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Post-expiry Patent Losses

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Liability for patent infringement is statutorily limited to the term of the patent. However nothing limits recovery to losses suffered during that same term. Since patent infringement is tort-like in many respects, traditional damages principles apply to quantify damages suffered after the expiry of the patent. Recent Canadian and English case law has indicated a willingness to consider such recovery. Consequently, the courts may be far less willing to grant springboarding injunctions. Patentees seeking to prevent springboarders must satisfy the tripartite interlocutory injunction test, which requires demonstration of irreparable harm. Since post-expiry losses may now be considered quantifiable and recoverable, a patentee will seldom demonstrate that it will suffer irreparable harm. This article argues that losses suffered after a patent has expired due to pre-expiry infringement of that patent are recoverable and that the recoverability of post-expiry patent

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I

INTRODUCTION

The Patent Act (the “Act”) protects patentees for almost the full life of the patent, which in Canada is twenty years from the date it is filed.1 During the term of the patent, the patentee has the exclusive right of “making, constructing, using the invention and selling it to others.”2 Since the patentee can only claim relief under the statute for a patent infringement – in other words a violation of the patentee’s exclusive rights in relation to a patented product – this seems on its face to protect the patentee solely during the term of the patent.3

2 Act, supra note 1, s.42.
3 Act, supra note 1, s.55.
However, it is clear that the benefit of patent protection may extend beyond the term of the patent. In a classic English patent case, the House of Lords recognized that, at least in some industries, in that case medical technologies, "the benefit of the monopoly granted by the patent derives from the fact that the patented product is given the opportunity of becoming established and this benefit continues to be reaped after the patent has expired."\(^4\) Although this statement was made in the context of a new pharmaceutical product used exclusively by doctors which, as the court noted, takes a long time to become established in the market, most patents will provide some benefit post-expiry. In fact, the question is merely one of degree.

Further, it is readily conceivable that actions occurring during the life of the patent may have repercussions on this post-expiry benefit. For example, a competitor’s early access to the market might impair the patentee’s capacity to compete with the infringing competitor once the patent has expired, whereas the two may have co-existed competitively had the infringement not occurred. This early market access provides the infringer with a springboard, or a head start, into the unpatented commercial arena.

This Article argues that losses suffered after a patent has expired due to pre-expiry infringement of that patent are recoverable. Nothing in the Act suggests that recovery is limited to losses suffered during the term of the patent. Further, traditional tort liability principles are applicable and well-suited to assess losses suffered due to patent infringement, which is itself tort-like.

This Article further argues that the recoverability of post-expiry patent losses will all but preclude the availability of interlocutory injunctions to restrain springboard infringement. Interlocutory injunctions, ordered only where the harm suffered will be irreparable – unquantifiable or unrecoverable – are seldom granted in patent cases because infringement losses are often commercial in nature and thus quantifiable and recoverable. Losses occurring after the term of the patent are generally assumed to be unrecoverable and therefore potentially irreparable. The recoverability of such losses effectively removes them from the ambit of irreparable harm except in special circumstances and thus further hinders patentees seeking to restrain springboarding infringement before trial.

Initially, the springboard concept was considered within the context of a breach of confidential information. In *Cadbury Scheppes Inc. v. FBI Foods Ltd.*, the Supreme Court of Canada cited another old English case to the effect that “a person who has obtained information in confidence is not allowed to use it as a spring-board for activities detrimental to the person who made the confidential communication.” In *International Corona Resources Ltd. v. Lac Minerals Ltd.*, both the majority and the minority agreed that the confidential information was the springboard that led to the benefit, in that case a very valuable plot of land.

However, springboarding has now evolved to include patent infringement before the expiry of the patent as a means to achieve more rapid market penetration:

Springboarding refers to a competitor establishing a generic brand in the market in advance of the expiry of the innovator’s patent. Early entry into the marketplace allows the competitor to ‘ramp up’ and achieve a share of market penetration prior to the expiration of the patent in issue.

The issue in such a case is the consequences of the infringement after the patent expires. It is clear that a patentee can request relief for the infringement itself. It is not so clear whether any post-expiry loss can be claimed. However, surely such losses do

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5 *Cadbury Schweppes Inc. v. FBI Foods Ltd.*, [1999] 1 S.C.R. 142 at para.67. Roger T. Hughes and Dino P. Clarizio, *Hughes and Woodley on Patents*, 2d ed. (Toronto: LexisNexis, 2008) at para. 103 [Hughes and Clarizio]. set out a similar definition: “Where knowledge was in fact available to the public and could be collected by someone having sufficient time and desire to do so, without violating any obligation as to secrecy, nonetheless in instances where effort has been expended in acquiring and collecting such knowledge which was then turned over to a person for a limited purpose, the Courts will restrain that person from using the knowledge for another purpose.”


arise. If, as mentioned previously, patent protection entitles patentees to establish their position in the market prior to the expiry of their patent, and springboarding allows a competitor to achieve more rapid market penetration, in other words to circumvent the patentees established position, prima facie patentees would seem to lose a benefit that they are entitled to under patent law. The question is whether Canadian patent law does in fact protect the patentee against such post-expiry losses.

The issue of losses occurring after the expiry of the patent arises in three different ways. First, an infringement action may be brought subsequent to the expiry of the patent. Post-expiry losses will therefore comprise two components: known, or estimated, losses already having occurred and future losses. The Act, however, grants relief only for infringements committed less than six years prior to the commencement of the action and therefore this scenario has a limited window of occurrence. Second, the action could be tried subsequent to the expiry of the patent despite the fact that the action was launched during the life of the patent. Post-expiry losses would comprise the same two components as in the first scenario. Third, patentees may enforce the patent during its term, with the trial of the action occurring before the expiry of the patent. At the time of trial, no post-expiry losses will have been suffered as the patent is still within its term, and thus all post-expiry losses would be future losses.

Before considering the potential recovery of post-expiry patent losses, some terminology should be defined. In Canada, the act of infringing a patent in order to better one’s position after the patent expires is generally referred to as springboarding. It often involves an infringement shortly before the expiry of the patent rather than early in the patent’s life as there is insufficient time to resolve an action before the expiry of the patent and so the infringing competitor gains valuable direct access to the post-expiry market during the life of the patent. Springboard imagery aptly portrays this reality.

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8 See for example Gerber Garment Technology v. Lectra System Ltd., [1995] R.P.C. 383 at 393 (Pat. Ct.) [Gerber Garment Technology], where Jacob J. accepted that the patentee lost sales of its formerly patented product because the defendant’s infringement enabled it to accelerate its entry into market.

9 Act, supra note 1, s.55.01.

In American jurisprudence, this same act is often referred to as accelerated market entry. Though both terms are appropriate, this more general American term will be used herein. Although infringement just before the end of the patent may have significantly more impact than it would earlier in the patent life, the issue is one of post-expiry loss due to an accelerated market entry. The effect of an infringement, regardless of when it occurred, on post-expiry market share is one of degree and therefore should not be dismissed merely because it does not fit the metaphor of a springboard. An infringer late in the life of a patent may well gain a springboard into the post-expiry market. However, an earlier infringer nonetheless will likely gain some benefit, even if minimal.

Part II of this paper sets out the remedies available to patentees. As this paper focuses on the recoverability of damages for and prevention of loss occurring post expiry, only damages and injunctions are truly relevant. Since successful patent infringement actions typically give rise to a permanent injunction,¹¹ no further discussion of that remedy is necessary. However, interlocutory injunctions are particularly relevant to this issue, in particular since patent infringement actions are frequently quite long and may be decided only after the patent expires, thus rendering the availability of a permanent injunction futile. Part III analyzes the law on recovery of post-expiry losses and sets out the case in favour of such recovery. Part IV examines the availability of interlocutory injunctions in springboarding cases.

II

DAMAGES AND INTERLOCUTORY INJUNCTIONS IN PATENT LAW

Before addressing whether post-expiry loss can be remedied or springboarding can be prevented, it is instructive to set out some of the remedies available to patentees. Upon the court declaring a patent to be infringed, the patentee may claim a variety of remedies, including damages, an accounting of profits, an injunction or delivery-up.¹² Prior to successfully establishing infringement, the

¹¹ The statutory basis for this remedy is found in the Act, supra note 1, s.57(1).
¹² Act, supra note 1, ss.55, 57.
patentee may also apply for interlocutory relief.13

As the focus of this paper is post-expiry patent damages and interlocutory injunctions against springboarding, only damages and injunctions will be discussed in more detail.

A. GENERAL APPROACH TO PATENT REMEDIES

Although patents are a statutory creature, the principles of tort law generally apply and may clarify any legislative gaps. The courts have long recognized that patent infringement is analogous to, if not actually, a tort: “every [infringing] sale is a tort.”14 In particular, as one author recently pointed out, “damages principles in intellectual property cases are generally consistent with a modern understanding of general tort principles.”15 The author cited a relatively recent English case for the proposition that, as above, “infringement of a patent is a statutory tort” and therefore one could expect the damage recoverable to be governed by the same rules as in tort law.16

Therefore it is instructive to review some basic tort law principles pertaining to damages and injunctions when addressing how these remedies work in the patent context.

B. DAMAGES

Damages are meant to compensate the claimant for damage, loss or injury suffered,17 and thus place that claimant, in Lord Blackburn’s words, in the “same position as he would have been if he had not sustained the wrong for which he is now getting compensation or reparation.”18 In patent cases, the purpose of an

13 Act, supra note 1, s. 57(1).
14 J.R. Short Milling Co. (Canada) Ltd. v. Continental Soya Co. et al. (1942), 2 C.P.R. 158 at 161 (Ex. Ct.) [J.R. Short Milling].
15 Norman Siebrasse et al., Damages Calculations In Intellectual Property Cases in Canada (Toronto: Cole & Partners, 2001) at 1. [Siebrasse et al.]
18 Ibid. at para.1-022. See also Gerber Garment Technology, supra note 8 at 393 (Pat. Ct.). Lord Blackburn’s statement has also been adopted in Canadian patent law: AlliedSignal Inc. v. Du Pont Canada Inc. (1998), 78 C.P.R. (3d) 129 at para. 19.
award of damages for infringement has been similarly described as seeking to “compensate the plaintiff for any losses suffered by the plaintiff as a result of the infringement.”

Although accuracy is often impossible and imagination must be exercised, an assessment of damages must not be generous because damages are meant to compensate, not penalize or punish. Nonetheless, damages are calculated liberally.

Two other limiting factors are key in a damages assessment: the loss must effectively be caused by the tort and the loss must be reasonably foreseeable.

A concise framework for assessing tort damages was set out in *Gerber Garment Technology v. Lectra System Ltd.:

(1)…the overriding principle is that the victim should be restored to the position he would have been in if no wrong had been done, and (2) …the victim can recover loss which was (i) foreseeable, (ii) caused by the wrong, and (iii) not excluded from recovery by public or social policy. The requirement of causation is sometimes confused with foreseeability, which is remoteness. The two are different...

Damages awards under patent law differ slightly than under tort law because the patents, and associated remedies, are statutory in nature. However, as discussed previously, the underlying principles apply in a similar manner.

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20 J.R. Short Milling, supra note 14, at 168-169.


The starting point for damages in patent actions is section 55(1) of the Act which imposes liability on infringers “for all damages sustained by the patentee…after the grant of the patent, by reason of the infringement.” The patentee, in addition to demonstrating a defendant is liable for infringement, must establish the quantum of damages.

As with tort claims, causation is central to assessing intellectual property damages: “damages are measured by the difference between the actual position of the plaintiff and the position of the plaintiff but for the actual infringement.” Therefore the damages a patentee can claim are generally limited to those they can establish that will satisfy the but-for test. This often translates to showing that the patentee lost sales due to the defendant’s infringement. 

However, damages in patent may be more broadly assessed. A patentee may also be compensated for infringing sales that they would not have made since, as mentioned previously, every sale is a tort. In those cases, the courts will allow damages for an amount equivalent to a reasonable royalty.

Further, a patentee’s losses must not be too remote. However, unlike under tort law, this aspect of the analysis may simply

25 Act, supra note 1, s.55(1). Paragraph (2) specifies that the patentee is also entitled to “reasonable compensation” once the patent is “open to public inspection,” but before it is granted.


27 Siebrasse et al, supra note 15 at 1. See also Lubrizol Corp. v. Imperial Oil Ltd. (1996), 71 C.P.R. (3d) 26 at para. 9 (F.C.A.) [Lubrizol].

28 See AlliedSignal Inc. v. Du Pont Canada Inc. (1998), 78 C.P.R. (3d) 129 at para. 32 (F.C.T.D.) [Allied Signal]: “The question is whether the plaintiff would have made the sales actually made by the defendant, but for the presence of the defendant’s infringing product in the market.” See also Jay–Lor International, supra note 26, at para.123: “In assessing the award, the plaintiff is entitled to the profits on the sales it would have made but for the presence of the infringing product in the market.” See also J.R. Short Milling, supra note 14 at 164 (Ex. Ct.).


30 J.R. Short Milling, supra note 14 at 161 (Ex. Ct.).

31 Lubrizol, supra note 27 at para. 9 (F.C.A.).

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entail determining whether, despite satisfying the causation requirement, the loss should nonetheless be excluded for public or social policy reasons. Foreseeability is rarely a consideration because, as Professor Siebrasse notes, “the nature of the typical loss in intellectual property cases – lost sales or licensing revenue – is always foreseeable.”

Where the loss is not typical, the court may still assess it as foreseeable.

Although there are various types of losses due to infringement – for example, lost profits, loss of market, price depression – damage awards are “assessed on two mutually exclusive bases: one being damages for lost manufacturing profits, the other being damages for loss of royalties.” This approach recognizes that a patentee will either make the patented invention themselves or will licence the right to do so, and the loss stems from one of these situations.

C. INTERLOCUTORY INJUNCTIONS

The modern test for granting an interlocutory injunction was set out in *RJR-MacDonald v. Canada (Attorney General)* ("RJR-MacDonald"):

First, a preliminary assessment must be made of the merits of the case to ensure that there is a serious question to be tried. Secondly, it must be determined whether the applicant would suffer irreparable harm if the application were refused. Finally, an assessment must be made as to which of the parties would suffer greater harm from the granting or refusal of the remedy pending a decision on the merits.

The first branch of the test, the preliminary assessment, parallels that stated in *American Cyanamid Co. v. Ethicon Ltd.*, subject to the occasional reversion to a stricter standard. The

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32 Siebrasse *et al.*, *supra* note 15 at 2.
33 Hughes and Clarizio, *Hughes and Woodley on Patents*, *supra* note 5 at para. 53.
35 *Ibid.* at para. 44. At paras. 49-50, Sopinka and Cory JJ. further held that the “threshold is a low one. The judge on the application must make a preliminary
preliminary assessment is satisfied where “the claim is not frivolous or vexatious; in other words, that there is a serious question to be tried.”

With respect to irreparable harm, the issue is whether “refusal to grant relief could so adversely affect the applicants’ own interests that the harm could not be remedied” if the applicant later won on the merits.36

Irreparable harm “refers to the nature of the harm suffered rather than its magnitude. It is harm which either cannot be quantified in monetary terms or which cannot be cured.”37 The Supreme Court has identified several examples of irreparable harm, namely bankruptcy, permanent market loss or irrevocable damage to one’s business reputation.38 Economic harm is therefore clearly included within the ambit of irreparable harm.39 It is also important to note that quantification and curability are disjunctive, and thus harm need not be both unquantifiable and incurable.

Under the balance of convenience analysis, although “it is a counsel of prudence to... preserve the status quo”, “this approach would seem to be of limited value in private law cases.”40

The tripartite interlocutory injunction test set out in RJR-MacDonald has been accepted in patent cases.41 However, on the first branch of the test, the Federal Court Trial Division has noted that the court “must look to all the facts showing infringement and decide if the applicant requesting interlocutory injunction has a reasonable chance of success at trial.” It mattered not whether one termed the question “an arguable case, a prima facie case or a strong prima facie case.”42

As for irreparable harm, there must be “clear and not

36 Ibid. at para. 58.
37 Ibid. at para. 59.
38 Ibid. at para. 59.
39 However, Sopinka and Cory JJ. dismissed the notion that being “forced to spend very large sums of money” are monetary losses that “will not usually be[sic]amount to irreparable harm in private law cases.” See Ibid. at para. 84.
41 Bayer Healthcare, supra note 7 at para. 23.
speculative” evidence that the infringing activity will irreparably harm the patentee.\textsuperscript{43} In addition, it is not sufficient to show a probability of irreparable harm; the patentee must establish that this harm will occur if the interlocutory injunction is not granted.\textsuperscript{44} The court also confirmed that it is the nature of the harm suffered rather than its magnitude which determines irreparability, and, further, difficulty in calculating damages is insufficient to establish irreparable harm so long as there is some way of reasonably measuring those damages.\textsuperscript{45}

In patent cases, a permanent injunction upon finding that a defendant has infringed a patent has become so prevalent that there seems to be a presumption in favour of granting such a remedy. For example, Justice Hughes, in his text on Canadian patent law, notes that a permanent injunction “normally follows a finding of infringement… after trial” and does not even allude to the possibility of a permanent injunction not being issued.\textsuperscript{46} The Act, in fact, expressly provides for orders “restraining or enjoining the opposite party from further use, manufacture or sale of the subject-matter of the patent.”\textsuperscript{47}

For interlocutory injunctions, however, the contrary seems almost to be true. One commentator claims that “patent infringement actions are among the most difficult in which to obtain an interlocutory injunction,” largely due to the difficulty of proving irreparable damages. The courts are particularly reluctant to prevent the defendant from infringing a patent when the validity of the patent is challenged or the patent is newly issued.\textsuperscript{48} This is in stark contrast

\begin{footnotes}
\item[47] Act, supra note 1, s.57(1).
\item[48] Dimock, Intellectual Property Disputes, supra note 46 at 15-22. See also Hughes and Clarizio, Hughes and Woodley on Patents, supra note 5 at para. 53: “[I]n patent actions the Court has usually stated that any damages sustained may be sufficiently compensated in money, and refused interlocutory injunctions. There is no presumption that interlocutory injunctions should not be granted in patent cases;
to statements in *American Cyanamid*, which was widely accepted by the Supreme Court in setting out the test for interlocutory injunctions, wherein the House of Lords noted that elaborate examination procedures to be performed by expert examiners, the opportunity for opposition and provision for appeal “make the grant of a patent... a good *prima facie* reason... for supposing the patent to be valid.” Therefore interlocutory injunctions in patent cases should be governed by the same principles as in other actions.\(^49\)

One reason invoked for refusing to order an interlocutory injunction is the practice that has developed whereby the defendant undertakes to keep an account of the infringing sales. Where such an undertaking is accepted and there is no reason to believe the defendant will not be capable of paying the damages that may be awarded, damages are likely to be an “adequate remedy” for the infringement.\(^50\)

Despite the infrequent success of interlocutory injunction applications in patent cases, there are no legitimate policy or historic reasons for presumptively denying interlocutory injunctions. Indeed, one court has previously held as such: “I simply do not accept that there is a presumption that interlocutory injunctions should not be granted in patent cases.”\(^51\) Another Canadian court echoed the *American Cyanamid* dicta to the effect that the same general principles apply in patent cases as in other suits.\(^52\) However, to the extent that interlocutory injunctions are denied due to the nature of the wrong and the harm that ensues, this judicial reluctance may well be justified.


III
POST-EXPIRY PATENT DAMAGES

A. TRADITIONAL CANADIAN APPROACH

Participants in patent cases, be they parties or judges, often presume that damages are limited to the term of the patent. Plaintiffs seeking to enforce their patent rights often claim damages only in respect of infringing acts until the date the patent expires.53 Courts will generally limit recovery to this same period. A particularly apt example of this approach is the following statement by the Federal Court: “The damages or loss of profits are limited, I assume, to the date of expiration of the patent.”54 In the Federal Court of Appeal, in assessing an application for an interlocutory injunction for springboarding, the court held that losses arising after the expiry of the patent due to increased competition linked to infringements occurring during the term of the patent were irrelevant. “Protection beyond the expiry of the patent is not something to which the patentee is entitled under the patent.”55

Further, Justice Hughes, in his widely used text on Canadian patent law, implicitly suggests that post-expiry damages are not recoverable when, in discussing the timeframes for recovery, he notes that “an accumulation of damages and reasonable compensation as remedies could be calculated over a period of up to 18½ years.”56 The number of years set out by Justice Hughes equals the period from the time the patent is published to its expiry, in other words it reflects the life of the patent. However, Justice Hughes later recognizes the possibility of awarding damages for future losses, though it is unclear whether such losses include those beyond the term of the patent.57

55 Cutter Ltd. v. Baxter Travenol Laboratories of Canada Ltd. (1980), 47 C.P.R. (2d) 53 at 57 (F.C.A.). Thurlow C.J, for the majority, also explicitly held that the springboarding evidence in that case was “purely speculative”.
56 Hughes and Clarizio, Hughes and Woodley on Patents, supra note 5 at para. 54.
57 Ibid at para. 53.
B. THE CASE FOR POST-EXPIRY PATENT DAMAGES

In so far as Canadian courts are reluctant to award damages to patentees for losses occurring beyond the life of the patent, Canada seems to lag behind English counterparts.

The trial\(^{58}\) and appeal\(^{59}\) decisions in *Gerber Garment Technology Inc. v. Lectra Systems Ltd.* are the leading English cases on springboarding and post-expiry patent losses. At trial, the defendant was held to have infringed the plaintiff’s patent and an inquiry into damages ensued. Jacob J. approved of damage awards for ancillary losses, including post-expiry losses, holding that failure to recompense the plaintiff for foreseeable ancillary losses whose source and origin are wrongful acts of infringement might encourage, where the benefit is large enough, competitors to infringe patented products, in particular jurisdictions where exemplary or punitive damages unavailable. Jacob J. dismissed the claims that such damages awards widen the ambit of the patentee’s monopoly as it merely involves an inquiry into the effect of the invasion of the patentee’s existing monopoly. Jacob J. further rejected the argument that the losses are too remote because “economic damage is as a practical matter bound to follow from the infringement.”\(^{60}\)

Jacob J. then held that secondary losses, including post-expiry damages, were recoverable “provided that secondary loss is a foreseeable consequence of the infringement” and the patentee can establish that “such loss…results from the infringer establishing a business pre-expiry. In all these cases, it remains critical that the patentee establish the factual basis: that his loss is caused by the infringement and foreseeably so.”\(^{61}\)

Staughton L.J., for a unanimous Court of Appeal on this point, affirmed the trial decision, but focused more on the wording of the Act itself. He held that the words “in respect of the infringement” did not limit a patentee to damages on “activities of the infringer that…in

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\(^{58}\) *Gerber Garment Technology*, supra note 8 (Pat. Ct.).

\(^{59}\) *Gerber Garment Technology*, supra note 16 (C.A.).

\(^{60}\) *Gerber Garment Technology*, supra note 8 at 400 (Pat. Ct.).

\(^{61}\) Ibid at 402 (Pat. Ct.). At 403, Jacob J. then declined to set out the nature of the foreseeability test.
themselves constitute infringements."

Expanding on this notion, he held that the Patent Act is aimed at protecting patentees from commercial loss resulting from the wrongful infringement of their rights. That is only a slight gloss upon the wording of the statute itself. In my judgement, again as a matter of first impression, it does not distinguish between profit on the sale of patented articles and profit on the sale of convoyed goods.

Staughton L.J. concluded that, in that case, there was no dispute as to causation or remoteness, nor any ground of policy for restricting the patentee’s right to recover, and thus the appeal, in so far as it sought to restrict the scope of recovery, should be dismissed. Although this quotation focuses on convoyed goods, the logic is equally applicable to losses occurring after the expiry of the patent, in particular in light of the fact that this case dealt with such damages.

Therefore, English law clearly recognizes the recoverability of losses occurring after the expiry of the patent. The question is whether Canada’s laws are amenable to such an approach.

Returning to first principles, the patentee must be compensated for the losses he or she suffered that are caused by the infringement and are not too remote. Although the question must be addressed based on the facts of each case, there does not seem to be any legal or logical bar to recovery.

With respect to causation, it seems clear that an infringement occurring during the life of the patent may cause lost sales after the patent expires. Stated simply, the argument goes as follows: the infringement allows the competitor to establish their business prior to the end of the patent, allowing this competitor to accelerate its market entry and increasing the number of sales that the patentee will lose upon expiry of the patent. In other words, but for the infringement,

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63 Ibid at 453, Staughton L.J. (C.A.). This first impression was confirmed later in the judgment by a review of the case law revealing no rules barring damages on activities other than the actual infringement.
64 Ibid at 456, Staughton L.J. (C.A.)
the patentee would have enjoyed a larger market share and therefore more sales.

As to remoteness, a patentee’s loss of sales is, as mentioned previously, almost always entirely foreseeable and this applies with equal force to losses after the life of the patent. Further, instigating such loss of sales may be the only true reason a competitor would infringe a patent, other than the belief that it is not actually infringing, since the competitor is not entitled to profit from its infringing activities and therefore can only hope to gain some benefit once those activities no longer infringe.

Therefore, applying basic damages principles, losses occurring post expiry should be recoverable. One may argue that the future loss aspect is too speculative. However, future losses have already been recognized in Canadian patent law, as was noted above. Other commentators have gone even further, claiming that “[d]amages can also be awarded for prospective losses, as the consequences of the infringement may continue for some time after the infringement has been stopped.” 65 Though the term ‘prospective’ connotes a higher degree of speculation than may be proper, the notion that a patentee may be compensated for losses that have not yet occurred is correct. In assessing future losses, the court will simply “make an estimate as to what are the chances that a particular thing will or would have happened and reflect those chances … in the amount of damages which it awards.” 66

The true question for post-expiry losses is whether the evidence supports a finding that losses occurring subsequent to the end of the patent were caused by infringing activity. This question can no longer be simply dismissed on the old assumption that patentees can only recover for infringing activities that occurred during the life of the patent.

Another argument can be raised that the Act specifies when damages will be awarded, thus supplanting the general damages

65 Randall J. Hofley & Nicholas McHaffie, “Litigation”, in Stikeman Elliott (ed.), Intellectual Property Law: Canada (Huntington NY: Juris Publishing, 2002- ) at 9-55. See also Siebrasse et al, supra note 15 at 16: “In principle, damages encompass a loss of future profits on sales that, but for the infringement, would have been made after the date of the trial.”

principles, and that it in no way provides for compensation to the patentee for losses suffered after the patent expires. This argument can be disposed of in two ways. First, as mentioned previously, an infringement is akin to a statutory tort and therefore general damages principles inform the analysis. To the extent that the Act overlaps the principles, which is quite rare, those principles are displaced. However, the act does not make reference to how damages are to be assessed. Nor does it specify the extent to which damages apply beyond setting out when they are triggered, namely an infringing activity.

Second, the Act, by not restricting compensation to the infringing act itself, does entitle the patentee to compensation for losses beyond the patent’s life. As mentioned previously, the Act makes a person infringing a patent liable to the patentee “for all damages sustained by the patentee … by reason of the infringement”\(^{67}\) (emphasis added). On its face, this statutorily imposed liability is extremely broad. Nothing in the words of the provision limits damages to the direct loss due to the infringing activity, for example, the loss of a sale due to the sale of an infringing product. The wording is also quite similar, in terms of its broadness, to that used in the United Kingdom, where post-expiry damages have been awarded.

Despite the reluctance to assess losses occurring after the expiry of the patent, the scope of patent damages has been very liberally stated at times. One commentator claimed that “damages seek to compensate the plaintiff for any losses suffered by the plaintiff as a result of the infringement”\(^{68}\) (emphasis added). Again, this statement suggests a broader entitlement to relief than merely damages directly caused by the infringing activity.

In *AlliedSignal*, the court held that the plaintiff is entitled to compensation for “all damages flowing from infringement of the patent within Canada, which may include profits lost on sales outside Canada”\(^{69}\) (emphasis added). If a Canadian patent right can be understood to include damages occurring within Canada triggered by lost sales outside of Canada, it should be legitimate to conclude that the time-limited patent right allows recovery for losses occurring after

\(^{67}\) Act, *supra* note 1, s.55(2).

\(^{68}\) Hughes and Clarizio, *Hughes and Woodley on Patents, supra* note 5 at para. 53.

the patent term triggered by infringements occurring within the appropriate time frame.

One Canadian author thought it clear that the patentee is entitled to damages for losses occurring after the end of the patent:

Should this be considered as an encroachment on the principle that damages must be “caused” by the wrong (causation) and should not be remote (foreseeability, remoteness). Damages must result from the infringement but the result may create to the right owner, damages greater than the value of the articles that infringes. For example, a fault may cause damages greater than the articles destroyed, taking into account the need for causation and foreseeability. If a baker carries on business on an island and his bridge, his only way out of the island, is destroyed through the fault of another, should the defendant be liable for the value of the bridge only or also for the business lost by the baker while he was unable to deliver his goods? The answer is self-evident.\textsuperscript{70}

\section*{B. Emerging Signs of Change}

Recently, a shift toward recognizing post-expiry losses seems to be occurring, though no court has awarded damages for such losses. The clearest signal came in \textit{Bayer Healthcare}, where Justice Mactavish, though not required to decide this issue, reviewed recent Canadian and English law and held that the possibility of recovering post-expiry damages could not be dispelled:

Damages in patent cases are intended to put the plaintiff in the position that it would have been in, but for the infringement. It is, in my view, entirely speculative for Bayer to say at this point that it will not be able to recover damages for any losses that it may suffer in the post-expiry period, as a matter of law, and indeed there is authority for the proposition that such damages are indeed recoverable.\textsuperscript{71}

\textsuperscript{70} Dimock, \textit{Intellectual Property Disputes}, supra note 46 at 17-7.

\textsuperscript{71} \textit{Bayer Healthcare}, supra note 7 at para, 56.
The federal court has also made suggestive comments to the same effect:

[D]amages will be calculated in reasonable fashion, providing a normal remedy for infringement, if the trial finds that to have occurred, whether those are caused before or after expiry of the plaintiffs’ patent.72

In both those cases, the court held that damages in the post-expiry period were quantifiable.73 In the latter case, the court supported its conclusion by pointing to the evidence of experts to satisfy itself that any loss of market, regardless of whether the defendant entered the market before or after the expiry of the patent, could be calculated and that loss could be quantified in damages.74

C. CONCLUSION

Sound arguments founded in both general damages principles and a closer reading of the Act itself, as well as recent case law questioning the old assumption that a patentee may claim compensation only for losses incurred during the life of the militate against dismissing out of hand a patentee’s entitlement to damages for post-expiry losses. Where the evidence in a case supports the conclusion that losses occurring after the patent ends were caused by an infringing activity during the life of the patent, the award of damages should include compensation for such losses.

IV

SPRINGBOARDING INJUNCTIONS

When granting an interlocutory injunction, the court must,

72 Bristol-Meyers Squibb, supra note 7 at para. 22. At para. 29, MacKay J. also obliquely states that “an award of damages or an accounting of profits may indirectly compensate, at least in part, any loss to the plaintiffs arising from reduction in the overall NH market,” which seems to have included market loss after the patent expires. The former dicta was approved of in Bayer Healthcare, supra note 7 at para. 57.


74 Bristol-Meyers Squibb, supra note 7 at para. 21.
among other things, determine that the plaintiff will suffer irreparable harm. This has often been the hurdle patentees have stumbled over when seeking an interlocutory injunction. In light of the conclusion above that losses occurring after a patent ends are recoverable, can it truly be said that a defendant springboarding into the post-expiry market irreparably harms the patentee?

A. RELUCTANCE TO GRANT INTERLOCUTORY INJUNCTIONS IN PATENT ACTIONS

As mentioned previously, interlocutory injunctions are rarely granted in patent actions. This may very well extend to springboarding activities.

In the most recent patent action\(^\text{75}\) to address springboarding, *Bayer Healthcare* Mactavish J. confirmed that interlocutory injunctions will seldom be ordered in patent cases on the basis of a defendant’s springboarding activity. In light of her conclusions that post-expiry damages are of a quantifiable nature and potentially recoverable, Mactavish J. declined to order the injunction because irreparable harm had not been established.\(^\text{76}\) More specifically, Mactavish J. held that the plaintiff’s evidence did not support a finding that the damages were unquantifiable,\(^\text{77}\) that permanent market loss would result due to the infringement,\(^\text{78}\) or that the defendant’s head start in the market would prevent the plaintiff from growing their business or making an orderly transition to a post-expiry reality.\(^\text{79}\)

The Federal Court had come to a very similar conclusion in *Bristol-Myers Squibb Co. et al. v. Apotex Inc.* In that case, the plaintiffs were made aware of the defendant’s intention to sell their

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\(^{75}\) *Bayer Healthcare*, supra note 7.

\(^{76}\) Ibid. at paras. 51-58.

\(^{77}\) Ibid. at paras. 59-60.

\(^{78}\) Ibid. at paras. 61-64. This point is discussed under the heading of Special Industry Consideration, but the argument essentially goes that generics generally overtake the market immediately upon the expiry of patents, and thus the infringement is not the cause of the post-expiry losses.

\(^{79}\) Ibid. at paras. 66-86. The evidence suggested, for example, at para. 75-78, that Sandoz might not purchase the generic version of the drug due to organizational buying procedures, and, at para. 82, that hospital pharmacists would nonetheless select the plaintiff’s product if both version were available.
patented pharmaceutical product prior to the expiry of the patent and thus launched an action for infringement and sought a *quia timet* interlocutory injunction. The motion was denied.\textsuperscript{80} As mentioned previously, MacKay J. first held that post-expiry damages were quantifiable.\textsuperscript{81} MacKay J. also referred to the possibility of the defendant not paying the damages awarded against them as “speculative as best.”\textsuperscript{82} Finally, MacKay J. disposed of the plaintiff’s third claim, that it will suffer a decline in its total market share, primarily due to a lack of evidence. This is an inherent difficulty in establishing irreparable harm for springboarding interlocutory injunctions:

Although the plaintiffs argue it will not make "good business sense" to continue promotion of its NH product, they have failed, in my view, to demonstrate that there will be a shrinking market caused by Apotex’s entry on the market or that this would constitute irreparable harm as defined in RJR-MacDonald, supra. In my opinion, any decline in the overall market for NH, and any harm resulting therefrom, is purely speculative, at this stage. It might well be caused, at least in part, by any decision of the plaintiffs to decrease sales promotion, if that course be taken, rather than solely by Apotex’ entry into the market. On the other hand, if the plaintiffs were to continue promoting their product, this might result in an increased volume of combined sales for both the plaintiffs and Apotex. Moreover, if Apotex is found to infringe the plaintiffs’ patent at trial, an award of damages or an accounting of profits may indirectly compensate, at least in part, any loss to the plaintiffs arising from reduction in the overall NH market.

The courts easily reject as speculation any potential damage

\textsuperscript{80} *Bristol-Meyers Squibb*, supra note 7 at paras. 31.

\textsuperscript{81} *Ibid.* at paras. 17-23. It must be noted that MacKay J. never explicitly claimed that these damages were recoverable. As seen earlier, he merely stated, at para. 22, that damages, including post-expiry damages, would be "calculated in a reasonable fashion, providing a normal remedy for infringement" or, at para.29, that market loss, apparently including after the patent expires, might be "indirectly compensate[d], at least in part.”

\textsuperscript{82} *Ibid.* at para. 24.
that would arise after the patent expires, most likely due to the near impossibility of accurately predicting the quantum of damages or even identifying its precise nature, yet they also maintain that these post-expiry damages are quantifiable, even if with difficulty.

B. PRECEDENT FOR PREVENTING SPRINGBOARDING

However, there is precedent for ordering an interlocutory injunction to prevent an infringing competitor from springboarding. In Procter & Gamble Inc. v. Colgate-Palmolive Canada Inc., the plaintiff attempted to prevent the defendant from entering the market prior to the patent’s expiry. Teitlebaum J. granted a rare interlocutory injunction for springboarding, holding that the evidence presented by the plaintiffs, uncontradicted by the defendants, established there was a “very serious potential that plaintiffs will lose some market share.” More specifically, the “jump start” the defendants would obtain would make it the “second most ‘dominant player’” and thus put them in “a position to take a market share which would adversely affect the plaintiff’s.”

Significantly, Teitlebaum J. followed dicta from RJR-MacDonald to the effect that “permanent market loss” is irreparable harm. As with the more recent cases, the issue then revolves around the quality of the evidence, which the judge found lacking for the defendant. The plaintiff’s evidence here established that programs to protect the plaintiff’s market for that product, such as brand loyalty programs, would be stymied and that allowing one competitor to enter the market would significantly increase competition both during the term of the patent and immediately after because it may encourage others to do the same.

In Carbo Ceramics Inc. v. China Ceramics Proppant Ltd. (Carbo Ceramics), Shore J. addressed two different irreparable harm arguments: inability to pay damages and springboarding. On the
evidence, the former was easily demonstrated and thus irreparable harm was established. With respect to the latter, Shore J. noted that the defendant’s entry into the market late in the life of the patent clearly raised the issue of springboarding. Even more damning was the fact that the defendant sold the infringing product to one of the plaintiff’s clients, who then virtually stopped buying that product from the plaintiff. Shore J. then concluded that the defendant was springboarding, and therefore obtained “an advantage for which an award of damages would be insufficient.” Shore J. thus explicitly recognized that springboarding itself provides an advantage that irreparably harms the patentee. The interlocutory injunction was therefore granted.

The result in Carbo Ceramics was affirmed on appeal. However the Court of Appeal ignored the fact that springboarding was addressed at the irreparable harm stage and examined it within the context of the balance of convenience. Letourneau J.A., for a unanimous court, held that springboarding was a factor that might sway a neutral balance of convenience in favour of the plaintiff. Although addressing springboarding at a different step of the analysis, the Court of Appeal nonetheless recognized that such infringing activity would cause the defendant to “suffer a loss of part of the market likely to endure after the expiry of the patent, as well as a disadvantage for which an award of damages would be insufficient.”

88 Ibid. at paras. 22-28 (F.C.).
89 Ibid. at paras. 30-31 (F.C.).
90 Ibid. at para. 32 (F.C.).
91 Ibid. at paras. 36, 33-35, 18-20 (F.C.). At paras. 18-20 and 33-35, Shore J. also held that a serious issue was established and that the balance of convenience favoured the status quo, which was held to be prior to the infringement. The full test for an interlocutory injunction was therefore satisfied.
92 Carbo Ceramics Inc. v. China Ceramics Proppant Ltd. (2004), 34 C.P.R. (4th) 431 at para. 8 (F.C.A.) [Carbo Ceramics]. Springboarding effectively tips the balance of convenience in that it sets the status quo at a pre-infringement period. This is clearly articulated by Letourneau J.A., at para. 12: “To accept the appellant’s contention that the status quo should be fixed at the time at which the injunction was sought would be to allow the appellant not only to continue the alleged infringements, but also to carry on its alleged ‘springboarding’ with the blessings of the Court.”
93 Ibid. at para. 8 (F.C.A.). Springboarding effectively tips the balance of convenience in that it sets the status quo at a pre-infringement period. This is clearly articulated by Letourneau J.A., at para. 12: “To accept the appellant’s contention that the status quo should be fixed at the time at which the injunction was sought would be to allow...
Clearly, therefore, the springboarding that occurred in this case fell within the definition of irreparable harm. Further, as Letourneau J.A. never addressed the issue of irreparable harm prior to affirming the decision to grant the interlocutory injunction, the Court of Appeal implicitly accepted the trial judge’s conclusion that springboarding produces irreparable harm.

Cullen J., in *Baker Hughes Inc. v. Galvanic Analytical Systems Ltd.*, linked springboarding with irreparable harm in a slightly different manner. Although expressly recognizing that the “defendant will therefore obtain an additional period, or springboard, into the market-place to the irreparable harm of the plaintiff,”"94 Cullen J. also noted that “years of sales of the patented product have enabled the plaintiff to establish a reputation for itself and the product which would … suffer ‘irreparable harm’ … if the defendant were able to continue sales of its product.”"95 Cullen J. is clearly suggesting, without explanation, that eroding the reputation developed during the term of the patent prior to the expiry of the patent leads to irreparable harm.

C. CONCLUSION

The weight of the case law currently militates against granting a request for an interlocutory injunction to prevent springboarding activities. This difficulty is compounded by the strong argument, and possibly the emerging trend towards, recognizing the legitimacy of awarding damages for losses occurring after the patent expires. Since applicants for interlocutory injunctions must show that they will be irreparably harmed if the infringing activity is allowed to continue, recognition of post-expiry damages would severely impair their capacity to do so since damages for post-expiry market loss would seem to be adequate. Nothing prevents the applicant, however, from arguing that special conditions apply, such as a defendant’s incapacity to pay a damages award.

the appellant not only to continue the alleged infringements, but also to carry on its alleged ‘springboarding’ with the blessings of the Court.”


"95 *Ibid.* at 516 (F.C.T.D.). Cullen J. also noted that “damages will not suffice for the protection lost under the patent, the need to find a new distributor, the actual locating of a new distributor, and the new distributor’s claim and the plaintiff’s claim that the product infringes.”
There is, however, case law to suggest that springboarding, due to the market loss that ensues, irreparably harms the patentee. So long as this market loss is permanent, this is consistent with explicit statements from the Supreme Court. In addition, the federal court has also suggested that losing the opportunity to develop, or maintain, the company’s or product’s reputation during the life of the patent irreparably harms the patentee.

It is clear therefore that the question of irreparable harm should not be dismissed out of hand by the courts. Again, the question should be addressed on the evidence in each case. Admittedly, it may be difficult to identify evidence which establishes irreparable harm, especially if post-expiry losses are recoverable. In particular, certain industries may have more difficulty establishing such harm than others. One industry that may face considerable difficulty when seeking an interlocutory injunction to prevent springboarding is the pharmaceutical industry. The Federal Court has previously commented that

given the unique dynamic of the pharmaceutical industry..., it is predictable that as soon as a patent expires, the innovator of the drug in question will lose a substantial portion of its market share to generic competitors, without any realistic expectation that the innovator company will be able to recover that market share in the future.96

Therefore, since the patentee would almost immediately lose its market in any event, the springboarding would not cause irreparable harm.

Other industries, however, may find the task much less arduous. Some high technology industry participants, for example, depend strongly on “convincing customers to be early adopters” to ensure “continued customer loyalty,” thus providing the successful company with a “broad base of benefits” subsequent to adoption.97 Therefore loss of these early adopters may in fact lead to permanent market loss.

96 Bayer Healthcare, supra note 7 at para. 63.
97 Siebrasse et al, supra note 15 at 1.
V

CONCLUSION

It is clear that a patentee derives a benefit from a patent even after it expires and therefore may be harmed post-expiry by acts committed during the life of the patent. A defendant found liable for infringement must compensate the patentee, in appropriate circumstances, for all reasonably foreseeable losses caused by the infringement, including those occurring after the patent expires. Although it is generally assumed that only losses occurring during the term of a patent are recoverable, nothing in the Act itself precludes recovery for losses suffered beyond its expiry. As patent infringement is analogous to a tort, tort liability rules are applicable and well-suited to assess damages in patent infringement cases. Concerns of unlimited liability are answered by applying the well-understood tort law concepts of causation and remoteness. The recoverability of post-expiry patent losses therefore becomes primarily an evidentiary issue, namely whether the losses, typically loss of sales, actually flow from the original infringement. Recent Canadian case law has in fact signalled a willingness to consider the recoverability of post-expiry patent losses, and at least one English court has granted relief for such losses.

Accordingly, the issuance of interlocutory injunctions to prevent patent infringement may become even less frequent. Interlocutory injunctions were already seldom granted because of judicial reluctance to characterize losses arising from patent infringement as irreparable. In rare cases, infringers have been restrained from attempting to gain accelerated entry into the market after the patent expires. However, even then the courts have been reluctant to explicitly hold that the losses from the infringement itself were irreparable. Other factors, such as permanent market loss or damage to reputation, often motivated the final decision.

Accepting that post-expiry losses are recoverable further limits the possibility of obtaining interlocutory relief to prevent accelerated market entry by requiring the court to consider only special circumstances, such as the plaintiff’s potential bankruptcy, rather than merely the post-expiry losses. In certain cases, for example in the high technology industry where early adopters are key
to a business’ success, special circumstances may militate in favour of a finding that irreparable harm will ensue. However, it is more likely that patentees will seldom successfully argue that losses occurring after the patent expires are inadequately compensated by damages precisely because they can recover those losses in court should the injunction not issue.