

Federal Court of Appeal Upholds Mechanical Sound Prediction and Punitive Damages Decision

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In *Bell Helicopter Textron Canada Limitée v. Eurocopter SAS*, the Federal Court of Appeal affirmed the decision of the Federal Court on all issues, including functional equivalence, sound prediction and punitive damages. The 2012 decision of Justice Martineau of the Federal Court had drawn the attention of commentators with the application of the sound prediction doctrine to a mechanical patent, and also with the awarding of punitive damages in, as reported in our colleague's June 2012 article, a seemingly "run-of-the-mill" patent infringement case.

Background

Eurocopter filed an action in the Federal Court against Bell Helicopter claiming infringement of its helicopter landing gear patent. Justice Martineau found all but one of the claims of the Eurocopter patent to be invalid on grounds including lack of utility and sound prediction. He, however, found that the remaining claim was infringed by Bell Helicopter's Legacy landing gear, but not its newer Production landing gear. He also awarded punitive damages on the basis that Bell exhibited "deliberate and outrageous conduct".

The Federal Court of Appeal decision

In dismissing both an appeal and cross-appeal of Justice Martineau's decision, the Federal Court of Appeal made a number of important statements regarding functional equivalence and claim construction, sound prediction and utility, and punitive damages in patent cases.

Functional Equivalence

At issue was whether or not Bell Helicopter's Production landing gear infringed the one valid claim of the patent. The Federal Court of Appeal dismissed Eurocopter's submission that any helicopter landing gear that is functionally equivalent to the landing gear disclosed in the patent infringes the patent. This approach is not consistent with the language of the patent and the purposive construction approach as set out in the *Whirlpool* and *Free World Trust* decisions:

The key to a purposive construction of patent claims is the identification by the court of what the inventor considered to be the "essential" elements of the invention, while distinguishing what is non-essential: *Whirlpool* at paras. 45 to 47; *Free World Trust* at para. 31. The onus is on the patentee to establish that an element is non-essential and thus substitutable. If the patentee fails to discharge that onus, the descriptive word or expression is to be considered essential unless the context of the claim language otherwise dictates: *Free World Trust* at para. 57.

Sound Prediction

One rather unique aspect of Justice Martineau's decision was that it applied the doctrine of sound prediction, which is typically used in the pharmaceutical or chemical field, to a mechanical invention. The Federal Court of Appeal notably supported the application of the doctrine, and cited the decision of Justice Binnie in *Apotex v. Wellcome*, 2002 SCC 77:

I disagree with Eurocopter's submission that the doctrine of sound prediction cannot apply to the field of mechanical inventions. As noted by Justice Binnie in *Wellcome* at para. 69: "Once it is accepted that in appropriate circumstances utility can be predicted in advance of complete testing (whether of untested chemical compounds or otherwise), there seems no reason in principle why the doctrine should not be applied more generally, depending, of course, on the expert evidence". [emphasis added]

On the facts of this case, the Federal Court of Appeal found that the calculations and mathematical modeling provided in the patent to

establish the specific advantages claimed for the invention could not constitute evidence *per se* of utility. The calculations to the effect that the embodiment should work in the manner claimed in the patent amounted to a prediction and not a demonstration of that utility. While the Court acknowledged that there may be situations in which a prediction of utility may be equivalent to a demonstration of utility, it chose not to address that issue in this case.

Punitive Damages

The Federal Court of Appeal also confirmed that punitive damages may be awarded in patent infringement cases. Justice Martineau's decision on this issue was of interest because: 1) no helicopter with the infringing technology was actually sold or delivered; and 2) punitive damages had rarely been awarded in cases of patent infringement.

At trial, Bell Helicopter was found to have known about Eurocopter's patent and realized that its Legacy landing gear closely resembled Eurocopter's product. There was evidence that these concerns were voiced by staff at Bell Helicopter, but ignored by management. There was also evidence showing that Bell Helicopter promoted the infringing Legacy landing gear as its own invention. All of this constituted, according to Justice Martineau, "willful blindness or intentional and planned misappropriation of the claimed invention". The Federal Court of Appeal upheld the award of punitive damages, stating:

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

Summary

The Federal Court of Appeal's decision provides an important discussion on functional equivalence, sound prediction, and punitive damages in patent cases. The following points can be taken from this decision:

- Functional equivalence is not a proper basis for a finding of infringement;
- Sound prediction may be applied outside of the chemical and pharmaceutical fields; and
- Punitive damages may be awarded in patent infringement cases for intentional infringement and misappropriation of the claimed invention.