



2019 Litigation Year in Review

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2019 saw many developments in the practice of Canadian intellectual property litigation. Notably the Supreme Court of Canada (“SCC”) introduced a new framework for the standard of review in administrative law cases, and for the first time, the Federal Court interpreted section 53.1 of the *Patent Act*, a provision adopted in 2018 permitting the use of a patent’s file prosecution history in construing patent claims. 2019 also saw the Federal Court grant summary judgment in a patent case, as well as the rare remedy of an interim injunction for patent infringement. In other noteworthy decisions, the Federal Court addressed punitive damages, hearsay, and protective orders. Below, we highlight some of 2019’s key judicial decisions affecting intellectual property litigation in Canada.

1. SCC Revisits the Standard of Review

The SCC released its decision in *Canada (Minister of Citizenship and Immigration) v Vavilov*,¹ which significantly revised the standard of review of administrative decisions. Previously in 2008, the SCC decision in *Dunsmuir v New Brunswick*² established two standards of review for administrative decisions: ‘correctness’ and ‘reasonableness’. Under *Dunsmuir*, when applying the correctness standard in respect of jurisdictional and some other questions of law, a reviewing court would undertake its own analysis of the question and decide whether it agreed with the determination of the decision maker; if not, the court substituted its own view and provided the correct answer. A court conducting a review for reasonableness inquired into the qualities that make a decision reasonable. It was a deferential standard which required respect for the legislative choices to leave some matters in the hands of administrative decision makers.

In *Vavilov*, the SCC noted that the standard of review analysis begins with a presumption that reasonableness is the applied standard in all administrative cases. The presumption of reasonableness can be rebutted in two situations: (1) where the statute explicitly states that a different standard of review is to be applied, or provides for a statutory appeal mechanism; or (2) where the rule of law requires that the standard of correctness be applied - this includes certain categories of legal questions, such as constitutional questions, general questions of law of central importance to the legal system as a whole and questions related to the jurisdictional boundaries between two or more administrative bodies. The SCC stated that the possibility that another ‘correctness category’ could be recognized in a future case is not foreclosed, however it would be exceptional and would need to be consistent with the framework set out in *Vavilov*.

Vavilov also provides guidance on the proper application of the reasonableness standard. When conducting a reasonableness review, the Court must focus on the decision the administrative decision maker actually made, including the justification offered for it. The Court must consider only whether the decision made by the decision maker, including both the rationale for the decision and the outcome to which it led, was unreasonable. A decision may be unreasonable if (1) there is a failure of rationality internal to the reasoning process (i.e. lack of coherent reasoning); or (2) a decision is in some respect untenable in light of the relevant factual and legal constraints that bear on it.

The SCC noted that where there is a statutory right of appeal from an administrative decision to a court, the court hearing the appeal must apply appellate standard of review to the decision (i.e. the *Housen v Nikolaisen*⁵ framework).

As a result, going forward the standard of review analysis applicable to statutory appeals from the Commissioner of Patents and Registrar of Trademarks (both administrative bodies) will be subject to the *Housen* standard of review. However, decisions from these bodies that are not subject to the statutory right of appeal will be subject to the *Vavilov* standard.



2. Unwrapping File Wrapper Estoppel: the Court's first interpretation of s.53.1

As our [firm previously noted](#), in late 2018, the Federal government amended the *Patent Act* to add section 53.1. This section makes written communications made between the patentee and the Patent Office during prosecution of a Canadian patent application admissible evidence to rebut representations regarding claim construction made by the patentee in litigation. This amendment legislatively overruled the SCC's decision in *Free World Trust*⁶ that extrinsic evidence, including statements made during the course of prosecution, were inadmissible evidence.

The Federal Court interpreted and applied section 53.1 for the first time in *Canmar Foods Ltd v TA Foods Ltd*.⁷ This was a summary judgment motion in the context of a patent infringement action, in which Canmar alleged that TA Foods infringed its patented method for roasting flax seeds. In denying infringement, TA Foods argued its roasting method did not involve heating flax seeds in a "stream of air" or maintaining the seeds in an "insulated roasting chamber or tower," features it alleged were essential to the asserted method claim.⁸ In support, TA Foods pointed to representations made by Canmar during prosecution that these claim features were introduced to overcome novelty and obviousness concerns raised during prosecution of the corresponding U.S. patent application.⁹

In particular, Canmar represented to the Canadian Patent Office that it amended the patent claims "to be substantially the same"¹⁰ as the claims in a counterpart U.S. application, and stated the "newly submitted claims are much narrower in scope than the previously examined claims in view of the introduction of significant limitations derived from the description and previous dependant claims."¹¹ Canmar also stated that the amended claims were submitted "to encompass both novel and non-obvious subject matter."¹² Because of Canmar's representations to the Patent Office, TA Foods argued that the U.S. prosecution history was incorporated by reference into the Canadian prosecution history.

The Federal Court held that with the introduction of section 53.1, purposive construction of patent claims now includes three considerations: (1) the claims themselves; (2) the disclosure; and (3) the prosecution history in Canada, when used to rebut a representation made by the patentee as to the construction of a claim in the patent.³

Regarding foreign prosecution histories, the Court held that, absent extraordinary circumstances, representations made by the patentee during prosecution of a foreign patent application should remain inadmissible for the purposes of construing terms used in Canadian patents.⁴ The Court held that "extraordinary circumstances arise where, as [was the case in Canmar], the patentee acknowledges that the claims have been amended to be substantially the same as claims submitted in another jurisdiction, and the patentee admits that the amendments have limited the scope of the claims in order to make the claims novel and non-obvious."¹⁵ In such circumstances "the Court should be able to refer to the foreign prosecution history for the limited purpose of purposively constructing the Canadian claims."¹⁶

In the result, the Court held that section 53.1 was engaged, and the Canadian prosecution history, including the U.S. prosecution history incorporated by reference, were admissible to aid in the construction of the disputed features.¹⁷ The Court further held that Canmar's communication to the Patent Office was clear evidence of the inventor's express intention that the disputed claim features, introduced to advance novel and non-obvious subject matter, were essential.¹⁸ Based on this construction, TA Foods' method of roasting flax seeds was found to be non-infringing. The decision is currently under appeal.

3. Summary determination of patent infringement – trend for a day or here to stay?

The *Canmar* decision was also noteworthy in that it granted summary judgment in a patent case in the absence of expert evidence regarding claim construction. Historically, the Federal Court has been reluctant to grant summary judgment in patent cases due to their inherently complex and technical nature, the need for expert evidence to assist the Court in construing patent claims, and the frequent conflicting expert evidence and the need to assess credibility.

In *Canmar*, however, the Court held that "[b]ased on the claim, the disclosure, and the prosecution history ... expert evidence is not required ... to purposively construe the two elements of Claim 1 that are at issue."¹⁹ The Court held that while there is no determinative test for summary judgment,²⁰ in light of the Supreme Court of Canada's decision in *Hryniak v Mauldin*,²¹ the summary judgment provisions ought to be liberally construed.²² The Court further held that the *Hryniak* decision "resulted in a culture shift and opened the door for a more reasoned approach to the use of summary judgment



motions ... summary judgment rules must be interpreted broadly, favouring proportionality and fair access to the affordable, timely and just adjudication of claims.³

Looking ahead, it will be interesting to see whether the *Canmar* decision sparks a trend towards summary determination in patent cases. Notably, a summary trial for non-infringement of a pharmaceutical patent is currently pending before the Federal Court.⁴

4. The Federal Court grants interim injunction in patent infringement action

Historically, patentees seeking interim or interlocutory injunctive relief against alleged infringers have faced an uphill battle, in large part owing to the high threshold for establishing irreparable harm, and such relief has been uncommon. However, 2019 saw such relief is possible in appropriate circumstances.

In *Arysta Lifescience North America, LLC v Agracity Crop & Nutrition Ltd*²⁵ the Federal Court granted the plaintiffs' ("Arysta") application for an interim injunction against the defendants ("Agracity"), to prevent Agracity from selling and distributing a generic herbicide (flucarbazone sodium) alleged to infringe one of Arysta's patents. Arysta argued it needed urgent injunctive relief given that Agracity had just received regulatory approval to sell the product, and the peak season for selling and distributing the product had begun. Arysta further alleged that it would suffer irreparable harm in the absence of an injunction because of a substantial risk that Agracity would be incapable of paying damages.

Regarding irreparable harm, the Court noted that interim or interlocutory injunctive relief has been denied in many patent infringement cases because the moving party has not been able to lead the clear and non-speculative evidence needed to meet its onus of demonstrating that it will suffer irreparable harm in the absence of an injunction.²⁶ The Court also noted that concerns about a defendant's inability to pay a damages award are difficult to establish, since the information relevant to the question will be largely in the control of the defendant.²⁷

In this case, however, the Court held that Arysta put forward a substantial record relating to the financial obligations of Agracity, which "demonstrated with clear and cogent evidence that there is a substantial doubt that Agracity will be able to pay a damages award if damages are awarded at the end of the patent infringement action. This doubt was not answered by Agracity.²⁸ Having met the threshold test for irreparable harm, the Court granted Arysta's interim injunction.

5. Punitive Damages - Neither Exceed the Bounds of Rationality nor Prevent their Purpose from Being Achieved

In *Airbus Helicopters SAS v Bell Helicopter Textron Canada Limitée*²⁹, the Federal Court of Appeal ("FCA") upheld a \$1 million punitive damages award against Bell Helicopter³⁰. At trial, the Court found that Bell Helicopter infringed Airbus' patent relating to skid-type landing gear for helicopters. The Court awarded Airbus \$1,500,000 in damages, including \$500,000 in compensatory damages and \$1,000,000 in punitive damages. Airbus appealed on the basis that the award of punitive damages should have been higher, while Bell Helicopter cross-appealed on the basis that the award of punitive damages was too high.

The FCA noted that the burden on the appellant is high – it will intervene with a punitive damages award only where the trial court made an error of law or a "wholly erroneous assessment" of the quantum. Airbus argued that the trial judge erred in law in constraining itself to a '\$2,000,000 dollar ceiling'. The FCA rejected this argument, noting that there was no evidence that the trial court limited itself by such a ceiling; rather the trial judge referred to a range of punitive damages awarded in previous decisions (i.e. that range being from \$500,000 to \$2,000,000, depending of the circumstances).

The FCA held that the trial judge properly considered and applied the relevant factors set out by the SCC in *Whiten v Pilot Insurance Co.*³¹ for the quantification of punitive damages to achieve the goals of retribution, deterrence and denunciation. The FCA also held that the trial judge was well aware of Bell Helicopter's blatant disregard for Airbus' rights and the seriousness of its conduct. That said, the trial judge also identified a number of mitigating factors that made it unwarranted and unnecessary to award punitive damages greater than \$1,000,000.

The FCA thus concluded that the award of \$1,000,000 in punitive damages was consistent with the objectives set out by the SCC and well within the bounds of rationality. Likewise, the FCA rejected Bell Helicopter's argument that the award of



punitive damages was too high, and that the \$1,000,000 award was not the lowest amount required to achieve the purpose of punitive damages. The FCA concluded that when both parties appear to challenge an award of punitive damages (for being either too high or too low), it can be a good indicator that the award is neither so high as to exceed the bounds of rationality nor so low as to prevent its purpose from being achieved.

6. Hearsay – the Need for Proper Evidence

The Federal Court reminded litigants the importance of proper affidavit evidence to substantiate their claims – otherwise they may find themselves on the losing end. In *ME2 Productions, Inc v Doe*,³² the Federal Court allowed an appeal of a Norwich Order because the Plaintiffs failed to provide proper evidence.

The Plaintiffs, three movie production companies, alleged they had evidence that some of the subscribers of TekSavvy, an Internet Service Provider (“ISP”), had illegally downloaded and shared movies in respect of which they own copyright. The Plaintiffs sought a Norwich Order to obtain names and addresses of TekSavvy’s subscribers. TekSavvy objected, arguing that the Plaintiffs had not been forthright with the Court about which customers had received the notices and had not provided the evidence needed to obtain a Norwich Order. The Prothonotary who heard the matter, granted the Norwich Order.

As part of their materials, the Plaintiffs provided affidavits sworn by law clerks - attached to these affidavits were Solemn Declarations by a consultant that worked for a company that monitored the Internet for illegal sharing of the Plaintiffs’ films. The Consultant Declaration described how the proprietary software used by company operates both to verify the file sharing of the copyrighted material, and to link that activity to a particular IP address, which is then linked to an ISP using publicly available data. The law clerks' affidavits stated that they "repeat and rely on" on the Consultant Declaration and "believe it to be true."

On appeal, Justice Pentney reviewed the evidence proffered by the Plaintiffs and noted that the affidavits of law clerks did not meet the requirements of Rule 81 of the *Federal Courts Rules*. There was no indication of the basis for the statement that the law clerks swearing the affidavits adopt the Consultant Declaration or believe it to be true. Nor was there any explanation as to why the best evidence (from the consultant directly) was not available. Moreover, the Consultant Declaration was an exhibit to an affidavit and therefore the consultant could not be cross-examined on it. Justice Pentney stated that a Norwich Order is an equitable remedy that must be used with caution. Relevant evidence should be contained in affidavits that can be subject to cross-examination. If this is not possible, the affidavit explaining why, and setting out the best available evidence, should be provided.

7. Protective Orders or Protective Agreements?

2019 also saw the Federal Court again muddying the waters regarding its approach to issuing protective orders on consent. As [previously reported by this firm](#), in 2017 and 2018 two Federal Court decisions³³ dismissing motions for protective orders had put into question whether the Federal Court would continue to issue protective orders on consent. These decisions held that absent exceptional circumstances, the implied undertaking rule, and if necessary a supplemental private “protective agreement”, should in most circumstances suffice to protect litigants’ confidentiality concerns. In 2018 the latter of the two decisions was overturned on appeal and a protective order was ultimately granted.

However, in the 2019 decision *Canadian National Railway Company v BNSF Railway Company*,³⁴ the Court continued to question its historical practice of issuing protective orders on consent in view of the implied undertaking rule, and dismissed a motion for a protective order. Both parties sought a protective order on consent in anticipation of the discovery process in an action for patent infringement.³⁵ The parties had discussed and agreed on terms for a protective order defining two levels of confidentiality, “Confidential Information” and “Confidential Information – Counsel’s Eyes Only”, and placing restrictions on the use of confidential documents and information by recipients.³⁶

The Federal Court noted that it “readily accept[s] that some [confidential] information will be so sensitive that it will merit the stricter treatment that is contemplated for information that is designated Counsel’s Eyes Only”³⁷ but dismissed the motion on the basis that a protective order was unnecessary; the implied undertaking rule was sufficient to protect the interests of the parties,³⁸ and there was no disagreement between the parties on how to handle confidential information.³⁹



The Court clarified that the test for the issuance of a protective order is found in *Sierra Club of Canada v Canada (Minister of Finance)*,⁴⁰ but noted “there appears to be some doubt as to what the test is.”⁴¹ The Court held a “principle concern is whether the requested order is necessary because reasonably alternative measures will not prevent the risk to the parties’ interest in that confidential information.”⁴²

In finding that a protective order was not necessary, the Court addressed a number of concerns raised by the parties, including:

A) Enforceability of a Protective Agreement: Relying on the *Live Face* decision⁴³, the Federal Court saw “no reason for concern” that it could not enforce an agreement between the parties, or that a breach of an express undertaking to the Court would be less enforceable by contempt proceedings than a breach of the implied undertaking.⁴⁴ The terms of the parties’ requested protective order could be incorporated into a protective agreement with an express undertaking to the Court.⁴⁵

B) Applicability of a Protective Agreement to Third Parties: The implied undertaking rule binds “experts who received discovery materials from counsel after giving an undertaking of the kind contemplated in the draft protective order submitted”, but does not bind third parties who are not themselves parties to the undertaking.⁴⁶ Regarding the latter, the Court held that BNSF’s “concern about the possibility of collateral use of its confidential information if such information were somehow communicated to third parties under a protective agreement would be equally justified if there were a protective order.”⁴⁷

C) Imprecision and Lack of Certainty in the Scope of the Implied Undertaking Rule: The Federal Court could “see no loss of precision or clarity if [the terms of a consent protective order] are put into an agreement instead”, and that “any perceived gaps in the implied undertaking rule can be filled by the terms of the protective agreement.”⁴⁸

Notably, in two subsequent decisions,⁴⁹ the Federal Court issued protective orders on consent, holding that the proper application of the *Sierra Club* test does not require the parties to establish the necessity of a protective order based on a lack of reasonably alternative measures. In the *dTechs EPM Ltd v British Columbia Hydro & Power Authority* decision, the Court noted that “given the fairly low test that a party has to satisfy to obtain a protective order, parties should be encouraged to apply informally to the Court, particularly in case managed proceedings, when such relief is sought on consent of the parties or is unopposed.”⁵⁰

Looking ahead, we anticipate the Federal Court of Appeal will soon provide clarity and guidance on the issuance of protective orders, having heard an appeal from the *BNSF* decision in December 2019.

8. PM(NOC) Update

The year 2019 saw a substantial increase in proceedings under the amended *PM(NOC) Regulations* which came into force two years ago. In 2019, 52 actions were commenced under the regime, which is up from 37 actions commenced in 2018.⁵¹ Although trial decisions have not yet been rendered under the new *Regulations*, the Court issued some of the last substantive decisions in section 6 prohibition applications under the old *Regulations* in 2019.⁵²

There have been also further developments in the procedural case law under the new regime. Several decisions discussed section 6.02 which prevents joinder of actions under the *Regulations*. In *Bayer Inc v Apotex Inc*,⁵³ the Court ordered that the invalidity issues in the two separate actions against the defendants, Teva and Apotex, can proceed together without contravening section 6.02. The Court held that under a common hearing of the invalidity issues, there will still remain two separate actions. The trials of both actions would proceed together only in respect of claim construction and invalidity, for which the evidence would be adduced only once for the purposes of both matters. With respect to all other issues (i.e. infringement), the trials would continue separately. The Court noted that interpreting section 6.02 as to prevent the Court to schedule parts of trials in common may be counterproductive to achieving the *Regulations*' aim of determining actions within 24 months⁵⁴ – the common trial of issues in these complex cases constitutes the most efficient use of the Court and the parties' time and resources.

Subsequently, in *Bayer Inc v Teva Canada Limited*,⁵⁵ the Federal Court ordered that two additional generic defendants, Taro Pharmaceuticals and Sandoz Canada be added to a trial of common issues. The Court rejected Teva’s and Apotex’s arguments that they would lose their potential commercial advantage if Taro and Sandoz were allowed to “leapfrog” within



the procedural steps of the 24-month timeline fixed by the *Regulations*. The Court held that it should not protect any “first mover advantage”; it was in the interests of justice to hear the evidence and submissions of all of the parties prior to making the determinations on claims construction and invalidity. Apotex and Teva sought and were granted leave to appeal this decision.

1 [2019 SCC 65](#)

2 [2008 SCC 9](#)

3 *Ibid* at para 47-50

4 [2019 SCC 65](#) at para 17

5 [2002 SCC 33](#)

6 [2000 SCC 66](#) at para 60

7 [2019 FC 1233](#)

8 *Ibid* at para 53

9 *Ibid* at paras 57, 86

10 *Ibid* at para 74

11 *Ibid* at para 86

12 *Ibid* at para 86

13 *Ibid* at para 68

14 *Ibid* at para 62

15 *Ibid* at para 74 (emphasis in original)

16 *Ibid* at para 74

17 *Ibid* at para 85

18 *Ibid* at para 87

19 [2019 FC 1233](#) at para 81

20 *Ibid* at para 48

21 [2014 SCC 7](#)

22 *Ibid* at para 49

23 *Ibid* at para 46

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²⁴ *ViiV Healthcare et al v Gilead Sciences Canada*, Court File T-226-18

²⁵ 2019 FC 530

²⁶ *Ibid* at para 42

²⁷ *Ibid* at para 46

²⁸ *Ibid* at para 70

²⁹ 2019 FCA 29

³⁰ 2017 FC 170

³¹ 2002 SCC 18; the six relevant considerations to quantification of punitive damages are: (1) Proportionality to the defendant's blameworthiness; (2) Proportionality to the plaintiff's vulnerability; (3) Proportionality to the harm directed at the plaintiff; this includes potential harm, which may only have been avoided by happenstance; (4) Proportionality to the need for deterrence; this is particularly important in cases where the defendant's conduct is egregious and known to top management, and it should reflect the defendant's financial means—when finances are directly linked to the defendant's conduct; (5) Proportionality even after taking into account other penalties, both civil and criminal, which have been or are likely to be inflicted on the defendant; and (6) Proportionality to the advantage wrongfully gained by the defendant from its misconduct; this would prevent the defendant from profiting from its infringement (see para 384 of 2017 FC 170).

³² 2019 FC 214

³³ *Live Face on Web, LLC v Soldan Fence and Metals (2009) Ltd*, 2017 FC 858; *Seedlings Life Science Ventures, LLC v Pfizer Canada Inc*, 2018 FC 443

³⁴ 2019 FC 281

³⁵ *Ibid* at para 4

³⁶ *Ibid* at para 4

³⁷ *Ibid* at para 6

³⁸ *Ibid* at para 53

³⁹ *Ibid* at paras 4, 46

⁴⁰ 2002 SCC 41

⁴¹ *Ibid* at para 9

⁴² *Ibid* at para 22 (emphasis in original)

⁴³ 2017 FC 858

⁴⁴ *BNSF* at para 27

⁴⁵ *Ibid* at para 27

..



46 *Ibid* at para 31

47 *Ibid* at para 36 (emphasis in original)

48 *Ibid* at para 40

49 *dTechs EPM Ltd v British Columbia Hydro & Power Authority*, 2019 FC 539 [dTechs]; *Paid Search Engine Tools, LLC v. Google Canada Corporation*, 2019 FC 559

50 2019 FC 539 at para 64

51 See IPPractice.ca <URL:

<https://www.ippractice.ca/litigation-statistics/intellectual-property-proceedings-in-federal-court-for-2019/> and <https://www.ippractice.ca/litigation-statistics/intellectual-property-proceedings-in-federal-court-for-2018/> >

52 See for example 2019 FC 1355

53 2019 FC 191

54 *Ibid* at para 21

55 2019 FC 1039

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