



No Good, Just the Bad and the Ugly – Punitive Damages for Patent Infringement in Canada

Dec 5, 2016

Author: Noel Courage

Punitive damages are the exception rather than the rule for patent infringers in Canada, even in the case of a defendant that knows it is most likely infringing the patent. This article provides a brief overview of the availability of punitive damages in Canada for patent infringement. See our earlier article regarding [punitive damages for breach of contract](#).

Background on Patent Litigation and Remedies

Canada does not have a specialized patent court. Most patent lawsuits are brought by way of action in the Federal Court of Canada.

An infringer is liable to pay reasonable compensation for its activities before patent grant². After patent grant, the infringer is liable for either damages or an accounting of profits (ie. disgorgement of infringer's profits). The accounting of profits is an unusual remedy in that the patent owner can take the infringer's profits arising from the infringement, regardless of whether the patent owners suffered any damages.

Punitive Damages

Punitive damages may be requested in Canadian patent cases, but are infrequently awarded and relatively insubstantial compared to the US. As well, there are no *triple* damages for willful infringement, as in US patent litigation. A recent case considered the applicability of punitive damages in Canada.

Punitive damages may be awarded when the defendant's conduct falls within "... exceptional cases of high-handed, malicious, arbitrary or highly reprehensible misconduct". Many Canadian patent cases are between big companies, and there are typically few facts to support punitive damages.

Punitive damages are rare enough that the Federal Court of Appeal was asked to consider if punitive damages were even available at all in patent cases³. The Appeal Court in that case, *Eurocopter v. Bell*, found that punitive damages were available in patent cases, and lack of freedom-to-operate searching was one of several factors taken into account by the Court in determining whether to award punitive damages. The Appeal Court also noted that the trial judge found that the infringement of the Patent by making and using patented helicopter gear was not innocent or accidental. The conduct was worse, with the trial judge finding "clear evidence of bad faith and egregious conduct on the part of Bell" as well as "willful blindness or intentional and planned misappropriation of the claimed invention." The court was not impressed by Bell's lack of due diligence, stating, "It simply defies belief that a large and sophisticated corporation such as Bell Helicopter would not verify intellectual property rights prior to embarking on its research program." For this reason, punitive damages were awarded, with the specific quantum later determined by the court as \$1 million (very substantial by Canadian standards for patent infringement⁴).

The Appeal court stated, “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.”

As of the publication date of this article, we did not identify a Canadian patent case after *Eurocopter* that awarded punitive damages. A number of judges have generally acknowledged the availability of punitive damages in patent infringement (*Teva v Pfizer*,⁵ *Apotex Inc v H Lunbeck A/S*,⁶ *Bauer Hockey Corp v Sport Maska Inc*,⁷ and *Apotex v Merck*⁸). In general, companies should exert due diligence and manage their commercialization programs with a careful eye to freedom-to-operate issues to minimize the risk of damages.

¹ *Collete v Lasnier* (1886), 13 R.C.S. 563 (SCC). *Lubrizol Corp. v. Imperial Oil Ltd.*, [1996] 3 FC 40, 67 CPR (3d) 1.

² *Baker Petrolite Corp v. Canwell Enviro-Industries Ltd*, 2002 FCA 158.

³ *Eurocopter v. Bell Helicopter Textron Canada Ltee.*, 2012 FC 113; aff'd 2013 FCA 219.

⁴ [1] 2017 FC 170.

⁵ 2014 FCA 138.

⁶ 2013 FC 192.

⁷ 2014 FAC 158.

⁸ *Apotex Inc and Apotex Fermentation Inc v Merck & Co Inc. and Merck Canada Inc.* 2015 FCA 171.