Intellectual Property Weekly Abstracts Bulletin — Week Of September 19

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Patent Decisions

Court of appeal upholds finding of infringement and only requires a "mere scintilla" of utility
Nova Chemicals Corporation v. Dow Chemical Company, 2016 FCA 216

The Federal Court of Appeal has dismissed Nova's appeal of an earlier finding that it had infringed Dow's patent relating to polyethylene used to make film products (2014 FC 844).

The Court of Appeal characterized the appeal as concerning disagreements with the Judge's factual findings and assessment of the expert evidence. The Court of Appeal found the Judge did not err in law.

Nova had alleged the Judge erred in not finding: a promise of synergistic utility; that the invention was obvious; and that the claims were broader than the invention claimed or disclosed. Further errors relating to construction and infringement were also alleged.

The Court of Appeal described the standard of review on construction to be a matter of law, but since construction of a patent is heavily dependent on the evidence given by persons skilled in the art, that evidence will bear heavily on the judge's findings. Thus, the Court of Appeal found that "trial judges are nevertheless entitled to some leeway as they are often in a much better position than appellate judges to understand the intricacies of the art underlying the invention disclosed in a patent."

The Court of Appeal also found the Judge's approach to the promise of the patent to be broadly consistent with the most recent jurisprudence. That approach held that first, one must look for the elevated promise or claimed utility in the claims of the patent. Second, consider any statement found elsewhere in the disclosure, which should be taken as "mere statement of advantage" unless the inventor "clearly and unequivocally" states that it is part of the promised utility of the invention.

On this basis, the Judge did not find an explicit promise of a specific result. There was no finding of a statement of utility in the claims, and only one reference elsewhere to

support an argument of enhanced utility. The Court of Appeal was also wary of using a stray phrase on page 1 of the patent to define the promise of the patent.

Ultimately, the Court of Appeal agreed that the Judge could find that the inventors did not make an explicit promise of a specific result, and that the patent did meet the test of a "mere scintilla" of utility.

The remaining points of appeal were dismissed, with the Court of Appeal holding that the findings of fact were open to the Judge to make, and there was no palpable and overriding error sufficient to overturn the decision.

Trial judge acknowledges *stare decisis* and comity in relation to findings from the previous NOC proceedings
Bayer Inc. v. Apotex Inc., 2016 FC 1013

This was a patent infringement action against Apotex and Cobalt, relating to a combination of drospirenone and ethinylestradiol for an effective oral contraceptive. The Court found that the asserted claims were not invalid and that Apotex's and Cobalt's products were formulated in a manner that fell within the scope of the claims and, therefore, infringed the claims of the '426 Patent.

In prior NOC proceedings concerning the '426 Patent, Bayer's application for prohibition against Cobalt was granted (see 2013 FC 1061, summarized the week of October 29, 2013; appeal dismissed 2015 FCA 116, summarized the week of May 18, 2015) and its application for prohibition against Apotex was dismissed on the basis that Bayer failed to establish that the allegations of non-infringement were unjustified (see 2014 FC 436, summarized the week of June 9, 2014).

On the issue of *stare decisis* and comity, the Court considered the Court of Appeal's prior construction in the NOC context to be *prima facie* binding, and would adhere to it unless a party provided good reasons not to. The Court also noted that it would do the same when defining the "inventive concept" of the patent and determining the "promise" of the patent, both of which are aspects of claim construction, and are therefore questions of law.

On the other hand, the Court noted that previous findings of fact and mixed fact and law in the NOC cases were potentially persuasive, but they must be approached with caution. These findings, including the definition of the person of skill in the art, and the issues of obviousness, ambiguity, overbreadth, utility and sufficiency must be determined again based upon evidence adduced in this proceeding. Informed by these findings in the NOC proceedings, the Court ultimately concluded in its analysis that the asserted claims were not invalid, notwithstanding new evidence adduced at trial.

With respect to infringement, Apotex's defence was that its tablets contain drospirenone in the form of a "molecular dispersion", which means that drospirenone is sufficiently dissolved in a medium so as to no longer be in the form of particles. Since the patent refers only to "particles", Apotex tablets would therefore fall outside of the patent if this characterization was correct . The Court found Bayer's expert witnesses to be generally credible and its experimental tests were not refuted by the results of Apotex's tests. Bayer also pointed to the absence of documents relating to the development of Apotex's tablets that one would expect to find, as detracting from the overall credibility of

Apotex's defence. The Court agreed that the absence of any documentary evidence to suggest that Apotex's suppliers intended to manufacture a molecularly dispersed form was one factor to consider when assessing credibility. Further, the available evidence regarding the development of the tablets, namely that the ANDS did not refer to molecular dispersions and that the tablets were produced in reference to the formulation of Bayer's tablets, reinforced the Court's conclusion that Apotex's tablets are formulated in the same manner as Bayer's tablets, and are therefore infringing.

The Court then went on to consider whether the Cobalt tablets infringed the '426 patent. Cobalt had previously tried and failed to amend its pleading to delete a paragraph and replace it with a statement that its product did not contain drospirenone. Cobalt had appealed the decision denying its request and brought a further motion to amend its pleading, but subsequently abandoned both the appeal and motion. The Court noted that it may make a finding of fact that differs from what was admitted by the defendant if the admission concerns a factual issue that ought to be tried in the interests of justice. However, in this case, Cobalt's decision to not pursue the appeal led the Court to conclude that the admission that its product contains at least some drospirenone particles must be taken as final. Although Cobalt could not present evidence that contradicted its admission, Cobalt was not precluded from presenting its defence to Bayer's allegation of infringement. Ultimately, Bayer's experiments and expert evidence demonstrated that Cobalt's tablets infringed the patent.

Bayer's entitlement to an accounting of profits and Bayer's election between Bayer's damages and Apotex's and Cobalt's profits will be addressed in the quantification phase.

Two panel Court of App eal does not have subject-matter jurisdiction in this case to vary its three panel judgment
Pfizer Canada Inc. v. Teva Canada Limited, 2016 FCA 218

Pfizer moved for an order reconsidering and varying the judgment of the Court of Appeal's decision in 2016 FCA 161, summarized the week of June 13, 2016. In that decision, Pfizer had successfully appealed from the Federal Court finding that Pfizer was liable for damages under section 8 (reasons in 2014 FC 248 and subsequent reasons in 2014 FC 634, summarized the week of April 7, 2014 and the week of August 11, 2014, respectively). The Court of Appeal set aside the Federal Court's damage award against Pfizer, and remitted the matter to the Federal Court for reconsideration.

In the current motion, Pfizer stated that it paid the damages to Teva following the Federal Court's damage award. Following the Court of Appeal's judgment setting aside the damages award, Teva refused to return Pfizer's payment. Therefore, Pfizer asked that the Court vary its judgment to add a requirement that Teva return the payment with interest.

The Court of Appeal noted that it could not entertain this motion unless it has subject-matter jurisdiction over it, namely whether the current two judge panel could vary the judgment issued by the three judge panel where one of the three Justices on the appeal that issued the judgment has retired.

The Court found that Rule 399(2)(a), which allows the Court to vary a judgment where something unforeseen that could not have been dealt with as part of the appeal hearing

but related to it has later happened, did not apply in these circumstances. In this case, Pfizer could have specifically requested, in its notice of appeal, that if judgment were given in its favour, Teva should return the payment with interest. However, there was no such request in Pfizer's notice of appeal.

This also barred relief under Rule 397(1)(b), which deals only with “a matter that should have been dealt with” that “has been overlooked or accidentally omitted” in the Court's judgment.

The Court dismissed the motion but not before providing two alternatives. First, Pfizer could now sue Teva for restitutionary recovery of monies wrongly withheld from it and any other relief warranted by Teva's act. Lastly, since this matter was remitted to the Federal Court for redetermination, Pfizer could provide submissions as to what interest Teva should pay during the period that it wrongly held Pfizer's payment. However, if Teva was entitled to its damages award all along, the Federal Court may find that Teva's retention of Pfizer's damages payment is of no remedial consequence whatsoever.

Court of Appeal upholds construction of the promise distinguishing between the compounds and use claims
Teva Canada Limited v. Novartis Pharmaceuticals Canada Inc., 2016 FCA 230

The Federal Court of Appeal dismissed an appeal from a decision prohibiting the Minister of Health from issuing a Notice of Compliance to Teva for EXJADE®. The Federal Court had concluded that Teva's allegations of inutility, obviousness and insufficiency were not justified (the underlying application decision is 2015 FC 770 and summarized the week of July 6, 2016).

On appeal, the Court of Appeal characterized the sole issue as whether the trial judge had erred in law in its construction of the promise of the relevant patent. Teva acknowledged that the trial judge had correctly identified the principles of law relevant to the utility requirement but erred in the construction of the promise of the patent by:

1. relying on the patent's abstract to construe the promise;
2. distinguishing between the promise made in respect of the patented formula I and formula II compounds; and,
3. applying the doctrine of claim differentiation.

While the Court of Appeal agreed that the trial judge ought not to have considered the abstract when construing the promise of the patent, this error was not material to the decision and the trial judge's construction was found to be correct.

The FCA concluded that the trial judge's construction of the promise of the patent was consistent with differentiation contained in the disclosure and the claims. Thus, the trial judge was correct to differentiate between the compounds and use claims. The Court of Appeal noted that Teva's argument that the trial judge erred in distinguishing between the promise made regarding the two classes of compounds ignored the fact that at law different claims can have different utilities for the same compound.

The Court of Appeal also reiterated that where an allegation of an unfulfilled promise is made, “the patent will be construed in favour of the patentee where it can reasonably be

read by the skilled person as excluding this promise" (see *Apotex Inc. v. Pfizer Canada Inc.*, 2014 FCA 250at para 66). The Court of Appeal agreed with the trial judge that this patent could be read by a person skilled in the art as excluding Teva's asserted elevated promise of utility.

Copyright Decisions

Damages per work set at lowest end of commercial range where, *inter alia*, infringement appeared to be the product of both parties' poor record-keeping and rights management *Royal Conservatory of Music v. Macintosh (Novus Via Music Group Inc.)*, 2016 FC 929

In this copyright infringement claim, the Applicants alleged that they own or control the copyright to 21 musical works and that the respondents published those works without permission. Further, the Applicants asserted that there had been improperly passing off their wares.

The Court initially dispensed with all three of the Respondents procedural objections, finding that the Court could accept physical evidence in this application, that the Applicants had standing to bring the application for all of the works and that the Federal Court had jurisdiction to hear the copyright infringement claim.

With respect to the substantive merits of the application, the Court agreed that the Respondents had infringed the Applicants' copyright, but did not find that there had been any passing off.

The facts, briefly, were that the Respondent Conservatory Canada published a series of musical books using the publisher Waterloo. The last two editions of the series, including the 2014 Edition, were published by different publishers. While the Applicants agree that, pursuant to the 1999 Agreement, they gave their consent to publish the works in question in a series, they argue that permission was granted to Waterloo, and that the Respondents lacked the necessary permission to publish the 2014 Edition.

As the parties were unable to locate a copy of the Agreement, the Court was left to reconstruct, on the best available evidence, the arrangements that took place between the parties. The Court ultimately found that the Applicants' interpretation of the Agreement, including that permission was granted to a publisher Waterloo and not the Respondents, was more persuasive.

The Court further found that there was no limitation period issue with respect to the copyright infringement. Whether the 2014 Edition is considered to be part of one continuous publication of the series and hence one ongoing breach, or a separate publication, the application was made within the limitation period.

The Court dismissed the Respondents' allegation that the Applicants engaged in copyright misuse or abuse of process. The theory of copyright misuse is not well-developed in Canada. However, the Court noted that, even if it were, the facts simply do not support any malfeasance or wrongdoing on the Applicants' part. The Court also dismissed the Respondents' claim that the Applicants' gave any implied consent to publish the works in the 2014 Edition, finding that the Respondents showed evidence of implied consent.

On the issue of damages, the Court agreed that that the infringement was commercial in nature, as the books were being sold commercially notwithstanding Conservatory Canada's status as a not-for-profit entity. The Court awarded per work damages at the lowest end of the commercial range for a number of reasons, *inter alia*, the infringement at issue appeared to be the product of poor record-keeping and rights management on the part of both parties.

Finally, the Court rejected the Respondents request that they be awarded costs on a solicitor-and-client basis. While the Court was sympathetic to the Respondents' position, and aware of the bad blood between the parties, the Court did not find any reason to take the unusual step of ordering costs against the winning party.

Trademarks Decisions

TMOB's dismissal of opposition to the application of "Marché & Wave" Design upheld
Richtree Market Restaurants Inc. v. Mövenpick Holding AG, 2016 FC 1046

This was an appeal of the decision of the Trademarks Opposition Board (TMOB), refusing the Applicant's opposition to a trademark application filed for the Respondent's "Marché & Wave" Design. On appeal, the Applicant only took issue with the TMOB's rejection of the "not distinctive" ground of opposition under section 2 of the *Trade-marks Act*.

The Court stated that the standard of review was reasonableness, notwithstanding the additional affidavits submitted by the Applicant. The new evidence was found to be merely repetitive or supplementary, and would not have materially affected the TMOB's findings of fact or the exercise of its discretion with respect to the "not distinctiveness" ground of opposition.

The Court then pointed out that the TMOB's decision focussed primarily on whether the Applicant had met its initial evidentiary burden to support the "not distinctive" ground of opposition, and not whether the Respondent had established that the Mark was distinctive within the meaning of the *Trade-marks Act*. On this basis, the Court concluded that the TMOB's finding that the Respondent had failed to show that the term "market" or "marché" lacked distinctiveness was reasonable.

While the TMOB found that there were numerous businesses that use the word "market" or "marché" in their name and that the term was the dominant portion of the Mark, the majority of these businesses were not restaurants. Therefore, the Court found that it was reasonable for the Board to conclude that the Applicant's evidence was not sufficient to show that the Mark lacked distinctiveness such that it was incapable of functioning as a source identifier for the Respondent's services.

Industry Update

Health Canada has published the final revised Guidance Document: Notice of Compliance with Conditions (NOC/c).

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Expertise

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