

Federal Court



Cour fédérale

Date: 20230817

Docket: T-151-16

Citation: 2023 FC 1111

Ottawa, Ontario, August 17, 2023

PRESENT: The Honourable Mr. Justice Roy

BETWEEN:

**ANGELCARE CANADA INC.
- and -
EDGEWELL PERSONAL CARE CANADA ULC
- and -
PLAYTEX PRODUCTS, LLC**

**Plaintiffs/
Defendants by Counterclaim**

and

**MUNCHKIN, INC.
- and -
MUNCHKIN BABY CANADA, LTD.**

**Defendants/
Plaintiffs by Counterclaim**

ORDER AND REASONS

[1] Four topics are made the subject of this Order and its Reasons:

- entitlement to injunctive relief;
- entitlement to accounting of profits;

- entitlement to punitive damages; and
- who, out of the three Plaintiffs, is entitled to a pecuniary remedy (damages or accounting of profits) and for what period of time.

[2] This matter comes before the Court as a result of an order issued on September 23, 2022, which came in the footsteps of another order, dated May 7, 2021, which provided for a hearing to take place for the matter of entitlement to remedies to be considered following this Court's decision on the issue of claim construction, infringement and validity (*Angelcare Canada Inc v Munchkin, Inc*, 2022 FC 507). The original bifurcation order had been made on August 25, 2016.

[3] To be clear, the present order does not address *per se* the actual quantification of the compensation owed to the Plaintiffs to the extent of their success following a lengthy trial concerning 117 claims found in six different patents. The order is limited to the entitlement to certain remedies, as listed, and who is entitled to remedies.

[4] The entitlement to declaratory relief concerning the infringement of various claims by the Defendants' cassettes and assemblies of cassettes and diaper pails has already been made the subject of adjudication. It is mainly generations 1, 2 and 3 of the Defendants' cassettes which have been found to infringe various claims of the six patents-in-issue. The only exception is with respect to Munchkin's cassettes of its fourth generation when assembled with diaper pails of the Defendants. That particular finding reads this way:

Declares that the Defendants' Generations 1, 2, 3 and 4 cassettes infringe claims 11, 12, 13, 16, 18, 19, 22 and 23 of the 128 Patent when assembled with the Defendants' PAIL and STEP diaper pails.

As I understand it, the possible compensation for assemblies including generation 4 cassettes and the Defendants' PAIL and STEP diaper pails is likely to be very limited. Thus, and without necessarily excluding a further remedy concerning generation 4 cassettes, the quantification of compensation will likely focus on the earlier generations of the various cassettes produced by the Defendants.

[5] The Court will address the various issues raised by the parties *seriatim*.

I. Entitlement to injunctive relief

[6] A permanent injunction was sought by the Plaintiffs concerning generation 4 cassettes when combined with the PAIL and STEP diaper pails. That injunction has already been granted. Consideration to be given to possible injunctive relief is therefore limited at this stage to a permanent injunction concerning generations 1, 2 and 3 cassettes.

[7] As for these three generations, the Defendants argue that they have been removed from Canada. There is therefore no need for an injunction, they say. On the other hand, the Plaintiffs contend that the injunction sought is for the purpose of ensuring that the Defendants' cassettes will remain out of the Canadian market. At the hearing of the motion, the Court enquired whether there are still in existence generations 1, 2 and 3 cassettes outside of Canada. Counsel for the Defendants did not know. Insofar as I can tell, the Defendants suggest that the absence of evidence of imminent infringement militates in favour of not granting an injunction.

[8] Section 57 of the *Patent Act*, RSC 1985, c P-4 [the Act], provides specifically for the remedy of a permanent injunction. That appears to be the natural consequence from a finding that a defendant has been found to infringe patents with a product. In *Eurocopter v Bell Helicopter Textron Canada Limitée*, 2012 FC 113 [*Eurocopter* or *Bell Helicopter*], we read that the injunction “will be commonly granted for an infringement or threatened infringement, unless there is some equitable reason not to do so, such as acquiescence, long delay, lack of clean hands, unconscionability, or triviality” (para 397). The Defendants’ suggestion that there is no evidence of imminent patent infringement, such that the Court should refrain from granting an injunction, is less than convincing.

[9] For starters, if the Defendants have no intent to commercialize in Canada their cassettes of generations 1, 2 and 3, they should not be concerned that an injunction is issued until the various patents at issue have expired.

[10] Furthermore, a permanent injunction constitutes the natural remedy against infringement on a going forward basis. If compensation for past infringement (s 55), whether it be by way of damages or accounting of profits, is an essential remedy for past infringement, there must be a moral hazard going forward with respect to a product which has been found to be infringing. The existence of an injunction would allow the Plaintiffs to have available the ability to proceed by way of contempt of court in case of infringement of the order.

[11] Finally, the issuance of a permanent injunction against previous generations of infringing products is certainly not unprecedented. Our Court ordered such injunction in *Bauer Hockey Corp v Easton Sports Canada Inc*, 2010 FC 361, and in *Eurocopter*.

[12] In *Jay-Lor International Inc v Penta Farm Systems Ltd*, 2007 FC 358, 313 FTR 1, our Court declined to grant the requested injunction, stating that “(g)iven that the Defendants have not manufactured an infringing vertical feed mixer since May 1, 2005, there is no need, in my view, for an injunction or for an order for delivery up of infringing units” (para 263). In our case, it is not known if generation 1, 2 and 3 cassettes are still available outside of Canada and the injunction may serve a purpose.

[13] Finally, the six patents-in-suit will not expire until 2028 (the 128 Patent expires on May 2, 2028, while Patents 384, 159, 421, 312 and 415 expire on October 3, 2028). If an injunction was for a short period of a few months, there might be a better argument for refraining from granting an injunction whose effect could be seen as being diminished. But such is evidently not the case. The uncertainty concerning the existence of cassettes of generations 1, 2 and 3, together with patents that remain valid for many years, militates in favour of granting the natural remedy to patent infringement, which is the injunction provided for specifically at paragraph 57(1)(a) of the Act.

[14] As a result, the Plaintiffs are entitled to a permanent injunction concerning the generation 1, 2 and 3 cassettes which infringe the patents-in-suit.

II. Entitlement to elect between damages and accounting of profits

[15] The Plaintiffs seek to have the faculty to decide at a later date, once discovery has been completed, to select between an award of damages and an accounting of profits for the purpose of establishing damages suffered because of infringement. While the Court was under the impression originally that the Plaintiffs would select one of the two at this stage, it was made abundantly clear during the hearing that such would not be the case. In effect, the financial information in order to make an enlightened choice between damages and an accounting of profits is said to be lacking.

[16] The issue is therefore whether the Court should deny the Plaintiffs the faculty to elect the accounting of profits method to assess the compensation of a pecuniary nature stemming from the infringement of the patents.

[17] Section 55 of the Act provides that the infringement of a patent “is liable to the patentee and to all persons claiming under the patentee for all damage sustained ...”. There is also the possibility of seeking the equitable remedy of accounting of profits, pursuant to paragraph 57(1)(b) of the Act.

[18] Damages are the loss sustained by a successful plaintiff: they are not the amount of profits earned by the infringer. The accounting of profits will attempt to measure the profits made by the infringer. As the Supreme Court of Canada stated in *Nova Chemicals Corp v Dow Chemical Co*, 2022 SCC 43 [*Nova Chemicals*], at paragraph 7, “Damages compensate the

patentee for all pecuniary losses causally attributable to infringement after the grant of the patent. ... Damages can include lost profits on sales or due to depression of prices, and lost income from licensing opportunities, among others”. The accounting of profits targets the profits made by the infringer. The Supreme Court spoke at paragraph 7 of *Nova Chemicals* of “(a)n accounting of profits requires that the *infringer* disgorge all profits causally attributable to infringement of the invention after the grant of the patent”.

[19] The Defendants insist that accounting of profits being an equitable remedy, there is nothing automatic in allowing plaintiffs to make an election between the two. The Court has the discretion to deny the choice and to force the Plaintiffs to seek damages instead of an accounting of profits.

[20] It is submitted on behalf of the Defendants that the following issues ought to be considered in making the determination that accounting of profits should be taken off the table:

- a) the proceedings have already been complex and protracted; the trial had to address 117 claims, in six different patents; instead of focusing on stronger arguments, weak ones were carried by the Plaintiffs throughout a long trial including, for instance, concerning generation 4 cassettes which should have been recognized much earlier as not having an essential element (the chamfer);
- b) the type of discovery implied in accounting of profits should not be allowed. The Defendants claim that the scope of discovery would double as it would include the Plaintiffs’ and the Defendants’ businesses;

- c) the Plaintiffs did not disclose until the end of the trial all the facts as to title to infringements and damages; and
- d) an accounting of profits produces unreliable results.

[21] The Plaintiffs, obviously, acknowledge the discretion of the Court in allowing the selection: they did not contend otherwise. However, the discretion is not to be exercised in an arbitrary fashion. The Supreme Court of Canada, in *Nova Chemicals*, found that judges “may consider practical consequences, including expediency, misbehaviour by litigants, and whether the patentee practices the invention itself when exercising this discretion”. As the Federal Court of Appeal stated in *Apotex Inc v Bristol-Myers Squibb Co*, 2003 FCA 263, at paragraph 14:

The fact that equitable remedies are discretionary means that the respondent cannot elect an accounting of profits as of right. That said, a discretionary remedy is not an arbitrary remedy. In the absence of proof of a bar to equitable relief, a claimant can expect to be granted the remedy it seeks in accordance with the principles governing its availability. Nor does the issue of a bar to equitable relief require the claimant to disprove every ground which could possibly disentitle it to that relief. It is not open to a party to argue that its opponent has not sufficiently disproven a given bar. All this to say that there is no reason why the issue of the respondent's right to elect an accounting of profits cannot be dealt with in the liability portion of the trial. The appellant having denied that it relies upon particular facts to say that the respondent is not entitled to an accounting, the trial judge can deal with the question of entitlement on the basis of the respondent's own evidence.

[22] In *Bayer Inc v Cobalt Pharmaceuticals Company*, 2016 FC 1192 [*Bayer Inc*], our Court spoke of the election between damages and accounting of profits as being “common practice in cases of patent infringement to allow a plaintiff to elect between damages and an accounting of profits”. That said, our Court “does not establish a right to an election”, but rather the exercise of

discretion is “subject to the principles governing its availability” (para 6). Be that as it may, the “principles governing its availability” appear to be basically the same as those governing generally equitable relief: lack of “clean hands”, undue delay by the plaintiff in commencing or prosecuting the proceedings, complexity of an accounting of profits; the infringer’s conduct (para 10). In *Bayer Inc*, the Court allowed the election by the Plaintiffs.

[23] The case of *Philip Morris Products S.A. v Marlboro Canada Limited*, 2015 FC 364 [*Marlboro*], a case involving trademarks, is in my view instructive given the articulation of the principles governing the availability of the remedy. In particular, de Montigny J, then of this Court, found that, although successful parties do not have a right to an accounting of profits, “they should not be denied that option in the absence of any compelling reasons” (para 21). Indeed, the Court of Appeal (*Philip Morris Products S.A. v Marlboro Canada Limited*, 2016 FCA 55) fully and explicitly agreed with that approach at paragraphs 8 and 18 of its reasons, stating that the “Judge did not err when he stated that he would not deny the respondents (Marlboro) an accounting of profits in the absence of compelling reasons” (para 18). Thus, the starting point seems to be that the remedy is available, but the Court must consider the reasons given for denying an accounting of profits to assess whether these are compelling or not.

[24] In *Marlboro*, our Court did not find any compelling reason. Although the *Marlboro* case was concerned with an accounting of profits for trademarks infringement, the principles are the same in the context of patent infringements. The remedy is the same and the rules governing the equitable remedy are no different. In *Marlboro*, our Court did not find compelling reasons to

deny the successful party an accounting of profits. None have been shown in this case before this Court.

[25] Here, the Defendants' contention boils down to the complexity of the proceedings which, it is suggested, implies practical difficulties.

[26] There is no doubt that this infringement case has been complex: the numbers speak for themselves: six patents-in-suit, 117 claims alleged to have been infringed, four generations of Munchkin cassettes and multiple combinations of cassettes and diaper pails. However, these difficulties and complexities at trial have not been shown to translate into the same kinds of complexities and difficulties where the issues concern possible remedies if the Plaintiffs are allowed to elect an accounting of profits.

[27] The advantage of the accounting of profits, from a conceptual perspective, was eloquently described by the majority of the Federal Court of Appeal in *Nova Chemicals Corporation v Dow Chemical Company*, 2020 FCA 141, [2021] 1 FCR 441, a case that is binding on this Court, where we read:

[18] If the court's remedial armoury were limited to an award of compensatory damages, in some cases infringers would have an incentive to infringe. For them, compensatory damages would be nothing more than a manageable fee to infringe the patent and earn benefits over and above the fee. Effectively, in such cases, inventors would no longer enjoy exclusive rights to benefit from their invention but rather merely a right to a fee for the unconsented-to use of their invention. Indeed, in some cases, infringers would have very strong economic incentives to invade the monopoly granted by the patent. The bargain under the *Patent Act* would be no more.

[19] Fortunately, the court's remedial armoury is not so impoverished. It has another tool by which it can protect and vindicate the patentee's right to exclusivity and, thus, the bargain under the *Patent Act*: an accounting of profits.

[20] The aim of an accounting of profits is not to compensate for injury but to remove the benefits the wrongdoer has made as a result of the infringement. By doing this, any economic incentive to infringe is removed. Potential infringers realize that they will not come out ahead if they infringe a patent and the infringement is detected—all benefits earned as a result of the infringement will be stripped from them. The availability of the remedy of an accounting of profits warns potential infringers that they had best steer clear of others' rights of exclusivity under patents and, instead, spend their time in more profitable, lawful ways. In this way, an accounting of profits reinforces the bargain under the *Patent Act*. If infringers invade a patentee's statutory monopoly with insufficient consequence, the *Patent Act*'s bargain crumbles, inventive spirit sputters, and a source of public wealth depletes.

[21] This is not unlike the role of an accounting of profits in preserving other important dynamics and relationships recognized by law. For example, an accounting of profits plays a key role in protecting and vindicating the relationship between fiduciaries and their beneficiaries and removing any incentives to dishonour the relationship. See, e.g., *Strother v. 3464920 Canada Inc.*, 2007 SCC 24, [2007] 2 S.C.R. 177 at para. 75; *Hodgkinson v. Simms*, [1994] 3 S.C.R. 377, 117 D.L.R. (4th) 161 at 453-454; I.M. Jackman, "Restitution for Wrongs" (1989) 48:2 Cambridge L.J. 302 at 304; James Edelman, *Gain-Based Damages: Contract, Tort, Equity and Intellectual Property* (Portland, OR: Hart Publishing, 2002) at 83-86.

[28] The Court of Appeal warns against accounting of profits becoming punitive. The exemplary damages are additional awards added to other remedial responses. Indeed, as we shall see, the imposition of punitive damages is governed by its own rules. The purpose of the accounting of profits is for the patentee to receive "the benefits obtained by infringers as a result of the infringement of the patent, properly construed and understood, no more, no less" (para 33). The restitutionary purpose of the remedy must be acknowledged as a defendant may

benefit from unjust enrichment through the infringement of the Plaintiffs' patents by generations of Munchkin's products.

[29] Without a demonstration by the Defendants of the complexities and difficulties to be encountered if the Plaintiffs select an accounting of profits – whether there is a presumptive entitlement to the remedy or it is a common practice to allow the election – the advantage of the accountability of profits, in terms of the protection of the *Patent Act's* bargain, takes us to allowing the election.

[30] There is no doubt that there are cases where the election ought to be denied. Such was the conclusion reached in *Rovi Guides, Inc v Bell Canada*, 2022 FC 1388 [*Rovi*] (paras 582 to 643). In that case, our Court found that the infringement had not been established such that there was no need to discuss remedies. Nevertheless, the Court expressed views in case the Court of Appeal were to rule in favour of the plaintiffs on the infringement findings. *Rovi* provides for a useful analysis of remedies the plaintiff in that case may have been entitled to had it been successful.

[31] For our purposes, it is the analysis concerning the accounting of profits that is of interest. Over more than 50 paragraphs (paras 589 to 643), the *Rovi* Court examined Rovi's contention that an accounting of profits should be available. Four factors were assessed: the complexity of calculating an accounting of profits, the conduct of the patentee, the good faith of the defendant, and whether the patentee does not compete with the defendants or routinely licenses its patents.

[32] The Court had available to it extensive expert evidence on the complexity of calculating an accounting of profits (leading to the argument of a lack of accuracy of the results). Rovi's conduct was assessed as being less than stellar as to the delay in prosecuting patent applications "and the late amendments to some of its patents leads inexorably to the conclusion that delay in prosecution of the Patents was a deliberate and integral part of Rovi's business strategy" (para 623). The Court found that Rovi attempted to "game the system" and that "goes against the restitutionary purpose of an accounting of profits" (para 625).

[33] The Court in *Rovi* also considered the conduct of the defendants. It concluded that the evidence did not demonstrate any wilful infringement which might call for deterrent measures. Finally, the fact that Rovi did not practice its own invention (assuming that there was an infringement for the sake of the argument) would not constitute a reason to refuse an election of an accounting of profits, citing *Seedlings Life Science Ventures, LLC v Pfizer Canada ULC*, 2021 FCA 154, at paras 75 to 80. This consideration is evidently not relevant in our case.

[34] Having considered fully the evidence offered by the parties, the *Rovi* Court found against allowing the accounting of profits, especially in view of the demonstrated complexity of calculating an accounting of profits in the circumstances of that case and Rovi's conduct in the prosecution of its patents.

[35] In *Marlboro*, our Court, per de Montigny J, conducted the same kind of analysis. Without suggesting that there exists a right to the accounting of profits, or even a presumption, the Court viewed its role as granting the election unless there are compelling reasons to deny the equitable

remedy. As already noted, that approach was explicitly endorsed by the Court of Appeal. Thus, the *Marlboro* court reviewed a number of factors.

[36] The claimant's conduct was considered first. The delay in bringing a matter to trial was seen as showing a lack of clean hands. The complexity of an accounting of profits was considered next. The Court suggested that an accounting of profits may not be appropriate where the exercise would be complex and contentious, leading to lengthy and complicated procedures. But that, in and of itself, does not suffice. The complexity is to be measured against the amounts at stake as well as the complexity of the calculation of damages. Indeed that may be as complex as the accounting of profits. There is no reason to believe that either one of these methods will be significantly less complex or contentious. In *Marlboro*, the Court concluded that the complexity factor was neutral.

[37] The Court also considered the infringer's conduct and the claimant's damages. It was found that there was no blatant infringement of the trademark in view of a genuinely novel legal issue. As for the damages, it was acknowledged that their relevance to the question of an entitlement to elect is not usually great. After all, the purpose of an accounting of profits is to identify the profits wrongfully gained, thus restoring the improperly received profits to their rightful owners. What is of note in the *Marlboro* case, other than the circumstances of the case were quite different (as they usually are), is that the Court made it clear that the evidentiary issues are not to be decided at the entitlement stage.

[38] In the end, the *Marlboro* Court did not find the compelling reasons needed to deny the election:

[45] All things considered, I am of the view that ITL should be allowed the right to elect an accounting of profits. None of the factors or “bars” to be considered in exercising the discretion to allow the remedy of accounting of profits preclude this option. As a result, if the Defendants do elect an accounting of profits after discovery of the Plaintiffs, the burden will be on the Plaintiffs to establish which portion of its profits was not made as a result of the infringement of the Defendants’ rights.

As already noted, the Court of Appeal directly endorsed this conclusion, as it stated at paragraph 18 of its decision that “The Judge did not err when he raised that he would not deny the respondents an accounting of profits in the absence of compelling reasons (Judge’s reasons at paragraph 21).”

[39] In the case at bar, there is just no substantiated allegation of some reason for denying the Plaintiffs the ability to conduct, in due course, an accounting of profits. There is no demonstration concerning the alleged complexity and difficulties of the accounting of profits in this case. The alleged misconduct of the Plaintiffs stems largely from the fact that numerous claims in six different patents have been made the subject of litigation that was complex. Nevertheless, I am not prepared to accept that asserting rights to a patent, especially where there is a measure of success following litigation, leads as such to a finding of misconduct by the patentee. It is seldom that protracted litigation is the responsibility of only one party: it takes two to tango.

[40] As in *Marlboro*, I find myself incapable, on the record before the Court, to conclude that the accounting of profits, if it is to be selected, would lead to a more complex and less

contentious process than an allocation of damages. There is simply no evidence sufficient to draw that sort of inference. Furthermore, it serves no useful purpose to seek to establish whether the infringements were blatant or not as the Defendants claim they sought to avoid infringement. I would rather consider the purpose of the accounting of profits serving adequately the circumstances of this case, that is restoring the improperly received profits to their rightful owners. The record before the Court is simply insufficient to conclude that the accounting of profits would be a method which would be unduly complex and contentious compared to the awarding of damages.

[41] As a result, the Plaintiffs are entitled to elect between damages and accounting of profits.

III. Entitlement to punitive damages

[42] The Plaintiffs claim the right to punitive damages in this case. The Defendants strenuously argue that the case for punitive damages has not been made out. In my view, the Defendants are right. The law of punitive damages favours the Defendants in the circumstances in this case.

[43] There is no doubt that punitive damages are available in patent cases. As noted in *Whiten v Pilot Insurance Co*, 2002 SCC 18, [2002] 1 SCR 595 [*Whiten*], although punitive damages were not widely awarded until the 1970s, the Supreme Court recognized their availability as early as 1886 (*Collette v Lasnier* (1886), 13 SCR 563): a patent case appears to be a natural for punitive damages whose objectives are retribution, deterrence and denunciation (*Whiten*, para 43). As a matter of fact, the Federal Court of Appeal confirmed in *Bell Helicopter Textron*

Canada Limitée v Eurocopter, société par actions simplifiée, 2013 FCA 219, 120 CPR (4th) 394, paras 163 et al, and more specifically, paras 180 to 184 [*Bell Helicopter*]), the awarding of punitive damages in a patent case, which ended up being \$1,000,000 (*Airbus Helicopters SAS v Bell Helicopter Textron Canada Limitée*, 2019 FCA 29). Moreover, no one disputes that the issue of the granting of punitive damages ought to be addressed at this stage, whereas the quantification of damages has to be for another day.

[44] *Bell Helicopter* is the only decision known to the parties where punitive damages were awarded with respect to behaviour that was not characterized as being “in connection with litigation misconduct, or abuse of process, such as continuing activities found by the court to constitute infringement in disregard of a court order to cease such activities” (*Dimplex North America Ltd v CFM Corporation*, 2006 FC 586, at para 123 [*Dimplex*]). In *Dimplex*, the Court was referring to *Lubrizol Corp v Imperial Oil Ltd*, [1996] 3 FC 40, and *Apotex Inc v Merck & Co*, 2002 FCT 626, 219 FTR 259. I have not found other cases, other than *Bell Helicopter*, where punitive damages have been awarded for behaviour that does not involve the kind of litigation misconduct found in these two cases.

[45] That obviously does not mean that punitive damages cannot be awarded in patent cases. *Bell Helicopter* is a case in point. However, “[a]llegations of willful and knowing infringement are alone insufficient to support a claim to punitive damages” (*Bauer Hockey Corp v Sport Masko Inc, (Reebok-CCM Hockey)*, 2014 FCA 158, at para 25 [*Bauer*]), in spite of the fact that punitive damages may be awarded without the presence of litigation misconduct.

[46] The question then becomes, in what situations should a punitive damages award be considered? The leading case continues to be the Supreme Court of Canada decision in *Whiten*; paragraph 367 consists of the oft-quoted statement of the test:

Punitive damages are awarded against a defendant in exceptional cases for “malicious, oppressive and high-handed” misconduct that “offends the court’s sense of decency”: *Hill v. Church of Scientology of Toronto*, [1995] 2 S.C.R. 1130, at para. 196. The test thus limits the award to misconduct that represents a marked departure from ordinary standards of decent behaviour. Because their objective is to punish the defendant rather than compensate a plaintiff (whose just compensation will already have been assessed), punitive damages straddle the frontier between civil law (compensation) and criminal law (punishment).

The Court of Appeal in *Bauer* provided its own articulation of the *Whiten* test at paragraph 19:

Punitive damages, as the name indicates, are designed to punish. As a result they constitute an exception to the general rule, in both common law and civil law, that damages are designed to compensate the injured, not to punish the wrongdoer. Punitive damages may be awarded in situations where the defendant’s misconduct is so malicious, oppressive and high-handed that it offends the court’s sense of decency. Punitive damages bear no relation to what the plaintiff should receive by way of compensation. Their aim is not to compensate the plaintiff, but rather to punish the defendant. It is the means by which the court expresses its outrage at the egregious conduct of the defendant where the defendant’s conduct is truly outrageous. Punitive damages are in the nature of a fine, which is meant to act as a deterrent to the defendant and to others from acting in the impugned manner: *Hill v. Church of Scientology of Toronto*, [1995] 2 S.C.R. 1130 at paras. 196 to 199 (*Hill*); *Whiten v. Pilot Insurance Co.*, 2002 SCC 18, [2002] 1 S.C.R. 595 (*Whiten*) at para. 36.

[Emphasis in original]

[47] The level of blameworthiness, which may lead to punitive damages, may be influenced by various factors. The majority in *Whiten* identified seven of them, gleaned from the case law:

“The more reprehensible the conduct, the higher the *rational* limits to the potential award”

[emphasis in original] (para 112). These factors were summarized as follows in *Bauer*:

[20] The level of blameworthiness of the defendant's conduct leading to punitive damages may be influenced by many factors, which include (a) whether the misconduct was planned or deliberate; (b) the intent and motive of the defendant; (c) whether the defendant persisted in the outrageous conduct over a lengthy period of time; (d) whether the defendant concealed or attempted to cover up its misconduct; (e) the defendant's awareness that what it was doing was wrong; (f) whether the defendant profited from its misconduct; and (g) whether the interest violated by the misconduct was known to be deeply personal to the plaintiff: *Whiten* at para. 113.

[48] As already pointed out, the only patent case where punitive damages have been awarded remains the *Bell Helicopter* case, a decision in the Court of Appeal which came before *Bauer* (both decisions were penned by Mainville JA, for the Court of Appeal).

[49] In *Bell Helicopter*, the Court of Appeal noted that “the evidence revealed that concerns were raised by Bell Helicopter employees about these similarities [about the patented landing gear and that used by Bell Helicopter], but brushed away by management” (para 186). The Court refers specifically to paragraph 433 of the Federal Court’s decision (*Eurocopter*) from which it quotes “that there is clear evidence of bad faith and egregious conduct on the part of Bell”, “willful blindness or intentional and planned misappropriation of the claimed invention” and “that the infringement of the ’787 Patent by the making and use of the Legacy gear [developed by Eurocopter] was not innocent or accidental”.

[50] Both the trial court and the Court of Appeal stressed Bell Helicopter's appropriation of the invention of someone else. In fact, Bell Helicopter used the invention as its own to promote its helicopter. We read at paragraphs 191 and 192 of the Court of Appeal's decision of 2013:

[191] The evidence also shows that Bell Helicopter promoted the infringing Legacy landing gear as its own invention through an article by one of its senior technical staff specialists. That article (JB-224, AB Vol. 21 Tab 342 p. 5754) sets out that a "sleigh type skid landing gear has been designed for the first time by Bell Helicopter for use on its Model 429 civil helicopter. This type of landing gear was chosen for its improved dynamic behavior (ground resonance) and low weight" (emphasis added). Bell Helicopter also promoted the sale of its Bell 429 helicopter with the infringing Legacy landing gear: Reasons at para. 267.

[192] Where a person infringes a patent which it knows to be valid, appropriates the invention as its own, and markets it as its own knowing this to be untrue, punitive damages may be awarded when an accounting for profits or compensatory damages would be inadequate to achieve the objectives of retribution, deterrence and denunciation of such conduct. Indeed, such conduct departs to a marked degree from ordinary standards of decent behaviour. It must be denounced in a manner that deters similar misconduct in the future and marks the community's collective condemnation.

[Emphasis in original]

[51] Clearly the federal courts justified the imposition of punitive damages by a measure of turpitude which went well beyond the fact that there was infringement of the patent in play in that case.

[52] The Plaintiffs, fairly, acknowledge that there is no such thing in the case at hand. They nevertheless argue punitive damages should remain an option that would be available at the quantification stage of damages. Their attempt at establishing the "misconduct that represents a marked departure from ordinary standards of decent behaviour", so that punitive damages can be

awarded “in exceptional cases for “malicious, oppressive and high-handed” misconduct that “offends the court’s sense of decency”” (*Whiten*, para 36) is based on:

- a) Munchkin saw an opportunity to profit from the Diaper Genie system, a pail which was developed by the Plaintiffs, by launching its own private label cassettes compatible with the Plaintiffs’ system. Indeed, the Diaper Genie pail was the dominant player and no other third party was supplying compatible cassettes. In a word, there was an obvious business opportunity;
- b) the evidence showed that Munchkin conducted a patent search before launching its generation 1 cassettes. Its product designer was instructed to, in the words of the Plaintiffs’ memorandum of fact and law, “avoid copying one aspect of the Diaper Genie cassette’s cover due to a potential patent issue” (para 52). Nevertheless, the Plaintiffs claim misfeasance because later generations had chamfers that were adjusted to fit the Diaper Genie pails;
- c) the existence of chamfers is raised because the generation 1 cassettes, which had a chamfer in spite of the fact that the Diaper Genie pail had a flat location on which the refill cassette was to be placed, were not able to be used once the Plaintiffs offered Diaper Genie pails with a snapped-in cone to interface with the chamfered cassettes [it will be recalled that the Plaintiffs created that new system to solve the cassette orientation problem which crept up with the flat-bottom cassettes. It would not be uncharitable to note that this new system had the added advantage of rendering unusable flat-bottom cassettes or chamfered cassettes with the wrong angle]. In response to that development, the Plaintiffs raise two issues:

- i. Munchkin communicated with a large retailer to suggest that the snapped-in ring could be easily removed, thus allowing for its generation 1 cassettes to continue to be used;
 - ii. the Plaintiffs also took issue with the development of generation 2 cassettes which had the right angle allowing their use with the snapped-in ring, which eventually became an integrated feature of the Plaintiffs' pail;
- d) the Plaintiffs, finally, take issue with Munchkin's "strategic commercialization" of its cassettes. That includes the fact that the labels on the Munchkin cassettes (which did not bear the Munchkin mark and were sold at a discount of around 25%) referred to their compatibility with the Plaintiffs' pails, as well as the fact that the Defendants' cassettes were offered at the same retail outlets as the Plaintiffs' cassettes, in close proximity to the Diaper Genie products.

[53] In essence, the Plaintiffs complain that the intentional copying of their cassettes by the Defendants was not good faith commercial competition. The Defendants were "piggybacking" on the commercial efforts and success of the Plaintiffs. They sought to profit from the "installed base" of the Plaintiffs' pails on the market.

[54] With respect, I fail to see how the position advanced by the Plaintiffs satisfies the requirements that the alleged misconduct represents a marked departure from ordinary standards of decent behaviour.

[55] As was acknowledged by the Plaintiffs, the evidence shows that the Defendants sought to create a product which would be compatible with the Plaintiffs' pails. There is no doubt, in my view, that the Defendants sought to sell their product as refills usable in Diaper Genie pails. But that, in and of itself, does not make the failure to differentiate its product enough to avoid infringement of valid patents of the Plaintiffs, the kind of "marked departure from ordinary standards of decent behaviour" that may attract punitive damages.

[56] The Defendants argue, and I agree, that there is nothing inherently wrong with developing compatible products. Unless there is patent infringement, that constitutes valid innovation, and the patent system is not meant to discourage research and development: rather, it is designed to encourage broader economic activity (*Free World Trust v Electro Santé Inc*, 2000 SCC 66, [2000] 2 SCR 1024, para 42). The Defendants chose to compete with the Plaintiffs in an area they believed was not covered by the Plaintiffs' patents. Their failure should be sanctioned by an accounting of profits or compensatory damages (together with an injunction). But there is a reason why the bar for punitive damages is set so high. It should not become that punitive damages are available once infringement has been shown.

[57] It was perfectly appropriate for the Defendants to stress the requirements that the following elements, taken from *Whiten*, at paragraph 94 be present:

To this end, not only should the pleadings of punitive damages be more rigorous in the future than in the past (see para. 87 above), but it would be helpful if the trial judge's charge to the jury included words to convey an understanding of the following points, even at the risk of some repetition for emphasis. (1) Punitive damages are very much the exception rather than the rule, (2) imposed only if there has been high-handed, malicious, arbitrary or highly reprehensible misconduct that departs to a

marked degree from ordinary standards of decent behaviour. ...

(5) Punitive damages are generally given only where the misconduct would otherwise be unpunished or where other penalties are or are likely to be inadequate to achieve the objectives of retribution, deterrence and denunciation. ...

[58] I have not found in this case anything that could compare with what was found to be so offensive in the *Bell Helicopter* case, that is the fact that not only did Bell Helicopter infringe the patent, but it appropriated the invention as its own. That was found to be turpitude which brought the behaviour over the line, into punitive damages territory. Not so in this case.

[59] On the contrary, the arguments advanced by the Plaintiffs strike me as falling significantly short of the mark. Thus, seeing an opportunity to profit from a successful system may legitimately be seen as a business opportunity. What is reprehensible is the violation of the monopoly enjoyed pursuant to the Act. However, that carries the sanction of disgorgement of profits or compensatory damages, especially where the evidence shows that instructions were given by the Defendants to avoid falling in breach of patents. Similarly, adjusting the angle of the chamfer, where an infringer thought its product was not violating the patents or advising retailers that the snapped-in cone in pails can be removed, does not constitute “high-handed, malicious, arbitrary or highly reprehensible misconduct that departs to a marked degree from ordinary standards of decent behaviour” (*Whiten*, para 94). It simply constitutes an attempt to adjust to the new circumstances. The point is not that that should be condoned, but rather that it does not rise to the level of turpitude necessary to bring in the possibility of punitive damages.

[60] Finally, I was somewhat puzzled by the “strategic commercialization” argument of the Plaintiffs. The Plaintiffs seek to reproach that the Defendants’ cassettes were displayed in retail

stores where the Plaintiffs' cassettes were displayed. I cannot see anything wrong with a retailer displaying like products with like products. This is merely common sense. That is especially so with respect to large-surface retailers which represent 80% of the market. As such, there is nothing nefarious which could be held against the Defendants; it would be rather weird if the Defendants had chosen to refrain from marketing their wares in large-surface retailers where 80% of the market is.

[61] As a result, the Court finds that the Plaintiffs are not entitled to punitive damages.

IV. Plaintiffs' entitlement to remedies

[62] Section 55 of the *Patent Act* provides that not only the patentee can claim damages sustained where there is an infringement of the patent, but also "all persons claiming under the patentee". Subsections 55(1) and (2) read:

Liability for patent infringement

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

Liability damage before patent is granted

(2) A person is liable to pay reasonable compensation to a patentee and to all persons claiming under the patentee

Contrefaçon et recours

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

Indemnité raisonnable

(2) Est responsable envers le breveté et toute personne se réclamant de celui-ci, à concurrence d'une indemnité

<p>for any damage sustained by the patentee or by any of those persons by reason of any act on the part of that person, after the specification contained in the application for the patent became open to public inspection, in English or French, under section 10 and before the grant of the patent, that would have constituted an infringement of the patent if the patent had been granted on the day the specification became open to public inspection, in English or French, under that section.</p>	<p>raisonnable, quiconque accomplit un acte leur faisant subir un dommage après la date à laquelle le mémoire descriptif compris dans la demande de brevet est devenu accessible au public, en français ou en anglais, sous le régime de l'article 10 et avant la date de l'octroi du brevet, dans le cas où cet acte aurait constitué une contrefaçon si le brevet avait été octroyé à la date où ce mémoire descriptif est ainsi devenu accessible.</p>
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[63] In view of various corporate developments over the years concerning the Plaintiffs, which have been summarized earlier in these reasons, the Defendants allege that certain Plaintiffs lack standing to obtain remedies for certain periods of time. The representations on this issue were supplemented with further written submissions in January 2023.

[64] The corporate background of the three Plaintiffs deserves a quick elucidation. There are two families of companies: Edgewell and Playtex that stem from the Energizer Personal Care Division of Energizer Holdings, and the Angelcare family of companies. For our purposes, it suffices to know that the conglomerate Energizer Holdings had two divisions, one dedicated to power products, such as batteries and flash lights, the other being Energizer Personal Care Division.

[65] Energizer added to its personal care division the Playtex company in 2006, according to the evidence led at trial. In July 2015, the personal care product, which included the Playtex

business, was “spun off” into the Edgewell Personal Care Brands, LLC. Energizer and Edgewell became separately-traded companies. The evidence also confirms that Edgewell Personal Care Brands, LLC, Edgewell Personal Care Canada, ULC and Playtex Products, ULC are affiliated companies, Edgewell Personal Care Canada, LLC and Playtex Products, ULC, being two of the three Plaintiffs.

[66] The evolution of the Angelcare family of companies proceeded independently from Edgewell and Playtex. Les Développements Angelcare Inc, the original owner of the five Angelcare Patents, was incorporated in October 2006. As a matter of fact, a company incorporated in 2003 was already operating and it was amalgamated with Les Développements Angelcare Inc (also referred to at times as “Angelcare Development”) in 2006.

[67] A different Angelcare company was to be incorporated on November 25, 2019 as Old Angelcare Canada. It acquired the Diaper Genie business, which included the 128 Patent. That was to be followed by Old Angelcare Canada and Les Développements Angelcare Inc amalgamating on October 1, 2020, the two companies (together with another company from the Angelcare family of affiliates, Moniteurs Angelcare Inc). merging into the newly created corporate entity by the name of Angelcare Canada Inc, the third Plaintiff. For the first time, the six patents-in-suit were under the same owner.

A. *The issue*

[68] We start with the two patents, or in fact one patent and one set of five patents which were originally owned by different entities. There are three Plaintiffs in this case: Angelcare Canada

Inc. [Angelcare], Edgewell Personal Care Canada ULC [Edgewell] and Playtex Products, LLC [Playtex]. Edgewell and Playtex were parent companies while Angelcare was a corporate entity not related to the other two. The issue is whether those corporate entities are patentees, which would arguably make it obvious that they can seek damages resulting from the infringement of their patent, or persons claiming under the patentee. Because a defendant is liable for damages from “after the specification contained in the application for the patent became open to public inspection” (ss 55(2) of the Act), those dates are always of some relevance if only to be provided with the fuller picture:

- 2,686,128 (Playtex Products, LLC, US): November 13, 2008
- 2,640,384 (Angelcare Development Inc., Ca): April 5, 2009
- 2,855,159 (Angelcare Development Inc., Ca): April 5, 2009
- 2,937,312 (Angelcare Development Inc., Ca): October 7, 2016
- 2,936,415 (Angelcare Development Inc., Ca): April 5, 2009
- 2,936,421 (Angelcare Development Inc., Ca): April 5, 2009

The 128 Patent was open to public inspection on November 13, 2008, while four of the Angelcare patents were open for inspection on April 5, 2009. As for the fifth one, the 312 Patent, the Plaintiffs have asserted that it was by mistake that a different publication date appears on the front page of the actual patent. The Court declined the invitation to make the adjustment and bring the publication date in line with the other four Angelcare patents (decision, paras 497 to 501), in spite of the Defendants neither agreeing nor objecting to the Plaintiffs’ request. Basically, the request, as part of a trial concerning the infringement of six patents, did not establish the Court’s jurisdiction to address the issue on the proper evidentiary basis to adequately resolve the issue. The so-called “clerical error” at the Patent Office was not

confirmed on the record before the Court. I shall deal hereinafter with the Angelcare Patents without distinguishing the 312 Patent from the other four patents. If the publication date of the 312 Patent is still that which appears on the front page of the Patent document by the time the quantification of damages must take place, it will be for the parties to make the appropriate representations.

[69] It is not a matter of dispute that Playtex was the original owner of the 128 Patent and remained so until assets were purchased by Angelcare. Les Développements Angelcare Inc (and later on Angelcare Canada Inc) was the patentee of the other five patents. Although the original owners of the six patents saw their corporate configuration change over time, in the end, it is not disputed that the Plaintiffs, Angelcare Canada Inc and Playtex Products, LLC are the patentees.

[70] To make matters more complicated, there are three distinct periods that should be considered. The first period covers from the date of publication of the various patents until Angelcare acquired the Diaper Genie business. That date is December 18, 2019, and it has been dubbed “pre-acquisition period”. Then, there is a “transition period” from December 19, 2019 to December 18, 2020, during which period Playtex and Edgewell continued their involvement in the commercialisation of the Diaper Genie products with Angelcare. From December 19, 2020, Angelcare Canada alone has been involved in the commercialisation of the products in Canada. That is a period referred to as the “post-transition period”.

[71] In this case, the three corporate entities to constitute the “Plaintiffs” are represented by the same counsel. They constitute a common front. If we begin with the post-transition period,

only Angelcare claims being entitled to a pecuniary remedy. Neither Playtex nor Edgewell have a claim as persons claiming under the patentee. To put it in the vernacular, they are out of the picture altogether. As for the transition period, Angelcare, having become the patentee for the six patents, claims damages (or an accounting of profits) as such. But Playtex Products and Edgewell also claim as persons claiming under the patentee since they continued their activities while transiting to the end of their involvement. The pre-acquisition period is said to allow for the following claims to pecuniary remedies:

1. Angelcare as owner of the five Angelcare patents, and also as a person claiming under the patentee with respect to the 128 Patent;
2. Playtex finds itself in the reverse situation. It claims as the patentee for the 128 Patent, and as a person claiming under the patentee with respect to the five Angelcare patents; and
3. Edgewell claims to be a person claiming under the six patents (the 128 Patent and the Angelcare Patents).

[72] The question to be resolved at this stage is the determination of when the three Plaintiffs become persons claiming under the patentee as it is not disputed that the patentees are entitled, at least for some time periods, to pecuniary remedies as their monopoly has been infringed by the Defendants. The Defendants have taken the position that the Plaintiffs have failed their burden of establishing that each of them “could trace an interest back to the relevant patentee, for the entire duration of the infringement period” (Supplementary Written Submissions, para 2). The Defendants take issue in particular with the confirmatory patent licenses put in evidence by the Plaintiffs. As we shall see, they treat the various instruments in evidence as being grants of

licenses instead of confirmations reflecting the reality of the relationships between the Plaintiffs. The argument does not take issue with the state of the law as such, but rather with the lack of evidence in support of the contention that the Plaintiffs could rely on being persons claiming under the patentee for the entire infringement period, except for the “post-transition” period when Angelcare is the only one claiming. As we have already seen, the Plaintiffs resort to the “persons claiming under the patentee” clause of s 55(1) solely for the “pre-acquisition” and “transition” periods. Since December 19, 2020, Angelcare claims as patentee and user for the six patents. I add that it has not been made clear what difference these various permutations will make ultimately on the quantification of damages. That, again, is for another day.

B. *The law*

[73] The law on what constitutes a person claiming under the patentee is traced back for our purposes to *Armstrong Cork Canada v Domco Industries Ltd*, [1982] 1 SCR 907 [*Armstrong*].

[74] In *Armstrong*, the Supreme Court found that a licensee is a person claiming under a patentee, whether the license is exclusive or not. Domco Industries Ltd had brought a patent infringement action against Armstrong (and other related corporate entities). Domco had been granted a restricted non-exclusive right and license to make, use and sell products covered by a patent held by third parties. A complicating factor in the saga was that Armstrong and the patentee had settled the dispute, Armstrong paying a sizable amount in damages to the patentee. The patentee undertook to obtain the consent of its subsidiaries and Domco, its licensee. But Domco refused to play ball and sued Armstrong on the basis of its limited non-exclusive license from the patentee.

[75] In the view of Armstrong, Domco was not a person claiming under the patentee. The issue of whether an exclusive license allowed to claim under the patentee had been resolved since *Spun Rock Wools Ltd v Fiberglass Canada Ltd*, [1943] SCR 547; [1947] AC 313. But the courts had not opined with respect to non-exclusive licenses.

[76] The issue was not as straight forward as it may look in view of divergent opinions. In *American Cyanamid Co v Novopharm Ltd*, [1972] FC 739 [*American Cyanamid*], Chief Justice Jakkett opined that a non-exclusive licensee could not claim damages since a non-exclusive license entitles its holder to only use the patented invention. That right remains unaffected by the infringement of the patent. The other two members of the Federal Court of Appeal did not see the matter the same way and concluded that a non-exclusive licensee also had claim to pecuniary remedies. Nevertheless, whatever doubt in the Court of Appeal may have remained because of a 2:1 split disappeared when a unanimous Court of Appeal, including Chief Justice Jakkett, came down with its decision two years later (*Flake Board Co v Ciba-Geigy Corp*, (1974) 15 CPR (2nd) 33) [*Flake Board*]. It found that *American Cyanamid* controls.

[77] The *Armstrong* Court reviewed *American Cyanamid* and *Flake Board* in reaching its determination that the test for what is now s 55 of the *Patent Act* does not differentiate between exclusive and non-exclusive licenses. We read at page 919 of the Reports:

This was the legal position, even in respect of an exclusive licensee, prior to the enactment of s. 55 of the 1935 Act. Section 55 was enacted to meet this difficulty and, in my opinion, it has overcome the problem. Section 55(1), by its terms, imposes a liability upon the infringer of a patent to the patentee and also to all persons claiming under him for all damages sustained by the patentee or any such person by reason of such infringement. It is the infringement of the patent which gives rise to a liability. If that

infringement causes damage to the patentee or to any person claiming under him, the infringer must compensate for the damage sustained by reason of the infringement of the patent. A licensee relying on this subsection is not claiming against the infringer for infringement of his rights under the licence, he is claiming for the damage he has sustained in consequence of the infringement of the patent.

[My emphasis]

[78] That, of course, is of no assistance in determining the allocation that must be made of the damages sustained. Indeed the *Armstrong* decision did not provide much assistance as to the quantification of damages and apportionment between plaintiffs. These few paragraphs, from page 920, will illustrate the point:

Finally, Armstrong contended that the settlement made between Armstrong and Congoleum meant that there was no longer any infringement of the patent and, that, therefore, there could not be any remaining claim by the licensee, Domco, for damages for infringement.

The terms of settlement did not purport to say that there had been no infringement by Armstrong of Congoleum's patent. The settlement provided for the payment by Armstrong to Congoleum of \$35,000,000 "in full satisfaction of Congoleum's claims". Congoleum accepted this sum in satisfaction of its claims for damages for infringement.

Domco since the commencement of the proceedings has sought damages on the basis of its being a licensee. It was not a party to nor did it have any part in the settlement between Armstrong and Congoleum. It was a term of the settlement that Congoleum would obtain the release and consent from Domco in respect of its claim. When Domco would not sign the release and consent unless it received a portion of the settlement monies, Congoleum undertook to indemnify Armstrong from any claim that Domco might have in the action.

Section 57(1) gave to Domco a statutory right of action and an entitlement to damages which Congoleum could not independently extinguish by virtue of its settlement with the Armstrong.

[79] The next case deserving of review is the decision of the Federal Court of Appeal in *Signalisation de Montréal Inc v Services de Béton Universels Ltée*, [1993] 1 FC 341 [*Signalisation de Montréal*]. Once one reads the majority opinion, penned by Hugessen JA, and the dissent of Décary JA, one realizes the breadth given to the notion of “all persons claiming under the patentee”. It covers much more than licenses, whether exclusive or not. The decision has been cited repeatedly by the federal courts in the last 30 years. I was referred to it again recently in *McCain Foods Limited v JR Simplot Company*, 2021 FCA 4 [*McCain Foods*].

[80] *Signalisation de Montréal* stands for a broad proposition. It is summarized by Justice of Appeal Hugessen in the following fashion at pages 356-357 of the Federal Court Reports:

In my view, a person “claiming under” the patentee is a person who derives his rights to use the patented invention, at whatever degree, from the patentee. The right to use an invention is one the monopoly to which is conferred by a patent. When a breach of that right is asserted by a person who can trace his title in a direct line back to the patentee that person is “claiming under” the patentee. It matters not by what technical means the acquisition of the right to use may have taken place. It may be a straightforward assignment or a licence. It may, as I have indicated, be a sale of an article embodying the invention. It may also be a lease thereof. What matters is that the claimant asserts a right in the monopoly and that the source of that right may be traced back to the patentee. That is the case with the appellant here.

[My emphasis]

Thus the user of the patented invention can be a person claiming under the patentee.

[81] It may be of interest to consider more fully the situation *Signalisation* was in. The patent concerned a contraption designated as a “movable concrete barrier” used to move lane dividers on roads. Energy Absorption Systems Inc., the patentee, had granted a license to Barrier Systems

Inc. Such license was exclusive and non-transferable. That did not stop Barrier from entering into an agreement with Signalisation, the purpose of which was to make Signalisation its “representative”. Under the terms of the agreement, Signalisation “accepts the exclusive representation of the Products to customers located [in the Province of Quebec] and agrees to promote the products to customers located [in the Province of Quebec] only for the use [in the Province of Quebec]”. Signalisation was a representative entitled to use and promote the patent for which Barrier was a licensee. The Court of Appeal decision notes that Signalisation had acquired lane dividers and transfer vehicles from Barrier; it had “been making use of them and the patented methods in carrying on its business” (p 350). That was enough to allow Signalisation to have standing to seek a monetary remedy from Services de Béton Universels which was alleged to have infringed the patent-in-suit by using the patented method of moving flexible rigid barriers in repairing a bridge in the Montreal area. As Hugessen JA puts it, “the question whether the appellant [Signalisation] is a person “claiming under” the patentee does not depend upon the number of removes between it and the patentee but upon the nature of the rights held and their ultimate provenance” (pp 350-351). In that case, Signalisation alleged its exclusive use of the patented system and method, as well as its exclusive right to promote the said invention.

[82] Décary JA was in dissent. He readily acknowledged that a license may be granted by oral contract. However, Décary JA articulates his objection to the finding of the majority in the following two extracts taken from the dissent:

I find it difficult to accept that any owner and user of a patented product could, simply by virtue of owning and using the product and in the absence of any mandate from the inventor, assignee or licensee, trigger application of the particularly stringent provisions

of the *Patent Act*, bring the validity of the patent into issue before the courts and open the floodgates to litigation. Under section 59 of the Act, the defendant in any action for infringement of a patent may plead as a matter of defence any fact or default which renders the patent void. Moreover, in this case, the appellant expressly sought in its statement of claim to have claim 10 of the patent in issue declared valid. While under the provisions of subsection 55(2) the patentee must be made a party to any action for the recovery of damages, this does not mean that Parliament intended that any mere owner and user of a patented product could take the initiative and itself come to the defence of the patent. Section 55 refers only to the “patentee”, which leads me to believe that in Parliament's mind the chain of title should hardly, in seeking to determine who is claiming under the patentee, go beyond the assignee and the licensee, apart from the patentee's legal representatives. This requirement for a personal connection, whether direct or indirect, between the patentee and the person asserting a claim also appears to me to derive from the definition of “legal representatives” [*représentants légaux*] in section 2 of the Act, in which the expression “claiming through or under applicants for patents and patentees of inventions” is rendered as *“réclamant par l'intermédiaire ou à la faveur de demandeurs et de titulaires de brevets”*. By adding licensees to assignees, the courts have quite probably exhausted the chain. The *Patent Act* is legislation which establishes and protects a monopoly situation. In the absence of a clearer invitation from Parliament, I would hesitate to extend this protection to every user or owner of the patented product.

(pp 364-365)

[My emphasis]

...

The same is true of a person who claims under the patentee. That person is the person whom the *Patent Act* recognises as such, and no one else. To accept the appellant's arguments would, in my opinion, be to interpret subsection 55(1) of the Act as if the words “claiming under the patentee” did not appear, and as if it were sufficient for damages to have been incurred as a result of the infringement of a patent in order for the injured party to have a remedy under that subsection.

I therefore conclude that a mere contract of purchase of a patented product does not make the purchaser a person claiming under the patentee within the meaning of subsection 55(1) of the Act.

(p 367)

[83] For good measure, the third member of the Court of Appeal panel, Létourneau JA added this comment which contributes to crystalizing the scope of “persons claiming under the patentee” as including the use of a patented article:

As pointed out by my colleague Hugessen J.A., it will be rare instances where a simple user of a patented article will suffer damages in consequence of a patent infringement. But when this happens I simply cannot believe and accept that the victim would have to assume its loss and that the infringer would go scott free, free to create more victims. Section 55(1) was enacted to discourage patent infringement and to provide a redress to those who have a right which may be traced back to the patentee and who suffer a wrong as a result of the infringement.

[84] As alluded to earlier, *Signalisation de Montréal* continues to be good law. Paragraph 78 taken from *McCain Foods (supra)* is to that effect:

[78] A person claiming under the patentee is a person who derives his rights to use the patented invention, at whatever degree, from the patentee: *Hospira 2020* at para. 108; see also *Signalisation* at para. 24; *Teva Canada Limited v. Janssen Inc.*, 2018 FCA 33, 420 D.L.R. (4th) 493 at para. 127. The jurisprudence has held that “persons claiming under the patentee” can include exclusive licensees (*Spun Rock Wools Ltd. v. Fiberglas Canada Ltd.*, [1943] S.C.R. 547, 3 C.P.R. 87), non-exclusive licensees (*Armstrong Cork Canada Ltd. v. Domco Industries Ltd.*, [1982] 1 S.C.R. 907, 42 N.R. 254), implied licensees (*Jay-Lor International Inc. v. Penta Farm Systems Ltd.*, 2007 FC 358, 59 C.P.R. (4th) 228), and even purchasers of patented products or products used to perform a patented process (*Signalisation*).

[85] These are evidently binding decisions on this Court. They provide a broad interpretation of “persons claiming under the patentee”. Our Court has also consistently applied the broad interpretation. For instance, in *Jay-Lor International Inc v Penta Farm Systems Limited*, 2007 FC 358, 313 FTR 1 [*Jay-Lor*], Snider J, referring to a decision of Wetston J in *Apotex Inc v Wellcome Foundation Ltd* (1998), 145 FTR 161, which referred to *Signalisation de Montréal*, accepted that a written license is not required, nor is there a need for a parent/subsidiary relationship in order to invoke s 55 of the *Patent Act*. Our Court was satisfied in *Jay-Lor* of the following:

[36] In sum, what I can take from the *Wellcome* case and other jurisprudence is that the ability of a party to claim under a patentee depends on whether the party can trace an interest under the patent to the patentee and does not necessarily require the existence of an express licence. Where no express licence exists, each case will be determined on its facts.

[37] In the case before me, I am satisfied, on a balance of probabilities, that JAY-LOR Fabricating has met the burden of demonstrating that it can trace an interest under the patent to JAY-LOR International. The key facts supporting this conclusion can be summarized as follows:

- Both JAY-LOR Fabricating and JAY-LOR International are under the same control of Mr. Tamminga;
- No other licence has been granted – either explicitly or by implication – to any third party; and
- The two companies have structured their affairs in a manner consistent with a licensee-licensor relationship.

[86] Similarly, Rennie J (then of this Court) had to consider s 55 in *AstraZeneca Inc v Apotex inc*, 2014 FC 638, 457 FTR 227 [*AstraZeneca*], a case where there was no express agreement between parent companies, AstraZeneca Canada and AstraZeneca Aktiebolag. Our Court found the existence of an implied license. Paragraph 11 is of particular relevance to the case at bar,

which refers to paragraph 99 of *Apotex Inc v Wellcome Foundation Ltd*, [2001] 1 FC 495, taken from reasons delivered by Rothstein J.A.:

[11] That factual background overwhelmingly supports AstraZeneca Canada's standing in this case. AstraZeneca Canada has sold Nexium in Canada for the last 13 years. During those 13 years, AstraZeneca Aktiebolag has supplied AstraZeneca Canada with either bulk tablets or pre-packaged Nexium except for two brief interruptions in supply where AstraZeneca UK was a substitute supplier for approximately 3-6 months. In turn, AstraZeneca Canada sold Nexium in Canadian markets, as its name suggests, throughout those 13 years. Now, both AstraZeneca Canada and AstraZeneca Aktiebolag are joined before this court seeking recovery for AstraZeneca Canada's losses caused by Apotex's alleged infringement in the Canadian market. For Apotex to claim that there was no implied license, no right whatsoever, arising from a common understanding between AstraZeneca Canada and AstraZeneca Aktiebolag that AstraZeneca Canada was entitled to sell Nexium in Canada, strains credulity. Presumably, Apotex is of the opinion that AstraZeneca Aktiebolag supplied AstraZeneca Canada with pre-packaged Nexium for some purpose other than its sale – perhaps, for the profitable venture of storing unsold pharmaceuticals. In this regard, Justice Rothstein's remarks in *Apotex Inc v Wellcome Foundation Ltd*, [2001] 1 FC 495 (FCA) at para 99 are on point:

It is perhaps not uncalled for to observe that this is not a case in which the alleged licensee is alone in advancing its claim for patent infringement. Here, the patentee is also before the Court as a co-plaintiff supporting the claim of GWI. It is difficult to conceive of what more is necessary to prove the existence of a licence than to have the licensor and licensee both attesting to the validity of the licence. Where both the patentee and the person claiming under the patentee are before the Court, are affiliated as being owned by the same parent and have an identity of interest in the litigation--with the patentee supporting the person claiming under the patentee--it is, to say the least, surprising that technical questions of status to sue would be advanced as a defence to infringement.

[87] Nevertheless, our Court considered fully the merits of Apotex's argument that AstraZeneca Canada did not qualify under s 55 because the statement of claim omitted to state that AstraZeneca Canada had the right to sell the patented product (Nexium) and there was an absence of a plea of a license.

[88] Relying on *Signalisation de Montréal* and *Jay-Lor*, it found that an express license is not determinative of whether a right may be traced back to the patentee. It is rather fact-dependent. The simple fact that AstraZeneca Canada had been selling Nexium for more than a decade was seen as pointing in the direction of AstraZeneca satisfying the requirements of s 55 of the Act. But there was more.

[89] It was found that the conduct of the parties demonstrated the existence of an implied license, especially in view of a distribution agreement involving AstraZeneca Canada, even though it was not even granted an exclusive right to the "Products", which included Nexium. Our Court concluded on the issue at paragraph 24:

[24] When assessed against this factual landscape, AstraZeneca Canada's right to use the patent may be traced back to AstraZeneca Aktiebolag, the patentee. All rights of use of Nexium by AstraZeneca Canada are derivative, by an implied agreement, from AstraZeneca Aktiebolag. While there is no express licence and no plea of licence, the conduct of the parties is consistent with a finding of an implied licence granted by AstraZeneca Aktiebolag. The Distribution Agreement grants AstraZeneca Canada permission to use AstraZeneca Aktiebolag's intellectual property rights "insofar as is necessary to exercise the rights granted" under the Distribution Agreement. These rights include the right to sell Nexium and the obligation to assist AstraZeneca Aktiebolag in the civil prosecution of possible infringement by others. Commencement of an infringement action by AstraZeneca Canada falls within a reasonable interpretation of sections 24.1 and 24.2, and implicit to that is an acknowledgment of a right to recover

damages on behalf of the patentee for infringement. Consequently, AstraZeneca Canada is a person claiming under the patentee as required by section 55(2) of the *Patent Act* and has standing in this trial.

[My emphasis]

[90] That takes us to *Janssen Inc and Daiichi Sankyo Company, Limited v Teva Canada Limited* (T-2175-04) and *Janssen-Ortho LLC et al v Teva Canada Limited and Daiichi Sankyo Company, Limited* (T-2056-11), both actions being decided in one set of reasons (2016 FC 593 [*Janssen*]) from Hughes J (who happened to have been the counsel for the unsuccessful parties, including Les Services de Béton Universels Ltée, in *Signalisation de Montréal*).

[91] The Court in *Janssen* conducts a useful review of the jurisprudence relating to who constitutes a person claiming under a patentee. The decision related to the determination of damages and quantification. An injunction had already been granted and damages were to be assessed. The reference to Daiichi Sankyo Company, Limited [*Daiichi*] is because it was the patentee in this matter. *Janssen* was claiming under the patentee. *Daiichi* did not participate in the proceedings: it had already settled its damage claim with Teva.

[92] As is often the case, *Janssen* claimed that Teva had introduced its generic version of the patented product *Janssen* sold in Canada. Our Court had found that Teva had infringed the valid patent held by *Daiichi*. I do not plan to get into the intricacies involving the facts and the corporate entities, some of which were incorporated in Delaware and Pennsylvania (in T-2056-11). For our purposes, it is the discussion of what constitutes a person claiming under a patentee which is of special interest.

[93] Justice Hughes cites numerous passages from *Armstrong* as well as from *Signalisation de Montréal (supra)*. He makes the point that Létourneau JA found the user of a patent to be a person claiming under:

[34] The final words used by Létourneau J.A. are instructive; a person “claiming under” who, as a user, an assignee, a licensee or lessee, had a title or a right that may be traced back to the patentee, thus can be a person claiming under the patentee.

As part of his review, Justice Hughes then quotes numerous passages from *AstraZeneca (supra)*.

[94] Hughes J also refers to *Eli Lilly and Company v Apotex inc*, 2009 FC 991, where Gauthier J, then of this Court, found the existence of an express license from the patentee. In *Apotex Inc v Sanofi-Aventis*, 2011 FC 1486, Boivin J, then of this Court, found support for the existence of a partnership from the oral testimony of a witness stating that there existed a “partnership” in various agreements in the nature of an exclusive license. The Court expressed the view that the commercial reality is such that it cannot be expected that the terms and scope of agreements will be amended every time a newly developed compound comes into existence. Once again, our Court showed its willingness to consider the broad reality of commercial dealings, given the extensive meaning given to “persons claiming under the patentee”. That broad meaning allowed for the partnership, the purpose of which was to carry out all activities related to the development, manufacturing, sourcing and commercialisation of the product, to be sufficient for claiming under the patentee.

[95] That is certainly true of *Kirin-Amgen Inc v Hoffman-La Roche Ltd* (1999), 87 CPR (3rd) 1, where Reed J was satisfied that s 55 applied in spite of an absence of written license or other written notice. On the other hand, there was found a document confirming a sub-license to

use and sell the patented product. The Court also noted the affiliation of various companies as a factor to be taken into account in satisfying the test which is, “can the right asserted by the claimant be traced back to the patentee” (para 94).

[96] It is of course true that the mere affiliation of companies will not suffice to establish claiming under the patentee. But it is a factor. For instance, in *Laboratories Servier, Adir, Oril Industries, Servier Canada Inc v Apotex Inc*, 2008 FC 825, Justice Snider, in the words of Hughes J, “concluded that an entity which did not operate “in Canada” was not a person “claiming under” the patentee” (para 42). The affiliation will not be enough to claim damages when the company does not even operate in Canada.

[97] Finally, I note that Hughes J quotes from *Apotex Inc v Wellcome Foundation Ltd*, [2001] 1 FC 495, the same paragraph 99 from Rothstein JA cited by Rennie J at paragraph 11 of *AstraZeneca (supra*, at para 86). I reproduce once again the said paragraph 99:

99 It is perhaps not uncalled for to observe that this is not a case in which the alleged licensee is alone in advancing its claim for patent infringement. Here, the patentee is also before the Court as a co-plaintiff supporting the claim of GWI. It is difficult to conceive of what more is necessary to prove the existence of a licence than to have the licensor and licensee both attesting to the validity of the licence. Where both the patentee and the person claiming under the patentee are before the Court, are affiliated as being owned by the same parent and have an identity of interest in the litigation--with the patentee supporting the person claiming under the patentee--it is, to say the least, surprising that technical questions of status to sue would be advanced as a defence to infringement.

Rennie J added the apposite comment that, “(o)n that basis alone, Apotex’s standing defence rests on a weak foundation” (para 12). As we shall see, this is applicable to the case at bar.

[98] In the end, Hughes J distilled in one paragraph what he inferred is applicable to the analysis under s 55 of the *Patent Act*:

[43] From all this jurisprudence, I determine that for a Court to conclude that a party is a person “claiming under” the patentee for the purposes of section 55(1) of the *Patent Act*:

- the person must be one who, as a user, an assignee, a licensee or lessee has a title or a right that can be traced back to the patentee (*Signalisation*);
- it does not matter whether a licensee is exclusive or non-exclusive (*Domco*);
- the licence must be proved but it need not exist in writing (*Jay-Lor*);
- the claim must be one in respect of a use in Canada and not elsewhere in the corporate chain (*Servier*).

C. *Analysis: the application of the law to the facts*

[99] The issue is accordingly whether the Plaintiffs have discharged their burden of claiming as patentees or as persons claiming under the patentee with regards to the 128 Patent and the Angelcare Patents.

[100] The three Plaintiffs are different corporate entities. As for the Defendants, there is no issue raised as one is affiliated to the other. As outlined earlier in these reasons, Angelcare Canada is a corporation resulting from an amalgamation, on October 1, 2020, of Angelcare Development (Les Développements Angelcare), Old Angelcare Canada and Moniteurs Angelcare. The reference to Angelcare Development in various documents is of no moment as it was continued into the entity which is the Plaintiff before this Court. As for Old Angelcare

Canada, it was only incorporated on November 25, 2019, but was also continued into Angelcare Canada less than a year later.

Post-acquisition

[101] As was seen when was discussed the existence of three periods to be considered in this litigation, they turn on the acquisition of assets pertaining to the Diaper Genie line of products in Canada by Angelcare from Edgewell Canada and Playtex Products (including the 128 Patent). These assets were assigned on December 18, 2019 to Old Angelcare a few days after its incorporation. The amalgamation of the three corporate entities into Angelcare Canada Inc. took place on October 1, 2020. During the period between December 19, 2019, when the assets were assigned to Old Angelcare, and December 18, 2020, when the transition from Edgewell and Playtex to Angelcare Canada was completed, Edgewell Canada continued to sell in Canada the Diaper Genie products: it appears that there was a transition service agreement. It is not clear from what I have been able to review if the transition period concluded on December 18, 2020 or when the amalgamation of Old Angelcare, Les Développements Angelcare and Moniteurs Angelcare into Angelcare Canada, on October 1, 2020, was officially completed. One thing is clear however. There was no commercial relationship between Angelcare Canada and Edgewell (and Playtex) as of December 18, 2020 (agreed statement of facts, para 17). It follows that only Angelcare can seek monetary remedies for that post-transition period.

Pre-acquisition

[102] As for the period prior to the asset acquisition of December 18, 2019, the agreed statement of facts reports:

4. Until the asset acquisition described at paragraph 10 below (the “**Asset Acquisition**”) Angelcare Development had

manufactured on its behalf diaper pail cassettes for a line of products sold under the brand “Diaper Genie”, and sold them to entities in the same corporate group as the Plaintiff Edgewell Personal Care Canada ULC (“**Edgewell Canada**”) or its predecessor(s), for distribution and sale by Edgewell Canada or its predecessor(s) in Canada.

[103] As seen earlier, Playtex Products, LLC was the owner of record of the 128 Patent. It is one of the assets acquired by Angelcare in the asset acquisition of December 2019 and Angelcare Canada became the owner of the 128 Patent upon amalgamation. There does not appear to be a dispute between the parties as to the chain of title of the Angelcare Patents. Angelcare Development was the owner when they were issued and, indeed, it was the applicant at the time of the filing of the patent applications. The ownership of the patents went to Angelcare Canada with the amalgamation.

[104] Edgewell Canada was incorporated on March 10, 2015. Playtex is an affiliate of Edgewell (agreed statement of facts, para 8). It is reported at paragraph 6 of the agreed statement of facts that “(f)rom its incorporation until the Asset Acquisition, Edgewell Canada sold and distributed baby-care products in Canada in association with the Playtex brand, including under the Diaper Genie brand”.

[105] The Plaintiffs seek to establish the relationship between them during the pre-acquisition and transition periods, that is from the date of publication of the patents until December 19, 2020. In a nutshell, they argue that Playtex Products, one of the Plaintiffs who owned the 128 Patent, and Angelcare Canada (through its predecessor Les Développements Angelcare Inc), another Plaintiff, who owned the five Angelcare Patents, satisfy the requirement of s 55(1) of the

Patent Act because “(a) person who infringes a patent is liable to the patentee”. The quantification of damages, and who gets what, is for another day. What remains to be determined says Angelcare Canada is whether the other Plaintiffs qualify as claiming under the 128 Patent and the Angelcare Patents. Angelcare Canada and Edgewell Canada qualify as “persons claiming under the patentee” with Playtex as the patentee of the 128 Patent; similarly concerning the Angelcare Patents, Playtex Products and Edgewell Canada qualify for “claiming under the patentee”, that is Angelcare Canada.

[106] During the transition period, after Angelcare had acquired the 128 Patent, the situation changed slightly. The issue then becomes whether Edgewell Canada and Playtex Products are persons claiming under the patentee with respect to the six patents-in-suit.

[107] The position taken by the Plaintiffs relies to some significant extent on the “relation commerciale” (commercial relationship) between the three of them. They were in the business of selling Diaper Genie products in Canada, with Angelcare manufacturing, Playtex ordering from Angelcare cassettes (also referred to as refills) which were picked up by Playtex once manufactured to be delivered to Edgewell warehouses. Edgewell would then become responsible for selling the cassettes to various retailers.

[108] The picture that emerges is that related entities, Playtex with Edgewell, operating hand in glove with a different entity not related to them, Les Développements Angelcare, worked together on a continuous basis from the ordering of new cassettes (refills) by Playtex to the manufacturing of the cassettes through Angelcare (which had the cassettes manufactured by a

third party entity not involved in the law suit), the said manufactured cassettes being “picked up” by Playtex, to be delivered to Edgewell for distribution by Edgewell to retailers.

[109] Both witnesses Sylvie Charette (February 1, 2021) and Doug Sweetbaum (January 29, 2021) were unequivocal that the process as described was ongoing, every month, whenever Playtex would order new cassettes. The testimony of witnesses was illustrated by an invoice (Exhibit # 111) entered into evidence at trial which was said to be one of many over the years. The Plaintiffs were in the common business of selling cassettes which included patented inventions.

[110] The Plaintiffs say that this suffices to satisfy the requirements of s 55 of the *Patent Act*. They say that the law as it exists supports fully their contention. The three Plaintiffs all practice the patents-in-suit. Angelcare and Playtex own the patents and the participants in the commercial endeavour to sell cassettes protected by the patents are persons claiming under the two patentees (until the transition period when Angelcare Canada becomes the exclusive patentee of the six patents-in-suit).

[111] The commercial relationships would, in and of themselves, be enough under s 55 of the Act. But adding a belt to the suspenders, the Plaintiffs refer to various documents to strengthen the evidence that not only were the Plaintiffs operating under implied licenses legitimizing their practice of the patents, but they had recorded their agreements in writing, including in “confirmatory Patent Licenses”.

[112] The first series of documents consist of an agreement, dated December 22, 2005, in which Playtex Products confirms an agreement with Angelcare Development in the following terms:

We take this opportunity to confirm the agreement we have reached in connection with the grant by Développements Angelcare Inc. (“**Angelcare**”) to Playtex Products, Inc. (“**Playtex**”) of the exclusive right and license to manufacture and produce the Captiva Diaper System pails (the “**Pails**”) throughout Canada (the “**Territory**”), as well as the exclusive right to promote, sell and distribute the Pails, and the Cassettes (as hereinafter defined) for use therewith, throughout the Territory.

The document explicitly provides that “Angelcare and Playtex each may, but are not obligated to sue third party infringements of Angelcare’s patents”. It also states that Angelcare will be responsible for obtaining and maintaining these patents in Canada. That is of course important because the confirmatory agreement concerned patent applications, as the Angelcare Patents were in the process of being prosecuted. That agreement was amended over the years, including on April 15, 2008, for the first time and on December 16, 2015, for a second time. We read in the December 16, 2015 document:

Amendment No. 2 dated December 16, 2015 entered into by Edgewell Personal Care Brands, LLC (“**EPC**”) a limited liability company organized under the laws of Delaware, U.S.A., having a principal office at 1350 Timberlake Manor Pkway, Chesterfield, Missouri, 63017, U.S.A., on its own behalf and on behalf of its affiliates, EPC hereby confirming that it has authority to bind such affiliates for the purposes hereof (as successor in interest to Playtex Products, Inc. (“**Playtex**”), Les Développements Angelcare Inc. (“**Développements**”) and International Refills Company Limited (“**IRC**”) amending the agreements dated December 22, 2005 between Playtex and IRC and Playtex and Développements, each as amended by Amendment No. 1 dated April 15, 2008 (collectively, the “**Agreements**”).

[My emphasis]

In effect, one of the purposes of the amendment was to update that which was already in place since 2005 as a new section 17 was added, so that Edgewell Personal Care Brands, LLC and Angelcare Developments memorialize that “(t)he parties acknowledge that EPC has been granted the exclusive right and license in the Territory under the following patents: Canadian Patent No. 2,640,384, Canadian Patent No. 2,855,159 and Canadian Industrial Design No. 125,080 (collectively, the “Additional Patents”) ... ”. Those two patents had been issued on September 9, 2009 and on November 8, 2016 respectively, obviously well after the confirmatory agreement of December 2005 which was merely amended over time. The Plaintiffs note that the other Angelcare patents, which are divisional patents, were issued at a later date (April 2017). They could not have been the subject of that second amendment. It is clear, however, that the commercial operation involving the three Plaintiffs practiced throughout not only the 384 and 159 patents, but also the other three patents-in-suit.

[113] The Confirmatory Patent Licenses, the second set of documents put in evidence, are concerned with the 128 Patent. First, a document dated January 21, 2016 confirms the exclusive license granted by Playtex Products, LLC to Edgewell Personal Care Brands, LLC to use, make, have made, sell and distribute products incorporating technology of the 128 Patent, with a right to sub-license. The parties confirmed that Playtex retains the right to use, make, have made, sell and distribute the same products.

[114] Second, a Confirmatory Patent License between Edgewell Personal Care Brands, LLC and Les Développements Angelcare Inc purports to confirm the license granted by Edgewell to Angelcare for the 128 Patent. The document was signed by Edgewell’s representative on

December 16, 2015. That was evidently a mistake since the 128 Patent was owned by Playtex. It was arguably not for Edgewell to license the 128 Patent. Hence, an amendment to that Confirmatory Patent License was signed on January 22, 2016, the purpose of which was said to reflect the reality by stating that the 128 Patent was, and continued to be owned by Playtex, which had licensed Edgewell with the right to sub-license. Mr. Rosasco, an assistant General Counsel of patents with Edgewell Personal Care, was instrumental in creating those instruments and he testified about these instruments to that effect at trial. In effect, the Confirmatory Patent License, once corrected, confirms that Angelcare had an exclusive right and license to practice the 128 Patent, which included the right to launch legal proceedings for infringement by third parties.

[115] Finally, a Confirmatory Patent License between Angelcare Canada Inc., the successor to Les Développements Angelcare Inc. following the amalgamation, and Edgewell Personal Care Brands, LLC was signed on the eve of the start of the trial. Mr. Rosasco was equally instrumental in drafting this document and he offered evidence at trial. It encapsulates what the Plaintiffs wished to memorialize as being the situation which had prevailed between them. For that reason, I reproduce significant extracts from the document:

WHEREAS Angelcare Canada is the result of an amalgamation of Angelcare Canada Inc. (“Old Angelcare Canada”), Les Développements Angelcare Inc. (“Angelcare Développements”) and Moniteurs Angelcare Inc., which occurred on or about October 1, 2020 (the “Amalgamation”);

WHEREAS until the Amalgamation, Développements was the owner of, *inter alia*, Canadian Patent Nos. 2,640,384; 2,855,159; 2,936,415; 2,936,421 and 2,937,312 (the “Patents”);

WHEREAS as a result of the Amalgamation, ownership of the Patents continued into Angelcare Canada;

WHEREAS Angelcare Canada’s predecessor Angelcare Développements entered into an agreement with Edgewell Brand’s predecessor Playtex Products, Inc. on December 22, 2005, which was amended from time to time, including on December 16, 2015 (the “Agreement” and the “December 2015 Amendment”);

WHEREAS the Parties wish to confirm the exclusive license granted by Angelcare Développements and Angelcare Canada to Edgewell Brands for the Patents;

NOW, THEREFORE, THE PARTIES AGREE AS FOLLOWS:

1. Angelcare Canada and Edgewell Brands hereby confirm that Angelcare Canada (and its predecessor Angelcare Développements) granted Edgewell Brands, for good and valuable consideration, an exclusive right and license to use, make, have made, sell and distribute products incorporating the technology of the Patents, with the right to sublicense rights to the Patents under the terms set out at paragraph 19 of the December 2015 Amendment (the “License”) and under terms not inconsistent with this agreement.
2. Angelcare Canada et [*sic*] Edgewell Brands hereby confirm that Angelcare Canada and its predecessor Angelcare Développements retained the right to use, make, have made, sell and distribute products incorporating the technology of the Patents.
3. Angelcare Canada and Edgewell Brands hereby confirm that the License was in force until the end of a transition period that followed the acquisition of certain assets of Edgewell Brands’ parent by Angelcare Canada’s parent, namely at the latest December 18, 2020.
4. Angelcare Canada and Edgewell Brands hereby confirm that this agreement does not create or extinguish any of the parties’ rights, but merely confirm the terms of the License granted between them.

[116] These, argue the Plaintiffs, reflect the reality of their relationship in their effort to practice the patents owned by Playtex and Les Développements Angelcare with Edgewell contributing by

providing the distribution capacity needed in the commercialization of the products that embody the patented invention.

[117] The Plaintiffs contend that Playtex and Angelcare are covered as patentee with respect to their patents. They, together with Edgewell, are persons claiming under the patentee where they are not themselves the patentee. They refer to some of the case law already reviewed in these reasons.

[118] First off, they argue there is no need to be an assignee, a licensee or even a lessee to qualify as a person claiming under the patentee. That was one of four findings made by Hughes J, in *Janssen (supra)*, at para 43), on the basis of the binding authority of *Signalisation de Montréal (supra)*. It bears reproducing again the oft-quoted paragraph from that decision.

24 In my view, a person “claiming under” the patentee is a person who derives his rights to use the patented invention, at whatever degree, from the patentee. The right to use an invention is one the monopoly to which is conferred by a patent. When a breach of that right is asserted by a person who can trace his title in a direct line back to the patentee that person is “claiming under” the patentee. It matters not by what technical means the acquisition of the right to use may have taken place. It may be a straightforward assignment or a licence. It may, as I have indicated, be a sale of an article embodying the invention. It may also be a lease thereof. What matters is that the claimant asserts a right in the monopoly and that the source of that right may be traced back to the patentee. That is the case with the appellant here.

[119] Since *Armstrong*, we know that a license, if any, does not need to be exclusive. Moreover, Hughes J finds, following *Jay-Lor*, that it does not even have to be in writing. Finally, Hughes J reminds the reader that the claim must be one in respect of the use in Canada. These are satisfied here.

[120] The Plaintiffs then refer to *AstraZeneca (supra)* where Rennie J decided that the right to use an invention can be inferred from the corporate relationship between the parties (para 24 of *AstraZeneca*, reproduced at para 89 of these reasons).

[121] Whether a plaintiff is a person claiming under the patentee will depend on whether the patentee has granted the right to use the invention. Who better to establish that right to use the patented invention than the protagonists themselves, the patentee and the user of the licensee. The Plaintiffs stress that the co-Plaintiffs speak with one voice. That carries weight especially in view of the passage, already quoted twice, from the reasons of Rothstein JA in *Wellcome Foundation (supra)*.

[122] Accordingly, the Plaintiffs argue that the Defendants' argument, which is based on their view that the license must be in writing is doomed to failure.

[123] My own review of the jurisprudence made me conclude that the case for the Plaintiffs was quite formidable. My starting point was in fact the passage in *Wellcome Foundation* from Rothstein JA which was clearly on point in view of the facts of this case. The three Plaintiffs work in unison; they are represented in this law suit by the same set of counsel, without any allegation of some conflict of interest; although Edgewell and Playtex are affiliated, obviously, they are not connected with Angelcare Canada (and its predecessors), yet there is no daylight between their positions. As Rennie J quipped in *AstraZeneca (supra)* after having quoted paragraph 99 of *Wellcome Foundation*, "(o)n that basis alone, Apotex's standing defence rests on weak foundation" (para 12). That is the case here.

[124] As in *AstraZeneca*, there is much more in this case; co-plaintiffs who support each other and the conduct of the parties/plaintiffs is consistent with the permission to operate that business venture of manufacturing, distributing and selling cassettes which incorporate patented inventions in Canada. The law does not require a license, be it exclusive or non-exclusive; it does not require that it be in writing, yet in this case we have the proof of such unwritten license through a variety of instruments. Aren't these for the purpose of "papering over"? I do not think so. As the language used in these various instruments suggests, they record what has taken place. Although it may be somewhat awkward, it is evidence that supplements the evidence of a continuous business and commercial relationship between the Plaintiffs involving the practice by them of the six patents.

[125] The business relationships between the Plaintiffs led to their joint effort towards a shared goal. That included practicing the patents owned by two of them. In my view, there is nothing wrong or nefarious in memorializing their agreement to use each other's patents in an area where oral contracts (Décary JA in *Signalisation de Montréal*) and licenses that do not need to be in writing are possible. Unless that constitutes a fraud, and I would not entertain such a suggestion unless there was some evidence, which there is none on this record, it seems to me to be a tall order to challenge the case put forth.

[126] The Defendants did not challenge the exposé of the law, neither in their initial submission nor in their supplemental written submissions. Instead, the Defendants sought to take issue with a small variety of allegations, the purpose of which appeared to limit their liability with respect to some Plaintiffs during some periods of time. Thus, they assert a failure by the Plaintiffs to

establish by a preponderance of evidence that they could trace the interest back to the relevant patentee “for the entire duration of the infringement period” (Supplemental Written Submissions, para 2). With respect, I have found the contentions unpersuasive.

[127] Fundamentally, the Defendants do not accept that the various documents presented in evidence are confirmatory. They rather contend that they constitute the granting of licenses as of the date of the instrument.

[128] They first target the 128 Patent. Referring to the Confirmatory Patent Licensee of January 21 and January 22, 2016, they argue that the circumstances surrounding these confirmations, because they came on the eve of the first statement of claim and the start of this trial, are suspicious.

[129] As already seen, the existence of a license not only does not require a written document, but it may be implied. The commercial relationships between the Plaintiffs, supported by testimonial evidence, establishes their standing to claim under the patentee. As the Federal Court of Appeal found in *Signalisation de Montréal*, “a person “claiming under” the patentee is a person who derives his rights to use the patented invention, at whatever degree, from the patentee” (p 356). That person may be a user of the patent who has been given that right to use (*Signalisation de Montréal; Janssen*). I find that there was ample evidence in this case that the Plaintiffs were operating together towards a common goal, thus granting each other the right to use the patents. Indeed that was a *sine qua non* in their commercial endeavour to commercialize

the patented invention and their confirmatory patent licenses were just that: confirmatory of an unambiguous reality.

[130] The Defendants treat the confirmatory patent licenses as conferring rights as of the date they were concluded (and in one case the date of the issuance of the 128 Patent), thus denying their confirmatory nature. These instruments state that there was in place an arrangement, which should be quite obvious in view of the relationships of the Plaintiffs with each other. They refer to a state of affairs that was in place, and is exemplified by the commercial relationship of the Plaintiffs that requires the practice of the patents, as well as testimonies at trial. The date on which the instrument is created does not change the nature of the instrument and the reality of the relationships.

[131] The sequence of events is simple. On December 16, 2015, Edgewell purports to confirm that it had granted a license to Angelcare, including the right to launch proceedings for infringement. On January 21, 2016, written confirmation of a license is given to Edgewell by Playtex. The confirmation specifies that the license includes the right to sub license; that is what the Confirmatory Patent License of December 16, 2015 ought to have recorded since it was clear that the 128 Patent was owned by Playtex, not Edgewell. That explains the further Confirmatory Patent License of January 22, 2016, between Edgewell and Les Développements Angelcare, where the mistake of December 16 is acknowledged and the appropriate adjustment is made so that, in the words of the instrument itself, “it reflects this reality”. I repeat, these confirmatory patent licenses, although far from perfect, merely report and record what was happening between these Plaintiffs in their collective effort to manufacture and sell cassettes, thus practicing the

patented inventions. The fact that there was the acknowledged mistake in the Confirmatory Patent License of December 16, 2015 shows that the Plaintiffs were operating on the basis of implied licenses and confirms the symbiotic relationships between the three Plaintiffs in what was a mutually advantageous association and relationship.

[132] The same kind of argument is made with respect to the Angelcare patents. Again, the Defendants argue that the confirmatory agreement of December 22, 2005, together with amendments of April 15, 2008 and December 16, 2015, create an agreement solely as of the date of instruments.

[133] The argument does not take into account the commercial relationships of the Plaintiffs, which call for the Plaintiffs to practice the patents; moreover, the confirmation in the amendment of December 16, 2015 of the confirmatory agreement of December 22, 2005 speaks unambiguously of Edgewell Personal Care having been granted licenses for the 384 and 159 Patents with the ability for both of them to sue infringers. There is no reference to the 312 Patent, nor to the other two patents (421 Patent and 415 Patent), for the simple reason that they had not yet issued in December 2015. As witness Rosasco confirmed at trial, the second amendment to the confirmatory document of December 22, 2005 is for the purpose of confirming “that these are additional patents in consideration of patents that were in the original licence, I believe” (February 16, 2021, p 167: 7 to 9).

[134] As a matter of fact, the Confirmatory Patent License of January 22, 2021 confirms that the five Angelcare patents were the subject of licenses. Given the behaviour of the Plaintiffs over

many years when the patents-in-suit were practiced, I can see no reason to doubt the confirmatory patent licenses. Indeed, there needed to be such arrangement because otherwise the Plaintiffs would have been infringing on the patent of each other.

[135] The Defendants seem to suggest that the fact, confirmed by Witness Rosasco, that Angelcare did not compete with Edgewell or Playtex in the selling of cassettes would have a bearing on the entitlement of Angelcare to a pecuniary remedy. This in my view has no merit. First, s 55 of the *Patent Act* grants a remedy for infringement to the patentee. It would take much more explicit evidence of a renunciation than evidence that the patentee is not competing with the licensees to exclude the patentee from claiming the benefit of s 55. The issue of apportionment of damages is quite different, but that is for another day. Second, the commercial relationships between the Plaintiffs was to the effect that Angelcare was supplying the cassettes to Playtex and Edgewell. These Plaintiffs were in the business of distributing the finished product to retailers. It would appear to be only normal that Angelcare would not itself be in the business of distributing cassettes for sale while the relationship was ongoing. It is only during the transition period of one year following the purchase of assets by Angelcare Canada (through Old Angelcare) that both Angelcare and Edgewell were distributing the product to retailers (hence, “the transition”). Third, the Confirmatory Patent License of January 22, 2021 makes it perfectly clear what the arrangement had been:

1. Angelcare Canada and Edgewell Brands hereby confirm that Angelcare Canada (and its predecessor Angelcare Développements) granted Edgewell Brands, for good and valuable consideration, an exclusive right and license to use, make, have made, sell and distribute products incorporating the technology of the Patents, with the right to sublicense rights to the Patents under the terms set out at paragraph 19 of the December 2015 Amendment (the

“License”) and under terms not inconsistent with this agreement.

2. Angelcare Canada et [sic] Edgewell Brands hereby confirm that Angelcare Canada and its predecessor Angelcare Développements retained the right to use, make, have made, sell and distribute products incorporating the technology of the Patents.

[My emphasis]

[136] As a final salvo, the Defendants contend that the Plaintiffs did not adduce sufficient evidence of their relationship, which would include their mode of operation and various license agreements. They seek to reduce the relationship to “each Plaintiff appeared to be handling Diaper Genie cassettes” (Supplemental Written Submissions, para 32). I cannot agree with such broad submission.

[137] What the Defendants present as “license agreements” ignores that licenses do not have to be in writing and that the instruments created over the years, starting in 2005 until 2021, are all consistent and are merely confirmatory of a commercial relationship that was clearly explained by two witnesses at trial (Ms. Charette and Mr. Rosasco). Their evidence was left uncontradicted nor even significantly challenged on cross-examination. The Court accepted their evidence. As for the various instruments, they spoke for themselves but, at any rate, they were explained to some extent by Mr. Rosasco.

[138] It is certainly not a novel proposition to state that in all civil law cases, the standard of proof is the same: balance of probabilities (*F.H. v McDougall*, 2008 SCC 53, [2008] 3 SCR 41, at para 40; *Canada (Attorney General) v Fairmont Hotels Inc*, 2016 SCC 56, [2016] 2 SCR 720,

at para 36). In my view, the evidence offered at trial was clear and compelling in the context of the law in Canada concerning “persons claiming under the patentee”.

[139] Accordingly, it follows that the Plaintiffs are entitled to claim a monetary remedy in the following fashion:

- a) during the period from December 19, 2020 to the present (the so-called “post-transition period”), Angelcare Canada Inc is entitled to remedies;
- b) during the period from December 19, 2019 to December 18, 2020 (that is the period of one year following the acquisition by Angelcare of assets from the other two Plaintiffs), are entitled to remedies:
 - Angelcare Canada Inc as patentee for all patents (having by then acquired the 128 Patent);
 - Playtex Products, LLC as a person claiming under all the patents;
 - Edgewell Personal Care Canada ULC as a person claiming under all the patents;
- c) before the acquisition of assets by Angelcare Canada Inc on December 18, 2019, are entitled to remedies:
 - Angelcare Canada Inc, as patentee of the five Angelcare Patents and as a person claiming under the patentee of the 128 Patent;
 - Playtex Products, LLC, as the patentee for the 128 Patent and as a person claiming under the five Angelcare patents;
 - Edgewell Personal Care Canada ULC, as a person claiming under Playtex’s 128 Patent and Angelcare’s five patents.

[140] The quantification and apportionment of the pecuniary remedies, whether it be damages or an accounting of profits, is left to an order for a reference pursuant to Rule 153 of the *Federal Courts Rules*, SOR/98-106.

ORDER in T-151-16

THIS COURT ORDERS:

1. The Plaintiffs are entitled to the injunctive relief sought. Counsel for the Plaintiffs are invited to submit a draft of the injunctive order sought, after it will have been shared with counsel for the Defendants.
2. The Plaintiffs are entitled to elect between damages and an accounting of profits.
3. The Plaintiffs are not entitled to punitive damages.
4. The Plaintiffs are entitled to claim a monetary remedy, be it damages or an accounting profits, on the following basis:
 - a) during the period from December 19, 2020 to the present (the so-called “post-transition period”), Angelcare Canada Inc is entitled to remedies;
 - b) during the period from December 19, 2019 to December 18, 2020 (that is the period of one year following the acquisition by Angelcare of assets from the other two Plaintiffs), are entitled to remedies:
 - Angelcare Canada Inc as patentee for all patents (having by then acquired the 128 Patent);
 - Playtex Products, LLC as a person claiming under all the patents;
 - Edgewell Personal Care Canada ULC as a person claiming under all the patents;
 - c) before the acquisition of assets by Angelcare Canada Inc on December 18, 2019, are entitled to remedies:
 - Angelcare Canada Inc, as patentee of the five Angelcare Patents and as a person claiming under the patentee of the 128 Patent;

- Playtex Products, LLC, as the patentee for the 128 Patent and as a person claiming under the five Angelcare patents;
- Edgewell Personal Care Canada ULC as a person claiming under Playtex's 128 Patent and Angelcare's five patents.

"Yvan Roy"

Judge

FEDERAL COURT
SOLICITORS OF RECORD

DOCKET: T-151-16

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INC. ET AL

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DATED: AUGUST 17, 2023

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