

LIABILITY OF FOREIGN MANUFACTURERS FOR INDUCING PATENT INFRINGEMENT IN CANADA

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1.0 INTRODUCTION

The exclusive rights conferred by a Canadian patent under section 42 of the *Patent Act* are territorially limited to Canada.¹ This means that making, constructing, using or selling the patented invention in another jurisdiction will not, generally speaking, infringe a Canadian patent.

Making, constructing, using or selling the patented invention are not the only ways to infringe a Canadian patent, however. The Supreme Court of Canada stated in *Monsanto v. Schmeiser* that infringement is any activity that interferes, even in part or indirectly, with the full enjoyment of the monopoly granted to the patentee.² An activity that interferes with the enjoyment of a patent monopoly in Canada might extend into other jurisdictions. As Justice Snider of the Federal Court commented in *Pfizer Canada Inc. v. Canada (Minister of Health)*:³

Companies often use multiple nations to develop, manufacture, market and sell their products. In each of the jurisdictions, there will be a patent scheme that must be respected. However, this should not prevent us, as a matter of Canadian law, from reviewing all aspects of the extra-territorial processes and the products to determine whether the inventor has been deprived, even in part or even indirectly, of the full enjoyment of the invention.⁴

This article concerns the potential liability of foreign manufacturers of infringing products that are imported into Canada where the products are distributed and used by third parties. Because patent rights are territorially limited, a foreign manufacturer of infringing products (even a Canadian corporation) will not directly infringe a Canadian patent by manufacturing those products offshore. Only the importer/distributor⁵ or Canadian based users of the products will directly infringe the patent in Canada. But importers/distributors or users of a product may not be attractive litigation targets. For instance, they may be existing or potential customers of the patentee. They may also lack the financial resources to satisfy a large judgment. Furthermore, it may be impractical or impossible to identify and name them as parties, particularly in the case of individual end users of the product.

Suing the foreign manufacturer for inducing or procuring direct infringement by the importer/distributor and/or end users of the product may be the most attractive, if not the only, option in these circumstances. But what must the foreign manufacturer have done – and where – to be liable for inducing infringement in Canada?

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The liability of foreign manufactures for inducing patent infringement has not been judicially considered in Canada, other than summarily.⁶ Most of the reported decisions on inducement to infringe, as a distinct form of patent infringement, involve patents for combinations, kits, methods and uses, where the inducer has, within Canada, supplied the direct infringer with the parts or the means required to infringe, but has not directly infringed a patent itself. Rarely is the alleged inducer also doing something (e.g. making, using or selling an infringing product in its entirety) that would constitute a direct infringement if completed in Canada without a license.⁷ Certainly, there is no clear authority on whether, or in what circumstances, a person can be liable for engaging in an activity in another jurisdiction that induces direct infringement in Canada.

A framework for considering the liability of foreign manufacturers for inducing infringement in Canada may be found in the existing jurisprudence relating to inducement to infringe, extra-territorial aspects of infringement and the personal jurisdiction of Canadian courts. There is also a small body of case law in the United States and the United Kingdom which deals specifically with the liability of foreign manufacturers for inducing domestic infringement. This case law provides a useful preview of how Canadian courts are likely to deal with the same situation in the context of the applicable legal framework in Canada.

2.0 INDUCEMENT TO INFRINGE AS A DISTINCT FORM OF PATENT INFRINGEMENT

Inducement to infringe has been recognized as a distinct form of patent infringement in Canada for over a hundred years.

*Copeland-Chatterson v. Hatton*⁸ appears to be the earliest case. In this case, the plaintiff owned a patent with claims relating to a combination of a binder and sheets. Defendant H had purchased the plaintiff's binder on condition that it would be used only with leaves or sheets sold by or under the plaintiff's authority. Defendant H subsequently used sheets supplied by Defendants G who knew of the terms upon which Defendant H had purchased the binder but supplied them anyway. Justice Burbidge found the Defendants G liable for patent infringement. He wrote:

[I]t does not appear to me to be going too far to hold that any invasion or violation of that right [i.e. the exclusive right, privilege and liberty of making, constructing, using and vending] is an infringement of the patent. But is not that the right which one invades who knowingly and for his own ends induces or procures another to violate or infringe it? And if so, may not the act of the procurer or inducer be with propriety termed an infringement of the patent? In short does not one who knowingly and for his own ends and benefit and to the damage of the patentee induces or procures another to infringe a patent himself infringe the patent? It seems to me on principle that it comes to that.⁹

Since *Copeland-Chatterson*, the jurisprudence on inducement to infringe has evolved.¹⁰ It is now well established that three elements must be alleged and proven to establish inducement to infringe, namely:

- (i) a direct infringer has infringed (or threatens to infringe)¹¹ the patent directly, e.g. by making, using or selling the patented invention;
- (ii) the alleged inducer has influenced the direct infringer (beyond merely selling the means to infringe) such that the direct infringer would not infringe without this influence; and
- (iii) the alleged inducer knows that its influence will result in the completion of the act of direct infringement.¹²

Regarding the second element, acts that have been found to be strong indicators (if not sufficient proof) of inducement to infringe include the following:

- selling goods which can *only* be used to infringe (e.g. elements of an infringing combination which have no other known utility), or selling all of the component parts of an infringing product, together with instructions on how to use the goods to infringe;¹³
- exercising direct control over the sale and manufacture of the infringing goods by licensing a trade-mark associated with those goods;¹⁴
- directly controlling the infringing acts of a sub-contractor;¹⁵
- providing instructions or directions to complete infringing act to the purchaser of the products used to infringe;¹⁶
- indemnifying the direct infringer for direct infringement with respect to the product(s) used to infringe;¹⁷
- providing consulting services and advice regarding the employment of an infringing process;¹⁸ and,
- authorizing or facilitating infringing acts by sharing the technology used to infringe.¹⁹

There does not appear to be any defining characteristic in the relationship between the inducer and the direct infringer. Particular relationships range from parent – subsidiary,²⁰ manufacturer – consumer,²¹ consulting firm – municipality²² to utilities operating in different provinces.²³ There appears to be no requirement, not even an implicit one, that the inducer must have power over the direct infringer (economic or otherwise) such that the direct infringer has no choice but to infringe. However, in *Slater Steel Industries Ltd.*

v. R. Payer Co. Ltd.,²⁴ the Court suggested that the direct infringer cannot be a “giant” compared to the inducer, such that the inducer could not conceivably influence the direct infringer against the direct infringer’s own judgment.

The inducer and the direct infringer can be regional counterparts engaged in the same business. For instance, in the *Dableh v. Ontario Hydro* case, the Federal Court of Appeal enjoined Ontario Hydro from sharing patented technology for which it held a license with its counterparts in Quebec and New Brunswick who did not hold a license.²⁵ Ontario Hydro, Hydro Quebec and New Brunswick Power were each parties to an agreement between provincial hydro utilities to share information, technology and expenses in the development and testing of solutions to a problem that the plaintiff’s patented technology addressed. The Court of Appeal held that the sharing of the technology by Ontario Hydro with the unlicensed utilities (for other than experimental purposes) would constitute an inducement to infringe.

Whether the inducer must know that the direct infringer is infringing a patent (and not just that its influence is causing the direct infringer to complete an act that happens to infringe) does not appear to have been considered. It is submitted that an inducer should not have to know that a patent is being infringed to be liable for inducing infringement. There is no such knowledge requirement for patent infringement generally and, as decided in *Copeland-Chatterson*, inducement to infringe is a form of patent infringement. Moreover, a patent is a publicly filed document and a “regulation” for the purposes of the *Interpretation Act*.²⁶

2.1 Cross-Border Inducement

The possibility that a foreign manufacturer or licensor could be liable for inducing infringement (without directly infringing) in Canada, was recognized in *Domco Industries Ltd. v. Mannington Mills Inc.*²⁷ and in *Warner-Lambert Co. v. Wilkinson Sword Canada Inc.*²⁸ In neither of these cases, however, was the Court required to decide the issue on its merits.

In the *Domco Industries Ltd. v. Mannington Mills Inc.* case, the plaintiff had sued the U.S. defendant for selling floor coverings that infringed the plaintiff’s Canadian patent. At trial, the plaintiff had sought to amend its claim to add a plea that the defendant induced others to infringe in Canada even it was held that the defendant had sold the infringing products in the U.S. and had not, therefore, directly infringed the patent in Canada. The Court of Appeal upheld the trial judge’s refusal to allow the amendment on the basis that it represented “a new cause of action” based on a different set of facts from the allegation of direct infringement and that it was, therefore, too late to make the amendment at trial.²⁹ Neither the trial judge nor the Court of Appeal commented on the merits of the proposed allegation of inducement to infringe.

In *Warner-Lambert Co. v. Wilkinson Sword Canada Inc.*, the plaintiff had filed a statement of claim in the Federal Court against a Canadian manufacturer of razors and its U.K. parent, alleging infringement of a patent for a particular form of razor. The U.K.

parent brought a motion to set aside service *ex juris* on the basis that the plaintiff did not have a “good, arguable case” against the U.K. parent. The evidence was that the U.K. parent had allowed the Canadian defendant to use the former’s trade marks in connection with the sale and manufacture of the allegedly infringing razors and had stipulated in a registered user agreement that the trade marks could only be used in that connection and that the U.K. parent had a right to inspect merchandise bearing the trade marks on the Canadian defendant’s premises.

Prothonotary Giles dismissed the motion, finding that there was a “good, arguable case” on the basis of the registered user agreement that the U.K. parent had induced the Canadian defendant to infringe the patent at issue. Associate Chief Justice Jerome dismissed the U.K. parent’s appeal from that decision, stating:

There is a clear connection between the sale of the particular form of razor which is said to infringe and the requirements exacted by the parent company in the registered user agreement. The terms of that agreement certainly made it arguable that the sale [by the Canadian defendant] (which is not denied here) may have been the direct result of the English defendant’s influence. The agreement is also evidence that the influence was knowingly applied.³⁰

At first instance, Prothonotary Giles considered whether it could be argued that this “influence” was being exerted “within Canada”, commenting that

[t]he fact that inspection was agreed at the Canadian defendant’s premises and the registered user application was for use of the Trade Marks in Canada is sufficient to bring the U.K. defendant’s alleged inducement within Canada.³¹

It is unclear whether Prothonotary Giles viewed it as essential to proving inducement to infringe that the act of inducement occur entirely “within Canada”. He may have considered the fact that it happened to in this case simply as evidence of the degree of influence being exerted by the U.K. parent. Associate Chief Justice Jerome did not address this issue in his reasons for dismissing the appeal.

As discussed in sections 5.0 below, U.S. and U.K. courts have held that it is not essential for a foreign manufacturer to complete a physical act within the jurisdiction to be liable for inducing or contributing to the direct infringement, so long as the direct infringement is completed within the jurisdiction. The two Federal Court decisions discussed in the next section, which consider extra-territorial aspects of infringement, would appear to support this view.

3.0 EXTRA-TERRITORIAL ASPECTS OF INFRINGEMENT

Pfizer Canada Inc. v. Canada (Minister of Health) (“Pfizer”)³² and *Servier Canada Inc. v. Apotex Inc.* (“Servier”),³³ two Federal Court decisions involving pharmaceutical

patents, both illustrate how an infringing activity can extend beyond Canadian borders. While neither of these decisions is about inducement, both suggest that a foreign manufacturer could be liable for inducing infringement of a Canadian patent without ever stepping foot or completing a transaction in Canada.

3.1 *Pfizer*

In *Pfizer*, Justice Snider held that the respondent's allegation of non-infringement was unjustified because a substance used in India in the production of a product that the respondent proposed to market in Canada was claimed by the applicant's patent. Her Ladyship's decision was based upon her expansive application of the "Saccharine doctrine" derived from *Saccharine Corp. Ltd. v. Anglo-Continental Chemical Works, Ltd.*³⁴

Traditionally, the *Saccharine* doctrine has held that a defendant will be liable for selling goods that were produced in another jurisdiction by a patented process. In *Pfizer*, Justice Snider held that the doctrine applied equally to selling goods that were produced in another jurisdiction through a process that employed a patented *substance*.

At paragraph 78 of *Pfizer*, Justice Snider cited *Monsanto Canada Inc. v. Schmeiser*, where the Supreme Court of Canada referred to the *Saccharine* doctrine in the following passage at paras. 43-44:

[T]he main purpose of patent protection is to prevent others from depriving the inventor, even in part and even indirectly, of the monopoly that the law intends to be theirs: only the inventor is entitled, by virtue of the patent and as a matter of law, to the full enjoyment of the monopoly conferred.

Thus, in *Saccharin Corp. v. Anglo-Continental Chemical Works, Ltd.* (1900), 17 R.P.C. 307 (H.C.J.), the court stated, at p. 319:

By the sale of saccharin, in the course of the production of which the patented process is used, the Patentee is deprived of some part of the whole profit and advantage of the invention, and the importer is indirectly making use of the invention.

This confirms the centrality of the question that flows from a purposive interpretation of the *Patent Act*: did the defendant, by his acts or conduct, deprive the inventor, in whole or in part, directly or indirectly, of the advantage of the patented invention?³⁵

Of course, the *Saccharine* doctrine does not mean that a local court can assert jurisdiction over the direct infringement that occurs offshore (e.g. the use, by a foreign entity, of the patented process or product in the production of the goods sold in Canada). It simply states that a person over whom the court has personal jurisdiction may be liable for taking

advantage – within Canada – of the extra-territorial infringement if that person is depriving the patentee of the full enjoyment of its monopoly in Canada.

Nevertheless, the expansion of the *Saccharine* doctrine in *Pfizer* from processes to products, and Justice Snider's suggestion that the Court should consider "all aspects" of offshore activities when assigning liability for patent infringement suggest that the Federal Court is increasingly willing to look beyond Canada's borders when deciding whether a Canadian patent has been infringed.

3.2 *Servier*

Servier is another example of how extra-territorial infringing activities can attract liability in Canada. In *Servier*, Justice Snider accepted the plaintiffs' position that possessing infringing goods in Canada for the purpose of selling them elsewhere is an act of infringement in Canada (though mere possession of infringing goods is not an infringing act):

Servier submits (correctly, in my view) that the purchase or possession of infringing articles in Canada, with a view to sale or trade, or for the purpose of export, constitutes infringement (H.G. Fox, *Canadian Law and Practice Relating to Letters Patent for Inventions*, 4th ed. (Toronto: Carswell, 1969) at 393; *Wellcome Foundation Ltd. v. Interpharm Inc.* (1992), 41 C.P.R. (3d) 215 at 226-7 (F.C.T.D.) [Fox]; *Monsanto Canada Inc. v. Schmeiser*, [2004] 1 S.C.R. 902 at paras. 55-58). In this case, Servier asserts that the Foreign Purchasers take title to the perindopril tablets in Canada and then export those tablets to the foreign jurisdiction. It follows, in their view, that the Foreign Purchasers complete acts of direct infringement of the '196 Patent.³⁶

Justice Snider ultimately dismissed the allegation that these "Foreign Purchasers" had directly infringed the patent. However, she did so only on the basis of her finding that they had not, in fact, taken possession of the infringing tablets in Canada. Otherwise, she accepted Servier's assertion that, had they taken possession of the tablets in Canada, they would have been liable for infringement for possessing the tablets in Canada with a view to selling them abroad.

In principle, if possession in Canada for the purpose of selling abroad is an act of infringement in Canada, then so should be an activity done abroad for the purpose of inducing direct infringement in Canada. In both cases, there is a single activity that deprives the patentee of the full enjoyment of its monopoly in Canada, notwithstanding that one aspect of the activity takes place outside of Canada. In one case, the activity begins in Canada (possession) and is completed somewhere else (infringing sale). In the other, the activity begins somewhere else (inducement) and is completed in Canada (infringing sale).

4.0 PERSONAL JURISDICTION OF CANADIAN COURTS OVER FOREIGN MANUFACTURERS

To hold a foreign inducer liable for inducement to infringe in Canada, a court would need to have personal jurisdiction over the foreign inducer as well as subject matter jurisdiction over the cause of action.

There are three ways in which a Canadian court can assert jurisdiction over a foreign defendant. First, it may assert jurisdiction if the defendant is physically present within Canada. Second, the foreign defendant may consent to submit the dispute to the Canadian court. Third, if neither of the first two situations apply, then the court may still declare itself competent to hear the case if it finds that a “real and substantial” connection exists between it and the defendant.³⁷

In *Muscutt v. Courcelles*,³⁸ the Ontario Court of Appeal identified the following factors as being relevant to the “real and substantial connection” test:

- i. The connection between the forum (i.e. the Court) and the plaintiff’s claim;
- ii. The connection between the forum and the defendant;
- iii. Unfairness to the defendant in assuming jurisdiction;
- iv. Unfairness to the plaintiff in not assuming jurisdiction;
- v. Involvement of other parties to the suit;
- vi. The court’s willingness to recognize and enforce an extra-territorial judgment rendered on the same jurisdictional basis;
- vii. Whether the case is inter-provincial or international in nature; and
- viii. Comity and the standards of jurisdiction, recognition and enforcement prevailing elsewhere.³⁹

The factors that would be relevant to establishing that direct infringement in Canada was induced by a foreign manufacturer would also be relevant to establishing the personal jurisdiction of the court over the foreign manufacturer, in accordance with the “real and substantial connection” test. That is, evidence establishing that the direct infringement would not have occurred but for the influence of the foreign manufacturer, and evidence that the foreign manufacturer was aware of this influence, would go a long way in establishing that the court had jurisdiction over the foreign manufacturer, as well as over the subject matter of the claim.

5.0 U.S. AND U.K. JURISPRUDENCE ON INDUCEMENT BY FOREIGN MANUFACTURERS

A handful of cases from the U.S. and the U.K. deals specifically with the liability of foreign manufacturers for inducing or contributing to domestic infringement. One would expect these cases to be decided in the same way in Canada on the basis of the jurisprudence discussed above.

5.1 U.S. Cases

Patent infringement is codified in section 271 of the U.S. *Patent Act* as follows:

Infringement of patent.

271 (a) Except as otherwise provided in this title, whoever without authority makes, uses, offers to sell, or sells any patented invention, within the United States, or imports into the United States any patented invention during the term of the patent therefore, infringes the patent.

(b) Whoever actively induces infringement of a patent shall be liable as an infringer.

(c) Whoever offers to sell or sells within the United States or imports into the United States a component of a patented machine, manufacture, combination, or composition, or a material or apparatus for use in practicing a patented process, constituting a material part of the invention, knowing the same to be especially made or especially adapted for use in an infringement of such patent, and not a staple article or commodity of commerce suitable for substantial non-infringing use, shall be liable as a contributory infringer.

U.S. courts have applied these provisions directly to find infringement (or, at least, potential infringement) by offshore manufacturers of infringing products that are imported into the U.S.

In *Nippon Electric Glass Co. Ltd. v. Sheldon*,⁴⁰ a Japanese manufacturer produced glass picture tubes in Japan that it sold to Sony and Panasonic. Sony and Panasonic then put the picture tubes in television sets that they imported into and sold in the U.S. Sheldon held a patent in the U.S. for the picture tubes but could not sue the Japanese manufacturer for directly infringing the patent because it did not produce the infringing tubes in the U.S. Nevertheless, the Court found, without having to decide the matter, that the Japanese manufacturer had “reason to fear” that it could be sued as a contributory infringer because “[u]nlike direct infringement which must take place within the United States 35 U.S.C. § 271(a), contributory infringement under U.S.C. § 271(c) does not require any activity by the contributory infringer in this country, as long as the direct infringement occurs here”.⁴¹ The Court therefore held that the Japanese manufacturer was entitled to seek a declaration of invalidity.

Another example of a U.S. court exercising personal jurisdiction over a foreign manufacturer for inducing infringement in the U.S. is *Honeywell, Inc. v. Metz Apparatewerke*.⁴² In this case, Metz manufactured photographic flash equipment in Germany that infringed a U.S. patent owned by Honeywell. The District Court had

allowed a motion by Metz dismissing Honeywell's action against it on the basis that all of Metz's activities took place in Germany and that the Court therefore lacked personal jurisdiction over Metz. However, the Circuit Court allowed Honeywell's appeal and found that Metz could be liable for inducing infringement in the U.S. because it had an exclusive distribution agreement with a U.S. importer and had deliberately placed its products into the U.S. market. Pursuant to the agreement, Metz had agreed to assist in publicizing the products in the U.S. and to indemnify the U.S. distributor for patent infringement liability.

A more recent example is *Wing Shing Products (BVI), Ltd. v. Simatelex Manufactory Co., Ltd.*⁴³ In this case, the Hong Kong-based defendant manufactured coffee makers in China according to specifications provided to by its U.S. distributor. The parties agreed that the coffee makers infringed the plaintiff's U.S. patent. The defendant brought a motion for summary judgment dismissing the action for lack of personal jurisdiction and the plaintiff brought a cross-motion for summary judgment allowing the action for inducement to infringe. The Court dismissed the defendant's motion to dismiss for lack of personal jurisdiction on the bases that (i) it "knew, or reasonably could have foreseen that the infringing products would be sold in the forum"; and (ii) that "a tortious injury was suffered by the patentee with the forum, as a result of those sales".

In considering the plaintiff's motion for summary judgment, the Court considered the following two questions: (i) "can acts of inducement that take place entirely outside the United States create a basis for liability under s. 271(b)" and; (ii) "is the act of manufacture and sale of infringing goods abroad sufficient to establish active inducement, or is additional activity required to show inducement?" The Court answered both of these questions in the affirmative, holding that the extra-territorial production and sale of an infringing product, knowing that the buyer will sell the product in the U.S., "fit comfortably" within the scope of section 271(b). The Court found the Hong Kong-based defendant liable for inducing infringement in the U.S. on the basis of substantially the same evidence that it considered in asserting personal jurisdiction.

5.2 U.K. Cases

What constitutes indirect or contributory infringement in the U.K. is addressed in subsections 60(2) and 60(3) of the U.K. *Patents Act*.

Meaning of infringement.

- 60 (2) ... a person infringes a patent... if... he supplies or offers to supply in the United Kingdom a person... with any of the means relating to an essential element of the invention, for putting the invention into effect when he knows, or it is obvious to a reasonable person in the circumstances, that those means are suitable for putting, and are intended to put, the invention into effect in the United Kingdom.

(3) Subsection (2) above shall not apply to the supply or offer of a staple commercial product unless the supply or offer is made for the purpose of inducing the person supplied or, as the case may be, the person to whom the offer is made to do an act which constitutes an infringement of the patent by virtue of subsection (1) above

Foreign manufacturers of infringing products have also been found liable (or potentially liable) for contributory infringement in the U.K. under the common law doctrines of joint tortfeasance and “common design”.

In *Morton-Norwich Products Inc. et al. v. Intercen Limited* (“Intercen”),⁴⁴ the Dutch defendant sold quantities of a chemical that infringed the plaintiff’s patent to a group of U.K. companies (the “Easter companies”) who imported the chemical. The defendant denied liability on the ground that it had performed no wrongful act within the territorial jurisdiction of U.K. courts, having completed the sale in Holland. The plaintiff alleged that the defendant had “counseled, procured and encouraged” the Easter companies to infringe its patent in the U.K., that the Easter companies had, in fact, done so, and that these actions were in furtherance of a “common design”. There was evidence that the chemical had been specifically formulated for the British market and that the defendant’s marketing manager had taken a keen interest in the Easter companies’ U.K. sales campaign.

The Court described the applicable law in the U.K. as follows at 515-516:

[I]f there is a concerted design by two people to sell goods which in fact infringe an English patent, then the parties who have such a design and do so sell are in fact joint tortfeasors and both infringe the patent whether they knew that such a sale would be an infringement or not...

Provided a tort is in fact committed in the United Kingdom and it is proved that the defendants had a common design to commit it, it does not in my view matter whether the agreement which is the basis of such design was made in this country or outside the jurisdiction, nor does it matter that the person sued has not himself done within the jurisdiction any act which taken by itself could be said to amount to several infringement.

and concluded, on the basis of the evidence, that

the defendants are guilty of infringement of the English patent by reason of their acts of joint tortfeasance with the Easter companies, who in fact sold the material in question here.

A more recent example is *Molnlycke AB et al v. Proctor & Gamble Limited et al.*⁴⁵. In this case, the plaintiff had been granted leave to add the German manufacturer of allegedly infringing diapers (“GmbH”) as a defendant in its patent infringement claim against GmbH’s U.K. sister company (“Limited”) which sold the diapers in the U.K. The defendants, among them, the U.S. parent of the sister companies, appealed the order granting leave on the basis that the addition of GmbH as a defendant had been sought for the sole purpose of obtaining discovery of GmbH and was therefore an abuse of process.

The Court dismissed the appeal, finding that the plaintiffs had a legitimate claim against GmbH on the basis of the “common design” doctrine articulated in the *Intercen* case, which the Court specifically referred to at paragraph 29. The Court noted that the “common design” doctrine had since been adopted and elaborated in *Unilever Plc v. Gillette (U.K.) Limited*⁴⁶ where Mustill L.J. wrote on behalf of the Court of Appeal at 609:

I use the words “common design” because they are readily to hand, but there are other expressions in the cases, such as “concerted action” or “agreed upon common action” which will serve just as well. The words are not to be construed as if they formed part of a statute. They all convey the same idea. This idea does not, as it seems to me, call for any finding that the secondary party has explicitly mapped out a plan with the primary offender. Their tacit agreement will be sufficient. Nor, as it seems to me, is there any need for a common design to infringe. It is enough if the parties combine to secure the doing of acts which in the event prove to be infringements.

6.0 CONCLUSION

While the exclusive rights under a Canadian patent are territorially limited to Canada, it appears that a person may infringe those rights without ever stepping foot or completing a transaction in Canada. The jurisprudence discussed above on inducement to infringe, extra-territorial aspects of infringement and the personal jurisdiction of Canadian courts suggests that a foreign manufacturer of infringing products could be liable for inducing infringement in Canada on the sole basis of its extra-territorial activities.

The foregoing suggests that to sue a foreign manufacturer in a Canadian court for inducing infringement of a Canadian patent through its extra-territorial activities, a plaintiff must allege and prove the following:

- (i) that the infringing product has been used and/or sold in Canada;
- (ii) that the use and/or sale of the infringing product in Canada would not have occurred but for the actions of the foreign manufacturer outside of Canada in placing the infringing product into Canadian

distribution channels (e.g. through a distribution agreement with a Canadian importer);

- (iii) that the foreign manufacturer knew that the infringing product would be used and/or sold in Canada (but not necessarily that this use and/or sale would infringe a Canadian patent); and
- (iv) that the actions and knowledge of the foreign manufacturer are sufficient to establish a real and substantial connection between the foreign manufacturer and Canada or that the court may otherwise assert personal jurisdiction over the foreign manufacturer.

Such appears to be the law in the U.S. and the U.K. where the issue has been previously litigated and whose jurisprudence the Federal Court is likely to consider if and when the issue arises here.

ENDNOTES

¹ See e.g. *Beloit Canada Ltd. v. Valmet-Dominion Inc.* (1997), 73 C.P.R. (3d) 321 at 335 (F.C.A.) and *Dole Refrigerating Products Ltd. v. Canadian Ice Machine Co.* (1957), 28 C.P.R. 32 (Ex. Ct.).

² *Mosanto Canada Inc. v. Schmeiser*, [2004] 1 S.C.R. 902 at 43-44.

³ *Pfizer Canada Inc. v. Canada (Minister of Health)* (2007), 61 C.P.R. (4th) 137 (F.C.).

⁴ *Ibid.* at para. 87.

⁵ See e.g. *Wellcome Foundation Ltd. v. Apotex Inc.* (1990), 32 C.P.R. (3d) 350 at 352 (F.C.T.D.).

⁶ See *Domco Industries Ltd. v. Mannington Mills Inc.* (1990), 29 C.P.R. (3d) 481 (F.C.A.) aff'ing 23 C.P.R. (3d) 96 (F.C.) and *Warner-Lambert Co v. Wilkinson Sword Canada Inc.* (1987) 18 C.P.R. (3d) 573 aff'd (1988) 19 C.P.R. (3d) 402, discussed below.

⁷ In *Dableh v. Ontario Hydro* (1996), 68 C.P.R. (3d) 129 (F.C.A.), the alleged inducer would also have been directly infringing the subject patent but for a licence.

⁸ *Copeland-Chatterson v. Hatton* (1906), 10 Ex. C.R. 224, aff'd (1906) 37 S.C.R. 651.

⁹ *Ibid.* at 246-247 [emphasis added].

¹⁰ See Francois Grenier, *Contributory and/or Induced Patent Infringement* (1987), 4 C.I.P.R. 26. See also *MacLennan v. Produits Gilbert*, 2008 FCA 35 for the Federal Court of Appeal's most recent discussion of inducement to infringe.

¹¹ See e.g. *Dableh v. Ontario Hydro* (1996), 68 C.P.R. (3d) 129 (F.C.A.)

¹² See e.g. *MacLennan v. Produits Gilbert*, 2008 FCA 35 at para. 13, citing *Dableh v. Ontario Hydro* (1996), 68 C.P.R. (3d) 129 at 148-149 (F.C.A.) and *AB Hassle v. Canada (Minister of National Health and Welfare)* (2001), 16 C.P.R. (4th) 21 at 42 (F.C.T.D.) aff'd (2002), 22 C.P.R. (4th) 1

¹³ *Windsurfing International Inc. v. Triatlantic Corporation* (1984), 8 C.P.R. (3d) 241 (F.C.A.); *Allied Signal Inc. v. Dupont Canada Inc.* (1993), 50 C.P.R. (3d) 1 at 19 (F.C.T.D.) aff'd at 61 C.P.R. (3d) 417 at 443-4 (F.C.A.); *MacLennan v. Les Produits Gilbert Inc.*, 2008 FCA 35 at paras. 39-40

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- ¹⁴ *Warner-Lambert Co v. Wilkinson Sword Canada Inc.* (1987) 18 C.P.R. (3d) 573 aff'd (1988) 19 C.P.R. (3d) 402.
- ¹⁵ *Reading & Bates Construction Co. v. Baker Energy Resources Corp.* (1986) 34 C.P.R. (3d) 93 (F.C.T.D.)
- ¹⁶ *Windsurfing International Inc. v. Triatlantic Corporation* (1984), 8 C.P.R. (3d) 241 (F.C.A.); *Proctor & Gamble Co. v. Bristol-Myers Canada Ltd.* (1978), 39 C.P.R. (2d) 145 (F.C.T.D.) aff'd 42 C.P.R. (2d) 33 (F.C.A.); *Sanofi-Aventis Canada Inc. v. Apotex Inc.* (2006), 55 C.P.R. (4th) 388 (F.C.A.)
- ¹⁷ *Copeland-Chatterson v. Hatton* (1906), 10 Ex. C.R. 224, aff'd (1906) 37 S.C.R. 651; *Apple Computer, Inc. v. Mackintosh Computers Ltd.*, [1987] 3 F.C. 452 at para. 35.
- ¹⁸ *Baker Petrolite Corp. v. Canwell Enviro-Industries Ltd.* (2001), 13 C.P.R. (4th) 193 (F.C.T.D.).
- ¹⁹ *Dableh v. Ontario Hydro* (1996), 68 C.P.R. (3d) 129 (F.C.A.).
- ²⁰ See e.g. *Warner-Lambert Co v. Wilkinson Sword Canada Inc.* (1987) 18 C.P.R. (3d) 573 aff'd (1988) 19 C.P.R. (3d) 402.
- ²¹ See e.g. *Proctor & Gamble Co. v. Bristol-Myers Canada Ltd.* (1978), 39 C.P.R. (2d) 145 (F.C.T.D.) aff'd 42 C.P.R. (2d) 33 (F.C.A.).
- ²² See e.g. *Baker Petrolite Corp. v. Canwell Enviro-Industries Ltd.* (2001), 13 C.P.R. (4th) 193 (F.C.T.D.).
- ²³ See e.g. *Dableh v. Ontario Hydro* (1996), 68 C.P.R. (3d) 129 (F.C.A.).
- ²⁴ *Slater Steel Industries Ltd. v. R. Payer Co. Ltd.* (1968), 55 C.P.R. 61 at 89-90 (Ex. Ct.).
- ²⁵ *Dableh v. Ontario Hydro* (1996), 68 C.P.R. (3d) 129 (F.C.A.).
- ²⁶ *Interpretation Act*, R.S.C. 1985, c. I-21, s. 2 ("regulation").
- ²⁷ *Domco Industries Ltd. v. Mannington Mills Inc.* (1990), 29 C.P.R. (3d) 481 (F.C.A.) aff'ing 23 C.P.R. (3d) 96 (F.C.).
- ²⁸ *Warner-Lambert Co v. Wilkinson Sword Canada Inc.* (1987) 18 C.P.R. (3d) 573 aff'd (1988) 19 C.P.R. (3d) 402.
- ²⁹ *Domco Industries Ltd. v. Mannington Mills Inc.* (1990), 29 C.P.R. (3d) 481 at 497 (F.C.A.).
- ³⁰ *Ibid.*, (1988) 19 C.P.R. (3d) 402 at 406.
- ³¹ *Ibid.*, (1987) 18 C.P.R. (3d) 573 at 575.
- ³² *Pfizer Canada Inc. v. Canada (Minister of Health)* (2007), 61 C.P.R. (4th) 137 (F.C.).
- ³³ *Servier Canada Inc. v. Apotex Inc.*, 2008 FC 825
- ³⁴ See *Saccharine Corp. Ltd. v. Anglo-Continental Chemical Works, Ltd.* (1900), 17 R.P.C. 307 (H.C.J.).
- ³⁵ *Mosanto Canada Inc. v. Schmeiser*, [2004] 1 S.C.R. 902 at 43-44.
- ³⁶ Para. 143.
- ³⁷ *Desjean v. Intermix Media, Inc.*, [2007] 4 F.C.R. 151 at para. 23 (F.C.).
- ³⁸ *Muscutt v. Courcelles* (2002), 60 O.R. (3d) 20 (Ont. C.A.).
- ³⁹ *Ibid.*, paras. 75 – 102.
- ⁴⁰ *Nippon Electric Glass Co. v. Sheldon*, 489 F. Supp. 119 (S.D.N.Y. 1980).
- ⁴¹ *Ibid.*, para. 6.
- ⁴² *Honeywell, Inc. v. Metz Apparatewerke*, 509 F. 2d 1137 (7th Cir. 1975).
- ⁴³ *Wing Shing Products (BVI), Ltd. v. Simatelex Manufactory Co., Ltd.*, (2007) 479 F. Supp. 2d 388 (S.D.N.Y.)

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- ⁴⁴ *Morton-Norwich Products Inc. et al. v. Intercen Limited*, [1976] F.S.R. 513 (Ch.D.).
- ⁴⁵ *Molnlycke AB et al v. Proctor & Gamble Limited et al.*, [1992] 4 All E.R. 47 (C.A.).
- ⁴⁶ *Unilever Plc v. Gillette (U.K.) Limited*, [1989] R.P.C. 583. (C.A.).