

Date: 20070810

Docket: T-1548-06

Citation: 2007 FC 837

Ottawa, Ontario, August 10, 2007

PRESENT: The Honourable Madam Justice Snider

BETWEEN:

**LES LABORATOIRES SERVIER,
ADIR, ORIL INDUSTRIES,
SERVIER CANADA INC.,
SERVIER LABORATORIES (AUSTRALIA) PTY LTD
and SERVIER LABORATORIES LIMITED**

**Plaintiffs
(Defendants to the Counterclaim)**

and

**APOTEX INC.
and
APOTEX PHARMACHEM INC.**

**Defendants
(Plaintiffs by Counterclaim)**

REASONS FOR ORDER AND ORDER

1. Introduction

[1] The Plaintiffs (collectively referred to as Servier or the Plaintiffs) have commenced an action against the Defendants (collectively Apotex or the Defendants), claiming that the Defendants are infringing certain claims of Canadian patent No. 1,341,196 (the 196 Patent). In its Second Amended

Statement of Defence and Counterclaim (Defence and Counterclaim), the Defendants raise a number of grounds upon which they assert that the 196 Patent is invalid. The ground of interest in this motion is that of “inventorship”. In brief, the Defendants allege that the first and true inventors of the 196 Patent are those named in Patent Application 388,336 (the 336 Application) filed by Schering Corporation (Schering) and not those named as inventors of the 196 Patent.

[2] In this motion, the Plaintiffs seek to strike those paragraphs and portions of the Defence and Counterclaim dealing with the issue of “inventorship”. Specifically, the Plaintiffs seek to strike:

- (a) the statement “in order to themselves “create” the inventorship of the subject-matter of the Agreement” in paragraph 26 of the Defence and Counterclaim;
- (b) paragraphs 48 to 54 of the Defence and Counterclaim;
- (c) paragraph 65 of the Defence and Counterclaim;
- (d) paragraph 68 of the Defence and Counterclaim; and
- (e) the statement “and allocate among themselves overlapping claims to a number of ACE inhibitor compounds that did not reflect the actual inventorship of those compounds or their constituent classes, or the determinations of inventorship made by the Commissioner of Patents in 1996” in paragraph 71 of the Defence and Counterclaim.

2. Issues

[3] The overarching issue raised by this motion is whether the Plaintiffs have satisfied the requirements of Rule 221(1) of the *Federal Courts Rules*, S.O.R./98-106 for the striking out of the impugned portions of the Defence and Counterclaim. That provision states that:

221. (1) On motion, the Court may, at any time, order that a pleading, or anything contained therein, be struck out, with or without leave to amend, on the ground that it

(a) discloses no reasonable cause of action or defence, as the case may be,

(b) is immaterial or redundant,

(c) is scandalous, frivolous or vexatious,

(d) may prejudice or delay the fair trial of the action,

(e) constitutes a departure from a previous pleading, or

(f) is otherwise an abuse of the process of the Court,

and may order the action be dismissed or judgment entered accordingly.

221. (1) À tout moment, la Cour peut, sur requête, ordonner la radiation de tout ou partie d'un acte de procédure, avec ou sans autorisation de le modifier, au motif, selon le cas:

a) qu'il ne révèle aucune cause d'action ou de défense valable;

b) qu'il n'est pas pertinent ou qu'il est redondant;

c) qu'il est scandaleux, frivole ou vexatoire;

d) qu'il risque de nuire à l'instruction équitable de l'action ou de la retarder;

e) qu'il diverge d'un acte de procédure antérieur;

f) qu'il constitue autrement un abus de procédure.

Elle peut aussi ordonner que l'action soit rejetée ou qu'un jugement soit enregistré en conséquence.

[4] More specifically, in the context of this motion, the questions that arise are as follows:

1. Do the Defendants' allegations regarding the issue of "inventorship" fail to disclose a reasonable cause of action or defence due to the operation of s. 61(1)(b) of the pre-October 1, 1989 *Patent Act*, R.S.C. 1985, c. P-4 (*Old Act*)?
2. Are the Defendants' allegations regarding the issue of "inventorship" an attempt to re-litigate or a collateral attack on matters which have already been decided by the Court thus constituting an abuse of process of the Court?
3. Would the Defendants' allegations regarding the issue of "inventorship" prejudice or delay the fair trial of the Plaintiffs' action against the Defendants.

[5] In oral submissions before me, the Plaintiffs did not assertively pursue the question of possible delay. Accordingly, I have not considered this issue further.

3. Background

[6] To set the context for these reasons, a brief overview may be helpful.

[7] Generally speaking, the 196 Patent claims the compound perindopril, which is sold in Canada and elsewhere under the registered trademark name of COVERSYL.

[8] The process leading to the issue of the 196 Patent began on October 1, 1981 when one of the Plaintiffs in this action, Adir, filed Application 387,093 (the 093 Application) in Canada. The 093 Application named Michel Vincent, George Remond and Michel Laubie, as Inventors. In separate

applications, two other claimants also applied for the issuance of patents covering certain compounds. As provided for in the *Old Act*, certain of the claims in the 093 Application were placed into conflict with claims in other applications. In table form, the specifics of the applications and the claims in conflict are as follows:

Applicant	Application No.	Date of Application	Claims in Conflict
Adir	387,093 (the 093 Application)	October 1, 1981	C19, C25 to C28, C33 and C34, C39 and C40
Schering	388,336 (the 336 Application)	October 20, 1981	C19, C39 and C40
Hoechst Aktiengesellschaft (Hoechst)	384,787 (the 787 Application)	August 28, 1981	C19, C25 to C28
Hoechst	418,453 (the 453 Application)	December 23, 1982	C33 and C34

[9] In four decisions dated August 8, 1996, the Commissioner of Patents made determinations related to inventorship, pursuant to s. 43(7) of the *Old Act*. In sum, the effect of his decisions was that certain of the claims were awarded to Adir, and others to each of Hoechst and Schering. Of particular relevance, the Commissioner awarded the subject matter of the conflict claims C19, C39 and C40 to Schering and not to Adir. In table form, the conclusions of the Commissioner are as follows:

Claim No.	First Invention Date	Claim Awarded To	Claims Refused To
C19	August 8, 1980	Schering (336 App'n)	Adir (093 App'n), Hoechst (787 App'n)
C25, C27	May 8, 1981	Hoechst (787 App'n)	Adir (093 App'n)
C26, C28	October 2, 1980	Adir (093 App'n)	Hoechst (787 App'n)
C33	October 8, 1981	Hoechst (453 App'n)	Adir (093 App'n)
C34	December 29,	Hoechst (453 App'n)	Adir (093 App'n)

	1981		
C39, C40	August 8, 1980	Schering (336 App'n)	Adir (093 App'n)

[10] This was not the end of the matter. In accordance with s. 43(8) of the *Old Act*, six proceedings were commenced by way of actions in the Federal Court for the determination of the parties' respective rights in relation to the subject matter of the conflict claims. All of the proceedings were consolidated pursuant to the Order of Justice Joyal dated May 27, 1997 (Court File No. T-228-97). Subsequent to completion of discoveries in the consolidated actions, an Order on consent was issued by Justice Nadon on December 12, 2000. That Order provided for an allocation of the claims of the three Applications. Some claims were awarded to Adir, others to Aventis Pharma Deutschland (Aventis, successor to Hoechst) and others to Schering. The result, for Adir, was the issuance of the 196 Patent. Relevant to this action by the Plaintiffs, the claims awarded to Adir, pursuant to s. 43(8) of the *Old Act*, included claims 1, 2, 3, and 5 which are asserted against the Defendants as having been infringed.

4. Relevant Statutory Framework under the Old Act

[11] The application leading to the patent in this proceeding was filed in Canada on October 1, 1981. According to s. 78.1 of the present *Patent Act*, R.S.C. 1985, c. P-4 as amended, patent applications filed before October 1, 1989 are to be dealt with under the provisions of the *Patent Act* as they read immediately before that date. That is, the subject matter of the action by the parties is governed by the *Old Act*.

[12] Of critical importance to the issues before me, the overall scheme under the *Old Act* is one of “first to invent”. By contrast, the scheme under the current *Patent Act* can be described as a “first to file”. This concept is embodied in s. 27(1) of the *Old Act*:

Subject to this section, any inventor or legal representative of an inventor of an invention that was

- (a) not known or used by any other person before he invented it,
- (b) not described in any patent or in any publication printed in Canada or in any other country more than two years before presentation of the petition hereunder mentioned, and
- (c) not in public use or on sale in Canada for more than two years prior to his application in Canada,

may, on presentation to the Commissioner of a petition setting out the facts, in this Act termed the filing of the application, and on compliance with all other requirements of this Act, obtain a patent granting to him an exclusive property in the invention.

Sous réserve des autres dispositions du présent article, l’auteur de toute invention ou le représentant légal de l’auteur d’une invention peut, sur présentation au commissaire d’une pétition exposant les faits, appelée dans la présente loi « le dépôt de la demande », et en se conformant à toutes les autres prescriptions de la présente loi, obtenir un brevet qui lui accorde l’exclusive propriété d’une invention qui n’était pas :

- a) connue ou utilisée par une autre personne avant que lui-même l’ait faite;
- b) décrite dans un brevet ou dans une publication imprimée au Canada ou dans tout autre pays plus de deux ans avant la présentation de la pétition ci-après mentionnée;
- c) en usage public ou en vente au Canada plus de deux ans avant le dépôt de sa demande au Canada.

[13] Recognizing that more than one person might claim inventorship to similar or overlapping subject matters, Parliament provided means for identifying and resolving such a conflict. To begin, s. 43(1) of the *Old Act* defines when a conflict exists:

Conflict between two or more pending applications exists

Se produit un conflit entre deux ou plusieurs demandes pendantes dans les cas

(a) when each of them contains one or more claims defining substantially the same invention; or

(b) when one or more claims of one application describe the invention disclosed in one of the other applications.

suivants:

a) chacune d'elles contient une ou plusieurs revendications qui définissent substantiellement la même invention;

b) une ou plusieurs revendications d'une même demande décrivent l'invention divulguée dans l'autre ou les autres demandes.

[14] The balance of s. 43 sets out the procedures to be followed in declaring and dealing with conflicts. Of particular significance in this motion are two provisions. The first is s. 43(7) which provides for the issuance of a decision by the Commissioner in which he determines “which of the applicants is the prior inventor to whom he will allow the claims in conflict”. The second is s. 43(8) which permits a party to a conflict to commence proceedings in the Federal Court for a “determination of [the] respective rights” of the parties to the conflict. In practical terms, the proceedings under s. 43(8) are commenced by way of an action, with full discovery and other procedures allowed by the *Federal Courts Rules*. When s. 43(8) is engaged, the Commissioner’s decision is suspended and no patents may issue until the Federal Court determines that:

(a) there is in fact no conflict between the claims in question;

(b) none of the applicants is entitled to the issue of a patent containing the claims in conflict as applied for by him;

(c) a patent or patents, including substitute claims approved by the Court, may issue to one or more of the applicants; or

(d) one of the applicants is entitled as against the others to the issue of a patent including the claims in conflict as applied

a) de fait, il n'existe aucun conflit entre les revendications en question;

b) aucun des demandeurs n'a droit à la délivrance d'un brevet contenant les revendications concurrentes, selon la demande qu'il en a faite;

c) il peut être délivré, à l'un ou à plusieurs des demandeurs, un ou des brevets contenant des revendications substituées, approuvées par le tribunal;

d) l'un des demandeurs a droit à

for by him.

l'encontre des autres, à la délivrance d'un brevet comprenant les revendications concurrentes, selon la demande qu'il en a faite.

[15] While s. 27(1) accords the right to a patent to the first inventor, the *Old Act* also contemplates that legal proceedings may be brought with respect to the validity of patents (see *Old Act*, starting at s. 53). However, when the validity of a patent is being challenged on the question of inventorship, s. 61(1) is a limiting or qualifying provision:

No patent or claim in a patent shall be declared invalid or void on the ground that, before the invention therein defined was made by the inventor by whom the patent was applied for, it had already been known or used by some other person, unless it is established that

(a) that other person had, before the date of the application for the patent, disclosed or used the invention in such manner that it had become available to the public;

(b) that other person had, before the issue of the patent, made an application for patent in Canada on which conflict proceedings should have been directed; or

(c) that other person had at any time made an application in Canada which, by virtue of section 28, had the same force and effect as if it had been filed in Canada before the issue of the patent and on which conflict proceedings should properly have been directed had it been so filed.

Aucun brevet ou aucune revendication dans un brevet ne peut être déclaré invalide ou nul pour la raison que l'invention qui y est décrite était déjà connue ou exploitée par une autre personne avant d'être faite par l'inventeur qui en a demandé le brevet, à moins qu'il ne soit établi que, selon le cas :

a) cette autre personne avait, avant la date de la demande du brevet, divulgué ou exploité l'invention de telle manière qu'elle était devenue accessible au public;

b) cette autre personne avait, avant la délivrance du brevet, fait une demande pour obtenir au Canada un brevet qui aurait dû donner lieu à des procédures en cas de conflit;

c) cette autre personne avait à quelque époque fait au Canada une demande ayant, en vertu de l'article 28, la même force et le même effet que si elle avait été enregistrée au Canada avant la délivrance du brevet et pour laquelle des procédures en cas de conflit auraient dû être régulièrement prises si elle avait été ainsi enregistrée.

[16] No arguments were raised as to s. 61(a) or (c) of the *Old Act* and accordingly my analysis will be limited to s. 61(1)(b).

5. Issue #1: Failure to Disclose a Reasonable Cause of Action or Defence

[17] The first argument of the Plaintiffs is that the impugned provisions in the Defence and Counterclaim should be struck as they do not disclose a reasonable cause of action. In brief, they submit that the Defendants cannot satisfy the statutory elements necessary to attack inventorship, as provided for in s. 61(1)(b) of the *Old Act*. Under the Plaintiffs' interpretation of this provision, the inventorship of the subject matter of a patent can only be challenged where there was both prior knowledge or use by some other person and a missed conflict. In the Plaintiffs' view, s. 61(1)(b) applies to prohibit a claim of invalidity based on inventorship where, as in this case, a conflict was, in fact, declared.

[18] The test in Canada to strike out pleadings is whether it is plain and obvious the claim discloses no reasonable cause of action or defence (*Hunt v. Carey Canada Inc.*, [1990] 2 S.C.R. 959). There is no disagreement on this test or that the Plaintiffs bear the burden on this motion to strike.

[19] On the question of whether the impugned portions of the Defence and Counterclaim disclose a reasonable cause of action, the Defendants provide arguments that fall into two categories:

1. procedural grounds, on the basis that:

(a) the Plaintiffs' motion to strike the inventorship allegations on the basis of failing to meet s. 61(1) is improper as the Plaintiffs have failed to plead all necessary material facts and law relating to s. 61(1); or

(b) the Plaintiffs should not be permitted to bring a second motion to strike;

2. substantive grounds, on the basis that:

(a) the legal question of the statutory interpretation of s. 61(1)(b) is a contentious legal issue that ought to be left to trial (*Apotex Inc. v. Eli Lilly and Co.* (2001), 13 C.P.R. (4th) 78); or

(b) the Plaintiffs have misinterpreted s. 61(1)(b) of the *Old Act*.

[20] I will consider the procedural arguments first.

5.1 Is the s. 61(1) motion improper for failure to plead all material facts and law?

[21] The Defendants argue that Rule 183 of the *Federal Court Rules* requires the Plaintiffs (as defendants to the Defendants' counterclaim) to plead all affirmative defences or facts that might take the Defendants by surprise. They submit that, having failed to mention s. 61(1) in their pleadings, the Plaintiffs' motion to strike on the basis of the section is improper. In support they refer to *Canada v. Transworld Shipping Ltd.*, [1976] 1 F.C. 159 (F.C.A.); *Kibale v. Canada* (1990), 123 N.R.153 (F.C.A.); *International Water-Guard Industries Inc. v. Bombardier Inc.*, [2007] F.C.J.

No. 372 (Proth.) (QL) and *Valentino Gennarini SRL v. Andromeda Navigation Inc.* (2003), 232 F.T.R. 256. I do not agree with the Defendants that the pleadings of the Plaintiffs are deficient.

[22] I begin by a review of the Plaintiffs' Third Amended Statement of Claim. Many paragraphs of the pleadings provide material facts related to the issue. Beginning with the Third Amended Statement of Claim, paragraphs 7 to 9, set out, in clear terms, that the Plaintiffs have a valid patent that arose out of conflict proceedings.

[23] More explicit pleadings are contained in numerous paragraphs in the Plaintiffs' Second Amended Reply and Defence to Counterclaim; specifically, paragraphs 16, 19, 20, 32, 36, 39, 40, 44 and 49. It is true that there is no precise reference to s. 61(1)(b). Nevertheless, when the pleadings are read as a whole, the elements of a s. 61(1)(b) defence are included. The Plaintiffs have clearly pleaded that the 196 Patent was not granted in the face of patent applications that were not placed into conflict. The only remaining question is whether the Plaintiffs' failure to explicitly plead s. 61(1)(b) is a deficiency that precludes them from now raising the statutory provision. I do not think, in this particular case, there was a requirement to include a specific reference to s. 61(1)(b).

[24] The *Federal Court Rules* provide that a party must plead the material facts on which it relies in its pleadings (Rule 174) and that a party may raise a point of law in its pleadings (Rule 175).

[25] I have reviewed the case law cited by the Defendants in support of their procedural argument and find it to be of little assistance. On a general note, none of the jurisprudence cited by the

Defendants specifically involves Rule 183 of the *Federal Court Rules* or a claim relating to patent infringement or validity.

[26] In *Transworld Shipping Ltd.*, above, the Federal Court of Appeal held that there may be special circumstances where a defendant must plead statutory provisions. In the context of awarding damages for breach of contract, the court held at page 170:

In my view, justice requires that any defence based on special statutory provisions must be pleaded, particularly if it is based on specific facts, so that the opposite party may have discovery with regard to such facts and prepare to adduce evidence with regard thereto. This is all the more so when such defence is based on an indoor housekeeping rule applicable to government administration and is being used by the Government as against an outside claimant. To permit an amendment on appeal to raise a defence based on facts not so pleaded and litigated at trial would open the door to possibilities of rank injustice (emphasis added).

[27] It appears that, in that case, the opposite party pleaded neither the law nor the specific facts on which they were relying. This is not the situation that I am faced with in this motion.

[28] In *Kibale*, above, the Court of Appeal held that a statute of limitations defence must be specifically pleaded and cannot be first raised in a preliminary motion to strike. Once again, this is a much different situation from that which I am faced with.

[29] In *International Water-Guard*, above, the Prothonotary analogized a statute of limitation defence to the defence of estoppel, and subsequently held that a defence of estoppel, as a defence grounded in equity, must be specifically plead by a defendant. This case is not relevant as the Plaintiffs' motion to strike on the basis of s. 61(1) is grounded in statute and not equity.

[30] *Valentino*, above, merely confirms the rule that a defendant is required to plead all material facts. In the case, the defendant sought to introduce evidence of an agency relationship between itself and a third party having never included any mention or even implied an agency relationship in its pleadings. The court held that a defendant must plead the defence that it was acting as an agent for a third party.

[31] In conclusion on this procedural argument, I am satisfied that the s. 61(1)(b) grounds were sufficiently pleaded by the Plaintiffs. A reasonable reading of the pleadings discloses the material facts upon which the s. 61(1)(b) argument is based. The s. 61(1)(b) argument is a legal consequence of the material facts pleaded and did not need to be specifically pleaded. The Defendants ought not to have been surprised by the arguments now being made by the Plaintiffs in relation to s. 61(1)(b) of the *Old Act*.

5.2 Should this motion be dismissed on the basis that the Plaintiffs have already had an opportunity to bring a motion to strike?

[32] The Defendants correctly point out that the Plaintiffs have known that inventorship was an issue in this action since before December 2006. Although, on February 26, 2007, the Plaintiffs served and filed a Notice of Motion to strike certain of the pleadings, those pleading related to inventorship were not included, except in respect of paragraph 26. Nor did the Plaintiffs refer to the s. 61(1)(b) argument. That motion was never perfected as the parties reached agreement on a number of issues and the motion was withdrawn.

[33] The Defendants submit that, absent special circumstances, a party is only entitled to one opportunity to attack the opposite party's pleadings (*Speedo Knitting Mills Pty. Ltd. v. Christina Canada Inc.* (1985), 3 C.P.R. (3d) 360 (F.C.T.D.)).

[34] I fail to see how a Notice of Motion that was settled by the parties and was never adjudicated can constitute a bar to bringing this motion. I do not read the *Speedo* case or others referred to by the Defendants as authority for that proposition. Further, Rule 221 explicitly provides that a motion to strike can be brought at any time.

[35] A further comment is, however, warranted on the timing of this motion. Given that the Plaintiffs have known about the issue of inventorship for considerable time, I find it odd that this motion was not brought sooner. While I do not believe that the timing of this motion prevents it from being heard, it will go to the question of costs, as discussed later.

[36] Having concluded that there are no procedural barriers to the consideration of this motion to strike, I turn to the substantive question before me – the interpretation of s. 61(1)(b).

5.3 Can matter of statutory interpretation be dealt with in a motion to strike?

[37] I begin by addressing one preliminary argument of the Defendants. There is no question that the interpretation of s. 61(1)(b) is the subject of disagreement. Because there is disagreement, the proper interpretation is contentious, as between the Plaintiffs and the Defendants. The Defendants rely on the decision of Justice Blanchard in *Eli Lilly*, above, to argue that the Court should not strike the impugned provisions because there are contentious matters of statutory interpretation at stake.

[38] The problem with this assertion is that *Eli Lilly* does not stand for the proposition that, whenever there is a dispute as to interpretation, the issue should go to trial. At issue in *Eli Lilly* was s. 8 of the *Patented Medicines (Notice of Compliance) Regulations*, S.O.R./93-133, a notoriously complex provision that is the subject of considerable litigation by a number of parties. The provision is not just contentious; it was described by Justice Hugessen as “particularly obscure in its meaning” (*Merck Frosst Canada Inc. v. Canada (Minister of National Health and Welfare)* (1994), 55 C.P.R. (3d) 302 at 316 (F.C.A.)) and by Justice Blanchard (*Eli Lilly*, above, at para. 13), as “a complex matter of statutory interpretation” that is “better left for argument at trial where proper evidence may be adduced and should not be disposed of by a motions judge in a preliminary proceeding”.

[39] The fact that an issue is contentious does not necessarily make it complex. Before me, I have a single provision with an obvious literal meaning. I do not see that the situation faced by Justice Blanchard can, in any way, be compared to that before me. Were I to accept the Defendants’ view of statutory interpretation, such issues could never be resolved by a preliminary motion to strike.

5.4 Does s. 61(1)(b) bar the Defendants’ allegation of invalidity on the basis of prior inventorship?

[40] I will now address the question of the interpretation of s. 61(1)(b). Does s. 61(1)(b) mean that, on the facts as pleaded, inventorship cannot be raised as a ground of invalidity?

[41] Inventorship, as discussed above, is the key to the issuance of patents under the *Old Act*; the first inventor is entitled to the patent. Sections 61(1) and 27(1), read together, indicate the manner in which a patent can be held to be invalid on the grounds of prior inventorship. As

stated in s. 61(1)(b), no patent will be declared invalid on the grounds of prior inventorship by some other person unless the challenging party can establish that the other person had, before the issue of the patent holder's patent, made an application for patent in Canada on which conflict proceedings should have been directed.

[42] The Plaintiffs and Defendants differ on the interpretation of the phrase “on which conflict proceedings should have been directed”. The Plaintiffs assert that s. 61(1)(b) applies to their situation because, not only should conflict proceedings have been directed, they actually were so directed. In effect, they argue that, under s. 61(1)(b), an attack on the basis of prior inventorship is not permitted where, as here, another person's invention was known and put into conflict proceedings. That is, s. 61(1)(b) applies only when there has been a “missed conflict”. This appears to be the literal interpretation of s. 61(1)(b).

[43] The Defendants argue that the Plaintiffs are reading language into s. 61(1)(b) that, in effect, limits the application of the provision. In their view, this violates a basic principle of statutory interpretation (Ruth Sullivan, *Sullivan and Driedger on the Construction of Statutes* (4th ed.) (Toronto: Butterworths, 2002), at 131). Thus, they assert, the provision means simply that the circumstances which ought to have given rise to conflict proceedings pursuant to s. 43(1) of the *Old Act* must have existed (in simple terms, similar or overlapping claims). In their view, whether the conflict proceedings actually occurred is immaterial. On this interpretation, any of the patents arising from the 093, 336, 787 and 453 Applications would potentially satisfy the requirement of s. 61(1)(b), provided that the challenging party could demonstrate that there was an earlier disclosure of the invention to the public.

[44] As acknowledged by the Plaintiffs, there has been little jurisprudence dealing with s. 61(1)(b). However, three cases were referred to, all of which, in my view, provide an interpretation that is consistent with that asserted by the Plaintiffs.

[45] An example of the use of s. 61(1)(b) of the *Old Act* is set out in *AT & T Technologies, Inc. v. Mitel Corp.* (1989), 26 C.P.R. (3d) 238 (F.C.T.D.), where the validity of a patent was in issue. According to the defendant, the AT & T patent was invalid because the named inventors “were not the first to invent and there existed a patent application in the patent office at the time the AT & T patent was filed, with which it should have been put in conflict” (*AT&T*, above at page 265). As discussed by Justice Reed in that case, s. 27(1) of the *Old Act* accords the first inventor the right to the grant of a patent.

[46] However, Justice Reed also acknowledged the qualification of the “first inventorship” requirement by s. 61(1)(b). After a careful review of the evidence before her, which included two patent applications, Justice Reed concluded as follows, at page 272:

There is no doubt that the two patent applications should have been put in conflict.

...

All that must be proved is that there was a prior invention of the process, and device, before the plaintiff's invention date and that there were patent applications which should have been put in conflict. This has been proven. The plaintiff's patent is therefore clearly invalid.

[47] As I read this holding, the conclusion of invalidity was made for two reasons: (1) there was a prior invention; and (2) there were patent applications that should have been put in conflict. Both requirements had to be met. Had the defendant been unable to satisfy the Court that there were patent applications that should have been put in conflict, the defendant would not have been able to meet the test set out in s. 61(1)(b) and the patent would not have been declared invalid on the ground of prior inventorship. In sum, Justice Reed gave an interpretation to s. 61(1)(b) that is consistent with that proposed by the Plaintiffs in this motion.

[48] This interpretation of s. 61(1)(b) was adopted by Justice Mactavish in *Aventis Pharma Inc. v. Apotex Inc.* (2006), 43 C.P.R. (4th) 161 at paras. 341-343 (F.C.), aff'd (2006), 46 C.P.R. (4th) 401 (F.C.A.), leave to appeal to S.C.C. refused [2006] S.C.C.A. No. 136, where she was considering an argument of patent invalidity by the respondent based on s. 61(1)(b) of the *Old Act*. In Justice Mactavish's view, the respondent, to be successful, had to establish that "there was both prior knowledge or use by Hoeschst, *and* a missed conflict" (Emphasis in original). However, it should be noted that, as Justice Mactavish concluded that the respondent had failed to establish that there was prior knowledge or use by Hoechst, she did not need to deal with the issue of whether, in that case, there was a missed conflict (*Aventis Pharma*, above at para. 349). However, once again, we have a judicial interpretation of s. 61(1)(b) that accords with that proposed by the Plaintiffs.

[49] The most recent case in which s. 61(1)(b) has been considered is *Pfizer Canada Inc. v. Canada (Minister of Health) and Apotex Inc.*, [2007] F.C.J. No. 767 (QL). The issue before the Court of Appeal was whether the trial judge had erred in applying the wrong test for anticipation. In

response, Justice Nadon, speaking for the Court of Appeal, endorsed the written submissions of Pfizer, the respondent to the appeal, at para. 138:

It appears from paragraphs 85 and 86 of Heneghan J.'s Reasons that she did apply the anticipation by prior publication test. In this respect, I find particularly convincing paragraph 27 of Pfizer's Reply Memorandum of Fact and Law which states:

27. Apotex argues that Justice Heneghan erred by failing to consider s. 27(1)(a) of the Patent Act, which requires a patent to be "known or used" by any other person before the inventor invented it. This was not an error. Section 61(1) prevents a patent from being invalidated on the basis that it was "known or used" unless it was "disclosed or used ... in such manner that it had become available to the public" or if it was the subject of an application for a patent in Canada on which "conflict proceedings should have been directed." Neither of these conditions are met in this case. There is no evidence that the Hoechst patent application was known to the public. Moreover, this is not a case in which "conflict proceedings *should have been directed*". Rather, conflict proceedings *were* directed, *did* occur, and the patent ultimately issued to Warner Lamber (Emphasis in original).

[50] Justice Nadon continued his analysis by pointing out that Apotex had not filed into evidence a copy of the Hoechst Patent. Thus, it was impossible to discern the filing or issuance date of that patent. Accordingly, Justice Nadon did not have to directly assess whether conflict proceedings that resulted in a settlement met the requirement of s. 61(1)(b). Nevertheless, I infer from his endorsement of the entire submission of *Pfizer* that he did not disagree with this proposition.

[51] The *Pfizer* case is particularly instructive because it involves a situation that is very similar to that before me. The applicants in that case relied on two patents. One of those patents (the 330 Patent) was placed in conflict with a patent owned by a German company. The Commissioner of Patents determined that the German company was the first to invent and awarded the patent to that

company. In 1999, a consent judgment was entered whereby the 330 Patent was issued only to the applicants.

[52] Thus, in sum, a consideration of the case law supports the position of the Plaintiffs.

[53] Given that the relevant cases did not directly rule on the issue before me, I turn to a fresh consideration of the meaning of s. 61(1)(b). It is a well-established principle of statutory interpretation that words of a statute are to be read in their entire context in their grammatical and ordinary sense harmoniously with the scheme of the Act, the object of the Act, and the intention of Parliament (Elmer Driedger, *Driedger on the Construction of Statutes* (2nd ed.) (Toronto: Butterworths, 1983) at para. 21, as cited in *Rizzo & Rizzo Shoes Ltd. (Re)*, [1998] 1 S.C.R. 27, at para. 21). Keeping this guidance in mind, the place to begin is with an examination of the context of conflict proceedings under the *Old Act*.

[54] A number of cases have considered the role of conflict proceedings. In *Texaco Development Corp. v. Schlumberger Ltd.*, [1967] 1 Ex. C.R. 459 at 233, it was held that s. 45 of an earlier *Patent Act* (s. 43 under the *Old Act*) allowed an interruption in the processing of an application for a patent “for the sole purpose of deciding which of two applicants is the inventor.” Justice Jackett was careful, however, to state that all other objections to the granting of a patent “should be dealt with in the ordinary course of events”. In other words, he acknowledged that, because of the operation of the statute, inventorship is carved out for special treatment.

[55] *Nekoosa Packaging Corp. v. Amca International Ltd.* (1989), 27 C.P.R. (3d) 153 at 157-8 (F.C.T.D.), *aff'd* (1994) 56 C.P.R. (3d) 470 (F.C.A.) is also relevant on this point and helpful as Justice Cullen spent considerable time in summarizing the state of the law at that time. The case involved a patent infringement action which had been preceded by a conflict action. The earlier conflict action had resulted in a final determination by the Federal Court of Appeal. The court in the subsequent patent infringement action held that a determination by the court made during conflict proceedings does not give rise to an argument of estoppel in later proceedings respecting the validity of a patent. This was because conflict actions are directed to the issue of priority and do not put an imprimatur on the validity of claims in conflict beyond directing the Commissioner to issue a patent containing such claims. In short, the plaintiffs were not prevented from bringing claims of invalidity on the grounds of obviousness. It should be noted that, in the case before Justice Cullen, prior inventorship was not an alleged ground of invalidity. Thus, this case is a good example of a consistent line of jurisprudence that states that other grounds of invalidity may be raised after the conclusion of conflict proceedings. The reasoning is apparent. Conflict proceedings deal only with inventorship; thus, no other possible grounds of invalidity have been considered during such conflict proceedings.

[56] The case law on the interpretation of s. 61(1) of the *Old Act* appears, at first blush, to be at odds with the jurisprudence as to the scope of conflict proceedings. On the one hand, conflict proceedings have been generally held not to decide the issue of the validity of the patent. On the other hand, those validity claims relating to inventorship of the patent, are precluded from being raised by s. 61(1) if there is no “missed conflict”. If both lines of authority are accepted, the result is to make conflict decisions by the Commissioner of Patents, or, if appealed, by the

Federal Court, while not necessarily determinative of inventorship (as held in *Nekooska Packaging Corp.*), unimpeachable on that issue. In my view, such an interpretation of s. 61(1) is logical and should be adopted.

[57] In any interpretation of patent legislation, and therefore the patent system, it is helpful to recall Justice Binnie's comments in *Free World Trust v. Électro Santé Inc.*, [2000] 2 S.C.R. 1024, at paras. 41-43, that, "The scope of patent protection must not only be fair, it must be reasonably predictable" and that:

The patent owner, competitors, potential infringers and the public generally are thus entitled to clear and definite rules as to the extent of the monopoly conferred.

[58] This is particularly true under the *Old Act* where the defining concept is one of inventorship. The intent of the legislative scheme is to provide a means for identifying the true first inventors and dealing with conflicts that may arise prior to the issuance of the patent. Where a patent has issued pursuant to this process, Parliament has provided that it is protected from further attacks on the question of inventorship, except in the circumstances contemplated by the *Old Act*: specifically, s. 61(1)(b).

[59] I further note that none of the jurisprudence dealing with invalidity allegations after conflict proceedings considered the special circumstances of inventorship. Thus, the cases do not directly conflict in any way with the interpretation of s. 61(1)(b) put forward by the Plaintiffs.

[60] Finally, I highlight a concern with the Defendants' interpretation of the provision. The problem with the Defendants' interpretation of the words "should have been directed" is that it renders s. 61(1)(b) essentially meaningless. It is also a principle of statutory interpretation that Parliament has intended the words in a statute to have meaning. On the Defendants' interpretation, the phrase would capture not only missed conflicts, but every application where conflict proceedings were directed. A declared conflict, regardless of how it was resolved, would become irrelevant thereby removing from the operation of the *Old Act* any concept of certainty for the issued patent. In effect, the Defendants are also reading words into the provision; in their view, the provision should read "an application ... on which conflict proceedings should have been directed, whether or not they were so directed". In the alternative, they are reading the provision as "an application ... on which conflict proceedings could have been directed". In either case, the Defendants are providing an interpretation that cannot be read harmoniously with the scheme of the *Old Act*.

5.5 Conclusion on this issue

[61] An interpretation of s. 61(1)(b) as suggested by the Plaintiffs is consistent with the principles identified in *Free World Trust*, consistent with both the s. 61(1)(b) and conflict proceeding lines of authority, and helps, not hinders, the patent system embodied in the *Old Act*. On this purposive interpretation of the statutory provisions of the *Old Act*, it is entirely consistent to separate out the concept of inventorship for "special treatment". By preventing a finding of invalidity where conflict proceedings have been directed, the foundation concept of the *Old Act* – first inventorship – is protected. On the other hand, no special provisions are contained within the *Old Act* that would protect a patentee from other grounds of invalidity

attacks. Accordingly, those other grounds may be raised in the usual course. In my view, this is the result that Parliament intended.

[62] Furthermore, it should be emphasized again that such an interpretation would be limited to precluding parties where there is no “missed conflict” from advancing an allegation of prior inventorship. Other grounds for questioning the validity of a patent are unaffected.

[63] One final argument that was made by the Defendants on the existence of a reasonable cause of action is that the inventorship allegations are linked to the conspiracy allegations. I do not accept this argument. As I read the pleadings of the Defendants, the alleged conspiracy as between Adir and the other corporate applicants, Hoechst and Schering, is not a conspiracy of the inventors. Conspiracy, while it may have arisen from the inventorship question, is a separate claim. The Defendants have given me no concrete examples of how the absence of the impugned provisions will prevent their pursuit of the conspiracy allegations.

[64] On the facts before me, I am satisfied that the Defendants cannot meet the requirements of s. 61(1)(b) of the *Old Act*. It follows that it is plain and obvious that the impugned provisions of the Defence and Counterclaim disclose no reasonable cause of action and should be struck. This is a sufficient basis upon which to allow the motion. However, for completeness, I will also consider the alleged ground of abuse of process.

6. Issue #2: Abuse of Process

[65] A ground for the striking of pleadings is that allowing the pleadings to proceed would result in an abuse of process (Rule 221(1)(f)). In this case, the Plaintiffs assert that the issue of inventorship was finally determined by the Order of Justice Nadon. Thus, they assert, allowing a trial to proceed on the issue of inventorship of the 196 Patent would be, in effect, a re-litigation of the same issues dealt with in that Order or a collateral attack on that Order. Either of these would constitute, in their view, an abuse of process.

[66] The abuse of process doctrine was considered in the recent Supreme Court of Canada case *Toronto (City) v. C.U.P.E., Local 79*, [2003] 3 S.C.R. 77 (C.U.P.E.). Writing for the majority of the court, Justice Arbour highlighted the following general principles of the doctrine:

- Judges have an inherent and residual discretion to prevent an abuse of the court's process (*C.U.P.E.*, above at para. 35).
- The doctrine of abuse of process can be used in a variety of legal contexts, and has been used to preclude re-litigation where the strict requirements of issue estoppel are not met but where allowing the litigation to proceed would nonetheless violate such principles as judicial economy, consistency, finality and the integrity of the administration of justice (*C.U.P.E.*, above at paras. 36-37).

[67] In the specific context of re-litigation Justice Arbour noted:

- The policy grounds for supporting abuse of process by re-litigation have been identified as: to put an end to litigation, to ensure no one is twice vexed by the same cause, to preserve the courts' and litigants' resources, to uphold the integrity of the legal system, to avoid inconsistent results, and to protect the principle of finality (*C.U.P.E.*, above, at para. 38) (Emphasis added).
- The doctrine of abuse of process applies regardless of whether it is the plaintiff or the defendant who has initiated the re-litigation (*C.U.P.E.*, above at para. 47).
- The motive of the party seeking to re-litigate is not the focus of the doctrine of abuse of process by re-litigation (*C.U.P.E.*, above at paras. 46, 51).

[68] Justice Arbour also noted that the primary concern of the doctrine of abuse of process is the integrity of the adjudicative process. In this respect, the Justice made the following observations:

First, there can be no assumption that relitigation will yield a more accurate result than the original proceeding. Second, if the same result is reached in the subsequent proceeding, the relitigation will prove to have been a waste of judicial resources as well as an unnecessary expense for the parties and possibly an additional hardship for some witnesses. Finally, if the result in the subsequent proceeding is different from the conclusion reached in the first on the very same issue, the inconsistency, in and of itself, will undermine the credibility of the entire judicial process, thereby diminishing its authority, its credibility and its aim of finality (*C.U.P.E.*, above at para. 51).

[69] Finally, Justice Arbour identified several instances where re-litigation enhances, rather than detracts from, the integrity of the judicial system:

- When the first proceeding is tainted by fraud or dishonesty.
- When fresh, new evidence, previously unavailable, conclusively impeaches the original results.
- When fairness dictates that the original result should not be binding in the new context.
- When there was an inadequate incentive to defend in the first proceeding (*C.U.P.E.*, above at paras. 52-53).

6.1 Do the Defendants' allegations amount to re-litigation that constitutes an abuse of process?

[70] At issue in this motion is the Order of Justice Nadon. It was an Order issued on consent following a settlement among Adir, Hoescht and Schering and, according to the Defendants, cannot be binding on anyone other those three parties.

[71] In general terms, the jurisprudence establishes the following principles with respect to consent orders and judgments:

- A consent judgment is a final determination by the Court of the rights and obligations of the parties. It is a judgment of the Court and not the parties. The fact that the judgment was consented to makes it no less valid and subsisting (*Bank of Montreal v. Coopers Lybrand Inc.* (1996), 137 D.L.R. (4th) 441 (Sask. C.A.)).

- A consent judgment has no precedential value. It reflects neither findings of fact nor a considered application of law to the facts by the court (*Uppal v. Canada (Minister of Employment and Immigration)*, [1987] 3 F.C. 565 (F.C.A.), *Armstrong v. Canada*, [1996] F.C.J. No. 599 (F.C.A.)).

[72] The first question that must be answered in the analysis is whether the first proceeding(s) decided the issue that is being litigated in the second proceeding. If not, no re-litigation, and hence no abuse of process by re-litigation, can be said to have occurred.

[73] I look first to what is being decided in conflict proceedings. These proceedings are limited to deciding the issue of priority among the parties to the conflict. They do not decide the issue of the validity of the patent (*Nekooska*, above at 157-8) except among the parties to the conflict proceedings (*Sherritt Gordon Mines, Ltd., Forward and Odle v. Downes and Berry* (1962), 40 C.P.R. 108). In the present case, the Defendants' validity allegations are limited to the parties of Justice Nadon's Consent Order of December 12, 2000. Although the Defendants characterize this as an attempt to determine "inventorship at large", this is not reflected in their pleadings. By limiting their allegations to Schering and (possibly) Hoechst, two of the named parties to the Consent Order, the Defendants are, in effect, arguing that the priority of the parties to the Consent Order of December 12, 2000 was decided incorrectly. As this issue is exactly what was decided by Justice Nadon's Consent Order of December 12, 2000, the Defendant's allegations of inventorship in their Defence and Counterclaim can be characterized as re-litigation of an issue that has already been finally determined by an Order of this Court.

[74] While I agree that the Order of Justice Nadon was directed only to the parties to the litigation, we must not lose sight of the purpose and consequences of the conflict proceedings. The Order provided the framework within which a number of patents were issued. Pursuant to the *Old Act*, the rights of the patent holders extended beyond the parties to the litigation. Rather, the consequence of the Order was the issuance of patents that can be enforced against all third parties and not just Adir, Hoechst and Schering.

[75] Having established the present case involves re-litigation, the second question that must be answered is whether the re-litigation amounts to an abuse of process.

[76] Factors that support a finding an abuse of process are:

- The re-litigation of the inventorship claims will require an expenditure of the litigants' and the courts' resources years after the issue was resolved by the Consent Order of December 12, 2000.
- Re-litigation would not respect the importance of finality and predictability to the patent system (*Free World Trust*, above, at paras. 41-43).

[77] Factors that are against finding an abuse of process are:

- The Defendants were not a party to the previous conflict proceedings.

- The Order of Justice Nadon of December 12, 2000, was not litigated in the Federal Court but by the parties but was made on consent; a more complete evidentiary record would not impair the integrity of the courts.
- The Minutes of Settlement put before Justice Nadon are potentially misleading as to the issue of inventorship.

[78] Generally, the primary concern of the abuse of process doctrine is the integrity of the adjudicative process (*C.U.P.E.*, above at para. 51). However, the integrity of a particular adjudicative process depends on its context. In the patent context, for example, finality is critical (*Free World Trust*, above at paras. 41-43). If an order determines the priority of conflicting claims, and a party is subsequently allowed to question that order, the value of the patent, and more importantly the value of the conflict procedures in the *Old Act*, would be undermined. Fairness to the patent system in such a context dictates that such questioning be prevented.

[79] It should be noted, in the present case, that, although the order was made on consent, it is of no less value (*Bank of Montreal*, above). The Defendants are attacking the substance of Justice Nadon's Consent Order itself and are not merely claiming that it has no precedential value in law. Therefore, in my view, the Defendants' inventorship allegations amount to an abuse of process and should be struck.

[80] Finally I note that an attack on the Order of Justice Nadon could have been made by the Defendants in other ways. Three possible avenues of attack that were described in *Bank of Montreal*, above, at p. 447 are:

1. By an application to the Court to vary its judgment;
2. By appeal; or
3. By a separate action to set aside the judgment on the basis it was obtained by fraud.

[81] If, for some reason, the Defendants are unable or unwilling to undertake a direct attack on the issues finally determined by the Order of Justice Nadon, they should not be permitted to do so in the context of this action. Seen through this lens, what the Defendants are attempting is a collateral attack on the Order in question. The same considerations come into play; the collateral attack should not be permitted.

6.2 Conclusion on this issue

[82] For the foregoing reasons, I conclude that the impugned provisions in the Defence and Counterclaim should be struck on the ground that they are an abuse of process of the Court.

7. Summary

[83] In this motion, the Plaintiffs have satisfied their burden to demonstrate that the impugned provisions of the Defence and Counterclaim should be struck on the basis that:

- a) they disclose no reasonable cause of action; or
- b) pursuit of the counterclaim on the basis of the issue of inventorship would be an abuse of process of the Court.

[84] Given my conclusions and reasons, leave to amend the impugned provisions would be a waste of time and judicial resources. Having said this, however, should the Defendants convince the Court that a patent application other than the 336 Application was not put into conflict and was a prior known invention, the Court would consider the circumstances of that alleged “missed conflict” and whether the Defendants should be allowed to amend their pleadings accordingly. This decision does not address that situation.

[85] The Plaintiffs seek the costs of this motion. As mentioned earlier in these reasons, the timing of this motion is a matter of concern. The Plaintiffs have known that the issue of inventorship was in play and have known that they would raise s. 61(1)(b) of the *Old Act* in response and, in fact, pleaded the material facts and elements of that argument. By not bringing this motion earlier, all parties have expended considerable effort addressing the inventorship issue. The reasons provided by the Plaintiffs for the delay are simply not impressive.

Accordingly, I will exercise my discretion and decline to award costs; each party will bear its own costs of this motion.

ORDER

THIS COURT ORDERS that:

1. The motion is granted;

2. The following portions of the Defendants' Second Amended Statement of Defence and Counterclaim are struck, without leave to amend:
 - (a) the statement "in order to themselves "create" the inventorship of the subject-matter of the Agreement" in paragraph 26 of the Defence and Counterclaim;

 - (b) paragraphs 48 to 54 of the Defence and Counterclaim;

 - (c) paragraph 65 of the Defence and Counterclaim;

 - (d) paragraph 68 of the Defence and Counterclaim; and

 - (e) the statement "and allocate among themselves overlapping claims to a number of ACE inhibitor compounds that did not reflect the actual inventorship of those compounds or their constituent classes, or the determinations of inventorship made by the Commissioner of Patents in 1996" in paragraph 71 of the Defence and Counterclaim.

3. There will be no award of costs.

“Judith A. Snider”

Judge

FEDERAL COURT

NAMES OF COUNSEL AND SOLICITORS OF RECORD

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