

Federal Court



Cour fédérale

Date: 20201001

Docket: T-2025-11

Citation: 2020 FC 946

Ottawa, Ontario, October 1, 2020

PRESENT: The Honourable Mr. Justice Roy

BETWEEN:

**BOMBARDIER RECREATIONAL
PRODUCTS INC.**

**Plaintiff/
Defendant by Counterclaim**

and

**ARCTIC CAT, INC. AND ARCTIC CAT
SALES, INC.**

**Defendants/
Plaintiffs by Counterclaim**

and

**UNIVERSE SATELLITE SALES LTD.,
COUNTRY CORNERS RENT-ALL INC.,
VALLEY MOTO SPORTS KELOWNA (2008) LTD.
AND MORIN SPORTS & V.R. INC.**

Moving Parties

JUDGMENT AND REASONS

[1] The Federal Court of Appeal sent the matter of the validity of Canadian Patent 2,350,264 back to this Court (2018 FCA 172). On remand, this Court found the Patent valid and infringed

(2020 FC 691). One of the remedies sought was for the imposition of a permanent injunction.

The injunction was granted in the following terms:

2. The Plaintiff is granted a permanent injunction to restrain the Defendants, their officers, directors, employees, servants, agents, distributors and dealers having knowledge of the injunction or any other entity under their authority or control from:
 - (a) infringing Canadian Patent No. 2,350,264;
 - (b) selling or offering for sale, making, using or distributing in Canada any snowmobile or component thereof as claimed in Canadian Patent No. 2,350,264; or
 - (c) inducing and procuring the sale, the offer for sale, the fabrication, the construction, the use or the distribution in Canada of any snowmobile or component thereof as claimed in Canadian Patent No. 2,350,264.

The said injunction shall not come into effect before 20 days from the date of this judgment.

The Defendants and the Moving Parties wish to vary, supplement, modify or clarify the order in the case of the Defendants, and clarify, set aside or vary the order in the case of the Moving Parties. Both invoke rule 399 although the Defendants can only rely on rule 399(2), while the Moving Parties resort to rule 399(1). For the reasons that follow, the attempts fail.

I. How did we get here

[2] Within 20 days of this Court's judgment, Arctic Cat, Inc. and Arctic Cat Sales, Inc. (AC) were before the Federal Court of Appeal to seek a stay of the judgment of this Court. Rivoalen J.A. declined to grant the requested stay. The Court of Appeal Judge was not satisfied that

irreparable harm had been established and she found that the balance of convenience favoured Bombardier Recreational Products Inc. (BRP).

[3] A number of arguments were made by AC:

- its competitive position in Canada will be irreparably harmed;
- its Canadian dealer network and its relationship with customers in Canada will suffer permanent harm;
- serious reputational harm will follow;
- independent Canadian dealers of the Appellant's products, not owned, operated or otherwise controlled by them, and who did not participate in or otherwise have prior notice of the Respondent's patent infringement claims made by BRP, will suffer irreparable harm to their Canadian businesses (Court of Appeal judgment, 2020 FCA 116, para 28).

[4] Rivoalen J.A. considered the arguments as a whole. The record did not satisfy her that AC dealers would be forced to lay off staff or be forced out of business. Furthermore, Justice Rivoalen found that only harm suffered directly by AC could be considered. Indeed "much of the irreparable harm alleged by the appellants was self-inflicted and avoidable" (para 33), as AC does not appear to have made "some sort of a contingency plan in case it lost the remand".

Rivoalen J.A. stated at paragraph 35 of her reasons:

[35] It is significant to note that the injunction will only affect one model year's worth of snowmobiles, since the '264 Patent will expire on June 12, 2021. The 2021 Summer-Fall shipping period occurs after the expiry of the Patent, and so MY2022 snowmobiles may then be freely shipped to Canada. The appellants' current stockpile of infringing materials is not lost forever. Indeed, the appellants are free to manufacture and stockpile infringing snowmobiles in the United States and ship them to Canada the day after the '264 Patent expires.

As a result, the appellate judge was not satisfied irreparable harm had been established such that the injunction had to be stayed.

[5] Moreover, the balance of convenience favoured BRP. Basically, if there is no anti-infringement injunction in place, BRP will have been deprived of its patent exclusivity: in the words of the Court of Appeal Judge, “(t)his is tantamount to having no patent at all” (para 42). As is well known, the test for a stay is constituted of three prongs which are conjunctive: a failure to satisfy the judge on any of the prongs results in a stay being denied. Here, Rivoalen J.A. was not satisfied with two of the three prongs. The motion for a stay was dismissed with costs.

[6] Evidently not satisfied with the decision of this Court to grant a permanent injunction (in fact until only the expiry of the 264 Patent, on June 12, 2021) as well as the Court of Appeal’s decision to deny a stay of the permanent injunction while an appeal is pending, AC and a small group of Canadian dealers chose to move two motions before this Court. In the case of AC, it moved to vary or clarify (it adds “supplement” and “modify”) the injunction order on the basis of rule 399(2) of the *Federal Courts Rules*, SOR/98-106:

Setting aside or variance

399 (2) On motion, the Court may set aside or vary an order

(a) by reason of a matter that arose or was discovered subsequent to the making of the order; or

(b) where the order was obtained by fraud.

Annulment

399 (2) La Cour peut, sur requête, annuler ou modifier une ordonnance dans l’un ou l’autre des cas suivants :

a) des faits nouveaux sont survenus ou ont été découverts après que l’ordonnance a été rendue;

b) l’ordonnance a été obtenue par fraude.

As for the four dealers (the Moving Parties), their motion is somewhat more ambitious, as it asks to set aside, vary or clarify the injunction order, pursuant to Rule 399(1):

Setting aside or variance

399 (1) On motion, the Court may set aside or vary an order that was made

(a) *ex parte*; or

(b) in the absence of a party who failed to appear by accident or mistake or by reason of insufficient notice of the proceeding,

if the party against whom the order is made discloses a *prima facie* case why the order should not have been made.

Annulation sur preuve *prima facie*

399 (1) La Cour peut, sur requête, annuler ou modifier l'une des ordonnances suivantes, si la partie contre laquelle elle a été rendue présente une preuve *prima facie* démontrant pourquoi elle n'aurait pas dû être rendue :

a) toute ordonnance rendue sur requête *ex parte*;

b) toute ordonnance rendue en l'absence d'une partie qui n'a pas comparu par suite d'un événement fortuit ou d'une erreur ou à cause d'un avis insuffisant de l'instance.

II. AC's motion pursuant to rule 399(2)

A. *The facts*

[7] Having been unsuccessful before the Federal Court of Appeal, AC comes back to this Court to be granted an order to vary, supplement, modify, or replace paragraphs 2 and 8 of the Judgment of June 15 last (memorandum of fact and law, para 108).

[8] AC is seeking the variation of the injunctive order, with respect to three categories of snowmobiles, to specify in clear terms that:

- the injunction in paragraph 2 of the judgment does not enjoin dealers from selling, offering for sale, or distributing any Arctic Cat adult snowmobiles for:
 - (a) pre-Model Year 2021 snowmobiles that were owned by and/or in the possession of dealers before the date of the judgment;
 - (b) Model Year 2021 that were owned by and/or in the possession of dealers before the date of the judgment;
- the injunction in paragraph 2 of the judgment does not enjoin Arctic Cat and/or dealers from importing, delivering, and distributing Arctic Cat adult snowmobiles for Model Year 2021 that were pre-sold to customers prior to the date of the judgment, or enjoin dealers from assembling such snowmobiles and preparing them for delivery to customers.

[9] The net effect is that these three categories of AC snowmobiles ought to be excluded from the ambit of the injunctive order. AC seeks in the alternative that these snowmobiles be considered quickly as part of the reference under rule 153 ordered in paragraph 8 of the Judgment. The Notice of Motion asks further “that such preliminary questions as may be necessary to clarify the status of the inventory of Arctic Cat snowmobiles, the application of the injunction ..., and the proper scope of the snowmobiles to be included and accounted for in the reference ... be submitted for determination and answered by this Court under Rule 160”.

[10] More precisely, AC contends that what it considers to be the pre-sold snowmobiles covered in the third category described at paragraph 8 herein are snowmobiles that were “sold” to customers prior to June 15, 2020 (or the date on which the injunction took effect). It claims that deposits have been paid. In effect, AC claims that these snowmobiles should be subject to a

reasonable royalty, as opposed to being caught by the injunction. As for the other two categories, those snowmobiles have not been sold to consumers but were bought by the dealers; they should also be subject to a reasonable royalty.

[11] In order to be able to rely on rule 399(2), there must be a matter that arose or was discovered subsequent to the making of the order. Here, it appears that it is the disagreement between the parties over the scope of the injunction that is alleged to satisfy the requirement of rule 399(2). BRP is said to have taken a far-reaching interpretation in that the injunction is said to cover all AC adult snowmobiles with a pyramidal frame (the frame that was found to be protected by the 264 Patent and infringed by AC), from Model Year 2015 onward, which have not yet been sold to a Canadian customer.

[12] In an effort to implement what it believes is the full scope of the injunction, BRP communicated directly with Canadian AC dealers immediately after the release of the judgment in June 2020. AC portrays these letters as “threatening” because they warned of “severe consequences” for dealers, advising them to “seek independent legal advice”. In fact, the letter of June 15, 2020 advised the Canada AC dealers of this Court’s judgment of the same day issuing an injunction to come into effect on July 6. The letter gives notice of the injunction and claims that it applies to dealers and distributors of AC snowmobiles who have knowledge of this injunction. The notice serves the purpose of giving dealers and distributors the knowledge required for the injunction to apply to them.

[13] On July 13, counsel for BRP sent another letter to dealers enclosing this Court's formal Judgment. Counsel took the position that the injunction applies to AC's Canadian dealers who have knowledge of the injunction. Counsel stated that "you are formally put on notice that you may no longer sell, offer for sale or distribute any such new Arctic Cat adult snowmobiles until the expiry of the patent in June 2021". The letter goes on to claim that any "early build" Model Year 2021 Arctic Cat adult snowmobiles are covered by the injunction and that dealers "may not sell, offer for sale or distribute such snowmobiles in Canada until the expiry of the patent". Counsel warns that "(a)ny breach of the injunction could lead to a charge of contempt of court".

[14] AC contends that the letters somehow created doubt and ambiguity about the terms of the injunction (memorandum of fact and law, para 26), and uncertainty and confusion with dealers (memorandum of fact and law, para 32). It may be more accurate to say that the parties disagree on the scope of the injunction and that the dealers, or many of them, were taken by surprise and sought clarity from AC as to their exposure.

[15] The evidence on this motion is that many dealers have a small inventory of snowmobiles from previous model years. Pre-Model Year 2021 snowmobiles see the title to each snowmobile pass from AC to the dealer once full payment has been received by AC. These constitute category 1. Category 2 is constituted of representative models ("demo snowmobiles") put on display. The evidence shows that 391 of the Model Year 2021 snowmobiles were sold to dealers prior to July 6, 2020. They were paid in full by the dealers who purchased these "demos". The third category is composed of Model Year 2021 snowmobiles for which a \$750 deposit was made. There are 732 pre-ordered snowmobiles according to the evidence. As will be seen, the

transaction seems to be short of completion: the snowmobiles have not yet been built in Minnesota and delivered to dealers in Canada for final assembly. A deposit representing a small fraction of the selling price has been made and title passes on to the customer once the price has been paid. Nevertheless, AC claims that sales took place: “The customer has already chosen a snowmobile for purchase from the market, negotiated the final price with the dealer, submitted his or her partial payment on the sale, and awaits delivery” (memorandum of fact and law, para 47). Arctic Cat puts forth the view that all it has to do with respect to snowmobiles put in the three categories is to pay the appropriate royalty.

[16] BRP focuses on the injunction being written in clear and simple terms: indeed it is no more than other anti-infringement injunctions regularly issued in Canada. The difficulties are not with the terms of the injunction, but rather the effect the injunction has on AC. In fact, the inconveniences and difficulties stem from AC’s failure to make contingency plans in case they were not successful in defending the infringement action launched by BRP.

[17] Refusing to accept the injunction, BRP argues that AC and four of its dealers attempt to limit the scope of the injunction by carving out categories of snowmobiles that would otherwise be covered by the injunction. This constitutes a collateral attack, thus seeking to deprive BRP of the full benefit of its patent until it expires.

[18] BRP takes issue with the testimony of AC’s affiants. Its Sales Director for Canada did not recall when dealers were informed about the anti-infringement injunction; surprisingly, says BRP, he claims not to have been personally aware of this patent litigation. While he stated not

having prior knowledge of the motion brought by four dealers pursuant to rule 399(1), one of the dealers testified that it is the Sales Director who contacted him to bring this motion. The witness' credibility is thus challenged.

[19] Perhaps more importantly, none of the witnesses for AC (its Sales Director for Canada and representatives for the four dealers who brought the motion under rule 399(1)) provided copies of the current dealer agreement nor sales documentation including invoices relating to Model Year 2021 snowmobiles. Given the position taken by the Moving Parties, that is not insignificant. In effect, that obscures the true legal nature of the operation: nothing is sold until full payment by customers has been made.

[20] BRP insists that AC chose not to inform its dealers of the Canadian litigation, and in particular of the anti-infringement injunction, as well as the dismissal of its stay motion by the Federal Court of Appeal. Indeed, AC downplayed the importance of the injunction in its communications with its dealers, which are in evidence, after BRP had communicated directly with AC's dealers, making them aware of an injunction BRP argues they had to obey once put on notice.

[21] AC's contention that snowmobiles have already been "sold", as it developed its argument that whole categories of snowmobiles had to be carved out of the scope of the anti-infringement injunction, is not tenable. The notion that snowmobiles have been "sold" is unsupported by any documentary evidence, which clearly is in the hands of AC; the evidence of witnesses (the Sales Director and three representatives of dealers) shows that the sales were not completed, but rather

that they constitute “pre-orders” which can be cancelled by customers, with their deposit being paid back. In effect, “pre-ordered” snowmobile sales occur, are complete, only after the delivery when payment is made by the consumer (with warranty documentation finalized). As a matter of fact, the Sales Director confirmed in cross-examination that the 732 pre-ordered adult snowmobiles had not been built as of the date of the injunction coming into force. He conceded during cross-examination that title to the snowmobile does not pass from AC to its dealers before final payment has been made and that occurs only once the snowmobile has been manufactured and the dealer is notified that the snowmobile is ready for delivery. The title would pass to the consumer only later.

[22] BRP stresses that the Moving Parties and AC did not offer any documentary evidence in support of their theory. That, claims BRP, calls for a negative inference: had these documents favoured AC’s thesis, they would have been happily produced. The only Canadian dealer agreement produced in this litigation (exhibit P-145 at trial) suggests the following, according to BRP: “Clauses 2 and 7 of that agreement clearly show that Arctic Cat can at all times refrain from delivery of a snowmobile that has been ordered by a Canadian dealer, without recourse or liability to the Canadian dealer” (memorandum of fact and law, para 18). There are simply no sales.

B. *The parties’ position and discussion*

[23] The first hurdle faced by AC is of course to bring its motion within the confines of rule 399(2). It relies on what it calls “unforeseen or unaddressed” difficulties faced by the parties as they disagree with the scope of the injunctive relief. However, rule 399(2) speaks of “a matter

that arose or was discovered subsequent to the making of the order”. It is not a way to appeal, or re-argue, a matter that was already before the Court at the time the order was made (*Reference re: Income Tax Act*, 2018 FC 919).

[24] Here, AC seems to rely exclusively on the decision of Stratas J.A. in *Janssen Inc. v Abbvie Corporation*, 2014 FCA 176 [*Abbvie*], a matter involving Janssen seeking a stay of an injunction issued by our Court. As already seen, in this case the injunction was not stayed by a judge of the Federal Court of Appeal and AC now resorts to rule 399. Be that as it may, a review of *Abbvie* is necessary in view of the emphasis put on it by AC.

[25] The stay motion, before Stratas J.A., was the second attempt by Janssen to slow the process down, Janssen having been unsuccessful in its attempt to have the whole remedial phase of the trial delayed after the Federal Court had already found infringement in the initial phase. Stratas J.A. was considering in his ruling whether there was irreparable harm in various categories: “legal and other expenses, non-monetary burdens associated with complying with the injunction, injury to its reputation, damage to its market share, and damage arising from the ambiguity of the terms of the injunction” (para 23). Stratas J.A. found that irreparable harm was not established.

[26] Stratas J.A. disposed quickly of the categories other than the alleged ambiguities of certain terms of the injunction. One of these was “influencing” physicians (the case concerned a pharmaceutical patent relating to a particular medication prescribed by physicians; the injunction prohibited “influencing” physicians).

[27] The general principle was, and is, that the Court that makes an order is thereafter *functus officio*: rule 399 provides for an exception to that principle. Thus, “(i)f ambiguities in the terms of the injunction cause it real harm, Janssen can seek a variation of the terms of the injunction from the Federal Court” (para 34, my emphasis). The Court of Appeal Judge goes on to say that the ambiguities alleged by someone subject to an injunction must be real difficulties. He states that the “Federal Court could take the view that the difficulties were fully canvassed before the injunction was made and the wording of the injunction represents its final solution to them” (para 41). It follows that the threshold must be quite high. Only if there is specific, particularized evidence of significant, unforeseen difficulty in following the terms of an injunction will there be room for variation of an injunction under rule 399 (para 43).

[28] In *Abbvie*, Janssen was raising “difficulties” that are reminiscent of the difficulties advanced by AC in this case. Thus, the questions were said by Janssen to be “extremely complicated” about the scope of the injunction, as they are “difficult to answer” and leave “many grey areas of uncertainty” (para 47). This, contended Janssen, makes the line drawing between what is permitted and not permitted more complicated, leaving “potential risk”. It is said that during oral argument, the focus was put on the word “influencing” because of its breadth and vagueness. Having disposed of the issue by putting “influencing” in its proper context, Stas J.A. notes:

[54] Moving from the terms of the injunction to the nature of the harm that Janssen says it will suffer, Janssen’s motion is again flawed. Much of the harm identified by Janssen is the sort of inconvenience suffered by any party when it must comply with an injunction – issues of interpretation, judgment calls and practical implementation. Undoubtedly these can create burdens, uncertainties and risks.

[My emphasis.]

The *Abbvie* decision does not support AC's position. Burdens, uncertainties and risks must be beyond what is usual and normal. They have to be well beyond the usual uncertainties and more on the side of "exceptionally serious and compelling grounds". As the Federal Court of Appeal found in *Collins v Canada*, 2011 FCA 171:

[12] In this case, the appellant has utterly failed to demonstrate the existence of any matter subsequent to the Order of March 30, 2011 which could justify the setting aside of that Order. Paragraph 399(2)(a) of the Rules cannot be used as a vehicle for revisiting judgments every time a litigant is unsatisfied with a judgment. The general principle is that judicial decisions are final, and consequently the setting aside of such a decision under paragraph 399(2)(a) of the Rules must be based on exceptionally serious and compelling grounds. This is necessary to ensure certainty in the judicial process as well as to preserve the integrity of that process.

[My emphasis.]

[29] BRP argues that the conditions required for the application of rule 399(2) are not met: there is no newly discovered matter not discoverable before judgment and the new matter has to have a determining influence. In fact, AC seeks to vary an anti-infringement injunction, a remedy that is the norm in infringement cases. As Justice Gauthier, then of this Court, said in *Valence Technology, Inc. v Phostech Lithium Inc.*, 2011 FC 174 [*Valence Technology*] "(t)he Court should refuse to grant a permanent injunction where there is a finding of infringement, only in very rare circumstances" (para 240). The next best thing would evidently be to reduce the scope of the injunction. That is what AC is attempting to achieve. It should not be allowed to do so.

[30] AC's argument that it can rely on rule 399(2) is unpersuasive. In the case at bar, AC has failed its burden to bring itself within the window of rule 399(2). Having read on numerous

occasions the injunctive order, I fail to see where is the unforeseen difficulty, or even the ambiguity in the terms of the injunction which would be causing a real difficulty. AC disagrees with the scope of the injunction – although its scope is anything but unusual - but that does not make the injunction unclear as to what is prohibited. The Plaintiff is granted the enjoyment of its 264 Patent as is specifically provided for at section 57 of the *Patent Act* (RSC, 1985, c P-4). The injunction speaks of restraining the Defendants, as well as its dealers and distributors, from infringing the 264 Patent, from selling or offering for sale, making, using or distributing in Canada any snowmobile, or component thereof, as claimed by the Patent found to be valid and infringed by AC. AC can sell snowmobiles in Canada as long as they do not have the pyramidal frame patented by BRP. It could have prepared for that outcome and, in so doing, prepared its network of dealers. On the basis of the evidence available here, it chose not to. Indeed, the legal relationship is between AC and its Canadian dealers who are said to have been kept in the dark about the litigation. This constitutes another attempt to limit the scope of the injunction. As in *Abbvie*, AC has claimed difficulties which were unforeseen or unaddressed at the time the injunction was issued without being able to show what they are. The basic requirement of rule 399(2) has not been met: the Court has not been satisfied that a matter arose or was discovered subsequent to the granting of the injunction. Rather, AC wishes to revisit again the judgment. The scope of the injunction is neither an unforeseen or an unaddressed difficulty. It is the direct consequence of the infringement of the 264 Patent. On that basis alone, the motion under rule 399(2) should be dismissed. Nevertheless, I shall address the merits of the argument put forth by AC.

[31] In effect, AC constructs scenarios where, it says, there is uncertainty as to whether the injunction applies. It does not establish that the uncertainty is anything other than the usual and normal burdens, uncertainties and risks associated with an injunction, such that we would find ourselves on exceptionally serious and compelling grounds: these are, at best, simply issues of interpretation, judgment calls and practical implementation. In fact, there is no ambiguity in the language of the injunctive order, merely a disagreement as to what ought to have been its scope.

[32] The starting point is of course the injunction itself. Paragraph 2 of the Judgment is in my estimation unambiguous: dealers and distributors with knowledge of the injunction are prohibited from infringing the 264 Patent and from selling or offering for sale, making, using or distributing in Canada snowmobiles which infringe the 264 Patent. The purpose of the injunction is simply to prevent the further infringement of the monopoly enjoyed by BRP. If the Dealers were allowed to sell the snowmobiles on their inventory list, they would be infringing, whether the snowmobiles are demonstration snowmobiles or models from previous years.

[33] Paragraph 3 of the Judgment is also instructive. It reads as follows:

3. The Plaintiff is granted an order for the Defendants to destroy, under oath, within 30 days after final judgment disposing of all appeals, if any, maintaining the validity of Canadian Patent No. 2,350,264, products in its possession, custody or control in Canada that offend the present injunction as infringing Canadian Patent No. 2,350,264.

As I explained during the hearing of the motions, it is not by mistake that the order to destroy applies only to AC, and not its dealers. The Court concluded that, as a matter of equity, it would be inappropriate to order the destruction of infringing snowmobiles in the hands of dealers and

distributors who did not take part in the Court proceedings. It suffices that they be prohibited from infringing in accordance with paragraph 2 of the Judgment. Indeed, both counsel for AC and the Moving Parties had to concede during the hearing that dealers and distributors can be the subject of infringement proceedings under the *Patent Act*, not only the manufacturer. The selling of infringing snowmobiles constitutes a patent infringement and carries liability (s. 55, *Patent Act*). By prohibiting the sale of AC snowmobiles, the further infringement is prevented, without requiring the destruction of snowmobiles in the possession of dealers and distributors. The prohibition lasts until the 264 Patent expires in June 2021. In the meantime, the manufacturer and the dealers and distributors who have the legal relationship (there are contractual arrangements that were not produced) can decide to deal with the matter between them, if need be. There is, in my view, a measure of equity in not granting BRP its wish to see the destruction of every snowmobile in Canada. But the monopoly still deserves to be protected and enforced.

[34] The other paragraph of the Judgment that was alluded to is paragraph 8. It reads:

8. Pursuant to Rules 153 et al of the *Federal Courts Rules*, the matter of damages suffered by Bombardier Recreational Products Inc. after March 31, 2014, because of the violation of Canadian Patent 2,350,264 by the defendants Arctic Cat, Inc. and Arctic Cat Sales, Inc., is referred to a judge or a person designated by the Chief Justice of the Court. The reference shall be concerned with ascertaining the number of snowmobiles after March 31, 2014 in violation of the 264 Patent in order for the matter of damages to be determined in accordance with this Court's judgment and reasons.

The paragraph addresses the damages suffered by BRP because of the violation of its 264 patent.

[35] The damages ordered to be paid by the Court at this stage relate to 20,934 infringing snowmobiles sold in Canada as of March 31, 2014. No one argues that these 20,934 snowmobiles were not sold to customers in Canada. Paragraph 8 merely gives effect to the requirement that damages be paid to BRP for the further infringements after March 31, 2014. Hence, once read together, paragraph 2 prohibits dealers and distributors from infringing further by selling or offering for sale, making, using or distributing infringing snowmobiles; paragraph 3 does not force dealers and distributors to destroy infringing snowmobiles, which can then be sold in Canada once the 264 Patent expires; and damages will be calculated with respect to snowmobiles sold in Canada by dealers or distributors; the sale of infringing snowmobiles in Canada before June 15, 2020 could not have been prevented as per an injunction, but damages can be made payable to compensate for these infringements.

[36] AC alluded to the fact that the injunction includes a prohibition to offer to sell infringing snowmobiles; that, says AC, means that “the reference will necessarily include and account for snowmobiles in category #3 irrespective of whether they may be considered as sold ...” (memorandum of fact and law, para 66). Although attractive at first blush, the argument is specious. It conflates the injunction to prevent further infringements and the damages that will have to be paid once an infringement has occurred. The injunction does one thing and the damages address something completely different. Offers to sell prior to the date of judgment are not captured by an injunction that can only be prospective, its purpose being to prevent further infringements. On the other hand, infringements having taken place prior to judgment will be compensated as per paragraph 8 of the Judgment. Infringements having taken place prior to judgment will be compensated as per paragraph 8 of the Judgment.

[37] AC (and the Dealers) creates three categories of snowmobiles where it argues it can force BRP to accept a reasonable royalty instead of the enforcement of its monopoly through an injunction. Once the royalty will have been paid, it will constitute “a deemed or implied license to deal with those snowmobiles whereby the dealers and customers are also free to deal with those snowmobiles with impunity” (AC’s memorandum of fact and law, para 69). The effect of such a bold proposition is quite important from a general policy perspective. No need to fear an injunction because the reasonable royalty, that could have been paid upfront, can now be substituted for the injunction that is customary in cases such as this one, as an injunction should not be granted “only in very rare circumstances” (*Valence Technology, supra*, para 240). The monopoly conferred by a patent is gone: moral hazard is a thing of the past, as there is an incentive to increase one’s exposure to risk by infringing on a patent because the infringer will not bear the whole cost. The infringer does not have to abide by an injunction as it can be substituted for a compulsory royalty.

[38] In the context of an infringement of the *Copyright Act* (RSC, 1985, c C-42), the Federal Court of Appeal found in *R. v James Lorimer & Co.* [1984] 1 FC 1065 [*James Lorimer*], that “the copyright owner is *prima facie* entitled to an injunction restraining further infringement” (p. 1073). The Court goes on to “find no authority for requiring a copyright owner to acquiesce in a continuing infringement against payment of a royalty. That is tantamount to the imposition of a compulsory licence. In the absence of legislative authority, the court has no power to do that”. There is no reason to depart from the principle described in *James Lorimer*.

[39] There is not much doubt that once a license has been lawfully obtained from a patent-holder, the use of the patent thereafter by others, be they distributors, manufacturers or consumers cannot be the subject of an infringement action. As said *Signalisation de Montréal Inc. v Services de Béton Universels Ltée*, (1992) 46 CPR (3rd) 199 [*Signalisation de Montréal Inc.*], there is no infringement “because I have a *right* to use the thing which I have bought, a right that can be asserted not only against the patentee but against the world at large and which prevents me from being an infringer” (para 21, italics in the original). But such is not the case here.

[40] AC’s construct is predicated on its snowmobiles having been sold. In the case of category 3 (Model Year 2021 snowmobiles for which a deposit has been paid by a customer), these snowmobiles have not yet been built, a customer will be re-paid her deposit if she so wishes and, at any rate, title passes only once the full amount has been paid. BRP is right that there are no sales having taken place before June 15 or July 6, 2020. The issue of a sale does not even arise.

[41] Category 1 (pre-Model Year 2021 snowmobiles) snowmobiles have been sold to dealers and are part of their inventory. They have not found their way into the hands of consumers. I fail to see how they are not captured by the terms of the injunction, how it can be argued that there is an ambiguity or uncertainty or difficulty with the terms of the injunction, other than the simple fact that those snowmobiles that infringe on the 264 Patent are the subject of an injunction prohibiting various commercial activities until the 264 Patent expires in June 2021. The same is true of category 2 (demonstration/display snowmobiles of Model Year 2021) snowmobiles sold

to dealers and in their possession as of the date the injunction took effect. Going back to the colourful way of Hugessen J.A. of presenting the issue in *Signalisation de Montréal Inc. (supra)*, there is a right to use a product once a licence to use the patent has been granted, not before. As readily conceded by counsel, the dealers infringe the Patent (*Monsanto Canada Inc. v Schmeiser*, 2004 SCC 34, [2004] 1 SCR 902) if they sell those snowmobiles (sections 55 and 42 of the *Patent Act*) without a licence; indeed they have been put on notice by BRP that the snowmobiles are counterfeit. Dealers and distributors will not have to destroy these snowmobiles (or perhaps export them back to the United States from where they came). But they are enjoined from selling them in Canada. The terms of the injunction are clear. That implies a loss of income, perhaps a loss of reputation but, as found by Justice Roger Hughes in *Abbvie Corporation v Janssen Inc.*, 2014 FC 489 “that is a natural consequence of losing a patent action” (para 49). It is not, in my view, for BRP to be denied the full protection of its remaining monopoly to allow for the sale to consumers of more infringing snowmobiles. The issue, if any, is between the manufacturer and the network of dealers.

[42] Finally, AC argues that applying the injunction to the three categories of snowmobiles amounts to double recovery by BRP. It contends that there cannot be damages and an injunction together affecting the same snowmobiles.

[43] I cannot accept this argument because there is no double recovery once the paragraphs 2, 3 and 8 of the Judgment are read together. The three categories of snowmobiles in AC’s construct are snowmobiles that have not yet been built, which makes it rather difficult to apply to them a reasonable royalty, and infringing snowmobiles in the hands of its Canadian dealers. The

royalty that has already been imposed is compensation for damages sustained by BRP through the sale of some 20,000 snowmobiles, which infringe on the 264 Patent by using the pyramidal frame which is the subject of the monopoly conferred. All that is required for snowmobiles that have not been sold is to prevent AC (and dealers and distributors) from infringing further by continuing to allow infringing snowmobiles to be sold in contravention of the Patent. The effect of the injunction is to deprive dealers and distributors from selling these snowmobiles to consumers, thus preventing further infringement. As a matter of fact, these snowmobiles can be sold once the 264 Patent expires, in less than one year from now: they will not have been destroyed. I agree with BRP that it “is compensated for past acts of infringement via damages that occurred before judgment, while the injunction prevents any further infringement after judgment” (BRP’s memorandum of fact and law, para 101). The injunction was meant to achieve that goal and paragraphs 3 and 8 of the Judgment complement the injunction.

[44] As a result, the motion based on rule 399(2) fails.

III. The Dealers’ motion pursuant to rule 399(1)

[45] Four independent dealers (the Moving Parties or the Dealers) affiliated with AC bring a motion pursuant to rule 399(1). They were not parties to the litigation involving BRP and AC. It does not appear that AC saw fit to advise them of the litigation, as they testified that they found out about the case from media reports published after the judgment (and surely once they were notified by BRP on June 15 and on July 13, 2020). The Dealers seek clarification, the setting aside or a variation of the injunction:

- (a) the injunction does not enjoin distributors or dealers from selling, offering for sale or distributing any new adult snowmobiles:
 - (i) for model year prior to model year 2021 manufactured by AC and purchased by, and in the possession of, distributors or dealers before the date of judgment;
 - (ii) for model year 2021 manufactured by AC that were purchased by, and in possession of distributors or dealers before the date of judgment;
- (b) the injunction does not enjoin AC and/or distributors or dealers from importing, delivering and distributing new adult snowmobiles for model year 2021 manufactured by AC that were ordered by customers prior to the date of the judgment; the injunction does not enjoin distributors or dealers from assembling such snowmobiles and preparing them for delivery;
- (c) the injunction does not enjoin distributors or dealers from selling, offering for sale or distributing any used adult snowmobiles manufactured by AC;
- (d) the injunction does not enjoin distributors or dealers from providing repair and maintenance services on any adult snowmobiles manufactured by AC;
- (e) the injunction does not enjoin distributors and dealers from selling, offering for sale, distributing, repairing or servicing non-adult snowmobiles manufactured by AC.

[46] There are some of these groupings that may be dealt with quickly. With respect to used adult snowmobiles, I can see nothing in the injunction which would prevent BRP from seeking to enforce the injunction concerning used snowmobiles that would be sold by distributors or dealers. However, BRP is formal, and the record now shows, that it will not enforce its injunction on used snowmobiles. Paragraph 89 of its memorandum of fact and law is formal and the Court reproduces it in its entirety:

89. Further, BRP has already informed Arctic cat and the Dealers that it would not enforce its injunction on used snowmobiles and would be open to accept a reasonable royalty on the sale of used snowmobiles, as it has already suffered the harm which is to be prevented by the injunction, by the first sale of those snowmobiles to the end customer. BRP's correspondence to the Dealers expressly stated that it was enforcing the injunction against new snowmobiles, never previously sold to an end-user.

In my view, the issue raised by the Dealers has become moot following the formal acknowledgement by BRP. Clearly if BRP were to renege on its commitment, AC and the Dealers would promptly raise the issue. There is no need to add anything at this stage.

[47] Similarly, the issues raised concerning "repair and maintenance services" and "non-adult snowmobiles" (aka "youth snowmobiles") do not arise on this record. I agree with BRP that these are non-issues.

[48] As for the "repair and maintenance services", not only has it not been raised as an issue throughout the protracted litigation, but the injunction is concerned with acts of infringement. Section 42 of the *Patent Act* gives the patent holder "the exclusive right, privilege and liberty of making, constructing and using the invention and selling it to others to be used ...". There is no need to clarify that which is already clear and has already been conceded as clear by BRP (memorandum of fact and law, para 91).

[49] The same is true with respect to non-adult snowmobiles. BRP is right to state that "(t)he parties agree that youth snowmobiles are not infringing because they do not use a pyramidal frame claimed by the 264 Patent" (BRP's memorandum of fact and law, para 93).

[50] Rule 399(1) allows the varying or the setting aside of an order if the party discloses a *prima facie* case why the order should not have been made: that demonstration has not been made with respect to the groupings presented as (a) and (b) at paragraph 45 herein. They correspond to the three categories described earlier in these reasons (para 8).

[51] The Dealers are independent small businesses, authorized to sell AC snowmobiles, but that are not related to or controlled by AC. They have not participated to the proceedings between the protagonists. The facts relevant to the relevant groupings, which correspond to the three categories described by AC in its rule 399(2) motion, are:

- the Dealers have entered into arrangements with customers according to which an AC snowmobile is to be delivered; a deposit of \$750 is paid by the customer and the customer agrees to take delivery and pay the purchase price. It follows, say the Dealers, that they will be in breach of the contracts with customers and their reputation will be irreparably harmed;
- the Dealers purchased from AC model year 2021 snowmobiles for use as demonstration models;
- the Dealers have an inventory of unsold AC snowmobiles from previous years;
- the Dealers declare that they have acted in good faith, which suggests that they have not been warned by AC of how precarious these activities were in view of the then ongoing litigation;
- the situation will result in the Dealers seeing their revenue significantly reduced, as well as losing goodwill;
- the Dealers state that they are, according to BRP, subject to contempt proceedings: they wish for their obligations to be clarified. They claim that BRP limited its threat of contempt proceedings to new snowmobiles. As

already noted, BRP conceded readily that the injunction will not be enforced with respect to used AC snowmobiles, these being subject of a reasonable royalty.

[52] The Dealers see rule 399(1), which they invoke, as the opportunity to raise concerns because the injunction will affect them, yet they have not been given an opportunity to be heard before (*audi alteram partem*). They make a similar argument to that made by AC; a royalty is to be paid on the snowmobiles covered by the three categories described by AC and the Dealers: basically, it is the compulsory licensing argument. For good measure, the Dealers argue also that BRP is not owed double recovery, first damages in the form of a reasonable royalty and then an injunction.

[53] BRP contends that it is customary to claim against the inducer rather than those who have been induced (in this case, some 150 dealers). In its view, the Dealers have not established a *prima facie* case why the order should not have been made. The trial did not take place *ex parte* and the issues raised by the Dealers were defended by AC with a great deal of vigour. In essence, the Dealers seek to litigate that which has already been litigated, which would be to broaden the scope of rule 399. The legal relationship is between AC and its dealers: the dealers should have been apprised of litigation developments that affect their business, especially where there exists the real risk of an injunction, as is usual in infringement cases.

[54] As with the use that was made by AC of rule 399(2), I am also puzzled by the attempt of the Dealers to fit in the window of rule 399(1). The Federal Court of Appeal noted in *Apotex Inc. v AB Hassle*, 2008 FCA 416 that the “jurisdiction [under rule 399] is rarely exercised because

there is a significant public interest in the finality of judgments and the integrity of the judicial process” (para 17). In *Ignace v. Canada (Attorney General)*, 2019 FCA 239 , Stratas J.A. seemed to limit the scope of rule 399(1) significantly: “This relief is available only in the case of *ex parte* orders (Rule 399(1)(a)), serious procedural irregularities (Rule 399(1)(b)), the discovery of a matter arising after the making of the order (Rule 399(2)(a)), or fraud (Rule 399(2)(b))” (para 39).

[55] At any rate, there is very little, if anything, that was presented by the Dealers that was new. It has been known that AC is selling its products in Canada through a network of dealers. AC has indeed argued forcefully in favour of its dealers. An injunction, which by its terms applies to “distributors and dealers having knowledge of the injunction”, will have an effect on them. It is in the nature of an injunction in infringement cases to prevent the further infringement of the monopoly enjoyed by the patent holder. As the Federal Court of Appeal noted in *Apotex Inc. v Merck & Co., Inc.*, 2015 FCA 171, [2016] 2 FCR 202, “... following a finding of infringement, there will normally be a permanent injunction. The patentee is fully compensated for the infringement and further infringement is punishable by contempt of court” (para 72). That is what happened in this case. Dealers and distributors would find themselves infringing on the 264 Patent if they were to sell infringing snowmobiles.

[56] In this case, the injunction seeks to prevent further infringement, protecting what is left of BRP’s exclusive right, privilege and liberty of making, constructing and using its invention. I cannot see any reason why the AC snowmobiles described in the three categories should be carved out of the injunctive order. None of those snowmobiles have been sold such that title has

passed to consumers. In the case of pre-ordered Model Year 2021 snowmobiles, they have not even been built. They have not been sold. As already found, these are covered by the injunction: there is no reason to depart from the clear and unambiguous terms of the injunction. In the case of the demonstrators and the pre Model-Year 2021 snowmobiles on the inventory of dealers, “using” these counterfeit snowmobiles would infringe the 264 Patent. There is nothing to clarify. There is no doubt, in my view, that these snowmobiles AC and the Dealers wish to have carved out (other of course than those not already built) are infringing snowmobiles - because of their pyramidal frame - held for the purpose of a future commercial transaction. The way chosen by AC and the Dealers to avoid the effect of the injunction is to submit that there should be a compulsory licensing scheme for the snowmobiles to be built and those that are in the hands of dealers. The Court is not prepared to go down that route. The snowmobiles to be built and snowmobiles (other than used snowmobiles about which BRP declares that it will not seek to enforce an injunction order) held by dealers are included in the injunctive order. The order was for the purpose of achieving the *Patent Act*'s purpose by giving effect to 264 Patent. The order was not issued per incuriam. No doubt the Dealers would prefer to continue selling AC snowmobiles until the BRP monopoly expires. Allowing them to do so would be in breach of the 264 Patent, in violation of the *Patent Act*. Their revenues will be impacted. But that constitutes the normal consequence of an injunction issued after losing an infringement action.

[57] The law of injunction is clear. Non-parties are bound by an injunction. In *MacMillan Bloedel Ltd. v Simpson*, [1996] 2 SCR 1048, the Court found:

31 It may be confidently asserted, therefore, that both English and Canadian authorities support the view that non-parties are bound by injunctions: if non-parties violate injunctions, they are subject to conviction and punishment for contempt of court. The courts

have jurisdiction to grant interim injunctions which all people, on pain of contempt, must obey. The only issue -- and one which has preoccupied courts both in England and, to a lesser extent, here -- is whether the wording of the injunction should warn non-parties that they, too, may be affected by including language enjoining the public, or classes of the public, from committing the prohibited acts. On this point I share the view of Tysoe J.A. in *Bartle & Gibson, supra*, and Estey J. in *International Longshoremen's Association, supra*: if members of the public may be bound to respect court orders in private suits on pain of being held in contempt, it seems appropriate that the order apprise them of that fact.

That same paragraph was re-affirmed recently in *Google Inc. v Equustek Solutions Inc.*, 2017 SCC 34, [2017] 1 SCR 824, at para 28. The Honourable Robert Sharpe, in his seminal *Injunctions and Specific Performance* (Thomson Reuters, Loose leaf Edition), dedicates section 6.260 to this issue. There is nothing untoward about having an injunction apply to the Dealers in order to prevent further violations of the 264 Patent. Once put on notice, the dealers would deal with counterfeit snowmobiles at their risk and peril.

[58] Finally, the Dealers argue that clarification of the terms of the injunction is necessary. I fail to see the ambiguity. The injunction applies to dealers and distributors of AC's snowmobiles who have knowledge of the injunction. There is no implication that the dealers and distributors are owned by, or are under the authority or control of, Arctic Cat. They are merely AC's distributors and dealers, as per contracts in place between them that provide for the details of the commercial relationship (contracts which were not produced).

IV. Conclusion

[59] It follows that Arctic Cat's motion pursuant to rule 399(2) of the *Federal Courts Rules* is dismissed. Similarly, the motion presented on behalf of Universe Satellite Sales Ltd., Country Corners Rent-All Inc., Valley Moto Sport Kelowna (2008) Ltd. and Morin Sports & V.R. Inc. pursuant to rule 399(1) of the *Federal Courts Rules* is dismissed. The reference under rule 153 shall follow in due course.

[60] BRP sought costs on an elevated basis, payable forthwith. The elevated costs are proposed to be at 50% of BRP's solicitor-client costs plus reasonable disbursements. The justification offered is that the affiants were evasive and outright dishonest at times, together with AC and the Dealers having failed to advance a serious reason to vary the injunction.

[61] I would decline to award costs on an elevated basis. I find that the evidence offered by AC and the Dealers was deficient, but I refrain from concluding that some of the witnesses were outright dishonest.

[62] On the other hand, this is in my view a case where it is appropriate to impose costs that are payable forthwith and in any event of the cause. In spite of AC's motion record of more than 300 pages and BRP's responding record of close to 700 pages (there was of course a motion record on behalf of the Dealers running to 215 pages, and reply motion records by both AC and the Dealers), there was not much that was new. The matter of the injunction had been thoroughly canvassed at trial and on remand. AC sought a stay directed explicitly at the injunction in the

Court of Appeal. To no avail. Failure to order payment forthwith, in these circumstances, has the effect of penalizing unduly BRP as it needs to respond. The motions were not necessary, as they did not bring to the fore new issues likely to succeed. As AC put it in its reply factum, there cannot be a royalty and an injunction. That was its theory of the case. But there is no such double recovery/compensation once the Judgment is considered in its entirety. For snowmobiles sold prior to the date of judgment, damages are imposed in the form of a reasonable royalty. As for those not yet built or in the possession of dealers, they are subject to the clear and unambiguous terms of the injunction. It is just that compulsory royalties in order to avoid an injunction cannot be an appropriate alternative where the royalties would apply to snowmobiles not yet even manufactured and to other snowmobiles sitting in the inventory of dealers on the date of this Court's judgment. This was a "last ditch effort" dressed up as motions under rule 399 that sought to extend the scope of that 399 rule. BRP is entitled to its costs payable forthwith and in any event of the cause, as well as reasonable disbursements.

JUDGMENT in T-2025-11

THIS COURT'S JUDGMENT is that:

1. The Arctic Cat's motion pursuant to rule 399(2) of the *Federal Courts Rules* is dismissed.
2. The motion presented on behalf of Universe Satellite Sales Ltd., Country Corners Rent-All Inc., Valley Moto Sport Kelowna (2008) Ltd. and Morin Sports & V.R. Inc. pursuant to rule 399(1) of the *Federal Courts Rules* is dismissed.
3. Costs are awarded to BRP, payable forthwith and in any event of the cause, as well as reasonable disbursements.

“Yvan Roy”

Judge

FEDERAL COURT

SOLICITORS OF RECORD

DOCKET: T-2025-11

STYLE OF CAUSE: BOMBARDIER RECREATIONAL PRODUCTS INC. v
ARCTIC CAT, INC. AND ARCTIC CAT SALES, INC.
and UNIVERSE SATELLITE SALES LTD., COUNTRY
CORNERS RENT-ALL INC., VALLEY MOTO
SPORTS KELOWNA (2008) LTD. AND MORIN
SPORTS & V.R. INC.

PLACE OF HEARING: BY VIDEOCONFERENCE BETWEEN OTTAWA
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TORONTO (ONTARIO)

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JUDGMENT AND REASONS: ROY J.

DATED: OCTOBER 1, 2020

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