



## The Federal Court Cuts Across the Grain, Issuing a Rare Interim Injunction in a Patent Infringement Case

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If one were to have asked the question whether pre-trial injunctive relief for patent infringement is available in Canada, the practical answer for some years has been “no”. The result was otherwise in a decision of Justice Pentney of the Federal Court in *Arysta Life Science North America, LLC and UPL Agrosolutions Canada Inc. v. AgraCity Crop & Nutrition Ltd. and NewAgco Inc.*, 2019 FC 530 – a welcome decision for patent owners.

Arysta and UPL (“Arysta”) sought an interim injunction to prevent AgraCity and NewAgco (“AgraCity”) from selling and distributing in Canada a herbicide that it alleged infringed its flucarbazone sodium composition and use patent (three patents were put forward by Arysta, but the interim decision turns on only this composition and use patent).

Justice Pentney began his analysis referencing Supreme Court of Canada case law – founded in the House of Lords decision in *American Cyanamid Co. v. Ethicon Ltd.* – that provides that to obtain pre-trial injunctive relief in Canada, an applicant must satisfy the three-element test of: “a preliminary investigation of the merits to determine whether the applicant demonstrates a “serious issue to be tried””; “[t]he applicant must ... convince the court that it will suffer irreparable harm if and injunction is refused”; and “an assessment of the balance of convenience” to the parties.

Justice Pentney then went on to discuss the two main reasons why “interim and interlocutory injunctions have often been refused by this Court and the [Federal Court of Appeal] in patent cases”. He observed that “there is usually no reason why damages caused by infringement cannot be measured or calculated in a reasonably accurate way”, and that the “threshold of establishing irreparable harm is very high, and the onus is on the moving party to provide clear, convincing and non-speculative evidence that such harm will be caused by the infringement”.

Justice Pentney also noted that to obtain interim relief, an applicant must demonstrate a “situation of urgency”. AgraCity argued that interim relief should be denied because 34 days had passed between regulatory approval of its product (advertising of its product began the same day as the approval) and Arysta’s filing and service of the interim injunction application, Justice Pentney did not see the bringing of the application as delayed, noting that Arysta put forward a relatively substantial record with expert and private investigator evidence. He found that Arysta had established that the matter was urgent. In doing so, he noted that Arysta “could not take action prior to the launch” of AgraCity’s product.

On the three elements, Justice Pentney found with regard to whether there was a serious issue to be tried – the first of the three elements – that Arysta’s patent infringement claim was not “frivolous or vexatious” in light of the expert evidence.

The second element is the “key question” in all pre-trial injunctive relief applications; has irreparable harm been established.

Arysta argued that there was a substantial risk that AgraCity would not be able to pay a lost profits damages award, and that this met the irreparable harm threshold. Arysta further argued that since the interim injunction squarely raised the



issue of whether AgraCity would be able to pay a damages award, it would be reasonable to expect AgraCity to file evidence to establish that it could. AgraCity argued that because Arysta was not in the market with a competing granular or powdered form that a royalty payment should be the measure of damages. It further argued that the evidence showed that it would be able to make such a royalty payment and, therefore, that the irreparable harm threshold had not been met.

Justice Pentney observed that the inability of a defendant to pay is difficult to establish. He also observed that earlier decisions described the plaintiff's onus as being that it needs to establish "a very serious doubt", "strong indications that a substantial judgement would be uncollectable", or "reasonable grounds for concern that it is unlikely that any substantial monetary judgement ... could be collected or enforced".

Justice Pentney found that Arysta had "demonstrated serious issue to doubt whether AgraCity would be able to pay a damages award, and that the evidence of AgraCity falls short of what is requires to meet these concerns". On AgraCity's evidence, he noted that what AgraCity had not demonstrated "is what its net revenue, income, or profit was during the prior years, nor whether any of its assets would be available to satisfy a future judgment", and found that it would have been "reasonable to expect AgraCity to file more substantial financial information than it has done here". Accordingly, he found that Arysta had met the irreparable harm test, as it had demonstrated that there was a "substantial risk" that AgraCity would not be in a position to pay a damages award.

On AgraCity's royalty argument, Justice Pentney found that, if Arysta was limited to a royalty, on the evidence it would be a substantial amount. He also observed, after commenting that it was "not necessary" for him to come to a conclusion on the question, "Arysta could, as a matter of law, establish that it will suffer damages for infringement, even though it was no longer on the market" with its granular or powdered form.

As to the third element – balance of convenience –, Justice Pentney found that the balance favoured Arysta. He noted that "AgraCity went ahead with its marketing and sales plans without taking any steps to "clear the way", either by challenging the validity of the patent or by seeking a licence ... [i]t deliberately took the risk with its eyes open to the possible consequences".

This is a rare example of an injunction being granted by the Federal Court in an intellectual property case. For other recent examples, see the trademark infringement injunctions in *Reckitt Benckiser LLC v. Jamieson Laboratories Ltd* (our summary of the Federal Court decision was reported [here](#), and our summary of the Federal Court of Appeal decision was reported [here](#)) and in *Sleep Country Canada Inc. v. Sears Canada Inc.* (reported [here](#)). These decisions do show that the Federal Court will grant interim or interlocutory relief when it is convinced it is warranted.

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