

Federal Court of Appeal



Cour d'appel fédérale

Date: 20240806

Docket: A-186-22

Citation: 2024 FCA 125

COR STRATAS J.A.
AM: GLEASON J.A.
MONAGHAN J.A.

BETWEEN:

RO
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GUI
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,
INC.

Appellant

and

VID
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LTD
.

Respondent

Heard at Toronto, Ontario, on November 28, 2023.

Judgment delivered at Ottawa, Ontario, on August 6, 2024.

PUBLIC REASONS FOR JUDGMENT BY:

GLEASON J.A.

CONCURRED IN BY:

STRATAS J.A.
MONAGHAN J.A.

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**CORAM: STRATAS J.A.
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BETWEEN:

ROVI GUIDES, INC.

Appellant

and

VIDEOTRON LTD.

Respondent

PUBLIC REASONS FOR JUDGMENT

This is a public version of confidential reasons for judgment issued to the parties. The two are identical, there being no confidential information disclosed in the confidential reasons.

GLEASON J.A.

[1] The appellant, Rovi Guides Inc. (Rovi), appeals from the judgment of the Federal Court in *Rovi Guides, Inc. v. Videotron Ltd.*, 2022 FC 874 (*per* Lafrenière J.). In that judgment, the Federal Court dismissed Rovi's action against the respondent, Videotron Ltd. (Videotron), for patent infringement and granted Videotron's counterclaim for declarations of invalidity and

non-infringement in respect of several claims in Rovi's Canadian Patents Nos. 2,337,061, 2,339,629, 2,336,870 (the 870 Patent), and 2,730,344 (the 344 Patent).

[2] The four Patents all involve interactive television program guide (IPG) technology. This technology, as the Federal Court summarized at paragraph 3 of its reasons:

...consists of software that generates for display television program listings and recorded content in electronic form that a user can navigate by electronic means. In IPGs, information on available programming content is downloaded or sent to a user's television equipment, typically a set-top box [STB], and the information is then stored in memory. A STB is so-called because it originally sat on top of the television set. It is also colloquially known as a cable box.

[3] The Federal Court held that all of the asserted claims were invalid because they were either anticipated and/or obvious, having regard to the prior art and the common general knowledge of the person skilled in the art to which the Patents were directed (the Skilled Person). While this was sufficient to dismiss Rovi's action and grant Videotron's counterclaim, the Federal Court went on to reach conclusions about the appropriate remedy for completeness sake. The Court concluded that, had the claims in suit been valid, Rovi would not have been entitled to an accounting of profits and instead would have only been entitled to a reasonable royalty.

[4] Rovi has appealed the Federal Court's findings in respect of the 870 Patent and the 344 Patent, but not the findings in respect of the other two Patents that were at issue before the Federal Court. Rovi argues that the Federal Court made reviewable errors in its obviousness analysis in respect of both Patents and in concluding that Videotron did not infringe the 344 Patent. It also asserts that the Federal Court made reviewable errors in its remedial analysis.

[5] For the reasons that follow, I find that the Federal Court did not make a reviewable error in its obviousness analysis concerning the 870 Patent and the 344 Patent. Therefore, it is unnecessary to address its non-infringement findings. However, some of its observations on remedy require correction by this Court. These corrections do not affect the disposition of this appeal, which I would accordingly dismiss, with costs.

I. The Reasons of the Federal Court

[6] In reviewing the Federal Court's reasons, I focus only on those portions that are relevant to the issues that Rovi has raised on appeal. I commence the discussion by saying a little more about the 870 Patent and the 344 Patent.

A. *The 870 Patent and the 344 Patent*

[7] The 870 Patent was filed on July 13, 1999 and expired on July 13, 2019. The Federal Court found that the priority date for the 870 Patent was June 11, 1999 (after considering two different priority dates listed in the Patent): Federal Court Decision at para. 351. To quote from the reasons of the Federal Court, “[a]t a high level, the 870 Patent relates to IPG systems, and more particularly, to IPG systems that allow users to record programs and program guide data on a media server”: Federal Court Decision at para. 339.

[8] At trial, Rovi asserted that Videotron infringed Claims 456 (dependent on 454), 459 (dependent on 457), 720, and 721 of the 870 Patent. These claims read as follows:

Claim 454

A method of playing back programs stored on another user's user equipment, comprising:

generating a request to playback a program with a first user equipment, wherein the program was recorded on a second user equipment in response to a record request generated at the second user equipment;

in response to the request to playback, receiving with the first user equipment the program from the second user equipment;

and generating for display the received program.

Claim 456

The method of claim 454, wherein the program is a broadcast program.

Claim 457

A first user equipment for playing back programs stored on a second user equipment, the first user equipment comprising:

means for generating a request to play back a program with the first user equipment, wherein the program was recorded on the second user equipment in response to a record request generated at the second user equipment;

means for receiving with the first user equipment the program from the second user equipment in response to the request to playback; and

means for generating for display the received program.

Claim 459

The first user equipment of claim 457, wherein the program is a broadcast program.

Claim 720

A method for playing back programs, the method comprising:

receiving a record request at a first user equipment to record a program on the first user equipment, wherein the first user equipment is coupled to a first display screen configured to generate for display video;

in response to receiving the record request at the first user equipment, recording the program on the first user equipment;

transmitting, from a second user equipment to the first user equipment, a request to play back the program, wherein the second user equipment is coupled to a second display screen configured to generate for display video;

receiving, at the first user equipment from the second user equipment, the request to play back the program;

in response to receiving, at the first user equipment from the second user equipment, the request to play back the program, transmitting the program to the second user equipment;

receiving, at the second user equipment, the transmitted program from the first user equipment; and

generating for display, at the second user equipment, the received program on the second display screen.

Claim 721

The method of claim 720, wherein the program is a broadcast program.

[9] The 344 Patent was filed on July 16, 1999 and expired on July 16, 2019. Its claimed priority date was July 17, 1998, which the Federal Court accepted as appropriate: Federal Court Decision at para. 415. As noted by the Federal Court, “[t]he 344 Patent relates to ‘interactive media guides’ providing IPG functionality on multiple devices within a household”: Federal Court Decision at para. 416.

[10] The claims in the 344 Patent that Rovi alleged were infringed by Videotron were the following:

Claim 113

A method for coordinating a first interactive media guide and a second interactive media guide, the method comprising:

receiving, from the first interactive media guide, a first indication of a first activity performed on a first user equipment device implementing the first interactive media guide, wherein the first activity is associated with a first program;

receiving, from the second interactive media guide, a second indication of a second activity performed on a second user equipment device implementing the second interactive media guide, wherein the second activity is associated with a second program;

and generating content, for display on the first interactive media guide, based on the first indication from the first interactive media guide and the second indication from the second interactive media guide.

Claim 116

The method of claim 113 further comprising generating content, for display on the second interactive media guide, based on the first indication from the first interactive media guide and the second indication from the second interactive media guide.

Claim 119

The method of claim 113, wherein the first activity and the second activity comprise one or more of adjusting favorite channels, modifying parental control settings, scheduling a recording, adjusting recording settings, adjusting pay-per-view settings, adjusting message settings, adjusting reminders, and modifying user profiles.

Claim 120

The method of claim 113, wherein the first user equipment device and the second user equipment device are located in a household.

Claim 123

The method of claim 113 further comprising:

generating, based on the first indication from the first interactive media guide and the second indication from the second interactive media guide, an aggregated list of scheduled recordings.

B. *The Federal Court's Obviousness Findings*

[11] The Federal Court found that the foregoing claims in the 870 Patent and the 344 Patent were obvious and therefore invalid by reason of the common general knowledge of the Skilled Person and the information contained in a document published by the Digital Audio-Visual Council (the Council) in 1998 entitled, "DAVIC 1.3.1 Specification Part 1" (DAVIC).

[12] The Council was a non-profit organization based in Switzerland. To quote from the Foreword of DAVIC, the Council's objective was "...to promote the success of interactive digital audio-visual applications and services through the specification of open interfaces and protocols". DAVIC was the culmination of a multi-year consultation process with equipment manufacturers, service providers, government organizations, and non-members of the Council. As stated in its introduction, DAVIC "... define[s] the minimum tools and dynamic behaviour required by digital audio-visual systems for end-to-end interoperability across countries, applications and services".

[13] The Federal Court found that DAVIC would have been understood by the Skilled Person to be read as a whole. The Court also held that DAVIC reflected the technologies and

information that would have already been known to the Skilled Person as of the relevant dates for assessing obviousness.

[14] In undertaking its obviousness analysis, the Federal Court, at paragraph 296 of its reasons, correctly set out the applicable test from *Apotex Inc. v. Sanofi-Synthelabo Canada Inc.*, 2008 SCC 61, [2008] 3 S.C.R. 265 [*Sanofi*] at paragraph 67, which requires that a court:

- first, identify the notional Skilled Person;
- second, identify the relevant common general knowledge of that person;
- third, identify the inventive concept of the claim(s) in question or, if that cannot readily be done, construe them;
- fourth, identify what, if any, differences exist between the matter cited as forming part of the “state of the art” and the inventive concept of the claim(s) or the claim(s) as construed; and
- finally, viewed without any knowledge of the alleged invention as claimed, determine whether those differences constitute steps that would have been obvious to the Skilled Person or whether they require any degree of invention.

[15] In this appeal, Rovi does not challenge the Federal Court’s findings regarding the attributes of the Skilled Person. Thus, no more needs to be said about the first step in the obviousness analysis.

[16] As concerns the second step of the obviousness inquiry, the Federal Court held, at paragraph 140 of its reasons, that the common general knowledge of the Skilled Person as of the relevant priority dates would have included the concepts from a number of technologies, namely:

- television delivery technology—both analog and digital—to STBs in the home;
- computing technology such as personal computers, Windows 95, and the Internet;
- STB technology, including the software and applications that operated on STBs, such as interactive guides and other interactive features, including Pay-Per-View and video on demand;
- designing and writing software for STBs either directly or using the services of contractors/vendors; and
- technologies associated with networking computers and other electronic devices, which were becoming much more prevalent as of the dates relevant for assessing obviousness.

[17] With respect to the 870 Patent more particularly, the Federal Court found, at paragraph 392 of its reasons, that the Skilled Person as of the priority date would have:

- been familiar with home networks;
- understood that once audio-visual content is available on a network, such as from a server, any other device on the network would be able to retrieve the content;

- been familiar with multi-room personal video recorders or PVRs;
- understood that such PVRs could be networked together; and
- been aware of systems such as TiVo and Replay TV that allowed for the recording of programs on digital storage devices.

[18] The Federal Court construed “users” in the claims in suit in the 870 Patent as not meaning exclusively persons in the same household. It also construed “receiving/transmitting the program from or to the second user equipment” as encompassing both streaming and file transfer.

[19] As concerns the third part of the *Sanofi* test, the Federal Court found that the inventive concept of the claims in suit in the 870 Patent involved the following features: (1) generating a request to playback a program recorded on a second user’s equipment from the first user’s equipment; and (2) receiving the program from the second user’s equipment with the first user’s equipment. The Court agreed with Videotron’s expert, Mr. Sandoval, that the “essence” of the multi-room digital video recorder (DVR) described in the 870 Patent was networking within the home, one of the benefits of which was that “...STBs could transfer content between each other”: Federal Court Decision at para. 409.

[20] As already noted, the Federal Court found the inventive concept of the claims in suit to be obvious in light of the common general knowledge of the Skilled Person and the disclosures

contained in DAVIC. Videotron relied in particular on sections 4.06 and 4.07 of the Function Decomposition Table in section 7.3 of DAVIC, which provide:

4.06 The application should be able to transfer a session to another STU in the same location (for example to transfer a program to a unit in a different room in a home).

4.07 The application should be able to transfer a session to another STU in a different location (for example to transfer a program to a unit in another home).

[21] The Federal Court held that the Skilled Person would understand the term “set top units” (or STUs) used in the foregoing sections in DAVIC as being synonymous with STBs: Federal Court Decision at para. 394.

[22] As concerns the first element of the inventive concept of the claims in suit of the 870 Patent, involving generating a request to playback a program recorded on a second user’s equipment from the first user’s equipment, the Federal Court held that DAVIC showed a home network with many interconnected devices: Federal Court Decision at para. 396. The Court relied on the evidence from Mr. Sandoval that the Skilled Person would know that once a home network was established, every device in the network could “talk” to every other connected device: Federal Court Decision at para. 396.

[23] The Federal Court found that this functionality was also expressly described in section 7.2 of DAVIC. That section reads as follows:

As multiple digital services begin to penetrate the consumer market, the need will arise for an in-home digital network that will provide selectable access to these

services from multiple in-home devices. Furthermore, the introduction of digital storage devices in the home will expand this need. Home networks for DAVIC must support the functions required to link digital consumer devices so that information may be exchanged among these devices in a simple and direct manner.

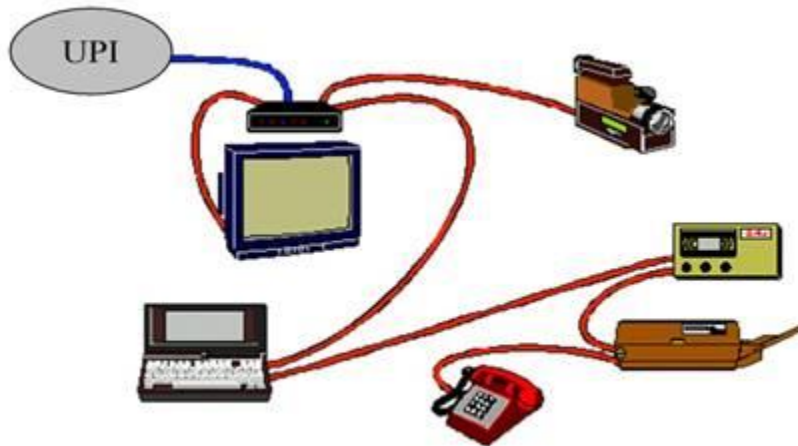


Figure 7.2: Home Network

[24] The Court further noted at paragraph 396 of its reasons that:

...The clear identification in [section 7.2 of] DAVIC of “selectable access”, coupled with the reference of such access being for “digital storage devices in the home” using “home networks for DAVIC”, is strong support for the opinion of Mr. Sandoval that it was known by the skilled person to use an STB to selectably access (i.e. request) a particular service - i.e. the playback of a program stored by another STB.

[25] As to the second element of the inventive concept of the claims in suit in the 870 Patent involving receiving, there was a dispute between the parties relating to the term “session” in sections 4.06 and 4.07 of the Function Decomposition Table in section 7.3 of DAVIC. The Federal Court preferred the evidence from Mr. Sandoval and found that a “session” was a technical term where there are two points that start and end a session, such that the term would

be understood “as referring to streaming content from one STB to another”: Federal Court Decision at para. 398.

[26] The Federal Court also accepted Mr. Sandoval’s evidence that the Skilled Person would understand DAVIC as describing streaming content from one STB to another. The Court further agreed with Mr. Sandoval that the Skilled Person would know that they could transfer programs between STBs and that any implementation details would be inherent to the functionality described in DAVIC. The Federal Court therefore concluded that “...to the extent that the specific claim elements such as, for example, a ‘request to playback a program’ or a ‘record request’ are not expressly set out in DAVIC, such a gap between the prior art and the [claims in suit] would be obvious to the Skilled Person”: Federal Court Decision at para. 405.

[27] Turning now to the 344 Patent, as already noted, the Federal Court found that it was also obvious in light of the common general knowledge of the Skilled Person and DAVIC. According to the Court, the Skilled Person as of the relevant date would have:

- been familiar with how to create a network of devices, both as a local area network and a wide area network;
- been familiar with digital systems, including personal computers and home networks;
- known that once devices were connected to a network they could communicate with one another; and

- been aware that subscriber level settings could be shared between devices inside a user's home.

[Federal Court Decision at para. 452].

[28] With respect to the inventive concept of the claims in suit in the 344 Patent, the Federal Court held that the key features of all the claims were:

1) coordinating settings for a first IPG and a second IPG; 2) receiving first/second indications associated with first/second programs; 3) displaying an interface with certain content related to the coordinated settings

[Federal Court Decision at para. 454].

[29] Rovi alleged that there was a gap between the foregoing and the prior art in that two elements were absent from the prior art—namely, the use of IPGs to carry out the required coordination and a return communication path. Rovi alleged that the gap between these elements and the prior art could not be bridged without inventiveness.

[30] The Federal Court disagreed. It found that the inventive elements of the claims in suit were obvious in light of DAVIC, and in particular its section 8.14, and the common general knowledge of the Skilled Person. Section 8.14 of DAVIC provides as follows:

8.14 An application running on one STU should be able to communicate with, and synchronize with, a related application running on a different STU.

[31] As concerns the first element of the inventive concept of the claims in suit in the 344 Patent involving coordinating settings for a first IPG and a second IPG, the Federal Court again relied on the evidence of Mr. Sandoval and found that the concept of coordinating settings across multiple STBs was identified by DAVIC, which described the ability to exchange information between devices on a home network. While section 8.14 of DAVIC does not use the word “coordinating” that appears in the claims in suit, the Federal Court held that, for all intents and purposes, synchronization is the same as coordination: Federal Court Decision at para. 459. It also agreed with Mr. Sandoval that the Skilled Person would understand that one of the applications described as being synchronized in section 8.14 of DAVIC was an IPG running on an STB and that synchronizing applications would be understood to mean synchronizing their operation. The Court further agreed with Mr. Sandoval that the Skilled Person would have been familiar with subscriber settings. The Court noted that one such setting that could be synchronized between IPGs was a known subscriber setting, namely, the Pay-Per-View setting: Federal Court Decision at para. 460.

[32] On the element of receiving first/second indications associated with first/second programs, the second of the inventive concepts of the claims in suit in the 344 Patent, the Federal Court held:

Given the disclosure in DAVIC that synchronization should be established between STBs on a network, and the [common general knowledge] related to digital devices on a network, the Skilled Person would be able to put into practice a home network comprising multiple STBs, each STB with the ability to synchronize the operation of its application with an application running on another STB.

I agree with Mr. Sandoval that, once synchronized, the settings would be available on both STBs. Necessarily some “indication” that user settings were

adjusted would have to be exchanged by the STBs for the described synchronization to occur.

[Federal Court Decision at paras. 461–462].

[33] Finally, on the third element of the inventive concept of the claims in suit in the 344 Patent, the Federal Court held that generating a display of synchronized settings would be obvious because the Skilled Person would be familiar with general IPG and user interface concepts. Thus, “[i]t would not be inventive to the Skilled Person to include a display of the synchronized applications described by DAVIC”: Federal Court Decision at para. 463.

[34] The Court concluded that the gaps identified by Rovi’s expert witness “...would have been easily traversed by the Skilled Person by looking to DAVIC and having regard to their [common general knowledge]”: Federal Court Decision at para. 464. The Court accordingly held that the claims in issue in both the 870 and 344 Patents were obvious and therefore invalid.

[35] As is apparent from the foregoing summary of the Federal Court’s reasoning on obviousness, it relied to a considerable extent on the evidence from Mr. Sandoval, Videotron’s expert. On the other hand, the Federal Court found that the evidence from Rovi’s expert, Dr. Balakrishnan, “... and in particular his approach to the prior art, to be less persuasive, consistent, objective and balanced than one would reasonably expect of an independent expert”: Federal Court Decision at para. 66. The Federal Court preferred the evidence from Mr. Sandoval, holding that “while there were some aspects of Mr. Sandoval’s evidence that gave [the Court] pause, overall [he was] a straightforward, credible and reliable witness”: Federal Court Decision at para. 83.

C. *The Federal Court's Findings on Remedy*

[36] I turn next to summarize the Federal Court's findings regarding remedy.

[37] As already noted, even though it dismissed Rovi's action and granted Videotron's counterclaim, the Federal Court went on to make findings on remedy for the sake of completeness. It held that, had the Patents been valid and infringed, Rovi would not have been entitled to an accounting of profits. Instead, the Court found that Rovi would only be entitled to a reasonable royalty in respect of the claims Videotron would have infringed.

[38] In deciding against an accounting of profits, the Federal Court cited the decision of this Court in *Philip Morris Products S.A. v. Marlboro Canada Limited*, 2016 FCA 55, [2016] F.C.J. No. 175 [*Marlboro FCA*], at paragraph 8, for the proposition that while the remedy of an accounting of profits is a discretionary one, a court should not refuse an accounting in the absence of compelling reasons. The Federal Court found that factors relevant to awarding an accounting of profits include: (i) whether there has been undue delay in commencing or prosecuting the litigation; (ii) the patentee's conduct; (iii) the infringer's conduct; (iv) whether the patentee practiced the invention of the patent in Canada; and (v) the complexity of calculating an accounting of profits: Federal Court Decision at para. 581.

[39] The Federal Court first assessed Videotron's allegation of delay and noted that "[w]here a patentee has delayed commencing their action toward the infringer, thereby deliberately allowing an infringer to accumulate profits in an inordinate manner, an accounting of profits may be

denied”: Federal Court Decision at para. 582. The Federal Court held that Rovi had not delayed commencing the action and that the first factor was therefore neutral.

[40] As concerns the second factor of Rovi’s conduct, the Federal Court found that it weighed heavily against awarding an accounting of profits. More particularly, it found Rovi’s business model of pursuing licence agreements in the way it did, the length of time Rovi took to prosecute the Patents before the Patent Office, and Rovi’s dealings with Videotron all militated against awarding an accounting of profits.

[41] As concerns Rovi’s business model, the Federal Court wrote, at paragraph 586 of its reasons, that:

...Rovi has a reputation of using hard-ball legal tactics to pressure third parties to license its patent portfolio. Rovi was known for its business model of aggregating patent portfolios, seeking licences, and relying on its prior licences and aggressive use of litigation to drive risk-avoiding businesses into deals that are consistent with its schedule of royalty fees. It would spend in the tens of millions of dollars annually on patent litigation.

[Federal Court Decision at para. 586].

[42] The Federal Court further determined that Rovi had apparently followed a deliberate strategy of delaying the prosecution of its Patents in suit because the Patents were issued between 13 and 17 years after their priority dates. In making this finding, the Federal Court noted that one of Rovi’s expert witnesses confirmed that “...patent holdup was a problem because once a potential infringer has launched a product it reduces flexibility and an opportunistic patent holder can then try to extract a larger, unreasonable licencing fee”: Federal Court Decision at

para. 590. However, the Federal Court had no evidence about what led to the delays in the prosecution of the Patents in suit nor about usual prosecution practice before the Patent Office in Canada.

[43] The Federal Court went on to note that Rovi had not disclosed to Videotron full details of the claims in the Patents that it alleged were being infringed, finding that Rovi behaved this way because it wanted to prevent Videotron from designing around the relevant claims. The Court wrote that it was:

...quite apparent...that the reason why Rovi declined to reveal to Videotron a complete list of specific patent claims it considered infringed was to prevent Videotron from designing around them. Rovi took the position that even after all four patents in suit expire, Videotron would not be free to continue carrying on its current activities as there were always other patents that Rovi would be able to assert against Videotron.

[Federal Court Decision at para. 592].

[44] The Federal Court also relied on the fact that Rovi had not provided Videotron with specific information about the value of the Patents when it sought a licence agreement renewal. The Federal Court further noted that Rovi had not sent a cease and desist letter to Videotron before commencing the litigation. While accepting that sending such a letter was not required to obtain an accounting of profits, the Federal Court nonetheless found that "...bringing legal proceedings against a party who declines to enter into a licence without first giving that party an opportunity to assess the claim and attempt to resolve the dispute smacks of retaliation": Federal Court Decision at para. 593.

[45] The Federal Court concluded its assessment of Rovi's conduct by stating that, "Rovi's questionable business practices cannot help but serve to colour [the Court's] view of the value of the features that it claims in the Patents. This factor weighs heavily against Rovi": Federal Court Decision at para. 594.

[46] As concerns the third factor of Videotron's conduct, the Federal Court found Videotron behaved appropriately even though it had not provided any technical response to Rovi's claim that the Videotron system violated its Patents. The Court held that this factor was neutral.

[47] The Federal Court found the fourth factor, whether a patentee practiced the invention of the patent in Canada, to be neutral because there was some evidence that, in addition to licencing its Patents, Rovi provided products to Pay-TV providers in Canada.

[48] With respect to the final factor associated with calculating an accounting of profits, the Federal Court held that complexity, in and of itself, would not preclude the remedy. However, in light of the evidence called by the parties, the Federal Court concluded that an award of an accounting of profits was not appropriate because it was not satisfied that using any of the methods proposed by Rovi to calculate Videotron's profits would allow the Court to arrive at a reliable and appropriate amount: Federal Court Decision at para. 607.

[49] The Federal Court accordingly determined that, had the Patents been valid, it would not have been appropriate to award an accounting of profits. Instead, the Federal Court stated that it would award a reasonable royalty, based on a reasonable royalty rate that Rovi could have

reached with Videotron. In assessing what such a rate would have been, the Federal Court accepted Videotron's submission that "...the appropriate remedy [was] a one-time reasonable royalty, capped at no more than Videotron's cost to remove or design-around the subject-matter of the relevant asserted patent claim": Federal Court Decision at para. 611. The Court went on, in the same paragraph, to conclude that, "...the approximate cost for such a design change would have been \$150,000 per feature". However, the Federal Court made this finding without finding what such design changes would have been, accepting Videotron's assertions that it could have made the required changes.

II. Analysis

[50] I turn now to evaluate the various arguments that Rovi advances before this Court.

A. *Did the Federal Court Err in its Obviousness Analysis?*

[51] As refined during its oral submissions, Rovi alleges that the Federal Court made three errors of law in its obviousness analysis. First, Rovi argues that the Federal Court erred in relying on the evidence from Mr. Sandoval because he was misinformed as to the attributes of the notional Skilled Person and therefore approached the obviousness inquiry incorrectly. Second, Rovi asserts that the Federal Court fell into the error of applying hindsight bias. Third, Rovi alleges that the Federal Court had a coloured view of Rovi and of its Patents, as evidenced in particular by paragraph 594 of the Court's reasons, where the Court relied on extraneous and

irrelevant factors. This coloured view, according to Rovi, taints the Federal Court's obviousness analysis.

[52] I am not persuaded by any of the foregoing arguments that the Federal Court committed reversible error.

[53] Before delving into each of Rovi's arguments, it is important to remember that a trial court's findings on obviousness are findings of mixed fact and law. Thus, absent an extricable error of law, they are reviewable only if they disclose a palpable and overriding error: *Packers Plus Energy Services Inc. v. Essential Energy Services Ltd.*, 2019 FCA 96, 164 C.P.R. (4th) 191, leave to appeal to SCC refused, 38694 (19 December 2019) at para. 29 [*Packers*], citing *Teva Canada Limited v. Pfizer Canada Inc.*, 2019 FCA 15, 163 C.P.R. (4th) 265 at para. 23 [*Pfizer*]; *Teva Canada Limited v. Novartis Pharmaceuticals Canada Inc.*, 2013 FCA 244, [2013] F.C.J. No. 1108 at paras. 10-12; *Alcon Canada Inc. v. Actavis Pharma Company*, 2015 FCA 191, [2015] F.C.J. No. 1083 at para. 11.

[54] Determinations as to the state of the art and as to the nature and extent of the skilled person's common general knowledge are likewise findings of mixed fact and law, reviewable only if they disclose a palpable and overriding error: *Packers* at para. 30, citing *Apotex Inc. v. Allergan Inc.*, 2015 FCA 137, [2015] F.C.J. No. 953 at para. 7 [*Allergan*]; *AFD Petroleum Ltd. v. Frac Shack Inc.*, 2018 FCA 140, 157 C.P.R. (4th) 195 at para. 38 [*Frac Shack*].

[55] This Court and the Supreme Court of Canada have underscored on multiple occasions that the palpable and overriding standard is a highly deferential one. “Palpable” means an error that is obvious and “overriding” means that the error affects the outcome. As the Supreme Court put it in *Salomon v. Matte-Thompson*, 2019 SCC 14, [2019] 1 S.C.R. 729 [*Salomon*], “[w]here the deferential standard of palpable and overriding error applies, an appellate court can intervene only if there is an obvious error in the trial decision that is determinative of the outcome of the case”: at para. 33, citing *Canada v. South Yukon Forest Corporation*, 2012 FCA 165, [2012] F.C.J. No. 669, leave to appeal to SCC refused, 34946 (6 December 2012); see also *Benhaim v. St-Germain*, 2016 SCC 48, [2016] 2 S.C.R. 352 at para. 38.

[56] Thus, in a case like the present, it is not the task of this Court in appellate review to sift through and reweigh the evidence the Federal Court used to ground its obviousness findings nor to re-decide which expert is to be preferred: see *Pfizer* at para. 31; *Eli Lilly and Company v. Apotex Inc.*, 2010 FCA 240, [2010] F.C.J. No. 1199 at para. 8; *E. Mishan & Sons, Inc. v. Supertek Canada Inc.*, 2015 FCA 163, 134 C.P.R. (4th) 207 at para. 25. As the Supreme Court underscored in *Salomon* “[t]he fact that an alternative factual finding could be reached based on a different ascription of weight [to evidence] does not mean that a palpable and overriding error has been made”: at para. 33, citing *Nelson (City) v. Mowatt*, 2017 SCC 8, [2017] 1 S.C.R. 138 at para. 38.

(1) Did the Federal Court Err in Relying on Mr. Sandoval’s Evidence?

[57] Bearing these cautions in mind, I turn now to assess Rovi’s first argument.

[58] As already noted, Rovi says that the Federal Court erred in relying on the evidence from Mr. Sandoval because he was misinformed about the attributes of the Skilled Person and therefore approached the obviousness inquiry incorrectly. Rovi more particularly submits that Mr. Sandoval defined the Skilled Person as being inventive, which is the opposite of what the case law instructs.

[59] Rovi is correct that the governing legal principles applicable to defining the Skilled Person require that they not be inventive. Indeed, the notion of the Skilled Person exists so as to remove the application of inventiveness from the obviousness analysis. The classic “touchstone for obviousness is the technician skilled in the art but having no scintilla of inventiveness or imagination; a paragon of deduction and dexterity, wholly devoid of intuition; a triumph of the left hemisphere over the right”: *Hospira Healthcare Corporation v. Kennedy Trust for Rheumatology Research*, 2020 FCA 30, [2020] F.C.J. No. 179 at para. 79 [*Hospira*], citing *Beloit Canada Ltd. v. Valmet Oy*, [1986] F.C.J. No. 87, 8 C.P.R. (3d) 289 (F.C.A.) at 294 [*Beloit FCA 1986*]. As this Court stated in *Beloit FCA 1986* at page 294:

The test for obviousness is not to ask what competent inventors did or would have done to solve the problem. Inventors are by definition inventive. The classical touchstone for obviousness is the technician skilled in the art but having no scintilla of inventiveness or imagination; a paragon of deduction and dexterity, wholly devoid of intuition; a triumph of the left hemisphere over the right. The question to be asked is whether this mythical creature (the man in the Clapham omnibus of patent law) would, in the light of the state of the art and of common general knowledge as at the claimed date of invention, have come directly and without difficulty to the solution taught by the patent. It is a very difficult test to satisfy.

[60] In other words, the notional Skilled Person, through whose eyes a patent is to be read, is different from the inventor who does creative work and makes an invention: *Amgen Canada Inc. v. Apotex Inc.*, 2015 FC 1261, [2015] F.C.J. No. 1382 at para. 86, aff'd 2016 FCA 196, [2016] F.C.J. No. 765, leave to appeal to SCC refused, 37124 (27 October 2016).

[61] The common general knowledge of such an uninventive notional being is derived from “a common sense approach to the question of what would be known, in fact, to an appropriately skilled person that could be found in real life, who is good at his or her job”: *Eli Lilly Canada Inc. v. Apotex Inc.*, 2018 FC 736, 156 C.P.R. (4th) 387 at para. 46, quoting *Eli Lilly & Co. v. Apotex Inc.*, 2009 FC 991, [2009] F.C.J. No. 1229 at para. 97, aff'd 2010 FCA 240, [2010] F.C.J. No. 1199 [*Eli Lilly*]. As part of this, “[t]he skilled person is assumed to be reasonably diligent in keeping abreast of advances in the field to which the patent relates”: *Johnson & Johnson Inc. v. Boston Scientific Ltd.*, 2008 FC 552, 71 C.P.R. (4th) 123 at para. 373, citing *Whirlpool Corp. v. Camco Inc.*, 2000 SCC 67, [2000] 2 S.C.R. 1067 at para. 74 [*Whirlpool*].

[62] With these principles in mind, it is useful next to reproduce the Federal Court’s findings relevant to Rovi’s first issue. They were as follows:

When Mr. Sandoval was retained as an expert by Videotron, he was instructed that the skilled person is not inventive by nature. In defining the skilled person in his expert report on validity of the Patents, Mr. Sandoval stated that the person reading the Patents “would have been focused primarily on new technology for the cable industry rather than on simply maintaining existing infrastructure.” Mr. Sandoval struggled during his cross-examination to explain what he meant by the concept of a skilled person “focussing on new technology”, at one point suggesting that “one can innovate without being inventive.”

Rovi submits that Mr. Sandoval in effect defined an inventive skilled person, which would conflict with the description of the skilled person by Mr. Justice

Rothstein, in *Sanofi* at para 52, as a “... technician skilled in the art but having no scintilla of inventiveness or imagination ...” I disagree.

I found that Mr. Sandoval was instead grappling, as I have had to do, with the question that has to be asked in an obviousness case. This involves a comparison between the state of the art and [the common general knowledge] of the skilled person, on the one hand, and the inventive concept of the patent’s claims, on the other (*Sanofi* at para 67). If there is no difference between the two comparators, the claims are obvious. If there is a difference, the claims are obvious if the skilled person would not need to take any inventive steps to bridge the gap. In other words, a step may be taken that can be viewed as different, but would not necessarily be inventive.

While the hypothetical skilled person is deemed to be uninventive as part of their fictional personality, they are thought to be reasonably diligent in keeping up with advances in the field to which the patent relates. As stated by Justice Binnie in *Whirlpool* at paragraph 74, the [common general knowledge] of the skilled person undergoes “continuous evolution and growth.” Mr. Sandoval clarified during his cross-examination that he appreciated that this was a nuanced topic. In my view, there was therefore nothing untoward with Mr. Sandoval defining the skilled person as keeping abreast of new technology.

[Federal Court Decision at paras. 104–107].

[63] As stated earlier, these are findings of mixed fact and law, reviewable only if they disclose a palpable and overriding error: see *Packers* at para. 30, citing *Allergan* at para. 7; *Frac Shack* at para. 38.

[64] It is also necessary to consider the evidence of Mr. Sandoval that led the Federal Court to make these findings. I turn first to Mr. Sandoval’s report. While the following paragraphs specifically state that they relate to the 870 Patent, the report confirms that the Skilled Person of the other Patents at issue at trial had the same characteristics as the Skilled Person for the 870 Patent. Mr Sandoval wrote as follows:

24. In my opinion, the person skilled in the art for the 870 Patent would have been a “notional” person with an understanding of, and experience of, the technology and subscriber features relating to the cable television industry as of the 1990s. Such a person would have had extensive experience with the analog cable systems that were then common. The person would also have had exposure to, and knowledge of, over the air broadcast systems, satellite television systems and the transition to digital systems for both broadcast and cable systems. The notional skilled person would have had a general understanding of the main components of a cable system, including the cable head-end, the system that provided connections to subscribers' residences, the set top boxes (STBs) present in the subscribers' premises, and the features available to subscribers. For STBs, the skilled person would have had knowledge and experience with different versions and types of STBs, and been part of discussions of features to offer subscribers by way of those different types of STBs.

25. I note that at numerous points in the description of the 870 Patent (as well as in the 061, 344 and 629 Patents), the description says that “any suitable” technology could be used. In my view, this implies that the skilled person have sufficient knowledge and experience to identify what technology could be used in the described context in order to understand what is being described and to put the invention to use.

26. The notional skilled person would have been familiar with personal recording of broadcast content using a VCR, would be familiar with the concept of client-server architectures, and would be familiar with the concept of session based content delivery as supported by [*sic*] emerging Video-On-Demand (VOD) systems.

27. In terms of the transition to digital systems, the skilled person would have had access to and be able to work with software engineers and developers either as part of the same company or through outside vendors. These would include software engineers and developers who could implement software running on STBs. The knowledge of the skilled person would therefore include the knowledge and experience of such engineers and developers. Such knowledge includes experience and information relating to digital systems, processors, computers, computer storage systems, computer networks and the Internet.

28. Further, the addressee of the patent would have had a good understanding of how program guides were provided to subscribers of cable systems. The person of skill would have had experience with, and knowledge of, designing and implementing program guides for cable system subscribers as of the 1990s. That experience would have included some knowledge of human-factors engineering and GUI (graphical user interface) design.

29. The skilled person reading the patents would have been focused primarily on new technology for the cable industry, rather than on simply maintaining existing infrastructure.

30. In my view, a skilled person could be thought of as having had at least three years of experience in the field in order to obtain the set of skills and knowledge described. While such a skilled person would not necessarily have had an undergraduate degree, with the level of skill and experience the person would have had, as outlined above, an undergraduate degree in computer science, communications or electrical engineering would be expected. [Emphasis added.]

[65] Rovi takes issue in particular with paragraph 29 of the report. There, Mr. Sandoval describes the Skilled Person as being focussed “primarily on *new technology* for the cable industry, rather than on simply maintaining existing infrastructure” (emphasis added). This, according to Rovi, signals that the Skilled Person, as defined by Mr. Sandoval, is inventive.

[66] Rovi asserts that the Federal Court erred, at paragraph 107, in stating that the Skilled Person was merely “keeping abreast of new technology” because Mr. Sandoval’s Skilled Person went far beyond “keeping abreast” of new technology in that they were developing it. In addition to the above section from his report, Rovi also relies on the following excerpts of Mr. Sandoval’s cross-examination:

Q. And so when you said *the skilled person would be focusing on new technology for the cable industry, you mean the skilled person would be developing new technology, correct?*

A. In general, yes, that's right.

Q. That would mean that your skilled person *would be coming up with things that didn't exist yet?*

A. Yeah. So, you know, this is an interesting point between what is the difference between extending what exists in ways that are obvious versus what requires invention. So to be honest, you know, I had to very -- and that's why I mentioned just a moment ago that I tried to keep this concept in mind, because the boundary between when is something sort of an inevitable conclusion that maybe somebody didn't tell you, but that you would arrive at, versus what is something that you would be creating something. Maybe somebody else created the same thing, but

you never heard about it. **So the difference between, say, innovation and invention, that's potentially a fine line, and so I tried to be very aware of that. And so every engineer -- engineers make things. That means engineers are always solving problems. By the nature of the job, they're doing things that are new. So that's the nature of the profession. You're always doing new things. Now, whether it's particularly inventive or not, then, you know, it's -- that's something to explore, was this invented. So I was very well aware of this aspect, and I incorporated that into my opinions.**

Q. So your skilled person is somebody who is trying to do something that's new?

A. Without being particularly inventive, yes.

Q. So they're being innovative?

A. Like I said, this is a nuanced topic. **Maybe if we agree that one can innovate without being inventive.**

Q. But that's your position, that one can innovate without being inventive?

A. Well, I'm suggesting that we use those terms to try to grapple with this sort of subtle distinction. You know, what is inventive whereas what is just that's what you do, is you make things.

Q. Again, you're talking about -- you're being informed by your views about what engineers are like in the real world, correct?

A. Not just engineers, but more generally people in the technology sphere. Right? So it could be a marketing person who has some technical aptitude. Right? Their job is to figure out what are we going to do next, boss, what's coming down the pipe. **Whatever term you call it, maybe innovation is not the best term, but it's soaking up ideas from around them and seeing how to apply those. Those applications may not require much in the way of invention, but that's the nature of the skilled person, is they're working on new things.**

Q. When you say the nature of the skilled person, we're talking about the skilled person that you used as your lens for your analysis, correct?

A. That's correct.

Q. So you said that **that's their job, they have got to soak up ideas and they have to come up with new products, that's what people do in the tech industry?**

A. I think that's fair to say, yes.

Q. Again, that's the type of person that you approach your analysis from?

A. In general, that's one sort of slice into the character or skill or role of the skilled person. That's what I wanted to point out here in section, 29 is there are people who would have this general common knowledge perhaps, but they are in a role where they're not really expected to apply that general knowledge into solving any kind of a particular problem. Where, you know, they may very well be a skilled person conceivably; however, their role is really just keeping the airplane flying, so to speak. Does that make any sense?

Q. Well, I'm not sure. So your -- I think what you're trying to tell me is that -- in [paragraph] 29 [of your report] you say: "The skilled person reading the patents would have been focused primarily on new technology for the cable industry rather than on simply maintaining existing infrastructure." Are you now telling me that the person that's just focused on maintaining existing infrastructure is a skilled person according to your definition or is not a skilled person?

A. **I guess what I'm saying here is even though that person may very well have the technical aptitude, that we're going to not consider them a skilled person because when I consider the skilled person through my particular perspective, it's a person who is by the nature of their role is going to be as you described it, absorbing what's happening in the broader industry in the broader world.** And seeing how that can, what makes sense can be adopted to their business.

Q. ... You said: "So it was, you know, a time that where change was afoot within the cable TV industry, so everybody in the industry was aware of new emerging features that they weren't available on the set-top box immediately. It was, you know, it was certainly within the realm of the possible in the near future." Do you remember giving that evidence earlier?

A. Yes.

Q. So again, in your explanation of what the common general knowledge of the skilled person is, you've defined that person as forward-looking, correct?

A. Yeah, I did assert that, yes. [Emphasis added.]

[67] Considering the foregoing evidence, I see no reviewable error in the Federal Court's conclusion that, overall, Mr. Sandoval was describing a Skilled Person who was keeping up with advances in an area of rapidly developing technology but one who was not inventive. This, in my view, is in line with Justice Binnie's assertion in *Whirlpool* that the common general knowledge of the Skilled Person undergoes "continuous evolution and growth": *Whirlpool* at para. 74.

[68] In sum, while I agree with Rovi and the Federal Court that Mr. Sandoval used language that was at times confusing, this use of language does not mean that the Federal Court committed a reviewable error in relying on portions of Mr. Sandoval's testimony in support of its obviousness findings. The Federal Court was alive to the issue of Mr. Sandoval's articulation of the attributes of the Skilled Person, and Mr. Sandoval appropriately nuanced his statements during his cross-examination, as the above-cited passage demonstrates.

[69] Moreover, the Federal Court did not rely solely on Mr. Sandoval's evidence in its obviousness analysis. It also premised its findings on its own review of DAVIC, albeit reading DAVIC through the application of what the Federal Court found to be the Skilled Person's common general knowledge.

[70] At the end of the day, assessments of the strength of the evidence and determinations to prefer the testimony of one witness over another are the province of a trial court. These matters lie at the very heart of a trial court's function as the trier of fact. Here, given that Mr. Sandoval's testimony was much more nuanced than Rovi asserts, and the use that the Federal Court made of such testimony, I see no reviewable error in the Federal Court's reliance on Mr. Sandoval's evidence that would justify our intervention. In short, it is not for this Court, as an appellate court acting on a paper record alone, to substitute its views and reject Mr. Sandoval's testimony where there is no legal error in the Federal Court's preference for his evidence.

[71] Therefore, I conclude that the first ground advanced by Rovi fails.

(2) Did the Federal Court Fall into Error by Applying Hindsight Bias?

[72] I turn now to Rovi's second argument. As already noted, Rovi asserts that the Federal Court erred by falling into hindsight bias.

[73] This argument is premised, in part, on Rovi's first argument that the Federal Court erred in accepting Mr. Sandoval's evidence of obviousness in light of his definition of the Skilled Person. For the foregoing reasons, this argument fails.

[74] In addition, Rovi submits that hindsight bias flowed from Mr. Sandoval's alleged lack of experience in respect of the technology involved in the 870 and 344 Patents. Rovi further says that the Federal Court misconstrued DAVIC with hindsight, concluding that it was "a full specification" for digital audio-visual systems when both parties' experts agreed that it was not.

[75] I disagree with these submissions.

[76] The Federal Court was very much alive to Mr. Sandoval's alleged lack of experience, devoting several paragraphs in its reasons to this issue:

Mr. Sandoval could not speak from personal knowledge acquired at the time as to the [common general knowledge] at the dates relevant to the Patents (1998 and 1999). His view of the [common general knowledge], and other related issues in relation to this matter, had to be reconstructed from other information. There is therefore reason to be concerned about the reliability of this type of look-back evidence and the risk of hindsight bias. Hindsight bias is a danger that experts and the Court must be wary of in any patent litigation, as experts are inevitably asked

to opine on technology that was developed in the past, often with a lengthy intervening period where technology has accelerated appreciably.

My concerns about hindsight bias on the part of Mr. Sandoval were allayed somewhat by the fact that he was looking back at the technology commercially deployed in homes that had not changed very much over the previous few years. Moreover, Mr. Sandoval did not come out of nowhere to become CableLabs' chief software architect. Between 1985 and 1999, he worked at several companies developing software for interactive applications, including interactive multimedia platform on laser discs, Compact Disc Interactive and in the gaming industry for 3DO and Electronic Arts. At the time, 3DO was also working with other companies to provide STB systems for on-demand video streaming. While Mr. Sandoval may not have been a member of the team working on the project, he was aware and interested in what the team was doing.

I also note that Mr. Sandoval conducted his research to acquaint himself with matters that would have been relevant to and known to at least some of the skilled team back in 2001. He was required to understand the technology historically in his new position. He also based his opinions on objective information that preceded the priority dates of the Patents, as well on matters that arose directly out of his principal expertise.

Mr. Sandoval is an expert at developing applications on embedded devices in general. From his perspective, whether presenting the content from a multi-media disk or from a television tuner, the challenges, the design principles, and the mechanisms to build applications on an embedded device, are the same. He was therefore in a good position, given his extensive experience, to give useful evidence about what the skilled person would have known and understood at the relevant time.

[Federal Court Decision at paras. 89–92].

[77] I see no error of fact or principle in the foregoing. The Federal Court was very alert to the potential for hindsight. As well, the Court clearly articulated that, despite some risk of hindsight bias, it was ultimately satisfied that Mr. Sandoval's knowledge and experience gave him the expertise needed to consider the content from a multi-media disk or from a television tuner, as well as the challenges and related design principles at issue. This conclusion was open to the Federal Court to make. Thus, this argument fails.

[78] As concerns the allegation that the Federal Court misconstrued DAVIC with hindsight by concluding it was “a full specification” for digital audio-visual systems, the Federal Court did use the words “full specification” to describe DAVIC. However, it immediately thereafter qualified this by stating that DAVIC “...define[d] ‘the minimum tools and dynamic behaviour needed by digital audio-visual systems for end-to-end interoperability across countries, applications and services’”: Federal Court Decision at para. 69, quoting DAVIC’s introduction.

[79] I see no reviewable error in the Federal Court’s use of the words “full specification”, even though these words do not precisely describe how the experts qualified DAVIC. The clarification given by the Federal Court as to what it meant was appropriate and in accordance with the testimony of the expert witnesses about the nature of DAVIC. The Federal Court’s clarification also corresponds to what DAVIC, itself, says. On this point, it seems to me that Rovi has seized on two words of limited significance in reasons of more than 600 paragraphs to try to elevate them to a reviewable error, when they are not.

[80] In essence, the allegations of hindsight bias advanced by Rovi are no more than an attempt to have us redo the Federal Court’s obviousness analysis and arrive at a different conclusion. However, as already noted, that is not the role of this Court. It can intervene only if the Federal Court errs in law or makes a palpable and overriding error of fact. On hindsight bias, the Federal Court made no such error.

(3) Did the Federal Court Have a Coloured View of Rovi that Tainted its Obviousness Analysis?

[81] The third error of law alleged by Rovi is that the Federal Court allowed a tainted view of Rovi to improperly colour its obviousness analysis. Rovi relies in particular on paragraph 594 of the Federal Court’s reasons. There, the Court wrote that: “Rovi’s questionable business practices cannot help but serve to colour [the Court’s] view of the value of the features that it claims in the Patents. This factor weighs heavily against Rovi.”

[82] I agree with Rovi that it is erroneous to suggest that there is any link between a company’s business practices and the validity or value of its patents. A hard-nosed company that engages in scorched-earth litigation may nonetheless possess a valid, valuable patent. While some of a company’s practices may be relevant to the exercise of the Court’s discretion in determining the type of remedy to award, as is discussed more fully below, its business practices are irrelevant to the validity or value of its patent portfolio (provided the company does not run afoul of section 53 of the *Patent Act*, R.S.C. 1985, c. P-4 [*Patent Act*], which sets out the circumstances in which a patent is void if the patentee makes certain kinds of misrepresentations in its patent application).

[83] That said, it must be recalled that the Federal Court did not rely on its view of Rovi’s business practices in its discussion of validity. The comments that Rovi impugns were made in paragraph 594 of the Federal Court’s reasons, in the portion dealing with remedy. There is no indication in the Court’s lengthy discussion of the validity issues that it was in any way influenced by its views of Rovi’s business practices. Therefore, I conclude that the comments

made in paragraph 594 on remedy do not warrant setting aside the Federal Court's findings on validity.

[84] Thus, I would not interfere with the Federal Court's findings on obviousness.

B. *Did the Federal Court Err in its Remedial Analysis?*

[85] While the foregoing means that this appeal must be dismissed, I believe it is necessary for this Court to address the errors that the Federal Court made in discussing the remedies it would have awarded had the Patents been found valid and to have been infringed.

[86] Rovi alleges that the Federal Court made several errors in principle in its remedial analysis. It first submits that the Federal Court inappropriately qualified as neutral the factors of (1) Rovi's lack of delay in bringing proceedings, (2) Rovi having practiced the inventions claimed in the Patents, and (3) Videotron's conduct in practicing these inventions as opposed to signing a new licencing agreement with Rovi. Rovi argues that these factors should instead have led the Federal Court to award an accounting of profits.

[87] Secondly, Rovi says that the Federal Court inappropriately relied on Rovi's conduct to disentitle it to the accounting of profits, including Rovi's so-called "hard-ball" litigation tactics. These, it says, are not relevant considerations in deciding whether to award an accounting of profits. Rovi submits, citing *A.I. Enterprises v. Bram Enterprises Ltd.*, 2014 SCC 12, [2014] 1 S.C.R. 177 and *Martel Building v. R.*, 2000 SCC 60, [2000] 2 S.C.R. 860 [*Martel*], that parties

owe no duties of good faith in pre-contractual negotiations and are entitled to pursue their own self-interest in such negotiations. It says it did precisely that and was entitled to engage in hard bargaining with Videotron. Rovi further submits that the Federal Court had no evidence of the normal practice in patent prosecutions before the Patent Office in Canada, and thus could not rely in any way on the time it took between the date the applications for the Patents in suit were made and the date they were issued. Rovi also says that there is nothing improper in it not having provided Videotron with full details of every claim in the Patents that Rovi relied on when it was seeking to re-negotiate its licence with Videotron. Rovi further submits that there is no rule that a party must send a cease and desist letter before commencing litigation.

[88] Next, Rovi asserts that the Federal Court incorrectly relied on the complexity of the calculations required to ascertain the profits that Rovi could have made as a reason for denying the remedy of an accounting of profits.

[89] Finally, Rovi argues that the Federal Court incorrectly assessed the damages it awarded because the cost of developing unidentified non-infringing alternatives that Videotron alleged it could have developed cannot be used to ascertain the amount of a reasonable royalty. It adds that the Federal Court wrongly ignored the amounts previously paid by Videotron to Rovi for a licence, which Rovi says ought to have been the key factor in the assessment of damages.

[90] As will soon become apparent, Rovi is correct in many of these assertions. Before addressing each of Rovi's assertions, it is useful to make some general comments about remedies in patent infringement cases.

(1) Remedies for Patent Infringement

[91] Remedies available for patent infringement are set out in sections 55 and 57 of the *Patent Act*.

[92] Section 55 provides for damages for patent infringement and for reasonable compensation for damage sustained between the date that a specification is laid open for public inspection under the *Patent Act* and the date that the patent is issued, when the patent cannot yet be infringed because it has not yet been granted. Subsections 55(1) and (2) of the *Patent Act* provide:

Liability for patent infringement

55. (1) A person who infringes a patent is liable to the patentee and to all persons claiming under the patentee for all damage sustained by the patentee or by any such person, after the grant of the patent, by reason of the infringement.

Liability damage before patent is granted

(2) A person is liable to pay reasonable compensation to a patentee and to all persons claiming under the patentee for any damage sustained by the patentee or by any of those persons by reason of any act on the part of that person, after the specification contained in the application for the patent became open to public inspection, in English or French, under section 10 and before the grant of the patent, that would have constituted an infringement of the patent if the

Contrefaçon et recours

55. (1) Quiconque contrefait un brevet est responsable envers le breveté et toute personne se réclamant de celui-ci du dommage que cette contrefaçon leur a fait subir après l'octroi du brevet.

Indemnité raisonnable

(2) Est responsable envers le breveté et toute personne se réclamant de celui-ci, à concurrence d'une indemnité raisonnable, quiconque accomplit un acte leur faisant subir un dommage après la date à laquelle le mémoire descriptif compris dans la demande de brevet est devenu accessible au public, en français ou en anglais, sous le régime de l'article 10 et avant la date de l'octroi du brevet, dans le cas où cet acte aurait constitué une contrefaçon si le brevet avait été octroyé à la date où ce

patent had been granted on the day the specification became open to public inspection, in English or French, under that section.

mémoire descriptif est ainsi devenu accessible.

[93] Turning more particularly to the principles applicable to the assessment of damages under subsection 55(1) of the *Patent Act*, such damages focus on the loss suffered by a plaintiff—*i.e.* the patentee or a party claiming under the patentee, such as a licensee—and are compensatory in nature. More specifically, damages for patent infringement under subsection 55(1) of the *Patent Act* are aimed at compensating the plaintiff for the losses incurred by reason of the infringement. Among other things, such damages may take the form of compensation for lost profits associated with sales lost or price suppression suffered by the plaintiff by reason of the infringement or compensation for income lost by the plaintiff where it has a practice of entering into licencing arrangements: *Nova Chemicals Corp. v. Dow Chemical Co.*, 2022 SCC 43, 199 C.P.R. (4th) 107 at para. 7 [*Nova Chemicals*]. Where the plaintiff has a past practice of licencing its patents, the licence fees it typically charges are often used to establish the quantum of damages for lost licencing income: *Nova Chemicals* at para. 7.

[94] However, there may be circumstances where a plaintiff cannot establish that it has lost sales and has no relevant practice of licencing the invention that the court accepts as the basis for measuring damages. In such circumstances, a court may award damages calculated via a hypothetical “reasonable royalty” on the sales made by the infringer: *Nova Chemicals* at para. 7, citing *AlliedSignal Inc. v. Du Pont Canada Inc.* (1998), 78 C.P.R. (3d) 129 (F.C. (T.D.)), at para. 199 [*AlliedSignal*]; *Unilever PLC et al. v. Proctor & Gamble Inc.* [1993] F.C.J. No. 117, 47 C.P.R. (3d) 479 (FC), *aff’d* [1995] F.C.J. No. 1005, 61 C.P.R. (3d) 499 (F.C.A.) at 571

[*Unilever*]. Setting the hypothetical reasonable royalty rate in this fashion requires the court to determine the terms that the parties would have agreed to had they negotiated a royalty. As noted in *AlliedSignal*, “[t]he test is what rate would result from negotiations between a willing licensor and a willing licensee”: at para. 199.

[95] In addition to the remedy in damages, the *Patent Act* also provides for equitable remedies, notably an accounting of profits (or disgorgement) and injunctions. Subsection 57(1) of the *Patent Act* states as follows:

Injunction may issue

57. (1) In any action for infringement of a patent, the court, or any judge thereof, may, on the application of the plaintiff or defendant, make such order as the court or judge sees fit,

(a) restraining or enjoining the opposite party from further use, manufacture or sale of the subject-matter of the patent, and for his punishment in the event of disobedience of that order, or

(b) for and respecting inspection or account,

and generally, respecting the proceedings in the action

Interdiction

57. (1) Dans toute action en contrefaçon de brevet, le tribunal, ou l’un de ses juges, peut, sur requête du plaignant ou du défendeur, rendre l’ordonnance qu’il juge à propos de rendre :

a) pour interdire ou défendre à la partie adverse de continuer à exploiter, fabriquer ou vendre l’article qui fait l’objet du brevet, et pour prescrire la peine à subir dans le cas de désobéissance à cette ordonnance;

b) pour les fins et à l’égard de l’inspection ou du règlement de comptes,

et d’une façon générale, quant aux procédures de l’action.

[96] Courts may award both an interlocutory accounting of profits (typically in place of an interlocutory injunction) and a final accounting of profits. A final accounting is often coupled with a permanent injunction when the patent is still in force: see *Apotex Inc. v. Bayer Inc.*, 2018

FCA 32, [2018] 4 F.C.R. 58 at para. 66 [*Bayer*], citing *Vidi v. Smith* (1854), 118 E.R. 1404, 3 El. & Bl. 969 (U.K.Q.B.); *Beloit Canada Ltd. v. Valmet-Dominion Inc.*, [1997] 3 FC 497, 73 C.P.R. (3d) 321 (F.C.A.) [*Beloit FCA 1997*].

[97] An accounting of profits, under paragraph 57(1)(b) of the *Patent Act*, unlike a damages award, is not compensatory. Instead, an accounting of profits focuses on the profits wrongfully earned by the infringer and not on the losses suffered by the plaintiff. It requires the infringer to disgorge to the plaintiff the profits the infringer earned by reason of the infringement. As the Supreme Court explained in *Nova Chemicals*, at paragraph 47, the accounting of profits remedy is a necessary tool to deter infringement, especially by those who could make profits in excess of the damages they would cause to a patent holder. Without the availability of the remedy of an accounting of profits, infringers who stand to make substantial profits could be tempted to deliberately infringe a patent if they stood to earn sums that exceed their damages exposure. The accounting of profits remedy is therefore an important tool in a court's arsenal to deter infringement and protect patentees and the patent bargain. The remedy of an accounting of profits may be particularly appropriate in situations where large companies infringe patents owned by much smaller companies or individuals.

[98] Damages and an accounting of profits are alternate remedies; thus, a wronged plaintiff cannot receive both for the same period: Fox at § 14:10, citing *Betts v. Neilson* (1871), L.R. 5 H.L. 1 (H.L.) at 22 and 27; *De Vitre v. Betts* (1873), L.R. 6 H.L. 319 (H.L.) at 321; *United Horse Shoe and Nail Company Limited v. Stewart and Company* (1888), 5 R.P.C. 260 (H.L.) at 266; *American Braided Wire Company v. Thomson* (1890), 7 R.P.C. 152 (C.A.) at 158.

[99] It is up to a plaintiff to seek an accounting of the infringer's profits since damages are the default remedy under the *Patent Act*, and an accounting cannot be awarded by the Court unless a plaintiff elects to seek the remedy: *Bayer* at para. 34.

[100] That said, plaintiffs are not automatically entitled to an award for an accounting of profits following an election. As with any equitable remedy, a court possesses the discretion to decline to award an accounting of profits where it would be inequitable to make the award: see, regarding discretion to award equitable remedies generally, *Wewaykum Indian Band v. Canada*, 2002 SCC 79, [2002] 4 S.C.R. 245 at para. 107[*Wewaykum*], citing *Frame v. Smith*, [1987] 2 S.C.R. 99, 42 D.L.R. (4th) 81, at 144; *Canson Enterprises Ltd. v. Boughton & Co.*, [1991] 3 S.C.R. 534, 85 D.L.R. (4th) 129, at 589; *Performance Industries Ltd. v. Sylvan Lake Golf & Tennis Club Ltd.*, 2002 SCC 19, [2002] 1 S.C.R. 678 at para. 66; and regarding discretion to award an accounting of profits in the case of patent infringement, more particularly: *Lubrizol Corp. v. Imperial Oil Ltd.*, [1992] F.C.J. No. 1110, 98 D.L.R. (4th) 1 (F.C.A.) at para. 69; *Unilever* at para. 183; *Beloit FCA 1997* at 545; *Marlboro FCA* at paras. 8-10; *Bayer Aktiengesellschaft and Miles Canada Inc. v. Apotex Inc.*, [2002] O.J. No. 193, 16 C.P.R. (4th) 417 at paras. 13-14 (ONCA).

[101] A court's discretion in this regard applies not only to the availability of the remedy, but also to its terms, such as the duration of its application: McGuinness Abrams, *Canadian Civil Procedure Law*, 2nd ed. (Lexis QuickLaw, 2010) at §2.32.

[102] The discretionary nature of the award of an accounting of profits is recognized in the wording used in paragraph 57(1)(b) of the *Patent Act*, itself, which provides that a court “may” make “such order as the court ... sees fit” for an account. By virtue of the breadth of this wording, this Court held in *Beloit FCA 1997* that a court is not obliged to rely on the maxims of equity in order to deny a successful plaintiff its election of an accounting of profits: at 547.

[103] However, this does not mean that a trial judge may arbitrarily deny the remedy. As Justice Pelletier of this Court found in *Apotex Inc. v. Bristol-Myers Squibb Co.*, 2003 FCA 263, [2003] F.C.J. No. 960 [*Bristol-Myers*] at paragraph 14:

The fact that equitable remedies are discretionary means that the respondent cannot elect an accounting of profits as of right. That said, a discretionary remedy is not an arbitrary remedy. **In the absence of proof of a bar to equitable relief, a claimant can expect to be granted the remedy it seeks in accordance with the principles governing its availability.** Nor does the issue of a bar to equitable relief require the claimant to disprove every ground which could possibly disentitle it to that relief. It is not open to a party to argue that its opponent has not sufficiently disproven a given bar. All this to say that there is no reason why the issue of the respondent's right to elect an accounting of profits cannot be dealt with in the liability portion of the trial. The appellant having denied that it relies upon particular facts to say that the respondent is not entitled to an accounting, the trial judge can deal with the question of entitlement on the basis of the respondent's own evidence. [Emphasis added.]

[104] In a somewhat similar vein, according to one commentator, the discretion to deny or award an equitable remedy such as accounting of profits does not refer to a judge's personal discretion or mean unfettered, unbridled discretion to do what the judge feels is best. Rather, as the legal scholar Karl Llewellyn once wrote, judicial discretion should be exercised with “reasoned regularity...In exercising judicial discretion, as opposed to personal discretion, courts

apply established principles of equity to the facts presented by the particular case”: Karl Llewellyn, *The Common Law Tradition: Deciding Appeals* (Little, Brown & Co., 1960) at 216.

[105] In other words, despite the discretionary nature of equitable remedies such as an accounting of profits, they should not be denied arbitrarily. Reasoned regularity is expected from the court in its exercise of discretion in deciding whether to award the remedy.

[106] Professor Norman Siebrasse has noted that, for several decades, an accounting of profits has been the dominant monetary remedy for patent infringement in Canada and the Commonwealth: see Norman Siebrasse et al., “Accounting of Profits in Intellectual Property Cases in Canada (2007)”, (2008), 24 *Canadian Intellectual Property Review* 83 at 85 (recently cited with approval by the Supreme Court in *Nova Chemicals* at para. 37).

[107] Even though plaintiffs are not entitled to an accounting of profits as of right (see *Bristol-Myers* at para. 14), this Court has held that compelling reasons are required to deny the remedy. In *Marlboro FCA*, this Court agreed with Chief Justice de Montigny, then of the Federal Court, that a court needs “... to ‘weigh the relevant factors in light of the equitable purposes of the remedy, bearing in mind that the [respondents] have no right to an accounting of profits but that **they should not be denied that option in the absence of any compelling reasons**’”: see *Marlboro FCA* at para. 8 (emphasis added), citing to *Philip Morris Products S.A. v. Marlboro Canada Limited*, 2015 FC 364, [2015] F.C.J. No. 1564 at para. 21 [*Marlboro FC*]. While *Marlboro FCA* involved the infringement of a trademark, the need for compelling reasons to deny accounting of profits applies equally to cases where patents are infringed.

[108] As to what such compelling reasons might be in an action for patent infringement, the case law sets out some of the instances where an accounting has been refused to a successful plaintiff. Prior to the case at bar, these included situations where:

- there was delay in the pursuit of the action by the plaintiff or in instituting proceedings once the plaintiff became aware of the infringement: *Bayer Inc. v. Cobalt Pharmaceuticals Company*, 2016 FC 1192, 142 C.P.R. (4th) 374 at para. 10 [*Bayer FC*], aff'd 2018 FCA 32, [2018] 4 F.C.R. 58 at para. 68; *J.M. Voith GmbH v. Beloit Corp.* (1993), 47 C.P.R. (3d) 448, 61 F.T.R. 161 (F.C.T.D.) at 548 [*Beloit FC 1993*], aff'd on this point in *Beloit FCA 1997* at para. 111; *Merck & Co., Inc. v. Apotex Inc.*, 2006 FCA 323, [2007] 3 F.C.R. 588, leave to appeal to SCC refused, 31754 (10 May 2007) at para. 129 [*Merck FCA*];
- the plaintiff had “unclean hands” in respect of conduct that related directly to the claim for infringement or its conduct of the action: *Nova Chemicals* at para. 7; *Bayer FC* at para. 10, citing *Varco Canada Ltd. v. Pason Systems Corp.*, 2013 FC 750, 236 A.C.W.S. (3d) 714 at paras. 403–410; *Marlboro FC* at paras. 22–45, aff'd *Marlboro FCA* at paras. 3, 23; *Merck FCA* at para. 129;
- the infringement complained of occurred when the patent in suit had been declared invalid at first instance (but then later found valid on appeal): *Beloit FC 1993*, affirmed on this point in *Beloit FCA 1997*;
- the calculation of profits was unduly complex as opposed to the assessment of damages, especially where the infringing items were only a very small portion of

the product sold by the defendant, making it difficult to arrive at a reliable figure for profits earned via infringement: *Eurocopter v. Bell Helicopter Textron Canada Limitée*, 2012 FC 113, 100 C.P.R. (4th) 87 at paras. 406–416, aff'd 2013 FCA 219, 120 C.P.R. (4th) 394; *Marlboro FCA* at paras. 11–14;

- the plaintiff was a non-exclusive licensee: *Domco Industries Ltd. v. Armstrong Cork Canada Ltd. et al.* (1980), [1980] 2 F.C. 801, 47 C.P.R. (2d) 1 (F.C.T.D.) at 9-10, aff'd [1981] 2 F.C. 510, (1980) 54 C.P.R. (2d) 155 (F.C.A.), aff'd [1982] 1 S.C.R. 907, 66 C.P.R. (2d) 46 (this point not in issue on the appeals); and
- the plaintiff did not practice the invention in Canada: *Nova Chemicals* at para. 7; *Frac Shack Inc. v. AFD Petroleum Ltd.*, 2017 FC 104, at para. 283, rev'd on other grounds 2018 FCA 140, 157 C.P.R. (4th) 195; *Human Care Canada Inc. v. Evolution Technologies Inc.*, 2018 FC 1302 at para. 437, rev'd on other grounds 2019 FCA 209, 167 C.P.R. (4th) 285, leave to appeal to SCC refused, 38846 (9 April 2020).

[109] However, on the final point, this Court recently held in *Seedlings Life Science Ventures, LLC v. Pfizer Canada ULC*, 2021 FCA 154, 339 A.C.W.S. (3d) 69 [*Seedlings*] that the mere fact that a patentee licences or intends to licence the patent should not disentitle the plaintiff to an accounting of profits. Writing for the Court, Justice Locke stated at paragraphs 77-79:

In the present case, the Federal Court concluded that, even if infringement had been found, an accounting of profits would have been inappropriate. One reason cited by the Federal Court for this conclusion was that Seedlings does not practise the invention, and never had any intention to do so. Instead, it intended to license

its invention to another entity. At paragraph 252 of the Reasons, the Federal Court cited several decisions over many decades in support of the statement that “if the patentee made its profits by selling licenses, it should not be entitled to compensation beyond a reasonable royalty.” In response to the concern that denying it the right to elect would ignore the deterrent purpose of an accounting of profits, the Federal Court noted the absence of jurisprudence in which such an argument overcame the fact that the patentee did not practise the invention.

With regard to the cases cited at paragraph 252 of the Reasons, I note that three of them concern damages, not accounting for profits, and are therefore not helpful in the present context: *Colonial Fastener Co. Ltd. v. Lightning Fastener Co. Ltd.* (1936), [1937] S.C.R. 36, at page 45, [1937] 1 D.L.R. 21; *Alliedsignal Inc. v. du Pont Canada Inc.* (1998), 142 F.T.R. 241, 78 C.P.R. (3d) 1 (F.C.T.D.), at paragraphs 21–22, affd (1999), 235 N.R. 185, 86 C.P.R. (3d) 324 (F.C.A.); and *JAY-LOR International Inc. v. Penta Farm Systems Ltd.*, 2007 FC 358, 313 F.T.R. 1, [2007] 4 F.C.R. D-5, at paragraph 119. The other cases focus on the fact that the patentee was not practising the invention, and not necessarily on whether it made profits from licensing. In my view, none of the cited decisions provides firm support for the broad principle that a patentee that makes (or intended to make) profits by selling licences to its patent should not be entitled to elect an accounting of profits.

I am particularly concerned about the potential effect of such a broadly defined principle on inventors who recognize that their specialty lies in inventing, and that production and marketing of their inventions are better left to different specialists. Such inventors will seek to license third parties to take their inventions to market as a matter of business efficiency. The broadly defined principle would force such inventors to choose between business efficiency and retaining a potential remedy for infringement of their patent rights. The value of a patent would therefore be reduced for specialist inventors. I see no reason to force such a choice. In my view, business efficiency should be encouraged.

[110] Thus, the fact that the patentee has licenced or intends to licence its patents in Canada, as opposed to itself practicing the invention, is to be afforded no weight in the determination of whether to award an accounting. This is to be contrasted with situations where the plaintiff has made no attempt and has no plans to commercialize the invention. The latter sort of circumstance may well weigh against the award of an accounting of profits.

[111] It must be noted that the above-listed situations, where an accounting has been denied, are not a complete list of situations where the remedy may be denied. It remains open to a court to deny an accounting in other, new situations where it would be inequitable to make the award: *Marlboro FCA* at paras. 8, 18; *Merck FCA* at para. 133.

[112] Even though a plaintiff ought not be denied an accounting of profits in the absence of compelling reasons, this Court has noted that certain circumstances favour the award of an accounting of profits. The decided cases confirm that these may include circumstances where:

- the defendant knowingly infringed the patent: *Laboratoires Servier, Adir, Oril Industries, Servier Canada Inc. v. Apotex Inc.*, 2008 FC 825, 67 C.P.R. (4th) 241 at para. 509, aff'd 2009 FCA 222, 75 C.P.R. (4th) 443, leave to appeal to SCC refused, 33357 (25 March 2010); *Apotex Inc. v. ADIR*, 2020 FCA 60, 172 C.P.R. (4th) 1 at para. 120, leave to appeal to SCC refused, 39172 (24 September 2020), citing *Monsanto Canada Inc. v. Schmeiser*, 2004 SCC 34, [2004] 1 S.C.R. 902 at para. 95 [*ADIR*]; *Rivett v. Monsanto Canada Inc.*, 2010 FCA 207, 325 D.L.R. (4th) 107 at para. 32; and
- the defendant was aware that the plaintiff was likely to enforce the patent: *Eli Lilly* at para. 655.

[113] Where a defendant alleges that it should not be liable for damages or be required to disgorge all or part of its profits because it could have adopted a non-infringing alternative, it is incumbent on the defendant to establish that the claimed alternative is a true substitute that could

and would have been adopted: see *Nova Chemicals* at para. 114, citing *Merck & Co. Inc. v. Apotex Inc.*, 2015 FCA 171, 387 D.L.R. (4th) 552 at para. 73 [*Lovastatin*]. In addition, as this Court stated in *Apotex Inc. v. Eli Lilly and Company*, 2018 FCA 217, 161 C.P.R. (4th) 411 [*Apotex 2018*], consideration of whether the non-infringing alternative is a true substitute is particularly important in non-pharmaceutical patent infringement cases: this “very important question... usually turns on whether the product at issue would be considered a true substitute by the consumer”: see para. 54; see also *ADIR* at paras. 96–100.

[114] With these general principles in mind, I turn next to assess the various arguments advanced by Rovi.

(2) Analysis of the Federal Court’s Reasons on Remedy

[115] I commence by focussing on the various errors the Federal Court is alleged to have made in its treatment of the request for an accounting of profits.

(a) *Factors Considered Neutral for an Accounting of Profits*

[116] It will be recalled that Rovi first argues that the Federal Court erred in qualifying as neutral the factors of: (1) lack of delay, (2) Rovi having practiced the inventions claimed in the Patents, and (3) Videotron’s conduct in practicing these inventions. Rovi says all three of these factors should have favoured the award of an accounting of profits.

[117] I agree with Rovi that the Federal Court erred in its treatment of the factors that it considered when determining whether to award an accounting of profits and find that the Federal Court’s entire approach started from the wrong premise. The Federal Court toted up the factors that it felt favoured awarding an accounting of profits, versus those that it felt disfavoured making such an award. The implicit starting point for the Federal Court’s approach was that there is no *prima facie* entitlement to an accounting of profits. However, this starting point fails to recognize the need for compelling reasons to deny the remedy of an accounting of profits. Instead of proceeding in this fashion, the Federal Court should have started from the premise that Rovi would be entitled to the requested accounting of profits unless there were sufficient compelling reasons to deny the remedy. When the correct approach is followed, one cannot quantify factors as being “neutral” and then discount them in the way the Federal Court did. Rather, what is required is consideration of whether there were factors which militated against the requested award such that it would have been inequitable to make it.

(b) *Rovi’s Conduct*

[118] I also agree in part with Rovi’s second argument and find that the Federal Court erred in finding that many aspects of Rovi’s conduct provided a basis for denying the requested accounting of profits.

[119] In this regard, Rovi’s assertion that there is no duty of good faith applicable to pre-contractual negotiations is not entirely settled in the case law. While such a duty would

appear to arise under Articles 1375 and 2085 of the *Civil Code of Québec*, ch. CCQ-1991, the issue has not been firmly settled in the common law.

[120] The Supreme Court of Canada has relatively recently confirmed that there is a duty of good faith in respect of contractual performance in the common law (see especially *Wastech Services Ltd. v. Greater Vancouver Sewerage and Drainage District*, 2021 SCC 7, [2021] 1 S.C.R. 32; *C.M. Callow Inc. v. Zollinger*, 2020 SCC 45, [2020] 3 S.C.R. 908; *Bhasin v. Hrynew*, 2014 SCC 71, [2014] 3 S.C.R. 494). However, that Court has not recognized a general pre-contractual obligation to negotiate an agreement in good faith. The Supreme Court specifically left the question of whether such a duty exists unanswered until “another time” in *Martel* at paragraph 73.

[121] I need not decide whether there is a pre-contractual duty of good faith applicable to Videotron and Rovi’s negotiations as, even if such a duty existed, I fail to see how much of Rovi’s conduct that the Federal Court impugned would amount to a breach of any duty to act in good faith or provide any basis for denying an accounting of profits.

[122] The Federal Court was critical of Rovi’s failure to specifically identify which claims in the Patents in suit it alleged were being violated by Videotron. I fail to see how a duty to so identify the claims could possibly exist when the Patents were publicly available and Videotron was in as good a—if not better—position than Rovi to assess whether Videotron’s own system violated the Patents.

[123] The Federal Court was also critical of Rovi's practice of licencing and firmly defending its patents. Once again, there is nothing inappropriate *per se* in a party's staunch defence of its perceived patent rights (which is the norm in virtually every case of patent litigation, especially in the pharmaceutical area). Nor is there anything untoward in adopting a business model of licencing, as this Court noted in *Seedlings*. It may be that what troubled the Federal Court was the stance that Rovi took in the face of the fact that the claims in suit were invalid for obviousness. However, the weakness of the claims could not be a relevant factor in the Court's consideration of remedy, which was premised on determining what the appropriate remedy would have been had the claims in suit been valid.

[124] Likewise, I fail to see how declining to send a cease and desist letter could be considered to be a valid reason to deny an accounting of profits. Cease and desist letters are sometimes sent shortly before an action is launched. A defendant is always able to concede when served with a statement of claim and does not depend on the receipt of a cease and desist letter to determine its desired course of conduct. Moreover, in the case at bar, Videotron knew for many years that Rovi wanted a licence renewal and would assert its patents. Indeed, Videotron extended its previous licence with Rovi for a year in order to conduct its own in-depth consideration of the validity of Rovi's patents. I therefore fail to see what a cease and desist letter would have accomplished. Accordingly, I find that the Federal Court erred in relying on the absence of a cease and desist letter in support of its decision to decline to award an accounting of profits.

[125] As for the length of time that it took Rovi to prosecute the Patents before the Patent Office, I would not completely foreclose the possibility that this sort of delay could be relevant

to refusing an accounting of profits. If there were ever a basis to determine that a plaintiff had unclean hands in seeking to extend the prosecution time to allow a defendant to accumulate profits that the plaintiff would then obtain, such conduct could well be found to be so inequitable as to disentitle the plaintiff to an accounting of profits. The problem though, in the present case, is that the Federal Court had no evidence about normal practice and delays typically seen before the Patent Office, nor about Rovi's motives in prosecuting the Patents the way it did. Therefore, it was a palpable and overriding error for the Federal Court to have relied in its remedial analysis on the length of time it took to prosecute the Patents before the Patent Office. As Justice Hughes (who had been both a patent lawyer and registered patent agent) noted in *Merck & Co v. Apotex Inc.*, 2006 FC 524, [2006] F.C.J. No. 671, aff'd *Merck FCA*, "[w]ithout evidence as to what patent prosecution practice is and means in each country this Court cannot draw meaningful inferences as to delay or wilfulness": at para. 217.

(c) *Complexity of the Calculations for an Accounting of Profits*

[126] Rovi next alleges that the Federal Court erred in concluding that the complexity of the required calculations was a basis for denying the requested accounting of profits. There is no merit in this submission since it mischaracterizes the Federal Court's findings. Contrary to what Rovi says, the Federal Court held that an award of an accounting of profits would not have been appropriate because it was not satisfied that using any of the methods proposed by Rovi to calculate Videotron's profits would allow the Court to arrive at a reliable and appropriate amount.

[127] This finding was open to the Federal Court in light of the nature of the calculations put forward by Rovi's expert. These were based on a market reconstruction premised on Rovi's entire patent portfolio, and not just the claims in suit, and included the profits earned by Videotron relating to cable TV content subscriptions as well as its non-TV lines of business, which did not involve technologies similar to those claimed in the Patents. There was ample basis for the Federal Court to conclude that the methods proposed by Rovi's experts would not allow the Court to arrive at a reliable and appropriate amount for profits earned by reason of any infringement, had it found the claims valid. There is thus no error in the Federal Court's treatment of this issue.

(3) Analysis of the Federal Court's Reasons on Damages

[128] I turn next to Rovi's arguments concerning the Federal Court's discussion and quantification of the damages it would have awarded had the claims in suit been valid.

[129] I agree that the Federal Court erred in basing its provisional damages calculation on the amount that it would have cost Videotron to design around the Patents without first finding what these non-infringing alternatives were, whether Videotron could and would have adopted them, and whether consumers would have accepted them. In *Lovastatin*, at paragraph 73, this Court held:

When considering the effect of legitimate competition from a defendant marketing a non-infringing alternative, **a court is required to consider at least the following questions of fact:**

- (i) Is the alleged non-infringing alternative **a true substitute and thus a real alternative?**

- (ii) Is the alleged non-infringing alternative a true alternative in the sense of being economically viable?
- (iii) At the time of infringement, does the infringer have a sufficient supply of the non-infringing alternative to replace the non-infringing sales? Another way of framing this inquiry is **could the infringer have sold the non-infringing alternative?**
- (iv) **Would the infringer actually have sold the non-infringing alternative?**
[Emphasis added.]

[130] As noted, in *Apotex 2018* at paragraph 54, this Court stated that the consideration of whether a proposed substitute is a true alternative “[i]n non-pharmaceutical cases ... is a very important question that usually turns on whether the product at issue would be considered a true substitute by the consumer”.

[131] In the present case, the Federal Court failed to undertake the foregoing analysis and failed to ascertain what the design changes that Videotron posited it could have made were. It also failed to address whether any such changes could and would have been adopted by Videotron and whether they would have been accepted by its customers. The Federal Court erred in law in failing to consider these issues, which are essential components for a finding of a non-infringing alternative that would limit a defendant’s damages exposure.

[132] As for Rovi’s allegation that the Federal Court erred in failing to consider the amounts paid by Videotron for its previous licencing arrangement with Rovi as the measure of damages, I see no error in the Federal Court’s adoption of a reasonable royalty analysis given the way the case was argued before the Federal Court. Rovi sought a reasonable royalty as opposed to damages for lost royalty income premised on its previous licence with Videotron. The two are entirely different bases for the damages calculation, as noted above.

[133] That said, in assessing the reasonable royalty rate, the Federal Court only considered the amount that Videotron would have been willing to pay and not the amount that Rovi would have accepted. As already noted, *AlliedSignal* provides that a hypothetical reasonable royalty rate must be set based on what rate would have been agreed to by both plaintiff and defendant had they been a willing licensor and willing licensee. The Federal Court accordingly should have considered both parties' positions (had they been acting as willing contracting parties) in setting the hypothetical reasonable royalty rate.

[134] Thus, as is apparent from the foregoing, I agree with many of the remedial arguments advanced by Rovi.

III. Proposed Disposition

[135] While the Federal Court erred in several aspects of its remedial analysis, these errors do not affect the outcome of this appeal. Because there is no basis to interfere with the Federal Court's obviousness findings that Rovi impugns, I would dismiss this appeal, with costs.

“Mary J.L. Gleason”

J.A.

“I agree.
David Stratas J.A.”

“I agree.
K.A. Siobhan Monaghan J.A.”

FEDERAL COURT OF APPEAL

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