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Patent Injunctions: “Anything but Unusual”

The popular Canadian pastime of snowmobile litigation has turned up yet another interesting decision (*Bombardier Recreational Products Inc v Arctic Cat Inc, 2020 FC 946*) – this time on the topic of injunctions. This decision of Justice Roy arose from the moving parties’ attempt to vary an Order issued by the Federal Court in *Bombardier Recreational Products Inc v Arctic Cat Inc, 2020 FC 691*. As Justice Roy noted, the Order itself was “anything but unusual,” and was representative of injunctions issued in patent cases time and time again. Given this and the existing jurisprudence, it was perhaps a predictable result that the parties were denied any relief.

However, two important takeaways arise from Justice Roy’s decision:

- **The decision reinforces the primacy of the patentee’s rights:** patentees are entitled to the exclusive right, privilege and liberty of making, constructing and using their invention. Difficulties and significant burdens on other parties (whether or not they are parties to the action) will not diminish that right.

- **Injunctions have a significant impact and businesses – including non-parties to litigation – facing potential injunctions have an obligation to prepare:** this sentiment was echoed in both the Federal Court of Appeal’s (“FCA”) decision denying Arctic Cat a stay of the injunction and Justice Roy’s decision. At the FCA, the Court wrote that “much of the irreparable harm alleged by the appellants was self-inflicted and avoidable.” Given the amount of time available, “the appellants could have made some sort of contingency plan in case it lost the remand.”

  Justice Roy on this motion stated that “the difficulties are not with the terms of the injunction, but rather the effect the injunction has on Arctic Cat (“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

[Bombardier Recreational Products].”

An injunction is intended to be a powerful, far-reaching and serious remedy. Businesses potentially impacted by one should seek to establish contingency plans early on and begin talks with any non-parties in the supply chain that could also be impacted, as non-parties are not exempt from injunctions issued by the Court. Most issues arising from an injunction can be dealt with between the infringer and the affected non-parties.

Thus, the Court has sent the message that business inconveniences, uncertainties and risks associated with injunctions to parties and non-parties are to be expected, and should be prepared for. A party should move early to mitigate these risks, as the Court will not look sympathetically on a party seeking relief from such inconveniences – nor is it necessarily within the Court’s power to provide such relief.

Summary of the Decision

The Court had previously granted an injunction as a result of an infringement action brought by Bombardier. Arctic Cat (the infringer) sought a stay of the injunction pending an appeal of the underlying decision, which was denied. The Court of Appeal was not satisfied that irreparable harm was established and the balance of convenience favoured Bombardier.

Unsatisfied, Arctic Cat and a group of associated Canadian dealers who were not parties to the litigation brought two motions to the Federal Court to vary the injunction. Arctic Cat sought to vary/clarify the injunction under Rule 399(2), which permits the Court to set aside or vary an order, and the dealers sought to set aside or vary the injunction under Rule 399(1). Justice Roy dismissed both motions.

Arctic Cat sought to vary the injunction to make it clear that they were not enjoined from selling infringing products that were already “owned” by the dealers before the judgment (for example store display models), or infringing products that were pre-sold before the judgement. Arctic Cat argued that these infringing products should be subject to a reasonable royalty, not subject to the injunction. Bombardier argued that Arctic Cat was attempting to limit the scope of the injunction by carving out product that would otherwise be covered by the injunction, thereby depriving Bombardier of the full benefit of its patent.

Rule 399 provides an exception to vary an order of the Court. If there is specific, particularized evidence of significant,

unforeseen difficulty in following the terms of an injunction there will be room for variation of an injunction under Rule 399.

Arctic Cat took the position that certain snowmobiles – pre-sales and deliveries of display models – had been sold before the injunction took effect. The Court, however, found that the product had not yet been sold because the pre-sale products had not yet been built and the customer could be re-paid their deposit at anytime. Further, the display models had not yet found their way to consumers and had therefore not yet been sold. These products were therefore captured by the injunction.

The Court concluded that Arctic Cat failed “to bring itself within the window of rule 399(2)”. Arctic Cat did not persuade the Court that there was any unforeseen difficulty or ambiguity in the terms of the injunction that could cause real problems. Arctic Cat’s arguments amounted to attempts to limit the scope of a proper injunction.

The dealers affiliated with Arctic Cat also brought a motion under Rule 399(1). The dealers sought clarification/variance of the injunction, and to set aside the injunction. 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. The Court found that the dealers did not present anything new, and could not find any reason why the products identified by the dealers should be carved out of the injunction, and also dismissed the motion under Rule 399(1). The law is very clear that non-parties are bound by an injunction.

The dealers have appealed this motion.