Intellectual Property Weekly Abstracts Bulletin — Week Of May 8, 2017

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Patent Decisions

Reasonable Royalty and Accounting of Profits Determinations Made
Dow Chemical Company v. Nova Chemicals Corporation, 2017 FC 350

In a previous decision, which was affirmed, the Court found that Dow's patent was valid and infringed by Nova. Once a finding of liability was made, Dow was entitled to elect between an accounting of profits or damages. The quantum was to be determined following discovery, if required. Dow elected recovery of Nova's profits. This decision relates only to the assumptions that inform the calculation of damages and profits and the experts will determine the amount owed based on these conclusions.

The parties agreed that a reasonable royalty is the proper measure of damages from the time that the product was launched in 2002 until the patent issued in 2006, although the limitation period operates to prevent recovery earlier than 2004. The Court set out that the "reasonable royalty is to be determined using a hypothetical negotiation between Dow and Nova for a licence authorizing Nova's use of the patented technology. The object of the exercise is to identify the royalty rate that would result from a negotiation between a willing licensor and a willing licensee" [citations omitted].

The Court set out that the hypothetical negotiation occurs at the time of the first infringement. The Court considered Dow's minimum willingness to accept as well as Nova's maximum willingness to pay. The Court also considered non-infringing alternatives in its determination. Based on these considerations, the Court found that the rate of the reasonable royalty is 8.8%.

Dow elected an accounting of profits. The Court noted the general principles of an accounting of profits. The Court determined that the accounting of profits includes a "springboard period" from April 20, 2014 to December 31, 2015, following the expiry of the patent. The Court then assessed deductible costs and made a number of determinations based on the evidence. The Court also determined the rate of interest for the period of the accounting of profits compounded annually, the rate of pre-judgment interest not compounded, and determined that the amount to be paid to Dow is to be converted to Canadian dollars as of the date of the Judgment.

Court Refuses Motion to Amend Brought After the Commencement of the Quantification Trial
AstraZeneca Canada Inc. v. Apotex inc., 2017 FC 378

This decision concerned the quantification phase following the liability determination, which found AstraZeneca's patent valid and infringed. Apotex sought to further amend its Fresh as Amended Responding Statement of Issues by adding a new non-infringing alternative, even though the trial is currently underway and only the final argument remains outstanding. The Court had previously allowed Apotex the benefit of several amendments to its pleadings including a NIA amendment last July. The proposed amendment was only brought to the attention of the Plaintiffs and the Court shortly before the commencement of trial.

The Court dismissed Apotex's motion to amend with costs payable in the amount of $15,000. The Court found that "[t]he complications arising from Apotex's failure to raise this NIA issue in a timely way are simply too profound to be remedied by monetary relief". The Court set out various considerations that militated against the relief sought, including that: the proposed amendment did not arise from something beyond the control of Apotex or its counsel; AstraZeneca made a profits election, prepared and fully presented its case based on Apotex's current pleadings; the completion of the trial will be delayed by at least several months, creating a large gap in the hearing of evidence; etc.

Findings Made in Section 8 Case to Allow Determination of Quantum of Damages
Eli Lilly Canada Inc. v. Teva Canada Limited, 2017 FC 88
Drug: olanzapine

In this case, Teva is seeking compensation pursuant to s. 8 of the NOC Regulations for having been prevented from coming to market with its generic olanzapine product. The Court was not asked to make any calculations, but rather, to set the parameters necessary for those calculations to be made. The Court confirmed that Teva bears the legal burden of establishing all of the elements of its claim for damages. Teva must show that its alleged losses were a product of the operation of the NOC Regulations and there must be a causal connection between the damages sought and the NOC Proceedings initiated by Lilly.

The Court first ruled on preliminary evidentiary issues relating to whether fact witnesses could give an opinion as to what they thought would have happened in the ‘but-for' world and to hearsay issues. The Court held that opinions of fact witnesses are not admissible. It was suggested that counsel should explore what was done in the real world, and then ask the witness whether they knew of any reason why they would have acted differently in the ‘but-for' world. "The fact that the burden falls on Teva to prove that it could have and would have launched … does not mean that it is entitled to ask a fact witness to answer that question." Furthermore, the Court followed the recent FCA decision, holding that "hearsay evidence cannot be admitted unless it falls within a recognized exception… or it meets the criteria of necessity and reliability."

The Court then considered the evidence and determined the period of liability, the size of the olanzapine market, the generic share of the olanzapine market, Teva's share of the generic olanzapine market and the real amount of Teva's losses (pipe fill, trade spend, and other costs).

Federal Court Holds That a Request to Find a Dead Patent Application in Good Standing Must Fail
University of Alberta v. Canada (Attorney General), 2017 FC 402

The Federal Court has refused to declare that an application is in good standing after the applicants or their agents failed to reply to a requisition, and failed to apply to reinstate the patent application within the 12 month grace period.

Two weeks after the patent application was filed, CIPO issued two notices to the agents. The first notice was a requisition pursuant to section 37 of the Patent Rules, and the second notice advised that CIPO would use the title of the invention as it appeared in the description rather than the title specified in the Petition for Grant of a Patent.

One year later CIPO issued a notice of abandonment for a failure to reply in good faith to the requisition, and gave 12 months to reinstate.

During that 12 month time period, the application was assigned. The new owners paid the Year 2 and Year 3 maintenance fees, both of which appeared to be accepted by CIPO. The new owners did not seek to clarify whether the patent application was in good standing.

Three years after the original filing, the new owners applied to CIPO to correct the records to show the application was in good standing. CIPO refused, and then retrospectively rejected the Year 3 maintenance fee payment.

The Court did not allow the various arguments that CIPO's subsequent actions suggested to the new owners that the patent application was still in good standing. Although the new owners sought to judicially review several of CIPO's later decisions, the Court held that the first requisition pursuant to section 37 of the Patent Rules is what should have been judicially reviewed. Since the time for that judicial review had long passed, the Court dismissed the proceeding.

Copyright & Trademarks Decision

Court sets aside default judgment for failure to give notice to the Defendants' counsel
Western Steel and Tube Ltd. v Technoflange Inc., 2017 ONSC 2697

The Ontario Superior Court set aside the default judgment due to the Plaintiff's failure to give notice to the Defendants and to make full and fair disclosure of material facts to Penny J.

In the underlying proceeding, the Plaintiff alleges that the Defendant Canadian Tire retained the Defendant Jiangsu Sainty Sumex to copy the Plaintiff's goods, its packaging and design get up, and its copyrighted materials. The Plaintiff claims that the Defendants have been unlawfully manufacturing and selling the copied goods for the last number of years in violation of the plaintiff's intellectual property rights causing it to suffer damages.

The Plaintiff was granted default judgement after an undefended trial that the Plaintiff booked and held without notice to counsel for either Defendant. While the default judgment was granted only against Jiangsu Sainty Sumex, the declarations that the

Plaintiff has trade-marks and copyright are in rem determinations. The Court found that Canadian Tire was plainly affected in its legal and direct economic interests by this relief sought by the Plaintiff. The Court noted that the Plaintiff should have notified Canadian Tire before such relief and as a result, the default judgment could not bind Canadian Tire.

The Court also set aside the default judgment of Jiangsu Sainty Sumex again for failure to notify counsel for the Defendant. The Court agreed that Jiangsu Sainty Sumex had been more than coy in its response or its non-response to the proceeding prior to the default judgment. However, the Court found that at the very least, the Plaintiff should have disclosed to Penny J. that Jiangsu Sainty Sumex had counsel. In addition, the Plaintiff ought to have given notice to Jiangsu Sainty Sumex' counsel that it would not wait any longer for the Defendant to bring its motion to set aside the noting in default. Finally, the Court decided to only set aside the noting in default of Jiangsu Sainty Sumex when and if the Defendant complied with specific terms under Rules 1.05, 19.03(1), and 19.08(3) of the *Rules of Civil Procedure*.

Supreme Court Updates

C. Steven Sikes, et al. v. EnCana Corporation, et al. (Federal Court) (Civil) (By Leave) (Court File No#37509)

The Applicants, C. Steven Sikes *et al*, filed an application for leave to appeal the Federal Court of Appeal's decision (2017 FCA 37; our summary here) upholding the Prothonotary's order wherein he refused to remove counsel as solicitors of record for the Defendants.

Par

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