March 15, 2017

ARTICLE

Intellectual Property Weekly Abstracts Bulletin — Week of March 13, 2017

Patent Decisions

Summary Judgment Motion in S. 8 Case Dismissed

Apotex Inc. v Abbott Laboratories, Limited, 2017 ONSC 1348

Drug: lansoprazole

In this case, Abbott and Takeda brought a summary judgment motion as against Apotex, to dismiss the s. 8 proceeding in its entirety. As a preliminary matter, the Court held that the issues raised in the Applicant's factum were not enumerated in their Notice of Motion. The motion was restricted to the elements in the questions as originally posed: "(i) that Apotex' submission did not comply with the *FDA* or *FDA Regulations* when it was filed, and it was not compliant as of April 2007; and (ii) in the absence of the NOC Regulations, the *FDA* and *FDA Regulations* did not permit an Apo-lansoprazole NOC to be issued in April 2007. Therefore, no NOC could or would have issued to Apotex at that time in the absence of the NOC Regulations." (para 48)

The Court enumerated the law that applied to summary judgment motions in Ontario. It then considered the evidence. In this case, Apotex had received a Patent Hold letter. It then received correspondence revoking that letter and indicating that Apotex' Apo-lansoprazole product was no longer considered approvable. Additional bioequivalence studies, using different diet conditions, were needed. When those were submitted, bioequivalence was not demonstrated. The matter was referred to the Scientific Committee on Bioavailability and Bioequivalence, which recommended against approval. Health Canada issued a NON-W. Apotex used Health Canada's Reconsideration Process, which resulted in a finding that Apo-lansoprazole was cleared for sale. After the expert panel's recommendations, Health Canada spent another month reviewing the product and recommending descriptive changes to the usage circular and descriptions of the product. An NOC was then issued. The Court emphasized that this was the exact same product that had received the original Patent Hold letter.

The evidence before the Court was that an NOC would have issued at the first Patent Hold letter, but for the NOC Regulations. Furthermore, Health Canada's subsequent actions in relation to the request for further studies, would not have resulted in the revocation of that NOC. The Court made a finding that the issuance of the Patent Hold letter "definitively establishes that a NOC for the generic product not only *could* have, but *would* have been issued on April 17 or 18, 2007" but for the litigation under the NOC Regulations. The Court also stated that it was not persuaded that Apo-lansoprazole was not legally approvable as of that time. The Court held that the Applicant's position on the summary judgment motion was without factual or legal foundation or merit.

The Court also considered the Applicants' arguments that the FCA's decision in *Apotex v. Canada (Health)*, 2012 FCA 322 [*Omeprazole FCA*] should apply in this situation. However, the Court distinguished the statements by the FCA as arising in a different contextual circumstance. The question of whether a generic is entitled to s. 8 damages is entirely separate from whether the Minister's decisions arising out of the drug approvals process may be challenged. A patentee does not have standing to impugn decisions made under the *FDA Regulations*. The Court further distinguished *Omeprazole FCA* on its facts.

Thus, the Court dismissed the motion for summary judgment. The Court further held that its findings were applicable on the merits. The Court held that the facts of the case plainly establish that Apotex has a s. 8 claim, and the question is about quantum. In addition, the Court held that due to its findings with respect to *Omeprazole FCA*, the Applicants will not be permitted to revisit avenues relating to the conduct of Health Canada. The Court appointed himself trial judge and narrowed the questions for trial.

Copyright Decisions

Go Cyber Shopping ordered to stop its activities and pay a $12.7 Million award for selling game copiers and mod chips for Nintendo game systems

Nintendo of America Inc. v. King, 2017 FC 246

Nintendo has been awarded an injunction, $11,760,000 in statutory damages and $1,000,000 in punitive damages for the trafficking of infringing devices that were alleged to allow the use of pirated games in Nintendo DS, 3DS and Wii video game consoles. These devices included mod chips and game copiers designed for use with downloaded ROMs.

The following was ordered against the Respondent Go Cyber Shopping (2005) Ltd. The individual respondent had reached a settlement agreement on all issues, including liability and quantum of damages, before the end of the hearing.

The Court found copyright in the Header Data for each of the three game systems, as well as the video games themselves. The Defendant was said to provide the directions on how to copy or download the Header Data if it was not already provided with the device. This was found to be either primary or secondary infringement of the copyright held by Nintendo.

The Court considered what is meant by the definition of a Technological Protection Measure in the *Copyright Act*, and held that access control TPMs do not need to employ any barrier to copying in order to be effective. Therefore, the physical configuration of Nintendo's game cartridges, including the shape of the card and the arrangement of the electrical pins, was held to be a TPM. The boot up security checks, encryption/scrambling, format and Wii Copy Protection Codes were also held to be TPMs.

The Court disregarded arguments seeking to narrow the meaning of "circumvent" when applied to TPMs, and held that the game copiers circumvent the physical configuration TPM. The game copiers were also found to circumvent the boot up security check TPM and the encryption/scrambling TPM. The Wii TPM was found to be circumvented by the use of mod chips.

The Respondent raised a "homebrew" affirmative defence, arguing for the interoperability of computer programs and the potential availability of homebrew software. The Court held that the primary purpose of the Respondent's devices is to play pirated copies of Nintendo games, and that the Respondent did not meet its burden of establishing the exemption.

The Court awarded the maximum of $20,000 in statutory damages per work, which was found to be 585 Nintendo games and the three header data works. In doing so, the Court noted that actual infringement of copyright is not necessary for an award of statutory damages for TPM circumvention. It was also held that the damages would not be assessed per TPM circumvented, but rather per work infringed.

Punitive damages were also awarded, to reflect the objectives of retribution, deterrence, and denunciation. The Court held that the Respondent knowingly and deliberately sold circumvention devices, promoted such activities to its customers, had done so for years and operated under a misleading unregistered business name. The evidence also suggested plans to expand to Nintendo's next generation of game consoles.

Damages of $52,527.07 for breach of copyright where licence conditional on payment of fees did not pass to respondent through foreclosure proceedings

Ankenman Associates Architects Inc. v. 0981478 B.C. Ltd., 2017 BCSC 333

In this petition, the Supreme Court of British Columbia found the corporate respondent liable for damages for breach of copyright based on the unauthorized use of architectural plans and drawings in respect of an apartment development.

The petitioner, a small architectural firm, had originally prepared the plans for Murray's Walk Development Ltd ("MWDL"), a developer who later went bankrupt and failed to pay all of the petitioner's fees. MWDL's property, including the lands and the plans for the project, was sold to the corporate respondent, a second developer, in the course of foreclosure proceedings.

There was no dispute as to the ownership of copyright in the plans. Rather, at issue was whether the corporate respondent had acquired MWDL's right to use the plans by virtue of having purchased all of MWDL's property in the foreclosure proceedings.

The Court concluded that the consent given to MWDL for the use of the drawings was conditional on payment of the petitioner's fees in full. The licence ended when payment was not provided. The Court found that the terminated licence was not capable of being transferred to the respondents, who as a result used the drawings without consent. The Court noted that even if the licence did transfer to the respondents, the petitioner revoked its consent or alternatively, the licence was conditional on payment in full which was never provided. In either case, the respondents would have used the drawings without consent.

The Court disagreed with the respondents claim that the petitioner was estopped, by issue estoppel or cause of action estoppel, from seeking the relief sought in this petition because it was a respondent to the foreclosure proceedings but decided not to object to the relief sought at that time. The Court found that the issue raised in these proceedings was not addressed in the foreclosure proceedings.

The Court noted that there was no clearly established practice on how to assess damages in this context. The Court awarded in the amount the corporate respondent would have been required to pay the petitioner in order for individual respondent to provide services based on the drawings. The Court concluded that damages should not be awarded against the individual respondent, finding that he was in a difficult position and appears to have acted in good faith.

Trademarks Decisions

Court pierces corporate veil where Third Party used for the improper purpose of thwarting Default Judgment

Asics Corporation v. 9153-2267 Québec Inc., 2017 FC 257

The Court dismissed the corporate Third Party's motion opposing the execution of a Writ of Seizure and Sale and seeking various other types of relief. The Plaintiff opposed the motion on the basis that the Third Party is being used by Joseph Nassar and Jean-Pierre Nassar (the "Two Individuals") for the improper purpose of thwarting a Default Judgment issued against the Defendant, after it was found to have infringed the Plaintiff's rights in certain trademarks.

The Writ was executed at two locations formerly used by the Defendant to sell its products, and now used by the Third Party to sell similar products. The Third Party sought to nullify and set aside the seizure, on the basis that it legitimately owns the goods that were seized and it is not a party named in the Writ. The Third Party submitted that the onus was upon the Plaintiff to meet the strict test for lifting the corporate veil, to permit the Plaintiff to execute the Default Judgment against the seized goods and the Third Party.

The Plaintiff submitted that the Third Party is under the complete control of the two Individuals, and was incorporated for the sole purpose of evading the Default Judgment, and therefore, the Third Party's corporate veil should be pierced. The Court agreed and concluded that the Plaintiff had met the strict test for lifting the corporate veil to permit the Plaintiff to execute the Default Judgment against the Third Party. The Court found that the evidence established on a balance of probabilities that the Third Party is the "*alter ego* of its principals, Joseph Nassar and Jean-Pierre Nassar". The evidence also established, *inter alia*, that the business was transferred from the Defendant to the Third Party for the dishonest and improper purpose of evading the Default Judgment, and potentially other judgments, issued against the Defendant by this Court.

Damages in the amount of $8,500 for passing off as a Dairy Queen franchise for a period of less than one month

Dairy Queen Canada, Inc. v. M.Y. Sundae Inc., 2017 BCSC 358

In this summary trial, the Court dealt with various issues relating to the termination of a Dairy Queen franchise agreement, including the Plaintiff's claim for damages based on the tort of passing off.

The Defendants had purchased the restaurant conducting business in the name of the DQ Grill & Chill and had agreed to be bound by the terms and conditions of the franchise agreement with Dairy Queen Canada, Inc., the Plaintiff. Ultimately, the working relationship between the Plaintiff and the Defendants broke down. In August 2013, the parties executed a Mutual Cancellation and Release. The Release suspended termination of the franchise agreement until February 1, 2014, allowing, *inter alia* , the Defendants an opportunity to sell their business and recoup their investment. In January 2014, the Defendants were advised that they were not operating in accordance with the terms of the Cancellation and Release and were told that the Plaintiff was "accelerating" the Agreement's termination date to January 8, 2014, in accordance with its terms. The Defendants conceded that they continued to operate the DQ Grill & Chill until April 8, 2014; that they sold products representative of a Dairy Queen franchise while doing so; and, that the premises were identified as a Dairy Queen.

On the issue of passing off, t he Defendants acknowledged that the Plaintiff had established the first element of the tort of passing off, namely, the existence of "goodwill". The Court was also satisfied that the second and third elements of the tort had been made out.

On the second element, the evidence established that the Defendants presented themselves as a Dairy Queen franchise between January 8, 2014, when the Plaintiff terminated the Agreement, and April 8, 2014, when the Dairy Queen signage was removed from the premises.

On the third element of the tort, namely damages, the Court accepted that the Defendants' conduct interfered with the Plaintiff's goodwill and drew an inference of damages as a result. However, the Court determined that the period for assessing damages for passing off was shorter than that which was held out by the Plaintiff. Based on the evidence, the Court found that the Plaintiff represented to the Defendants that the last possible date for the DQ Grill & Chill to close and "de-identify" as a Dairy Queen franchise was March 10, and not January 8, 2014. The Court awarded damages in the amount of $8,500 for passing off in these circumstances, which represented approximately one third of the amount sought by the Plaintiff based on a reduced time frame.

Industry Updates

Health Canada has released a Guidance Document — Disclosure of Confidential Business Information under Paragraph 21.1(3)(c) of the Food and Drugs Act.

By: Chantal Saunders, Beverley Moore, Adrian J. Howard, Jillian Brenner

Services: Intellectual Property, Copyright, Licensing, Patents, Trademarks

---

Related Contacts & Expertise

Beverley Moore
Partner

Ottawa

BMoore@blg.com

613.369.4784

Chantal Saunders
Partner

Ottawa

CSaunders@blg.com

613.369.4783

Related Expertise

Intellectual Property

Copyright

Licensing

Patents

Trademarks