

Federal Court of Appeal



Cour d'appel fédérale

Date: 20180206

Docket: A-443-16

Citation: 2018 FCA 32

**CORAM: NADON J.A.
STRATAS J.A.
WOODS J.A.**

BETWEEN:

APOTEX INC.

Appellant

and

**BAYER INC. and
BAYER PHARMA AKTIENGESELLSCHAFT**

Respondents

Heard at Toronto, Ontario, on November 2, 2017.

Judgment delivered at Ottawa, Ontario, on February 6, 2018.

REASONS FOR JUDGMENT BY:

NADON J.A.

CONCURRED IN BY:

**STRATAS J.A.
WOODS J.A.**

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REASONS FOR JUDGMENT

NADON J.A.

I. Introduction

[1] On September 7, 2016 Mr. Justice Fothergill (the Judge) held that the respondents' patent 2,382,426 (the '426 Patent) had been infringed by the appellant: 2016 FC 1013. On

October 27, 2016, he held that the respondents were entitled to elect between their damages and

an accounting of the appellant's profits: 2016 FC 1192. The appellant appeals from this remedial decision.

[2] The appellant argued before the Judge, and now argues before us, that in the circumstances of the present matter, subject to the Court's discretion, it can elect the remedy to which the respondents are entitled. Here, the appellant elects an accounting of its profits.

[3] In my view, the appellant cannot make such an election and consequently its appeal should be dismissed.

II. Facts and proceedings

[4] The respondent Bayer Pharma Aktiengesellschaft is the owner of the '426 Patent and the respondent Bayer Inc. is a licensee thereof which allows it to sell, with the accord of the patent owner, oral contraceptives in Canada containing drospirenone and ethinylestradiol under the brand names Yasmin and Yaz.

[5] The appellant Apotex Inc. is a well-known Canadian generic pharmaceutical company which sells its generic versions of Yasmin and Yaz tablets in Canada under the brand names of Zamine and Mya.

[6] Following litigation between the parties, pursuant to the *Patented Medicines (Notice of Compliance) Regulations*, S.O.R./93-133 (the Regulations), the Federal Court held, in respect of the respondents' Yaz tablets, that the respondents had not met their burden of proving that the

appellant's allegations of non-infringement were not justified. As a result of this determination, the appellant received a Notice of Compliance (NOC) from the Minister of Health (the Minister) for its Mya tablets on May 8, 2014, thus allowing the appellant to come to market with its product. On June 4, 2014, the respondents commenced infringement proceedings against the appellant in the Federal Court.

[7] Because the '426 patent was not listed on the Patent Registry in respect of the respondents' Yasmin tablets, no litigation under the Regulations took place between the parties in respect of these tablets. On August 15, 2013, the appellant received a NOC from the Minister in respect of its Zamine tablets and on August 30, 2013, the respondents commenced infringement proceedings against the appellant in the Federal Court.

[8] In their statements of claim, the respondents sought, as a remedy, the right to elect between damages or an accounting of the appellant's profits after discovery and inquiry. In its statements of defence, the appellant denied, *inter alia*, the respondents' right to elect as between damages and its profits.

[9] After a trial of approximately six weeks in January and February 2016, the Judge reserved his decision. On September 7, 2016, he rendered his decision and determined that claims 31, 48 and 49 of the '426 Patent were valid and that they had been infringed by the appellant.

[10] Following the September 7, 2016 decision, the parties, as requested by the Judge in his decision, provided written submissions regarding the respondents' right to elect between damages and an accounting of the appellant's profits.

[11] As indicated earlier, on October 27, 2016, the Judge held that the respondents, not the appellant, were entitled to elect. This is the decision under appeal.

III. The Federal Court decision

[12] The issue which the Judge had to determine was whether the respondents or the appellant had the right to elect which remedy should be granted to the respondents.

[13] First, the Judge dismissed the appellant's contention that pursuant to subsection 57(1) of the *Patent Act*, R.S.C., 1985, c. P-4 (the Act), it was entitled to elect. In his view, by reason of subsection 55(1) of the Act, which grants a patentee the right to damages following a finding of infringement, the Court had no discretion to deny the respondents of a right given to them by Parliament.

[14] Further, in the Judge's view, the Court had the power to award a patentee the equitable remedy of an accounting of profits, which power was derived from subsections 4 and 20 of the *Federal Courts Act*, R.S.C., 1985, c. F-7, and subsection 57(1) of the Act. In so concluding, the Judge relied on this Court's decision in *Beloit Canada Ltd. v. Valmet-Dominion Inc.*, [1997] 3 F.C. 497 at paragraph 97 [*Beloit*]. In the Judge's opinion, it was common practice in cases of the type before him to allow a patentee to elect but that this practice did not establish a right to

elect in favour of patentees since the granting of an equitable remedy, such as an accounting for profits, was in the Court's discretion.

[15] The Judge also made the point that what the appellant was attempting to do was, in effect, to deprive the respondents of their statutory rights to damages. At paragraphs 10 and 11 of his reasons, he made the following remarks:

[10] An unsuccessful defendant cannot invoke the Court's equitable jurisdiction to shield itself from an award of damages. This would turn the doctrines of equity and parliamentary sovereignty on their heads. At most, an unsuccessful defendant may oppose the grant of an equitable remedy based on considerations that have been recognized in the jurisprudence, e.g., the plaintiff's lack of "clean hands"; the plaintiff's undue delay in commencing the proceedings; the plaintiff's undue delay in prosecuting the proceedings; the complexity of an accounting of profits; or the infringer's conduct (see *Varco Canada Ltd v Pason Systems Corp*, 2013 FC 750 at paras 403-410; *Philip Morris Products SA v Marlboro Canada Ltd*, 2015 FC 364 at paras 22-45, *aff'd* 2016 FCA 55). Aside from Apotex's adherence to the *NOC Regulations*, the defendants do not claim that any of these considerations arise here.

[11] Given that Bayer is entitled to damages pursuant to s 55(1) of the Patent Act, and all parties agree that an accounting of profits may also be an appropriate remedy, I see no reason to deny Bayer an election between damages and profits.

[16] Thus, the Judge ordered that the respondents, after due inquiry and reasonable discovery, could elect between damages or an accounting of the appellant's profits.

IV. Statutory provisions

[17] Subsections 55(1) and 57(1) of the Act are at the heart of this appeal and I therefore reproduce them:

Liability for patent infringement

55. (1) A person who infringes a patent is liable to the patentee and to all persons claiming under the patentee for all damage sustained by the patentee or by any such person, after the grant of the patent, by reason of the infringement.

Injunction may issue

57. (1) In any action for infringement of a patent, the court, or any judge thereof, may, on the application of the plaintiff or defendant, make such order as the court or judge sees fit,

(a) restraining or enjoining the opposite party from further use, manufacture or sale of the subject-matter of the patent, and for his punishment in the event of disobedience of that order, or

(b) for and respecting inspection or account,

and generally, respecting the proceedings in the action.

Contrefaçon et recours

55. (1) Quiconque contrefait un brevet est responsable envers le breveté et toute personne se réclamant de celui-ci du dommage que cette contrefaçon leur a fait subir après l'octroi du brevet.

Interdiction

57. (1) Dans toute action en contrefaçon de brevet, le tribunal, ou l'un de ses juges, peut, sur requête du plaignant ou du défendeur, rendre l'ordonnance qu'il juge à propos de rendre :

a) pour interdire ou défendre à la partie adverse de continuer à exploiter, fabriquer ou vendre l'article qui fait l'objet du brevet, et pour prescrire la peine à subir dans le cas de désobéissance à cette ordonnance;

b) pour les fins et à l'égard de l'inspection ou du règlement de comptes,

et d'une façon générale, quant aux procédures de l'action.

V. Issues

[18] The only issue before us is whether the Judge erred in interpreting subsection 57(1) of the Act. More particularly, does subsection 57(1) allow for the defendant to elect an accounting of profits after a finding of infringement?

VI. Analysis

[19] Before addressing the appellant's submissions on this appeal, a few words concerning the applicable standard of review are necessary.

[20] The appellant says that since the question to be determined is whether the Judge properly interpreted subsection 57(1) of the Act, a question of law is engaged and thus the standard to be applied is that of correctness.

[21] The respondents disagree with the appellant. They say that since the Judge's decision as to whether the respondents can elect between an accounting of the appellant's profits or damages is a discretionary decision, it follows that his decision is one that is entitled to deference. Consequently, the respondents submit, relying on this Court's decision in *Apotex Inc. v. Merck & Co.*, 2006 FCA 323, [2007] 3 F.C.R. 588, which relied on the Supreme Court decision in *Reza v. Canada*, [1994] 2 S.C.R. 394 at 404-405, that the standard applicable to the decision at issue is whether the Judge gave sufficient weight to all of the relevant considerations.

[22] However, the respondent says that if the true issue is the interpretation of subsection 57(1), then the applicable standard is correctness.

[23] The standard applicable here is correctness. The question before us is the meaning of subsection 57(1), a question of law. I would, however, remind the parties that in *Hospira Healthcare Corporation v. Kennedy Institute of Rheumatology*, 2016 FCA 215, [2017] 1 F.C.R.

331, this Court held that the standard applicable to discretionary decisions of judges of the Federal Court was the standard enunciated by the Supreme Court in *Housen v. Nikolaisen*, 2002 SCC 33, [2002] 2 S.C.R. 235. In other words, with respect to questions of law, the applicable standard is that of correctness and with respect to mixed questions of fact and law and questions of fact, the applicable standard is the palpable and overriding error standard.

[24] I now turn to the appellant's submissions as to why we should intervene in the present appeal.

[25] First, the appellant says that the Judge misinterpreted subsection 57(1) of the Act. Second, it says that because of his error in interpreting subsection 57(1), the Judge failed to consider and address those circumstances which the appellant says ought to have led him to exercise his discretion in its favour; *i.e.*, to allow it to elect an accounting of its profits as the proper remedy for the respondents.

[26] Because I conclude that the Judge made no error in regard to subsection 57(1) of the Act, I need only address the appellant's first submission.

[27] The appellant's arguments regarding subsection 57(1) of the Act are quite straightforward. Relying on the language of the subsection, the appellant says that the subsection clearly allows both a plaintiff and a defendant to request the Court to grant the plaintiff an accounting of profits.

[28] Subsection 55(1) provides that “[a] person who infringes a patent is liable to the patentee and to all persons claiming under the patentee for all damage sustained by the patentee or by any such person, after the grant of the patent, by reason of the infringement.” The Judge held that this subsection impliedly prevents an infringer from electing under subsection 57(1). The appellant says there is no basis for that holding. In the appellant’s view, a proper reading of subsections 55(1) and 57(1) leads to the conclusion that a patentee is entitled to damages “unless *either* party to a litigation [*sic*] applies successfully to the Court for the right to elect an account of profits rather than an award of damages” (appellant’s Memorandum of Fact and Law at paragraph 31 [emphasis in original]). In support of that view, the appellant says that nothing in the Act supports the contention that subsection 55(1) is paramount to any other section of the Act, adding that had Parliament intended subsection 55(1) to be paramount, it would have used express language to that effect.

[29] Thus, according to the appellant, following the Judge’s determination that the ’426 Patent was infringed, both parties, by reason of subsection 57(1), could apply to the Court to elect an accounting of profits.

[30] The appellant then addresses the remarks made by the Judge at paragraph 10 of his reasons, which, for ease of reference, I again reproduce:

[10] An unsuccessful defendant cannot invoke the Court’s equitable jurisdiction to shield itself from an award of damages. This would turn the doctrines of equity and parliamentary sovereignty on their heads. At most, an unsuccessful defendant may oppose the grant of an equitable remedy based on considerations that have been recognized in the jurisprudence, *e.g.*, the plaintiff’s lack of “clean hands”; the plaintiff’s undue delay in commencing the proceedings; the plaintiff’s undue delay in prosecuting the proceedings; the complexity of an accounting of profits; or the infringer’s conduct (see *Varco Canada Ltd v Pason Systems Corp*, 2013 FC

750 at paras 403-410; *Philip Morris Products SA v Marlboro Canada Ltd*, 2015 FC 364 at paras 22-45, aff'd 2016 FCA 55). Aside from Apotex's adherence to the *NOC Regulations*, the defendants do not claim that any of these considerations arise here.

[31] The appellant says that this passage is wrong in law. In its view, nothing prevents the Court from exercising its equitable jurisdiction in favour of an infringer if the circumstances so warrant. At paragraph 42 of its Memorandum of Fact and Law, the appellant makes its point in the following terms:

Engaging the Court's general equitable jurisdiction and the explicit equitable discretion conferred to it by section 57 of the *Patent Act* serves to promote Parliamentary sovereignty rather than undermining it.

[32] In my respectful view, the appellant's submissions are without merit. On a proper reading of subsection 57(1) of the Act, it follows that the appellant does not have the right to seek an accounting of profits. My reasons for this conclusion are as follows.

[33] I begin by saying that, leaving aside for a moment subsection 57(1), the proposition that the infringer of a patent can determine the remedy to which the patentee is entitled is an astounding proposition.

[34] If a patentee does not seek an election as between damages and an accounting of the infringer's profits, the Court, pursuant to subsection 55(1), must determine and award the damages suffered by the patentee. In other words, the Court cannot force an aggrieved patentee to choose an accounting of profits over its damages, unless it is willing to seek such a remedy.

[35] It is difficult to agree with the proposition put forward by the appellant that it, the infringing party, can choose the remedy which the Court should grant to the respondents. To be fair to the appellant, it does not express its proposition in the way that I have expressed it. It says that by reason of subsection 57(1) it, like the respondents, can also apply to the Court for an order that the proper remedy be determined to be an accounting of its profits.

[36] In my respectful opinion, the difference in the expression of the proposition before us is a distinction without substance. What the appellant truly seeks is, in effect, to impose upon the respondents the remedy of an accounting of profits even if they do not want it.

[37] The respondents argue that there can be no doubt that subsection 55(1) grants patentees the right to claim the damages resulting from the infringement of their patents and that this right can be waived or displaced only if a patentee seeks an election, pursuant to subsection 57(1), of the infringer's profits in lieu of damages.

[38] I see no basis to disagree with the respondents' proposition which appears to be based on the statutory provisions and a long line of jurisprudence. It is worth pointing out that the appellant was unable to point to a single case where an infringer was given the right to elect the remedy which should be granted to an aggrieved patentee.

[39] However, again in fairness to the appellant, the fact that no such case appears to exist on a novel point such as this, does not mean that the appellant's submissions are without merit. In the end, the determination of the issue rests squarely on the interpretation of subsection 57(1)

which, the appellant says, grants to both a plaintiff and a defendant the right to seek an accounting of profits.

[40] To properly understand the meaning of subsection 57(1), it will be useful to examine the legislative history of the provision and the relevant judicial interpretation. As the following discussion will demonstrate, this subsection originates in English law and was understood at the time to grant to the common law courts the power to order both interlocutory accounts as well as a final remedy of an accounting of profits. This final remedy of an accounting of profits existed at equity prior to codification, and was available on the application of a patentee. After the codification of the remedy of an accounting, courts have allowed patentees to elect their choice of remedy. Subsection 57(1) is not intended to grant this election to an infringing party.

[41] To begin with, it is important to point out that, prior to 1852, the law of patents in the United Kingdom, was dealt with both by the courts of common law and the courts of equity. An aggrieved party could prove infringement and seek damages in a court of common law, but was required to go to the Court of Chancery to seek an injunction and account. To eliminate the need to go to two different courts, *The Patent Law Amendment Act, 1852* (U.K.) 15 & 16 Vict. c. 83

[British Patent Act of 1852] was enacted. Section 42 read as follows:

In any action in any of her Majesty's superior courts of record at Westminster and in Dublin for the infringement of letters patent, it shall be lawful for the court in which such action is pending, if the court shall be sitting, or if the court be not sitting then for a judge of such court, on the application of the plaintiff or defendant respectively, to make such order for an injunction, inspection, or account, and to give such direction respecting such action, injunction, inspection, and account, and the proceedings therein respectively, as to such court or judge may seem fit. [my emphasis].

[42] In his treatise, *The New Patent Law: Its History, Objects, and Provisions*, 3d ed. (London: F. Elsworth, 1853) at 36, Thomas Webster described the purpose of section 42 in the following terms:

But the most important provision for the protection of property under letters patent, is the power conferred (s. 42) on the courts and judges of common law of granting injunctions and an account, in cases of infringement, in the same manner as heretofore was done by the judges in equity only.

[43] In *Holland v. Fox* (1854), 118 E.R. 1407, 3 El. & Bl. 977 at page 1410 (U.K. Q.B.) (Lord Campbell C.J.) [*Holland*], the Court of Queen's Bench dealt with section 42 as follows:

We conceive the meaning of the Legislature, in the enactment relied upon, to have been to vest in the Courts of common law, in which actions for the infringement of patent rights may be brought, the power to order an injunction, inspection and account, heretofore exclusively exercised by Courts of equity; so that suitors may be saved the vexation, delay and expense to which they had before been exposed, in being obliged to go to a Court of equity for an injunction, then being sent to law to establish their legal right by an action, and then being compelled to go back to equity for full redress.

[44] The language of section 42 of the British Patent Act 1852 was introduced into Canadian law with the enactment of *An Act respecting Patents of Invention*, 1869 (32 & 33 Vic.), c. 11, section 24 [Patent Act of 1869], which reads as follows:

An action for the infringement of a Patent may be brought before any Court of Record having jurisdiction to the amount of damages asked for and having its sittings within the Province in which the infringement is said to have taken place, and being at the same time, of the Courts of such jurisdiction within such Province, the one of which the place of holding is nearest to the place of residence or business of the defendant; and such Court shall decide the case and determine as to costs; in any action for the infringement of a Patent, the Court, if sitting, or any judge thereof in Chambers if the Court be not sitting may, on the application of the plaintiff or defendant respectively, make such order for an injunction, restraining the opposite party from further use, manufacture or sale of the subject matter of the patent, and for his punishment in the event of the disobedience to such order, or for inspection or account, and respecting the same and the

proceedings in the action, as the Court or judge may see fit; - but from such order an appeal shall lie under the same circumstances and to the same Court, as from other judgments or orders of the Court in which the order was made. [my emphasis].

[45] Although the above section has been amended on a number of occasions since 1869, its essential structure and language has remained unchanged. In my view, the changes to the subsection do not bear upon its meaning for the purposes of this case.

[46] In *Vidi v. Smith* (1854), 118 E.R. 1404, 3 El. & Bl. 969 (U.K. Q.B.) (Lord Campbell C.J.) [*Vidi*], the defendant sold barometers that were alleged to infringe the plaintiff's patent. Relying on section 42 of the British Patent Act of 1852, the Court held that it was empowered to order the defendant to keep an account of all barometers sold after a certain time, until further order of the Court. At page 1407, the Court made the following order:

That an account be kept by the defendants of all such barometers as they shall sell upon the principle alleged by plaintiff to be an infringement of the plaintiff's patent, and of the profits made therefrom, until such further order as this Court may make; on condition of the plaintiff agreeing to waive all claim to recover more than nominal damages at the trial of the action; and on condition of, in case the verdict and judgment in the action be for the defendants, the plaintiff undertaking to pay to the defendants the expense of keeping such accounts.

[47] The report of the proceedings in the English Reports (page 1405) includes the following editorial comments:

To understand the equity cases, care must be taken to distinguish between two classes of account. The one class comprises orders for an account, to be kept in future by the defendant: such accounts are ordered by the consent of the defendant, and indeed on his application, as a condition for dissolving an interim injunction. The other class of accounts comprises those ordered to be taken before the Master: such accounts are ordered only on the final decree, when the

injunction is made perpetual and the account thus ordered to be taken embraces the account of all by-gone profits. [my emphasis].

[48] *Vidi* has been cited twice in Canadian jurisprudence. Once in *Hamilton v. Thomson* (1875), 16 N.B.R. 237 (N.B.S.C.) [*Hamilton*] and a second time in *Huntington v. Lutz et. al.* (1863), 13 U.C.C.P. 168. In *Hamilton*, at paragraph 1, the court wrote as follows:

This was an application for an injunction under the *Patent Act* 32 and 33 Vic., c. 11, sec 24, which Act was repealed, and 35 Vic., c. 26, sec. 24, substituted in its place. This section is copied from the English *Patent Act*, 15 and 16 Vic. c. 83; the object being to enable Courts of Law to do complete justice between the parties without sending them to a Court of Equity: See *Vidi v. Smith*, and *Holland v. Fox*.

[49] The 1912 text by Robert Frost, entitled *Treatise on the Law and Practice relating to Letters Patent for Inventions*, (London: Stevens and Haynes, 1912) at 448, describes the refusal of injunctions as follows:

When an interim injunction is refused, either on the ground that the infringement is doubtful, or on the ground of delay, the usual course is to order the defendant to keep an account.

[50] The English cases include numerous examples of a defendant providing an undertaking to keep an account in the place of the Court ordering an injunction; see for example *Lister v. Norton et. al.* (1884), 1 R.P.C. 114 (U.K. Ch.D.), *Jackson v. Needle* (1884), 1 R.P.C. 174 (U.K. C.A.), and *Smith v. Grigg Ltd.* (1924), 41 R.P.C. 149 (U.K. C.A.).

[51] Canadian cases have also allowed defendants to provide an interlocutory account in place of an injunction; see the decisions in *Teledyne Industries Inc. v. Lido Industrial Products Ltd.*

(1977), 17 O.R. (2d) 111, 33 C.P.R. (2d) 270 (Ont. Div. Ct.), aff'd (1978), 19 O.R. (2d) 740, 41 C.P.R. (2d) 60 (Ont. C.A.) and *Irwin Specialties Ltd. v. Allied Plastic Pipe Ltd.* (1967), 54 C.P.R. 29 (Ex. Ct.) paragraph 11 [*Irwin*]. In *Irwin* the Exchequer Court identified section 59, which is section 57 of the current Act, as empowering it to order an interlocutory account. In *Cutter Ltd. v. Baxter Travenol Laboratories of Canada Ltd.* (1980), 47 C.P.R. (2d) 53 (F.C.A.) at paragraph 7, the principle was stated as follows:

In this Court the grant of an interlocutory injunction in a patent infringement action is not a common occurrence in most instances, the result of an application for an interlocutory injunction, where infringement and validity are in issue, is that the defendant gives a satisfactory undertaking to keep an account and upon that being done the application is dismissed with costs in the cause. The same practice has been followed in industrial design actions and was the ultimate result of the application in *Lido Industrial Products Ltd. v. Melnor Mfg. Ltd. et al.* (1968), 55 C.P.R. 171, 69 D.L.R. (2d) 256, [1968] S.C.R. 769. The principal reason for this practice is, in my opinion, the fact that in most instances the nature of the patent rights involved is such that damages (provided there is some reasonably accurate way of measuring them) will be an adequate remedy for such infringement of the rights as may occur pending the trial and because when the matter turns on the balance of convenience if the defendant undertakes to keep an account and there is no reason to believe that he will be unable to pay such damages as may be awarded, the balance will generally be in favour of refusing the injunction. It is always necessary to bear in mind that the damages that can be caused to a defendant in being restrained, for a period that may run into several years, from doing what, if he succeeds, he was, but for the injunction, entitled to do in the meantime, may have consequences that are as serious for him as any that his infringement, if he does not succeed, may have for the patentee. [my emphasis].

[52] I now turn to our decision in *Beloit*, where one of the issues before the Court was whether *Beloit*, the patentee, had the right, following a finding of infringement, to elect as a remedy an accounting of the profits made by *Valmet*, the infringer.

[53] At paragraphs 65 and 67 of its reasons in *Beloit*, the Court reproduced both subsections 55(1) and 57(1), indicating at paragraph 71 that “[i]n Canada, the cause of action for patent infringement arises solely under the *Patent Act*.”

[54] Commencing at paragraph 86 of its reasons, the Court dealt with the remedy of accounting of profits. First, it indicated that Valmet took the position that the only remedy available to a patentee, following a finding of infringement, was the remedy of damages found at subsection 55(1) of the Act and that the Court did not have jurisdiction to grant the remedy of accounting of profits. In Valmet’s view, the remedies which could be granted pursuant to subsection 57(1) were limited to remedies in interlocutory proceedings. In other words, remedies resulting from final proceedings were not within the purview of subsection 57(1).

[55] At paragraph 97 of its reasons in *Beloit*, the Court held that the Federal Court “does have and has always had jurisdiction to award the remedy of accounting of profits and that that jurisdiction is found in paragraph 57(1)(b) of the Act and in sections 3 and 20 of the *Federal Courts Act*.” The Court then proceeded to explain its conclusion.

[56] At paragraph 100 of its reasons, the Court explained the origins of an accounting of profits as a remedy:

The equitable remedy of an account was granted against the infringer of a patent, ...on the premise that the infringer acted as the agent of the owner of the right and was therefore obliged to account for the profits earned through the infringement. Accordingly, the owner of a patent who claimed an account of profits was considered to have condoned the infringement and could not claim damages in addition to the account. The House of Lords then determined that the plaintiff ...having succeeded, is entitled to an election either for damages or an account of profits. Since 1858, the remedy of accounting, therefore, continues to exist as an

equitable remedy in patent infringement cases within the jurisdiction of courts vested with the authority to administer both law and equity.

[57] At paragraph 103 of its reasons, the Court found that in enacting section 24 of the Patent Act of 1869, Parliament's intention was to adopt English law regarding the remedy of accounting in patent infringement cases.

[58] Then, after stating at paragraph 105 that "the origin of the right to a patent remains one of prerogative even if it is merged in the statutory right", the Court concluded that the remedy of an accounting was clearly expressed in paragraph 57(1)(b) of the Act and that that remedy was an equitable remedy over which the Court had jurisdiction by reason of section 20 of the *Federal Courts Act* which conferred upon the Federal Court the power to grant equitable remedies. Consequently, the Court found, at paragraph 107 of its reasons, that it had "jurisdiction to grant the remedy to successful patentees in infringement cases, in a proper case."

[59] The Court then turned to the question of whether the remedy of accounting of profits was discretionary and whether, in the circumstances of the case, the judge below had properly exercised his discretion in refusing to grant the remedy to Beloit.

[60] After stating at paragraph 109 of its reasons that Beloit agreed that the Court had discretion to either refuse or grant the remedy of an accounting of profits, the Court emphasised the fact that its jurisprudence was to the effect that the decision to be made in regard to the proper remedy, *i.e.*, damages or accounting of profits, was not a decision that could be left

entirely in the hands of a successful patentee. At paragraph 111 of its reasons, the Court made the point in the following terms:

The appellants rely on English authorities to establish that a successful plaintiff has a prima facie right to elect an accounting of profits. However, without commenting on the efficacy of those authorities, we note that the jurisprudence in this Court, by which we are bound, is that “the choice between the two remedies (damages or accounting profits) cannot be left entirely to the successful plaintiff”. In *Unilever PLC v. Proctor Gamble Inc.*, this Court held that the decision to award an accounting of profits in patent cases is within the discretion of the judge or prothonotary. That case affirmed the earlier decision of this court in *Lubrizol Corp. v. Imperial Oil Ltd.*, where Mahoney J.A. stated that “(t)he award of the option of an election of profits is, in any event, clearly discretionary”. The jurisprudence of this Court has identified several circumstances under which an accounting of profits may reasonably be refused, such as excessive delay and any misconduct on the part of the patentee. In the present case, the Trial Judge chose not to grant the accounting of profits on the basis that there was a lengthy delay in the proceedings; that the relief would lead to further delay and expense; and, that the infringing parties acted in good faith when they entered the contracts in suit at a time when the Trial Division of this Court had decided that the patent in suit was invalid.

[61] On the facts before it in *Beloit*, the Court, after examining the factors which the judge below had considered in refusing to exercise his discretion in favor of an accounting of profits, concluded that the judge had made no error in the exercise of his discretion and consequently, held that *Beloit* could only claim its damages.

[62] What are we to take from the legislative history and the above cases, in particular *Beloit*?

[63] First, in my view, is the idea that the remedy of an accounting of profits was known to equity prior to the enactment of the British Patent Act of 1852 and that it was available to a patentee whose patent had been infringed.

[64] Second, the British Patent Act of 1852 in section 42 provided for this remedy. The intention of this enactment was limited to providing to the common law courts the power to make certain orders that had previously only been available in the courts of equity. Prior to 1852, and subsequent thereto, there is no authority whatsoever for the proposition that the remedy of an accounting of profits was also available to the infringer of a patent following a finding of infringement. The Act did not change this.

[65] Third, Parliament enacted the Patent Act of 1869 which, by way of section 24, adopted English law as it appears in section 42 of the British Patent Act of 1852.

[66] Fourth, *Vidi* stands for the proposition that there are two types of accounts, *i.e.*, interlocutory accounts and a final accounting of profits. A defendant, such as the appellant, can request an interlocutory account for the purpose of dispensing with an interlocutory injunction. An undertaking by a defendant to keep an account in the place of an injunction has been known to law since the introduction of the concept of an account into statutes in England. It will be recalled that in *Beloit*, Valmet argued that subsection 57(1) was limited to interlocutory accounts. In dismissing that argument and in holding that the provisions could not be so limited, our Court did not and could not conclude that an interlocutory account was not contemplated by the provision. To the contrary, in my respectful view, it is clear from the wording of the provision that interlocutory matters fall within the purview of subsection 57(1).

[67] Fifth, it is clear from *Beloit* that the election of a final accounting of profits, following a determination of infringement, necessarily belongs to a patentee, subject to the Court's

discretion. In other words, the Court can refuse to grant the remedy of accounting in which case the patentee shall be entitled to its damages. It is also clear that the Court cannot oblige the patentee to accept as a remedy an accounting of profits if it is not willing to do so.

[68] Consequently, I agree with the Judge when he says at paragraph 10 of his reasons that the appellant's submission, if accepted "would turn the doctrines of equity and parliamentary sovereignty on their heads."

[69] It necessarily follows that I also agree with the Judge that by reason of subsection 55(1), the patentee has a right to damages. In my view, this conclusion does not turn on whether subsection 55(1) is paramount to subsection 57(1). Rather, it is clear that subsection 55(1) gives the patentee a right to damages that cannot be abrogated by the infringing party or the Court.

[70] In *Beloit* the idea that an accounting, following a finding of infringement, might also be available to the infringer does not appear to have been considered by the Court. The fact that the issue raised by the appellant in these proceedings was not raised by Valmet in *Beloit* is, in the end, irrelevant. It is clear from the Court's reasons that the entitlement to damages remains with the patentee. The Court accepted that a patentee had a right to elect subject to its discretion and that where the Court, as it did in *Beloit*, refuses the remedy of accounting, the patentee was entitled to its damages. The appellant's proposition regarding subsection 57(1) cannot be reconciled with the reasons in *Beloit*. The two positions are diametrically opposed.

[71] Consequently, the Judge was correct to say that, in light of the legislation and the authorities, a patentee always has a right to damages unless waived by election.

[72] In my view, the inclusion of the word “defendant” in subsection 57(1) of the Act does not give the Court the power to grant an election to a defendant following a finding of infringement. Such a remedy is unknown to equity and, as a result, is not a remedy which, in my respectful view, is envisioned in subsection 57(1). However, as I indicated earlier, when faced with a demand for an interlocutory injunction, a defendant may seek, upon application to the Court, to have the demand dismissed upon an undertaking to keep an account.

[73] Before concluding, a few additional remarks are in order.

[74] First, both in its written and oral submissions, the respondents invited us to dismiss the appeal, *inter alia*, because the appellant did not plead a right to elect. Because of the conclusion which I reach, I need not deal with this argument.

[75] Second, in seeking to explain the meaning of the word “defendant” found in subsection 57(1), the respondents argued essentially that the meaning of the word, found in various provisions of the Act, depended on the context in which it was used and that hence a “defendant” did not always mean an infringer. More particularly, the respondents asserted that in subsection 57(1) “defendant” meant patentee. As is clear from the analysis above, it is not the case that “defendant” in subsection 57(1) means patentee.

VII. Conclusion

[76] For these reasons, I would dismiss the appeal with costs.

"M Nadon"

J.A.

"I agree.

David Stratas J.A."

"I agree.

J. Woods J.A."

FEDERAL COURT OF APPEAL

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