Federal Court  Cour fédérale

Date: 20220228

Docket: T-893-21

Citation: 2022 FC 276

Ottawa, Ontario, February 28, 2022

PRESENT: Madam Prothonotary Mireille Tabib

BETWEEN:

WI-LAN INC.

Plaintiff
(Defendant by Counterclaim)

and

APPLE CANADA INC. AND APPLE INC.

Defendants
(Plaintiffs by Counterclaim)

REASONS FOR ORDER AND ORDER

[1] Wi-Lan Inc. ("Wi-Lan") is suing Apple Canada Inc. and Apple Inc. (collectively "Apple"), claiming that iPhones, iPads and Apple Watches that implement and operate with the 4G and 5G Standards of telecommunications infringe several claim of its '159 Patent. It seeks, among other relief, an injunction, delivery up of infringing devices, and compensation, either as an accounting of the profits made by Apple from the infringement or for the damages Wi-Lan

has suffered. It is common ground that Wi-Lan is a non-practising entity, in that it does not itself use the patented technology. As such, its damages would take the form of a reasonable royalty.

[2] Apple makes this motion, seeking an order by which the issue of whether the patent is valid and infringed would be determined before and separately from all issues of remedies. More particularly, the point of bifurcation sought by Apple is that Wi-Lan's right to an injunction, right to delivery up of infringing devices, right to elect between profits and damages, and the calculation of profits or damages, be left to be determined later in a second trial if the first trial concludes that the patent is valid and infringed.

[3] Bifurcation orders are not unusual in patent infringement actions. However, what is a highly unusual is for the issue of a Plaintiff's right to an injunction to be deferred to the second phase. Only one such case was brought to the Court's attention (*Abbott Laboratories v Janssen Inc*., T-1310-09, unreported decision of Prothonotary Aalto dated September 26, 2011).

[4] There are many factors that the Court may take into account in determining whether to use its discretion to grant a motion for bifurcation. However, these factors do not constitute a "test" or a formula, but tools to help the Court answer this fundamental question: is it more likely than not that a bifurcation order would result in the just, expeditious and least expensive determination of the proceeding on its merits, so as to justify depriving the Plaintiff from its basic right to have all its issues resolved in one trial (*South Yukon Forest Corp. v Canada,* 2005 FC 670, paragraph3-4; *Bristol-Myers Squibb Co. v Apotex Inc,* 2003 FCA 263, paragraph 7).

[5] In order to ensure that the answer to that question is clearly tilted in its favour, Wi-Lan has offered this important concession: if the matter is not bifurcated, it will forego its claim for an accounting of profits, and limit its claim for monetary relief to damages, i.e., a reasonable royalty. The plaintiff in the case of *Apotex Inc v H. Lundbeck A/S,* 2012 FC 414 made a similar concession in order to avoid a bifurcation order. The Court wrote, at paragraphs 38 and 42:

> 38 It is trite law that it is a basic right of a litigant to have all the issues in dispute in a litigation resolved at one trial, and that on a motion for a bifurcation order, the moving party always bears the burden of demonstrating that, in light of the evidence and all the circumstances of the case (including the nature of the claims, the conduct of the litigation, the issues and the remedies sought), severance is more likely than not to result in the just, most expeditious and least expensive determination of the proceeding on its merits (Bristol-Myers Squibb Co. v. Apotex Inc., 2003 FCA 263 (Fed. C.A.)). It is also true, as pointed out by Apotex, that bifurcation tends to be the rule rather than the exception in intellectual property matters. In my view, this is so not merely because actions in intellectual property tend to be complex, because the scientific and financial issues are often discrete and because parties are generally loathe to share sensitive commercial or financial information with potential competitors until their liability to do so has been established, but mostly because of the nature of the remedies available and sought in infringement actions. A successful plaintiff in an infringement action is entitled to the damages it has suffered as a result of the infringement, but may also be entitled to opt instead for an accounting of the profits realized by the defendant. Because the right to elect an accounting of profits is discretionary, parties would not, in an un-bifurcated action, know whether the option is available to the plaintiff until the final judgment has been rendered. As such, without bifurcation, both parties will necessarily conduct and be subject to discoveries, and trial time will be necessarily be spent in leading evidence as to both parties' revenues and expenses, even though only one side's losses or profits can ever form the basis of an actual award. It is that inherent inefficiency that, in my view, most often justifies a bifurcation order.
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> […]
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> 42 A party's willingness to so drastically narrow the issues in dispute, potentially at the risk of compromising its substantial rights, in order to achieve the just, most expeditious and least

> expensive determination of the dispute before the Court is a factor that should weigh heavily in the Court's exercise of its discretion.
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> (Emphasis added)

[6] If, on the other hand, bifurcation is ordered, Wi-Lan will maintain its claim for the right to opt between profits and damages, with all of its inherent inefficiencies.

[7] To fully understand the two different outcomes that would result from Wi-Lan's proposed concession, it helps to set out the issues that form part of the determination of remedies in this case. The parties do not see eye to eye as to just how complex these issues are, but they do agree that these issues arise and must be considered in resolving the remedies sought.

[8] Wi-Lan alleges that the use of the patented technology is necessary for the accused devices to interact and comply with the 4G and 5G Standards. Essentially, if the device is 4G or 5G compliant, then it necessarily infringes. Apple denies this, but argues that if that is the case, then the '159 Patent is a "Standards Essential Patent" (SEP). Apple submits that at law, if a patent is a SEP, then the patent holder is not entitled to an injunction, to delivery up of the infringing devices or to an accounting of profits, and that its sole remedy for infringement is a royalty, which must meet "Fair, Reasonable and Non-Discriminatory" terms ("FRAND").

[9] The concepts of SEPs and FRAND royalties have been applied in the United States, but not yet in Canada. Whether these principles should form part of Canadian law, and if so, the criteria to be applied to determine whether the patent is a SEP, whether the patent holder's rights are as limited as Apple suggests, and how to calculate a FRAND royalty remain to be developed.

As such, it is arguable, but by no means clear, that if the ‘159 Patent is “essential” to comply with the 4G and 5G Standards, as alleged by Wi-Lan, it must necessarily be a SEP. It is also arguable, but not clear, that if the ‘159 Patent is a SEP, Wi-Lan cannot claim the remedies of an injunction, of an accounting of profits or of delivery up. Thus, because Apple’s proposed bifurcation defers to a second trial the issue of entitlement to all remedies, including whether the ‘159 Patent is a SEP, all of the following issues would form part of the discovery and trial in the “remedies” phase:

1. whether the ‘159 Patent is a SEP;

2. if the patent is a SEP, the appropriate FRAND royalty for the infringing devices;

3. if the patent is not a SEP, a reasonable royalty for the infringing devices;

4. whether Wi-Lan is entitled to an injunction;

5. whether Wi-Lan is entitled to delivery up of infringing devices;

6. whether Wi-Lan is entitled to an accounting of profits;

7. if Wi-Lan is entitled to an accounting of profits, what are the profits attributable to the infringement for the infringing devices, including convoyed sales.

[10] Obviously, if in a bifurcated trial the patent is found invalid and/or not infringed, none of those issues will be the subject of discovery or trial. Conversely, given Wi-Lan’s concession, discoveries and a trial in an un-bifurcated action would necessarily be held, but in respect of the following issues only:

1. whether the ‘159 Patent is a SEP;

2. if the patent is a SEP, the appropriate FRAND royalty for the accused devices;

3. if the patent is not a SEP, a reasonable royalty for the accused devices;

4. whether Wi-Lan is entitled to an injunction;

5. whether Wi-Lan is entitled to delivery up of infringing devices.

[11] As can be seen, Apple’s proposed bifurcation only results in savings if it is entirely successful at the liability phase. If, on the other hand, Wi-Lan succeeds in showing that some claims of the patent are valid and infringed by some devices, then a non-bifurcated action will represent substantial savings over a bifurcated action, as it would take off the table all discovery and trial evidence relating to Apple’s profits on all devices, including on convoyed sales. These are very complex issues, requiring extensive discovery and evidence. As they are clearly separate and distinct from other remedies issues, the savings from a non-bifurcated trial are evident and significant.

[12] It is untenable at law to take into account, in considering whether a bifurcation might result in substantial savings, that the cost of determining remedies would be entirely saved if the plaintiff were to fail to establish liability. (*Alcon Canada Inc. v Apotex Inc*, 2016 FC 898, para 12; *Rovi Guides Inc v BCE Inc et al*, Order of Prothonotary Aylen dated August 30, 2018, Federal Court File No. T-113-18, para 17; *Value Village Market (1990) Ltd v Value Village Stores Co*, [1999] FCJ No. 1663, para 7). If one is to consider significant or substantial savings

as a reason to bifurcate, then those savings must come from the likelihood that the determination of the first phase issues would inherently lead to a narrowing of the issues in the second phase, whatever that determination may be. That inherent likelihood typically comes from the nature of the first phase issues. Such is the case when a plaintiff claims damages in the form of an accounting of profit or damages: Once the entitlement to choose is determined, the plaintiff can be required to exercise its option and thus eliminate the need to try one form of quantification.

[13] Apple has failed to show the likelihood that the determination of the issues in the first trial would lead to savings. Apple suggests that a determination of liability might narrow the number of claims at issue or the number of devices for which royalties or profits might need to be calculated. That, however, is a purely theoretical possibility, untethered to the allegations of the pleadings, to any evidence or cogent argument. Apple's expert takes it as read that a narrowing of the number of claims would have an impact on the assessment of damages, but does not explain the basis for that assumption. Apple takes it for granted that the determination of liability issues would potentially reduce the number of devices for which a royalty needs to be calculated. Yet, the allegations of infringement are simple and all-encompassing: if a device interacts with the 4G or 5G Standards, then it necessarily infringes. Apple pleaded a general denial to this allegation. There are no allegations or indications on record that the manner in which the accused devices interact with the Standards differs from one platform, version or type of device to the other, such that there could be different conclusions as to infringement depending on the device. As such, Apple's allegation that a trial on liability would likely narrow the number of infringing devices or provide "clarity" as to anything related to the assessment of damages is purely speculative.

[14] Apple's other attempt to show that bifurcation might lead to some other form of clarity or savings equally fails. Apple submits that the law of accounting of profits is in flux and will remain so until the Supreme Court of Canada's determination of the appeal from *Dow Chemical Company v Nova Chemicals Corporation*, 2020 FCA 141. It asserts that clarity would be achieved if the remedies part of the trial were delayed until the Supreme Court's decision. That argument is, however, sterile: Wi-Lan's offer to abandon its claim for an accounting of profits effectively removes that entire exercise and any uncertainty surrounding it.

[15] The Court is thus not satisfied that the proposed bifurcation would more likely than not lead to substantial savings of time or expenses whatever the outcome of the liability trial.

[16] Is there, then, any other factor that might be considered to conclude that it is in the interest of justice to bifurcate?

[17] Apple cites "proportionality", as the principle is incorporated in a recent amendment to Rule 3(b) of the *Federal Courts Rules*. However, it fails to articulate an argument as to how a delayed, more complex assessment of remedies might be more proportional than a streamlined, immediate assessment of remedies.

[18] Apple also relies heavily on the complexity and novelty of the SEP and FRAND royalty analyses. Complexity is one of several factors that may be considered in determining a motion for bifurcation, but there is no support in law for bifurcating issues merely because they are novel or difficult, no matter how complex they might be. As mentioned, there is no reason to

believe that the complexity of the SEP issue or of the FRAND royalty calculation would likely be significantly mitigated, reduced or ameliorated by the determination of any of the liability issues (other than by a declaration of invalidity or non-infringement of all claims). To the extent the SEP or FRAND issues are to be determined, they will not be less complex, novel or difficult for being delayed. Complexity alone, in this case, is no reason to bifurcate.

[19] Finally, Apple submits that delay in the determination of Wi-Lan's entitlement to an injunction is just, because it would not be in the public interest to grant an injunction at all. Such an argument presupposes the ultimate favourable determination of Apple's arguments on the merits. They require the Court to assess the merits and conclude that Wi-Lan's claim to injunctive relief is most likely to fail. These arguments are, as discussed above, not factors that the Court should consider on a motion to bifurcate.

[20] In conclusion, Apple has not met its onus to show that bifurcation would result in the just, most expeditious and least expensive determination of the issues on the merits in the circumstances of this case, or even that bifurcation would meet the principles of proportionality. In the face of Wi-Lan's concession, Apple's motion faced insurmountable odds. Its arguments lacked in logic, were poorly supported by the case law and were insufficiently grounded in the record before the Court. They were akin to clutching at straws. Apple's motion will accordingly be dismissed.

[21] Wi-Lan submits that its offer to forego its claim for an accounting of profit if bifurcation was not ordered constitutes an offer to settle that should trigger Rule 420, and entitle it to double

costs. Wi-Lan may well initially have presented its concession as an offer to Apple to settle or avoid the motion. However, when Wi-Lan brought the proposal to the Court's attention as a factor to be taken into account in the determination of the motion, it ceased to be an offer to settle and became part of its ground of opposition. It is not appropriate to treat it as, or give it the effect of a settlement offer.

[22] As mentioned above, however, Wi-Lan's concession was of such significance that in its face, Apple's motion was doomed to fail and should not have been made or pursued. The consequences contemplated by Rule 403(2) apply, and costs will be payable forthwith.

[23] Apple's motion, as presented, was lengthy, voluminous and complex. Cost should be assessed in the amount of $4500, representing the high end of Column V of Tariff B, plus reasonable disbursements.

ORDER

THIS COURT ORDERS that:

1. The motion is dismissed, with costs in the amount of $4500 plus reasonable disbursements, payable forthwith by the Defendants to the Plaintiff.

"Mireille Tabib"
Prothonotary

FEDERAL COURT

SOLICITORS OF RECORD

DOCKET:	T-893-21
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APPEARANCES:

Nisha Anand Andrea Rico Wolf	FOR THE PLAINTIFF
Steven Mason Steven Tanner	FOR THE DEFENDANTS

SOLICITORS OF RECORD:

Gilbert's LLP Lawyers | Patent and Trademark Agents Toronto, ON	FOR THE PLAINTIFF
McCarthy Tétrault Law Company Toronto, ON	FOR THE DEFENDANTS