it were, it is certainly not the subject or an injunction.<sup>251</sup>

<sup>243</sup> *Whirlpool Corp. v. Camco Inc.*, [2000] 2 S.C.R. 1067 (S.C.C.) at para. 43, reconsideration / rehearing refused 2001 CarswellNat 283 (S.C.C.). See also discussion of “The First Duty of the Court”, in Chapter 6.4.

<sup>244</sup> *Laboratoires Servier v. Apotex Inc.*, 2008 FC 825 (F.C.) at para. 98, additional reasons 2008 CarswellNat 4195, 2008 CarswellNat 3444 (F.C.), affirmed 2009 FCA 222 (F.C.A.), leave to appeal refused 2010 CarswellNat 660, 2010 CarswellNat 661 (S.C.C.).

<sup>245</sup> *Arrow Generics Ltd. v. Merck & Co. Inc.*, [2007] EWHC 1900 (Pat.) per Kitchin J.

<sup>246</sup> *Arrow Generics Ltd. v. Merck & Co. Inc.*, [2007] EWHC 1900 (Pat.) per Kitchin J. at para. 44.

<sup>247</sup> *Arrow Generics Ltd. v. Merck & Co. Inc.*, [2007] EWHC 1900 (Pat.) per Kitchin J. at paras. 38 & 60.

<sup>248</sup> *Fujifilm Kyowa Kirin Biologics Co., Ltd. v. Abbvie Biotechnology Ltd.*, [2017] EWCA Civ 1.

<sup>249</sup> *Fujifilm Kyowa Kirin Biologics Co., Ltd. v. Abbvie Biotechnology Ltd.*, [2017] EWCA Civ 1 at para. 98.

<sup>133</sup> [2018] EWHC 3414 (Pat) at para. 241 ff.

<sup>250</sup> *Patent Act*, s. 55.01.

<sup>251</sup> *Frearson v. Loe* (1878), 9 Ch.D. 48 (Chancery Div.) at 68, Jessel, M.R. cited with approval in *Smith, Kline & French Inter-American Corp. v. Micro Chemicals Ltd.* (1971), 2 C.P.R. (2d) 193 (S.C.C.) at 202; *Merck & Co. v. Apotex Inc.*, 2006 FC 524, 53 C.P.R. (4th) 1, [2006]

Experimental use includes:

1. trying to make an improvement to the invention;<sup>252</sup> and
2. testing.<sup>253</sup>

Deciding upon a particular model and taking steps to manufacture, promote and sell it would not be experimental use.<sup>254</sup>

### 7.6.1.2 Section 55.2: Experimental Use for Regulatory Approval

In 1993, s. 55.2 was enacted to permit use of an invention to obtain governmental approval:

It is not an infringement of a patent for any person to make, construct, use or sell the patented invention solely for uses reasonably related to the development and submission of information required under any law of Canada, a province or a country other than Canada that regulates the manufacture, construction, use or sale of any product.<sup>255</sup>

If a generic drug company restricts its activities to developing and submitting information required for a Notice of Compliance from the Minister of Health, it will not infringe a patent.<sup>256</sup> Submitting an Abbreviated New Drug Submission and the publication of an Notice of Compliance and Drug Identification Number fall under this exemption.<sup>257</sup> Section 55.2 permits ongoing research and development of alternate formulae, alternate techniques for tablet making and the like.<sup>258</sup>

The section is not limited to matters relating to Notice of Compliance proceedings. Section 55.2 is sufficiently broad to exempt from infringement samples taken for Food and Drug Regulations, C.R.C. c. 870 and the *Food Drug and Cosmetics Act* 21 U.S.C. and needed for submission of information to the relevant government authorities if and when required.<sup>259</sup> The exemption provided by 55.2(1) applies to all research reasonably directed towards submitting information for regulatory approval whether or not that research is ultimately submitted to the regulatory authority. To qualify under the exemption of s. 55.2(1), material produced as a result of this research must not be subject to commercial activity. Material that is never sold and is ultimately destroyed does not damage a plaintiff.<sup>260</sup>

These provisions have been derived from similar provisions found in the United States Drug Pure Competition and Patent Term Restoration Act ... the United States Supreme Court interpreted these provisions in *Merck KG v. Integra Lifesciences Ltd* ... At page 12, Scalia J. made it clear that the exemption applied not only to research that ultimately found its way to the FDA but also research and experiments that did not ultimate find its way there.<sup>261</sup>

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F.C.J. No. 671 (F.C.) at paras. 159-161, per Hughes J., additional reasons 2006 CarswellNat 1407 (F.C.), reversed in part 2006 CarswellNat 3315 (F.C.A.), reversed in part 2006 CarswellNat 3206 (F.C.A.), leave to appeal refused 2007 CarswellNat 1097 (S.C.C.).

<sup>252</sup> *Frearson v. Loe* (1878), 9 Ch.D. 48 (Chancery Div.) at 68, Jessel, M.R. cited with approval in *Smith, Kline & French Inter-American Corp. v. Micro Chemicals Ltd.* (1971), 2 C.P.R. (2d) 193 (S.C.C.) at 202; *Merck & Co. v. Apotex Inc.*, 2006 FC 524, 53 C.P.R. (4th) 1, [2006] F.C.J. No. 671 (F.C.) at paras. 159-161, per Hughes J., additional reasons 2006 CarswellNat 1407 (F.C.), reversed in part 2006 CarswellNat 3315 (F.C.A.), reversed in part 2006 CarswellNat 3206 (F.C.A.), leave to appeal refused 2007 CarswellNat 1097 (S.C.C.).

<sup>253</sup> *Dableh v. Ontario Hydro*, [1996] 3 F.C. 751, 68 C.P.R. (3d) 129, 199 N.R. 57, [1996] F.C.J. No. 767 (Fed. C.A.) per Strayer, Linden, Roberston J.J.A., leave to appeal refused 1997 CarswellNat 3240 (S.C.C.).

<sup>254</sup> *Cochlear Corp. v. Cosem Neurostim Ltée* (1995), 102 F.T.R. 81, 64 C.P.R. (3d) 10, [1995] F.C.J. No. 1433 (Fed. T.D.) per Joyal J.; *Eurocopter c. Bell Helicopter Textron Canada Ltée*, 2012 FC 113 (F.C.) at para. 267, per Martineau J., additional reasons 2012 CarswellNat 2939 (F.C.), affirmed 2013 CarswellNat 3456 (F.C.A.), affirmed 2013 CarswellNat 3455 (F.C.A.), reconsideration / rehearing refused 2013 CarswellNat 4333 (F.C.A.).

<sup>255</sup> *Patent Act*, s. 55.2(1) [enacted 1993, c. 2, s. 4].

<sup>256</sup> *Procter & Gamble Pharmaceuticals Canada Inc. v. Canada (Minister of Health)* (2004), [2005] 2 F.C.R. 269, 37 C.P.R. (4th) 289 (F.C.A.), leave to appeal refused (2005), 38 C.P.R. (4th) vi, 249 D.L.R. (4th) vii (S.C.C.), per Rothstein, Noël and Sharlow J.J.A.

<sup>257</sup> *Eli Lilly Canada Inc. v. Nu-Pharm Inc.*, 2011 FC 255 (F.C.) at paras. 28-31.

<sup>258</sup> *Merck & Co. v. Apotex Inc.*, 2006 FC 524, 53 C.P.R. (4th) 1, [2006] F.C.J. No. 671 (F.C.) at para. 162, per Hughes J., additional reasons 2006 CarswellNat 1407 (F.C.), reversed in part 2006 CarswellNat 3315 (F.C.A.), reversed in part 2006 CarswellNat 3206 (F.C.A.), leave to appeal refused 2007 CarswellNat 1097 (S.C.C.). *Apotex Inc. v. Shire LLC*, 2018 FC 637 at para. 162 (evidence of experimental and regulatory uses included developing formulations and processes, demonstrating that manufacturing processes could be carried out on a commercial scale and testing in accordance with regulatory requirements).

<sup>259</sup> *Merck & Co. v. Apotex Inc.*, 2006 FC 524, 53 C.P.R. (4th) 1, [2006] F.C.J. No. 671 (F.C.) at para. 158, per Hughes J., additional reasons 2006 CarswellNat 1407 (F.C.), reversed in part 2006 CarswellNat 3315 (F.C.A.), reversed in part 2006 CarswellNat 3206 (F.C.A.), leave to appeal refused 2007 CarswellNat 1097 (S.C.C.).

<sup>260</sup> *Merck & Co. v. Apotex Inc.*, 2006 FC 524, 53 C.P.R. (4th) 1, [2006] F.C.J. No. 671 (F.C.) at para. 158, per Hughes J., additional reasons 2006 CarswellNat 1407 (F.C.), reversed in part 2006 CarswellNat 3315 (F.C.A.), reversed in part 2006 CarswellNat 3206 (F.C.A.), leave to appeal refused 2007 CarswellNat 1097 (S.C.C.).

<sup>261</sup> *Merck & Co. v. Apotex Inc.*, 2006 FC 524, 53 C.P.R. (4th) 1, [2006] F.C.J. No. 671 (F.C.) at paras. 154-55, per Hughes J., additional reasons 2006 CarswellNat 1407 (F.C.), reversed in part 2006 CarswellNat 3315 (F.C.A.), reversed in part 2006 CarswellNat 3206 (F.C.A.), leave to appeal refused 2007 CarswellNat 1097 (S.C.C.).

I find that section 55.2(1) is sufficiently broad so as to exempt from infringement such samples taken pursuant to such regulations and needed for submission of information to the relevant government authorities if and when required. I add that, since such material is never sold and is ultimately destroyed, it is difficult to imagine what damage was suffered by any of the Plaintiffs.<sup>262</sup>

The section does not apply to work done in connection with provincial formulary regulations regarding the interchangeability of drug products and their inclusion on provincial drug plans as they do not regulate the use and sale of a drug product other than after the federal process has been engaged and completed.<sup>263</sup>

Section 55.2(1) could include medical devices. It is not restricted to submission of information related to pharmaceuticals.<sup>264</sup>

The section expressly does not remove the previously existing common law experimental use exception from infringement:

55.2(6) For greater certainty, subsection (1) does not affect any exception to the exclusive property or privilege granted by a patent that exists at law in respect of acts done privately and on a non-commercial scale or for a non-commercial purpose or in respect of any use, manufacture, construction or sale of the patented invention solely for the purpose of experiments that relate to the subject-matter of the patent.<sup>265</sup>

### 7.6.1.3 Section 55.3: Experimental Use

Section 55.3 was added to the Patent Act effective December 13, 2018. It provides that an act committed for the purpose of experimentation relating to the subject-matter of a patent is not an infringement of the patent. This appears to be a statutory enactment of the common law experimental use exemption from infringement.

Oddly, ss. 55.3(2) allows for regulations to be made respecting:

- (a) factors that the court may consider, must consider or is not permitted to consider in determining whether an act is, or is not, committed for the purpose set out in subsection (1); and
- (b) circumstances in which an act is, or is not, committed for the purpose set out in subsection (1).

### 7.6.2 Compulsory Licence Regime

In the context of the former compulsory licensing regime, determining whether one could manufacture a quality product in accordance with the specification was considered non-infringing:

The use Micro was making of the patented substance here was not for profit but to establish the fact that it could manufacture a quality product in accordance with the specifications disclosed in the respondent's application for patent 612204 ... I cannot see that this sort of experimentation and preparation is an infringement. It appears to me to be the logical result of the right to apply for a compulsory licence.<sup>266</sup>

Importing a patented compound to press it into tablets to determine stability and safety was not experimental use and offended the case law against importation in *Rhone-Poulenc* discussed in Chapter 7.2.4 above.<sup>267</sup>

Making a quantity of goods (presumably for future sale) does not constitute experimental use.<sup>268</sup> Building up an inventory of product to launch as soon as a compulsory licence was granted is infringement:

To meet these regulatory requirements of quality and safety, an applicant must run laboratory tests, engage in experimental processes and do all that is necessary to prove up its manufacturing techniques. If in doing, an applicant uses a process which is patented, and for which a compulsory licence has not been obtained, it might be technically infringing on the right the

<sup>262</sup> *Merck & Co. v. Apotex Inc.*, 2006 FC 524, 53 C.P.R. (4th) 1, [2006] F.C.J. No. 671 (F.C.) at para. 158, per Hughes J., additional reasons 2006 CarswellNat 1407 (F.C.), reversed in part 2006 CarswellNat 3315 (F.C.A.), reversed in part 2006 CarswellNat 3206 (F.C.A.), leave to appeal refused 2007 CarswellNat 1097 (S.C.C.).

<sup>263</sup> *Pfizer Canada Inc. v. Apotex Inc.*, 2002 FCT 805, 223 F.T.R. 1, 20 C.P.R. (4th) 454, [2002] F.C.J. No. 1078 (Fed. T.D.) per Heneghan J.

<sup>264</sup> *Vixx Inc. v. Nidek Co.* (1997), 77 C.P.R. (3d) 286, [1997] F.C.J. No. 1522 (Fed. T.D.) per Wetston J., reversed (1998), 82 C.P.R. (3d) 289, [1998] F.C.J. No. 871 (Fed. C.A.) per Strayer and McDonald JJ.A. and Henry D.J.

<sup>265</sup> *Patent Act*, s. 55.2(6).

<sup>266</sup> *Smith, Kline & French Inter-American Corp. v. Micro Chemicals Ltd.* (1971), [1972] S.C.R. 506, 2 C.P.R. (2d) 193, 25 D.L.R. (3d) 79 (S.C.C.) per Hall J., Spence, Pigeon and Laskin JJ. concurring at 203.

<sup>267</sup> *Wellcome Foundation Ltd. v. Apotex Inc.*, [1990] 3 F.C. 528, 32 C.P.R. (3d) 350, [1990] F.C.J. No. 530 (Fed. T.D.) at 355-356 [C.P.R.], per Muldoon J., additional reasons 1990 CarswellNat 1298 (Fed. T.D.).

<sup>268</sup> *Smith, Kline & French Inter-American Corp. v. Micro Chemicals Ltd.* (1971), [1972] S.C.R. 506, 2 C.P.R. (2d) 193, 25 D.L.R. (3d) 79 (S.C.C.) per Hall J., Spence, Pigeon and Laskin JJ. concurring at 203.

patentee and it might be technically liable for damages for infringement.

The liability of the applicant becomes more than technical if in going through its work-ups, it builds up an inventory of the drug enabling it to hit the market on the very day a compulsory licence is issued to it.<sup>269</sup>

### 7.6.3 *Use in Transit*

Section 23 of the *Patent Act* creates an infringement exemption for use of a patented invention on a vehicle temporarily in Canada:

No patent shall extend to prevent the use of any invention in any ship, vessel, aircraft or land vehicle of any country entering Canada temporarily or accidentally, if the invention is employed exclusively for the needs of the ship, vessel, aircraft or land vehicle, and not so used for the manufacture of any goods to be sold within or exported from Canada.

The use in transit exemption only applies to situations of temporary or accidental entrance into Canada. A vehicle built within Canada for use outside of Canada that is ultimately owned by a foreign government, has immunity if the vehicle is only temporarily located in Canada.<sup>270</sup>

Under a predecessor section, the vehicle infringing the Canadian patent had to have been “foreign” to benefit from the use in transit infringement immunity.<sup>271</sup> Also, where the patented device was intended to be used within the territory (for example in emergency situations), an injunction could be granted from using it.<sup>272</sup>

### 7.6.4 *Prior Acquired Goods*

The *Patent Act* has long recognized the right of a person who made or acquired goods before patent rights existed to have such goods “grandfathered” and to be excluded from liability for infringement. Former s. 56 of the *Patent Act* that provided for such exclusion from liability was replaced with a new s. 56 effective December 13, 2018<sup>134</sup>. The scope of activity that is excluded from liability for infringement under the new s. 56 is described broadly. Under the new s. 56, “an act that would otherwise constitute an infringement of the patent” is capable of being excluded from liability if the person accused of infringement of a patent claim or a certificate of supplementary protection that sets out the patent, had “in good faith” already committed the same act or made serious and effective preparations to do so before the claim date of the relevant patent claim<sup>135</sup>. The new section applies to actions or proceedings commenced on or after October 29, 2018 in respect of patents filed on or after October 1, 1989. The new s. 56 has yet to be interpreted by the Courts.

The previous s. 56 gave the right to use and sell to others the specific article, machine, manufacture or composition of matter made or acquired before the critical date.<sup>273</sup> It did not give the right to make or construct the invention.<sup>274</sup>

You can lock out only those who are not already inside when the fence is erected. Those already practising the invention at the critical date are not excluded.<sup>275</sup>

Under the pre-1989 *Patent Act*, patent applications were secret before the patent issued and members of the public could have purchased or acquired goods not knowing about the pending patent and otherwise be caught with a stock of goods on hand that would otherwise have instantly been converted to “infringing goods”. The effect of the previous s. 56 was to render the pre-existing goods non-infringing.<sup>276</sup>

Goods made after the critical date are not entitled to any benefit under the *Act*.<sup>277</sup> If the defendant failed to prove its prior use, the defence failed.<sup>278</sup>

<sup>269</sup> *Astra Pharmaceuticals Canada Ltd. v. Apotex Inc.* (1984), 1 C.P.R. (3d) 513 (Fed. T.D.) at 515, per Joyal J.

<sup>270</sup> *Marconi Wireless Telegraph Co. v. Canadian Car & Foundry Co.* (1920), 61 S.C.R. 78 (S.C.C.) at 87, per Mignault, J.

<sup>271</sup> *Marconi Wireless Telegraph Co. v. Canadian Car & Foundry Co.* (1920), 61 S.C.R. 78 (S.C.C.) at 86, per Mignault, J.

<sup>272</sup> *Adair v. Young* (1879), 12 Ch. D. 13 (Eng. Ch. Div.) at 19, per Cotton, L.J.

<sup>134</sup> *Budget Implementation Act, 2018, No.2, s.187, ss.192-193, 198(1), replacing s.56 of the Patent Act, in force December 13, 2018.*

<sup>135</sup> *Section 56(1) of the Patent Act, R.S.C. 1985, c.P-1, as amended*

<sup>273</sup> *Patent Act, s. 56(1).*

<sup>274</sup> *Teledyne Industries Inc. v. Lido Industrial Products Ltd.* (1981), 57 C.P.R. (2d) 29 (Fed. C.A.) at 38, per Thurlow, C.J., leave to appeal refused 1981 CarswellNat 813 (S.C.C.).

<sup>275</sup> *Peterson Electronic Die Co. v. Plastiseal Inc.* (1972), 8 C.P.R. (2d) 222 (Fed. T.D.) at 245, per Walsh, J., affirmed (1974), 14 C.P.R. (2d) 48 (Fed. C.A.).

<sup>276</sup> *Zeneca Pharma Inc. v. Canada (Minister of National Health & Welfare)* (1996), 69 C.P.R. (3d) 451 (Fed. C.A.) at 453, per Strayer, J.A., leave to appeal refused 1997 CarswellNat 3242 (S.C.C.).

<sup>277</sup> *Reliable Plastics Ltd. v. Louis Marx & Co.* (1958), [1956-1960] Ex. C.R. 257, 29 C.P.R. 113 (Can. Ex. Ct.) at 131 [C.P.R.], per Thorson P.

<sup>278</sup> *Reeves Brothers Inc. v. Toronto Quilting & Embroidery Ltd.* (1978), 43 C.P.R. (2d) 145 (Fed. T.D.) at 166, per Gibson, J.

The previous legislation recognized such rights over four time periods: those relating to patent applications filed prior to October 1, 1989, those filed on or after October 1, 1989, January 1, 1994 and October 1, 1996. The *Patent Act* exempted from liability to the patentee those goods that were purchased, constructed or acquired:

- prior to the date of the patent grant (i.e. the issue date), if the patent application was filed before October 1st, 1989;<sup>279</sup>
- prior to the date when the application was laid open to the public if the patent application was filed on or after October 1st, 1989 for things purchased, acquired or constructed before January 1st, 1994; and
- prior to the earlier of the date that the invention was filed in Canada or the convention priority date if the patent application was filed after January 1st, 1994;<sup>280</sup> and
- prior to the claim date if the patent application was filed after October 1st, 1996.<sup>281</sup>

If goods were purchased, constructed or acquired before the critical date, it may not be necessary for the Court to determine infringement.<sup>282</sup>

#### 7.6.4.1 *What the Defendant May Do*

The defendant is permitted to sell products that were in its possession and control prior to the critical date.

The defendant may be permitted to reformulate pharmaceutical compositions because such activity is akin to repackaging.

The section does not confer any right to continue manufacture of the patented articles.<sup>283</sup>

After the invention is patented, if a prior user rebuilds the patented article or replaces essential parts of it, then there is infringement. In *Steel Co. of Canada Ltd. v. Sivaco Wire & Nail Co.* (No. 3), the defendant was found to have made and used new infringing dies since the date of the patent grant. The defendant was therefore found to be infringing the inventor's patent. Limited repair to the invention may be non-infringing; however, there is no clear division between non-infringing repair and repair extensive enough to constitute *de facto* manufacturing of the invention.

#### 7.6.4.2 *Prior Use of Methods*

Where a defendant acquires an apparatus prior to the critical date, it is permitted to continue using that apparatus after the critical date including to use the apparatus under such method or process claims as may be included in a patent subsequently obtained for the apparatus, even if the apparatus does not infringe the apparatus claims of the patent.<sup>284</sup>

Under predecessor s. 58, a prior user of a method may have been able to continue using the method after the patent issued however, the defendant had to establish that it had previously practiced the method or process in Canada. Use of a method by customers prior to a patent issuing did not give the defendant the right to induce future customers to

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<sup>279</sup> *Patent Act*, ss. 56(2), (4):

(2) Subsection (1) does not apply in respect of a purchase, construction or acquisition referred to in subsection (3) or (4).

(4) Section 56 of the *Patent Act*, as it read immediately before October 1, 1989, applies in respect of a purchase, construction or acquisition made before the day on which subsection (1) came into force of an invention for which a patent is issued before October 1, 1989 or is issued after October 1, 1989 on the basis of an application filed before October 1, 1989.

<sup>280</sup> *Patent Act*, ss. 56(2), (3):

(2) Subsection (1) does not apply in respect of a purchase, construction or acquisition referred to in subsection (3) or (4).

(3) Section 56 of the *Patent Act*, as it read immediately before the day on which subsection (1) came into force, applies in respect of a purchase, construction or acquisition made before that day of an invention for which a patent is issued on the basis of an application filed after October 1, 1989 and before the day on which subsection (1) came into force.

<sup>281</sup> *Patent Act*, s. 56(1):

(1) Every person who, before the claim date of a claim in a patent has purchased, constructed or acquired the subject matter defined by the claim, has the right to use and sell to others the specific article, machine, manufacture or composition of matter patented and so purchased, constructed or acquired without being liable to the patentee or the legal representatives of the patentee for so doing.

<sup>282</sup> *Reliable Plastics Ltd. v. Louis Marx & Co.* (1958), [1956-1960] Ex. C.R. 257, 29 C.P.R. 113 (Can. Ex. Ct.) at 131 [C.P.R.], per Thorson P.  
<sup>283</sup> *Procter & Gamble Co. v. Calgon Interamerican Corp.* (1981), 56 C.P.R. (2d) 214 (Fed. T.D.) at 24, per Urie, J., affirmed 1982 CarswellNat 604 (Fed. C.A.), leave to appeal refused 1982 CarswellNat 761 (S.C.C.).

<sup>284</sup> *Eli Lilly & Co. v. Novopharm Ltd.*, [1998] 2 S.C.R. 129 (S.C.C.) at para. 101, per Iacobucci, J.



use the method after the critical date.<sup>285</sup>

#### 7.6.4.3 *Articles Must be in Existence*

The particular articles or machines must actually be in existence at the critical date to fall within the purview of the section.<sup>286</sup>

#### 7.6.4.4 *Purchase*

A defendant who had ordered articles, committed itself irrevocably to pay for them and was entitled to receive and accept them when delivered is considered to have purchased them.

Goods that are in existence but which are not considered by the vendor as being of such quality for shipment are not considered to be purchased or acquired.<sup>287</sup>

The defendant need not be in Canada nor does the purchase, construction or acquisition need to take place in Canada.<sup>288</sup>

#### 7.6.4.5 *Competition Violation as a Defence*

Although the defence has yet to be successfully made out at trial in any case, the Federal Court has held a competition violation by a plaintiff to be a sustainable plea in defence of a claim to the equitable relief of an injunction for patent infringement on the theory that the plaintiff does not come to court with clean hands.<sup>289</sup> A source of information as to possible competition violation arguments are the hypothetical scenarios that discuss the application of competition law to intellectual property set out in Draft Intellectual Property Enforcement Guidelines published by the Competition Bureau.<sup>290</sup>

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<sup>285</sup> *Fowell v. Chown* (1894), 25 O.R. 71 (Ont. Q.B.) at para. 18, affirmed (1895), 22 O.A.R. 268 (Ont. C.A.), per Armour C.J. and Street J.

<sup>286</sup> *Steel Co. of Canada Ltd. v. Sivaco Wire & Nail Co. (No. 3)* (1973), 11 C.P.R. (2d) 153 (Fed. T.D.).

<sup>287</sup> *Libbey-Owens-Ford Glass Co. v. Ford Motor Co.* (1970), 62 C.P.R. 223 (S.C.C.) at 229, per Hall, J.

<sup>288</sup> *Farbwerke Hoechst A.G. Vormals Meister Lucius & Bruning v. Halocarbon (Ontario) Ltd.* (1974), 15 C.P.R. (2d) 105 (Fed. T.D.) at 120, per Collier, J., additional reasons 1974 CarswellNat 477 (Fed. T.D.), reversed 1976 CarswellNat 37 (Fed. C.A.), reversed 1979 CarswellNat 636 (S.C.C.).

<sup>289</sup> *Eli Lilly & Co. v. Marzone Chemicals Ltd.* (1976), 29 C.P.R. (2d) 253 (Fed. T.D.), affirmed (1976), 29 C.P.R. (2d) 255 (Fed. C.A.).

<sup>290</sup> Online: <<http://www.competitionbureau.gc.ca/eic/site/cb-bc.nsf/eng/03935.html>>.