July 05, 2017

ARTICLE

Intellectual Property Weekly Abstracts Bulletin — Week Of July 3, 2017

Supreme Court Update

Supreme Court of Canada invalidates the promise doctrine
AstraZeneca Canada Inc. v. Apotex Inc., 2017 SCC 36
Drug: esomeprazole

In this decision, the Supreme Court of Canada (SCC) overturned the decision of the Federal Court of Appeal (FCA), and held the patent to be valid and infringed. In so doing, the SCC established a new test for determining utility pursuant to the *Patent Act* and held that the so-called 'Promise Doctrine' is not the correct approach to determine utility. Our summary of the FCA decision can be found here, and the decision is here.

The SCC held that the utility requirement in s. 2 of the *Patent Act* is a necessary pre-condition to patentability. However, the question was: useful for what? The Federal Courts have answered this question with the Promise Doctrine. However, the SCC held that this doctrine is excessively onerous in two ways: (1) it determines the standard of utility by reference to the promises expressed in the patent; and (2) if there are multiple expressed promises, it requires that all be fulfilled for a patent to be valid.

The SCC held that the Promise Doctrine conflated s. 2 and s. 27(3) of the *Patent Act*. Section 2 is the requirement that an invention be useful — a condition precedent to an invention. Section 27(3) is the requirement to disclose the invention's operation or use, which is independent of s. 2. In considering the allegation that the Promise Doctrine prevents a patentee from overpromising, the SCC held that numerous other sections of the *Patent Act* address this mischief.

Furthermore, the SCC held that requiring all promises to be met is also unfair; a single use makes a subject-matter useful. The Promise Doctrine risks an otherwise useful invention being deprived of patent protection because not every promised use was sufficiently demonstrated or soundly predicted by the filing date. The SCC held that such a result is punitive and has no basis in the *Patent Act*. In addition, the SCC held this requirement to be antagonistic to the bargain theory wherein patentees are asked to give fulsome disclosure in exchange for the limited patent monopoly.

The SCC then set out the correct approach to utility, holding that it is the subject-matter of an invention or improvement that must be useful. And this subject-matter must be capable of an actual relevant use and not be devoid of utility. To determine whether a patent discloses an invention with sufficient utility under s. 2, the following analysis is to be undertaken:

1. Courts must identify the subject-matter of the invention as claimed in the patent.
2. Courts must ask whether that subject-matter is useful — is it capable of a practical purpose (*i.e.*, an actual result)?

The SCC confirmed that a scintilla of utility will do, and that a single use related to the nature of the subject-matter is sufficient. Furthermore, this utility must be established by either demonstration or sound prediction as of the filing date. The SCC held that the application of the utility requirement in s. 2 is to be interpreted in line with its purpose — to prevent the patenting of fanciful, speculative or inoperable inventions. Furthermore, a patentee is not required to disclose the utility of the invention in order to fulfill the requirements of s. 2.

Patent Decisions

Motion for bifurcation of liability issues, as well as counterclaim for section 8 damages, dismissed
Alcon Canada Inc. v. Apotex Inc., 2016 FC 898

The Court dismissed the Plaintiffs' motion for a bifurcation order requesting that liability issues in this infringement action be tried separately from and before all, issues of quantification, as well as all issues from Apotex's counterclaim for section 8 damages. Unlike infringement cases where there is no section 8 counterclaim, the Court noted that there was no longer a possibility that a judgment on liability would eliminate the need for a second phase of trial altogether in the present case.

Alcon argued that there was a high likelihood that the section 8 claim will be settled, which was a factor in a recent decision to bifurcate a section 8 claim (see *Apotex v Alcon*, 2016 FC 720). However, the Court distinguished this decision since documentary discoveries had been completed and the parties had been able to put before the Court estimates of the amounts at stake in the section 8 claim, from which the Court could form a view of the probabilities of settlement.

The Court was prepared to accept that if Alcon is unsuccessful on infringement, some of Apotex's defences would no longer have to be litigated at all. However, in the opposite scenario where Alcon is successful, the Court was not satisfied that the savings that might result would be significant enough to outweigh the inherent wastefulness of the bifurcation. The Court concluded that bifurcation was only likely to lead to appreciable savings of costs or time in the event that Alcon loses in the liability phase. Therefore, Alcon's motion for bifurcation required the Court to conclude that it was more likely than not that Alcon's action will fail. The Court noted that the determination of contested motions for bifurcation should not turn on an assessment of the relative merits of the parties' case or an evaluation of which party is most likely to prevail.

Costs thrown away as a consequence of the cancellation of the initial hearing awarded at the upper end of Column IV
Teva Canada Limited v. Pfizer Canada Inc., 2017 FC 610

Following redetermination (see 2017 FC 526, our summary here), the parties were unable to agree on Pfizer's costs. In its judgment, the Court had found that Pfizer was entitled to its reasonable costs thrown away as a consequence of the cancellation of the initial hearing of the redetermination.

Pfizer requested its costs thrown away on a full-indemnity basis, or in the alternative, on a substantial or partial recovery basis, for the two week period prior to the cancellation of the originally scheduled hearing. Teva submitted that Pfizer's costs ought to be assessed at the upper end of Column IV of Tariff B.

The Court found that the authorities relied on by Pfizer in support of its request for full indemnity, being cases from the Ontario courts, were of little assistance in deciding this matter. Rather, the Court found that Teva's actions that led to the adjournment did not come close to being reprehensible, scandalous or outrageous conduct that might justify an award of full indemnity. The Court awarded Pfizer its costs incurred in the two week period preparing for the redetermination hearing, assessed at the upper end of Column IV, and any disbursements thrown away.

Trademarks and Copyright Decision

Website meets definition of a parody but ultimately does not fall within the fair dealing exception
United Airlines, Inc. v. Cooperstock, 2017 FC 616

In this trademarks and copyright infringement action, the Court held that Dr. Jeremy Cooperstock, the owner-operator of the website www.untied.com (UNTIED.com), had infringed the trademarks and copyright owned by United Airlines, Inc.

UNTIED.com is a consumer criticism website where visitors can find information on the Plaintiff, submit complaints about the Plaintiff, and read complaints about the Plaintiff dating back to 1998. Beginning in 2011, the Court found that UNTIED.com adopted, for the first time, a design similar to the design of the United Website. UNTIED.com was updated again in 2012 to mirror the United Website design launched in 2012.

On the issue of trademark infringement, the Defendant admitted that he provides services in the form of information delivery, advice on legal rights, and publication of complaints through UNTIED.com. However, the Defendant argued that these did not constitute "services" under the *Trade-marks Act* because there was no commerce involved. The Court noted that there is no explicit requirement in the legislation of a monetary or commercial element to services. The Court found that the Defendant offered "services" through UNTIED.com by providing information and guidance to disgruntled flyers. The Court also found that the Defendant's use of the marks was confusing, notwithstanding the Defendant's arguments that the use of disclaimers and distinguishing additions to the marks obviated any danger of confusion. In addition, the Court found passing off of the Plaintiffs' marks and depreciation of goodwill.

The Court also found that the copyright infringement claim had been made out in this case. The Court ultimately concluded that the current version of UNTIED.com did not fall within the fair dealing for the purpose of parody exception to copyright infringement. While UNTIED.com fell within the definition of parody, the Court found that the Defendant's real purpose or motive in appropriating the copyrighted works was to defame or punish the Plaintiff, not to engage in parody. Furthermore, the Court questioned whether the parody exception may successfully be invoked when there is confusion, as was the case here. The Court also found that amount of the dealing, and effect of the dealing all weighed in favour of the conclusion that this dealing was not fair.

Finally, the Court concluded that the Defendant had not made out the defence of estoppel or acquiescence. The Court noted that the passage of time alone does not justify such a remedy, and that is all the Defendant had put forward to ground his claim.

Copyright Decision

Judicial review of webcasting tariff dismissed
Re:Sound v. Canadian Association of Broadcasters, 2017 FCA 138

In this case, Re:Sound seeks judicial review of a decision of the Copyright Board (the Board), certifying a tariff setting royalties for the use of published sound recordings embodying musical works and performers performances of such works in non-interactive and semi-interactive webcasting for the years 2009-2012. The Court held that the standard of review was reasonableness, and that the Board's decision was reasonable. Thus, the application was dismissed with costs.

Under s. 19 of the *Copyright Act*, sound recording makers and performers have a right to be paid for the public performance or communication to the public by telecommunication of published sound recordings embodying performers' performances of musical works. In 1997, s. 19 also gave performers and sound recording makers a new right to receive "equitable remuneration". Any collective society that administers the right to perform musical works or sound recordings in public, or communicate them by telecommunication to the public, such as Re:Sound, is required to file with the Board proposed tariffs to receive royalties for the use of their repertoires. The Board considers the proposals in light of any objections, and certifies a tariff with any changes it deems necessary. The Court held that the Board has broad discretion when it sets equitable remuneration.

In this case, the FCA considered the factual background of the case. Re:Sound argued that the Board should have used market rates to set the equitable remuneration. The FCA was not convinced that the failure to do so was unreasonable. The FCA held that copyright protection exists because we find the work it protects to be valuable. That value is not correlated to the input costs, and as such, those costs are not relevant to the Board's analysis of the tariff in this case. Furthermore, the FCA held that it was reasonable for the Board not to perform the precise technological neutrality analysis mandated by the Supreme Court, as there was very little evidence before it on these issues.

Industry Updates

Health Canada has announced a Consultation on Possible Changes to the Food and Drug Regulations: Generic Drug Equivalence and Related Terminology. The website indicates that the consultation is open for comment starting June 30, 2017 until October 13, 2017.

Health Canada has released an Updated Notice: Questions and Answers for the Guidance for Industry: Preparation of Drug Submissions in the eCTD Format.

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