

IP monitor

Know when to hold ‘em, know when to fold ‘em: cost consequences for maintaining a weak patent infringement claim

February 2017 Patents

As the saying goes: winners never quit, and quitters never win. However, *MediaTube Corp. and NorthVu Inc. v Bell Canada*, 2017 FC 6, provides a cautionary tale when applying this saying to the realm of patent infringement litigation when there is a low likelihood of success.

Here, the plaintiffs brought an action for patent infringement, alleging Bell’s FibeTV and FibreOp TV services infringed several claims of Canadian Patent No. 2,339,477 (the ‘477 Patent). This patent dealt with systems and methods for redistributing audio/visual signals to a plurality of communication interfaces (e.g., television sets) over conductors. However, over the course of the action, nearly all of claims related to infringement were withdrawn by the plaintiffs, and the issue of cost consequences arising from the behaviour of both the plaintiffs and the defendant became central to the action.

Validity and infringement

While much of the decision focused on costs, Locke J. nevertheless performed standard analyses for claim construction, validity, and infringement for the claims that were not ultimately withdrawn by the plaintiffs. The ‘477 patent was found to be valid but not infringed. Moreover, Locke J. identified four claim elements that were not present in any of Bell’s systems.

Among the notable findings was that the claimed “demodulated input signals” (signals that are transmitted to, e.g., a television) were limited to analog signals only, which effectively extinguished any chance of a finding of infringement by any of Bell’s IPTV systems, which rely on digital signals.

Locke J. arrived at this conclusion by noting a) the specification was silent as to the character of the demodulated signals, b) the specification discussed other signals at length in terms of being analog and/or digital, and c) the fact that digital signals were well known and not discussed gave rise to an inference that they were perhaps not contemplated by the inventor. This serves as a useful reminder that when drafting a patent, it is best to state alternate embodiments and possibilities explicitly, rather than resorting to arguments that the scope of a key feature would be well known to a person skilled in the art.

Corrected answers to discovery questions

Over the course of the action, Bell Canada had provided answers to questions on examination for discovery. Beginning on January 31, 2016, and continuing over the coming months, Bell began providing the plaintiffs with “corrected” answers to certain questions that dealt with the system architecture of the various IPTV services at issue, which were critical to the plaintiffs’ theory of infringement. The plaintiffs alleged the subsequent delivery of corrected answers effectively robbed them of the opportunity to decide whether to proceed to trial or not, resulting in wasted time and expense.

Locke J. rejected this assertion, and held that Bell could not reasonably be expected to be aware of the plaintiffs’ theory of infringement from the outset, and that once the heightened importance of certain questions was apparent, Bell acted in good faith and promptly provided more detailed information to the plaintiffs. Moreover, Locke J. held that the plaintiffs had the necessary information to conclude there was no infringement as of February 2016, which was long before the trial took place in September 2016.

Patent trolls allegation

The plaintiffs also sought aggravated costs regardless of the outcome in view of a statement in Bell’s statement of defence to the effect that the plaintiffs were “patent trolls.” While Locke J. acknowledged that the term patent troll is not complimentary and the plaintiffs might be justified in feeling insulted, the term means different things to different people, and there was no objective untruth in its use, since the plaintiffs are non-practicing entities and it was ultimately shown there was no basis for alleging infringement. No aggravated costs were awarded to the plaintiffs for the reference to patent trolls.

Citation of many prior art references

The plaintiffs also sought elevated costs because Bell cited 753 prior art references in its statement of defence and counterclaim. However, only 52 of these references were covered by the time expert reports were submitted. Locke J. commented that this was an unusually large number of references, but that no arguments were made to the effect that any references were irrelevant or unrelated. It was also noted it is a common practice to narrow the number of prior art references. As such, Locke J. declined to impose any cost consequences on this ground.

Claim for punitive damages

In addition to the claims for infringement, the plaintiffs asserted that Bell had knowledge of the patent application at issue, as Bell had entered into discussions with the plaintiffs to discuss the technology and had also entered into a written confidentiality agreement with the plaintiffs. Bell then launched its IPTV services without involving the plaintiffs. The plaintiffs essentially alleged Bell had misappropriated confidential information and brazenly infringed the ‘477 patent, and sought punitive damages as a result. During the 14th day of trial, the plaintiffs withdrew the claim for punitive damages, prior to any evidence having been being adduced by Bell in relation to this claim.

Bell asserted that no such allegations had been proven, and requested costs on a solicitor-and-client basis for the costs arising in relation to the punitive damages claim. Locke J. agreed with Bell and found that there was a clear implication of dishonesty being raised by the plaintiffs and the plaintiffs were made aware early on that serious cost consequences could follow if such allegations were shown to be unwarranted. A negative inference was drawn in view of the fact the plaintiffs withdrew their punitive damages claim prior to any evidence being adduced by Bell. Costs on a solicitor-and-client basis were awarded to Bell for this aspect of the action.

“Weak” theory of infringement

While the plaintiffs sought costs for Bell’s conduct in providing the corrected information, Bell in turn sought elevated costs on account of the plaintiffs’ behaviour in maintaining several of the infringement claims for longer than necessary. For example, the plaintiffs withdrew claims relating to fibre-to-the-home (FTTH) technology in November 2015, further limited the action to a smaller number of claims in the summer of 2016, and acknowledged on the 14th day of the trial

in late September 2016 that fibre-to-the-node (FTTN) systems never infringed. The only infringement claim that remained was an assertion that certain FibeTV multicasting systems were infringing because they could be modified to infringe by removing certain components.

Locke J. agreed with Bell, holding that the information necessary to conclude Bell did not infringe was available to the plaintiffs as of February 2016 – seven months prior to trial. Locke J. added he “would be more understanding of the plaintiffs’ perseverance with the case against Bell Aliant [the FibreOp TV systems] if there were not four distinct claim elements missing ... and if the system described in the 477 Patent was not so different from Bell Aliant’s” [emphasis added].

Moreover, Locke J. found that the plaintiffs “commenced the present patent infringement action against Bell Canada without a clear theory of infringement, and the theory they did eventually form was weak,” and “the contortions of the claims in issue that would be required in order to find infringement indicate that the plaintiffs should have known that Bell Canada did not infringe.” As such, costs were elevated by 50% for the claims that were maintained subsequent to November 2015.

This case highlights the importance of obtaining honest and forthright legal advice at the outset of situations involving potential infringement, particularly when new evidence is revealed and it becomes clear the chances of success have fallen drastically. Here, the decision to continue on with the action and proceed to trial resulted in the expenditure of time and resources to carry out the trial, and resulted in costs being elevated by 50%, with a number of unflattering remarks added to the judicial record for good measure.

Jonathan Chong
Niall Cooney

For more information, please contact your IP professional at Norton Rose Fulbright Canada LLP.

For a complete list of our IP team, [click here](#).

Norton Rose Fulbright Canada LLP, Norton Rose Fulbright LLP, Norton Rose Fulbright Australia, Norton Rose Fulbright South Africa Inc and Norton Rose Fulbright US LLP are separate legal entities and all of them are members of Norton Rose Fulbright Verein, a Swiss Verein. Norton Rose Fulbright Verein helps coordinate the activities of the members but does not itself provide legal services to clients.

References to “Norton Rose Fulbright”, “the law firm”, and “legal practice” are to one or more of the Norton Rose Fulbright members or to one of their respective affiliates (together “Norton Rose Fulbright entity/entities”). No individual who is a member, partner, shareholder, director, employee or consultant of, in or to any Norton Rose Fulbright entity (whether or not such individual is described as a “partner”) accepts or assumes responsibility, or has any liability, to any person in respect of this communication. Any reference to a partner or director is to a member, employee or consultant with equivalent standing and qualifications of the relevant Norton Rose Fulbright entity.

The purpose of this communication is to provide general information of a legal nature. It does not contain a full analysis of the law nor does it constitute an opinion of any Norton Rose Fulbright entity on the points of law discussed. You must take specific legal advice on any particular matter which concerns you. If you require any advice or further information, please speak to your usual contact at Norton Rose Fulbright.