

Federal Court



Cour fédérale

Date: 20111215

Docket: T-2175-04

Citation: 2011 FC 1480

Toronto, Ontario, December 15, 2011

PRESENT: The Honourable Mr. Justice Hughes

BETWEEN:

**JANSSEN INC. AND DAIICHI SANKYO
COMPANY, LIMITED**

Plaintiffs

and

TEVA CANADA LIMITED

Defendant

REASONS FOR ORDER AND ORDER

[1] This is a motion brought by the Plaintiffs to add certain entities as party Plaintiffs to this action. They are Janssen Ortho LLC (Janssen LLC) Johnson & Johnson, Janssen Pharmaceuticals, Inc. (JPI) and OMJ Pharmaceuticals Inc. Plaintiffs' Counsel at the hearing withdrew the request to add a fourth entity named in the motion, Janssen Distribution Services Inc. For the reasons that follow I find that the motion is dismissed with costs.

[2] This action was commenced by a Statement of Claim filed the 6th of December, 2004. In that Claim the Plaintiff Daiichi Pharmaceutical Co., Ltd. alleged that it was the owner of Canadian Patent No 1,304,080 (The '080 patent). The Plaintiff Janssen-Ortho Inc. (now called Janssen Inc.) alleged that it was a licensee of that patent. The Plaintiffs alleged that the Defendant Novopharm (now called Teva), had infringed that patent by selling in Canada a drug with the brand name Novo-Levofloxacin.

[3] On May 3, 2005 this Court issued a bifurcation Order, on consent. The terms of that Order were:

a) that the issues regarding the validity and infringement of Canadian Patent 1,304,080 and the issue of a permanent injunction be determined separately from and prior to the issues regarding the monetary remedies for this infringement;

b) ordering that production of documents and relevant issues for discovery purposes be limited to issues regarding the validity and infringement of Canadian Patent 1,304,080 and the issues regarding a permanent injunction.

[4] A trial respecting the issues of validity and infringement of the '080 Patent and as to whether an injunction should be granted came before me and was heard in September and October, 2006. On October 17, 2006 I gave a Judgment with Reasons (2006 FC 1234) in which I held that the patent was valid and infringed and that an injunction was to be granted effective thirty (30) days from the date of the Judgment. The Judgment included the following term:

4. The Plaintiffs are entitled to receive from the Defendant all damages sustained by them by reason of the activities of the Defendant which infringe claim 4 of the Patent. A separate trial, preceded by discovery if requested, shall be held as to the quantum of damages and interest as awarded herein. Any monies paid as set out in paragraph 2 above shall be taken into consideration by way of set off or otherwise, in the final calculation of damages.

[5] That Judgment was affirmed by the Federal Court of Appeal on June 7, 2008.

[6] On October 3, 2008 I issued an Order that the remedies portion of this action shall proceed by way of a trial before me. I ordered that the Plaintiffs deliver a Statement of Issues, that the Defendant deliver a Statement of Issues in response and directed that discovery proceed with case management if needed.

[7] By an Order dated October 22, 2008, granted on consent, the original Plaintiff Daiichi Pharmaceutical Co., Ltd was replaced with Daiichi Sankyo Company, Limited and the style of cause amended accordingly. It was ordered that Daiichi Sankyo Company, Limited shall carry on the proceeding in place of Daiichi Pharmaceutical Co., Ltd. subject to the Defendant's right to contest entitlement at the trial of the remaining matters.

[8] The Plaintiffs filed Statement of Issues on October 30, 2008 which said, *inter alia*:

1. This Statement of Issues is being filed in relation to a reference to quantify the damages that the plaintiff, Janssen Ortho Inc. ("JOI"), and related companies have suffered, or will suffer, as a result of the infringement of Canadian Letters Patent 1,304,080 ("080 Patent") by the defendant, Novopharm Limited ("Novopharm").

...

(a) Janssen-Ortho Inc.

6. JOI is a licensee of 080 Patent. Since 1997, JOI has marketed and sold levofloxacin in Canada under the brand name LEVAQUIN[®]. JOI is a Canadian company with a principal place of business located at 19 Greenbelt Drive, Toronto, Ontario M3C 1L9.

7. Ortho-McNeil Pharmaceuticals, Inc. ("Ortho-McNeil") and Janssen Ortho LLC are companies related to JOI that have suffered damages as a result of Novopharm's infringement of the 080 Patent.

JOI, Ortho-McNeil and Janssen Ortho LLC are commonly owned by Johnson & Johnson.

(b) Daiichi Pharmaceuticals co., Ltd.

8. The 080 Patent is owned by the plaintiff Daiichi Sankyo Company, Limited (“Daiichi”). Daiichi is a corporation incorporated under the laws of Japan, with a head office at 14-10 Nihonbashi 3-chrome, Chuo-ku, Tokyo, 103-8234, Japan.

...

E. THE RELATIONSHIP BETWEEN JOI AND RELATED COMPANIES

21. JOI, Ortho-McNeil and Janssen Ortho LLC are commonly owned by Johnson & Johnson and form part of a global production and distribution system. As such, the damages, suffered as a result of Novopharm’s infringement, extends not only to JOI, but to the Johnson & Johnson group of companies as well.

22. Ortho-McNeil is a US corporation (and part of the Johnson & Johnson group) that buys bulk levofloxacin from Daiichi and then contracts with Janssen Ortho LLC to produce labelled, packaged LEVAQUIN[®] tablets for the world market. A portion of this production is for the Canadian market. The share of this production bound for Canada has been negatively affected by Novopharm’s infringing activities, leading to lower profits for Ortho-McNeil and Janssen Ortho LLC and Johnson & Johnson.

23. The Canadian distributor is JOI, who receives LEVAQUIN[®] shipments from Janssen Ortho LLC, repackages the tablets for local distribution then sells and ships them to customers.

[9] The Defendant sought particulars of these assertions and brought a motion to strike paragraph 1 (insofar as it refers to “related companies”), paragraph 7 and paragraphs 21 to 23. By an Order dated March 18, 2009 I adjourned this motion *sine die*. The motion has not been renewed. On the same day I gave an order respecting another Plaintiffs’ motion which was to add as party Plaintiffs three of the same entities that it now seeks to add as party Plaintiffs. (It was agreed by Counsel for each of the parties at the hearing before me that Janssen Ortho LLC and Johnson &

Johnson were the same, that Janssen Pharmaceuticals Inc. is the same as Ortho-McNeil-Janssen Inc. and that the present motion includes a new entity not included in the earlier motion, OMJ Pharmaceuticals Inc.). I dismissed that motion without prejudice to a further motion on better evidence. The present motion appears to be that motion.

[10] The present motion is supported by the affidavit of Odil Ganopolsky sworn, August 11, 2011. He was cross-examined on November 3, 2011 and a transcript has been filed. Ganopolsky is a Senior Tax Manager at Janssen Pharmaceuticals Inc., an affiliated company of the Plaintiff Janssen Inc. (previously Janssen-Ortho Inc.). He testified as to the corporate relations between this Plaintiff and the entities sought to be added as party Plaintiffs.

[11] The Defendant filed the Affidavit of Brian Norrie, an associate in the offices of the solicitors for the Defendant. His affidavit provided, as exhibits, copies of the materials filed in support of and in opposition to the earlier motion by the Plaintiffs to add parties which motion was disposed of by my Order of March 18, 2009. He was not cross-examined.

[12] Now, over two years later, the Plaintiffs seek to add the same entities plus one more as party Plaintiffs to this action.

I. The Issues

[13] The essential issue is whether Janssen Ortho Inc., Johnson & Johnson, Janssen Pharmaceuticals Inc. and OMJ Pharmaceuticals Inc., or any of them should be added as party Plaintiffs to this action at this time.

[14] The Defendant opposes the motion raising the following issues:

1. *Can these three entities be added now, given that they were not parties to the first phase of the action dealing with infringement, validity, and injunctive relief?*
2. *Is the claim of these entities statute barred?*
3. *Should the motion be dismissed for delay?*
4. *Is the motion brought under the correct Rule?*
5. *Are these entities “persons claiming under the patentee”?*
6. *Is the Defendant or any of these entities prejudiced?*

II. Adding Parties Generally

[15] Generally speaking any person or entity having a reasonable cause of action can commence a proceeding that is not prescribed. A defence on the merits may be raised, limitations pleaded and various ways of determining the matter such as striking the action, summary trial, full trial or otherwise may be invoked. Rules 101 through 107 provided for joinder of claims and parties in proceedings that have already been commenced. Rule 104 is most pertinent:

104. (1) At any time, the Court may:

(a) order that a person who is not a proper or necessary party shall cease to be a party; or

(b) order that a person who ought to have been joined as a party or whose presence before the Court is necessary to ensure that all matters in dispute in the proceeding may be effectually and completely determined be added as a party, but no person

104. (1) La Cour peut, à tout moment, ordonner :

a) qu'une personne constituée erronément comme partie ou une partie dont la présence n'est pas nécessaire au règlement des questions en litige soit mise hors de cause;

b) que soit constituée comme partie à l'instance toute personne qui aurait dû l'être ou dont la présence devant la Cour est nécessaire pour

shall be added as a plaintiff or applicant without his or her consent, signified in writing or in such other manner as the Court may order.

Directions

(2) An order made under subsection (1) shall contain directions as to amendment of the originating document and any other pleadings.

assurer une instruction complète et le règlement des questions en litige dans l'instance; toutefois, nul ne peut être constitué codemandeur sans son consentement, lequel est notifié par écrit ou de telle autre manière que la Cour ordonne.

Directives de la Cour

(2) L'ordonnance rendue en vertu du paragraphe (1) contient des directives quant aux modifications à apporter à l'acte introductif d'instance et aux autres actes de procédure.

[16] In the present motion the consent of the entities sought to be joined has been filed with the Court in a document dated August 30, 2011. The present Plaintiffs urge that the entities sought to be joined each have a claim for damages as against the Defendant since each is a “person claiming under the patentee” as described in section 55(1) of the *Patent Act*, RSC 1985, c P-4 which reads:

55. (1) A person who infringes a patent is liable to the patentee and to all persons claiming under the patentee for all damage sustained by the patentee or by any such person, after the grant of the patent, by reason of the infringement.

55. (1) Quiconque contrefait un brevet est responsable envers le breveté et toute personne se réclamant de celui-ci du dommage que cette contrefaçon leur a fait subir après l'octroi du brevet.

[17] That section is unaffected by amendments to that *Act* respecting patents arising from applications filed after October 1, 1989 (the “new” *Patent Act*).

[18] The Federal Court of Appeal in *Merck & Co v Apotex Inc*, 2003 FCA 488, [2004] 2 FCR 459 expressed the manner in which an amendment should be approached. I consider that the addition of a party is an amendment. Each case must be scrutinized separately; no generalized statement should be drawn from any one particular judicial pronouncement. Decary, J.A. for the Court wrote at paragraphs 33 and 34:

[33] The nature, timing and circumstances vary from one amendment to the other and from one type of amendment to the other, and one must be careful not to generalize judicial pronouncements made in a given context. The prothonotary or judge seized with the motion to amend has the duty to consider all relevant factors. There is, for example, as noted by Lord Griffiths in Ketteman (supra, para. 31), "a clear difference between allowing amendments to clarify the issues in dispute and those that permit a distinct defence to be raised for the first time". There is also a clear difference between allowing amendments at trial and allowing amendments before trial (see Glisic v. Canada, [1988] 1 F.C. 731 (C.A.), at p. 740; Ketteman, supra, para. 31). There is also a clear difference, I suggest, between allowing amendments that amount to the withdrawal of an admission and amendments that do not, and a clear difference between allowing amendments that amount to withdrawal of a substantial admission the result of which is to alter the cause of action and one that relates to a mere admission of fact.

[34] All this to say, to use the words of Bowman T.C.J. in Continental Bank Leasing (supra, para. 31),

All [amendments] must be assigned their proper weight in the context of the particular case. Ultimately it boils down to a consideration of simple fairness, common sense and the interest that the courts have that justice be done.

Flexibility and openness, which is the rule in motions to amend, should not be confused with complacency. The sooner an unwarranted amendment is out, the better it is for the judicial system.

[19] It is necessary, therefore, to examine the arguments against joining these entities as raised by the Defendant.

ISSUE #1: Can these three entities be added now, given that they were not parties to the first phase of the action dealing with infringement, validity and injunctive relief?

[20] In my Reasons delivered after the first trial of this action (2006 FC 1234) I found that Daiichi Pharmaceutical Co., Inc. was the owner of the '080 patent (paragraph 2) and that Janssen-Ortho Inc. is a licensee under that patent (paragraph 3). I found that each was entitled to damages but not profits and that the quantum of damages was to be determined later (paragraphs 128, 130 and 132). Thus entitlement to damages with respect to these two parties was determined at the earlier trial.

[21] The present motion presents four new entities who wish to assert that they also are entitled to damages as “persons claiming under the patentee”. Certain evidence has been introduced in support of that assertion through the Affidavit of Ganopolsky and his cross-examination. However it has not been judicially determined that these persons, in fact and in accordance with the jurisprudence, are “persons claiming under the patentee”.

[22] Such a determination could only be made following a trial or, if appropriate, summary trial or trial of an issue in respect of this matter. In order to do so, it may well be appropriate that there be discovery, further evidence, expert evidence if needed, and full argument and submissions respecting the evidence and the jurisprudence.

[23] There is no doubt, and Counsel for the Defendant concede, that if these four entities or any of them, wished to commence a new action at this time for damages, that could be done. There would be discovery, perhaps the Defendant would concede infringement as it did in the earlier trial,

perhaps the infringement and validity finding in the earlier trial would bind the Defendant as a matter of *res judicata* or estoppel or otherwise. All of these issues, including principally that of entitlement as a “person claiming under the patentee” are open for determination.

[24] In the present action the present parties have moved on. Entitlement to damages in respect of the present Plaintiffs has been established, only the quantum remains to be determined, together with the issue as to entitlement respecting the new Daiichi Plaintiff but that issue was reserved on consent. Here there is no consent.

[25] Therefore the trial yet to be held is essentially directed only to quantum of damages to be awarded to the present Plaintiffs. It may be that if the proposed new Plaintiffs started a new action and the issue of entitlement was resolved or sufficiently advanced, that the trial of that action could be joined in with the trial of the remainder of the issues outstanding in the present action. However that would be a consideration for a later time.

[26] This case is different, for instance from that of *McIntosh v Society of Composers, Authors and Music Publishers of Canada*, 2004 FCA 57 where the Federal Court of Appeal allowed several defendants to be added to an action. Letourneau for the Court wrote at paragraph 26:

[26] There was a serious allegation that evidence newly uncovered revealed that other persons might be responsible for the copyrights infringements, either alone or in conjunction with the actual defendant, Landmark. The Prothonotary could have simply dismissed the motion to add new defendants. However, experienced as she is, she knew that a dismissal would not have prevented SOCAN from launching actions against the alleged new infringers without having to obtain leave. This in turn would have led, in time, to a motion for a consolidation of actions. In other words, much later in the process, the court would have been faced with a motion for a joinder of

actions involving all the present defendants while she was, at the time, faced with a request for a joinder of the same defendants in an action already in progress. In terms of costs, efficiency and expeditiousness, provided of course that the joinder of parties was warranted, it was better to add the new defendants now than to force a multiplicity of new proceedings to the same avail which would have later ended in a joinder of actions.

[27] In that case there had not yet been a trial and the proceedings were still in the early stages such that further discovery could comfortably be included. It was determined that, rather than a new action, the defendants could be joined in that action. The case is clearly different from the present case where one trial has been concluded and the remaining issues are essentially those of quantification.

[28] Accordingly I find that it is not appropriate that these entities be joined as party Plaintiffs in what remains of the present action.

ISSUE #2: Is the claim of these entities statute barred?

[29] Counsel for the parties are agreed that the *Federal Courts Act*, RSC 1985, c F-7, section 39 applies in considering limitation periods since the '080 patent arises from an application filed before October 1, 1989, thus the "old" *Patent Act* is the version to be considered. That version contained no express provisions as to limitation periods. It is agreed that the limitation period provided by the *Federal Courts Act* is six (6) years.

[30] The remedy sought by the entities proposed to be joined as party Plaintiffs is damages provided for by a statute, a statutory legal remedy. Being a legal, not equitable remedy, equitable

considerations need not be rigorously applied. I cite for example *Seward v Seward Estate* (1996), 67 ACWS (3d) 903 per Ritter J. at paragraph 71:

71. It also flows from the second equitable maxim. The second equitable maxim is that equity follows the law.

*“Where a rule, either of common or statute law, is direct, and governs the case with all its circumstances, or the particular point, a court of equity is as much bound by it as a court of law, and can as little justify a departure from it.”
(Story, *Equity Third English Edition*, (1920), p 34)*

Consequently, if there is an adequate legal remedy available to the plaintiff I need not slavishly examine equitable remedies that might also be available to him.

[31] The period during which the Defendant was not constrained from selling its product in Canada began on November 29, 2004, the day it received a Notice of Compliance, until November 17, 2006, the day that the injunction took full effect. The present motion seeking to add the four new entities as party Plaintiffs was filed August 30, 2011.

[32] Plaintiffs’ Counsel argues that I should consider that the relevant date for the addition of at least three of these entities should be the date that the first motion to add was filed, February 9, 2009. I reject that argument, that motion was dismissed by my Order of March 18, 2009. The clock, if any, stopped running then. I am not persuaded by any evidence adduced by the Plaintiffs that there was a good excuse for the delay.

[33] Plaintiffs’ Counsel further argues in the alternative that the relevant date is the date that the Statement of Issues was delivered, October 30, 2008 since that Statement alerted the Defendant to the claim asserted by at least three of the entities. I reject this argument. A Statement of Issues is not

the beginning of a new action; it is a further procedural step in the current action. One does not “hint” at new parties, a motion for joinder is needed.

[34] Therefore, if I were to join the new entities, or any of them, in the present action, which I will not, their claim for damages would be limited to a period of not longer than six (6) years preceding the filing of the motion for joinder. That motion was filed on August 30, 2011; therefore the claim for damages would be limited to any claim arising after August 30, 2005.

[35] Plaintiffs’ Counsel has cited a number of cases where the Court has added parties to an action, the effect of which is to lengthen an otherwise applicable limitation period. Cases including *Pateman v Flying Tiger Line Inc*, [1987] 3 FC 613 and *Philipp Brothers v Torm A/S*, 109 DLA (3rd) 763 (FC) were cited. Defendant’s Counsel, in response cited cases such as *Canadian Red Cross Society v Air Canada*, 2001 FCT 1012, and *Apotex Inc v Shire Canada Inc*, 2011 FC 1159.

[36] The point made in cases such as these is that each situation is highly fact specific. In the Plaintiffs’ cases it appears that the defendant was well aware of the claims asserted by the parties to be joined whereas in the Defendant’s cases, the parties sought to be joined would have changed the landscape of the action considerably.

[37] In the present case none of the parties now seeking to be included were present at the first trial where the entitlement of the Plaintiffs at that time was adjudicated. Three of the four of these entities came before the Court in March 2009 seeking to be joined but their motion was dismissed. The matter lay dormant until late August 2011 when these three plus one more brought a new

motion for joinder. I see no reason to draft an Order that would have the effect of moving the cut off date of the limitation period for them earlier than August 30, 2006 in the event that I would have permitted joinder, which I have not.

ISSUE #3: Should the motion be dismissed for delay?

[38] As I have held in respect of the previous issue, the remedies sought are legal, not equitable. Delay is an equitable consideration. As discussed with respect to the previous issue, if I were to grant the motion which I will not, I would not dismiss it for delay, but the operative date would be the date the motion was filed, August 30, 2011 and the limitation period would be six (6) years back from that date.

ISSUE #4: Is the motion brought under the correct Rule?

[39] I gave this argument short shrift during the oral hearing. The Plaintiffs' Notice of Motion cites Rule 3 and 101-105 of the Rules of this Court. The Defendant was amply aware of the basis of this motion and was fully prepared to defend against it

ISSUE #5: Are these entities "persons claiming under the patentee"?

[40] I discussed this issue earlier in these Reasons. The Plaintiffs have filed some evidence to support a possibly arguable case. This evidence needs to be fully assessed and possibly supplemented. The law in Canada on this point is evolving. Given my disposition of this motion which could leave this issue for determination in a separate action, it would be inappropriate for me to address the matter further at this time.

ISSUE #6: Is the Defendant or any of these entities prejudiced?

[41] Prejudice comes into play where equitable remedies are sought. Here a legal remedy is sought. Clearly the Defendant is likely to be prejudiced if the period over which it is exposed to damages is lengthened. The parties seeking to be added have and always had a right to commence an action. Any delay in doing so is attributable only to them.

III. Conclusion and Costs

[42] As a result the motion is dismissed. The parties are agreed that the Defendant is entitled to costs in any event of the cause fixed in the sum of \$10,000.00.

ORDER

FOR THE REASONS PROVIDED

THIS COURT ORDERS that:

1. The motion is dismissed;

2. The Defendant is entitled to costs in any event of the cause fixed in the sum of \$10,000.00.

“Roger T. Hughes”

Judge

FEDERAL COURT
SOLICITORS OF RECORD

DOCKET: T-2175-04

STYLE OF CAUSE: JANSSEN INC. AND DAIICHI SANKYO
COMPANY, LIMITED v. TEVA CANADA
LIMITED

PLACE OF HEARING: Toronto, Ontario

DATE OF HEARING: December 13, 2011

**REASONS FOR ORDER
AND ORDER:** HUGHES J.

DATED: December 15, 2011

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