

**Date: 20080521**

**Docket: T-161-07**

**Citation: 2008 FC 628**

**Ottawa, Ontario, May 21, 2008**

**PRESENT: The Honourable Mr. Justice O'Keefe**

**BETWEEN:**

**SANOFI-AVENTIS CANADA INC. and  
SCHERING CORPORATION**

**Plaintiffs**

**And**

**APOTEX INC.**

**Defendant**

**AND BETWEEN:**

**APOTEX INC.**

**Plaintiff by Counterclaim**

**And**

**SANOFI-AVENTIS CANADA INC.,  
SCHERING CORPORATION,  
SANOFI-AVENTIS DEUTSCHLAND GmbH and  
RATIOPHARM INC.**

**Defendants by Counterclaim**

**REASONS FOR ORDER AND ORDER**

**O'KEEFE J.**

[1] This is a motion by Apotex Inc. (Apotex) appealing the October 18, 2007 order of Prothonotary Aronovitch. The Prothonotary's order dismissed Apotex's motion to strike out subparagraphs 1(a), (b), (c) and the words "or, in the alternative as the plaintiffs' may elect, an accounting of profits" from subparagraph 1(d) of the statement of claim as they apply to Sanofi-Aventis Canada Inc. (Sanofi Canada).

[2] In this appeal, Apotex seeks an order setting aside paragraphs 1 and 2 of the Prothonotary's October 18, 2007 order which stated:

1. The motion is dismissed.
2. Costs of this motion fixed in the amount of \$5,000 are payable by Apotex to Sanofi Canada, in any event of the cause.

[3] The plaintiff Sanofi Canada is a manufacturer, vendor and distributor of pharmaceutical products.

[4] The plaintiff Schering Corporation (Schering) is the owner of Canadian Letters Patent No. 1,341,206 (the '206 patent) which is the subject matter of the statement of claim.

[5] The defendant Apotex is a manufacturer, vendor and distributor of pharmaceutical products.

[6] Subparagraphs 1(a), (b), (c) and (d) of the statement of claim read as follows:

1. The Plaintiffs claim:

(a) a declaration that, as between the parties, claims 1, 2, 3, 6 and 12 of Canadian Letters Patent No. 1,341,206 (“206”) have been infringed by Apotex Inc. (“Apotex”);

(b) an interim, interlocutory and permanent injunction restraining Apotex, its officers, directors, servants, agents and employees and all those acting by, through or with Apotex’s direction and control, from infringing the ‘206 patent;

(c) an Order directing that Apotex forthwith, under oath, deliver up to the Plaintiffs, or destroy, all things or material in the possession or control of Apotex, which in any way offend against any Order which may be made pursuant to the Plaintiffs’ claims herein;

(d) damages or, in the alternative, as the Plaintiffs may elect, an accounting of profits in respect of the infringing activities of Apotex;

[7] **Issue**

Did the Prothonotary make a reviewable error?

### **Analysis and Decision**

[8] The Federal Court of Appeal in *Merck & Co. v. Apotex Inc.* (2003), 30 C.P.R. (4th) 40 at paragraphs 17 to 19 stated:

17 This Court, in *Canada v. Aqua-Gem Investment Ltd.*, [1993] 2 F.C. 425 (F.C.A.), set out the standard of review to be applied to discretionary orders of prothonotaries in the following terms:

[...] Following in particular Lord Wright in *Evans v. Bartlam*, [1937] A.C. 473 (H.L.) at page 484, and Lacourcière J.A. in *Stoicovski v. Casement* (1983), 43

O.R. (2d) 436 (Div. Ct.), discretionary orders of prothonotaries ought not to be disturbed on appeal to a judge unless:

(a) they are clearly wrong, in the sense that the exercise of discretion by the prothonotary was based upon a wrong principle or upon a misapprehension of the facts, or

(b) they raise questions vital to the final issue of the case.

Where such discretionary orders are clearly wrong in that the prothonotary has fallen into error of law (a concept in which I include a discretion based upon a wrong principle or upon a misapprehension of the facts), or where they raise questions vital to the final issue of the case, a judge ought to exercise his own discretion *de novo*.

18 MacGuigan J.A. went on, at pp. 464-465, to explain that whether a question was vital to the final issue of the case was to be determined without regard to the actual answer given by the prothonotary:

[...] It seems to me that a decision which can thus be either interlocutory or final depending on how it is decided, even if interlocutory because of the result, must nevertheless be considered vital to the final resolution of the case. Another way of putting the matter would be to say that for the test as to relevance to the final issue of the case, the issue to be decided should be looked to before the question is answered by the prothonotary, whereas that as to whether it is interlocutory or final (which is purely a pro forma matter) should be put after the prothonotary's decision. Any other approach, it seems to me, would reduce the more substantial question of "vital to the issue of the case" to the merely procedural issue of interlocutory or final, and preserve all interlocutory rulings from attack (except in relation to errors of law).

This is why, I suspect, he uses the words "they (being the orders) raise questions vital to the final issue of the case", rather than "they (being the orders) are vital to the final issue of the case". The emphasis is put on the subject of the orders, not on their effect. In a case such as the present one, the question to be asked is whether the proposed amendments are vital in themselves, whether they be allowed or not. If they are vital, the judge must exercise his or her discretion *de novo*.

19 To avoid the confusion which we have seen from time to time arising from the wording used by MacGuigan J.A., I think it is appropriate to slightly reformulate the test for the standard of review. I will use the occasion to reverse the sequence of the propositions as originally set out, for the practical reason that a judge should logically determine first whether the questions are vital to the final issue: it is only when they are not that the judge effectively needs to engage in the process of determining whether the orders are clearly wrong. The test would now read:

Discretionary orders of prothonotaries ought not be disturbed on appeal to a judge unless:

- a) the questions raised in the motion are vital to the final issue of the case, or
- b) the orders are clearly wrong, in the sense that the exercise of discretion by the prothonotary was based upon a wrong principle or upon a misapprehension of the facts.

[9] I am of the view that the main issue raised in this case is vital to the final issue of the case as the relief sought is to strike out part of the statement of claim. I must therefore exercise my discretion *de novo*.

[10] The Prothonotary stated in the endorsement to her order at page 3:

To succeed in this motion Apotex must establish that it is "plain and obvious" that there is no cause of action to support any of the above relief and that those claims cannot succeed.

Given the apparent conflict between Justice Hughes' finding and that of other Courts, including this Court, I am unable to find that it is plain and obvious that Sanofi Canada's claims for injunctive relief and an election of profits have no chance of success. I include in this category an order for delivery-up which is ordinarily ancillary to the grant of an injunction (*Janssen-Ortho Inc. v. Novopharm Limited* (2006), 57 C.P.R. (4th) 6 at para. 131(F.C.)).

That leaves Sanofi Canada's claim for a declaration (paragraph 1(a) of the statement of claim). I do not read Justice Hughes' reasons to encompass all relief other than damages or to preclude a licensee from seeking a declaration of infringement. It is a remedy available under the *Federal Courts Act* and is not limited to patentees.

Apotex maintains that I am bound by the findings of Justice Hughes and must strike the impugned remedies. In light of conflicting authority of this Court, Apotex has failed to explain why I am not equally bound by the judgment of Justice Mahoney. Apotex's argument does not avail for the very reason that Apotex cannot meet its burden in this motion, namely, that there is conflicting jurisprudence on point.

[11] I am of the opinion that Prothonotary Aronovitch was correct in her conclusion. Sanofi Canada's claims contained in paragraphs 1(a), (b) and (c) are claims that can be made by it as a licensee, in its statement of claim.

[12] The Federal Court of Appeal reasonably held in *Apotex Inc. v. Sanofi-Aventis Canada Inc. and Schering Corporation* and *Apotex Inc. v. Sanofi-Aventis Canada Inc., Schering Corporation, Sanofi-Aventis Deutschland GmbH and Ratiopharm Inc.*, 2008 FCA 175:

[9] The motions judge observed that the Improper Conduct Pleadings portion of the statement of defence, if successful, would deprive Sanofi Canada of its claim for equitable relief in the form of an injunction and/or an accounting of profits from the alleged infringement. He then went on to conclude, notwithstanding that none of the parties raised the issue, that Sanofi Canada was not

entitled to claim any equitable relief in respect of the alleged infringement because it was a mere licensee of the '206 Patent.

[10] The motions judge then proceeded to review the jurisprudence with respect to improper conduct defences in intellectual property proceedings. After reviewing the decisions in *RBM Equipment Ltd. v. Philips Electronics Industries Ltd.* (1973), 9 C.P.R. (2d) 46 (F.C.A.); *Eli Lilly & Co. et al. v. Marzone Chemicals Ltd. et al.* (1976), 29 C.P.R. (2d) 255 (F.C.A.); *Procter & Gamble Co. v. Kimberly-Clark of Canada Ltd.* (1990), 29 C.P.R. (3d) 545 (F.C.A.); *Visx Inc. v. Nidek Co.* (1994), 58 C.P.R. (3d) 51 (F.C.T.D.); and *Volkswagen Canada Inc. v. Access International Automotive Ltd.* (C.A.), [2001] 3 F.C. 311, the motions judge stated, at paragraph 35, as follows:

[35] I conclude from these decisions that a pleading in a defence which raises, as a defence, unlawful conduct such as that in contravention of the *Competition Act* must relate to the acquisition of title to the patent or other intellectual property right, or to a claim for equitable relief or both.

[11] Applying his conclusion to the circumstances that were before him, the motions judge noted that Schering, not Sanofi Canada, holds title to the '206 Patent and reiterated his earlier conclusion that Sanofi Canada, as a mere licensee of the '206 Patent, was not entitled to claim equitable relief in the Infringement Action. It followed, in his view, that because the Improper Conduct Pleadings were raised as a defence to a claim that Sanofi Canada was not entitled to make, that portion of the statement of defence had to be struck out as against Sanofi Canada.

[12] It is apparent that the underpinning of the decision of the motions judge to strike out the Improper Conduct Pleadings portion of the statement of defence is his determination that the status of Sanofi Canada as a licensee, rather than a patentee, disqualified it from claiming equitable relief in the Infringement Action. In my view, this determination, which the parties agree was made without the benefit of arguments from them, is unsupportable.

[13] In the Infringement Action, Sanofi Canada is seeking equitable relief in the form of injunctions restraining the alleged infringement by Apotex and an accounting for profits in respect of the allegedly infringing activities. Both of these forms of equitable

relief have been granted to licensees. (See *Fiberglass Canada Ltd. et al. v. Spun Rock Wools Ltd. et al.* (1947), 6 C.P.R. 57 (P.C.); *Domco Industries Ltd. v. Armstrong Cork Canada Ltd. et al.* (1980), 47 C.P.R. (2d) 1 at 9-10 (F.C.T.D.), aff'd on other grounds (1980), 54 C.P.R. (2d) 155 (F.C.A.), aff'd (1982), 66 C.P.R. (2d) 46 (S.C.C.); *Windsurfing International Inc. et al. v. Trilantic Corporation (Now BIC Sports Inc.)* (1985), 8 C.P.R. (3d) 241 at 244 and 268-269 (F.C.A.); *Monsanto Canada Inc. v. Schmeiser* (2001), 12 C.P.R. (4th) 204 at paras. 129-140 (F.C.T.D.), aff'd (2002), 21 C.P.R. (4th) 1 (F.C.A.), allowed in part (2004), 31 C.P.R. (4th) 161 (S.C.C.); *Wellcome Foundation Ltd. v. Apotex Inc.* (1998), 82 C.P.R. (3d) 466 at paras. 468-471 (F.C.T.D.), aff'd (2001), 11 C.P.R. (4th) 218 (F.C.A.); *Lubrizol Corp v. Imperial Oil Ltd.* (1992), 45 C.P.R. (3d) 449 at 452-453 and 479 (F.C.A.); and *Beloit Canada Ltd. v. Valmet-Dominion Inc.* (1997), 73 C.P.R. (3d) 321 at 326 and 369-370 (F.C.A.).)

This decision clearly supports the decision of Prothonotary Aronovitch.

[13] Apotex is also appealing the award of costs made against it by Prothonotary Aronovitch in the amount of \$5,000. Prothonotary Aronovitch stated at pages 3 and 4 of her endorsement:

Some additional comments are warranted regarding the timing and necessity for this motion. The parties did not make a formal request to adjourn the motion. Sanofi Canada urged the Court to dismiss the motion and only in the alternative to adjourn the motion *sine die*, to be continued, if necessary, following the decision of the Court of Appeal. Apotex's counsel argued that the motion was not premature but rather timely given that the "lopsided" pleadings, as they now stand, would result in prejudice to Apotex during discovery which was about to get underway. I did not find Apotex's submissions as to the nature or extent of the prejudice either precise or persuasive.

I take the view that unless there are compelling reasons to do so, a party ought not to bring a motion to strike in reliance of a decision that is under appeal, especially where there is a likelihood of a proximate disposition. In the same manner that it is problematic to bring two applications in different Courts where there is significant overlap between the issues for determination.



Schering appeared to this motion and essentially adopted the position of Sanofi Canada. I disagree with Apotex that Schering had no standing to do so. Schering is a patentee and a party to this action with rights under the *Federal Courts Rules* (the “*Rules*”) to be served with any motion brought by any other party to the action, and the right thereafter to appear to any such motion subject only to having complied with the *Rules*. That said, in the circumstances, Schering will not be entitled to costs.

Further on costs, Sanofi Canada has been successful and has had to respond to a motion which, in my view, was unnecessary at this time. I have, therefore, accepted Sanofi Canada’s submissions on costs and will so order.

**THIS COURT ORDERS that:**

1. This motion is dismissed.
2. Costs of this motion fixed in the amount of \$5,000.00 are payable by Apotex to Sanofi Canada, in any event of the cause.
3. No costs are payable to Schering.

[14] The issue of costs is not vital to the final issue of the case. I must determine whether the Prothonotary’s order with respect to costs, was “clearly wrong, in the sense that the exercise of discretion by the prothonotary was based upon a wrong principle or upon a misapprehension of the facts.”

[15] On a review of Prothonotary Aronovitch’s endorsement, I cannot conclude that she was clearly wrong, in the sense that the exercise of her discretion was based upon a wrong principle or upon a misapprehension of the facts. She gave her reasons for the award of costs.

[16] Apotex's motion (appeal) is therefore dismissed with costs to Sanofi-Aventis Canada Inc. and Sanofi-Aventis Deutschland GmbH. There shall be one set of costs.

**ORDER**

[17] **IT IS ORDERED that** Apotex's motion (appeal) is therefore dismissed with costs to Sanofi-Aventis Canada Inc. and Sanofi-Aventis Deutschland GmbH. There shall be one set of costs.

“John A. O’Keefe”

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Judge

**FEDERAL COURT**

**SOLICITORS OF RECORD**

**DOCKET:** T-161-07

**STYLE OF CAUSE:** SANOFI-AVENTIS CANADA INC. and  
SCHERING CORPORATION

- and -

APOTEX INC.

**AND BETWEEN:** APOTEX INC.

- and -

SANOFI-AVENTIS CANADA INC.,  
SCHERING CORPORATION,  
SANOFI-AVENTIS DEUTSCHLAND GmbH and  
RATIOPHARM INC.

**PLACE OF HEARING:** Toronto, Ontario

**DATE OF HEARING:** November 26, 2007

**REASONS FOR ORDER  
AND ORDER OF:** O'KEEFE J.

**DATED:** May 21, 2008

**APPEARANCES:**

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