

Federal Court of Appeal



Cour d'appel fédérale

Date: 20150714

Docket: A-236-14

Citation: 2015 FCA 163

**CORAM: RYER J.A.
WEBB J.A.
NEAR J.A.**

BETWEEN:

**E. MISHAN & SONS, INC. and BLUE
GENTIAN, LLC**

Appellants

and

**SUPERTEK CANADA INC.,
INTERNATIONAL EDGE, INC. and
TELEBRANDS CORP.**

Respondents

Heard at Toronto, Ontario, on February 17, 2015.

Judgment delivered at Ottawa, Ontario, on July 14, 2015.

REASONS FOR JUDGMENT BY:

WEBB J.A.

CONCURRED IN BY:

**RYER J.A.
NEAR J.A.**

Federal Court of Appeal



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REASONS FOR JUDGMENT

WEBB J.A.

[1] This is an appeal from the decision of Hughes J. dated April 7, 2014 (2014 FC 326, [2014] F.C.J. No. 345). The Federal Court Judge found that claims 1, 15, 28 and 42 of Canadian Patent No. 2,779,882 (the 882 Patent) are invalid for obviousness. The 882 Patent is related to an

expandable and contractible water hose. The Appellants appeal the finding that claim 15 is obvious. For the reasons that follow I would dismiss this appeal.

Background

[2] Michael Berardi is the named inventor of the 882 Patent. Mr. Berardi is in the business of making infomercials for television where various products are promoted for sale. In 2011, the owners of a patent for an expandable and contractible hose (called the “Micro Hose”) approached Mr. Berardi to enquire about his interest in being a promoter or possibly a financier of this product. The Micro Hose used a coiled spring wrapped around the hose to contract the hose when there was no water pressure but which would allow the hose to expand when it was pressurized. Mr. Berardi determined that the Micro Hose would be too expensive to make for the infomercial market.

[3] Mr. Berardi then started to work on other ways to construct a lightweight, expandable and contractible garden hose. He eventually settled upon a hose that has two sets of tubing – an elastic inner tubing that expands when there is water pressure inside this tube and a second outer covering that is not elastic and which allows the inner tube to expand longitudinally but restricts the lateral expansion of the inner tube. Water pressure is increased inside the hose by attaching a flow restrictor to an end of the hose. When water flows into one end of the hose and is restricted from exiting the other end, the hose expands longitudinally. When there is no longer any water under pressure inside the hose, it contracts to its original length.

[4] Mr. Berardi's hose has been successfully marketed and sold under the name "XHose". The Respondents have also successfully marketed and sold a similar hose under the name "Pocket Hose". The Federal Court Judge found that the Pocket Hose would infringe the relevant claims of the 882 Patent if these claims are valid, and this finding of infringement has not been appealed.

[5] The parties to this appeal are involved in litigation in several countries including Australia, France, the United Kingdom and the United States. While the parties referred to the decisions rendered in Australia and the United Kingdom, neither party referred to any decision made by any court in France or the United States.

[6] With respect to the decisions rendered by the courts in Australia and the United Kingdom, the following statement made by Middleton J. of the Federal Court of Australia in *Blue Gentian LLC v. Product Management Group Pty Ltd.* [2014] FCA 1331, in relation to the foreign jurisdiction decisions that were cited in that case, is pertinent:

241 I must assess the validity of the Patents and whether or not they were infringed, making that decision on the evidence and statutory context before this Court. The issues, evidence and statutory context were different in the proceedings which occurred in Canada and the United Kingdom.

[7] Just as the case before the Court in Australia was to be decided based on the evidence presented to that Court and the applicable law of Australia, the decision of the Federal Court Judge was to have been made based on the evidence presented in the proceeding before him and the applicable law of Canada. Therefore, the decisions rendered in Australia and the United Kingdom are of little assistance in this appeal.

Decision of the Federal Court

[8] The Federal Court Judge identified the notional Person Skilled in the Art (Skilled Person) in paragraph 80 of his reasons:

80 The Person Skilled in the Art I define as follows:

A person such as an engineer or technician with experience in the manufacture and/or supply and/or use of hoses for various types of fluids. This person would have at least a basic knowledge of fluid mechanics and materials science as they relate to hoses and how hoses generally work to convey fluids from one place to another.

[9] Neither party has challenged this description of the Skilled Person. The Federal Court Judge acknowledged at paragraph 81 of his reasons that he was to address the issue of obviousness through the eyes of this Skilled Person.

[10] The Federal Court Judge included the US patent 6,523,539 entitled “Self-Elongating Oxygen Hose for Stowable Aviation Crew Oxygen Mask” (the McDonald Patent) as part of the relevant prior art. This patent is for an oxygen gas hose that would expand longitudinally when pressurized. The patent indicates that there is an “elastomeric inner tube” and an “exterior sheath formed of woven or braided material which in use restricts the radial expansion of the inner tube upon pressurization thereof”.

[11] The Federal Court Judge noted that he had evidence that the Skilled Person would have found the McDonald Patent. His finding of obviousness is summarized in the following paragraphs:

143 I am satisfied that the skilled person would readily find and adapt the McDonald patent hose for use as a water hose such as a garden hose. That water hose would have a flexible inner tube and a constraining outer tube. The tubes would be connected only at the ends. One end would have a connector for a pressure source such as water; the other would have a restrictor. This adaptation would be, in my opinion, readily accomplished by the person skilled in the art.

144 There are a number of secondary factors that have been raised. There was motivation to create a simple, inexpensive garden hose that could be promoted in the direct retail market by television advertising and the like. It was a commercial success. But motivation and success alone do not mean that there was, in the objective sense, an invention. Khubani testified to that when he referred to items such as amber sunglasses and dust mops that had been available for years but were great successes in the direct retail environment.

145 I find that the claims at issue, 1, 15, 28 and 42 were obvious having regard to the state of the art and, in particular, the McDonald patent.

Test for Obviousness

[12] In *Apotex Inc. v. Sanofi-Synthelabo Canada Inc.*, 2008 SCC 61, [2008] 3 S.C.R. 265, [Sanofi] the Supreme Court of Canada stated that:

67 It will be useful in an obviousness inquiry to follow the four-step approach first outlined by Oliver L.J. in *Windsurfing International Inc. v. Tabur Marine (Great Britain) Ltd.*, [1985] R.P.C. 59 (C.A.). This approach should bring better structure to the obviousness inquiry and more objectivity and clarity to the analysis. The *Windsurfing* approach was recently updated by Jacob L.J. in *Pozzoli SPA v. BDMO SA*, [2007] F.S.R. 37 (p. 872), [2007] EWCA Civ 588, [Pozzoli] at para. 23:

In the result I would restate the *Windsurfing* questions thus:

- (1) (a) Identify the notional “person skilled in the art”;
- (b) Identify the relevant common general knowledge of that person;
- (2) Identify the inventive concept of the claim in question or if that cannot readily be done, construe it;
- (3) 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 or the claim as construed;

(4) Viewed without any knowledge of the alleged invention as claimed, do those differences constitute steps which would have been obvious to the person skilled in the art or do they require any degree of invention?

(emphasis in original)

[13] In paragraph 129 of his reasons, the Federal Court Judge stated that:

129 In determining obviousness the Court must:

- a) Identify the [notional] person skilled in the art;
- b) Identify the relevant common general knowledge and prior art forming the state of the art;
- c) Identify the inventive concept of the claims at issue;
- d) Identify what, if any, differences exist between the state of the art and the inventive concept;
- e) With respect to those differences was a degree of inventiveness required to arrive at the claimed inventor, questions may be asked such as:
 - Was it more or less self evident?
 - What effort, routine or not, was required?
 - What motive was there to find a solution?

[14] The only error that the Appellants allege that the Federal Court Judge made in his statement of the approach to be followed to determine obviousness is that step d) should have read:

d) Identify what, if any, differences exist between the state of the art and the inventive concept of the claims at issue;

[15] Since the only other reference to “inventive concept” is in the immediately preceding paragraph and this reference is modified by “of the claims at issue”, the inventive concept referred to in step d) would be the same inventive concept as referred to in step c) – the inventive concept of the claims at issue. Therefore, I do not agree that the Federal Court Judge committed any error by not repeating the words “of the claims at issue” in step d).

Issues

[16] The Appellants submit that the Federal Court Judge erred by:

- including the McDonald Patent as part of the relevant prior art; and
- determining that claim 15 was obvious.

Standards of Review

[17] The standards of review applicable in this appeal are as set out in *Housen v. Nikolaisen*, [2002] 2 S.C.R. 235, 2002 SCC 33. The standard of review is correctness for questions of law. Findings of fact (including inferences of fact) will stand unless it is established that the Federal Court Judge made a palpable and overriding error. For questions of mixed fact and law, the standard of correctness will apply to any extricable question of law and otherwise the standard of palpable and overriding error will apply. An error is palpable if it is readily apparent and it is overriding if it would change the result.

Is the McDonald Patent part of the relevant prior art?

[18] The Appellants submit that the McDonald Patent was not prior art forming the state of the art. The Appellants note in their memorandum that the Federal Court Judge stated in paragraph 91 that:

91 In brief, McDonald was not only findable but found by those interested in expandable hoses. There is no evidence to the contrary.

[19] The Appellants submit that the test for determining what documents are to be included as part of the relevant prior art is not based on whether a particular document was “findable” and, in particular, the fact that it was found by the lawyer for the Respondents should not lead to a conclusion that it would have been found by the Skilled Person.

[20] In *Apotex Inc. v. Sanofi-Aventis*, 2011 FC 1486, [2011] F.C.J. No. 1813, Boivin J. (as he then was) stated that:

603 [...] the prior art must have been publicly available as of the [relevant] date [...] - and it must further be locatable through a reasonably diligent search. The burden is on the party relying upon the prior art to establish that it could be found in a reasonably diligent search (*Janssen-Ortho Inc. v. Novopharm Ltd.*, 2006 FC 1234, 57 CPR (4th) 6), in this case, Apotex.

(emphasis added)

[21] While this Court disagreed with the conclusion of Boivin J. on obviousness, there was no disagreement expressed in relation to the test for determining what documents would be included as part of the relevant prior art (2013 FCA 186, [2013] F.C.J. No. 856, at paragraph 77). None of the parties in this appeal made any submissions in relation to whether section 28.3 of the *Patent Act*, R.S.C., 1985, c. P-4 changed the test for determining what documents would be included as part of the relevant prior art. Presumably any submissions based on this section would be that the scope of documents that would be included is broader and would include any information that became available to the public and not just restricted to documents that could be found by conducting a reasonably diligent search. In this case, since I have concluded that based on the test as described above, the Federal Court Judge did not err by including the McDonald Patent as part of the state of the art, there is no need to address the issue of whether section 28.3 of the *Patent Act* has changed this test.

[22] The relevant prior art, based on the test as described above, will therefore include any document that the Skilled Person would locate by conducting a reasonably diligent search. In this case, the Skilled Person is “[a] *person such as an engineer or technician with experience in the manufacture and/or supply and/or use of hoses for various types of fluids*”. The Skilled Person is not restricted to a person who only has experience with garden hoses nor is such person restricted to a person who only has experience with hoses used to convey water.

[23] The finding of the Federal Court Judge that the Skilled Person would have located the McDonald Patent if such person would have conducted a reasonably diligent search is a finding of fact or mixed fact and law that will stand absent a palpable and overriding error. While the Appellants indicate that there are certain facts related to the failure of Mr. Berardi and others to locate the McDonald Patent that would support the opposite finding, this would require this Court to reweigh the evidence as there was evidence that the McDonald Patent could have been found by the Skilled Person, who, as noted above, is a person with experience related to hoses and fluids, not just garden hoses. The relevant question to be determined by the Federal Court Judge was whether, based on the evidence as presented, the Skilled Person would have found the McDonald Patent by conducting a reasonably diligent search.

[24] In *Eli Lilly and Co. v. Apotex Inc.*, 2010 FCA 240, [2010] F.C.J. No. 1199, Evans J.A. stated that:

8 Lilly effectively invited us to reweigh the evidence and to draw our own inferences from it, particularly the fact that the Drug Master File (DMF) filed with Health Canada, as well as regulatory filings with the United States' Food and Drug Administration, showed that Lupin was using an infringing process in the manufacture of the intermediate. This is an invitation that an appellate court

should not accept. To do otherwise would usurp the role of the trial judge and unnecessarily burden public and private resources alike.

[25] It is not the role of this Court to reweigh the evidence. As a result, I would not interfere with the finding of the Federal Court Judge that the relevant prior art included the McDonald Patent.

Finding of Obviousness

[26] The Appellants argue that the Federal Court Judge did not follow the steps for determining obviousness as set out by the Supreme Court of Canada in *Sanofi*. The Appellants submit that the Federal Court Judge did not identify the inventive concept of claim 15 and that when he compared the McDonald Patent to claim 15 of the 882 Patent he did not correctly apply the fourth step of the test as set out in *Sanofi*. According to the Appellants, since the Federal Court Judge referred to the 882 Patent he did not conduct this step of the obviousness analysis “without any knowledge of the alleged invention as claimed”.

[27] The Federal Court Judge acknowledged in his statement of the test for obviousness (paragraph 129 of his reasons) that identification of the inventive concept of the claims in issue is one of the steps in this analysis. Although the Federal Court Judge in his reasons did not explicitly identify the inventive concept of the claims in issue, in my view, a fair reading of his reasons indicates that he had the inventive concept in mind when he was determining whether the claims in issue before him were obvious.

[28] The Federal Court Judge, in paragraph 137 of his reasons, identified certain differences between the McDonald Patent and the claims of the 882 Patent that were in issue:

137 The differences between what is described in the McDonald patent and the '882 patent include:

The hose in the McDonald patent is intended to be used in conjunction with an auxiliary oxygen supply unit in an aircraft; the '882 patent hose is used to convey water such as in a garden hose.

The McDonald hose conveys oxygen or air, the '882 patent describes the conveyance of fluid, including gases such as air, but claims only water.

The McDonald hose has a regulator and a gas mask affixed to the free end, the '882 patent claims a restrictor.

[29] There is no reference in this paragraph to the two tube design which allows the inner tube to expand longitudinally while the lateral expansion of the inner tube is constrained by an outer inelastic tube because the Federal Court Judge is describing the differences between the McDonald Patent and the claims of the 882 Patent. Since this feature is common to both the McDonald Patent and claim 1 of the 882 Patent, this feature is not a difference.

[30] The Appellants emphasize that the particular claim under appeal is claim 15. This claim reads as follows:

Claim 15. The water hose of any of claims 1 to 14 wherein said hose is a garden hose.

[31] Claim 15 is dependent on claim 1. Therefore, to determine what is being claimed under claim 15, it is necessary to read claim 1. Claim 1 describes the two tube design for a water hose, although the outer tube is described as one made of "fabric material".

[32] In both paragraphs 137 (where the Federal Court Judge described the key differences) and 143 (where he stated his conclusion on obviousness) the Federal Court Judge referred specifically to a garden hose. Therefore, in my view, the Federal Court Judge did turn his mind to whether the inventive concept of claim 15 (a water hose described in claim 1 which is used as a garden hose) was obvious.

[33] The Appellants also allege in their memorandum that there were other differences between the McDonald Patent and the 882 Patent. They state that:

77 Among other things, the McDonald Patent used an air regulator integrated into the face mask of the apparatus. Such an air regulator is not affixed to the free end of the hose, as suggested by the trial judge, and is not the same as a water flow restrictor coupled to the garden hose as claimed in the Berardi patent. As admitted by the respondents' expert Dr. Haubert "nowhere in the McDonald patent does it suggest that this invention can be used anywhere else than ... at the cockpit of an airplane." In addition, the respondents' expert, Dr. Haubert admitted that McDonald does not teach when the pressure is applied to the hose, what causes the initiation of the flow of oxygen and the diameter of the hose is "much smaller". These are admitted failings of the teachings and disclosure of the McDonald patent.

[34] Whether these differences are significant is a question of fact or mixed fact and law. Since the Federal Court Judge did not specifically address these differences, the conclusion that I would draw is that he did not consider these differences to be variations that would change his determination that the claims in issue in the 882 Patent were obvious. I am not persuaded that he committed a palpable and overriding error in doing so.

[35] The Appellants submit that the Federal Court Judge committed an error in paragraph 137 of his reasons because he used his knowledge of the 882 Patent to identify the differences

between what is claimed in this patent and the McDonald patent and to determine that the differences were obvious, contrary to the fourth step of the *Sanofi* test.

[36] In applying the fourth step of the *Sanofi* test, in my view, the requirement that this step be completed “without any knowledge of the alleged invention as claimed” does not mean that the differences that were identified in step 3 would be forgotten for step 4. These differences are an essential part of step 4. Without knowing the differences between the relevant prior art and the inventive concept, step 4 could not be completed. The differences are based on the inventive concept of the claims in issue and the relevant prior art and, therefore, are determined based on some knowledge of what is claimed in the patent in issue. Therefore, some knowledge of the alleged invention will be reflected in the differences that are analyzed in applying step 4 of the *Sanofi* test. Accordingly, I am not convinced that the Federal Court Judge misapplied this fourth step of the *Sanofi* test.

[37] The Appellants also allege that the Federal Court Judge erred by referring to the description of the 882 Patent and not just the claims in issue in conducting his obviousness analysis. This argument is based on the following comments made in paragraph 138 of his reasons:

138 These differences become almost irrelevant when reading the description of the '882 patent which I have already reviewed in detail earlier. The '882 patent description tells the reader that the hose can convey “fluid” including water, gases and even flowable solids. The '882 patent also says that “*anything that restricts the flow of fluid within the hose can be employed*” as a restrictor.

(emphasis in original)

[38] This paragraph, in my view, does not lead to the conclusion that the Federal Court Judge's determination of the relevant differences between what is claimed in the 882 Patent and the McDonald Patent, for the purposes of his obviousness analysis, were based on the description of the 882 Patent. The differences that he considered were described in paragraph 137 of his reasons and the Federal Court Judge acknowledged that the claims of the 882 Patent are restricted to water.

[39] The Appellants argue that the Federal Court Judge used hindsight in making his determination that the adaptations that would have to be made to use the hose described in the McDonald Patent as a garden hose were obvious. The Appellants submit that the Respondents' expert, Dr. Haubert, upon whom the Federal Court Judge relied, knew about the 882 Patent. They also allege that since Dr. Haubert made certain admissions during his cross-examination about his own mental abilities, his opinions on whether the adaptations required to use the hose described in the McDonald Patent as a water hose would be obvious to the Skilled Person should not have been accepted by the Federal Court Judge as the Skilled Person is to be a "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" (*Beloit Canada Ltd. v. Valmet OY*, [1986] F.C.J. No. 87, 8 C.P.R. (3d) 289 at 294 (FCA)).

[40] The Federal Court Judge in paragraph 139 of his reasons indicated why he did not accept the evidence of the Appellants' expert (Kuutti) and in paragraph 140 indicated that he preferred the evidence of Dr. Haubert in relation to the issue of obviousness. He then set out certain

excerpts from Dr. Haubert's testimony. In this appeal, the Appellants are essentially asking this Court to reweigh the evidence and reach a different factual conclusion in relation to obviousness.

[41] In *H.L. v. Canada*, 2005 SCC 25, [2005] 1 S.C.R. 301, Fish J. writing on behalf of the majority of the Supreme Court of Canada noted that:

74 I would explain the matter this way. Not infrequently, different inferences may reasonably be drawn from facts found by the trial judge to have been directly proven. Appellate scrutiny determines whether inferences drawn by the judge are "reasonably supported by the evidence". If they are, the reviewing court cannot reweigh the evidence by substituting, for the reasonable inference preferred by the trial judge, an equally - or even more - persuasive inference of its own. This fundamental rule is, once again, entirely consistent with both the majority and the minority reasons in *Housen*.

[42] There was evidence to support the inference drawn by the Federal Court Judge that the differences between the McDonald Patent and what was claimed in the 882 Patent were obvious to the Skilled Person. It is not the role of this Court to reweigh the evidence and substitute our own inference to be drawn from the evidence. Since there was evidence to reasonably support the inference drawn by the Federal Court Judge, I would not interfere with this finding.

Additional Arguments

[43] The Respondents also argued that claim 1 (and by extension claim 15) was overly broad and that the Federal Court Judge erred in not making this finding. Since I would dismiss the appeal, it is not necessary to address this argument. It is also not necessary to address the appeal related to the finding by the Federal Court Judge that the action must be dismissed against International Edge, Inc., in any event, based on his finding that the elements of inducement of infringement were not established in relation to this party.

Conclusion / Proposed Disposition

[44] I would dismiss the appeal, with costs.

“Wyman W. Webb”

J.A.

“I agree

C. Michael Ryer J.A.”

“I agree

D. G. Near J.A.”

FEDERAL COURT OF APPEAL

NAMES OF COUNSEL AND SOLICITORS OF RECORD

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NEAR J.A.

DATED: JULY 14, 2015

APPEARANCES:

Ronald E. Dimock
Alan Macek

FOR THE APPELLANTS

Andrew I. McIntosh
Adam Bobker

FOR THE RESPONDENTS

SOLICITORS OF RECORD:

Dimock Stratton LLP
Toronto, Ontario

FOR THE APPELLANTS

Bereskin & Parr LLP
Barristers and Solicitors
Toronto, Ontario

FOR THE RESPONDENTS