Date: 20080827

Docket: T-2273-06

Citation: 2008 FC 970

Ottawa, Ontario, August 27, 2008

PRESENT: The Honourable Madam Justice Snider

BETWEEN:

AMR TECHNOLOGY, INC

Plaintiff

and

**NOVOPHARM LIMITED, and
TEVA PHARMACEUTICAL INDUSTRIES LTD., and
TEVA PHARMACEUTICAL USA, INC. and
DIPHARMA S.p.A., and DIPHARMA FRANCIS S.r.L.**

Defendants

REASONS FOR ORDER AND ORDER

I. Background

[1] Dipharma S.p.A. and Dipharma Francis S.r.l. (collectively, Dipharma) have brought this motion for summary judgment pursuant to Rule 213(2) of the *Federal Courts Rules*, SOR/98-106, seeking dismissal of an action against them. The action in question was commenced by AMR Technology, Inc. (AMR or the Plaintiff) for alleged infringement of its Canadian Patent 2,181,089 (the 089 Patent) by Novopharm Limited (Novopharm), Teva Pharmaceutical Industries

Ltd. (Teva Israel), Teva Pharmaceutical USA, Inc. (Teva USA) and Dipharma (collectively, the Defendants).

[2] The 089 Patent is directed to a piperidine derivative referred to as fexofenadine and its use as an anti-allergenic pharmaceutical compound. AMR claims that the Defendants infringe the 089 Patent. Dipharma admits, in its Statement of Defence, that it has manufactured fexofenadine HCI in Italy. Further, it admits that it has sold this product to Teva Israel, and that some of the product was shipped to Novopharm in Canada. Dipharma also admits that it uses substantially the same process set out in its European Application EP 1 616 861 for manufacturing its fexofenadine HCI. The main contention of Dipharma is that its product is sold in Italy and not in Canada. Thus, Dipharma argues, there can be no cause of action against it for infringement of the 089 Patent.

II. Issues

[3] The main issue in this motion is whether Dipharma is entitled to summary judgment removing it as a party to the action. This issue can be broken down into 2 sub-components:

1. Should the motion for summary judgment be granted?

    a) Is there a genuine issue for trial with respect to AMR's allegation that Dipharma sold fexofenadine in Canada?

b) If there is a genuine issue, is there sufficient evidence to determine the issue on summary judgment?

[4] A secondary issue relates to the admissibility of some of the expert evidence put forth by AMR.

III. Statutory Framework

[5] Rules 213 through 216 of the *Federal Courts Rules*, pertain to summary judgment. The provisions relevant to this matter are reproduced here.

Rule 213. (2) a defendant may, after serving and filing a defence and at any time before the time and place for trial are fixed, bring a motion for summary judgment dismissing all or part of the claim set out in the statement of claim.	Règle 213. (2) Le défendeur peut, après avoir signifié et déposé sa défense et avant que l'heure, la date et le lieu de l'instruction soient fixés, présenter une requête pour obtenir un jugement sommaire rejetant tout ou partie de la réclamation contenue dans la déclaration.
Rule 216. (1) Where on a motion for summary judgment the Court is satisfied that there is no genuine issue for trial with respect to a claim or defence, the Court shall grant summary judgment accordingly.	Règle 216. (1) Lorsque, par suite d'une requête en jugement sommaire, la Cour est convaincue qu'il n'existe pas de véritable question litigieuse quant à une déclaration ou à une défense, elle rend un jugement sommaire en conséquence.

(2) Where on a motion for summary judgment the Court is satisfied that the only genuine issue is …	(2) Lorsque, par suite d'une requête en jugement sommaire, la Cour est convaincue que la seule véritable question litigieuse est : . . .
(b) a question of law, the Court may determine the question and grant summary judgment accordingly.	*b*) un point de droit, elle peut statuer sur celui-ci et rendre un jugement sommaire en conséquence.
(3) Where on a motion for summary judgment the Court decides that there is a genuine issue with respect to a claim or defence, the Court may nevertheless grant summary judgment in favour of any party, either on an issue or generally, if the Court is able on the whole of the evidence to find the facts necessary to decide the questions of fact and law.	(3) Lorsque, par suite d'une requête en jugement sommaire, la Cour conclut qu'il existe une véritable question litigieuse à l'égard d'une déclaration ou d'une défense, elle peut néanmoins rendre un jugement sommaire en faveur d'une partie, soit sur une question particulière, soit de façon générale, si elle parvient à partir de l'ensemble de la preuve à dégager les faits nécessaires pour trancher les questions de fait et de droit.

IV. Principles of Summary Judgment

[6] The guiding principles for the granting of a summary judgment were outlined by Justice Tremblay-Lamer in *Granville Shipping Co. v. Pegasus Lines Ltd. S.A.*, [1996] 2 F.C. 853. These principles (which were endorsed by the Court of Appeal in *ITV Technologies Inc. v. WIC Television*

Ltd., 2001 FCA 11, 199 F.T.R. 319 (F.C.A.), leave to appeal dismissed, [2001] S.C.C.A. No. 156 (Q.L.), can be summarized as follows:

a) The purpose of the provision is to allow the Court to summarily dispense with cases which ought not proceed to trial because there is no genuine issue to be tried;

b) It is not whether a party cannot possibly succeed at trial; it is whether the case is so doubtful that is does not deserve consideration by the trier of fact at a future trial;

c) Each case should be interpreted in reference to its own contextual framework;

d) The Court may determine questions of fact and law on the motion for summary judgment if this can be done on the material before the Court; and

e) On the whole of the evidence, summary judgment cannot be granted if the necessary facts cannot be found or if it would be unjust to do so.

[7] The issue of summary judgment was recently discussed by the Court of Appeal in *Suntec Environmental Inc. v. Trojan Technologies Inc.*, 2004 FCA 140, (2004) 320 N.R. 322 (F.C.A.). In sum, the Court in *Suntec*, at para. 15, 16, concluded that the test is not whether the plaintiff cannot succeed at trial; rather, it is whether the court reaches the conclusion that the case is so doubtful that it does not deserve consideration by the trier of fact at a future trial. Claims clearly without foundation should not take up the time and incur the costs of a trial.

[8] The responding party has the evidential burden of showing that there is a genuine issue for trial, but the moving party bears the legal onus of establishing the facts necessary to obtain summary judgment. Both parties must put their best foot forward to enable the motions judge to determine whether there is an issue that should go to trial (*F. Von Langsdorff Licensing Ltd. v. S.F. Concrete Technology, Inc.* (1999), 165 F.T.R. 74, 1 C.P.R. (4th) 88 (T.D.)).

V. Facts

[9] With these principles in mind, I turn to the facts before me in this case.

[10] The following "facts", relevant to this motion, are contained in AMR's Statement of Claim (see, in particular paragraphs 28, 29, 32-36 and 41):

- Dipharma manufactures fexofenadine in Italy, for use in an allegedly infringing product;

- Such fexofenadine is covered by claims 1 and 3 of the 089 Patent;

- In the process of manufacturing fexofenadine, Dipharma uses an intermediate product covered by claims 2, 4 and 5 of the 089 Patent;

- For a period of time, allegedly infringing product, manufactured by Dipharma was supplied to Teva Israel and by Teva Israel to Teva U.S.A. for sale in the United States;

- Since about 2006, Novopharm has been manufacturing allegedly infringing product using, at least in part, fexofenadine manufactured in Italy by Dipharma; and

- The fexofenadine used by Novopharm is sold by Dipharma to Novopharm in Canada.

[11] Dipharma does not deny that it makes fexofenadine in its Italian facilities. Nor does it dispute that it sells or has sold this product to other of the named Defendants in this action – specifically, to Teva Israel and Novopharm. The basis of Dipharma's motion is that there is no genuine issue for trial since Dipharma has not sold fexofenadine made by it in Canada. Thus, the issue before me in this motion for summary judgment is whether, on the facts before me, I can conclude that there is not and has never been any sale of possibly infringing product in Canada.

[12] As discussed in the materials and arguments before me, sales of the potentially infringing product fall into three different phases. Firstly, Dipharma sold and delivered fexofenadine in Italy to Teva Israel pursuant to a supply agreement signed April 25, 2005 in Italy by Dipharma and signed in Israel by Teva. In the second phase, Dipharma delivered fexofenadine to Novopharm (located in Canada) on direction of Teva Israel given on January 17, 2006 and pursuant to purchase orders provided to it by Teva Israel. In the final phase, beginning about May 2006, Dipharma sold and

delivered fexofenadine to Novopharm pursuant to purchase orders provided directly to it by Novopharm.

VI. Analysis

[13] In oral submissions, AMR focused on the final stage – the direct sales to Novopharm. AMR correctly points out that Dipharma's motion must fail if, with respect to any one of the three different sales arrangements, the Court is satisfied that there is a genuine issue for trial.

[14] The parties are in agreement that the test set out in *Domco Industries Ltd. v. Mannington Mills Inc. et. al*. (1990), 29 C.P.R. (3d) 481 (F.C.A.) at 496 should be applied. In that case, Chief Justice Iaccobucci (as he then was) stated:

> By way of summary, where delivery or possession of the goods takes place outside of Canada, and where it is not proved that a contract for sale of infringing goods has taken place in Canada, no vending occurs in Canada for purposes of section 46 of the Patent Act.

[15] Stated in the converse, if the delivery or possession of the goods takes place in Canada, or if the contract for sale took place in Canada, a sale for purposes of s. 42 of the *Patent Act*, R.S.C. 1985, c. P-4 may have taken place. Thus, each of the questions of where title passes and where the contract was made is a genuine issue for trial. However, the motion may still be granted if I am able "on the whole of the evidence to find the facts necessary to decide the questions of fact and law" (Rule 216(3)).

[16] According to Dipharma, the record clearly shows that neither delivery of the goods nor the sales contract took place in Canada. AMR's position is that there are significant evidentiary gaps to resolve this issue on summary judgment. In AMR's view, an assessment of what evidence was made available indicates that title likely passed in Canada and that the contract of sale was effected here.

[17] The key question in this motion is whether I have sufficient evidence to determine where possession (or title) to the product passed. If possession did not pass in Canada, it may be that Dipharma is correct and I must then go on to consider where the contract of sale was made. If, however, Dipharma does not persuade me that I have sufficient evidence to conclude that Novopharm took possession of and title to the product outside Canada, there remains a genuine issue for trial, regardless of where the contract of sale was made.

[18] I turn then to review the facts that are before me with respect to the transfer of title from Dipharma to Novopharm.

[19] In this motion, Dipharma has put forward the affidavit of Mr. Marc-Olivier Geinoz, Chief Executive Officer of Dipharma. Mr. Geinoz described in detail his understanding of the contractual arrangements between Dipharma and Novopharm. In support of Dipharma's contention that it did not sell the allegedly infringing product in Canada, Mr. Geinoz pointed to the following:

- In April 2006, Dipharma was notified of documentation problems with shipments to Novopharm by Dipharma that were based on Teva Israel-Dipharma purchase orders.

Since Novopharm issued its purchase orders to Teva Israel, all shipping documentation required by Novopharm should come from Teva Israel;

- In May 2006, Dipharma sold and delivered fexofenadine in Italy to Novopharm pursuant to purchase orders provided directly to it by Novopharm. The contract for sale of the product was made upon acceptance by Dipharma in Italy. The purchase orders specifically indicated that title was to pass when transferred to a transportation facility, which occurred in Italy;

- The sales were governed by the Dipharma – Teva agreement of April 25, 2005;

- Pursuant to such purchase orders, Dipharma manufactured fexofenadine HCl in Italy and shipped the product to Novopharm in Canada; and

- The invoices specified the delivery terms as "CIP Toronto". Pursuant to the CIP – "Carriage and Insurance Paid to" – delivery terms (as set out in the International Chamber of Commerce, INCOTERMS 2000 (Paris: ICC Publishing S.A., 1999) [INCOTERMS 2000]), Mr. Geinoz states, use of "CIP Toronto" means that "title to the goods transfers to the buyer upon delivery by the seller of the goods to the first carrier" and, thus, in Exel, in Italy.

[20] AMR has pointed to numerous gaps and inconsistencies in Dipharma's evidence. Although Dipharma has attributed some of the inconsistencies to error or AMR's misconstruction of its

evidence, the fact remains that we have no evidence that all of the parties to the transaction—namely Dipharma, Teva Israel and Novopharm—intended for title to the fexofenadine to pass outside Canada. I agree with AMR that such evidence is important for the purpose of ascertaining whether the goods were sold in Canada. The only evidence available is the affidavit of Mr. Geinoz regarding *his* understanding of the intended meaning and intention of the CIP delivery term, which has only been consistently found on the purchase orders written by Dipharma.

[21] Mr. Geinoz's response on this point is that inclusion of the CIP terms was routine and that he had felt that it was unnecessary to discuss the CIP terms with either Teva or Novopharm. The fact that Novopharm did not complain about use of this term is put forth as evidence that they shared Dipharma's intention. By doing so, Dipharma is requiring the Court to draw an inference about Novopharm and Teva's intentions based merely on their silence.

[22] The jurisprudence on Rule 216 is clear that a motions judge should refrain from issuing summary judgment where the relevant evidence is unavailable on the record and involves a serious question of fact which turns on the drawing of inferences. (See *MacNeil Estate v. Canada (Department of Indian & Northern Affairs)*, 2004 FCA 50, [2004] 3 F.C.R. 3, *Apotex Inc. v. Merck & Co.*, 2002 FCA 210, [2003] 1 F.C. 242 (Fed. C.A.)). In my view, the question of title transfer is a serious question of fact upon which the main issue of infringement turns. A trial judge deciding the

main issue of infringement would benefit from having more evidence on Teva and Novopharm's intentions going into the contractual relationship with Dipharma. This could include:

- Evidence from the parties present at the meeting in Israel on April 18, 2005. That meeting resulted in an oral agreement which formed the basis for the April 25, 2005 agreement. Since the April 25 agreement seems to be lacking key contractual terms such as payment, transfer of title, product testing and returns, evidence from the April 18 meeting may help the trial judge to understand the parties' intentions;

- Evidence from Teva Israel that Dipharma issued some purchase orders specifying Novopharm as the "buyer" only as a service to Teva because they were having problems with customs clearance; and

- Evidence from the individuals who drafted the allegedly erroneous purchase orders in which CIP terms were not used

[23] In addition, I have difficulties with Mr. Geinoz's observations on the meaning of CIP. While Mr. Geinoz has experience in the application of the various INCOTERMS, he is not a lawyer or an expert in their interpretation. In this motion, AMR disputes Mr. Geinoz's interpretation of "CIP". Having reviewed the INCOTERMS 2000 as submitted with the motion materials, I can see no explicit reference in the document to the fact that title passes upon use of CIP delivery terms. It appears to me that further expert evidence is needed to provide the trial judge with a better understanding of the term "CIP".

[24] In response to this motion, AMR presented affidavits of Professor Aaron Ari Afilalo, a professor of international business law and contracts at Rutgers Law School, and Professor Jacob Ziegel, Professor of Law Emeritus at the University of Toronto. Counsel to AMR asked each of the eminent professors to provide his opinion on the conclusions reached by Mr. Geinoz. In my view, the conclusions, if any, reached by the professors are not important. It is not necessary for me to conclude that a sale was completed in Canada. Rather, my task is to assess the evidentiary record to determine whether I can conclude that no sale was made in Canada. The affidavits of the two professors outline a number of issues that, in their opinions, require further evidence before this key question is answered. For example, Prof. Afilalo (reasonably, in my view) states that "INCOTERMS constitute only one part of the contract of sale". Prof. Ziegel states that expert evidence is required to establish what Israeli law is with respect to the time of transfer of title in the goods". In other words, the professors question the very assumptions upon which Dipharma's motion is brought and, in the case of Prof. Afilalo, reach contrary conclusions on the nature of the contractual arrangements between Dipharma and Novopharm.

[25] Dipharma objects to the admission of the affidavit evidence of Prof. Afilalo and Prof. Ziegel and asked that I disregard the affidavits. I do not accept Dipharma's argument on this point. The submission by AMR of affidavits by two legal experts was a logical response to the affidavit of Mr. Geinoz in which he provided his opinions on contract and international commercial law matters. In accepting the affidavits of the professors, I wish to make it clear that I am not relying on them for the proof of international commercial law, Canadian law or the interpretation of INCOTERMS 2000. However, I find the affidavits acceptable and helpful for the limited purpose of identifying the incompleteness of the record before me on this motion. In effect, they do nothing

more than confirm my view that there are serious gaps in the evidence that preclude the granting of summary judgment.

[26] Dipharma urges me to follow the jurisprudence of *Domco*, where both the Federal Court Trial Division, (1988), 24 F.T.R. 234 and the Court of Appeal (*Domco*, above) concluded that no "vending" had taken place in Canada. In that case, the question before the courts was whether the activities of the defendant, who offered for sale and sold in Canada coverings made in the United States, could constitute an infringement of a Canadian patent. There, as before me, the product fell within the scope of the Canadian patent. The courts concluded that there could be no infringement. The facts in *Domco* differ in one important detail from those before me. In *Domco*, there was no dispute between the parties as to the title to the products; the parties were agreed that the property in and possession of the goods passed in the United States from Mannington to its customers. Here, we have no such agreement. Thus, in my view, the question of where Novopharm took possession of the potentially infringing product must be determined. Based on the record before me, I have insufficient evidence before me to determine the answer to the question. Thus, *Domco* is not directly applicable to the facts before me.

[27] As noted earlier in these reasons, the question of where title transfers is a serious issue. Having determined that I cannot, on the record before me, conclude one way or the other as to the transfer of title, I must dismiss the motion.

VII. Conclusion

[28] In conclusion and on the facts before me, Dipharma does not meet the test for summary judgment. The motion by Dipharma dismissing the action as against Dipharma S.p.A. and Dipharma Francis S.r.l. will be dismissed.

[29] Very shortly before the hearing of this summary judgment motion, AMR filed a motion to amend its Statement of Claim and asked that its motion be heard at the same time as Dipharma's motion. The subject matter of the proposed amendments related to Dipharma. Since the AMR motion to amend its pleadings is dependant on my conclusion on the summary judgment motion, I advised parties that I would not hear that motion and that it could be heard, if necessary, after my decision in this motion and by the case management prothonotary.

ORDER

THIS COURT ORDERS that

1. The motion for summary judgment is dismissed, with costs to AMR.

"Judith A. Snider"
Judge

FEDERAL COURT

SOLICITORS OF RECORD

DOCKET:	T-2273-06
STYLE OF CAUSE:	AMR TECHNOLOGY, INC. v. NOVOPHARM LIMITED, and TEVA PHARMACEUTICAL INDUSTRIES LTD., and TEVA PHARMACEUTICAL USA, INC. and DIPHARMA S.p.A., AND DIPHARMA FRANCIS S.r.L.
PLACE OF HEARING:	TORONTO, ONTARIO
DATE OF HEARING:	AUGUST 13, 2008
REASONS FOR ORDER AND ORDER:	SNIDER J.
DATED:	AUGUST 27, 2008

APPEARANCES:

Douglas N. Deeth Abigail A. Browne	FOR THE PLAINTIFF
Andrew McIntyre	FOR THE DEFENDANTS NOVOPHARM LIMITED, TEVA PHARMACEUTICAL INDUSTIES LTD., AND TEVA PHARMACEUTICALS USA, INC.
Donald MacOdrum Rosamaria Longo	FOR THE DEFENDANT DIPHARMA FRANCIS S.r.L.

SOLICITORS OF RECORD:

Deeth Williams Wall LLP Toronto, Ontario	FOR THE PLAINTIFF(S)
Heenan Blaikie LLP Toronto, Ontario	FOR THE DEFENDANT NOVOPHARM LIMITED, TEVA PHARMACEUTICAL INDUSTIES LTD., AND TEVA PHARMACEUTICALS USA, INC.
Lang, Michener, LLP Toronto, Ontario	FOR THE DEFENDANT DIPHARMA FRANCIS S.r.L.