

Federal Court



Cour fédérale

**Date: 20200206**

**Docket: T-546-12**

**Citation: 2020 FC 212**

**Montréal, Quebec, February 6, 2020**

**PRESENT: Mr. Justice Grammond**

**BETWEEN:**

**BAUER HOCKEY LTD**

**Plaintiff**

**and**

**SPORT MASKA INC., d.b.a. CCM HOCKEY**

**Defendant**

**ORDER AND REASONS**

[1] These reasons deal with three motions brought by the parties to a patent infringement action, seeking the exclusion of expert reports, in totality or in part.

I. CCM's Rule 248 Motion

[2] In its first motion, the defendant, which I will refer to as CCM, seeks the exclusion of an expert report that relies on information and documents regarding lost profits that the plaintiff, Bauer Hockey Ltd. [Bauer], refused to provide during discoveries as it represented that it would not be seeking damages based on lost profits. This, says CCM, would be in breach of Rule 248

of the *Federal Court Rules*, SOR/98-106. I am dismissing this motion, as the expert report in question does not in fact rely on documents that Bauer refused to disclose.

A. *General Principles*

[3] As in other Canadian jurisdictions, the *Federal Court Rules* provide for a comprehensive discovery regime, which includes the exchange of documents and the examination of witnesses. In *Glegg v Smith & Nephew Inc*, 2005 SCC 31 at paragraph 22, [2005] 1 SCR 724, Justice Louis LeBel of the Supreme Court of Canada described as follows the goals that the discovery phase of an action seeks to achieve:

The examination on discovery facilitates the disclosure of evidence to ensure that trials are conducted fairly and efficiently. It thus enables a litigant to clarify the bases of the claim against him or her, to assess the quality of the evidence and, occasionally, to determine the appropriateness of carrying on with the defence or at least to better define its framework. Used properly, this procedure can help expedite the conduct of the trial and the resolution of the issues before the court [...]. From this perspective, access to relevant evidence is inevitably linked to the defendant's right to make full answer and defence.

[4] Discovery also allows a party to know the case to meet (*Hospira Healthcare Corp v Kennedy Institute of Rheumatology*, 2015 FC 1292 at paragraph 36) and helps prevent situations where a party is “being taken by surprise at trial” (*Canada v Lehigh Cement Ltd*, 2011 FCA 120 at paragraph 30, citing *Montana Band v Canada*, [2000] 1 FC 267 (TD) at paragraph 5).

[5] These goals cannot be achieved if a party does not make full disclosure during the discovery phase. To discourage parties from neglecting their duties in this regard, rule 232 provides that a party cannot use a document that it failed to disclose at discovery and rule 248

provides that a party cannot bring evidence of certain facts when it refused to answer questions concerning those facts at discovery.

B. *Application*

[6] CCM makes this motion in the context where Bauer has consistently said that its claim to damages or a “reasonable compensation,” under section 55 of the *Patent Act*, RSC 1985, c P-4, would be limited to a reasonable royalty and would not include lost profits. During the discovery phase, Bauer refused to answer questions about its profits.

[7] In this context, Dr. Berkman was retained by Bauer to provide evidence as to reasonable royalty. In his main report, Dr. Berkman addressed the use of “benchmarks,” such as transactions involving the patents at issue, assessments of their value or comparable transactions. He concluded that no comparable licences could assist in the assessment of a reasonable royalty. Instead, he relied on hypothetical negotiation, a well-known methodology for that purpose. To establish Bauer’s minimal willingness to accept [MWA], a fundamental component of that methodology, Dr. Berkman relied on the profits that Bauer would forego by losing a certain proportion of its sales to CCM, as a result of the granting of a hypothetical licence.

[8] CCM objects to the parts of Dr. Berkman’s report that offer opinions based on Bauer’s lost profits. It argues that Bauer is trying to introduce evidence of its profits despite having refused to answer questions on this subject, contrary to rule 248.

[9] I am dismissing CCM's motion. In fact, Dr. Berkman bases his assessment of Bauer's lost profits on two documents that were actually produced by Bauer during the discovery phase. Those documents provide what Bauer described as a "high-level" view of its profits. Dr. Berkman did not rely on any other source of information in this regard. Thus, Dr. Berkman's report does not breach rule 248.

[10] Moreover, I do not interpret Bauer's undertaking not to claim any lost profits as excluding any consideration of lost profits in establishing a reasonable royalty. Damages for lost profits and reasonable royalty are generally considered as two separate manners of assessing damages for patent infringement. Foregoing the former does not exclude the latter. A potential licensor's expectation of losing profit is a relevant consideration in assessing its MWA. In this regard, CCM insists on the insufficiency of the "high-level" evidence of lost profits used by Dr. Berkman. That, however, goes to the probative value of Dr. Berkman's opinion, an issue that I will address when rendering judgment on the merits. It does not justify excluding parts of Dr. Berkman's reports pursuant to rule 248.

## II. Reply Evidence Motions

[11] Both Bauer and CCM bring a motion concerning the reply evidence of the other's expert, substantially for the same reason, namely that it would constitute improper reply. Before analyzing each motion, it is useful to discuss briefly the principles governing reply evidence.

A. *General Principles*

[12] In the course of a trial, the plaintiff and the defendant adduce their evidence in turn. The plaintiff is then provided with an opportunity to adduce reply evidence: rule 274(1)(c). The scope of reply evidence is limited. The reply is not meant to give the plaintiff the last word. Rather, its purpose is to enable the plaintiff to respond to unanticipated issues that arise from the defendant's evidence. In those situations, the adversarial principle – the idea that each party may contradict the evidence and arguments of the other party – cannot be upheld unless the plaintiff is given the opportunity to adduce further evidence.

[13] Reply evidence, however, cannot be allowed to spread beyond what is needed to achieve this limited purpose. It is often said, in this regard, that the plaintiff cannot “split its case.” *R v Krause*, [1986] 2 SCR 466 at 473. Indeed, rules limiting the scope of reply evidence foster the goals of trial fairness and efficiency by ensuring that the defendant knows the case to meet when presenting a defence and avoiding an endless alternation between the parties in adducing evidence: *Amgen Canada Inc v Apotex Inc*, 2016 FCA 121 at paragraph 12; *Halford v Seed Hawk Inc*, 2003 FCT 141 at paragraph 13 [*Halford*], citing *Allcock, Laight & Westwood Ltd v Patten* (1966), [1967] 1 OR 18 (CA).

[14] The same principles apply to the preparation of expert reports: *Janssen Inc v Teva Canada Limited*, 2019 FC 1309.

[15] In this regard, the parties agree that the relevant principles were correctly summarized by Justice Denis Pelletier, then a member of this Court, in *Halford*, at paragraph 14:

1- Evidence which is simply confirmatory of evidence already before the court is not to be allowed.

2- Evidence which is directed to a matter raised for the first time in cross examination and which ought to have been part of the plaintiff's case in chief is not to be allowed. Any other new matter relevant to a matter in issue, and not simply for the purpose of contradicting a defence witness, may be allowed.

3- Evidence which is simply a rebuttal of evidence led as part of the defence case and which could have been led in chief is not to be admitted.

[4-] [...] Evidence which is excluded because it should have been led as part of the plaintiff's case in chief will be examined to determine if it should be admitted in the exercise of my discretion.

[16] Before applying those principles to the situation at hand, I would simply add that parties should not bring this kind of motion simply to emphasize perceived shortcomings in the other party's expert evidence. Those shortcomings may be explored during cross-examination or highlighted in argument. Unnecessary motions simply hamper the efficient resolution of the case.

B. *CCM's Reply Motion*

(1) Dr. Berkman's Reply Report

[17] CCM submits that Dr. Berkman's Reply Report, dated December 16, 2019, is inadmissible because it does not respond to unanticipated evidence and it contains new evidence which would, in fact, allow Bauer to split its case.

[18] As mentioned above, Dr. Berkman provided an opinion regarding reasonable royalty. His initial report discussed benchmarks, what is commonly known as the *AlliedSignal* factors and hypothetical negotiation.

[19] In response, CCM filed the expert report of Ms. Booth. She criticised Dr. Berkman's hypothetical negotiation analysis and provided her own analysis, based on CCM's cost savings instead of profits lost by Bauer or gained by CCM. She took a different view of the relevance of certain of the benchmarks examined by Dr. Berkman. It should also be noted that in the background section of her report, she provided a comparison of the proportions and average prices of CCM and Bauer skates that fell in the elite, performance and recreational categories.

[20] Dr. Berkman provided a reply report in which he reasserts the validity of his hypothetical negotiation analysis, criticizes Ms. Booth's opinion regarding benchmarks and provides alternative calculations of the average prices of skates in each category, as well as a new analysis of the evolution, over the years, of the proportion of skates manufactured by CCM that would infringe Bauer's patent.

[21] CCM now objects to Dr. Berkman's reply report in its entirety. I agree with CCM. In my view, Dr. Berkman is simply seeking to reinforce the evidence he has already given or to provide new evidence. Ms. Booth did not provide unanticipated evidence to which Dr. Berkman should be allowed to reply. Indeed, contrary to the usual practice with respect to reply reports, Dr. Berkman does not state which opinions expressed by Ms. Booth, if any, he could not have anticipated.

[22] Bauer argues that Dr. Berkman is entitled to reply to Ms. Booth's invocation of a non-infringing alternative [NIA]. What Ms. Booth really does, however, is to calculate CCM's maximum willingness to pay [MWP] on the basis of the costs it would save by taking a

hypothetical licence and using a quarter that would otherwise infringe Bauer's patent. While Bauer may wish to cross-examine Ms. Booth on her opinion or challenge its factual premises, what Ms. Booth said remains within the confines of the hypothetical negotiation methodology. As such, it was entirely foreseeable that she would put forward different bases for calculating the parties' MWA and MWP. Dr. Berkman should have explained in his main report why he believes that other known methods for calculating the parties' MWA and MWP are not appropriate in this case.

[23] Bauer also argues that Dr. Berkman needed to respond to Ms. Booth's allegedly incorrect calculations of average price or proportion of skates in each category. Again, simply disagreeing with the other party's expert does not give rise to a right of reply. If Bauer disagrees with Ms. Booth's calculations, the issue may be raised in cross-examination.

[24] Thus, CCM's motion to strike Dr. Berkman's reply report will be granted.

(2) Mr. Ross's Reply Report

[25] CCM argues that portions of Mr. Ross's Reply Report, dated December 16, 2019, are inadmissible because they simply set out his disagreement with Bauer's expert, and reiterate his initial opinion.

[26] In an accounting of profits analysis, the plaintiff has the initial onus of proving the revenues earned by the defendant on the sales of the allegedly infringing products. The onus then shifts to the defendant to prove the costs that should be deducted from those revenues to arrive at



the profits to be paid to the patentee: *Diversified Products Corp v Tye-Sil Corp* (1990), 32 CPR (3d) 385 at 390 (FCTD); *Dow Chemical Company v Nova Chemicals Corporation*, 2017 FC 350 at paragraphs 110 and 131, [2018] 2 FCR 154. Moreover, the onus lies on the defendant regarding any issue concerning apportionment and alleged NIAs. Nevertheless, the rules regarding reply evidence apply irrespective of which party bears the burden of proof.

[27] On behalf of Bauer, Mr. Ross prepared an expert report with respect to the accounting for CCM's profits. Mr. Ross addressed a number of cost items and gave his opinion as to which ones were incremental and, thus, properly deducted from CCM's revenues. Subsequently, CCM filed the expert report of Mr. Davidson who provided his own opinion about the deductibility of various cost items. Mr. Ross then prepared his reply report, expressing his disagreement with certain portions of Mr. Davidson's opinion.

[28] CCM now says that parts of the latter report are improper reply, as Mr. Ross merely restates his previous opinions or expresses his disagreement with Mr. Davidson. Nevertheless, CCM recognizes that other portions of Mr. Ross's reply report constitute proper reply. CCM may be partially right, although the basis for distinguishing between the portions of the report that are proper and those that are not remains unclear.

[29] I need not resolve the issue, however, as I am prepared to exercise my discretion to admit the report in spite of a potential breach of the rules regarding reply evidence. Accounting for profits is a somewhat tedious process. Mr. Ross's reply report provides me with a comprehensive outline of Bauer's position with respect to each of CCM's cost items. Such a document will be

very useful when comparing the parties' positions in this regard. I do not think that admitting it will cause any prejudice to CCM.

C. *Bauer's Motion on Reply and Responding Reports*

[30] Bauer objects to portions of the Responding Expert Report of Lenny M. Holden, dated November 8, 2019 ("Holden Responding Report") and the Reply Expert Report of Antonin Meibock, dated December 16, 2019 ("Meibock Reply Report") as constituting improper responding or reply evidence.

(1) Holden Responding Report

[31] To place Bauer's objection in context, it is useful to recall some elements of the scheduling order issued by my colleague Prothonotary Richard Morneau on January 22, 2018. The parties were required to exchange a first wave of expert reports, which included Bauer's reports on claim construction, infringement and monetary remedies and CCM's reports on claim construction and validity. Then, in a second wave, both parties could file reports responding to the first wave reports and addressing additional questions.

[32] According to the scheduling order, Bauer filed the report of Mr. Beaudoin, who dealt with claims construction and infringement, and CCM filed, among others, the report of Mr. Holden, who dealt with claims construction and validity. Mr. Holden's first report, however, did not include a specific section dealing with the essential elements of the claims. It is only as part of his Responding Report that Mr. Holden specifically addressed this issue.

[33] I would first note that the impugned report is a responding report, not a reply report. As such, the rules regarding reply evidence are not at play. Mr. Holden was entitled to respond to Mr. Beaudoin's report.

[34] Bauer relies heavily on the Supreme Court of Canada's decision in *Whirlpool Corp v Camco Inc*, 2000 SCC 67 at paragraph 43, [2000] 2 SCR 1067, where Justice Ian Binnie stated that claims construction issues should be addressed before issues of validity or infringement. This statement, however, relates to the intellectual process, not to the sequence in which evidence is adduced. Simply put, claims construction should not be influenced by considerations related to invalidity or infringement. I do not read Justice Binnie's reasons as requiring opinions regarding claims construction to be provided prior in time to opinions regarding other subjects.

[35] Thus, Bauer's motion regarding the Holden Responding Report has no merit.

(2) Meibock Reply Report

[36] Bauer submits that certain portions of Mr. Meibock's Reply Report are improper reply, because they pertain to issues that should have been raised earlier. Once again, assessing this argument requires an understanding of the sequence in which expert reports were prepared.

[37] In the first wave, as provided by the scheduling order, Mr. Beaudoin prepared a report regarding claims construction and infringement. Among other things, he opined on the meaning of the phrase "lasted skate boot." Simultaneously, Mr. Meibock prepared a report in which he

dealt with claims construction and invalidity. In particular, he argued that Bauer's patent, if construed in a certain manner, was anticipated by a CCM skate known as the Champion 90.

[38] In the second wave, Mr. Beaudoin prepared a report that, among other things, responded to Mr. Meibock's anticipation opinion. Mr. Beaudoin expressed the view that the Champion 90 did not have a "lasted skate boot" and, for that reason, could not anticipate Bauer's patent. In support of that view, he said that where the quarter is made of injection moulded plastic, the skate is considered to be moulded and not lasted. Moreover, he noted that a lasted skate would adapt to a wearer's foot after a "break-in" period, which would be impossible where the quarter is made of plastic, as with the Champion 90.

[39] In his reply report, Mr. Meibock notes that he could not have anticipated Mr. Beaudoin's opinion to the effect that the Champion 90 is not a lasted skate. In fact, CCM goes as far as saying that Mr. Beaudoin "changed his mind" as to the meaning of the term "lasted." Bauer vehemently denies this. Be that as it may, I am of the view that Mr. Beaudoin's opinions regarding whether the Champion 90 is a lasted or a moulded skate could not have been anticipated. Accordingly, the impugned portions of Mr. Meibock's report constitute proper reply and Bauer's motion will be dismissed.

**ORDER in T-546-12**

**THIS COURT ORDERS that:**

1. The plaintiff's motion to strike portions of the reports of Mr. Holden and Mr. Meibock is dismissed;
2. The defendant's motion to strike portions of Dr. Berkman's reports is dismissed;
3. The defendant's motion to strike Dr. Berkman's reply report is granted;
4. The defendant's motion to strike portions of Mr. Ross's report is dismissed;
5. Given the divided success, no costs are awarded.

"Sébastien Grammond"

---

Judge

**FEDERAL COURT**  
**SOLICITORS OF RECORD**

**DOCKET:** T-546-12

**STYLE OF CAUSE:** BAUER HOCKEY LTD v. SPORT MASKA INC. d.b.a.  
CCM HOCKEY

**PLACE OF HEARING:** MONTRÉAL, QUEBEC

**DATE OF HEARING:** FEBRUARY 3, 2020

**ORDER AND REASONS:** MR JUSTICE GRAMMOND

**DATED:** FEBRUARY 6, 2020

**APPEARANCES:**

François Guay  
Jeremy Want  
Jean-Sébastien Dupont  
Matthew Burt  
Élodie Dion

FOR THE PLAINTIF

Jay Zakaib  
Frédéric Lussier  
Erin Creber  
Alexander Camenzind  
Cole Meagher

FOR THE DEFENDANT

**SOLICITORS OF RECORD:**

Smart and Biggar  
Montréal (Québec)

FOR THE PLAINTIF

Gowling WLG  
Ottawa (Ontario)

FOR THE DEFENDANT