THE BELOIT-VALMET SAGA CONTINUES

by
Hugues G. Richard
LEGER ROBIC RICHARD, Lawyers
ROBIC, Patent & Trademark Agents
Centre CDP Capital
1001 Square-Victoria - Bloc E – 8th Floor
Montreal, Quebec, Canada H2Z 2B7
Tel.: (514) 987 6242 - Fax: (514) 845 7874
www.robic.ca - info@robic.com

The facts of the cases involving Beloit and Valmet are complicated and the parties to these cases numerous. For the purposes of this article, the facts will be restricted to their minimum and the parties involved will not all be identified. Essentially, Beloit is trying to enforce its patent rights for the Tri-Nip press section, a press for machines used in the paper making industry.

The saga started in 1976 when Beloit commenced an action against Valmet Oy for impeachment of Valmet's patent who in turn counterclaimed for infringement of its patent relating to the same invention. When Beloit's patent was issued, the Statement of Claim was amended to add conclusions for infringement of its patent. In the trial judgment, issued February 20, 1984, Mr. Justice Walsh found both patents invalid on the grounds of obviousness and anticipation (Beloit Canada Ltd. & al. v. Valmet Oy (1984), 78, C.P.R. (2d) (FCTD)).

The trial judgment was set aside by the Federal Court of Appeal on February 10, 1986 (Beloit Canada v. Valmet Oy, (1986) 8 C.P.R. (3d) 289). It rejected the arguments of obviousness and anticipation and upheld the validity of the Beloit patent.

Beloit, on June 11, 1986, instituted against Valmet and its Canadian subsidiary contempt of court proceedings. At trial, both Valmet and its Canadian subsidiary were found in contempt and fined $750,000.00 and $500,000.00 respectively (Beloit Canada Ltd. v. Valmet Oy (1986) 11 C.P.R. (3d) 470). This finding was overturned by the Court of Appeal in a decision handed down February 1, 1988 (Valmet Oy & Al. v. Valmet Canada Ltd. (1988) 20 C.P.R. (3d) 1). In parallel to all of this, the question of profits resulting from the patent infringement was being dealt with by way of reference, between Beloit and Valmet.

On June 4, 1986 in action No T-1268-86, Valmet's Canadian subsidiary filed a Statement of Claim against Beloit to impeach the validity of the Beloit patent

on the basis of prior art and prior publication. Beloit, subsequently initiated its own claim against Valmet's Canadian subsidiary in case number T-1450-86 filed June 24, 1986. It sought a declaration that the claims of their patent were valid and infringed, an injunction, damages or an accounting of profits. It argued that Valmet's Canadian sub was estopped by reason of res judicata and abuse of process from asserting the invalidity of its patent or denying infringement, since it was a privy of Valmet, against whom Beloit had, in an earlier action, obtained a declaration of validity and injunction restraining its infringement of the patent issued.

Mr. Justice Rouleau on November 17, 1989 found that Beloit's infringement action against Valmet's Canadian subsidiary was ill-founded and that the impeachment action by Valmet's Canadian subsidiary and counterclaims against Beloit were well founded. He further declared that Canadian patent No 1,020,383 was void and the same was thereby cancelled and set aside, this judgment is now under appeal.

One of the grounds of attack by Valmet's Canadian subsidiary was based on prior art, relating primarily to work performed on a research machine located in West Germany. It was also based on the publication of a paper prior to November 26, 1971, which is two years prior to the application date of the Canadian patent. It was argued that the contents of this paper was a "sufficient" anticipation of the Beloit invention since the essential elements contained in the claims of the Beloit patent were revealed therein. Any differences between the two were said to be obvious and did not involve any inventive ingenuity. Valmet's Canadian subsidiary asserted that pursuant to section 34 of the Patent Act, the claims of the Beloit patent did not clearly state the invention and therefore was invalid.

Beloit aside from the res judicata and abuse of process arguments, submitted, inter alia, that Valmet's Canadian subsidiary had a very heavy onus to meet in light of the Court of Appeal judgment upholding the validity of the Beloit patent and rejecting the argument based on prior publication.

The context of the present article does not allow us to analyse the reasons for judgment, it is however interesting to note that at the outset of his judgment, Mr. Justice Rouleau wrote that pursuant to sections 60 and 62 of the Patent Act, such a finding (invalidity of the patent) would be good against the whole world... One obvious question arises: is Valmet part of the whole world and if so, can it be the only person in the whole world having to respect an invalid patent and can it be forced to pay profits for having "infringed" an invalid patent. These questions are at the moment unanswered. They should however have to be answered if the judgment of Mr. Justice Rouleau is maintained in a final appeal.

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