



## Chapter 5 Infringement

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## 5.1 Introduction

### 5.1.1 What is Infringement?

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

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 section 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 what terms or phrases in the claims are essential, and which are non-essential.<sup>5</sup>

The essential and non-essential features of the claim are then compared to the allegedly infringing device or method. There is infringement if the essential elements are included in the defendant’s product or method.

“The interpretative task of the court in claims construction is to separate the one from the other, to distinguish the essential from

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<sup>1</sup> R.S.C. 1985, c. P-4, as amended.

<sup>2</sup> *Monsanto Canada Inc. v. Schmeiser*, [2004] 1 S.C.R. 902 at para. 34, quoting H. G. Fox; “The Canadian Law and Practice Relating to Letters Patent for Inventions”; (4th ed. 1969), at p. 349, and *Lishman v. Erom Roche Inc.* (1996), 68 C.P.R. (3d) 72 (F.C.T.D.) at p. 77. See also *Beloit Canada Ltd. v. Valmet-Dominion Inc.* (1997), [73 C.P.R. \(3d\) 321](#), [\[1997\] F.C.J. No. 486](#) (F.C.A.) at p. 334, per Isaac C.J., Stone and Desjardins JJ.A.

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

<sup>4</sup> *Free World Trust v. Électro Santé Inc.*, [2000] 2 S.C.R. 1024 at para. 31. See also discussion of “The Principles of Claim Construction in *Free World*”, section 6.5 of chapter 6 (Claim Construction).

<sup>5</sup> *Whirlpool Corp. v. Camco Inc.*, [2000] 2 S.C.R. 1067 at para. 43. See also discussion of “The First Duty of the Court”, section 6.4 of chapter 6 (Claim Construction).

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>6</sup>

A purposive construction may expand or limit the literal text of a claim, as *Hayhurst*<sup>7</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>8</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>9</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. There may still be infringement if non-essential elements are substituted or omitted.<sup>10</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>11</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>12</sup> Rather, the appropriate means of

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<sup>6</sup> *Free World Trust v. Électro Santé Inc. et al.*, (2001) 9 C.P.R. (4th) 168 (S.C.C. per Binnie, J.), para. 15.

<sup>7</sup> Hayhurst "The Art of Claiming and Reading a Claim" in *Patent Law of Canada* (1994), edited by G.F. Henderson, Q.C., at p 194.

<sup>8</sup> *Whirlpool Corp. v. Camco Inc.* (2001) 9 C.P.R. (4th) 129 (S.C.C. per Binnie, J.) at [p. 151, para. 49\(h\)](#) quoting Hayhurst; "The Art of Claiming and Reading a Claim" in *Patent Law of Canada* (1994), edited by G.F. Henderson, Q.C., at p. 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 p. 202.

<sup>9</sup> *Whirlpool Corp. v. Camco Inc.* (2001) 9 C.P.R. (4th) 129 (S.C.C. per Binnie, J.) at p. 154, para. 54.

<sup>10</sup> *Free World Trust v. Électro Santé Inc. et al.*, (2001) 9 C.P.R. (4th) 168 (S.C.C. per Binnie, J.), para. 31(f).

<sup>11</sup> *Mastini v. Bell Telephone Co. of Canada* (1971), [1 C.P.R. \(2d\) 1](#), 8 D.L.R. (3d) 215 (Ex. Ct.), per Jackett P. 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>12</sup> *DuPont Canada Inc. v. Glopak Inc.* (1998), 81 C.P.R. (3d) 44 (F.C.T.D., per Muldoon J.) at para. 27.

determining whether there is infringement is to compare the allegedly infringing product to the patent and, in particular, to the patent claims.<sup>13</sup>

### 5.1.2 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>14</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>15</sup>

The construction of a patented combination abroad is not an infringement, and cannot consequently trigger a domestic contributory infringement.<sup>16</sup>

Where delivery or 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

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<sup>13</sup> *Airseal Controls Inc. v. M & I Heat Transfer Products Ltd.* (1993), 53 C.P.R. (3d) 259 (F.C.T.D., per Dubé J. at para. 35. See also, *DuPont Canada Inc. v. Glopak Inc.* (1998), 81 C.P.R. (3d) 44 (F.C.T.D., per Muldoon J.) at para. 28.

<sup>14</sup> *Beloit Canada Ltd. v. Valmet-Dominion Inc.* (1997), [73 C.P.R. \(3d\) 321](#), [\[1997 F.C.J. No. 486\]](#) (F.C.A.) at p. 335, per Isaac C.J., Stone and Desjardins JJ.A.; and *Dole Refrigerating Products Ltd. v. Canadian Ice Machine Co.* (1957), [28 C.P.R. 32](#), 17 Fox Pat. C. 125 (Ex. Ct.), per Thurlow J.; *V.D. Ltd. v. Boston Deep Sea Fishing & Ice. Co.* (1934), 52 R.P.C. 303 (C.A.) per Clauson, J. at 331.

<sup>15</sup> *V.D. Ltd. v. Boston Deep Sea Fishing & Ice. Co.* (1934), 52 R.P.C. 303 (C.A. per Clauson, J.) at 331.

<sup>16</sup> *Beloit Canada Ltd. v. Valmet-Dominion Inc.* (1997), [73 C.P.R. \(3d\) 321](#), [\[1997 F.C.J. No. 486\]](#) (F.C.A.) at p. 336, per Isaac C.J., Stone and Desjardins JJ.A.; *varying* (1993), 47 C.P.R. (3d) 448.

goods in Canada has taken place, there is no infringement by selling the invention<sup>17</sup> or, by taking delivery of and ownership of infringing goods, outside of Canada.<sup>18</sup>

### **5.1.2.1 The U.S. perspective**

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>19</sup>

The Court of Appeals for the Federal Circuit commented on this issue in *NTP v. Research-in-Motion*.<sup>20</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.

### **5.1.2.2 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 even though its server was located outside the U.K.<sup>21</sup> The Court's conclusion was based on section 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

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<sup>17</sup> *Domco Industries Ltd. v. Mannington Mills, Inc.* (1990), 29 C.P.R. (3d) 481 (F.C.A.) at p. 496. The relevant statutory provision at the time referred to "vending" rather than "selling", but the Court concluded at p. 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 p. 486).

<sup>18</sup> *Les Laboratoires Servier v. Apotex Inc.* (2008), 67 C.P.R. (4<sup>th</sup>) 241 (F.C. per Snider J.) at para. 160.

<sup>19</sup> 35 U.S.C. 271(f).

<sup>20</sup> 418 F.3d 1282.

<sup>21</sup> *Menashe Business Mercantile v. William Hill Organization*, [2003] R.P.C. 31.

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 key fact leading to the conclusion against the defendant was that it had distributed CDs in the U.K. which would be used by U.K. residents to access the defendant’s server.

### 5.1.3 Who can sue?

The exclusive rights enumerated in section 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>22</sup>

An action for patent infringement may be brought by the patentee and “all persons claiming under the patentee”.<sup>23</sup>

#### 5.1.3.1 Patentee

The patentee must be made a party to any patent infringement action.<sup>24</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>25</sup> or “mise-en-cause” under Quebec law.<sup>26</sup>

#### 5.1.3.2 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>27</sup> This includes exclusive licensees<sup>28</sup> and non-exclusive licensees<sup>29</sup> and may extend to customers who can be considered sub-licensees.<sup>30</sup>

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<sup>22</sup> *Patent Act*, section 2.

<sup>23</sup> *Patent Act*, section 55(1).

<sup>24</sup> *Patent Act*, section 55(3).

<sup>25</sup> *Pitney Bowes Inc. v. Yale Security (Canada) Inc.* (1987), 29 C.P.R. (3d) 557 (F.C.A.) at p. 558.

<sup>26</sup> *Le Bloc Vibre Quebec Inc. v. Les Entreprises Arsenault & Freres Inc and S.F. Vollverbundstein* (1984), 76 C.P.R. (2d) 269 (F.C.T.D. per Walsh J.)

<sup>27</sup> *Signalisation de Montréal Inc. v. Services de Béton Universels Ltée* (1992), 46 C.P.R. (3d) 199 (F.C.A.) at p. 210.

<sup>28</sup> *Apotex Inc. v. Wellcome Foundation Ltd.* (1998), 79 C.P.R. (3d) 193 (F.C.T.D.) at p. 300, var’d 10 C.P.R. (4<sup>th</sup>) 65 (F.C.A.), aff’d 21 C.P.R. (4<sup>th</sup>) 499 (S.C.C.).

<sup>29</sup> *Armstrong Cork Canada Ltd. v. Domco Industries Ltd.* (1982), 66 C.P.R. (2d) 46 (S.C.C.).

<sup>30</sup> *Signalisation de Montréal Inc. v. Services de Béton Universels Ltée* (1992), 46 C.P.R. (3d) 199 (F.C.A.).

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>31</sup>

#### **5.1.4 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 of an infringing article, such as the manufacturer, the distributor, the retailer, or the user.

##### **5.1.4.1 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>32</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>33</sup>

## **5.2 “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>31</sup> *Eli Lilly & Co, v. Novopharm Ltd.* [1998] 2S.C.R. 129 (S.C.C. per Iacobucci J.) at paras. 70 & 71.

<sup>32</sup> *Mentmore Manufacturing Co. Ltd. v National Merchandise Manufacturing Co. Inc.* (1978), 40 C.P.R. (3d) 164 (F.C.A.) at 172.

<sup>33</sup> *Mentmore Manufacturing Co. Ltd. v. National Merchandise Manufacturing Co. Inc.* (1978), 40 C.P.R. (3d) 164 (F.C.A.) at 174. See also *Halford v. Seed Hawk Inc.*, 2004 FC 88, 31 C.P.R. (4<sup>th</sup>) 434 at 552-56, var’d on other points 2006 FCA 275, 54 C.P.R. (4<sup>th</sup>) 130 at para. 54.

## 5.2.1 Making and constructing

The manufacture of a patented product during the term of a patent is an infringement of the patent.<sup>34</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>35</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 section 42 of the *Act*.<sup>36</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>37</sup>

Where a patent claims a product for a particular use,<sup>38</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>39</sup>

### 5.2.1.1 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.”

<sup>34</sup> Section 42 of the *Patent Act*, *Mastini v. Bell Telephone Co. of Canada* (1971), [1 C.P.R. \(2d\) 1](#) at 11-12, 8 D.L.R. (3d) 215 (Ex. Ct. per Jackett P.).

<sup>35</sup> See discussion of “Inducement and procurement” in section 7.3 below.

<sup>36</sup> *Beloit Canada Ltd. v. Valmet-Dominion Inc.* (1997), [73 C.P.R. \(3d\) 321](#) at p. 339, [\[1997\] F.C.J. No. 486](#) at para. 48 (F.C.A. per Isaac C.J., Stone and Desjardins JJ.A.); varying (1993), 47 C.P.R. (3d) 448

<sup>37</sup> *Canadian Marconi Co. v. Nordmende Phoenix Ltd.* (1962), [39 C.P.R. 185](#) at p. 200; 22 Fox Pat. C. 176 (Ex. Ct.), per Thorson, P.

<sup>38</sup> Viz. “[a] polymeric film for use in the manufacture of sheet molding compound...”

<sup>39</sup> *AlliedSignal Inc. v. Du Pont Canada Inc.* (1993), [50 C.P.R. \(3d\) 1](#) at p. 19, [\[1993\] F.C.J. No. 866](#) at para. 43-44 (F.C.T.D. per Reed J.); reversed in part on other grounds (1995), [61 C.P.R. \(3d\) 417](#) at p. 443-444, [\[1995\] F.C.J. No. 744](#) at para. 72-73 (F.C.A. per Desjardins J.A.); leave to appeal to S.C.C. refused (1995), 63 C.P.R. (3d) v, 198 N.R. 160n.

The presumption provided for in this section applies only to a patented process for obtaining a new product. Its application is mainly limited to patents for new food or drug products which, under former provisions of the *Patent Act*, were limited to process claims.<sup>40</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>41</sup>

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>42</sup>

### 5.2.1.2 **Repairing vs. remanufacturing**

Purchasers of patented articles 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>43</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 section 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>44</sup>

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<sup>40</sup> Former section 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>41</sup> *Wellcome Foundation Ltd. v. Apotex* (1995), [60 C.P.R. \(3d\) 135](#) at 153, [\[1995\] F.C.J. No. 226](#) at paras. 40-41 (F.C.A. per Hugessen, Strayer and Decary JJ.A.); leave to appeal to S.C.C. refused (1995), [62 C.P.R. \(3d\) vi](#), [196 N.R. 77n](#). Former section 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 process.”

<sup>42</sup> *Patented Medicines (Notice of Compliance) Regulations*, SOR/93-133, s. [6\(6\)](#), as amended. See also Chapter 10 (PM(NOC) Proceedings).

<sup>43</sup> *Rucker Co. v. Gavel's Vulcanizing Ltd.* (1985), [7 C.P.R. \(3d\) 294](#), [\[1985\] F.C.J. No. 1031](#) (F.C.T.D.) at p. 324, per Walsh J.; varied (with respect to costs) (1987), [14 C.P.R. \(3d\) 439](#) (F.C.T.D.).

<sup>44</sup> *Rucker Co. v. Gavel's Vulcanizing Ltd.* (1985), [7 C.P.R. \(3d\) 294](#), [\[1985\] F.C.J. No. 1031](#) (F.C.T.D.) at p. 324, per Walsh J.; *Solar Thomson & Engineering Co. Ltd et al. v. Barton*, [\[1977\]](#)

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>45</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>46</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>47</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>48</sup>

Providing parts, services and assistance (and by extension manufacture of parts) is not infringement (unless there is inducement or procurement to infringe).<sup>49</sup>

Though not premised upon the same principle as discussed above 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>50</sup>

While the immunity provided for in section 56 of the *Patent Act* (prior acquired goods)<sup>51</sup> is limited to the specific article, machine, manufacture or composition of matter in question, and

R.P.C. 537 (C.A.) at p. 554, per Buckley, Orr and Goff L.J.; *Sirdar Rubber Co. v. Wallington, Weston & Co.* (1907), 24 R.P.C. 539 per Lord Halsbury at 543.

<sup>45</sup> *Rucker Co. v. Gavel's Vulcanizing Ltd.* (1985), 7 C.P.R. (3d) 294, [1985] F.C.J. No. 1031 (F.C.T.D.) at p. 324-5, per Walsh J.; *Solar Thomson & Engineering Co. Ltd et al. v. Barton*, [1977] R.P.C. 537 (C.A.) at p. 554, per Buckley, Orr and Goff L.J.

<sup>46</sup> *Rucker Co. v. Gavel's Vulcanizing Ltd.* (1985), 7 C.P.R. (3d) 294, [1985] F.C.J. No. 1031 (F.C.T.D.) at p. 325, per Walsh J.; *Dunlop Pneumatic Tyre Co. Ltd. v. Neal* (1899), 16 R.P.C. 247 at p. 250, per North J.

<sup>47</sup> *Rucker Co. v. Gavel's Vulcanizing Ltd.* (1985), 7 C.P.R. (3d) 294, [1985] F.C.J. No. 1031 (F.C.T.D.) at p. 325, per Walsh J.; *Hydrill Co. v. Crossman Engineering, Inc.* (1966), 152 U.S.P.Q. 171.

<sup>48</sup> *MacLennan v. Produits Gilbert Inc.* (2008), 67 C.P.R. (4th) 161 (F.C.A. per Noël, Nadon, Pelletier JJ.A.) at paras. 22-23 & 30.

<sup>49</sup> *Beloit Canada Ltd. v. Valmet-Dominion Inc.* (1997), 73 C.P.R. (3d) 321 at p. 341, [1997] F.C.J. No. 486 (F.C.A.), per Isaac C.J., Stone and Desjardins JJ.A.; varying (1993), 47 C.P.R. (3d) 448. See also discussion of "Inducement and procurement" in Chapter 7.3 below.

<sup>50</sup> *Eli Lilly and Co. v. Novopharm Ltd.*, [1998] S.C.J. No. 59, (1998), 80 C.P.R. (3d) 321 at p. 366-7, per L'Heureux-Dubé, Gonthier, Cory, McLachlin, Iacobucci, Major and Bastarache JJ.; reversing (1996), 67 C.P.R. (3d) 377; reversing (1996), 66 C.P.R. (3d) 329; reversing (1995), 60 C.P.R. (3d) 181; affirming (1995), 60 C.P.R. (3d) 206.

<sup>51</sup> See discussion of "Prior acquired goods" in section 7.5.3 below.

therefore does not include the right to replace such article, machine, manufacture or composition of matter,<sup>52</sup> this limitation does not interfere with the right to repair.<sup>53</sup>

## 5.2.2 Using

As discussed in Chapter 5.1.1 above, a patent provides the exclusive right, among other things, to use the invention.<sup>54</sup>

### 5.2.2.1 Monsanto decision

The Supreme Court of Canada recently discussed the law as it pertains to “use” in the *Monsanto* decision.<sup>55</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>56</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>57</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>58</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,

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<sup>52</sup> *Reeves Brothers Inc. v. Toronto Quilting & Embroidery Ltd.* (1978), 43 C.P.R. (2d) 145 at p. 163-4, [1979] 1 A.C.W.S. 79 (F.C.T.D.) per Gibson, J.

<sup>53</sup> *Diamond Shamrock Corporation v. Hooker Chemicals & Plastics Corp et. al.* (1982), 66 C.P.R. (2d) 145 at p. 152-3, 15 A.C.W.S. (2d) 440 (F.C.T.D.), per Walsh J.

<sup>54</sup> Section 42 of the *Patent Act*.

<sup>55</sup> *Monsanto Canada Inc. v. Schmeiser*, [2004] 1 S.C.R. 902.

<sup>56</sup> *Monsanto Canada Inc. v. Schmeiser*, [2004] 1 S.C.R. 902 at para. 67.

<sup>57</sup> *Monsanto Canada Inc. v. Schmeiser*, [2004] 1 S.C.R. 902 at para. 60.

<sup>58</sup> *Monsanto Canada Inc. v. Schmeiser*, [2004] 1 S.C.R. 902 at para. 26.

patented.<sup>59</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>60</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.
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>61</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>62</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

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<sup>59</sup> *Monsanto Canada Inc. v. Schmeiser*, [2004] 1 S.C.R. 902 at para. 76.

<sup>60</sup> *Monsanto Canada Inc. v. Schmeiser*, [2004] 1 S.C.R. 902 at para. 81.

<sup>61</sup> *Monsanto Canada Inc. v. Schmeiser*, [2004] 1 S.C.R. 902 at para. 58.

<sup>62</sup> *Monsanto Canada Inc. v. Schmeiser*, [2004] 1 S.C.R. 902 at para. 80.

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>63</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>64</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>65</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>66</sup>

### **5.2.2.2 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>67</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>68</sup>

### **5.2.2.3 Use of a product of a patented process or machine**

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>69</sup>

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<sup>63</sup> *Monsanto Canada Inc. v. Schmeiser*, [2004] 1 S.C.R. 902 at paras. 84, 86.

<sup>64</sup> *Monsanto Canada Inc. v. Schmeiser*, [2004] 1 S.C.R. 902 at para. 49; *Computalog Ltd. v. Comtech Logging Ltd.* (1992), 44 C.P.R. (3d) 77 at p. 88 (F.C.A.), reversing 32 C.P.R. (3d) 289; *Stead v. Anderson* (1847), 4 C.B. 806, 136 E.R. 724 (C.P.) at p. 736.

<sup>65</sup> *Monsanto Canada Inc. v. Schmeiser*, [2004] 1 S.C.R. 902 at para. 47.

<sup>66</sup> *Monsanto Canada Inc. v. Schmeiser*, [2004] 1 S.C.R. 902 at para. 51; *Adair v. Young* (1879), 12 Ch. D. 13 (C.A.).

<sup>67</sup> *Illinois Tool Works Inc. v. Cobra Fixations Cie* (2002), 20 C.P.R. (4<sup>th</sup>) 402 (F.C.T.D.), per Pelletier J., at paras. 78, 81; varied (with respect to costs) (2003), 29 C.P.R. (4<sup>th</sup>) 417 (F.C.A.).

<sup>68</sup> *National Electric Products Corporation v. Industrial Electric Products Ltd.*, [1940] S.C.R. 406, per Duff C.J., at p. 409, affirming [1939] Ex. C.R. 282, per Maclean J., at p. 286-7; *Illinois Tool Works Inc. v. Cobra Fixations Cie* (2002), 20 C.P.R. (4<sup>th</sup>) 402 (F.C.T.D.), per Pelletier J., at paras. 77; varied (with respect to costs) (2003), 29 C.P.R. (4<sup>th</sup>) 417 (F.C.A.).

<sup>69</sup> *Reeves Brothers Inc. v. Toronto Quilting & Embroidery* (1978), 43 C.P.R. (2d) 145 (F.C.T.D.), per Gibson J., at p. 162-3; *American Cyanamid Co. v. Charles E. Frosst & Co.* (1965), 47 C.P.R. 215

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).

### 5.2.3 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>70</sup> Prior to October 1, 1989, section 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>71</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>72</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>73</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>74</sup>

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(Ex. C.R.), per Noel J., at p. 232, and *Rhone-Poulenc S.A. v. Micro Chemicals Ltd.* (1964), 44 C.P.R. 193 (Ex. C.R.), per Noel J., at p. 201, aff'd (1964), 53 C.P.R. 140 (S.C.C.), each of the foregoing decisions of Noel J. citing *Hoffmann-LaRoche & Co. v. Canada (Commissioner of Patents)*, [1955] S.C.R. 414.

<sup>70</sup> Section 42 of the *Patent Act*.

<sup>71</sup> *Domco Industries Ltd. v. Mannington Mills, Inc.* (1990), 29 C.P.R. (3d) 481 (F.C.A.) at p. 490.

<sup>72</sup> *Eli Lilly & Co. v. Apotex Inc.* (1996), 66 C.P.R. (3d) 329 (F.C.A.), per Pratte J.A., at p. 343; David Vaver, *Intellectual Property Law* (Concord: Irwin, 1997) at 152.

<sup>73</sup> *Domco Industries Ltd. v. Mannington Mills, Inc.* (1990), 29 C.P.R. (3d) 481 (F.C.A.) at p. 496. See also footnote 17 above.

<sup>74</sup> *Domco Industries Ltd. v. Mannington Mills, Inc.* (1990), 29 C.P.R. (3d) 481 (F.C.A.) at p. 495. At p. 493-4, 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

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>75</sup> Though an offer for sale may not be infringement, it may be a threat of infringement justifying a *quia timet* injunction.<sup>76</sup>

#### 5.2.4 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>77</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>78</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>79</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>80</sup>

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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>75</sup> *Domco Industries Ltd. v. Mannington Mills, Inc.* (1990), 29 C.P.R. (3d) 481 (F.C.A.) at p. 495, citing two U.K. Court of Appeal decisions: *No-Fume Ltd. v. Frank Pitchford & Co.* (1935), 52 R.P.C. 231; *British Motor Syndicate Ltd. v. J. Taylor & Sons Ltd.* (1890), 7 R.P.C. 723.

<sup>76</sup> *Domco Industries Ltd. v. Mannington Mills, Inc.* (1990), 29 C.P.R. (3d) 481 (F.C.A.) at p. 495 and endnote 12, citing *No-Fume Ltd. v. Frank Pitchford & Co.* (1935), 52 R.P.C. 231 at p. 252.

<sup>77</sup> *Wellcome Foundation Ltd. v. Apotex Inc.* (1990), 32 C.P.R. (3d) 350 (F.C.T.D.), per Muldoon J., at p. 352; *Toronto Auer Light Co. v. Colling* (1899), 31 O.R. 18 (C.A.) at p. 25-6; *Von Heyden v. Neustadt* (1880), 14 Ch. D. 230 at p. 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*, 4<sup>th</sup> ed., (Toronto: Carswell, 1969) at 391-2.

<sup>78</sup> *Lido Industrial Products Ltd. v. Teledyne Industries Inc.* (1981), 57 C.P.R. (2d) 29 (F.C.A.) at p. 38.

<sup>79</sup> See discussion of “*Monsanto* decision”, Chapter 7.2.2.1 above.

<sup>80</sup> David Vaver, *Intellectual Property Law* (Concord: Irwin, 1997) at 153.

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>81</sup>

#### 5.2.4.1 **Product made abroad by patented process**

It is an infringement of a patent to import a product made abroad according to a patented process.<sup>82</sup> This follows from the general prohibition against importation and that it is an infringement of a patent to use or sell a product made according to a patented process.<sup>83</sup>

The onus of proof at common law 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>84</sup> or having any real opportunity of determining the actual foreign process being employed.<sup>85</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, where it be of an affirmative or negative character.<sup>86</sup> The onus does not shift in PM(NOC) proceedings which are applications, not actions for infringement.<sup>87</sup>

<sup>81</sup> See *obiter* in *Les Laboratoires Servier v. Apotex Inc.* (2008), 67 C.P.R. (4<sup>th</sup>) 241 (F.C. per Snider J.) at para. 143. See also Roger T. Hughes, *Hughes & Woodley on Patents*, 2<sup>nd</sup> ed., (Markham: LexisNexis Canada, 2005), section 38, footnote 68.

<sup>82</sup> *Elmslie v. Boursier* (1869), L.R. 9 Eq. 217 at p. 222; *Von Heyden v. Neustadt* (1880), 14 Ch.D. 230 (C.A.) at p. 232-3; *Auer Incandescent Light Mfg. Co. v. O'Brien* (1897), 5 Ex.C.R. 243 at p. 292; *Saccharin Corp. v. Anglo-Continental Chemical Works Ltd.* (1900), 17 R.P.C. 307 at p. 319; *Hoffman-La Roche & Co. Ltd. v. Commissioner of Patents* (1955), 23 C.P.R. 1 (S.C.C.) at p. 3; *Rhone-Poulenc S.A. v. Micro-Chemicals Ltd.* (1964), 44 C.P.R. 193 (Ex. Ct.) at p. 205, affirmed without comment on this point, (1964), 53 C.P.R. 140 (S.C.C.); *Union Carbide Canada Ltd. v. Trans-Canadian Feeds Ltd.* (1965), 49 C.P.R. 7 (Ex. Ct.) at p. 13-4; *American Cyanamid Co. v. Charles E. Frosst & Co.* (1965), 47 C.P.R. 215 (Ex. Ct.) at p. 232-3; *Société Rhone-Poulenc v. Jules R. Gilbert Ltd.* (1968), 55 C.P.R. 207 (Ex. Ct.) at p. 257, affirmed by S.C.C. at p. 261 without comment on this point; *Farbwerke Hoechst AG. v. Halocarbon (Ontario) Ltd.* (1974), 15 C.P.R. (2d) 105 (F.C.T.D.) at p. 110; *Reeves Brothers Inc. v. Toronto Quilting & Embroidery Ltd.* (1978), 43 C.P.R. (2d) 145 (F.C.T.D.) at p. 162-3; *Wellcome Foundation Ltd. v. Apotex Inc.* (1990), 32 C.P.R. (3d) 350 (F.C.T.D.) at p. 352; *Wellcome Foundation Ltd. v. Apotex Inc.* (1991), 39 C.P.R. (3d) 289 (F.C.T.D.) at p. 314-5.

<sup>83</sup> See discussion of "Use of a product of a patented process or machine" in Chapter 5.2.2.3 above.

<sup>84</sup> *Eli Lilly & Co. v. Apotex Inc.* 2003 FC 978, 28 C.P.R. (4th) 509, 238 F.T.R. 261, [2004] 1 F.C.R. 360.

<sup>85</sup> *Hoffman-La Roche v. Apotex* (1983), 71 C.P.R. (2d) 20 at 25 (F.C.T.D. per Walsh J.), aff'd (1984), 1 C.P.R. (3d) 507 (F.C.A.)

<sup>86</sup> *Pleet v. Canadian Northern Quebec R.W. Co.* (1921), 50 O.L.R. 223, 64 D.L.R. 316, 26 C.R.C. 227 (Ont. C.A.); affirmed [1923] 4 D.L.R. 1112, 26 C.R.C. 238 (S.C.C.), and *Toronto Auer Light Co., Ltd. et al v. Colling* (1898), 31 O.R. 18 (Div. Ct.)

<sup>87</sup> *Pharmacia Inc. v. Canada (Minister of National Health & Welfare)*, 60 C.P.R. (3d) 328 at 340 (F.C.T.D. per Wetston, J.)

#### **5.2.4.2 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>88</sup>

#### **5.2.4.3 Intermediate made abroad by patented process or machine**

The principle discussed in Chapter 5.2.4.1 and 5.2.4.2 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 *Saccharin* doctrine.<sup>89</sup> The *Saccharin* doctrine permits a finding of infringement where the patented product is an intermediate which is then used in the production of the imported product, provided that the patented process is of some importance and not merely incidental to the imported product.<sup>90</sup> The application of the *Saccharin doctrine* in Canada has recently been reaffirmed by the Federal Court in *Eli Lilly and Company v. Apotex Inc.*<sup>91</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>92</sup>

### **5.3 "Indirect Infringement" - Inducement and Procurement**

#### **5.3.1 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.

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<sup>88</sup> *Wilderman v. F.W. Berk & Co. Ltd.* (1924), 42 R.P.C. 79.

<sup>89</sup> First enunciated in *Saccharin Corp. v. Anglo-Continental Chemical Works Ltd.* (1900), 17 R.P.C. 307 at p. 319 and later developed in *Wilderman v. F.W. Berk & Co. Ltd.* (1924), 42 R.P.C. 79 at p. 87-8, this doctrine has been applied in Canada in *American Cyanamid Co. v. Charles E. Frosst & Co.* (1965), 47 C.P.R. 215 (Ex. Ct.) at p. 232; and *Wellcome Foundation Ltd. v. Apotex Inc.* (1991), 39 C.P.R. (3d) 289 (F.C.T.D.) at p. 313-5. The Federal Court of Canada has recently reconfirmed the application of the *Saccharin* doctrine in Canada: *Eli Lilly and Company v. Apotex Inc.*, 2009 FC 991 (per Gauthier. J) at para. 309.

<sup>90</sup> *American Cyanamid Co. v. Charles E. Frosst & Co.* (1965), 47 C.P.R. 215 (Ex. Ct.), *Pfizer Canada Inc. v. Canada (Minister of Health)*, 2007 FC 898, 328 F.T.R. 41 (Federal Court) at para. 91, *Eli Lilly and Company v. Apotex Inc.*, 2009 FC 991 (Federal Court) at paras. 309 and 318.

<sup>91</sup> *Eli Lilly and Company v. Apotex Inc.*, 2009 FC 991

<sup>92</sup> *Wilderman v. F.W. Berk & Co. Ltd.* (1924), 42 R.P.C. 79 at p. 87-8.

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 been designed and used for a purpose which was old and well known in the art.”<sup>93</sup>

It is important to determine at the outset whether the plaintiff has patent rights in respect of the components themselves.<sup>94</sup> If the patent claims a component of a combination, then the patent is infringed by the manufacture and sale of that component.<sup>95</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>96</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>97</sup>

There are only two exceptions to that rule, namely, that there is infringement, if:<sup>98</sup>

(a) the vendor, alone<sup>99</sup> or in association with another person,<sup>100</sup> sells all the components of the invention to a purchaser in order that they be assembled by him; or

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<sup>93</sup> *Burt Business Forms Ltd. v. Autographic Register Systems Ltd.* (1933) S.C.R. 230; (1933) 2 D.L.R. 449 (S.C.C. per Rinfret J.) at pp. 236-237.

<sup>94</sup> *Slater Steel Industries Ltd. et al. v. R. Payer Ltd. et al.*, (1968), [55 C.P.R. 61](#) (Ex.. Ct. per Jackett P.) at p. 65.

<sup>95</sup> *Goucher v. Clayton* (1865), 11 Jur. N.S. 462 as published in 147 R.R. 816, *Gillette v. Mailman* (1932) Ex. C.R. 54.

<sup>96</sup> *Townsend v. Haworth* (1875) as reported in (1879), 48 L.J. Ch. 770n (C.A.) per Jessel, M.R. at pp. 771 & 773, *Dunlop v. Moseley* (1904) 1 Ch. 164, (1904) 21 R.P.C. 274 per Vaughan Williams, L.J. at p. 278 & 280 and Stirling L.J. at p. 281; *Burt Business Forms Ltd. v. Autographic Register Systems Ltd.* (1933) S.C.R. 230; (1933) 2 D.L.R. 449 (S.C.C. per Rinfret J.) at p. 461-462.

<sup>97</sup> *Valmet Oy v. Beloit Canada Ltd.* (1988), 20 C.P.R. (3d) 1 (F.C.A. per Pratte, Marceau and MacGuigan JJ.) at p. 14; *Burt Business Forms Ltd. v. Autographic Register Systems Ltd.* (1933) S.C.R. 230 (S.C.C. per Rinfret J.) at p. 241; (1933) 2 D.L.R. 449; *Townsend v. Haworth* [(1875) 48 L.J. Ch. 770]; *The Dunlop Pneumatic Tyre Co. Limited v. David Moseley & Sons, Ltd.* [1904] 1 Ch. Div. 164, (1904), 21 R.P.C. 274 per Vaughan Williams, L.J. at p. 278, confirmed on appeal [1904] 1 Ch. Div. 612.

<sup>98</sup> *Valmet Oy v. Beloit Canada Ltd.* (1988), 20 C.P.R. (3d) 1 (F.C.A. per Pratte, Marceau and MacGuigan JJ.) at p. 14.

<sup>99</sup> *Windsurfing International Inc. et al. v. Trilantic Corporation* [\(1985\), 8 C.P.R. \(3d\) 241](#) (F.C.A. per Urie J.).

<sup>100</sup> *Incandescent Gas Light Co. Ltd. v. New Incandescent Mantle Co.* (1898), 15 R.P.C. 81.

(b) the vendor, knowingly and for his own ends and benefit, induces or procures the purchaser to infringe the patent.<sup>101</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>102</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>103</sup> or it is threatened);<sup>104</sup>
2. The defendant caused the direct infringer to make, use or sell the embodiment of the invention. Without such influence, infringement would not otherwise take place.<sup>105</sup> The influence of the alleged inducer constitutes a *sine qua non* of the direct infringement.<sup>106</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

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<sup>101</sup> *Slater Steel Industries Ltd. v. R. Payer Co. Ltd. et al.* (1968), 55 C.P.R. 61, 38 Fox Pat. C. 139.

<sup>102</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 Corporation Canada Ltd.*, (2004), [35 C.P.R. \(4th\) 322](#) (F.C.T.D. per O’Keefe J.) at p. 334, para. 50 as it disclosed no cause of action.

<sup>103</sup> *MacLennan et al v. Les Produits Gilbert Inc.*, (2006), 56 C.P.R. (4<sup>th</sup>) 273 (F.C.A. per Noël, Létourneau and Pelletier J.J.A.) at para. 22.

<sup>104</sup> *Warner-Lambert Co. v. Wilkinson Sword Canada Inc.* (1988), 19 C.P.R. (3d) 402 (F.C.T.D. per Jerome A.C.J.) at p. 407; quoted with approval in *Dableh v. Ontario Hydro* (1996), 68 C.P.R. (3d) 129 (F.C.A. per Strayer, Linden and Robertson J.J.A.) at pp. 148-149; leave to appeal refused [1996] S.C.C.A. No. 441.

<sup>105</sup> *Warner-Lambert Co. v. Wilkinson Sword Canada Inc.* (1988), 19 C.P.R. (3d) 402 (F.C.T.D. per Jerome A.C.J.) at p. 407; quoted with approval in *Dableh v. Ontario Hydro* (1996), 68 C.P.R. (3d) 129 (F.C.A. per Strayer, Linden and Robertson J.J.A.) at p. 149; leave to appeal refused [1996] S.C.C.A. No. 441; *MacLennan et al v. Les Produits Gilbert Inc.*, (2006), 56 C.P.R. (4<sup>th</sup>) 273 (F.C.A. per Noël, Létourneau and Pelletier J.J.A.) at para. 22.

<sup>106</sup> *MacLennan v. Produits Gilbert Inc.* (2008), 67 C.P.R. (4th) 161 (F.C.A. per Noël, Nadon, Pelletier J.J.A.) at para. 38.

patent. If one does nothing, there cannot be any inducement  
...<sup>107</sup>

3. The defendant knew such influence on the direct infringer would result in the infringing actions by the direct infringer.<sup>108</sup>

“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>109</sup>

**a) Comparison with U.K. and U.S. tests**

The American and British laws on this issue differ from the Canadian law.<sup>110</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**

(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>111</sup>

**U.K.: Meaning of infringement**

<sup>107</sup> *Valmet Oy v. Beloit Canada Ltee et al.* (1988), 20 C.P.R. (3d) 1 (F.C.A. per Pratte J.) at p. 15; *MacLennan v. Produits Gilbert Inc.* (2008), 67 C.P.R. (4th) 161 (F.C.A. per Noël, Nadon, Pelletier JJ.A.) at para. 38.

<sup>108</sup> *Warner-Lambert Co. v. Wilkinson Sword Canada Inc.* (1988), 19 C.P.R. (3d) 402 (F.C.T.D. per Jerome A.C.J.) at p. 407; quoted with approval in *Dableh v. Ontario Hydro* (1996), 68 C.P.R. (3d) 129 (F.C.A. per Strayer, Linden and Robertson JJ.A.) at p. 149; leave to appeal refused [1996] S.C.C.A. No. 441; *MacLennan et al v. Les Produits Gilbert Inc.*, (2006), 56 C.P.R. (4<sup>th</sup>) 273 (F.C.A. per Noël, Létourneau and Pelletier J.J.A.) at para. 22..

<sup>109</sup> *Innes v. Short & Beal* (1898), 15 R.P.C. 449 (High Court of Justice, Q. B. Div.). Bigham J. at p. 452.

<sup>110</sup> *MacLennan v. Produits Gilbert Inc.* (2008), 67 C.P.R. (4th) 161 (F.C.A. per Noël, Nadon, Pelletier JJ.A.) at para. 31.

<sup>111</sup> Section 271(c) of the Code of the Laws of the United States of America, 35 U.S.C. § 271 (1952) quoted in *MacLennan v. Produits Gilbert Inc.* (2008), 67 C.P.R. (4th) 161 (F.C.A. per Noël, Nadon, Pelletier JJ.A.) at para. 32.

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>112</sup>

### 5.3.2 Characterization of the cause of action

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

#### 1. The direct infringer was a party to the infringement by the direct infringer.<sup>113</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>114</sup> The question appears to be one of degree: was the influence of a sufficient level?<sup>115</sup>

Justice Addy in *Procter & Gamble 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>116</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>117</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

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<sup>112</sup> Patent Act 1977 (R.-U.), 1977, c.37 quoted in *MacLennan v. Produits Gilbert Inc.* (2008), 67 C.P.R. (4th) 161 (F.C.A. per Noël, Nadon, Pelletier JJ.A.) at para. 32.

<sup>113</sup> *Townsend v. Haworth* (1875) as reported in (1879), 48 L.J. Ch. 770n (C.A.).per Mellish, L.J. at p. 771 and as viewed by Vaughan Williams, L.J. in *Dunlop v. Moseley* (1904) 1 Ch. 164, (1904) 21 R.P.C. 274 at p. 279 and McLean, J. in *Gillette v. Mailman* (1932) Ex. C.R. 54 at p. 62

<sup>114</sup> *Slater Steel Industries Ltd. et al. v. R. Payer Ltd. et al.*, (1968), [55 C.P.R. 61](#) (Ex. Ct. per Jackett P.) at p. 87.

<sup>115</sup> *Dunlop v. Moseley* (1904) 1 Ch. 164, (1904) 21 R.P.C. 274 at p. 280.

<sup>116</sup> (1978), [39 C.P.R. \(2d\) 145](#) (F.C.T.D. per Addy J.) at p. 167.

<sup>117</sup> *Windsurfing International v. Trilantic Corp.*, (1985), [8 C.P.R. \(3d\) 241](#) (F.C.A. per Urie J.) at p. 265-266

common-law principles of tort which are presumed to have been adopted by implication when Parliament enacted section 57 of the *Patent Act*.<sup>118</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>119</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>120</sup>

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>121</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>122</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:

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<sup>118</sup> *Reading & Bates Construction Co. et al. v. Baker Energy Resources Corp. et al.*, (1986), [9 C.P.R. \(3d\) 158](#) (F.C.T.D. per Strayer J.) at p. 185.

<sup>119</sup> *Sykes v. Howarth* (1879), 48 L.J. Ch. 769, (1879) 12 Ch. D. 826. Per Fry J. at p. 832; *Procter & Gamble v. Bristol-Myers Canada Ltd.*, (1978), [39 C.P.R. \(2d\) 145](#) (F.C.T.D. per Addy J.) at p. 166, affirmed (1979) [42 C.P.R. \(2d\) 33](#), leave to appeal refused, (1979), 42 C.P.R. (2d) 33n (S.C.C.).

<sup>120</sup> *Hatton v. Copeland-Chatterson Co.*, (1906), [10 Ex. C.R. 224](#) (Ex. Ct. per Burbidge, J.) at p. 229; affirmed (1906), 37 S.C.R. 651 (S.C.C.).

<sup>121</sup> [\[1940\] S.C.R. 406](#) (S.C.C. per Duff C.J.) at p. 409.

<sup>122</sup> *Valmet Oy et al. v. Beloit Canada Ltd.* (1988) 20 C.P.R. (3d) 1 (F.C.A. Pratte, Marceau and MacGuigan JJ.) at p. 16.

“A party who induces or procures another to infringe a patent is itself responsible for infringement of the patent.”<sup>123</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>124</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>125</sup>

Under this theory, the defendant has carried out a separate tort of inducing another person to commit an actionable wrong – infringement.<sup>126</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>127</sup>

It was similarly described as a separate tort by the Federal Court of Appeal in *Dableh*<sup>128</sup> and *Halford*.<sup>129</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.

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<sup>123</sup> *AB Hassle v. Canada (Minister of National Health & Welfare)*, (2001), [22 C.P.R. \(4th\) 1](#) (F.C.T.D. per O’Keefe J.) at para. 67; affirmed (2002), [22 C.P.R. \(4th\) 1](#) (F.C.A. per Linden, Sexton and Evans JJ.A.)

<sup>124</sup> *Hatton v. Copeland-Chatterson Co.*, (1906), [10 Ex. C.R. 224](#) (Ex. Ct. per Burbidge, J.) at p. 246; affirmed (1906), 37 S.C.R. 651 (S.C.C.); *Slater Steel Industries Ltd. et al. v. R. Payer Ltd. et al.*, (1968), [55 C.P.R. 61](#) (Ex. Ct. per Jackett P.) at p. 82-83.

<sup>125</sup> *Slater Steel Industries Ltd. et al. v. R. Payer Ltd. et al.*, (1968), [55 C.P.R. 61](#) (Ex. Ct. per Jackett P.) at p. 87.

<sup>126</sup> *Hatton v. Copeland-Chatterson Co.*, (1906), [10 Ex. C.R. 224](#) (Ex. Ct. per Burbidge J.) at para. 18 & 19; affirmed (1906), 37 S.C.R. 651 (S.C.C.). Later in the decision at para. 20, Burbidge J. characterized inducing or procuring infringement as infringement of the patent.

<sup>127</sup> *Hatton v. Copeland-Chatterson Co.*, (1906), [10 Ex. C.R. 224](#) (Ex. Ct. per Burbidge J.) at para. 19, affirmed (1906), 37 S.C.R. 651 (S.C.C.).

<sup>128</sup> *Dableh v. Ontario Hydro* (1996), 68 C.P.R. (3d) 129 (F.C.A. per Strayer, Linden and Robertson JJ.A.) at pp. 131, 141 & 148; leave to appeal refused [1996] S.C.C.A. No. 441.

<sup>129</sup> *Halford v. Seed Hawk Inc.*, (2004), [31 C.P.R. \(4th\) 434](#) (F.C.T.D. per Pelletier J.) at para. 341.

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>130</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 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>131</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>132</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 section 42 of the *Patent Act* as prohibited by the case law<sup>133</sup> and thus infringed the patent.

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<sup>130</sup> *Diamond Shamrock v. Hooker Chemicals & Plastics Co.*, (1982), 66 C.P.R. (2d) 145 (F.C.T.D. per Walsh J.) at p. 157-158.

<sup>131</sup> *Hatton v. Copeland-Chatterson Co.*, (1906), [10 Ex. C.R. 224](#) (Exch. Ct. Canada); affirmed (1906), 37 S.C.R. 651 (S.C.C.). Burbidge J. at para. 20.

<sup>132</sup> *Windsurfing International Inc. et al. v. Trilantic Corporation* (1985), [8 C.P.R. \(3d\) 241](#) (F.C.A. per Urie J.) at p. 268.

<sup>133</sup> *Monsanto Canada Inc. v. Schmeiser* [2004] 1 S.C.R. 902 at para. 35.

### 5.3.3 The Three Elements of Indirect Infringement

#### 5.3.3.1 1. Direct infringement

There must be proof of a threat<sup>134</sup> or actual<sup>135</sup> direct infringement of the patent before the question of indirect infringement can be answered.<sup>136</sup>

In order to infringe a combination patent there must be a combination of the components in the manner claimed in the patent,<sup>137</sup> and the person who combines the components must not be a licensee of the patent.<sup>138</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>139</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>140</sup>

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<sup>134</sup> *Dableh v. Ontario Hydro* (1996), 68 C.P.R. (3d) 129 (F.C.A. per Strayer, Linden and Robertson JJ.A.); leave to appeal refused [1996] S.C.C.A. No. 441.

<sup>135</sup> *Slater Steel Industries Ltd. et al. v. R. Payer Ltd. et al.*, (1968), [55 C.P.R. 61](#) (Ex. Ct. per Jackett P.) at p. 83

<sup>136</sup> *Dunlop v. Moseley* (1904) 1 Ch. 164, (1904) 21 R.P.C. 274 per Vaughan Williams, L.J. at p. 279; *Slater Steel Industries Ltd. et al. v. R. Payer Ltd. et al.*, (1968), [55 C.P.R. 61](#) (Ex. Ct. per Jackett P.) at p. 86.

<sup>137</sup> *McCormick v. Gray* (1861), 31 L.J. Ex. 42 per Pollock, C.B. at p. 46 and per Channell, B. at p. 49

<sup>138</sup> *Dunlop v. Moseley* (1904) 1 Ch. 164, (1904) 21 R.P.C. 274 per Stirling, L.J. at p. 281

<sup>139</sup> The trial judge characterized it as causing or inducing the breach of the patent (*Alliedsignal Inc. v. Du Pont Canada Inc. et al.*, (1993), [50 C.P.R. \(3d\) 1](#) (F.C.T.D. per Reed J.) at p. 19) whereas the Federal Court of Appeal characterized the making of the film to be an infringement (*Alliedsignal Inc. v. Du Pont Canada Inc. et al.*, (1995), 61 C.P.R. (3d) 417, (F.C.A. per Desjardins J.A. at pp. 443-444).

<sup>140</sup> *Dableh v. Ontario Hydro* (1996), 68 C.P.R. (3d) 129 (F.C.A. per Strayer, Linden and Robertson JJ.A.) at p. 157; leave to appeal refused [1996] S.C.C.A. No. 441.

If there is no direct infringement (past, present or threatened), due to a statutory defence,<sup>141</sup> query whether there can be indirect infringement. Although it has been held that prior user rights under predecessor section 58 of the *Patent Act* did not extend to those who induced users of the patented technology,<sup>142</sup> arguably if there is no direct infringement, none can be induced.<sup>143</sup>

### 5.3.3.2 2. *Inducing conduct – causation is required*

“But for” the influence of the defendant, would the direct infringement have occurred?<sup>144</sup> The influence of the alleged inducer constitutes a *sine qua non* of the direct infringement.<sup>145</sup> Direct evidence of what caused the direct infringer to infringe the patent may be necessary.<sup>146</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>147</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>148</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>149</sup> The question to be asked is whether the supplier has infringed the patent, not whether some act has

<sup>141</sup> For example, sections 55.2 and 56 of the *Patent Act*.

<sup>142</sup> *Procter & Gamble v. Bristol-Myers Canada Ltd.*, (1978), [39 C.P.R. \(2d\) 145](#) (F.C.T.D. per Addy J.) at p. 168; affirmed [42 C.P.R. \(2d\) 33](#) (F.C.A.); Leave to appeal refused, (1979), 42 C.P.R. (2d) 33n (S.C.C.); *Beecham Canada Ltd. et al. v. Procter & Gamble Co.*, (1982), [61 C.P.R. \(2d\) 1](#) (F.C.A. per Urie J.) at p. 24.

<sup>143</sup> See “*Prior User Rights and the Canadian Patent Act*,” by Gregor Binkley, (2001), 18(1) C.I.P.R. 207, at p. 233.

<sup>144</sup> *Warner-Lambert Co. v. Wilkinson Sword Canada Inc.* (1988), 19 C.P.R. (3d) 402 (F.C.T.D. per Jerome A.C.J.) at p. 407; quoted with approval in *Dableh v. Ontario Hydro* (1996), 68 C.P.R. (3d) 129 (F.C.A. per Strayer, Linden and Robertson JJ.A.) at pp. 148-149; leave to appeal refused [1996] S.C.C.A. No. 441.

<sup>145</sup> *MacLennan v. Produits Gilbert Inc.* (2008), 67 C.P.R. (4th) 161 (F.C.A. per Noël, Nadon, Pelletier JJ.A.) at para. 38.

<sup>146</sup> *Slater Steel Industries Ltd. et al. v. R. Payer Ltd. et al.*, (1968), [55 C.P.R. 61](#) (Ex. Ct. per Jackett P.) at p. 88-9.

<sup>147</sup> *Innes v. Short & Beal* (1898), 15 R.P.C. 449 (High Court of Justice, Q. B. Div. per Bigham J.) at p. 452.

<sup>148</sup> *Slater Steel Industries Ltd. et al. v. R. Payer Ltd. et al.*, (1968), [55 C.P.R. 61](#) (Ex. Ct. per Jackett P.) at p. 88.

<sup>149</sup> *Townsend v. Haworth* (1875) as reported in (1879), 48 L.J. Ch. 770n (C.A.). per Jessel, M.R. at p. 771

occurred which falls short of being an infringement.<sup>150</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>151</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>152</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>153</sup>

Indirect infringement is not limited to supplier/customer relationships. A customer can induce a supplier to make the infringing article.<sup>154</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>155</sup>

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>156</sup>

Method or process claims can be indirectly infringed by providing instructions which, if carried out, perform the process or method.<sup>157</sup> The supply of components together with instructions that

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<sup>150</sup> *Copeland Chatterson v. Hatton et al* per (1906), 10 Ex. C.R. 224; (1906) 37 S.C.R. 651 per Burbidge, J. at p. 241.

<sup>151</sup> *Slater Steel Industries Ltd. et al. v. R. Payer Ltd. et al.*, (1968), [55 C.P.R. 61](#) (Ex. Ct. per Jackett P.) at p. 87.

<sup>152</sup> *Slater Steel Industries Ltd. et al. v. R. Payer Ltd. et al.*, (1968), [55 C.P.R. 61](#) (Ex. Ct. per Jackett P.) at p. 90. This principle of *Slater Steel* has been distinguished on the facts in *Windsurfing International Inc. et al. v. Trilantic Corporation* (1985), [8 C.P.R. \(3d\) 241](#) (F.C.A. per Urie J.) at p. 267 and *MacLennan v. Produits Gilbert Inc.* (2008), 67 C.P.R. (4th) 161 (F.C.A. per Noël, Nadon, Pelletier J.J.A.) at paras. 44-49.

<sup>153</sup> *Procter & Gamble v. Bristol-Myers Canada Ltd.*, (1978), [39 C.P.R. \(2d\) 145](#) (F.C.T.D. per Addy J.) at pp. 166-167; affirmed [42 C.P.R. \(2d\) 33](#) (F.C.A.); Leave to appeal refused, (1979), 42 C.P.R. (2d) 33n (S.C.C.);

<sup>154</sup> *Burns Foods (1985) Ltd. v. Maple Lodge Farms Ltd.*, [51 C.P.R. \(3d\) 512](#) (F.C.T.D. per Giles A.S.P.) at p. 513.

<sup>155</sup> *Mentmore Manufacturing Co., Ltd. et al. v. National Merchandise Manufacturing Co. Inc. et al.*, (1978), [40 C.P.R. \(2d\) 164](#) (F.C.A. per Le Dain J.) at p. 174, affirming 14 C.P.R. (2d) 151.

<sup>156</sup> *Procter & Gamble v. Bristol-Myers* (1979), 39 C.P.R. (2d) 145 (F.C.T.D. per Addy, J.) at p. 167; *MacLennan v. Produits Gilbert Inc.* (2008), 67 C.P.R. (4th) 161 (F.C.A. per Noël, Nadon, Pelletier J.J.A.) at para. 43.

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>158</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>159</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>160</sup> Nevertheless, its existence may be indicative of inducement<sup>161</sup> but presumably only if it was entered into prior to the sale and use of the component.

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>162</sup>

### 5.3.3.3 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>163</sup> and that it was the inducement or procurement, if any, of the direct infringer which is relevant,<sup>164</sup>

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<sup>157</sup> *Procter & Gamble v. Bristol-Myers Canada Ltd.*, (1978), [39 C.P.R. \(2d\) 145](#) (F.C.T.D. per Addy J.) at pp. 166-167; affirmed [42 C.P.R. \(2d\) 33](#) (F.C.A.); Leave to appeal refused, (1979), 42 C.P.R. (2d) 33n (S.C.C.).

<sup>158</sup> *Innes v. Short* (1898), 15 R.P.C. 449 (High Court of Justice, Q. B. Div. per Bigham J.), *Slater Steel Industries Ltd. et al. v. R. Payer Ltd. et al.*, (1968), [55 C.P.R. 61](#) (Ex. Ct. per Jackett P.), *Firth Industries v. Polyglas* (1977) R.P.C. 213 per Stephen, J. at p. 218; *Procter & Gamble v. Bristol-Myers Canada Ltd.*, (1978), [39 C.P.R. \(2d\) 145](#) (F.C.T.D. per Addy J.) at p. 166; affirmed (1979) [42 C.P.R. \(2d\) 33](#); Leave to appeal refused, (1979), 42 C.P.R. (2d) 33n (S.C.C.). *Windsurfing Internatonal Inc. et al. v. Trilantic Corporation* (1985), [8 C.P.R. \(3d\) 241](#) (F.C.A. per Urie J.) at p. 264-268; *Baker Petrolite Corp. v. Canwell Enviro-Industries Ltd.*, (2001), [13 C.P.R. \(4th\) 193](#) (F.C.T.D. per Gibson J.), reversed on other points 17 C.P.R. (4<sup>th</sup>) 478 (F.C.A.).

<sup>159</sup> *MacLennan v. Produits Gilbert Inc.* (2008), 67 C.P.R. (4th) 161 (F.C.A. per Noël, Nadon, Pelletier JJ.A.) at paras. 39-41.

<sup>160</sup> *Townsend v. Haworth* (1875) as reported in (1879), 48 L.J. Ch. 770n (C.A.).per Jessel, M.R.

<sup>161</sup> *Slater Steel Industries Ltd. et al. v. R. Payer Ltd. et al.*, (1968), [55 C.P.R. 61](#) (Ex. Ct. per Jackett P.) at p. 90.

<sup>162</sup> *Incandescent Gas Light* (1898), 15 R.P.C. 81 per Mathew, J. at p. 84, *United Telephone v. Dale* (1884), 25 Ch. D. 778 per Pearson, J. at p. 783.

<sup>163</sup> *McCormick v. Gray* per Bramwell, B. at p. 48, *Townsend v. Haworth* (1875) as reported in (1879), 48 L.J. Ch. 770n (C.A. per Mellish, L.J.) at p. 773, *Innes v. Short* (1898), 15 R.P.C. 449 per Bigham, J. at p. 450.

<sup>164</sup> *Slater Steel Industries Ltd. et al. v. R. Payer Ltd. et al.*, (1968), [55 C.P.R. 61](#) (Ex. Ct. Jackett P.) at p. 88.

knowledge (or deliberateness) is now an important and necessary component to a finding of indirect infringement:<sup>165</sup>

“... the seller knows his influence will result in the completion of the act of infringement.”<sup>166</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 other than that claimed in the patent,<sup>167</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>168</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

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<sup>165</sup> *Slater Steel Industries Ltd. v. R. Payer Co. Ltd. et al.* (1968), 55 C.P.R. 61, 38 Fox Pat. C. 139 (Ex. Ct. Jackett P.); *MacLennan et al v. Les Produits Gilbert Inc.*, (2006), 56 C.P.R. (4<sup>th</sup>) 273 (F.C.A. per Noël, Létourneau and Pelletier J.J.A.) at para. 22.; *MacLennan v. Produits Gilbert Inc.* (2008), 67 C.P.R. (4th) 161 (F.C.A. per Noël, Nadon, Pelletier J.J.A.) at para. 38.

<sup>166</sup> *Dableh v. Ontario Hydro* (1996), 68 C.P.R. (3d) 129 (F.C.A. per Strayer, Linden and Robertson J.J.A.) at pp. 148-149; leave to appeal refused [1996] S.C.C.A. No. 441; See also *MacLennan v. Produits Gilbert Inc.* (2008), 67 C.P.R. (4th) 161 (F.C.A. per Noël, Nadon, Pelletier J.J.A.) at para. 38.

<sup>167</sup> *Dunlop v. Moseley* per Vaughan Williams, L.J. (1904) 1 Ch. 164, (1904) 21 R.P.C. 274 at p. 278, *Slater Steel Industries Ltd. et al. v. R. Payer Ltd. et al.*, (1968), [55 C.P.R. 61](#) (Ex. Ct. per Jackett P.).

<sup>168</sup> *American Arch Co. v. Canuck Supply Co. Ltd. et al.* (1924) 3 D.L.R. 567 (Que. Sup. Ct. per Duclos, J.) at p. 576.

other action being taken by the supplier,<sup>169</sup> but the end-user is an infringer if and only if he uses it in the infringing manner.<sup>170</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>171</sup>

#### 5.3.4 Kits

Infringement does not occur until the combination is assembled.<sup>172</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>173</sup>

However, selling all or most of<sup>174</sup> the component parts to a patent on a combination may amount to an invitation to infringe the patent.<sup>175</sup> One would be, in substance, selling the whole

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<sup>169</sup> *MacLennan v. Produits Gilbert Inc.* (2008), 67 C.P.R. (4th) 161 (F.C.A. per Noël, Nadon, Pelletier JJ.A.) at para. 34; *Innes v. Short and Beal* (1898), 15 R.P.C. 449 at p. 451.

<sup>170</sup> *Cincinatti Grinders* (1930), 48 R.P.C. 33 (C.A. per Clauson, J.) at p. 58.

<sup>171</sup> *AB Hassle v. Canada (Minister of National Health & Welfare)*, (2002), 22 C.P.R. (4th) 1 (F.C.A. per Sexton J.A.) at para. 57.

<sup>172</sup> *McCormick v. Gray* (1861), 31 L.J. Ex. 42 per Pollock, C.B. at p. 46 and per Channell, B. at p. 49.

<sup>173</sup> *Canada v. Irving Air Chute Inc.*, [\[1949\] S.C.R. 613](#) (S.C.C. per Rinfret C.J.) at p. 618.

<sup>174</sup> *Control Data Canada v. Senstar Corp.*, (1989), [23 C.P.R. \(3d\) 449](#) (F.C.T.D. per Cullen J.) at p. 493; *Beloit Canada Ltd. v. Valmet Dominion Inc.* (1997), [73 C.P.R. \(3d\) 321](#) (F.C.A. per Isaac C.J., Stone and Desjardins JJ.A.) at p. 337.

<sup>175</sup> *Obiter* statement of Pearson, J. in *United Telephone Company v. Dale*, (1884), 25 Ch. D. 778 at p. 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.”

of the patented machine.<sup>176</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>177</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>178</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>179</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>180</sup> The construction of a combination patent abroad is not an infringement, and cannot consequently trigger a domestic contributory infringement.<sup>181</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.

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<sup>176</sup> *Dunlop v. Moseley* (1904) 1 Ch. 164, (1904) 21 R.P.C. 274 per Vaughan Williams at p. 280 commenting on Pearson, J.'s comment in *United Telephone v. Dale* (1884), 25 Ch. D. 778 at p. 782-783

<sup>177</sup> *Windsurfing International v. Trilantic Corp.*, (1985), [8 C.P.R. \(3d\) 241](#) (F.C.A. per Urie J.) at p. 265. 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>178</sup> *National Electric Products Corporation v. Industrial Electric Products Ltd.*, [1939] Ex. C.R. 282, (1939) 3 D.L.R. 209, [1940] S.C.R. 406, (1940) 3 D.L.R. 193 (S.C.C. per Duff, C.J.C.) at p. 409.

<sup>179</sup> *Beloit Canada Ltd. v. Valmet-Dominion Inc.* (1997), [73 C.P.R. \(3d\) 321](#), (F.C.A. per Isaac C.J., Stone and Desjardins J.J.A.) at p. 337, varying (1993), 47 C.P.R. (3d) 448.

<sup>180</sup> *Dole Refrigerating Products Ltd. v. Canadian Ice Machine Co.* (1957), 28 C.P.R. 32 (Ex. Ct.).

<sup>181</sup> *Beloit Canada Ltd. v. Valmet-Dominion Inc.* (1997), [73 C.P.R. \(3d\) 321](#) (F.C.A. per Isaac C.J., Stone and Desjardins J.J.A.) at 335-336, para. 34; varying (1993), 47 C.P.R. (3d) 448 at p. 486.

In *Beloit Canada Ltd. v. Valmet Dominion Inc.*,<sup>182</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 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>183</sup>

### 5.3.5 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>184</sup> In *Procter & Gamble 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

<sup>182</sup> (1997), [73 C.P.R. \(3d\) 321](#) (F.C.A. per Isaac C.J., Stone and Desjardins JJ.A.)

<sup>183</sup> *Beloit Canada Ltd. v. Valmet Dominion Inc.* (1997), [73 C.P.R. \(3d\) 321](#) (F.C.A. per Isaac C.J., Stone and Desjardins JJ.A.) at p. 337.

<sup>184</sup> [\[1940\] S.C.R. 406](#) (S.C.C. per Duff C.J.) at p. 409.

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>185</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>186</sup> The same decision maintained the striking out of a plea alleging "contributing to" infringement.<sup>187</sup>

The problem with such pleadings however may only be semantical. 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>188</sup>

### 5.3.6 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>189</sup> or by analogy, inducing others to use the patented method.

Damages are limited to those infringements proven.<sup>190</sup>

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<sup>185</sup> (1978), [39 C.P.R. \(2d\) 145](#) (F.C.T.D. per Addy J.) at p. 167.

<sup>186</sup> *Faurecia Automotive Seating Canada Ltd. v. Lear Corporation Canada Ltd.*, (2004), [35 C.P.R. \(4th\) 322](#) (F.C.T.D. per O'Keefe J.) at p. 334, para. 8 referring to an earlier order by Hansen J. and para. 49.

<sup>187</sup> *Faurecia Automotive Seating Canada Ltd. v. Lear Corporation Canada Ltd.*, (2004), [35 C.P.R. \(4th\) 322](#) (F.C.T.D. per O'Keefe J.) at p. 334, para. 50.

<sup>188</sup> *Hatton v. Copeland-Chatterson Co.*, (1906), [10 Ex. C.R. 224](#) (Ex. Ct. per Burbidge J.) at para. 14; affirmed (1906), 37 S.C.R. 651 (S.C.C.); See also *Slater Steel Industries Ltd. et al. v. R. Payer Ltd. et al.*, (1968), [55 C.P.R. 61](#) (Ex. Ct. per Jackett P.) at p. 63.

<sup>189</sup> *Innes v. Short, Adhesive Dry Mounting Co. v. Trapp* per Parker, J. at p. 353; *Copeland-Chatterson v. Hatton* per Burbidge, J. at p. 247

<sup>190</sup> *Skelding v. Daley* (1941-42), 2 Fox Pat. C. 61, 55 B.C.R. 427 per O'Halloran, J.A. at p. 74

## 5.4 Defences to Infringement

### 5.4.1 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>191</sup>

In the *Gillette* case, it was phrased as way of pleading invalidity that did not require construing the patent but rather by a comparison 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

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<sup>191</sup> *Gillette Safety Razor Company v. Anglo-American Trading Company Ltd.* [1913] 30 R.P.C. 465 (H.L. per Lord Moulton) at p. 480.

demonstrating on which horn of the well-known dilemma the plaintiff had impaled himself, invalidity or non-infringement.”<sup>192</sup>

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.

Given that the Supreme Court in *Free World* requires that the claims be construed prior to determinations of infringement<sup>193</sup> however, the concept of determining infringement without “examination of the terms of the Specification of the Plaintiffs’ Letters Patent” as proposed in *Gillette* case, would be contrary to the requirement of *Free World*.

## **5.5 Exemptions from Infringement**

### **5.5.1 Experimental Use**

#### **5.5.1.1 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 no to be considered within the meaning of the prohibition, and if it were, it is certainly not the subject or an injunction.”<sup>194</sup>

Experimental use includes:

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<sup>192</sup> *Gillette Safety Razor Company v. Anglo-American Trading Company Ltd.* [1913] 30 R.P.C. 465 (H.L. per Lord Moulton) at pp. 480-481.

<sup>193</sup> *Whirlpool Corp. v. Camco Inc.*, [2000] 2 S.C.R. 1067 at para. 43. See also discussion of “The First Duty of the Court”, section 6.4 of chapter 6 (Claim Construction).

<sup>194</sup> *Frearson v. Loe* (1878), 9 Ch. D 48 (England – Chancery Division), Jessel, M.R., at p. 68 cited with approval in *Micro Chemicals Ltd. v. Smith Kline & French Inter-American Corp.* (1971), 2 C.P.R. (2d) 193 at p. 202; *Merck & Co. v. Apotex Inc.*, 2006 FC 524, 53 C.P.R. (4th) 1, [2006] F.C.J No. 671 (QL) (per Hughes J.) at paras. 159-161.

1. trying to make an improvement to the invention;<sup>195</sup>
2. testing.<sup>196</sup>

Deciding upon a particular model and taking steps to manufacture, promote and sell it would not be experimental use.<sup>197</sup>

### 5.5.1.2 **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>198</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 5.2.4 above.<sup>199</sup>

Making a quantity of goods (presumably for future sale) does not constitute experimental use.<sup>200</sup> Building up an inventory of product to launch as soon as a compulsory license was granted is infringement:

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<sup>195</sup> *Frearson v. Loe* (1878), 9 Ch. D 48 (England – Chancery Division), Jessel, M.R., at p. 68 cited with approval in *Micro Chemicals Ltd. v. Smith Kline & French Inter-American Corp.* (1971) 2 C.P.R. (2d) 193 at p. 202; *Merck & Co. v. Apotex Inc.*, 2006 FC 524, 53 C.P.R. (4th) 1, [2006] F.C.J. No. 671 (QL) (per Hughes J.) at paras. 159-161.

<sup>196</sup> *Dableh v. Ontario Hydro* [1996] 3 F.C. 751, [1996] FCJ No. 767; (1996) 68 C.P.R. (3d) 129; (1996) 199 N.R. 57; (1996) 63 A.C.W.S. (3d) 1137 (F.C.A. per Strayer, Linden, Roberston JJA.)

<sup>197</sup> *Cochlear Corp. v. Cosem Neurostim Ltée* [1995] F.C.J. No. 1433; (1995) 64 C.P.R. (3d) 10; (1995) 102 F.T.R. 81; (1995) 58 A.C.W.S. (3d) 847 (F.C.T.D. per Joyal J.)

<sup>198</sup> *Micro Chemicals Ltd. v. Smith Kline & French Inter-American Corp.* [1972] S.C.R. 506; (1971) 25 D.L.R. (3d) 79; (1971) 2 C.P.R. (2d) 193 (Supreme Court of Canada per Hall J., Spence, Pigeon and Laskin JJ. concurring) at p. 203.

<sup>199</sup> *Wellcome Foundation Ltd. v. Apotex Inc.* [1990] 3 F.C. 528; F.C.J. No. 530; 32 C.P.R. (3d) 350 (F.C.T.D. per Muldoon J.) at pp. 355-356.

<sup>200</sup> *Micro Chemicals Ltd. v. Smith Kline & French Inter-American Corp.* [1972] S.C.R. 506; (1971) 25 D.L.R. (3d) 79; (1971) 2 C.P.R. (2d) 193 (Supreme Court of Canada per Hall J., Spence, Pigeon and Laskin JJ. concurring) at p. 203.

“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 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>201</sup>

### **5.5.1.3 Section 55.2: Experimental Use for regulatory approval**

In 1993 section 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>202</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>203</sup> Section 55.2 permits ongoing research and development of alternate formulae, alternate techniques for tablet making and the like.<sup>204</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>205</sup> The exemption provided by 55.2(1) applies to all research reasonably directed towards submitting

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<sup>201</sup> *Astra Pharmaceuticals Canada Ltd. et al. v. Apotex Inc.* (1984) 1 C.P.R. (3d) 513 (F.C.T.D. per Joyal J.) at p. 515.

<sup>202</sup> *Patent Act*, R.S.C. 1985, c. P-4 s. 55.2(1) [enacted 1993, c.2. s.4]

<sup>203</sup> *Procter & Gamble Pharmaceuticals Canada, Inc. v. Canada (Minister of Health)* (2004), 37 C.P.R. (4th) 289, [2005] 2 F.C.R. 269 (F.C.A.), per Rothstein, Noël and Sharlow JJ.A., leave to appeal to S.C.C. refused (1995), 38 C.P.R. (4th) vi, 249 D.L.R. (4th) vii.

<sup>204</sup> *Merck & Co. v. Apotex Inc.*, 2006 FC 524, 53 C.P.R. (4th) 1, [2006] F.C.J. No. 671 (QL) (per Hughes J.) at para. 162.

<sup>205</sup> *Merck & Co. v. Apotex Inc.*, 2006 FC 524, 53 C.P.R. (4th) 1, [2006] F.C.J. No. 671 (QL) (per Hughes J.) at para. 158.

information for regulatory approval whether or not that research is ultimately submitted to the regulatory authority. To qualify under the exemption of 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>206</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>207</sup>

“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>208</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>209</sup>

Section 55.2(1) could include medical devices. It is not restricted to submission of information related to pharmaceuticals.<sup>210</sup>

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

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<sup>206</sup> *Merck & Co. v. Apotex Inc.*, 2006 FC 524, 53 C.P.R. (4th) 1, [2006] F.C.J. No. 671 (QL) (per Hughes J.) at para. 158.

<sup>207</sup> *Merck & Co. v. Apotex Inc.*, 2006 FC 524, 53 C.P.R. (4th) 1, [2006] F.C.J. No. 671 (QL) (per Hughes J.) at paras. 154-55.

<sup>208</sup> *Merck & Co. v. Apotex Inc.*, 2006 FC 524, 53 C.P.R. (4th) 1, [2006] F.C.J. No. 671 (QL) (per Hughes J.) at para. 158.

<sup>209</sup> *Pfizer Canada v. Apotex Inc.*, 2002 FCT 805, 20 C.P.R. (4th) 454, 223 F.T.R. 1, [2002] F.C.J. No. 1078 (QL) (F.C.T.D. per Heneghan J.).

<sup>210</sup> *VISX, Inc. v. Nidek Co.* [1997] F.C.J.; (1997) 77 C.P.R. (3d) 286; (1997) 75 A.C.W.S. (3d) 1116 (F.C.T.D. per Wetston J.) overturned by *Nidek Co. v. Visx Inc.* [1998] F.C.J. No. 871; (1998) 82 C.P.R. (3d) 289; (1998) 80 A.C.W.S. (3d) 1135 (F.C.A. per Strayer and McDonald JJ.A. and Henry D. J.)

“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>211</sup>

### 5.5.2 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>212</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>213</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>214</sup>

### 5.5.3 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. They have the right to use and sell to others the specific article, machine,

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<sup>211</sup> *Patent Act*, R.S.C. 1985, c. P-4 s. 55.2(6)

<sup>212</sup> *Marconi Wireless Telegraph Co. v. Canadian Car & Foundry Co.* (1920), 61 S.C.R. 78 per Mignault, J. at 87.

<sup>213</sup> *Marconi Wireless Telegraph Co. v. Canadian Car & Foundry Co.* (1920), 61 S.C.R. 78 per Mignault, J. at 86.

<sup>214</sup> *Adair v. Young* (1879), 12 Ch. D. 13 (C.A.) per Cotton, L.J. at 19.

manufacture or composition of matter made or acquired before the critical date.<sup>215</sup> They do not have the right to make or construct the invention.<sup>216</sup>

“But you can lock out only those who are not already inside when the fence is erected. Thus those already practising the invention at the critical date are not excluded.”<sup>217</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 is to render the goods non-infringing.<sup>218</sup>

Goods made after the critical date are not entitled to any benefit under the Act.<sup>219</sup> If the defendant fails to prove its prior use, the defence fails.<sup>220</sup>

The current legislation recognizes 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* exempts 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 1<sup>st</sup>, 1989;<sup>221</sup>
- prior to the date when the application was laid open to the public if the patent application was filed on or after October 1<sup>st</sup>, 1989 for things purchased, acquired or constructed before January 1<sup>st</sup>, 1994; and

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<sup>215</sup> *Patent Act*, section 56(1).

<sup>216</sup> *Lido Industrial Products Ltd. v. Teledyne Industries Inc. et al.* (1981), [57 C.P.R. \(2d\) 29](#) (F.C.A. per Thurlow, C.J.) at p. 38.

<sup>217</sup> *Peterson Electronic Die v. Plastiseal* (1972), [8 C.P.R. \(2d\) 222](#) (F.C.T.D. per Walsh, J.) at p. 245, aff'd by *Peterson Electronic Die Co. Inc. et al. v. Plastiseal Inc.* (1974), [14 C.P.R. \(2d\) 48](#) (F.C.A.).

<sup>218</sup> *Zeneca Pharma Inc. v. Canada* (1996), [69 C.P.R. \(3d\) 451](#) (F.C.A. per Strayer, J.A.) at p. 453.

<sup>219</sup> *Reliable Plastics Co. v. Louis Marx & Co. Inc et al.* (1958), [29 C.P.R. 113](#), [1956-60] Ex. C.R. 257 (Ex. Ct. per Thorson P.) at p. 131.

<sup>220</sup> *Reeves Brothers v. Toronto Quilting* (1978), 43 C.P.R. (2d) 145 (F.C.T.D. per Gibson, J.) at 166.

<sup>221</sup> 56(2) Subsection (1) does not apply in respect of a purchase, construction or acquisition referred to in subsection (3) or (4).

56(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.

- 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 1<sup>st</sup>, 1994;<sup>222</sup> and
- prior to the claim date if the patent application was filed after October 1<sup>st</sup>, 1996.<sup>223</sup>

If goods were purchased, constructed or acquired before the critical date, it may not be necessary for the Court to determine infringement.<sup>224</sup>

### **5.5.3.1 What the defendant may do**

The defendant is permitted to sell products that were in its possession and control prior to the critical date.<sup>225</sup>

The defendant may be permitted to reformulate pharmaceutical compositions because such activity is akin to repackaging.<sup>226</sup>

The section does not confer any right to continue manufacture of the patented articles.<sup>227</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 and Nail Co.*<sup>228</sup>, 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

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<sup>222</sup> 56(2) Subsection (1) does not apply in respect of a purchase, construction or acquisition referred to in subsection (3) or (4).

56(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>223</sup> 56. (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>224</sup> *Reliable Plastics Co. v. Louis Marx & Co. Inc et al.* (1958), [29 C.P.R. 113](#), [1956-60] Ex. C.R. 257 (Ex. Ct. per Thorson P.) at p. 131.

<sup>225</sup> *Beecham Canada v. Procter & Gamble* (1981), [56 C.P.R. \(2d\) 214](#) (F.C.A. per Urie, J.) at 24.

<sup>226</sup> *Apotex v. Eli Lilly*, [\[1998\] 2 S.C.R. 129](#) per Iacobucci, J. at para. 101.

<sup>227</sup> *Fowell v. Chown* (1894), [25 O.R. 71](#) (Ont. Q.B.), per Armour C.J. and Street J. at para. 18; affirmed (1895), 22 O.A.R. 268 (Ont. C.A.).

<sup>228</sup> (1973), [11 C.P.R. \(2d\) 153](#)

between non-infringing repair and repair extensive enough to constitute *de facto* manufacturing of the invention.

### 5.5.3.2 *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>229</sup>

Under predecessor section 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.<sup>230</sup> Use of a method by customers prior to a patent issuing did not give the defendant the right to induce future customers to use the method after the critical date.<sup>231</sup>

### 5.5.3.3 *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>232</sup>

### 5.5.3.4 *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.<sup>233</sup>

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>234</sup>

The defendant need not be in Canada nor does the purchase, construction or acquisition have need to take place in Canada.<sup>235</sup>

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<sup>229</sup> *Libby-Owens Ford Glass v. Ford Motor Company* (1970), [62 C.P.R. 223](#) (S.C.C. per Hall, J.) at p. 229.

<sup>230</sup> *Farbwerke Hoechst v. Halocarbon* (1974), [15 C.P.R. \(2d\) 105](#) (F.C.T.D. per Collier, J.) at p. 120.

<sup>231</sup> *Beecham Canada v. Procter & Gamble* (1981), [56 C.P.R. \(2d\) 214](#) (F.C.A. per Urie, J.) at p. 24; *Procter & Gamble Co. v. Bristol-Myers Canada Ltd.* (1979), [42 C.P.R. \(2d\) 33](#) as per Jackett, C.J. at footnote 3 at 34.

<sup>232</sup> *Lido Industrial Products Ltd. v. Teledyne Industries Inc.* (1981), [57 C.P.R. \(2d\) 29](#) at p. 54 39 N.R. 561 (F.C.A. per Thurlow C.J., Urie J. and Kelly D.J.), leave to appeal to S.C.C. refused (1981), 59 C.P.R. (2d) 183n, 40 N.R. 360n.

<sup>233</sup> *Lido Industrial Products Ltd. v. Teledyne Industries Inc. et al.* (1981), [57 C.P.R. \(2d\) 29](#) (F.C.A. per Thurlow, C.J.) at p. 40. See also *Barber v. The Goldie Construction Co. Ltd.* [1936] O.W.N. 383 (ON C.A.) per Middleton, J.A. at 384.

<sup>234</sup> *Merck & Co. Inc. et al v. Apotex Inc.* (1995), [60 C.P.R. \(3d\) 356](#) (F.C.A.) per MacGuigan, J.A., quoting the Trial Judge ([59 C.P.R. \(3d\) 133](#)) at 375.

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<sup>235</sup> *Lido Industrial Products Ltd. v. Teledyne Industries Inc. et al.* (1981), [57 C.P.R. \(2d\) 29](#) (F.C.A.) per Thurlow, C.J. (dissenting in part) at 35.