

Intellectual Property**Spring past expiration date**By **Paula Frederick and Jacob Martin**

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(April 23, 2021, 12:25 PM EDT) -- A patent grants the holder the "right to stop others from making, using or selling [his/her] invention from the day the patent is granted to a maximum of 20 years after the day on which [the holder] filed [his/her] patent application" (Canadian Intellectual Property Office). As such, one may think that compensation for the infringement of a patent would be limited to the life of the patent. However, based on a number of court decisions, this is not the case.

In particular, in the recent Federal Court of Appeal Decision in *Nova Chemicals Corp. v. Dow Chemicals Co.* [2020] F.C.J. No. 928 released on Sept. 15, 2020, the court stated: "a key source of a patent's value is in its statutory monopoly period. If the infringer's post-expiry profits can be causally linked to its unauthorized invasion of this monopoly, then those profits should be disgorged." (para. 126).



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This is a two-part article. In this first part, we will describe the concept of springboard advantage and explain how springboard damages and profits are estimated. In part two of the article, we will examine cases involving springboard damages or profits and discuss how experts can assist in quantifying these amounts.

Springboard terminology

Compensation for patent infringement, which extends beyond the date of patent expiry, can be referred to by many different terms. In some cases, there is no differentiation between whether the compensation for patent infringement relates to the pre-patent or post-patent expiry period. For the purpose of this article, the following terms are used:

- "Springboard period" — the relevant period after the expiration of the patent for which damages or profits from infringement are quantified;
- "Springboard advantage" — the benefit or advantage that the infringer realizes when the patent expires as a result of entering the market before patent expiry;
- "Springboard damages" — the patent holder's lost profits after the expiry of the patent resulting from infringement in a damages quantification; and,
- "Springboard profits" — the infringer's profits after the expiry of the patent resulting from infringement in an accounting of the infringer's profits.

What does springboard mean?

The term "springboard" may invoke the image of a person jumping off of a diving board into a swimming pool but, in the context of litigation, it represents the benefit or advantage that an infringer may experience, after patent expiration, as a result of entering the market early (i.e., before patent expiration). Entering the market before patent expiration can have a number of advantages to the infringer, which are to the detriment of the patent holder and other possible competitors, including:

- getting necessary approvals and/or listings before patent expiry;
- sourcing raw materials and manufacturing product, or buying finished product, in commercial quantities before patent expiry;
- approaching customers and negotiating contracts before patent expiry; and,
- marketing their product before patent expiry.

Undertaking the above actions before patent expiration allows the infringer to ramp up its sales and gain market share prior to patent expiry, such that, when the patent expires, they are in a better position relative to the patent holder and potential competitors than they otherwise would have been had they not infringed. This chart illustrates this advantage.

The length of the springboard period and magnitude of springboard damages or springboard profits depends on the relevant industry and parties involved. For example, if the patent holder's brand name or customer contracts would have been more entrenched when the patent expired, it may have taken longer for the infringer to take market share away from the patent holder once the patent expired had they not infringed the patent by entering the market early. Therefore, a longer springboard period would apply and the springboard damages or springboard profits would be greater.

Springboard damages versus springboard profits

The concept of a springboard advantage can apply equally if a patent holder elects to be compensated by way of its damages (i.e., lost profits) or by disgorgement of the infringer's profits (i.e., accounting of profits).

In quantifying springboard damages, one must estimate the profits of the patent holder had the patent not been infringed (the "but-for world") and deduct the patent holder's actual profits when the patent was infringed (the "real world"). In quantifying springboard profits, one must calculate the actual profits of the infringer and deduct the infringer's estimated profits had the infringer not entered the market early (i.e. a "non-infringing baseline") (*Dow*, para. 131).

The key difference, however, is that, in a quantification of springboard damages, the relevant profits, or lost profits, are those of the patent holder, while in a quantification of springboard profits, the relevant profits are those of the infringer.

As indicated above, part two of this article will examine cases involving springboard damages or springboard profits and discuss how experts can assist in quantifying these amounts.

This is part one of a two-part article.

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