

Federal Court



Cour fédérale

**Date: 20200615**

**Docket: T-2025-11**

**Citation: 2020 FC 691**

**Ottawa, Ontario, June 15, 2020**

**PRESENT: The Honourable Mr. Justice Roy**

**BETWEEN:**

**BOMBARDIER RECREATIONAL  
PRODUCTS INC.**

**Plaintiff/  
Defendant by Counterclaim**

**and**

**ARCTIC CAT, INC. AND ARCTIC CAT  
SALES, INC.**

**Defendants/  
Plaintiffs by Counterclaim**

**PUBLIC JUDGMENT AND REASONS**

**(Confidential Judgment and Reasons issued June 15, 2020)**

[1] A ten-week trial resulted in a 607-paragraph judgment (2017 FC 207). Bombardier Recreational Products Inc. (BRP) alleged infringement of four of its patents by Arctic Cat., Inc., and Arctic Cat Sales, Inc. (AC). The four patents (2,293,106, 2,485,813, 2,411,964 and 2,350,264) all relate to snowmobiles. The first three patents claim a new configuration for a snowmobile, bringing the rider in a more forward position when sitting on a snowmobile. The fourth patent (2,350,264 or the 264 Patent) relates to a frame assembly to be used for vehicles,

including snowmobiles. It is said that the design and construction of a frame will facilitate the construction of vehicles with an improved rider position.

[2] Out of 247 claims in the four patents in suit, 49 claims remained asserted at the end of the trial. In the result, the Court concluded that the asserted claims of patents 2,293,106, 2,485,813, and 2,411,964 are, and have been, invalid and are therefore void. As for the 264 Patent, the Court found that AC did not infringe the claims asserted by BRP because its snowmobiles did not have one of the essential constituent elements, the engine cradle.

[3] This Court's decision was appealed to the Federal Court of Appeal. The Court of Appeal (2018 FCA 172) did not disrupt this Court's judgment concerning the three patents concerned with the so-called "Rider Forward Position" patents. However, it found fault with the part of the judgment concerning the 264 Patent, the one relating to the frame construction. The Court of Appeal disagreed with this Court that the AC snowmobiles did not include an "engine cradle", as required in the 264 Patent. As a result, the Court of Appeal remitted the matter back to this Court for a decision on whether the 264 Patent is valid (given this Court's decision that the AC snowmobiles did not infringe the 264 Patent because they did not comprise the required "engine cradle", the issue of the validity of the 264 Patent was not reached) and, if it is, what are the appropriate remedies.

[4] AC sought leave to appeal the Federal Court of Appeal decision. Leave was denied by the Supreme Court of Canada in May 2019.

[5] It follows that this Court must now address the issue of the validity of the 264 Patent. If the patent is valid, then the Court will determine what remedies are appropriate in the circumstances.

I. The initial Federal Court decision

[6] In December 2011, Bombardier Recreational Products Inc. (Bombardier), a manufacturer of snowmobiles with its headquarters in Canada, commenced an action for infringement under the *Patent Act* (RSC, 1985, c P 4) against Arctic Cat, Inc. and its wholly-owned subsidiary, Arctic Cat Sales, Inc. (Arctic Cat), with respect to Canadian Patents 2,293,106 (the 106 Patent), 2,485,813 (the 813 Patent), 2,411,964 (the 964 Patent) and 2,350,264 (the 264 Patent).

[7] There were two types of patents in play in the case. Patent 264 is concerned with the frame assembly to be used in the construction of vehicles such as snowmobiles and all-terrain vehicles, while Patents 106, 813 and 964 (collectively referred to as the Rider Forward Position Patents or RFP Patents) relate to similar purported inventions, essentially resulting in new configurations for a snowmobile, bringing the rider in a more forward position when sitting on the snowmobile.

[8] On February 24, 2017, in *Bombardier Recreational Products Inc v Arctic Cat Inc*, 2017 FC 207, the Federal Court dismissed Bombardier's action for infringement of patents. The Court concluded that the 264 Patent was not infringed by Arctic Cat because the accused snowmobiles have not been shown to have one of the essential elements of the invention as claimed, the "engine cradle" of the 264 Patent. As for the RFP Patents, the Federal Court concluded that

although Bombardier established that various models of snowmobiles sold by Arctic Cat infringed some claims of each of these three Patents, the claims were invalid. In fact, the Court held that the 106 Patent, the 813 Patent and the 964 Patent do not comply with s. 27(3) of the *Patent Act* in that their disclosure does not meet the conditions that they describe the invention and define the way they are produced or built. It followed that the Federal Court issued a declaration of invalidity of the asserted claims.

[9] The Court found that although the disclosure in the 264 Patent is broad enough to include vehicles other than snowmobiles, the claims are limited to the frame assembly of snowmobiles. Given that the invention seeks to enhance the ruggedness of vehicles that operate across a wide variety of different terrains and under a variety of conditions, but that the claims that fence the monopoly sought are restricted to snowmobiles, the Court found that the 264 Patent is addressed at persons of skill who must understand the type of vehicle that is to be improved through this invention. Therefore, it would be appropriate for the person of skill in the art (POSITA) to have experience in the field of snowmobile design, at least; the person of skill will certainly have mechanical engineering expertise or the equivalent expertise acquired through many years of experience in the design of snowmobiles.

[10] Following the determination of the characteristics of the POSITA, the Federal Court had to establish what would have been their common general knowledge. The Court held that the POSITA knows that snowmobiles have seats of a straddling nature, sideboards of various configurations used by riders to set their feet and steering device connected to the skis. Also, the POSITA would have known about two commonly used terms, “engine cradles” and “tunnels”,

and about the snowmobile using a seat that is of the straddling variety. The POSITA would know that snowmobiles do not use rear engines: the rider will have the engine in front of him.

Furthermore, the fact that the design of most snowmobiles in the 1980's and 1990's was quite similar would have been common knowledge. The differences were more stylistic than anything else. The POSITA would also know about the laws of physics as part of the general knowledge; the concepts of center of gravity, mass centralization and moment of inertia are not new and would have been well known to mechanical engineers. The POSITA would also be familiar with chassis rigidity, and with various methods to increase rigidity. Given the POSITA's experience with the operation of snowmobiles, the Court determined that she is familiar with snowmobile riding, and accordingly knows about active riding. The POSITA must have an understanding of human factors or biomechanics in designing a new vehicle such as a snowmobile because the position of the rider changes, from ride to ride and during rides.

[11] With these considerations in mind, the Federal Court interpreted a number of terms that were seen as being essential to the Patent. A number of terms found in the 264 Patent required that they be interpreted. They were (a) "engine cradle forward of the tunnel", (b) "sub-frame"; "sub-frame forward of the engine cradle"; "a frame including a sub-frame at the front of an engine cradle", (c) "upper column extending upwardly from the frame", (d) "pyramidal brace assembly", (e) "form an apex not forward of the engine" and (f) "legs". This Court gave the terms "snowmobile" and "straddle seat disposed on the tunnel" the same meanings as presented in the other three Patents.

[12] Following the construction of the claims, the Federal Court examined the possible infringement of the four Patents-in-suit. Upon its review of the 264 Patent, the Court concluded that it considers exclusively a walled engine cradle. In the Federal Court's view, that distinguished the AC snowmobiles that did not use walled engine cradles; as a result, Bombardier had not discharged its burden on a balance of probabilities that the engines of the Arctic Cat snowmobiles are located in an "engine cradle" in accordance with the 264 Patent. That was sufficient to dispose of the issue. The Court of Appeal disagreed.

[13] With regard to the three other patents, the argument brought forward by Arctic Cat was that the RFP Patents are invalid by reason of insufficiency and ambiguity. In the Court's view, the Patents lack the details and parameters to know what the invention is and to put the invention into practice. In fact, the weight of the evidence favoured clearly the proposition that the disclosure does not tell the skilled person how to reconfigure the snowmobile or even what that reconfiguration might be. The absence of indication as to how the new snowmobile is constructed in order to facilitate the new position leads to the RFP Patents claiming a result. The actions in infringement of the four patents were dismissed with costs.

## II. The appeal

[14] Bombardier argued before the Federal Court of Appeal that the Court erred: (1) in finding that the disclosure of the RFP Patents was insufficient and (2) by limiting the ordinary meaning of the term of the art "engine cradle" to the type of engine cradle described in the preferred embodiments section of the 264 Patent.

[15] The Appellate Court dismissed the argument on insufficiency, determining that portion of the appeal on the basis of whether or not the disclosures of the RFP Patents were sufficient to enable the POSITA to practice the invention covered in the claims at issue. The Federal Court of Appeal found that the conclusions reached by this Court “were open to it on the evidentiary record” and that this Court did not make “a palpable and overriding error in concluding that, to practice the invention claimed in each of the RFP Patents, the POSITA would have to undertake a major research project (i.e. undue efforts) because of the lack of sufficient instructions in the disclosures of the RFP Patents” (at para 95).

[16] On the other hand, the Appellate Court did find that there was ground to allow the appeal in respect of the meaning of the term of the art “engine cradle”. The Federal Court of Appeal disagreed with the Federal Court’s interpretation of the claims at issue.

[17] First, the Appellate Court stated that in interpreting the language of the claims in the 264 Patent, “a frame including a tunnel and an engine cradle forward of the tunnel”, and more specifically the term “engine cradle”, “one must seek to determine the objective intention as it was expressed in the patent itself, and as would be understood by the person to whom it is addressed (*Free World Trust* at paras 58-67; *Whirlpool Corp.* at para 49)” (FCA decision at para 23). Thus, a Court should only consider “proper evidence as to how the POSITA would understand it in light of his or her relevant common general knowledge in the context of the specification as a whole” (FCA decision at para 24). Extrinsic evidence, such as other patents, patent applications or the testimony of the inventors are not considered “proper evidence” and cannot inform the construction of the claims. Given that the Federal Court defined the POSITA

with respect to the 264 Patent as a person with “experience in the field of snowmobile design” and “mechanical engineering expertise or the equivalent expertise acquired through many years of experience in the design of snowmobiles” (FC decision at para 283), the Federal Court of Appeal considered that the evidence of an expert in mechanical engineering and vehicle design, including the design of vehicle frames, on whom the trial judge relied could not be given any weight. During cross-examination, the expert confirmed that he never worked on snowmobiles and that his understanding of what an “engine cradle” is was acquired early on during the 33 years he worked on tractors and large equipment in the agricultural field (FCA decision at para 32). In the Federal Court of Appeal’s view, “[the expert] may well have been provided with prior art by Arctic Cat’s counsel, but this could not in any way qualify him to speak to the common general knowledge of the POSITA in 2000 including the meaning of a term of the art used in the claims” (para 33).

[18] The Federal Court of Appeal found that this Court “could only conclude that the term of the art [“engine cradle”] would refer to any rigid structure which acts as a receptacle or compartment to receive the engine, which can also be a component of the frame” and that, as stated in BRP Expert Report, the term could be a structure delimited by solid walls, or alternatively an open structure (para 34). The Federal Court of Appeal stated that the ordinary meaning of “engine cradle” was not limited by any definition in the disclosure of the 264 Patent and that the disclosure “made clear that the preferred embodiments did not exhaust the invention claimed” (para 43). In addition, the Appellate Court stated that paragraph 00112 of the disclosure, which “explains that an advantage of the pyramidal frame assembly included in all the claims of the 264 Patent is that it adds strength and rigidity to the overall frame, so that the



panels that make up the tunnel and engine cradle need not be as strong”, supports “the view that other commonly known configurations for the engine cradle, whether with lower or thinner walls, walls with very large openings or no walls at all, could also be included in the claims as worded” (para 48).

[19] In sum, the Federal Court of Appeal found that the term “engine cradle” is not limited to a variety that included walls. As such, the term could not be limited to the preferred embodiments described and depicted in the specification because those limitations were not written into the claims. The conclusion of the Federal Court to the effect that Arctic Cat did not infringe the 264 Patent was therefore quashed. The Federal Court was asked to deal with the remanded issue of the validity of the 264 Patent and potential remedies arising from its infringement.

[20] Arctic Cat sought leave to appeal the decision of the Federal Court of Appeal on infringement to the Supreme Court of Canada, but leave was denied on May 16, 2019.

[21] Before addressing the two issues remanded to this Court by the Federal Court of Appeal, a preliminary issue must be addressed: Arctic Cat seeks to amend its statement of defence and counterclaim. The motion was evidently resisted by BRP. The issues of the validity of the 264 Patent and the appropriate remedy for the infringement of the Patent, or some of its claims, if ruled valid will follow.

III. Motion to amend the statement of defence and counterclaim

[22] After a ten-week trial, an appeal that went in part against AC and an unsuccessful leave application before the Supreme Court of Canada, AC now seeks to amend its statement of defence and counterclaim.

[23] In its motion, Arctic Cat seeks to deliver a Fresh as Amended Statement of Defence and Counterclaim. More specifically, Arctic Cat “seeks to amends [*sic*] its Fresh as Amended Stated [*sic*] of Defence and Counterclaim, dated January 9, 2015, prior to the remand hearing before this Court, to include an allegation that Bombardier is estopped from arguing that the T/S Mod snowmobile, which was prior art that Arctic Cat had relied in the Canadian proceeding, fails to disclose all elements claimed in claim 1 of the 264 Patent” (Notice of Motion, p 2 at para 5). That, argues AC, renders it anticipated and obvious. Issue estoppel applies to preclude re-litigation of an issue which has been conclusively and finally decided in previous litigation between the same parties or their privies. Arctic Cat argues that issue estoppel applies because of a final decision of the United States District Court for the District of Minnesota, where in Arctic Cat’s view, the same substantive issue was litigated. This appears to be quite a novel proposition in its scope. A Canadian Court would be prevented from deciding an issue before it under Canadian law because a foreign court, in foreign proceedings under a foreign law, would already have decided the issue. To make the matter even more unusual, that matter has been decided by a jury in the state of Minnesota, without the jury having given a clear understanding of the reasons for so doing, given that juries do not give reasons.

A. *Motion to amend*

[24] It is not disputed that motions to amend are governed by rule 75 of the *Federal Courts Rules*, SOR/98-106. Given that the motion comes after the hearing of the case has concluded, rule 75(2) would apply. It reads:

**Limitation**

**75(2)** No amendment shall be allowed under subsection (1) during or after a hearing unless

**(a)** the purpose is to make the document accord with the issues at the hearing;

**(b)** a new hearing is ordered; or

**(c)** the other parties are given an opportunity for any preparation necessary to meet any new or amended allegations.

**Conditions**

**75(2)** L'autorisation visée au paragraphe (1) ne peut être accordée pendant ou après une audience que si, selon le cas:

**a)** l'objet de la modification est de faire concorder le document avec les questions en litige à l'audience;

**b)** une nouvelle audience est ordonnée;

**c)** les autres parties se voient justice is done on the facts of a particular case de prendre les mesures préparatoires nécessaires pour donner suite aux prétentions nouvelles ou révisées.

[25] *Canderel Ltd. v Canada*, [1994] 1 FC 3 continues to be the authority for the proposition that amendments ought to be authorized “at any stage of an action for the purpose of determining the real question in controversy between the parties, provided, notably, to do so would not result in an injustice to the other party not capable of being compensated by an award of costs and that it would serve the interests of justice” (p. 10) (see *Enercorp Sand Solutions Inc. v Specialized Desanders Inc.*, 2018 FCA 215 [*Enercorp Sand Solutions*], at para 19). However, before reaching that stage, there is a threshold issue that must be crossed by AC. An amendment must first be shown to have a reasonable prospect of success. As the Federal Court of Appeal put it so

eloquently in *Teva Canada Limited v Gilead Sciences Inc.*, 2016 FCA 176 [*Gilead Sciences Inc.*], “it makes no sense for a court to allow an amendment that is doomed to fail” (para 28).

[26] The reasonable prospect of success has become a threshold issue. That threshold issue examination requires more than a mathematical chance of success. In *Gilead Sciences Inc.*, the Court states that “(i)n deciding whether an amendment has a reasonable prospect of success, its chances of success must be examined in the context of the law and the litigation process, and a realistic view must be taken” (para 30, authorities omitted). In my view, AC failed to satisfy that threshold.

[27] It will therefore not be necessary to consider the balancing of various factors in determining what will better serve the interests of justice. Nevertheless, it is not without interest to note what some of these factors may be. In *Janssen Inc. v Abbvie Corporation*, 2014 FCA 242, 131 CPR (4<sup>th</sup>) 128, and later in *Enercorp Sand Solutions (supra)*, the Court of Appeal agreed with the Tax Court:

[3] On a motion to amend, the applicable test is that taught by the case of *Continental Bank Leasing Corp. v. R.*, [1993] T.C.J. No. 18, (1993) 93 DTC 298 at page 302, [*Continental*], cited by our Court in *Merck & Co. Inc. v. Apotex Inc.*, 2003 FCA 488, [2004] 2 F.C.R. 459 leave to appeal to S.C.C. refused, 30193 (May 6, 2004) (see Judge’s reasons in A-380-13 at paragraph 10):

[...] I prefer to put the matter on a broader basis: whether it is more consonant with the interests of justice that the withdrawal or amendment be permitted or that it be denied. The tests mentioned in cases in other courts are of course helpful but other factors should also be emphasized, including the timeliness of the motion to amend or withdraw, the extent to which the proposed amendments would delay the expeditious trial of the matter, the extent to which a position taken originally by one

party has led another party to follow a course of action in the litigation which it would be difficult or impossible to alter and whether the amendments sought will facilitate the court's consideration of the true substance of the dispute on its merits. No single factor predominates nor is its presence or absence necessarily determinative. All must be assigned their proper weight in the context of the particular case. Ultimately, it boils down to a consideration of simple fairness, common sense and the interest that the courts have that justice be done. [Emphasis added.]

B. *AC's argument*

[28] An examination of the prospect of success must start with an understanding of the motion and its context.

[29] On December 15, 2011, the same day that Bombardier commenced the action for infringement against Arctic Cat in Canada, it also commenced an action in the United States, with respect to four patents. At issue, among other things, was the validity and infringement of United States Patent No. 7,124,847 (the US 847 Patent). The litigation was filed in the District Court for the Northern District of Illinois, but Arctic Cat successfully brought a motion to transfer the case to the District Court of Minnesota. The United States proceedings went to trial before a jury of the Minnesota District Court in late 2017 and after a three-week trial, on December 6, 2017, the jury returned a verdict in Arctic Cat's favour.

[30] According to AC, BRP is now estopped in Canada by the jury verdict because the issue of the validity of claim 1 of the 264 Patent has been decided by a jury verdict in the case of a US

Patent equivalent to the Canadian 264 Patent, the jury having found, in the view of AC, that it had been anticipated and obvious in light of the T/S Mod snowmobile.

[31] In support of its motion, AC offered the evidence of two witnesses. Niall A. MacLeod is an American lawyer involved in the litigation in Minnesota as lead counsel on behalf of AC. He provided information about the trial, including motions by BRP and AC for partial summary judgment (AC's motion was denied). After a three-week trial, the jury found that claims 1 and 6 to 8 of the US Patent were invalid on grounds of anticipation or obviousness. The witness is careful to state only that an actual T/S Mod snowmobile was available to view and inspect. Following the verdict, both BRP and AC moved post-trial motions for judgment as a matter of law; they were both denied. In particular, the District Court found that there "was sufficient evidence from which a jury could have found by clear and convincing evidence that claims 1 and 6 of the '847 Patent are anticipated by the T/S Mod snowmobile" (US District Court judgment, P. 20-21, Exhibit "D" of the MacLeod affidavit). I note that the witness never goes beyond what was stated in the judgment: "sufficient evidence from which a jury could have found by clear and convincing evidence that ...". The Court never substitutes itself for the jury or endorses the finding.

[32] The same language is used for obviousness, except that it relates to claims 1 and 6 to 8 of the '847 Patent.

[33] Mr. MacLeod contends that BRP did not challenge the finding of anticipation of claim 1 which, in his view, constitutes a concession.

[34] The second affidavit is that of John Whealan, the Intellectual Property Advisory Board Associate Dean for Intellectual Property Law Studies at the George Washington University Law School. He testifies as to the US Patent law on anticipation and the finality of the decision, and finding that claim 1 of the US 847 Patent is anticipated. He says so at paragraph 47 of his affidavit because the District Court found that “every element of claim 1 was disclosed in the T/S Mod snowmobile”. He further states that the “District Court’s determination of anticipation is a question of fact, and is not a question of law”. Indeed, that was the determination made by the jury.

[35] AC’s motion boils down to arguing that the US Patent and the Canadian Patent are “equivalent”. At the US trial, they contended that claims of US Patent 847 were anticipated by the T/S Mod snowmobile. The District Court judge having ruled after the trial that there was sufficient evidence from which the jury could have found by clear and convincing evidence that claim 1 was anticipated (AC refers to some terms having been constructed, such as “pyramidal brace assembly”, “apex”, “upper column”, but some that were not constructed such as “snowmobile” and “skis” were left to the jury to appreciate), AC appears content to argue the Canadian issue estoppel framework applies on that basis.

[36] In the view of AC, it does not seem to matter that the decision it invokes is that of a jury which does not explain how the verdict was arrived at, in a foreign jurisdiction that applies its own law (defined by its witness Whealan as “statutes, regulations, and case law decisions by the federal courts (and in particular the US Supreme Court and the Federal Circuit)” (Whealan

affidavit, para 50). As is well known, the issue estoppel framework in Canada was confirmed in *Danyluk v Ainsworth Technologies Inc.*, 2001 SCC 44, [2001] 2 SCR 460 [*Danyluk*], at para 25.

25 The preconditions to the operation of issue estoppel were set out by Dickson J. in *Angle*, supra, at p. 254:

- (1) that the same question has been decided;
- (2) that the judicial decision which is said to create the estoppel was final; and,
- (3) that the parties to the judicial decision or their privies were the same persons as the parties to the proceedings in which the estoppel is raised or their privies

[37] At its highest, AC contends that the law of anticipation in the US mirrors that in Canada. Surprisingly, it cannot refer to any patent case in Canada where the issue estoppel argument has been successful. It has to rely on one Canadian case, *Connaught Laboratories Limited v Medeva Pharma Limited*, (1999) FTR 200 (FCTD), aff'd (2000) 256 NR 393 (FCAD), Federal Court Trial Division, T-1578-96, December 17, 1999 [*Connaught*] for the proposition that issue estoppel may apply. In that case, the Court referred to an *obiter* of Aldous L.J. of the England and Wales Court of Appeal who left open the possibility that issue estoppel might be viable in appropriate cases, which appear to be in relatively narrow appropriate circumstances:

[...] I envisage cases where issue estoppel will arise in patent actions. For instances, the same issue can arise in different countries of the world, for example whether a particular scientific effect occurs when the invention or a manufacturing process is carried out or how an infringing product is made, or the properties of a product or its composition. Thus this judgment should not be taken as concluding that issue estoppel has no place in patent actions. To the contrary, I believe that it does in appropriate cases.

(*Kirin-Amgen Inc. v Boehringer Mannheim GMBH*, [1997] FSR 289, at p. 314)

[My emphasis.]



Lord Reid, in the House of Lords, had rung a similar caution bell thirty years earlier in *Carl-Zeiss-Stiftung v Rayner and Keeler, Ltd and others* (No. 2), [1966] 2 All ER 536 [*Carl-Zeiss-Stiftung*], at p. 555:

I can see no reason in principle why we should deny the possibility of issue estoppel based on a foreign judgment, but there appear to me to be at least three reasons for being cautious in any particular case. In the first place, we are not familiar with the modes of procedure in many foreign countries, and it may not be easy to be sure that a particular issue has been decided or that its decision was a basis of the foreign judgment and not merely collateral or obiter.

[My emphasis.]

*Connaught* agrees that the issue estoppel plea may be available. But the circumstances in which the plea may be available appear to be narrow. Thus, in the final analysis, it seems that the *Connaught* decision relates to a narrow set of circumstances where the plea might be considered.

One reads at paragraph 25:

[25] I accept that inconsistent results may be inevitable due to differences in the substantive and procedural laws relating to patents. In the final analysis, the validity of a patent granted by the laws of Canada cannot be determined by the legal regime in another country.

[My emphasis.]

It is thus not surprising that there does not appear to be one patent case that can be cited in support of the broad proposition advanced by AC, since the authorities on which AC relies stopped well short. In effect, they are not authorities that could support an argument that a jury decision in a foreign jurisdiction could prevent a Canadian court from considering a matter under Canadian law. In the following paragraph, the Court seems to limit significantly the ambit of what was considered in the case:

[26] However, I do not understand why inconsistencies in findings of fact made by different tribunals should be tolerated if they can be avoided without offending the substantive law or procedural norms. Connaught is simply attempting to argue in this case that it is wrong in principle for Medeva to be permitted to take inconsistent position on specific questions of fact that are in issue in this case and that have already been litigated elsewhere.

[My emphasis.]

[38] Given the limited scope of these authorities on which AC relies, what does AC argue, how does it thread the needle? In effect, AC simply claims that Canadian courts have repeatedly held that issue estoppel is available in patent litigation. It does not address the prospect of success threshold, but rather argues that it is not plain and obvious, the test for a motion to strike, that the allegation of issue estoppel will fail.

[39] Considering the plea itself, AC addresses the *Danyluk* three-prong test. That the parties are the same in the Canadian and the American proceedings is not disputed. AC also appears to be concerned that there was an appeal pending before the US Court of Appeal for the Federal circuit. However, BRP did not appeal the decision on claim 1 of the US Patent 847 and that makes that decision final. AC also suggests that there is a precedent that an appeal alone does not turn a final decision into something else.

[40] The more difficult issue is whether or not the same question has been decided. AC's argument is to plead a common ancestry to 817 (and 264), and the alleged similarity of the law of anticipation in Canada and the US. That should be enough, it argues, to disallow BRP from arguing that claim 1 of the 264 Patent is not anticipated. Finally, AC suggests that the American case required a higher level of burden of proof because of the clear and convincing evidence

requirement. On this front, that argument can be disposed of quickly as it does not account for the Supreme Court of Canada decision in *Canada (Attorney General) v Fairmont Hotels Inc.*, 2016 SCC 56, [2016] 2 SCR 720 [*Fairmont*], where the Court confirms again that there is one civil standard of proof (balance of probabilities) in Canada. However, the burden should not be confused for the quality of the evidence required for the burden to be discharged. The Court in *Fairmont* re-asserts, at paragraph 36, that “evidence must always be sufficiently clear, convincing and cogent” (*F.H. v McDougall*, 2008 SCC 53, [2008] 3 SCR 41, at para 46) to satisfy the balance of probabilities test. It is less than clear that the American standard is in any way different from ours. The “clear and convincing evidence” requirement would appear to be common to the jurisdictions.

[41] AC did not address either the admonition in *Danyluk* that the “rules governing issue estoppel should not be mechanically applied” because the purpose of the plea “is to balance the public interest in the finality of litigation with the public interest in ensuring that justice is done on the facts of a particular case” (para 33).

### C. *BRP’s argument*

[42] As was to be expected, BRP does not see eye to eye with AC. In a rhetorical flourish, it starts by declaring it “astonishing that an American company would suggest that a federally-appointed Canadian judge must defer to a jury of lay people in Minnesota who assessed anticipation under American law” (Memorandum of Fact and Law, para 1). BRP then proceeds to offer legal arguments in what appears to be a cascading way.

[43] BRP offered the affidavit evidence of Robert Goethals, a counsel for BRP in the American litigation. He explained that the parties submitted to the Court 31 terms for construction. However, the number of terms was reduced to a total of 10 with respect to all patents in suit, not only US Patent 847: as a result, the terms “skis” and “snowmobile” were not construed by the District Court judge. In his instructions to the jury, the trial judge asked the jurors to apply their common meaning to words in claims for which a definition was not otherwise provided.

[44] The witness testified that the summary judgment motion of AC sought a judgment that the US frame patent claims were invalid due to anticipation and obviousness by the T/S Mob snowmobile: one reason given for rejecting the motion was that the testimony of one witness behind the T/S Mob snowmobile was ““far from uncontroverted” and did not constitute clear and convincing evidence of anticipation” (Goethals’ affidavit, para 29).

[45] At trial, the jury was not charged on foreign law. In fact, counsel were instructed by the Court not to refer to the “status or substance” of the Canadian litigation.

[46] On anticipation and obviousness, it is not only the T/S Mob snowmobile that was left as prior art with the jury, but four more prior art snowmobiles. BRP was denied by the Court the ability to have listed in the verdict which prior art was the basis for the verdict of invalidity.

[47] The post-trial Motions for judgment as a matter of law are limited to ascertaining if there is legally sufficient evidence to sustain the verdict. In response to BRP’s argument that there was

insufficient evidence to reach a conclusion that the US frame patent was anticipated, AC contended that either the T/S Mob snowmobile or the Blade could support the verdict. BRP argues that no one knows how the jury reached its verdict and what prior art was factored in.

[48] BRP has not appealed the finding that claim 1 of the US Patent 847 is anticipated, but it appealed the finding that claim 6 was anticipated. Moreover, the finding that claims 1 and 6 to 8 are obvious was appealed.

[49] It is asserted that neither one of the AC witnesses on the motion to amend was qualified as an expert in Canadian comparative law: there is therefore no evidence on the equivalence of Canadian and US patent law.

[50] For BRP, the threshold issue of whether the amendments sought by AC have a reasonable prospect of success should be resolved with a resounding “no”. For starters, it is not the same question that is to be decided. The issue estoppel based on a US jury verdict cannot apply to an anticipation of claim 1 of the Canadian 264 Patent. A US verdict concerning the validity of a US patent under US law, where Canadian law is prohibited from even being mentioned, cannot be the same question that must be determined pursuant to Canadian law as per the evidence led, and admissible, in a Canadian court.

[51] Our courts, claims BRP, have long held that foreign patent litigation does not create a plea of issue estoppel with respect to the validity of a Canadian patent. The Court is referred to *Lubrizol Corp. v Imperial Oil Ltd.*, [1992] FCJ No 1110 (FCA); *Apotex Inc. v Wellcome*

*Foundation Ltd.*, [1998] FCJ 382 (TD). The Supreme Court in that case (2002 SCC 77, [2002] 4 SCR 153) found that “given the differences in our respective patent laws, the outcome of the US litigation on this patent is of limited interest” (para 40). That appears to reflect the general attitude in Canada.

[52] The attitude is not really displaced by *Connaught*, a decision of this Court now more than twenty years old, on which AC relies. First, the *Connaught* Court recognized that “the validity of a patent granted by the laws of Canada cannot be determined by the legal regime in another country” (*Connaught*, para 25). What *Connaught* authorizes is issue estoppel regarding purely factual findings. In *Connaught*, the Court found support for that kind of an overture in English case law (Ardous L.J.) discussing only factual findings, and not claims construction and more generally national patent law, whether that be concerning infringement or validity.

[53] BRP then goes on to refer to cases since *Connaught* which have all refused to be bound by foreign courts dealing with corresponding patents (*Eli Lilly Canada Inc. v Apotex Inc.*, 2007 FC 455; *Johnson & Johnson Inc. v Boston Scientific Ltd.*, 2008 FC 552; *Eli Lilly Canada Inc. v Mylan Pharmaceuticals ULC*, 2015 FC 17). Of particular interest, in the view of BRP, is

*E. Mishan & Sons, Inc. v Supertek Canada Inc.*, 2015 FCA 163:

[7] Just as the case before the Court in Australia was to be decided based on the evidence presented to that Court and the applicable law of Australia, the decision of the Federal Court Judge was to have been made based on the evidence presented in the proceeding before him and the applicable law of Canada. Therefore, the decisions rendered in Australia and the United Kingdom are of little assistance in this appeal.

[54] That appears to coincide with the view expressed by American authorities. A foreign decision addressed a different question, thus running afoul of *Danyluk*. In *Stein and Associates Inc v Heat and Control Inc*, 748 F. 2d 653, the Federal Circuit found, at para 7:

Only a British court, applying British law, can determine validity and infringement of British patents. British law being different from our own, and British and United States courts being independent of each other, resolution of the question of whether the United States patents are valid could have no binding effect on the British court's decision.

Similarly, if the decision in the District Court can constitute issue estoppel in Canada, that would plainly mean that an American Court would be ruling on a Canadian patent. The policy considerations at play are the same as what was found in *Voda v Condis Corp*, 476 F3d 887 where the Federal Circuit, under the subtitle Comity And Relations Between Sovereigns, wrote:

... First, Voda has not identified any international duty, and we have found none, that would require our judicial system to adjudicate foreign patent infringement claims. As discussed *supra* Part III.A.2.a, while the United States has entered into the Paris Convention, the PCT, and the Agreement on TRIPS, nothing in those treaties contemplates or allows one jurisdiction to adjudicate the patents of another. ... Third, with respect to the rights of our citizens, Voda has not shown that foreign courts will inadequately protect his foreign patent rights. Indeed, we see no reason why American courts should supplant British, Canadian, French, or German courts in interpreting and enforcing British, Canadian, European, French, or German patents. *Cf. Empagran*, 542 U.S. at 165, 124 S.Ct. 2359 (finding no reason to allow "American [antitrust] law [to] supplant, for example, Canada's or Great Britain's or Japan's own determination about how best to protect Canadian or British or Japanese customers from anticompetitive conduct").

[55] BRP claims that the differences between the Canadian and American jurisdictions, relevant to this case, abound and are clear on the face of the record:

- Anticipation is said to be a question of fact in the US, according to AC's witness Whealan, while it is not the case in Canada;
- The US case proceeded on the basis that "snowmobile" and "skis" were not constructed by the Judge as part of the claims construction; not so in Canada;
- Canadian law requires for anticipation that there be disclosure and enablement: both must be considered. The AC evidence is left unclear on the issue of enablement in the US;
- The skilled person was not the same in the Canadian trial as in the American trial, as no snowmobile expertise of the skilled person was required. Indeed, the snowmobile expertise ended up making a difference in the Canadian case;
- Not only was the US case limited to 10 terms in the claims construction (thus eliminating "snowmobile" and "skis"), but US law admits extrinsic evidence and "file wrapper" estoppel in claims construction.

That makes BRP conclude that there are significant differences such that it cannot be said that we have the "same question".

[56] At any rate, AC has failed to prove that the US verdict was based on anticipation by the T/S snowmobile. There is no indication from the American Court record to prove that the jury relied on the T/S. There has not been any such determination. At best, the trial Judge's ruling after the trial (Motion for judgment as a matter of law) simply declares that sufficient evidence was proffered to support the jury verdict. The T/S snowmobile raised factual issues and the jury was entitled to consider these to come to its verdict. Whether it did or not is unknown. BRP sought a more detailed verdict and lost. That is significant because AC argued that the US patents were invalid in view of five snowmobiles (T/S, Hetteen, 1975 Trail Cat, Fox Trac, and



Blade) and, after the trial was over, AC insisted before the trial Judge that the anticipation verdict could be justified on the basis of the T/S and Blade snowmobiles.

[57] BRP argues, on the basis of *R v Mahalingan*, 2008 SCC 63, [2008] 3 SCR 316 [*Mahalingan*], and *R v Punko*, 2012 SCC 39, [2012] 2 SCR 396 [*Punko*], both criminal cases with jury verdicts, that an issue estoppel plea is available but only if a somewhat strenuous test is satisfied. That same test would have to apply in other areas of the law. The test is that of “logically necessary to the verdict of the acquittal”. It is how the matter is articulated in *Punko*:

**7** In *Mahalingan*, this Court had to decide whether the doctrine of issue estoppel should be retained as part of Canadian criminal law. A majority of the Court favoured retaining it in the criminal law, but in a narrow form. Not all issues raised in a previous trial can be the subject of issue estoppel. Rather, the Crown is precluded from relitigating only those issues that *were decided in favour of the accused* at the earlier trial (paras. 22, 31 and 33). Moreover, the resolution of an issue in favour of the accused must be “a necessary inference from the trial judge's findings or from the fact of the acquittal” (para. 52).

**8** In applying the doctrine of issue estoppel where the prior proceeding was before a jury, “[t]he question is whether a finding in favour of the accused is logically necessary to the verdict of acquittal” (*Mahalingan*, at para. 53 (emphasis added)), not whether the general circumstances of the case tend to indicate that the jury resolved the issue in favour of the accused. Thus, factors such as questions asked by the jury, the timing of the jury's verdict or findings made by the sentencing judge are not directly relevant to whether the jury resolved an issue in favour of the accused. They can be used only to reinforce a conclusion reached through reasoning based on logical necessity. Where, in light of the record and the parties' allegations, there is more than one logical explanation for the jury's verdict, and if one of these explanations does not depend on the jury's resolving the relevant issue in favour of the accused, the verdict cannot successfully be relied on in support of issue estoppel. An approach that encourages judges to inquire into the jurors' mental deliberations and reasoning processes should be rejected.

This is precisely the situation in this case, claims BRP. “Where a party proposes two alternative theories in its favour, it cannot later claim that there is only one explanation for the jury’s verdict” (BRP’s Memorandum of Fact and Law, para 74).

[58] Continuing with its “cascading” argument, BRP claims that the issue estoppel plea would be a disguised attempt by AC to overrule some final determination of this Court. At this stage, the argument is based on the definition of “snowmobile” and “skis” arrived at in this Court. This Court ruled that the T/S model is not a snowmobile and it does not carry skis, but rather sharp blades. Those prior determinations would in fact be overturned by the jury verdict in the US where evidently the jury must have concluded otherwise. It goes back to the argument that the evidence in the two cases differs in a not insignificant way. The argument undermines the finality of the Canadian judgment and constitutes a collateral attack.

[59] Assuming that it does not prevail on its substantive examination of the issue estoppel doctrine, BRP then asserts that the discretion available according to *Danyluk* should be exercised to deny the amendment. This follows in the footsteps of the preceding argument that issue estoppel is used to promote finality: some findings made by this Court and not disturbed on appeal would have to be reversed. Indeed, more fundamentally, it is the independence of Canada’s patent system that is undermined. BRP puts its argument eloquently at paragraph 89 of its memorandum of fact and law where it writes that:

Given the clear Canadian case law on foreign issue estoppel and patent validity, given the Federal Circuit’s judgment in *Voda*, and given the order prohibiting both parties from mentioning the Canadian case at all, neither BRP nor Arctic Cat would reasonably have expected that the US litigation would be dispositive of the validity of BRP’s Canadian patent.

[60] BRP noted the amendments sought by AC went beyond that BRP was precluded from arguing that claim 1 of the 264 Patent is not anticipated by the T/S Rod snowmobile. AC asked that BRP be also estopped from arguing that the subject matter of claim 1 of Patent 264 is not rendered obvious by the same T/S snowmobile. That is because if the subject matter is anticipated, that should logically leave a conclusion that the subject matter of claim 1 is obvious. Following the same logic, AC would also have all other asserted claims of the 264 Patent ruled invalid as covering the subject matter, as being either anticipated or rendered obvious by the T/S snowmobile or the common general knowledge. That is the so-called “snowball effect”.

[61] BRP contends that the obviousness argument suffers from the same flaws as the one presented on anticipation. The amendment does not fare any better and it does not have a reasonable prospect of success. The same can be said of the invalidity of the other asserted claims.

[62] BRP argues for good measure that Canadian Courts have affirmed that anticipation and obviousness are different and distinct. BRP also rejects that claims 2-3, 5-10, 12-18, 20-26, 41-43 are affected by issue estoppel (that is, if the Court were inclined to follow AC). It argues that, over and above the other arguments, AC overreaches since the US Court considered only the validity of claims 1 and 6 to 8: there is no US Judgment at all that deals with other claims. Not only are there other independent claims than claim 1, from which flow different dependent claims, and these have not been found to be invalid, but even the invalidity of an independent claim, which is broader, does not flow through to the dependent claims. There must be an assessment made claim-by-claim because “it is possible that the narrow dependent claim will

escape the prior art and remain inventive” (*Safe Gaming System v Atlantic Lottery Corp*, 2018 FC 542, at para 161).

[63] BRP seeks its costs on the motion on a solicitor-client basis.

D. *Analysis*

[64] In my view, the AC’s proposed amendments have no reasonable prospect of success. I have presented at some length the arguments offered by both parties because, once they are reviewed, it becomes apparent that AC is skating on very thin ice. It is surprising that it has not been able to refer to one patent case where the proposition it advances has had even a measure of success. Its best case is that of *Connaught Laboratories (supra)* where our Court accepts that issue estoppel may be a viable doctrine, but the Court, in the end, accepts that “the validity of a patent granted by the laws of Canada cannot be determined by the legal regime in another country” (para 25), yet that is what the proposed amendments seek to achieve. *Connaught* opens the door to avoiding inconsistencies in findings of fact as long as is avoided offending the substantive law or procedural norms. The *Connaught* Court found comfort in the obiter of an authority such as Aldous L.J. in *Kirin-Amgen Inc (supra)*. But, as noted by BRP, the examples given in that case (“for example whether a particular scientific effect occurs when the invention on a manufacturing process is carried out or how an infringing product is made, or the properties of a product or its composition”) are all far and away from suggesting that a foreign jurisdiction can decide on the validity of a Canadian patent whose validity is a function of Canadian law as applied to the facts that are admissible before a Canadian court.

[65] The issue is not so much whether issue estoppel is not viable as it is that it must, by nature, be of limited use. As Lord Reid noted in *Carl-Zeiss-Stiftung (supra)*, caution is to be exercised in considering if and when it can be of assistance. More than 20 years after *Connaught* and 50 years since *Carl-Zeiss-Stiftung*, AC was evidently incapable to offer one patent law authority that could support the very expansive view it has taken of issue estoppel. I confess that I have not been able either to find any. *Connaught* seems to be the high water mark and that high water mark, which does not seem to have been replicated since, would not be sufficient to take AC where it seeks to go in this case.

[66] Most importantly in my view, in the recent decision in *Actavis Group PTC EHF v ICOS Corporation*, [2019] UKSC 15, [2020] 1 All ER 213 [*Actavis*], Lord Hodge, for a unanimous United Kingdom Supreme Court, had to comment on the fact that various European courts ruled differently on similar, and indeed the same patent. The case dealt with the test of obviousness to a dosage patent. Far from suggesting issue estoppel could apply, the UKSC acknowledged that different results will be attained by different national courts:

97. The court heard submissions about the judgments of the courts of other countries which are signatories of the EPC on parallel revocation proceedings against the 181 patent. The claimants founded principally on the judgments in the Netherlands and Germany, in which in each case the national court revoked the patent on the ground of obviousness. We were also referred to judgments from other jurisdictions concerning the same patent, including Belgium and Portugal, which upheld the obviousness challenge, and Denmark, Poland and the Czech Republic, which reached a different view. I do not find the judgments particularly helpful. While consistency of approach between the domestic courts of the signatory states to the EPC on matters of principle is desirable, we are not bound by the judgments of other national courts and it is possible that national courts applying the same law may come to different conclusions for various reasons: *Conor v Angiotech* (above) para 3 per Lord Hoffmann; *Dr Reddy's*

*Laboratories (UK) Ltd v Eli Lilly* (above) paras 79-82 per Jacob LJ, para 92 per Lord Neuberger MR; *Actavis UK Ltd v Eli Lilly & Co* [2017] UKSC 48; [2017] RPC 21, para 52 per Lord Neuberger.

And the Court to conclude its section on Foreign Judgments in the following fashion:

101. Because of the differences in the evidence led, the manner by which it is tested, and the differing findings to which that evidence gives rise, one may derive support from the approach to the question and methods of reasoning of other national courts but should never rely uncritically on the outcome.

[67] Such high authority may assist in settling the issues in that, as a matter of policy, it is difficult to understand how national courts would easily be subservient to other courts, leading inevitably to a race to judgment. It would take, it seems to me, a very strong demonstration in order to accept that the issue has been conclusively decided by a jury in a foreign jurisdiction with its own law applied by its own courts, such that the verdict would bar litigation before a Canadian court, preventing it from considering the validity of a Canadian patent, using its own substantive and procedural laws, and hearing Canadian admissible evidence.

[68] Once is factored in the requirements for the plea, it is impossible to ascertain that a jury has decided the same question. There were various prior art items before the jury. Indeed, it appears clear that the evidence before the jury was not identical to that before this Court. An obvious example is that the creator of the T/S Mod snowmobile testified at length in Minnesota and commented about the added rigidity of his pyramidal assembly. Not so in this case where he did not testify and, evidently, he was not subject to cross-examination. Another distinct difference between the cases is that this Court defined “snowmobile” and “skis”, which the District Court did not do in view of the limited number of terms it allowed to be defined. That

left the jury to its own decision on whether the T/S Mod is a snowmobile and has skis. More generally, it bears repeating that AC's witness, Prof. Whealan, testified that "US patent law consists of statutes, regulations, and case law decisions by the federal courts (and in particular the US Supreme Court and the Federal Circuit)" (affidavit, para 50). As is well known, foreign law is to be pleaded as fact, not argued with the support of expert evidence. Here, AC simply declares, quite boldly, that the law of anticipation in both countries is quite similar. That is neither here nor there without expert evidence on comparative law that can be disputed.

Accordingly, it is not only that the type of use that AC wishes to make of issue estoppel goes well beyond the overture in some case law made to a limited form of issue estoppel, but on the facts of this case it has been incapable to show that the same question has been decided. As BRP has shown, it is not even clear on what basis the jury reached its conclusion in view of the prior art the jury had to consider.

[69] Besides the Supreme Court found in *Mahalingan*, and reasserted in *Punko (supra)*, that once a jury is involved, the issue estoppel doctrine will not be available unless the finding can be said to be logically necessary to the verdict. Such is not the case here.

[70] The Supreme Court, in *Danyluk (supra)*, cautioned against mechanically applying the doctrine. That is because the "underlying purpose is to balance the public interest in the finality of litigation with the public interest in ensuring that justice is done on the facts of a particular case" (para 33). Had I have to reach the issue of discretion, I would have been tempted to apply it to negate the remedy sought. That is because if its "objective is to ensure that the operation of issue estoppel promotes the orderly administration of justice but not at the cost of real injustice in

the particular case” (*Danyluk*, para 67), it would be quite remarkable that a long trial where the rules of the game according to Canadian law were well understood could be subverted by a jury verdict about a different patent, following a foreign law, with evidence which appears to be markedly different from that heard in this case. Here, neither the public interest in the finality of litigation nor the public interest in ensuring that justice is done on the facts before this Court would have been served. The balancing act that is said to be the underlying purpose of the doctrine is not achieved.

[71] There is no need to reach into the discretionary power as the conditions for the doctrine to apply have clearly not been met on this record. The motion brought by AC is doomed to fail: it has no reasonable prospect of success. Accordingly, the motion for leave to amend the Fresh as Amended Statement of Defence and Counterclaim is dismissed. The matter of costs shall be addressed as part of the cost submissions once the merits of the invalidity argument have been addressed.

#### IV. Validity of the 264 Patent

[72] It is of course AC’s burden to satisfy the Court that the 264 Patent is invalid. AC argues that the 264 claims are invalid for anticipation in view of the T/S sled, which AC refers to as a snowmobile, and, alternatively, all of the asserted claims are said to be obvious, in that the person of skill in the art would bridge the gap between the T/S sled and the subject matter of the 264 claims using the common general knowledge.



[73] On remand, AC invites this Court to revisit the debate over the claims construction arrived at in its original ruling. Four terms are targeted: “snowmobile”, “pyramidal brace assembly”, “upper column” and, to a lesser extent in the view of AC, “skis”. Evidently, AC wishes for the construction of these terms to allow its argument that the T/S sled was built such that it anticipated the 264 Patent snowmobile as claimed by BRP. If AC is not successful in its argument that the 264 Patent is anticipated by the T/S, it then relies on obviousness in order to then bridge the gap between the alleged invention and the T/S.

[74] The Court does not intend to repeat what is to be found in its original ruling. Nevertheless, some basic information must be presented at the outset. First, the 264 Patent is concerned with the “Frame construction for a vehicle”, as its title indicates. The field of invention includes snowmobiles, but it will cover also all terrain vehicles and other similar vehicles. However, in this case only 25 of the 43 claims of the 264 Patent are asserted by BRP as having been infringed. The asserted claims are exclusively concerned with snowmobiles and, accordingly, such is the focus in this case. AC offered that the Court has to consider claims 1 and 7 in its review of the asserted claims, as other claims asserted in this case are dependant of these two. That is so because the terms that must be examined are to be found in the two claims. The terms “snowmobile”, “pyramidal brace assembly” and “skis” are found in claims 1 to 3, 5 and 6, 9 and 10, 12 and 13, 16 to 18, 20-21, 24 to 26, and 41 and 43. As for the claims involving an “upper column”, they are claims 7, 8, 14, 15, 22 and 23.

[75] AC suggests that the outcome of the case is essentially governed by independent claim 1 and claim 7 which has its own dependent claims. They are reproduced for ease of reference:

1. A snowmobile, comprising:
  - a frame including a tunnel and an engine cradle forward of the tunnel;
  - an engine mounted in the engine cradle;
  - a drive track disposed below and supported by the tunnel and connected operatively to the engine for propulsion of the snowmobile;
  - left and right skis disposed on the frame;
  - a straddle seat disposed on the tunnel above the drive track and rearward of the engine;
  - a pair of footrests supported by the frame;
  - a steering column movably connected to the frame without a headpipe and operatively connected to the two skis;
  - a handlebar connected to the steering column;
  - a pyramidal brace assembly connected to the frame, the assembly including:
    - left and right rear legs extending forwardly and upwardly from the tunnel, each of the left and right rear legs having a front end and a rear end, the rear ends of the rear legs being spaced further from each other than the front ends of the rear legs, and left and right front legs extending rearwardly and upwardly from the frame forward of the tunnel, each of the left and right front legs having a front end and rear end, the front ends of the front legs being spaced further from each other than the rear ends of the front legs.
7. The snowmobile of claim 6, further comprising an upper column extending upwardly from the frame.

Claim 6 is itself dependent on claim 1.

[76] BRP seemed to challenge the approach suggested by AC because, it says, there are differences between the various claims and an infringement of one valid claim suffices. This is

undoubtedly true. However, I thought that the proposition advanced by AC was nothing other than what is encapsulated in *Frac Shack Inc. v AFD Petroleum Ltd*, 2018 FC 1047, at paragraph 42:

[42] The FCA indicated at paragraph 47 of their decision that I should bear in mind that the obviousness inquiry should be undertaken on a claim-by-claim basis – it should be apparent that I did so. Moreover, it is trite law that if an independent claim is found not to be obvious, then dependent claims therefrom cannot be obvious. In contrast, if an independent claim is held to be obvious, then the Court must go to consider each dependent claim for obviousness, as each such claim adds an element or elements that may or may not be obvious in light of the relevant prior art and/or common general knowledge of the POSITA at the relevant date.

Unfortunately, BRP never identified what particular claim, other than claims 1 and 7, would make a difference. At the end of the day, nothing turns on this.

A. *Findings of fact*

[77] In its memorandum on the validity of the 264 Patent, Arctic Cat urges this Court to revisit its claims construction. Based on the new claims construction it puts forward, Arctic Cat submits that “each claim is invalid for anticipation in view of the T/S Snowmobile” (Memorandum of Fact and Law of the Defendants on the Validity of Canadian Patent 2,350,264, at para 2). In the alternative, Arctic Cat submits that the T/S “renders the subject matter of all asserted claims obvious”, as “[t]he notional skilled person would have been able to bridge any narrow gap between the T/S Snowmobile and the subject matter of the claims of the 264 Patent using only common general knowledge” (para 3). More specifically, Arctic Cat asks this Court to revisit the construction of the terms “snowmobile”, “pyramidal brace assembly”, “upper column” and

“skis” based on the Court of Appeal’s broad interpretation of the term “engine cradle” and the reasoning it used.

[78] In Bombardier’s view, Arctic Cat is attempting to “substitute new issues for the real questions that were remanded to this Court and which require adjudication” (BRP’s Responding Memorandum on Remand – Validity, at para 1). Bombardier argues that the construction of these four terms was decided at trial, not varied on appeal, and therefore constitutes *res judicata*. In addition, Bombardier submits that reopening claims construction is prevented by the doctrine of *functus officio* and would be unfair because it would allow Arctic Cat to revisit the strategic position it took on appeal where the matter was not raised. Finally, Bombardier argues that accepting Arctic Cat’s new claims construction would violate the basic principle of patent law addressed in *Whirlpool Corp. v Camco Inc.*, 2000 SCC 67, [2000] 2 SCR 1067, namely that “it has always been a fundamental rule of claims construction that the claims receive one and the same interpretation for all purposes” and that “(c)laims construction cannot be allowed to become a results-oriented interpretation ...” (at para 49). For Bombardier, AC could have challenged the construction given to those terms, and did not. The terms, as construed by this Court, followed the purposeful construction required by law and were accepted as such by the Court of Appeal since it found infringement of the 264 Patent.

[79] There is much to be said for the position taken by BRP. The construction put on these terms was left undisturbed by the Court of Appeal. AC argues that the appellate Court’s construction of “engine cradle”, where it was found that this Court relied unduly on preferred embodiments of the inventions and extrinsic evidence, including other patents and applications,

should guide this Court on a new construction of the terms, one that will favour AC by giving the terms the broad construction they deserve. Thus, it did not have to appeal terms as guidance from the Court of Appeal is quite enough.

[80] Nevertheless, even if the Court were to take a new look at what is meant by the term “snowmobile”, the outcome would be the same with respect to the T/S sled: it is not the snowmobile concerned with the 264 Patent.

[81] Contrary to AC’s assertions, the 264 claims do not suggest that the snowmobile of the 264 Patent is the one of the widest variety possible. In effect, AC continues to rely on the evidence of Mr. Cowley who wrote at paragraph 86 of his Report (D-82) that “a snowmobile is a vehicle that is self-propelled and is adapted to travel through the snow or on the ice”; AC paraphrases that definition at paragraph 18 of its memorandum of fact and law on remand, thus relying again on his evidence. Mr. Cowley lacked expertise in snowmobiles. The Court prefers the recognized snowmobile expertise of Dr. Breen. Indeed the Court of Appeal opined in this case that little weight, if any, should be given to Mr. Cowley’s evidence concerning snowmobiles because of his lack of expertise and experience with snowmobiles (2018 FCA 172, para 26; this Court’s judgment, 2017 FC 207, para 309).

[82] The snowmobile of the 264 Patent is a conventional snowmobile that is meant to operate at the very least on snow. It is not an “either or” proposition. It would not suffice that it operates on ice as the definition offered by AC suggests. In his Expert Report Dr. Breen wrote:

[82] The snowmobile described in the BRP patents in issue is a vehicle designed to be driven by an adult sized person on a wide

variety of different terrains and varying snow conditions. The terrains may include smooth, groomed trails, rugged terrain that is not maintained, or racing tracks. The snow conditions may include soft, deep snow, groomed snow, ice covered surfaces, or packed snow. Snowmobile uses may include touring, general transportation, enjoying the sport of snowmobiling, or racing involving turning in both directions to maneuver around obstacles.

The T/S sled can only operate on ice: it is meant to race on ice as the two skates mounted on the frames show. The evidence at trial, including the inspection by the Court of the T/S, was unambiguous: it is built to travel on ice, not on snow. On the other hand, the 264 disclosure is clear that the snowmobile it considers is “designed with frame assemblies and suspensions that easily absorb the shock of obstacles encountered on groomed trails and in deep snow. They are also designed to handle the forces generated when the snowmobile is driven aggressively (e.g. under racing conditions). In addition, their frame assemblies are designed to provide optimum steering and performance in snow, whether on groomed snowmobile trails (packed snow) or ungroomed, off-trail areas (powder or natural snow)” (264 Patent, para 0003). In fact, the disclosure corresponds to the understanding of what constitutes a snowmobile, i.e. that it travels on snow. This does not constitute an embodiment, but rather the description of the snowmobile considered, one that operates on snow, groomed or ungroomed. The T/S sled is incapable of operating in those conditions. That was the conclusion reached by this Court in its original decision and that finding has been left undisturbed on appeal.

[83] There is no need to resolve the debate as to whether or not “skis” is an essential element of the invention as, as the argument goes, they do not add to the ruggedness of the frame. What is relevant however is that claim 1 is concerned with a snowmobile that comprises a number of elements, one of which are skis disposed on the frame. Those skis must allow the snowmobile to

operate on snow. The lack of skis on the T/S assists in confirming it is not the snowmobile contemplated by the invention, as it cannot operate on snow or in deep snow, or on bumpy trails, as required. The description of the T/S sled found at paragraphs 512 and 513 of the judgment of this Court is still apposite:

[512] As for the 1991 T/S and the Twin Track oval ice snowmobile, I agree with the Plaintiff that they are not snowmobiles as intended in the claims of the asserted Patents. They are not the kind of snowmobile that could be considered together with the REV, as their construction, from the simple visual examination of them, clearly is targeted at a different purpose: they are racing machines built for oval racetracks where the vehicle turns left (counter-clockwise). As the evidence showed, they don't ride on snow, as they are built to race on ice, and uneven surfaces such that bumps and trails are to be excluded. They have an asymmetrical construction, the idea being that they are built to take the turns to the left at high speeds. The rider sits off the center of the vehicle in order to counterbalance when the vehicle turns.

[513] I accept the evidence of Gerard Karpik, for BRP, who reports that the T/S and Twin Track do not carry skis but rather sharp blades created to acquire good traction on the tracks' icy surfaces. If ridden on bumpy trails, the blades sink in the snow. He says these vehicles flip over due to the particular suspension's geometry. Indeed, the small travel of those suspensions was described as making them unsuitable for riding over bumps and generally rough terrain (p-112).

[84] Thus, the evidence of Dr. Breen and that of Gerald Karpik must be preferred in concluding that the T/S sled cannot be operated on snow. Mr. Gerard Karpik's comments in his Expert Report (P-121) are very telling in that they relate specifically to the T/S:

**The T/S and Twin Track Oval Ice Race Sleds**

50. These are both special-purpose vehicles used in a very particular environment, being high-speed racing on oval ice-covered race tracks. As I mentioned above, I have had an occasion to drive the Bombardier Twin Track oval ice race sled. For example, instead of skis, these vehicles have short, very small

extrusions that have very sharp blades called carbides attached. The blades are sharpened to ensure good traction on ice at high speeds. They travel at speeds up to 100 miles/hour and are driven in a closed oval circuit in a counter clockwise direction, thereby always turning towards the left.

54. Because of the way that they are constructed, neither the T/S nor the Twin Track can travel on bumpy trails. The small extrusions acting as skis would sink in snow and their lower heights would jam the machine in the snow if they were ever taken on a trail. They cannot effectively turn to the right, and if one were to attempt to do so at a higher speed, they would flip over due to the geometry of their front suspension. And the very small travel of the suspension on these sleds makes them unsuitable for riding over bumps or in rough terrain.

[My emphasis.]

Gerard Karpik testified to the same effect on March 24, 2015. His testimony is directly relevant to the 264 Patent in that the snowmobile must be capable of operating on snow. The T/S, with its skates, is not. As Mr. Karpik said in his testimony in chief when describing T/S and its skis, “(t)heir skis really aren’t skis”. It is not so much that skis are an essential element because they enhance ruggedness as skis that operate on top of the snow are needed for the snowmobile of claim 1.

[85] Arctic Cat did not discharge its burden of showing that the T/S sled is a snowmobile, as considered in the 264 Patent. As we shall see later, that defeats the argument that the T/S anticipates the 264 Patent.

[86] Another reason why the T/S does not anticipate the 264 Patent is that it does not have a “Pyramidal Brace Assembly”, as required with respect to all the asserted claims. Indeed, the pyramidal brace assembly is at the heart of the invention.



[87] As I understand it, AC's contention is that the term "pyramidal brace assembly" "refers to a pyramid shaped structure that contributes at least some rigidity to the snowmobile" (Memorandum of Fact and Law of the Defendants on the Validity of Canadian Patent 2,350,264, at para 20) and that this Court cannot read a requirement that it be operating without a bending limitation in the claims. Bombardier retorts that Arctic Cat attempts to read out the word "brace" from the construction of the term with one eye on the T/S sled, since that sled's frame fails to brace or rigidify the vehicle. Bombardier submits that this Court has recognized that pyramidal brace assembly is at the heart of the invention and that the 264 Patent relates to the construction of a frame to enhance the ruggedness of a snowmobile as well as the ability of the vehicle to operate on difficult terrain. This Court's finding is, in Bombardier's view, "anchored in purposive construction" (BRP's Responding Memorandum on Remand – Validity, at para 25) since it reflects the purpose and objective of the 264 Patent, read as a whole, and is amply supported by the evidence of Mr. Breen.

[88] In my view, BRP is right to point out that the construction put on the terms by AC expels from consideration the word "brace", leaving the invention to be merely some form of pyramidal assembly that contributes some rigidity. That constitutes the only construction that could allow AC to claim that the T/S has some form of pyramidal assembly which could satisfy the 264 Patent. In fact, it was not a matter of dispute that the T/S had a pyramidal structure. The real question is rather whether adding some rigidity, as the T/S is said to do, meets the requirement that there be a pyramidal brace assembly.

[89] The purpose of the so-called pyramidal brace assembly is to distribute the weight loaded onto a snowmobile. The 264 Patent is all about enhancing the ruggedness of the snowmobile and the ability of the snowmobile to operate on difficult terrains; that enhanced rigidity improves handling.

[90] AC offered the evidence of David Karpik and that of Mr. Cowley. David Karpik spoke of a level of structural rigidity. Neither Mr. Karpik nor Mr. Cowley provided much in terms of what is that measure of rigidity and how it might attain bracing. In fact, David Karpik did not produce his Report having conducted an inspection of the T/S or conducted torsion tests: his report is based on photographs. There are no measurements. The statements were unsubstantiated: they appeared more impressionistic than supported by expertise or experimentation.

[91] On the other hand, Dr. Breen, for BRC, addressed the issue squarely in his reports and at trial by describing what the person of skill would understand by the term “brace”:

[150] A “pyramidal brace” would be understood by a person of skill in the art as being one or more of the legs or surfaces of a pyramid which provides structural support in one or more directions. A “pyramidal brace assembly” would in like manner be understood as an assembly of legs or surfaces of a pyramid that provide structural support in one or more directions that is constructed of one or more component parts that are affixed together.

...

[154] The term “brace” is widely known in the art and designates an element which leans against and/or supports a structure, usually to improve rigidity of the structure. A person skilled in the art would therefore consider that the term “braces” excludes elements which do not serve any structural support function.

[155] In addition, in paragraph [00113] of the specification, the inventors confirm the important structural features of the

pyramidal brace assembly, which is at the core of the patent: “the forces experienced by left and right shock absorbers are transmitted (from the front of the vehicle) to the frame assembly” and from there through the rear braces which are “orientated (*sic*) with respect to the rear suspension.” This paragraph concludes: “The positioning of these elements such that they transmit forces encountered at the front, middle and rear of the vehicle to an apex creates a very stable vehicle that is capable of withstanding virtually any forces that the vehicle may encounter during operation without sacrificing vehicle performance.”

[156] The person of skill in the art would thus understand that the “pyramidal brace assembly” contemplated in the patent is a component which plays an important part in the structural behaviour of the frame of the snowmobile.

(Kevin Breen Report, P-39)

[My emphasis.]

The notion of a brace is not to add “some” rigidity. Indeed, some rigidity may be added without “bracing”. It is rather “an important part of the structural behaviour of the frame of the snowmobile”: Expert Breen opined on the kind of rigidity contemplated by the 264 Patent at paragraph 161:

[161] After reading the 264 Patent as a whole, particularly paragraphs [00109] to [00114], the person skilled in the art would conclude that the effect of this pyramidal structure is to increase rigidity of the frame of a snowmobile which is equipped with such a pyramidal brace assembly. In other words, such a frame will deform less when subjected to a similar load, as best shown in the graph of Fig. 35 comparing the frame constructed with a pyramidal brace assembly as taught in the 264 patent to frames found in snowmobiles of the prior art. This configuration essentially eliminates bending in the frame, both in torsion and in the longitudinal direction, and allows for efforts to be transmitted in tension and compression instead.

[My emphasis.]

[92] As discussed at some length at the remand hearing, not any added rigidity will suffice.

Adding some duct tape may add some rigidity, but it would not be the kind of contribution to the

structural behaviour of the frame of the snowmobile contemplated by a brace. The pyramid witnessed in the T/S sled, as testified Dr. Breen (March 23, 2015), does not provide structural support. The reason for that is readily apparent. The T/S pyramidal structure is:

... basically a device that's holding the steering column and the handlebars in place and that's all it's there for. It doesn't provide any structural support for the snowmobile because if I push on it I move that frame structure. And likewise, if I turn the handlebars and lean on them I move the structure.

So it's just -- it's undersized to provide any real value as a structure. It's perfect to hold the steering shaft and handlebars in place but -- because that's what it's there for. It's not there to provide a structure to keep the frame from bending underneath it, because it's just -- that's not its purpose, given a racing snowmobile.

(Kevin Breen, examination in chief, March 23, 2015, p. 42.)

[93] AC argued that what Mr. Breen testified to was merely the preferred embodiment of the invention. I disagree. The bracing is fundamental to the invention. Dr. Breen testified, and was cross-examined, on what constitutes a brace. His evidence was cogent as it addressed squarely the issue. It follows that the T/S does not have the pyramidal brace assembly required by the 264 Patent.

[94] Finally, claim 7 adds to the snowmobile of claim 1 (with its pyramidal brace assembly) an upper column. Does the T/S sled have the upper column contemplated by the 264 Patent? Arctic Cat submits that the term "upper column" represents "an upwardly extending structure that supports the handlebars and pyramidal brace assembly" (Memorandum of Fact and Law of the Defendants on the Validity of Canadian Patent 2,350,264, at para 23) and that it should not be construed as having to be a generally inverted U-shaped structure.

[95] Here, the debate appears to focus on AC's contention that the steering column of the T/S sled corresponds to the upper column of the 264 Patent. It relies chiefly on the evidence of David Karpik who, again, is satisfied with some added rigidity, without being concerned with the requirement for the structure to be a pyramidal brace assembly. The fact that Mr. D. Karpik did not inspect the T/S renders his evidence less than convincing.

[96] In Bombardier's view, this interpretation would mean equating an "upper column" with the "steering column" of the T/S vehicle. This would be incorrect, as the 264 claims include both terms and it is trite law that patentees use different words with the intention to refer to different concepts: *ABB Technology AG v Hyundai Heavy Industries Co Ltd.*, 2013 FC 947 [*ABB Technology*] at para 29, expressly aff'd on this point at 2015 FCA 181 at para 45. The 264 Patent makes the difference between the two. The 264 snowmobile comprises as one of its elements "a steering column movably connected to the frame without a head pipe and operatively connected to the two skis" (Claims 1, 16 and 24). References to "steering column" are in fact to be found throughout the 264 Patent. It is not per incuriam that different terms are used: the "steering column" is not the "upper column" of claim 7.

[97] The difficulty is that it was for AC to demonstrate, on the civil burden of proof of balance of probabilities, that the steering column of the T/S corresponds to the upper column of the 264 Patent: the Patent appears to me to be clear that they are not one and the same. The federal courts in *ABB Technology (supra)* were in agreement. The Federal Court of Appeal specifically endorsed at paragraph 45 the view expressed by Barnes J of this Court:

[45] In my view, the Federal Court was right to avoid construing the patent in a manner that would unduly neglect its wording.

Where patent language can bear more than one equally plausible meaning, one must adopt a “reasonable view” of patent language to “afford the inventor protection for that which he has actually in good faith invented” (*Consolboard*, above at page 521). But the Federal Court correctly held that this principle does not mean that in all cases it must adopt “any arguable interpretation that would uphold the patent.” The Federal Court added (at paragraph 29):

In most cases the language of the patent, when viewed contextually and objectively, will be sufficient to establish what was intended thereby ensuring the attainment of its purpose. I would add that the purposive approach is not an invitation to the Court to ignore the ordinary rules of grammar and syntax. If an essential feature of a patent is defined in a specific way and a different more expansive term is also introduced than [sic] can include the specific term, one would not generally interpret the two terms as denoting the same thing. The usual purpose of using different words is to distinguish one feature from another and not to express synonymy.

[My emphasis.]

[98] I have not been able to find evidence of how the steering column of the T/S, as defined by AC, had become the upper column of the Patent. The upper column is a specific term which simply cannot be equated with the steering column. When a claim speaks of an upper column, it must be given meaning. It must be more than merely and upwardly extending structure that support the handlebars. It must be a structural element. That is what is explained by Dr. Breen where he describes the steering column of the T/S sled. I accept the elaborate explanation provided by Dr. Breen in his rebuttal report (P-114) which I reproduce in its entirety:

**(c) The T/S oval sled has no “upper column”**

[335] At paragraph 113 of his report, Mr. Karpik contends that the steering tube of the T/S oval racing sled provides some rigidity to the vehicle. Likewise, Mr. Warner, at paragraphs 178 to 186, discusses the fact that the steering column would work with the

front and the rear tubes of the steering column support assembly for the vehicle to better resist twisting and bending. In Exhibit M to his report, at items 7 and 8, Mr. Warner takes the position that the “steering column” of the T/S oval racing sled corresponds to the “upper column” of the claims of the 264 Patent.

[336] In my opinion, the contentions of Messrs. Karpik and Cowley are untenable, for multiple reasons.

[337] The “upper column” is recited in certain dependent claims of the 264 Patent. These claims depend on independent claims that all recite the element “a steering column” connected to the two skis. In my opinion, the “upper column” element of the dependent claims at issue cannot be the same element as the “steering column”. In my opinion, the steering column of the T/S oval racing sled corresponds to the “steering column” of the claims of the 264 Patent, not to the “upper column”.

[338] Moreover, I am of the opinion that the steering column of the T/S oval racing sled does not play a role in the overall rigidity of the frame. Messrs. Karpik and Cowley both contend that the steering column is maintained in vertical position by upper and lower support brackets, which would limit the up and down movement of the steering column relative to the frame.<sup>18</sup>

[339] In theory, these contentions may be true, but this is not the case in reality. As discussed and illustrated by Mr. Warner at paragraph 178 of his report, the steering column of the T/S oval racing sled is mounted to the upper and lower steering support brackets by way of spherical bushings. These spherical bushings allow for displacement of the steering column relative to the steering support brackets, as shown in the following photograph taken during my inspection of the various snowmobiles on December 3, 2014. In addition, the aluminium bracket which holds the upper spherical bushing is mounted to the steering support structure by a single bolt, at the rear end of the bracket. This presumably allows up and down movement of the steering column of the T/S sled.

[340] Since vertical displacement between the steering column and the upper and lower steering support brackets is allowed, the steering column cannot work in tension or compression, as suggested by Messrs. Karpik and Cowley.

[Footnote omitted.]

[My emphasis.]

[99] Dr. Breen testified at trial to the same effect. He offered that “there are flexible bushings in the steering column at the top and also at the bottom that allow it to rotate and to pivot up and down a little bit. They’re little plastic inserts. So they don’t tie the steering column to this structure at all. They’re - they support it but they don’t rigidly connect it together”. Examination in chief, March 23, 2015, p. 54). A demonstration was made by Dr. Breen when the T/S was inspected later that day, a demonstration that was very convincing. The steering column of the T/S was not built to play a role in the overall rigidity of the frame.

[100] Similarly, Mr. Gerard Karpik testified very convincingly to the same effect on March 24.

I reproduce paragraph 62 of his rebuttal report (P-121):

62. At paragraph 178 of his report, Mr. Cowley says that the steering column of the T/S sled is a structural member, and at paragraph 182 he says it is a “structural element that improves the overall rigidity of the frame”. These are very surprising statements. I have driven oval ice race sleds (I even crashed one!) and know that the driver must act instantaneously at all times when travelling at high speeds which, as I said earlier, can reach up to 100 miles/hour on an icy surface. If one were to hit a ridge or other minor obstacle travelling at such high speeds, the driver has to immediately respond with the steering to maintain control of the vehicle. If the steering column is a structural member, the steering could jam and not respond to the driver’s movement. That is likely why the steering column on the T/S is equipped with spherical bushing to ensure total freedom in all axes of the steering column in relation to the structure of the sled. The spherical bushings in question are illustrated at paragraph 178 of Mr. Cowley’s report.

[My emphasis.]

[101] At the end of the day, it was for AC to show that the steering column of the T/S was more than the steering column of the 264 Patent, such that it is a structural element that attains the



level of the upper column of claim 7. It did not. The steering column of the T/S sled is no more than a steering column.

[102] In the result, the T/S oval racing sled does not meet any of the three requirements:

- a) it is not a snowmobile as claimed in the 264 Patent;
- b) it does not have the pyramidal brace assembly as claimed in the 264 Patent;
- c) it does not have an upper column, as claimed in the 264 Patent.

[103] Given those findings, the Court must now determine whether the Patent-in-suit is anticipated by the T/S sled or whether it would be obvious to the person skilled in the art to bridge the gap between the prior art, defined by AC as being the T/S sled, using the common general knowledge to reach the invention claimed by BRP.

#### B. *Anticipation*

[104] The law of anticipation was reviewed in some details at 2017 FC 207 (paras 478 to 492). Fundamentally, a lack of novelty will result in a finding of invalidity of claims in a patent (s. 28.2 of the *Patent Act*). According to paragraph 28.2(1)(a), “(t)he subject-matter defined by a claim in an application for a patent in Canada ... must not have been disclosed ... in such a manner that the subject-matter became available to the public in Canada or elsewhere”. That is what AC argues in this case. The invention described in the 264 Patent is not novel. One piece of prior art, the T/S sled, anticipates and as such, the 264 Patent is invalid.

[105] The Supreme Court of Canada instructed in *Apotex Inc. v Sanofi-Synthelabo Canada Inc.*, 2008 SCC 61, [2008] 3 SCR 265 [*Sanofi*] that two requirements be satisfied for anticipation to be established: prior disclosure of the subject matter which would necessarily result in infringement, and enablement which means that the skilled person would have been able to perform the invention (*Sanofi*, paras 25-26). The Court is specific as to the allowed experimentation. Paragraph 27 is particularly explicit:

[27] Once the subject matter of the invention is disclosed by the prior patent, the person skilled in the art is assumed to be willing to make trial and error experiments to get it to work. While trial and error experimentation is permitted at the enablement stage, it is not at the disclosure stage. For purposes of enablement, the question is no longer what the skilled person would think the disclosure of the prior patent meant, but whether he or she would be able to work the invention.

Whatever experimentation is needed, it must be without undue burden (*Sanofi*, paras 33 and 35).

[106] As a result, the test to meet for anticipation to be shown is one that it is not easy to meet. It is not made any easier by the fact that the disclosure must be enough to allow the public to make or obtain the invention. For instance, the acquirer of an object is free to examine it and to discover the invention.

[107] Here BRP contends that the T/S lacked several elements of the 264 Patent such that the subject matter would necessarily result in infringement. There cannot be a disclosure of the invention if the prior art on which a party relies does not have the required elements.

[108] AC concedes that in order to succeed on anticipation, it must demonstrate that the T/S sled is a snowmobile, has a pyramidal brace assembly and has an upper column (Memorandum of Fact and Law of the Defendants on the Validity of Canadian Patent 2,350,264, para 28). That is because in order to prevail, AC must show that a single piece of prior art satisfies the requirements of prior disclosure and enablement (*Sanofi*). As indicated previously in these reasons, the Court found that the T/S sled is not a snowmobile, does not have the required pyramidal brace assembly and, although it has a steering column, it has not been shown that it equates with the upper column of the 264 Patent in the claims where it is required. Contrary to the assertion of AC, it is not a matter of preferred embodiment that the snowmobile of 264 be able to operate in snow: it is the very essence of the invention as claimed. Similarly, having a pyramidal assembly of some sort does not suffice: it must also be bracing and that demonstration has not been made by AC about the T/S, as was its burden. Rather, the evidence shows that it is the T/S sled's frame that is intended to support a steering column. The steering column of the T/S was never proven to be the upper column of the 264 Patent: it is telling that the 264 Patent makes the difference between a "steering column" and the "upper column". The evidence of Mr. Cowley and Mr. D. Karpik offered by AC to contend that the steering column of the T/S is also an "upper column" fell short of the mark. AC has the burden of showing invalidity in view of the presumption of validity of a patent (ss. 43(2) of the *Patent Act*). That suffices to dispose of the issue.

[109] But the Court has not been convinced that the requirement of enablement has been met either on this record. AC seems to rely on the fact that the T/S was displayed in public, usually after races. The public would be able to observe the pyramidal frame. But, the prior art must

provide the information that allows the invention to be recreated without undue burden. Here, the invention is in the bracing of the frame, not simply that there be some pyramidal structure superimposed on and simply attached to the frame. In *Sanofi*, it is said that “(i)f inventive steps are required, the prior art will not be considered as enabling” (para 37). The disclosure by prior use asserted by AC is no more than that of a steering support assembly in the shape of a pyramid. That kind of disclosure hardly enables the skilled person to create the invention which requires the bracing effect explained by Dr. Breen and G. Karpik. The skilled person would see the T/S tubes of less than half an inch flexing upon less than moderate pressure (as demonstrated to the Court). The 264 Patent is not merely about some assembly of tubes shaped like a pyramid, but rather it is a structure sized and shaped to endure loads. The invention relates to the construction of snowmobiles (these are the only claims in this case), such that the construction of the frame and related structural elements enhance the ability of snowmobiles to operate across a wide variety of terrains, which includes snow, whether on groomed snowmobile trails or off-trail. AC has not shown on this record how the T/S sled’s steering support assembly braces a snowmobile.

[110] BRP claims that, in fact, there is no evidence of enablement offered by AC in this case: not only is there a need, in law, to have disclosure, but there must also be proof of enablement. BRP says that there is a complete absence of any evidence.

[111] AC counters by arguing that “enablement is generally inherent where the prior art is a publicly available physical article, and novelty is destroyed if the article is an embodiment of the claim” (Memorandum of Fact and Law of the Defendants on the Validity of Canadian Patent 2,350,264, at para 7). It says that it relies on *Baker Petrolite Corp. v Canwell Enviro-Industries*

*Ltd.*, 2002 FCA 158, 17 CPR (4<sup>th</sup>) 478, [2003] 1 FC 49, at paragraph 42. It is not immediately clear what AC relies on in paragraph 42.

[112] The paragraph is a summary of what to consider in analysing anticipation in the context of disclosure by prior use. Some of the principles summarized are:

- (a) “use by the public alone is insufficient to prove anticipation. Disclosure of the invention is required to constitute anticipation”. In other words, use of the product constitutes disclosure where is made available the information describing the invention;
- (b) “for a prior use to anticipate an invention, it must amount to “enabling disclosure” ”, which is to say that “the disclosure has to be such as to enable the public to make or obtain the invention”;
- (c) “when reverse engineering is necessary and capable of discovering the invention, an invention becomes available to the public if a product containing the invention is sold to any member of the public who is free to use it as she or he pleases”.

Thus, the Court of Appeal does not limit its observations to written prior art publication. There is no such prior art publication in this case. Here, AC attempts to counter BRP’s contention that there is no evidence of enablement by suggesting that there was “enabling disclosure”. That is not the evidence before the Court. The evidence is rather that the sled was on display after races. There is no evidence that there was disclosure of the invention: the “use of a product makes an invention part of the state of the art, i.e. equivalent to disclosure, only so far as that use makes available the information” (*Merrell Dow Pharmaceuticals Inc. and Anr. v. H. N. Norton & Co. Ltd.*, [1996] R.P.C. 76 (H.L.) cited in *Baker Petrolite*, para 42). Furthermore, there is no

evidence that reverse engineering could have been possible for the T/S was only put on display. Moreover, disclosure and enablement are not one and the same. In *Sanofi (supra)* Rothstein J., who is also the author of the *Baker Petrolite* decision in the Federal Court of Appeal, states that “(i)f the disclosure requirement is satisfied, the second requirement to prove anticipation is “enablement” which means that the person skilled in the art would have been able to perform the invention” (para 26). The Supreme Court adds:

[27] Once the subject matter of the invention is disclosed by the prior patent, the person skilled in the art is assumed to be willing to make trial and error experiments to get it to work. While trial and error experimentation is permitted at the enablement stage, it is not at the disclosure stage. For purposes of enablement, the question is no longer what the skilled person would think the disclosure of the prior patent meant, but whether he or she would be able to work the invention.

In this case, there was no evidence of enablement. The T/S did not disclose the subject matter of the invention either. Evidently, if the very same invention has already been performed, as AC claims with the T/S, because it does not account for the need of a bracing effect, there is not even a need for experimentation: it has already been realized. But such was not the case.

[113] It follows that the Court has not been satisfied that the T/S sled has anticipated the 264 Patent. The fact that the T/S does not disclose a snowmobile with a pyramidal brace assembly connected to the frame with, concerning some claims, an upper column disposes of the contention. Moreover, neither the disclosure, nor the enablement requirements were met. Hence, anticipation has not been proven.

C. *Obviousness*

[114] Even if the anticipation argument fails, AC argues it should still prevail in view of the fact that the 264 Patent is obvious. Again, this Court conducted a review of the law of obviousness in its decision (2017 FC 207, paras 522 to 526). There is no need to come back to it in any great details.

[115] AC contends that all that there is to do is to assess the gap between the subject matter of a claim and the prior art, in this case the T/S sled, to determine if it can be bridged by the person of skill in the art who would be using the common general knowledge. This does not stray from the approach recognized by the Supreme Court in *Sanofi (supra)* at paragraph 67:

- (1) (a) Identify the notional “person skilled in the art”;  
(b) Identify the relevant common general knowledge of that person;
- (2) Identify the inventive concept of the claim in question or if that cannot readily be done, construe it;
- (3) Identify what, if any, differences exist between the matter cited as forming part of the “state of the art” and the inventive concept of the claim or the claim as construed;
- (4) Viewed without any knowledge of the alleged invention as claimed, do those differences constitute steps which would have been obvious to the person skilled in the art or do they require any degree of invention?

[116] The Federal Court of Appeal provided clarification on the application of the framework in *Ciba Specialty Chemicals Water Treatments Limited’s v SNF Inc.*, 2017 FCA 225 [*SNF*]. At

step 3, the inventive concept is to be compared to the prior art to identify the differences that may exist. That prior art is somewhat limited, as spelled out at paragraph 60:

[60] To conclude, a word about “the matter cited as forming part of the prior art”, the phrase used in *Pozzoli and Plavix*. The matter cited as forming part of the prior art is simply the prior art relied upon by the person alleging obviousness. Obviousness is not determined by reference to the prior art at large. The person alleging obviousness must point to one or more elements of prior art which make the impugned invention obvious. The choice of those elements of prior art is entirely in the hands of the party alleging obviousness, limited only by section 28.3 of the Act which sets out the cut-off date for opposable prior art. In fact, the challenger may rely on a combination of pieces of prior art under the “mosaic” theory of obviousness: *Wenzel Downhole Tools Ltd. v. National-Oilwell Canada Ltd.*, 2012 FCA 333 at paragraph 87, [2014] 2 F.C.R. 459.

The prior art identified by AC is the T/S sled. That means that it says it can convince the Court that it would be obvious for the skilled person to go from the teachings of the T/S sled to the alleged invention, once the differences between the matter cited as forming part of the state of the art and the inventive concept of the claim have been identified (step 3). It is at step 4 that the common general knowledge becomes relevant. As the majority in *SNF* found (Woods J.A. refrained from endorsing paragraphs 51 to 63) at paragraph 62:

[62] ... if the difference between the inventive step (or the claim as construed) and the prior art can be bridged by the Skilled Person using only the common general knowledge of such a person, the “invention” is obvious: *Bristol-Myers Squibb Canada Co. v. Teva Canada Ltd.*, 2017 FCA 76 at paragraph 65, 146 C.P.R. (4th) 216. It is at this point that the common general knowledge is relevant. The Skilled Person can have recourse to their common general knowledge supplemented by those pieces of prior art which could be discovered by a reasonably diligent search ... In my view, this inquiry goes beyond asking whether the relevant differences are self-evident or not.



[117] Finally, the Court of Appeal comments on the notion of “inventive concept”. What is the inventive concept that is to be considered with the prior art to determine if the difference can be bridged using the common general knowledge together with information which the person of skill “could have found by making a reasonably diligent search” (para 68)? The Court of Appeal acknowledges the difficulty posed by what is to be the “inventive concept of the claim”. That is why it might be more appropriate to construe the claim:

[77] There may be cases in which the inventive concept can be grasped without difficulty but it appears to me that because “inventive concept” remains undefined, the search for it has brought considerable confusion into the law of obviousness. That uncertainty can be reduced by simply avoiding the inventive concept altogether and pursuing the alternate course of construing the claim. Until such time as the Supreme Court is able to develop a workable definition of the inventive concept, that appears to me to be a more useful use of the parties’ and the Federal Court’s time than arguing about a distraction or engaging in an unnecessary satellite debate.

[118] AC comes back with its argument, based on its construction of the claims, that the claims of the 264 Patent “cover a pyramidal structure that provides some level of rigidity to the frame of a snowmobile” (Memorandum of Fact and Law of the Defendants on the Validity of Canadian Patent 2,350,264, at para 45). AC speaks of applying the teachings of the T/S to a conventional snowmobile. But the difficulty rests with the teachings of the prior art chosen by AC, the T/S sled. As already observed, the T/S does not carry a brace assembly as contemplated by the 264 Patent. AC contends that no amount of rigidity is prescribed, such that any rigidity is enough. But that does not account for the requirement that there be a brace assembly, not merely an assembly that is superimposed on the frame. In effect, AC attempts to turn a requirement that there be a bracing assembly into something that will add rigidity, even if the added rigidity is minimal.

[119] This Court has already found on the basis of abundant evidence that the brace assembly, in a pyramidal shape, is at the heart of the claimed invention. The construction of that frame is to “enhance the ruggedness of a snowmobile and the ability of such vehicle to operate on difficult terrains” (2017 FC 207, para 355). It is not only to add some rigidity. The assembly has a purpose: to distribute the weight loaded onto the snowmobile. The brace is constituted by the bars that compose the frame assembly, which work in order to brace the frame. These conclusions reached by the Court have not been appealed by AC and, obviously, they have not been displaced. The subject-matter defined by the 264 claims includes the requirement that the pyramidal structure brace. The evidence of Dr. Breen establishes that the skilled person would understand that “(t)he term “brace” is widely known in the art and designates an element which leans against and/or supports a structure, usually to improve rigidity of the structure. A person skilled in the art would therefore consider that the term “braces” excludes elements which do not serve any structural support function” (Expert Report, P-39, para 154). He put it even more bluntly at paragraph 156.

[156] The person of skill in the art would thus understand that the “pyramidal brace assembly” contemplated in the patent is a component which plays an important part in the structural behavior of the frame of the snowmobile.

[120] AC’s argument is predicated on the T/S sled adding some rigidity which, it claims, is no less than the invention of the 264 Patent. But that is not the point. AC seems to contend that the point of the matter is some rigidity. In its memorandum of fact and law on remand, it encapsulates its position in just a few words, at paragraph 45: “With its analysis, it becomes clear that the claims cover a pyramidal structure that provides some level of rigidity to the frame of a snowmobile”. It is not. It is rather that there is bracing which, in turn, adds rigidity to the

structure. The rigidity comes from the bracing, not another kind of structure superimposed on the frame for a different purpose. Because there are some tubes assembled in some sort of pyramidal shape, AC contends that, for all intents and purposes, is all that there is to be about the 264 Patent. It follows that the gap between the T/S sled and the claims of 264 is narrow. As indicated earlier, the opinion of Dr. Breen on what is a brace is to be preferred: the pyramidal brace assembly of the 264 Patent must do more than provide support to some component such as the steering column, which is all that can be said of the T/S sled. Counsel for BRP is right that AC's contention that Dr. Breen's opinion is "mistaken" (Memorandum of Fact and Law of the Defendants on the Validity of Canadian Patent 2,350,264, at para 35) is simply unsupported. There is no evidence offered by AC that the T/S sled has anything more than a pyramid-like steering support assembly. AC relies on its construction of the claims, which does not account for the need for the brace, to argue ultimately that "there is no difference between the pyramidal structure of the T/S snowmobile and that required by the 264 Patent. As such, there is no gap that the skilled person is required to traverse and the claim is obvious" (Memorandum of Fact and Law of the Defendants on the Validity of Canadian Patent 2,350,264, at para 51). Such cannot be the case because it does not account for the most basic requirement that the assembly be not only pyramidal, but that it be a pyramidal brace assembly. The testimony of Gerard Karpik and Dr. Breen, that the skilled person would not be inspired by the T/S to design a snowmobile in accordance with the 264 claims, is to be preferred to the discounted evidence of Mr. Cowley. Indeed, neither he nor David Karpik inspected the T/S, which renders their evidence subject to caution. The evidence of Dr. Breen and Gerard Karpik does not suffer from the same limitation.

[121] Thus, the gap between the inventive concept, or the subject matter defined by the claims, and the T/S is significantly larger than what is asserted by AC. It was then for the defendants to establish through appropriately clear and convincing evidence that the differences constitute steps which would have been obvious to the person skilled in the art (when viewed without any knowledge of the claimed invention). On the contrary, one cannot see what was obvious in closing the gap between a support assembly and a brace assembly. The difference is not one of degree, but rather one of nature. AC declares that it would be a matter of strengthening the tubes: AC does not offer any evidence that could be used to that effect. In fact, it seeks once again to reduce the invention to a structure of a pyramidal shape that simply requires bigger, more robust tubes. Once again, there is no acknowledgement that there be a bracing action. The T/S would not inspire the skilled person to turn a structure to hold a steering column into a pyramidal brace assembly: the mere fact that there is a steering support assembly that looks like a pyramid does not turn it into a brace assembly for the structure. At any rate, there is a lack of evidence to counterbalance the evidence offered by BRP such that the gap could be bridged. BRP is right to argue that it was for AC to make the case with the assistance of evidence: submissions without clear and convincing evidence are just that, submissions which carry little weight. I find that there was nothing obvious in turning a pyramid-like steering support assembly into a pyramidal brace assembly connected to the frame. It is to be connected to the frame, not merely disposed on it and it must brace the structure.

[122] BRP also argued that secondary factors suggest that its invention is non-obvious. There was ample evidence (P-32) led at trial documenting the success of the REV; a number of the pieces produced in evidence referred specifically to the new chassis which generates significant

new rigidity (out of many articles in trade papers, one reads in Snow Tech – April 2002, “Just like the name implies, there is a pyramid-shaped chassis framework that helps distribute the bump forces that the A-arm front suspension would otherwise focus on the bulkhead ... The REV chassis is 600% more torsionally rigid than the already stiff ZX platform while being 13% lighter, and is said to be ten times (1000%) more torsionally rigid than the 2002 ZR!”). Indeed the 600% number about the added rigidity is found in numerous publications, as well as the pyramidal shape of the new chassis. For instance, Snow Tech of March 2003 notes that “The pyramidal frame of the REV is well-suited for mountain riding – when you pull on the bars to bank the sled, you’re essentially pulling on the entire chassis through the pyramidal frame, not just the steering post and its attachment points”.

[123] Such evidence is obviously not determinative – industry recognition and commercial success add marginally, in support of a conclusion that the Patent is not obvious. The seven factors listed by Snider J. in *Jay-Lor International Inc. v Penta Farm Systems Ltd.*, 2007 FC 358 favours BRP and its Patent. They are:

1. Was the invention novel and superior to what was available prior to the invention?
2. Has the invention been, since its introduction to the market, used widely and in preference to alternative devices?
3. Did competitors as well as experts in the field think of the combination?
4. Was there amazement expressed by the community at its first publication?
5. Did the invention enjoy commercial success?
6. Has there been imitation of the invention since its introduction?

## 7. Did the inventor come easily to the invention?

These secondary factors add comfort. They do not go any further.

[124] I have not been persuaded that the skilled person would have come to the invention of the 264 Patent, bridging the gap between the T/S sled and the inventive concept, or the claims as construed. To put it in the words of the Court of Appeal in *SNF*, “if the difference between the inventive step (or the claim as construed) and the prior art can be bridged by the Skilled Person using only the common general knowledge of such a person, the “invention” is obvious” (para 62). That demonstration has not been made.

V. Remedies

[125] The Court has reached the conclusion that the 106 Patent, 813 Patent and 964 Patent (2017 FC 207), the so-called “Rider Forward Patents” are invalid; there remained to be determined if the 264 Patent, the so-called “Pyramidal Frame Patent” was valid. The Court confirmed that the Patent is valid as AC was not successful in proving that the Patent was either anticipated or obvious.

[126] Thus, the Court must assess what is an appropriate remedy for the infringement of the valid 264 Patent. Section 55 of the *Patent Act* makes an infringer liable for all damage sustained.

It is subsection 55(1) which governs and it reads:

**Liability for patent  
infringement**

**55 (1)** A person who infringes a patent is liable to the

**Contrefaçon et recours**

**55 (1)** Quiconque contrefait un brevet est responsable envers

<p>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.</p>	<p>le breveté et toute personne se réclamant de celui-ci du dommage que cette contrefaçon leur a fait subir après l'octroi du brevet.</p>
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A. *Damages*

[127] BRP claims that it can prove that the infringement of its Pyramidal Frame Patent resulted in lost sales which were realized by AC for a certain number of accused snowmobiles. As for the remainder of the accused snowmobiles, an appropriate royalty ought to be imposed.

[128] The parties do not strike me to disagree on the law of damages in the *Patent Act* context. They do not disagree either on some of the basic facts. They disagree vehemently though on whether the lost profits approach taken by BRP is adequate and they arrive at significantly different figures on what ought to be an appropriate royalty. I have reviewed with great care the submissions and the evidence supplied by the parties, both on remand and at trial. The difficulty encountered by BRP is that its case on damages was largely built on the four patents-in-suit having been infringed. In fact, its statement of claim situates the 264 Patent as complementing the invention described in the other three patents:

9. As for the 264 Patent, it discloses and claims a novel frame configuration for a snowmobile that complements the invention of the afore mentioned patents.

The difficulty is of course to prove that the infringement of a patent which complements the new configuration of snowmobiles has generated lost sales, as opposed to lost sales caused by the infringement of the four patents. In the end, the case for lost profits has not been made out. On

the other hand, AC's contention that the royalty must be minimized also fell short of the mark while BRP's presentation on that front was persuasive.

(1) The law

[129] The Court in the parent case of *Arctic Cat Inc. v Bombardier Recreational Products Inc.*, 2016 FC 1047 noted the oft-quoted passage taken from *J.R. Short Milling Co. (Canada) v Continental Soya Co. and George Weston Bread and Cakes, Ltd.* (1943-44) 3 Fox's Patent Cases, 18 at p. 29:

In practically all reported cases the judges refer to the difficulty facing them in such matters [*sic*] and the impossibility of arriving at an amount with any kind of mathematical accuracy. Lord Shaw says that this is accomplished "to a large extent by the exercise of a sound imagination and the practice of the broad axe". The words of Lord Shaw are merely another way of saying that accuracy was impossible and that imagination must be exercised for or against the plaintiff. It does not mean that one can be generous, for damages are by way of compensating the plaintiff and not as a penalty or punishment of defendant.

[My emphasis.]

BRP insists that mathematical accuracy is not needed. But it is also true that the imagination must be sound.

[130] Subsection 55(1) of the *Patent Act* speaks of the damage sustained by reason of the infringement. That means that the damage has to come from infringement of the valid patent. In this case, it is only the infringement of the 264 Patent which is deserving of compensation. It is also only damage that has been caused by the infringement of that one patent that can be compensated.



[131] The requirement for causation is portrayed as the establishment “on a balance of probabilities that “but for” the defendant’s wrongful conduct, the plaintiff would not have suffered loss” (*Apotex Inc. v Merck & Co., Inc.*, 2015 FCA 171 [*Merck*], at para 45). Causation is to be assessed on the evidence before the Court as it is a “factual inquiry”. As such, it is “essentially a practical question of fact which can best be answered by ordinary common sense” (*Snell v Farrell*, [1990] 2 SCR 311, at p. 328). As the Federal Court of Appeal stressed in *Merck* (*supra*), and referring to *Clements v Clements*, [2012] 2 SCR 181, 2012 SCC 32, “(t)he “but for” test for causation is to be applied in a “robust common sense fashion” ” (para 45).

[132] The plaintiff must establish the reasonable probability that there are lost sales, and therefore lost profits, caused by the infringement of its 264 Patent, not the Rider Forward Patents (or the REV patents).

(2) Some basic facts

[133] AC sold a total of 20,934 snowmobiles which infringe on the 264 Patent. Out of that total, BRP submits that 2,536 were lost sales it would have otherwise made. It is somewhat ironic that having argued that there cannot be mathematical accuracy, BRP still submits a number which would unfortunately give the illusion that there is somehow mathematical accuracy to the model offered in this case.

[134] BRP claims its lost profit on the 2,536 infringing snowmobiles and, as for the other 18,398 snowmobiles sold by AC, BRP claims to be entitled to a reasonable royalty of

\$135/snowmobile. On the lost profits, the formula is rather simple: the 2,536 units are multiplied by the contribution margin that would have been realised.

[135] Given that there would not be an increase in the fixed costs if BRP had to manufacture the 2,536 supplementary snowmobiles (BRP had the extra capacity to manufacture the additional snowmobiles), and that BRP argues that the expert for AC agreed with the expert for BRP on the contribution margin, the only disagreement would have to be on whether or not it can be established that sales were lost by BRP on account of the infringement of its Pyramidal Frame Patent. And disagreement there was.

(3) Lost sales of snowmobiles on account of the 264 Patent

[136] AC contends, successfully in my view, that BRP fails to establish that there are lost sales due only to the pyramidal frame of the 264 Patent. That is because of the interplay between the patents which established the configuration of the REV for the rider to be sitting in a forward position, which have been ruled to be invalid, and the much less visible pyramidal frame, which merely complements the three Rider Forward Patents. There is not any evidence of even one case where it can be said that a snowmobile manufactured by AC was sold because it had the pyramidal brace assembly. It has not been shown by direct evidence that there is any lost sale caused by the infringement of that one patent. AC is right to point out that there is no evidence whatsoever of even one sale made by AC because it was practicing the 264 Patent (Exhibit D-155, AC Financial Read-Ins, p. 17/95). There is no evidence in the nature of market studies or surveys, or even that of one consumer who would have been driven to purchase a snowmobile in

view of the pyramidal frame under the hood. Instead, BRP relies exclusively on its expert's "market share approach" as a substitute for direct evidence.

[137] According to the approach chosen and privileged by BRP, in order to discharge its burden, BRP would have to show:

- (a) demand for the invention (and not for the new configuration of snowmobiles resulting from its other three patents);
- (b) causation;
- (c) reasonable quantification of profits;
- (d) manufacturing and marketing capacity.

The Court accepts that BRP would have had the manufacturing and marketing capacity required to accommodate the selling of some 2,500 new snowmobiles: the evidence on that front is solid (Mr. Guy for BRP) and it was not really challenged. The other three elements are however significantly problematic.

[138] BRP attempted to convince that the pyramidal structure was a driver of demand for its products. However, the attempt was based mainly on evidence in relation to what the plaintiff called its invention. What is needed is that the 264 Patent be in itself the driver of demand for the BRP products. That evidence is not present.

[139] BRP relied exclusively on the evidence of its expert at trial. Unfortunately for BRP, the expert's evidence relates to consumers preferring the forward/aggressive rider position claimed under the patents-in-suit (P-131, Expert Report of Keith R. Ugone, paras 70 to 73). The evidence

does not differentiate in order to focus on the 264 Patent. What is presented as evidence is that the new configuration, with the driver seated very much forward, was the true driver. There is no doubt that there exists an impressive list of industry publications which praised the REV. But the REV is not the 264 Patent. Dr. Ugone, at paragraphs 70 to 88 of his report (P-131) abundantly refers to the quality of the “ride” (“Soft/Comfortable Ride”), performance and handling, forward seating, stand up snowmobile style, the radical centralized mass, and the ergonomics. Indeed, the expert, in his report at paragraph 80, alludes to AC’s success coming from its new chassis (the Twin Spar chassis) unveiled in its 2007 model year snowmobile line. But the new Twin Spar chassis of 2007 did not even include a pyramidal frame. The introduction of the pyramidal frame by AC came only five years later. BRP’s expert was focussed on the patents-in-suit, generally, not the 264 Patent and its capacity to generate demand.

[140] An argument is made that marketing material “emphasized” the pyramidal frame. It is true that some marketing material mentions the frame: I do not accept that it is emphasized either in the BRP or in the AC material. In fact, when considered together with other technical features touted by the marketing material, the pyramidal frame is no more than other technical features such as improved suspension, drive system or braking technologies presented often together in brochures.

[141] BRP referred in its presentation to the annual reports produced by Arctic Cat for years 2011 and 2012 (BRP’s Memorandum on Remand – Remedies, para 16). In fact, the two paragraphs from the message from the CEO quoted in the compendium both stress the new suspension, drive system and braking technologies.

[142] The evidence in this case does not establish that the pyramidal structure was a driver of demand for products. There is no direct evidence of even one consumer having purchased a snowmobile having even considered the pyramidal frame. No studies have been produced tending to show that it would be a consideration, let alone a major consideration. The plaintiff was left to resort to material which refers to technical features in an attempt to suggest that the pyramidal frame is a driver of demand. As a matter of fact, it is rather the REV, with its new configuration that has generated the positive feedback observed in the industry. But there has not been the demonstration that the pyramidal structure can be responsible for the positive feedback. The only evidence offered by BRP's expert does not in my view help establish that the 264 Patent, by itself, had any impact on demand, let alone have the kind of impact that may drive demand.

[143] BRP also has to show that, but for the sales by AC of infringing products, it would have made a certain number of additional sales; it is therefore entitled to the profits on those sales.

[144] For what is a crucial proposition, that the 264 Patent caused the loss of more than 2,500 sales of snowmobiles, the plaintiff can only rely on the report of its expert, at paragraphs 89 and 90 (P-131). But the causal relationship that must be shown is between the 264 Patent and the lost sales, not the patents-in-suit (the three patents ruled to be invalid plus the 264 Patent) and the alleged lost sales. The only evidence supporting the contention is that "(t)he economic causal connection to lost profits is established by the fact that BRP manufactures and sells snowmobiles embodying the claimed teachings of the Patents-in-suit in the Canadian market, and these snowmobiles directly compete with Arctic Cat's Accused Products" (para 89). Dr. Ugone is speaking of the four patents; he never particularizes the impact of the 264 Patent. And it is that

particularized relationship that must be proven in order to establish any kind of causation. Put differently, Dr. Ugone was speaking about one relationship while this case, on remand, is concerned with a different one, about which there is no evidence. It does not take much of an exercise of “robust common sense” to conclude that the plaintiff has not satisfied its burden that, but for the use of the 264 pyramidal frame by AC, it would have realized sales attributed to AC.

[145] Even if it could be said that the pyramidal frame could be the driver of demand, which is obviously a linchpin, and that, but for the use of the patented invention it is BRP that would have realized a certain number of sales, the plaintiff would still have to establish what those sales would have been. In other words, not having established one sale caused by the pyramidal structure, BRP would have to explain how 2,500 of those sales might have occurred.

[146] BRP’s expert used his own methodology to estimate the sales lost by BRP to AC: the so-called “market share analysis”. The application of that methodology left a lot to be desired.

[147] The market share analysis proceeds from a fairly simple proposition. It asserts that if the number of snowmobiles sold in one year is known, which it is, and that the market share of AC and BRP is known, which it is, it is possible to estimate the number of units that fall in the “but for” category. In fact, it is a simple equation:

$$\begin{aligned} &\text{Number of units resulting from the use of the patented invention} \\ &= \\ &(\text{units sold} \times \frac{\text{but for share}}{\text{market share}}) - \text{units sold} \end{aligned}$$

The number of units sold and the market share are known. The more difficult part is figuring out the “but for share”. There are some significant assumptions that must be made. And that is in this case the Achilles heel of the enterprise.

[148] First, the assumptions. As the equation shows, the “but for share” of the market must be inferior to the market share. If the two market shares are the same, or just about the same, the result will be 0 units sold because of the use of the invention (units sold, multiplied by  $x/y$ , minus units sold will always equal 0 if  $x = y$ ). In other words, there must be a difference in the market shares and the equation will be sensitive to the numerator, the “but for share”. That would suggest that the “but for share” need be assessed with a measure of rigour. As was shown at trial, a small change in the numerator may generate a significant difference. It is therefore critical that there be a strong assessment of the market share that would be left if the invention had not been practiced.

[149] Second, it must be assumed that the “bump”, the difference between the actual market share of AC and the “but for” market share of AC is the result solely of the practice of the invention. If other factors are in play, it will be difficult, if not impossible, to figure out what factor influences what, and, most importantly, by how much. One would think that if the invention generates lost sales, the phenomenon would be witnessed across the various product lines. There may be an explanation for why a product line was not affected by the invention: but one would expect some explanation. If none is forthcoming, it may be that other forces are at play: something else may account for the “bump”; if any.

[150] Third, Dr. Ugone chose to assume that AC would have maintained its pre-infringement market share. That is a choice that he made. Lastly, the model assumes that the incremental sales by AC due to its infringement of the 264 Patent are not to go to BRP, but rather that competitors in the market who practice the invention would have benefited in a proportion equal to their market share (the proportions have of course to be adjusted to reflect the loss of market share by AC).

[151] The real difficulty appears in trying to figure out the “but for” share of the market which must reflect that it is solely based on the invention. It is critical to the validity of the model. In the case at bar, the evidence shows that AC was touting various other technological features. Indeed, was the bump, if there was the bump that BRP claims occurred, the result of the practice of the other three patents-in suit (introduced by AC in some segments in 2007), a combination of the four patents, some other innovations by AC, its marketing effort to sell its improved snowmobiles or some other conjectural factors? Besides how could the invention create a “bump” in only some segments?

[152] There are 6 segments in the snowmobile industry: Mountain, Crossover, Cross Country, Grand Sport, Touring and Utility. The model theoretically applies to each such segment. There is no need to define the various segments for our purposes, although an adequate definition can be found in BRP’s Expert Report (P-131), at Table 9. The introduction of the four patents-in-suit by AC was staggered over time. BRP’s position is that AC practiced since 2007 three patents ruled to be invalid, ramping up over time. However, the 264 Patent began being practiced by AC in model year 2012; conversely, BRP had begun practicing the four patents-in-suit well before (as



early as 2003, Expert Report of Keith R. Ugone, P-131, para 86). That makes comparisons of market shares difficult.

[153] To add to that difficulty, and what is striking in the methodology applied mechanically by BRP's expert, is that different rules end up being applied to different segments. He explained at paragraph 116 of his report:

**a. Arctic Cat's Adjusted Market Share**

116. To estimate Arctic Cat's market shares in the absence of the alleged infringement (*i.e.*, Arctic Cat's adjusted market shares), I applied the following estimation procedures for the segments where Arctic Cat's market share increased in the infringement period vis-à-vis the pre-infringement period:
- a. for segments where Arctic Cat's pre-infringement market share was relatively stable (e.g., the Touring and Utility segments), I continued that trend into the alleged infringement period;
  - b. for segments where Arctic Cat's pre-infringement market share showed a clear decreasing trend prior to the alleged infringement period (e.g., the Crossover and Cross Country segments), I extrapolated its market share one additional year (*i.e.*, into the first year of the infringement period) and held that extrapolated market share constant on a going-forward basis;<sup>139</sup> and
  - c. for segments in which there was no consistent trend pre-infringement (e.g., the Mountain and Grand Sport segments), I used Arctic Cat's market share in the year prior to the alleged infringement as an estimate of its market share absent infringement.

[Underlying in original.]  
[Footnote omitted.]

There was never any attempt to understand why the trends varied. We are left instead with "estimation procedures".

[154] These estimations come from a matrix of numbers, found at Table 15 of the Expert Report, composed of the market shares for the various six segments held by BRP and AC since 1999. The expert excludes completely from further consideration two segments, the Touring and Utility segments.

[155] The approach advocated by the expert in the other four segments is to suggest a systematic correlation between what he perceives as an increase in market share at the time of the practice of the invention by AC compared to trend lines prior to infringement that he estimated. As Dr. Ugone puts it in his report (P-131) at paragraph 114, he estimated the increase in market share enjoyed by the defendant because of the infringement. It is therefore quite critical to understand and appreciate how that “estimation” was made. It turns out that it is based on what the expert called his “visual inspection” of the numbers in his matrix. Under cross-examination at trial, Dr. Ugone justified his application of the methodology, which includes a “visual inspection”, based only on his years of experience as an economist. Here is an exchange having taken place on March 31, 2015:

MR. CRINSON: That was the number you picked? You looked at it and that’s the number you selected?

DR. UGONE: Yes.

MR. CRINSON: Okay.

There’s no calculation or plot, or graph, to show why you picked that number in your report is there?

DR. UGONE: There’s the explanation in paragraph 116.

MR. CRINSON: I see the words but there’s no mathematical – – numerical analysis as to why you’ve come up with this. There’s just the verbal explanation.

DR. UGONE: Yes but when there's a stable trend I considered -- continued the stable trend. When there's just those data points you don't need to -- there's no bad math or statistics that you need to do.

MR. CRINSON: How do you -- determine if it's a stable trend? Just look at it and ---

DR. UGONE: Yes. I call it a visual inspection, when you've got -- like I was saying before, I can look at this data, I mean, I've been an economist for 30 years. I can see that there's a band from 43 to 48 or 47. And all those years were within that band.

MR. CRINSON: Okay.

DR. UGONE: Or if the numbers are 10, 10 and 11, that looks stable to me. If the numbers are 15, 17, 16, there's a little bit of a variation but those are a stable -- relatively stable market share.

MR. CRINSON: So a person, an economist, an expert, would it be equally valid to have picked 15?

DR. UGONE: If they -- I wouldn't have chosen 15.

MR. CRINSON: No, I can that you've chosen 16.

DR. UGONE: Yes.

MR. CRINSON: But what I'm asking is, did you just exercise your judgment and pick 16?

DR. UGONE: I would say that I -- it was a combination of 30 years of experience as an economist, in combination with all the market share studies I've done over those 30 years and looking at the data.

And the quantitative part might have been in my head. I didn't, you know, I didn't -- numbers are the equivalent of drawing a picture or drawing a line and I came to the determination of 10 in Utility and 16 in Touring.

MR. CRINSON: So the answer to my question is that you just exercised your judgment is yes? That's what it was based on, your judgment?

DR. UGONE: It was based on a continuation of a stable trend. That was ---

MR. CRINSON: In your judgment?

DR. UGONE: Yes.

MR. CRINSON: Let's look at Utility. And here we see 10, 10, 11. And you decide it goes back to 10?

DR. UGONE: Yes.

MR. CRINSON: Would it not have been equally valid to pick 11?

DR. UGONE: I picked 10 because of when you look at the totality of the data points, someone if they picked 11 would have to justify 11. I picked 10 based on the data points that I saw and I felt that, in my 30 years of experience and looking at the totality of the data, that 10 was an appropriate figure.

MR. CRINSON: And would it be equally valid to say 11?

DR. UGONE: Someone would have to justify why they picked 11. I don't want to talk about the validity of it because I don't know how they would justify it. So it depends on how you would justify it.

In essence, the expert uses "estimation procedures" to seek to establish trend lines in market shares in the pre-infringement period, thus accelerating some decline, and he then visualizes bumps in some segments, but not in others. No statistical analysis or other quantifying method was applied. It is somewhat surprising in view of the sensitivity of the calculation of the quotient of the "but for market share" divided by the actual market share. No attempt is made to ascertain what may account for perceived bumps as the expert assumes that they result from an invention that is largely invisible under the hood and merely complements the other three patents which created the REV.

[156] The approach is made even more problematic in the Crossover segment. The actual market share of AC was observed as declining from 2007 to 2011, from a high of █% in 2007 to

■% in 2011. However, the AC market share, in the Crossover segment, grew back to ■%. The visual inspection conducted by the expert made him conclude that the “but for market share”, in 2012, would have declined further to ■%. Had he chosen to maintain the market share at ■% for 2012, the calculation would have produced a number of snowmobiles sold by AC to 668, in 2012, instead of the 1,054 reported based on the acceleration of the decline in the market share of AC. The expert does not account for the fact the BRP’s market share while practicing its four patents also declined during the same period, from 52% in 2007 to 45% in 2011.

[157] Most importantly though, the gain in market share in 2012, in the Crossover segment, back from ■% in 2011 (the expert visualised a further decline to ■%) to ■% in 2012, does not appear to result only from the practice of the 264 Patent in 2012, as AC introduced also the rider forward features. Exhibit 15 of P-131 situates in 2012 the bump resulting from the Infringement Under At Least The Rider Forward Patents in the Crossover segment (Table 25, at para 178 of P-131, suggests that there was a limited introduction of rider forward features in 2010-11, but “the first real big push” came in 2012). Exhibit 16, which is meant to portray “Infringement Under Pyramidal Frame Patent Only” actually displays the very same numbers that are found in Exhibit 15, which portrays the “Infringement Under At Least The Rider Forward Patents”. The return to a market share of ■% in 2012, for AC, may not therefore be the result of the practice of the 264 Patent, but rather the result of a combination of factors including the Rider Forward Patents and the 264 Patent, all of which were introduced in a big way in 2012. The same phenomenon is also evident in the Mountain segment. In effect, the comparison of Exhibits 15 and 16 does not show discrimination between the two sets of patents, the Rider Forward Patents and the 264 Patent. This is obviously a critical flaw, one which makes the use of the model less than reliable.

[158] Moreover, it is troublesome that the model would not apply altogether to two segments, the Touring and Utility segments. The expert declares at paragraph 116 of his report (P-131) that “for segment where Arctic Cat’s pre-infringement market share was relatively stable (e.g. the Touring and Utility segments), I continued that trend into the alleged infringement period”. It is very much unclear how the visual inspection resulted in a relatively stable share (in the Touring segment, the actual market share of AC, from 2007 to 2014, was █%, █%, █%, █%, █%, █%, █%, █%). Without refinement or explanation, the model as used in this case appears to show a measure of arbitrariness. At any rate the Touring and Utility segments do not show any lost sales on account of the pyramidal frame patent, but showed lost sales in the Utility segment for years 2012 to 2014 due to the “Infringement Under At Least The Rider Forward Patent” of Exhibit 15.

[159] In the Cross Country segment, the expert identifies a decreasing trend. It is not clear how the visual inspection produces a decreasing trend: AC’s market share for the years 2007 to 2011 was █%, █%, █%, █% and █%. It would appear to be stable, or perhaps even increasing between 2008 (█%) and 2011 (█%). The expert chose to see the “but for market share” of AC as remaining at █%, thus not acknowledging an upward trend. In year 2012, AC’s market share grew to █%, an increase (or “bump”) which is assumed to be the result of the practice of the 264 Patent. However, that same year, BRP’s market share jumps from 45% to 51% according to Table 15. If AC were gaining share on account of the practice of the invention, one might expect BRP to suffer from that bump. It bears repeating that the basic assumption in the model is that a sudden bump is the result solely of the defendant practicing the invention. But then, how does one account for another “bump” in the Cross Country segment at year 2014 when AC’s market share jumps from █% to █%? The expert does not account for that unexplained bump and

applies the formula for year 2014 ((number of units sold x ■ / ■) – number of units sold), which produces a not insignificant difference.

[160] The point of the matter is not that a “market share approach” can never be used to approximate damages suffered by a plaintiff. It is rather that the application of this model in this case is flawed to the point of not being reliable to ascertain a reasonable quantification of lost profits. There was less than satisfactory evidence that the 264 Patent, in isolation, is a driver of demand and has caused the loss of sales for BRP. The quantification model presented to the Court actually shows the same flaw. One of the main segments generating lost sales (the Crossover segment) does not differentiate between the Rider Forward Patents and the 264 Patent on the evidence before the Court. That number alone represents 68% of the alleged BRP’s lost unit sales. The Mountain segment suffers from the same critical flaw. The other main driver of BRP’s lost unit sales, the Cross Country segment, also exemplifies major flaws. As a matter of fact, it suggests strongly that there is much more going on than very simply a bump generated by the practice of the 264 Patent. The Court must seek to establish lost sales due only to the practice of the 264 Patent. On the evidence presented in this case with respect to the 264 Patent, it is not possible to isolate the Patent as generating demand for that invention alone and for that invention to have caused loss of sales by BRP. In the end, it has not been proven that the lost profits, if any, can be reasonably quantified in this case.

(4) Reasonable royalty

[161] Although it is not possible to assess lost profits on account of the practice of the 264 Patent, it remains that the 264 Patent has been infringed. BRP asserted that a royalty for the use

of its invention was owed on the remainder of the sales until 2014 (18,398 units = total sales of accused snowmobiles of 20,934 – alleged lost sales of 2,536 units) or, if the Court were to conclude that it was not possible to assess lost profits, the royalty would apply to the totality of accused snowmobiles. Accordingly, the Court must assess the reasonable royalty that would have been payable by AC to BRP for its utilization of the valid 264 Patent.

[162] The parties are in considerable disagreement however on the amount that constitutes a reasonable royalty. BRP situates that amount at a minimum of \$135 per infringing snowmobile. AC suggests an amount considerably inferior. In my view, an amount of \$135 per snowmobile is an adequate royalty.

[163] In arriving at a reasonable royalty, “(t)he test is what rate would result from negotiation between a willing licensor and a willing licensee” (*AlliedSignal Inc. v du Pont Canada Inc.*, (1998) 78 CPR (3d) 129 [*AlliedSignal*]; *Jay-Lor International Inc. v Penta Farm Systems Ltd.*, 2007 FC 358 [*Jay-Lor*]). It seems to me that the rationale is helpfully summarized at paragraph 126 of *Jay-Lor (supra)*:

[126] This notion is premised on the assumption that someone who wishes to use patented technology would normally have sought permission and been willing to pay a royalty for its use. The patentee, if prepared to license its invention, would then negotiate the terms of the licence, including the amount of royalty, with the intended licensee. The construct is obviously artificial in the sense that the infringer, in this case, did not make the choice to seek permission from the patentee when it began to use the patented technology in its own device. Assumptions on how parties might have negotiated must be made. However, licensing is a very common practice in the intellectual property field and has developed into an area of academic study. It appears that the methodology is well established and somewhat consistent. Accordingly, evidence of how parties negotiate licence agreements and the theory applicable to the negotiations is



available. In other words, from studying what is happening in the real world of licensing practices and applying generally-accepted methodology to the known facts in a specific case, we can form an opinion as to what would have happened in hypothetical negotiations between the parties in this case.

[164] The approach described in *Jay-Lor (supra)* consists in estimating the increased profit margin that is anticipated by the licensee from using the patent. The notion is described in the following fashion at paragraph 138:

[138] As described by Dr. Friedlander, the starting point for the analytical approach is that the infringer, before infringing, had a certain profit margin and that, after infringement, his anticipated profit margin will increase. Since the increase is due to the patented invention, the royalty payable to the licensor is this increased profit margin.

[165] Once an initial royalty has been determined, it is a matter of conducting a fictitious negotiation between the protagonists using factors that could exert upward as well as downward pressure on the royalty. A list of 13 factors was developed in *AlliedSignal (supra)*, but the list is neither exhaustive nor applicable in each and every case.

[166] The approach proposed by BRP, which is quite commonly used, is accepted by AC. However, there is disagreement concerning the initial royalty: BRP speaks of 50% of \$271 (the contribution margin) as the initial royalty, which AC situates at 42% of \$94, or \$40. Both parties agree that the 13 *AlliedSignal* factors do not, in the end, alter the amount of royalty that would be payable.

[167] Dr. Ugone, for BRP, discriminated between the estimation of the initial royalty between the Rider Forward Patents (\$450 per unit sold by AC) and the 264 Patent. To reach the figure of \$450, the expert compared the incremental profit made by AC when it introduced its “Twin Spar” chassis in 2007, which was alleged by BRP as AC practicing its Rider Forward Patents: these patents were ruled to be invalid. Applying the same approach to the practice of the 264 Patent, the expert established the incremental profits on account of the 264 Patent by comparing the profits on products incorporating the Twin Spar chassis with the profits on products incorporating the Pro Cross and Pro Climb chassis in 2012 which incorporated the pyramidal brace assembly.

[168] In my view, the approach is adequate. Basically, Dr. Ugone considered three segments and averaging, on a weighted basis, the various increases in incremental profits per unit, he reached the amount of \$271. Parties to this type of negotiation would know that the pyramidal frame is to be used across the product lines. The invention is the same, whether it is used in the Crossover, Cross Country, Grand Sport or any other segment. AC suggests that BRP limited itself to the Crossover, Cross Country and Grand Sport segments to arrive at its conclusion that the initial royalty is calculated to be \$271/per unit. I do not see what is reprehensible. This is the broad axe in action. We seek to establish a reasonable royalty based on a contribution margin. In the fictional negotiation, AC would consider its increased profitability not only in a limited number of segments, but rather across the board. It is the increased profitability across the product lines that would be considered. If the competition is such that the incremental profit per unit in some segments is reduced, that is irrelevant in the construct of a negotiation because it has to be global; the invention which does not change from segment to segment, is to be used across

the product lines. The licensor and the licensee would consider the value of the invention according to its utilization, that is with respect to all products. Put differently, it is the profitability of the invention that is assessed with respect to the products in which it will be incorporated.

[169] AC submitted that BRP limited its demonstration to three segments, thereby suggesting perhaps that the initial royalty might be less than the weighted average of the three segments used. I do not accept this criticism: AC could have shown a different picture if the other segments were fully considered. It did not. This is a double edged sword in the use of the “broad axe”. One may speculate that the initial royalty may have been higher once other segments are factored in.

[170] AC proposed that an appropriate royalty would be \$94/unit, its starting point in the value of the invention taken in isolation: it claims that the virtues of the invention, the greater rigidity of the frame, the ability to reduce the weight of some components without losing rigidity of the frame by “bracing” the frame, and generally the strength of the chassis are not only because of the pyramidal design alone. It is not clear what difference that would make in a negotiation in order to be able to use the patented invention.

[171] While AC was content to argue at trial that the pyramidal frame was worth \$94/per snowmobile, its position on remand seemed to evolve to using the average cost savings expected from moving to the pyramidal frame, which would result in a royalty of between \$6 and \$25 per

unit. AC admitted that there is no evidence to that effect at trial and I conclude that it should not be considered any further.

[172] As for a royalty of \$94 per unit, the experts agreed generally on the methodology. Nevertheless the expert for AC excluded from consideration some 353 units (from 927 to 574) in the Cross Country segment and 127 units (from 432 to 305) in the Grand Sport segment. AC's rationale was that there must be a comparison between similar models in a segment, which appears to exclude infringing models with bigger engines. In my view, the size of the engine is an irrelevant consideration because it is the value of the invention which is not concerned with the size of engines that is to be assessed without mathematical accuracy. Whether a manufacturer can increase profitability in products with more powerful engines does not affect directly the value of an invention which seeks to add rigidity by bracing the structure.

[173] It should be noted that the model presented by Dr. Ugone, for BRP, took the good with the bad: it did not seek to "cherry pick". In the Crossover segment, the incremental profit per unit was reduced by \$204 per unit between 2011 and 2012, when the pyramidal frame was first installed. The total number of units in that segment jumped from 324 to 2,308 in 2012. That put downward pressure on the contribution margin calculated as the aggregate of three segments. In my estimation, the 927 units in the Cross Country segment and the 432 units in the Grand Sport segment should be considered to leave a more appropriate picture of the incremental profits per unit in that segment rather than seeking to amputate units in the Cross Country segment and Grand Sport segment. When those units are factored in, one reaches the figure of a weighted average increase in incremental profit per unit of \$271.

[174] The position taken at trial and on remand was for Bombardier to receive a royalty equal to 50% of \$271. The 50% is approximately the market share held by BRP at the time. It is contended that “BRP would have taken the position that by allowing Arctic Cat to compete in the market with snowmobiles equipped with BRP’s demand driving patented technology, BRP is putting in jeopardy one out of two sales of snowmobiles sold in Canada... As a result, it would have been BRP’s position that it should receive a royalty equal to its market share of Arctic Cat’s incremental profits on the infringing products” (BRP’s Memorandum on Remand - Remedies, para 49). It is not for this Court to question the wisdom of the position taken by BRP. At the end of the day, it is seeking a royalty of \$135 per unit for the practice of its 264 Patent and not the full amount.

[175] As indicated earlier, the parties agreed that an examination of the *AlliedSignal* factors would not have changed the amount of the royalty after conducting the fictional negotiation.

[176] Ultimately, I find that a royalty of \$135 per unit for the use of a pyramidal frame on snowmobiles is reasonable compensation. As the Court of Appeal noted in this case, the pyramidal frame “facilitates the construction of snowmobiles with an improved rider positioning, i.e. with the rider in a more forward position” (para 5). This is not insignificant. A royalty of \$135 on the average price of a snowmobile of \$11,200 at the time is barely more than 1%.

[177] There are 20,934 infringing snowmobiles in the case. A royalty-only award reaches \$2,860,090 for the use of the invention for which the Court finds infringement of a valid patent, BRP’s 264 Patent.

B. *Permanent injunction*

[178] Out of the panoply of remedies originally sought by BRP (declaration that its 264 Patent is valid and it has been infringed, an order for the delivery up and destruction of all infringing products, damages, punitive damages, prejudgment and post-judgment interest as well as costs on a higher scale), some special attention was given by AC to an order sought restraining the defendants as well as officers, directors, employees, agents, distributors and dealers, and any person having knowledge of the injunction, from infringing the 264 Patent. Furthermore, the injunction is also to restrain from selling and offering for sale, making, using or distributing in Canada any snowmobile or component thereof as claimed in the 264 Patent. Finally, the order sought would take the form of an order restraining from inducing and procuring the sale, the offer for sale, the fabrication, the construction, the use or the distribution in Canada of any snowmobile or component thereof as claimed in the 264 Patent.

[179] As can be seen, the remedy is comprehensive, but limited geographically as it should be. AC pleads that no such injunction should be granted. The thrust of the argument is that it is not in the best interests of justice to grant what is a discretionary remedy and that the injunctive relief in the form asked for the BRP should be approached with caution.

[180] I start by noting that the *Patent Act* provides specifically for the issuance of an injunction.

Section 57 states:

**Injunction may issue**

**57 (1)** In any action for infringement of a patent, the court, or any judge thereof,

**Interdiction**

**57 (1)** Dans toute action en contrefaçon de brevet, le tribunal, ou l'un de ses juges,

may, on the application of the plaintiff or defendant, make such order as the court or judge sees fit,	peut, sur requête du plaignant ou du défendeur, rendre l'ordonnance qu'il juge à propos de rendre :
(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	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) for and respecting inspection or account, and generally, respecting the proceedings in the action.	b) pour les fins et à l'égard de l'inspection ou du règlement de comptes,
and generally, respecting the proceedings in the action.	et d'une façon générale, quant aux procédures de l'action.

[181] BRP argues that an injunction is, unless there are special circumstances which will arise only rarely, an appropriate remedy. After all, once infringement is found, allowing the infringer to continue infringing appears rather contrary to the patent regime in place where a monopoly is conferred for a period of time. Until the monopoly expires, it should be preserved. Hughes J. stated in *Abbvie Corporation v Janssen Inc*, 2014 FC 489 [*Abbvie*] that a permanent injunction may result in a loss of income, perhaps a loss of reputation, “but that is a natural consequence of losing a patent action” (para 49).

[182] The only case where an injunction was denied, says BRP, is *Unilever PLC v Procter & Gamble Inc*. (1993) 47 CPR.(3d) 479 [*Unilever*]. None of the factors found in that case are present in the case at bar. Refusing the permanent injunction would amount not only to force BRP into a compulsory licence without more with a major competitor, but it would also undermine the deterring effect of the patent system as this would make worthwhile for

“infringers to be” to infringe because the potential consequence ends up being to merely risk having to pay the royalty it chose not to seek or pay.

[183] AC for its part acknowledges it induced its network of independent dealers to sell Arctic Cat snowmobiles in Canada. It makes a number of arguments however:

- (a) Section 57 of the *Patent Act* speaks of “enjoining the opposite party from further use, manufacture or sale of the subject matter of the patent”. There is no mention of inducing and procuring infringement. AC suggests that “this Court should be cautious in granting equitable relief outside those circumstances” [Parliament having provided equitable relief in limited circumstances] (Responding Memorandum of Fact and Law of the Defendants re Remedies, at para 46).
- (b) The discretionary nature of the remedy sought should be used to refrain, in the best interests of justice, from granting an unwarranted injunction.
  - (i) Other snowmobile manufacturers, claims AC, practice the 264 Patent without consequences. The pyramidal frame is said to be of a relatively minor value and it is unfair to single out AC when others use the pyramidal frame.
  - (ii) Furthermore, an injunction would cause undue hardship on AC, its business, brand and reputation: in effect, an injunction would take AC out of the Canadian market for the model year 2021. AC also raises the spectre of unemployment in the area where it manufactures its snowmobiles in the State of Minnesota. Canadian dealers would also be adversely affected by an injunction.
  - (iii) Moreover, no irreparable harm to BRP will be suffered. AC reminds the Court that BRP’s CEO testified at trial that the company was open to reaching an agreement in favour of a licence at the right price. AC advances that its “snowmobiles have not caused BRP to lose its market share on actual sales, both of which actually rose in the years following Arctic Cat’s 2012



implementation of its pyramidal frame”.(Responding Memorandum of Fact and Law of the Defendants re Remedies, at para 59).

- (iv) Finally, AC contends that no injunction ought to be issued for a patent that will expire shortly.

[184] In my view, none of these arguments is convincing and they do not carry much weight even when considered collectively.

[185] It has been found that the 264 Patent has been infringed. On remand, this Court concluded that the challenge to its validity failed. It follows that BRP is entitled to remedies, one of which is a permanent injunction such that an infringer will be enjoined not to infringe any more. It is a remedy that is usually granted. Quoting again Hughes J. in *Abbvie* “(a)n injunction normally will follow once the Court has found that a patent is valid and has been infringed” (para 35). Declining to grant an injunction is the exception, indeed the rare exception. The only authority cited by AC in its material was the *Unilever* case and BRP asserted that it is the only one. That may very well be. At any rate, there was not in this case the kind of compelling equitable reasons for the Court to exercise its discretion to decline to issue the permanent injunction sought by the plaintiff. This case is no different from numerous cases where an attempt to get the Court to exercise discretion not to grant an injunction failed (*Valence Technology, Inc. v Phostech Lithium Inc.*, 2011 FC 174 per Gauthier J., para 239).

[186] For starters, it cannot be said that BRP came to Court lacking clean hands. Furthermore, I agree with BRP that the factors that found favour with the Court in *Unilever* are not present here. BRP did not brandish its Patent as a bargaining tool. Its CEO testified at trial that there could be

a licence agreement with AC at an appropriate price: there has not been any indication given as to why no arrangement was arrived at. AC, through its network of agents and dealerships, has practiced the invention since 2012. Not only the hardship alleged by AC has not been proved in this Court, but it has prevailed before a jury in its home State of Minnesota, which evidently reduces the risk of significant hardship in the USA. The hardship that would result from a permanent injunction is limited and is self-inflicted. It must be remembered that AC can sell snowmobiles in Canada: it is prevented from selling snowmobiles that infringe BRP's 264 Patent. I do not accept the suggestion that AC should be rewarded for having infringed the Patent by now reaching possibly an agreement on enhanced royalties (Responding Memorandum of Fact and Law of the Defendants re Remedies, at para 64). As my colleague Martineau J. found in *Eurocopter v Bell Helicopter Textron Canada Limitée*, 2012 FC 113, "the granting of injunctive relief is not only to the benefit of a successful party but it is issued by the Court in the public interest to ensure the enforceability of the Canadian patent system" (para 397).

[187] The breadth of protection offered by the law of patent is not something new. More than one hundred years ago, the Exchequer Court addressed the issue in *Hatton v Copeland-Chatterson Co.*, (1906) 10 Ex. CR 224:

18 Under the grant made by Canadian letters patent the patentee and his legal representatives and assigns acquire during the prescribed term the exclusive right privilege and liberty of making, constructing and using and vending to others to be used, in Canada, the invention covered by the patent. 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.

[My emphasis.]

That has found an echo in more recent decisions of the Court of Appeal and this Court. In *Bauer Hockey Corp. v Easton Sports Canada Inc.*, 2010 FC 361, Gauthier J., then of this Court, put the proposition in the following terms:

[181] There is no dispute as to the law applicable to infringement by inducement and procurement. In *AB Hassle v. Canada (Minister of National Health and Welfare)*, 2002 FCA 421, 298 N.R. 323, 22 C.P.R. (4th) 1 and in *MacLennan v. Produits Gilbert Inc.*, 2008 FCA 35, 67 C.P.R. (4th) 161, 389 N.R. 165 (*MacLennan*), the Federal Court of Appeal made it clear that a person who induces or procures another to infringe a patent is itself responsible for infringement of the patent.

AC infringed the 264 Patent. 20,934 infringing Arctic Cat snowmobiles were sold in Canada during that period under review in this case. With respect, I can see no merit in suggesting that an injunction should not be granted in view of the infringement of the 264 Patent by AC.

[188] As for the other arguments, which fall under the rubric of “interests of justice”, they do not fare any better. There is of course the important public interest to ensure the enforceability of the Canadian patent system. I fail to see the relevance of the allegation that Yamaha and Polaris practice the invention in impunity. Indeed, even assuming that the two competitors practice the invention, there is no evidence that it is with impunity as there may well be arrangements between competitors, as was seen during the trial. Not only has that allegation remained that, an allegation without evidence, but it is the infringement of AC that is the subject of litigation.

[189] Similarly, AC alleges an absence of irreparable harm to BRP if no injunction is granted. I beg to differ. First, this is not an interlocutory injunction that is sought with the application of the tripartite test (*RJR-MacDonald Inc. v Canada (Attorney General)*, [1994] 1 SCR 311) which requires that there be irreparable harm to the person seeking the injunction. The absence of irreparable harm appears to me to be irrelevant (*Schooff v British Columbia (Medical Services Commission)*, 2010 BCCA 396; *1711811 Ontario Ltd. v Buckley Insurance Brokers Ltd.*, 2014 ONCA 125, at para 74 to 80). I am not satisfied, at any rate, that AC has established that there is no irreparable harm in BRP being incapable, going forward, of seizing a bigger share of the market in Canada, or having to compete with a recognized infringer in the case the usual injunction is not granted. For instance, in *Chic Optic inc. c Safilo Canada inc.* (CS, 2004-05-28, May 28<sup>th</sup>, 2004), the Quebec Superior Court found irreparable harm in having to compete (para 18). The same type of comment was made in *Cedrom-Sni Inc. v Dose Pro Inc.*, 2017 QCSC 3383, at para 103. BRP was entitled to its monopoly for a period of time, and it should be put back in that situation until its Patent expires. Indeed, it is evident that AC's attempt is motivated, in part, by wishing to avoid losing some market share.

[190] AC declares that the benefit to BRP would be trivial. Such an assertion, without any basis, is less than persuasive. At the end of the day, the plaintiff has the right to its patent and for it to be duly enforced. I agree with BRP that AC knew what inducement and procurement entail, and it is what needs to be stopped.

[191] Finally, AC argued that an injunction should not be issued because of the expiry of the Patent. I would have thought that, on the contrary, it would be a reason favouring the issuance of

the permanent injunction. It is not a reason not to protect the monopoly and injunctions are granted even where the patent is soon to expire. Recently, the Quebec Superior Court issued an interlocutory injunction concerning a patent which was to expire in the next few months (*Thermolec Ltée c Stelpro Design Inc.*, 2018 QCSC 904).

[192] Accordingly, a permanent injunction is granted along the terms proposed by BRP. The proposed language is quite customary in intellectual property litigation and serves to achieve the *Patent Act*'s purpose. The terms of the injunction suffice to guide AC in what is permitted. I am confident AC knows what the parameters are: they are not unusual.

[193] Finally, AC requested that the injunction be stayed by this Court in order to seek a stay of it before the Federal Court of Appeal.

[194] What is requested of this Court is not a stay, but rather that its own injunctive order be delayed by ninety days. The Court is not prepared to suspend its order by such a long period of time, as it was not prepared to agree to what was presented as “a stay of the injunction for at least one model year” in AC’s written submissions at trial (AC’s Memorandum of Fact, Law and Argument - Remedies, para 390). Conversely, the unprecedented circumstances currently affecting the country, and certainly its courts, suggest that a short period of time would be in the interests of justice in order for AC (*Janssen Inc. v Abbvie Corporation*, 2014 FCA 176, para 18) to seek its stay. I would paraphrase Hughes J. in *Abbvie* (*supra*, at para 92) when he expressed puzzlement why Janssen, in that case, would not have made appropriate plans to deal with an injunction in view of the advance warning. I would do the same here. It would be puzzling why

AC would not have made adequate plans to deal with the injunction. Hughes J. concluded in *Abbvie* that it was not desirable to “stay” the injunction. In the case at bar, the circumstances are sufficiently different, and completely unprecedented in view of the pandemic, that injunctive order shall be delayed for a period of twenty days from the date of this judgment.

C. *Other remedies*

[195] Originally, the Plaintiff was seeking aggravated, punitive and exemplary damages. That was dropped in the last revised prayer for relief of December 17, 2019.

[196] BRP continues to seek prejudgment and post-judgment interest. There is no reason why such interest should not be awarded. As for costs, the parties have indicated that the matter might be addressed subsequently. The parties are invited to agree on an appropriate amount. Costs are to be ordered in favour of the Plaintiff on the remand and on the Defendants’ Motion to amend the statement of defence and counterclaim which was dismissed. If the parties are incapable to reach an agreement, they are to communicate with the Court through its Registry for direction.

VI. Postscript

[197] The parties sought from the Court that they be allowed to review a draft of the Judgment and Reasons for the purpose of suggesting possible redactions in order to protect commercially sensitive information that may be found in the reasons for judgment. BRP did not have any

suggestions for redactions while AC had a few at paragraphs 156, 157, 158 and 159. Essentially, these are figures that represent market shares at different times.

[198] I have concluded that redacting these figures will not hamper the understanding one would have of the reasons why the Court found as it did. Accordingly, the proposed redactions by AC have been granted in the reasons to be made public. The confidential version, which includes the figures redacted from paragraphs 156 to 159, is to be kept in the Court's Registry and is to be kept confidential.

[199] Furthermore, the trial was concerned with damages for a period of up to March 31, 2014. It follows that this judgment is limited to damages suffered by BRP up to that date. Indeed, there has not been any evidence led for damages suffered by BRP for the violation of the 264 Patent after March 31, 2014.

[200] The parties sought for this Court to refer the question of damages after the date of March 31 2014, pursuant to rules 153 et al of the *Federal Courts Rules*. It does not appear that the parties were able to agree on the number of snowmobiles in contravention of the 264 Patent, such that it would simply be a matter of multiplying the number of snowmobiles by the royalty amount. The matter of the damages encountered due to the violation of Canadian Patent 2,350,264 after March 31, 2014 will therefore be referred to a judge or other person designated by the Chief Justice of this Court for the purpose of ascertaining the number of snowmobiles infringing on the 264 Patent after the date of March 31, 2014. Once the number of infringing

snowmobiles has been ascertained, the matter of damages for the period of April 1, 2014 onward will be determined in accordance with the Court's judgment and reasons.



**JUDGMENT in T-2025-11**

**THE COURT ADJUDGES AND DECLARES as follows:**

1. The Defendants Arctic Cat, Inc. and Arctic Cat Sales, Inc. have infringed at least one claim of Canadian Patent No. 2, 350,264, such Patent being valid and subsisting. The Canadian Patent No. 2 350,264 is owned by the Plaintiff, Bombardier Recreational Product Inc.
  
2. The Plaintiff is granted a permanent injunction to restrain the Defendants, their officers, directors, employees, servants, agents, distributors and dealers having knowledge of the injunction or any other entity under their authority or control from:
  - (a) infringing Canadian Patent No. 2,350,264;
  
  - (b) selling or offering for sale, making, using or distributing in Canada any snowmobile or component thereof as claimed in Canadian Patent No. 2,350,264; or
  
  - (c) inducing and procuring the sale, the offer for sale, the fabrication, the construction, the use or the distribution in Canada of any snowmobile or component thereof as claimed in Canadian Patent No. 2,350, 264.

The said injunction shall not come into effect before 20 days from the date of this judgment.

3. The Plaintiff is granted an order for the Defendants to destroy, under oath, within 30 days after final judgment disposing of all appeals, if any, maintaining the validity of Canadian Patent No. 2,350,264, products in its possession, custody or control in Canada that offend the present injunction as infringing Canadian Patent No. 2,350,264.
4. The Plaintiff is entitled to damages resulting from the infringement of Canadian Patent No. 2,350,264, such damages amounting to \$2,826,090.
5. The Plaintiff is entitled to prejudgment interest on the award of damages, not compounded, at a rate to be calculated separately each year since the infringing activity began at the average annual bank rate established by the Bank of Canada as the minimum rate at which it makes short-term advances to the banks listed in Schedule 1 of the *Bank Act*, SC 1991, c 46.
6. The Plaintiff shall be entitled to post-judgment interest on the award of damages, not compounded, at a rate of 5% per annum, as established by Section 4 of the *Interest Act*, RSC, 1985, c I-15. Said interest rate shall commence from the date of the present judgment.
7. The Plaintiff is entitled to its costs on the remand as well as with respect to the Defendants' Motion to amend the statement of defence and counterclaim which was dismissed. If the parties are incapable of reaching an agreement on costs, they shall submit to the Court, through its Registry, a request for direction.

8. Pursuant to Rules 153 et al of the *Federal Courts Rules*, the matter of damages suffered by Bombardier Recreational Products Inc. after March 31, 2014, because of the violation of Canadian Patent 2,350,264 by the defendants Arctic Cat, Inc. and Arctic Cat Sales, Inc., is referred to a judge or a person designated by the Chief Justice of the Court. The reference shall be concerned with ascertaining the number of snowmobiles after March 31, 2014 in violation of the 264 Patent in order for the matter of damages to be determined in accordance with this Court's judgment and reasons.

“Yvan Roy”

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Judge

**FEDERAL COURT**

**SOLICITORS OF RECORD**

**DOCKET:** T-2025-11

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ARCTIC CAT, INC., AND ARCTIC CAT SALES, INC.

**PLACE OF HEARING:** MONTRÉAL, QUÉBEC ON NOVEMBER 6 AND 7,  
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**DATED:** JUNE 15, 2020

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