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Docket: T-604-19

Citation: 2019 FC 530

Ottawa, Ontario, ~~May 7, 2019~~ March 18, 2020

PRESENT: The Honourable Mr. Justice Pentney

BETWEEN:

ARYSTA LIFESCIENCE NORTH AMERICA, LLC and UPL AGROSOLUTIONS CANADA INC.

Plaintiffs

and

AGRACITY CROP & NUTRITION LTD. and NEWAGCO INC.

Defendants

AMENDED PUBLIC ORDER AND REASONS (Identical to the Amended Confidential Order and Reasons issued on ~~April 25, 2019~~ March 18, 2020)

I. Context

[1] The Plaintiffs, Arysta Lifescience North America LLC and UPL Agrosolutions Canada Inc. (Arysta), seek an interim injunction to prevent the Defendants, AgraCity Crop & Nutrition Ltd. and NewAgco Inc. (AgraCity), from selling and distributing a herbicide which

Arysta claims will infringe its patent. Arysta says the matter is urgent, because the peak season for selling and distributing this type of herbicide is now, just prior to the planting season.

[2] The basic facts necessary to address the interim injunction application are not in dispute. The main points of contention are: (i) whether Arysta has established irreparable harm because it has raised sufficient doubt about the financial capacity of AgraCity to pay a damages award; and (ii) whether Arysta can claim substantial damages for infringement of its patent, when it no longer sells the particular form of the product covered by the patent.

[3] For the following reasons, based on the record before me, and in light of the particular circumstances of this case, I am granting the application for an interim injunction.

II. Factual Background

[4] Arysta owns three patents that relate to the herbicide in question, although this case only turns on the first one:

- Canadian Patent No. 2,346,021 (the '021 Patent) relates to a selective herbicide composition of flucarbazone sodium (70% by weight water dispersible powder or granule) and its use to selectively control wild oats and other grassy and broadleaf weeds in wheat crops; and
- Canadian Patent No. 2,329,239 (the '239 Patent) and Canadian Patent No. 2,329,292 (the '292 Patent) for processes for making flucarbazone sodium and an intermediate used in the preparation of flucarbazone sodium.

[5] Arysta began to market its herbicide associated with the 70% flucarbazone composition in 2002 under the brand name EVEREST. It obtained the ‘021 Patent for this composition in 2009. This is a powder or granular composition which farmers would mix before application to their fields. Arysta no longer markets this product, but maintains its registration with the Pest Management Regulatory Agency (PMRA) of Health Canada.

[6] Arysta launched a liquid form of this herbicide in 2011 under the name EVEREST 2.0. The evidence is that this is an easier form of the product for farmers to apply, which includes a “safener” which makes the herbicide less destructive to the wheat. Arysta then launched EVEREST 3.0 in 2017, which is also a liquid form of the product combined with other herbicides.

[7] The evidence shows that EVEREST is the flagship product for Arysta, with tens of millions of dollars in sales to farmers each year. The sales of this product drive sales of other products for Arysta, through a Grower Rewards program. Under this program, farmers obtain higher discounts by buying other Arysta products, in addition to the EVEREST herbicide.

[8] The ‘021 Patent will expire on September 21, 2019; the other patents will expire on December 20, 2020. The evidence shows that Arysta is about to launch a new herbicide, under the name BATALIUM, which it claims is a further improvement over the current product. Arysta obtained a registration for this product from the PMRA in March 2019 and plans to introduce it to a few growers in this growing season, then to ramp up marketing and sales into the fall of 2019 in advance of next year’s growing season.

[9] On August 31, 2017, Arysta was notified by the PMRA that AgraCity had filed an application for a new generic herbicide with an active ingredient of flucarbazone sodium. AgraCity states that its product is a generic of the EVEREST 1.0 granular product formerly sold by Arysta. In 2017, AgraCity began to advertise that it was "on the verge" of coming out with a generic flucarbazone sodium 70% granular water dispersible herbicide. AgraCity is marketing its generic product under the brand name HIMALAYA.

[10] On February 8, 2018, Arysta notified AgraCity of the patents that it owned, and warned them against any infringement of these patents. Arysta demanded that AgraCity not launch its product until the patents expire. AgraCity replied on March 8, 2018, claiming that the '021 Patent was invalid for anticipation, obviousness, or both, and that its product was not being manufactured using the processes covered by the '239 or '292 Patents. The reply contains specific technical explanations for the position advanced by AgraCity.

[11] On March 8, 2019, AgraCity received approval from the PMRA for its HIMALAYA herbicide. AgraCity is now actively marketing its generic product for distribution and sale. The evidence shows that the Defendant companies market and sell their products exclusively to farmers who pay a membership fee to join a related organization called the "Farmers of North America" (FNA). The evidence shows that FNA members obtain discounted products, sold by the Defendants.

[12] Arysta issued a statement of claim alleging patent infringement on April 9, 2019, and on the same day they served and filed a Notice of Motion seeking an interim injunction. The motion was supported by various affidavits, sworn between March 29 and April 9, 2019. The motion was heard on April 18, 2019. This decision deals with the motion for the interim injunction.

III. Issues

[13] The only issue which arises before me is whether an interim injunction should be granted in the particular circumstances of this case.

IV. Analysis

[14] The Federal Court may issue interim injunctions pursuant to section 44 of the *Federal Courts Act*, RSC 1985, c F-7, and rules 373 and 374 of the *Federal Courts Rules*, SOR\98-106.

[15] *In R v Canadian Broadcasting Corp*, 2018 SCC 5, the Supreme Court of Canada recently stated the test for an interlocutory injunction, at paragraph 12:

> In *Manitoba (Attorney General) v. Metropolitan Stores Ltd.* and then again in *RJR - MacDonald*, this Court has said that applications for an interlocutory injunction must satisfy each of the three elements of a test which finds its origins in the judgment of the House of Lords in *American Cyanamid Co. v. Ethicon Ltd.* At the first stage, the application judge is to undertake a preliminary investigation of the merits to decide whether the applicant demonstrates a "serious question to be tried", in the sense that the application is neither frivolous nor vexatious. The applicant must then, at the second stage, convince the court that it will suffer irreparable harm if an injunction is refused. Finally, the third stage of the test requires an assessment of the balance of convenience, in order to identify the party which would suffer greater harm from the granting or refusal of the interlocutory injunction, pending a decision on the merits. [Citations omitted]

[16] As noted previously, a key question in this case is whether irreparable harm has been established. In *RJR—MacDonald v Canada (Attorney General)*, [1994] 1 SCR 311, at p 341 [*RJR—MacDonald*], the Supreme Court of Canada elaborated on this aspect of the test:

> "Irreparable" refers to the nature of the harm suffered rather than its magnitude. It is harm which either cannot be quantified in

> monetary terms or which cannot be cured, usually because one party cannot collect damages from the other. Examples of the former include instances where one party will be put out of business by the court's decision (*R.L. Crain Inc. v. Hendry* (1988), 48 D.L.R. (4th) 228 (Sask. Q.B.)); where one party will suffer permanent market loss or irrevocable damage to its business reputation (*American Cyanamid*, *supra*); or where a permanent loss of natural resources will be the result when a challenged activity is not enjoined (*MacMillan Bloedel Ltd. v. Mullin*, [1985] 3 W.W.R. 577 (B.C.C.A.)). The fact that one party may be impecunious does not automatically determine the application in favour of the other party who will not ultimately be able to collect damages, although it may be a relevant consideration (*Hubbard v. Pitt*, [1976] Q.B. 142 (C.A.)).

[17] In order to obtain an interim injunction, the moving party must also demonstrate a situation of urgency: *Pfizer Ireland Pharmaceuticals v Lilly Icos LLC*, 2004 FC 223; *Laboratoires Servier v Apotex Inc*, 2006 FC 1443, at para 17.

[18] It is necessary to put this case into its proper context before turning to an analysis of the merits of the motion. This involves a consideration of the jurisprudence of this Court, and the Federal Court of Appeal (FCA), in relation to interlocutory relief in patent infringement cases.

[19] The starting point is that the granting of a patent gives the inventor an exclusive right for a limited period to exploit his or her invention. Infringement of this right is a statutory tort. In many patent infringement cases, an injunction is granted at the end of the trial to prevent any further infringement until the patent expires; an injunction of this sort is not a presumptive remedy, but it is often granted as part of the overall relief for infringement: *Uponor AB v Heatlink Group Inc*, 2016 FC 320, at para 300 [*Uponor*]. An injunction may be awarded even where the patentee does not actively practice the patented invention in Canada: *Uponor*, at para 301.

[20] In contrast to this, however, interim and interlocutory injunctions have often been refused by this Court and the FCA in patent cases. There are two main reasons for this. First, patent rights are economic in nature and there is usually no reason why damages caused by infringement cannot be measured or calculated in a reasonably accurate way (*Pfizer Ireland Pharmaceuticals v Lilly Icos LLC*, 2003 FC 1278, at para 27). It is only where the evidence demonstrates that there is no reasonable and realistic possibility of quantifying a party's losses that those losses may amount to irreparable harm (*Jamieson Laboratories Ltd v Reckitt Benckiser LLC*, 2015 FCA 104).

[21] Second, this Court and the FCA have underlined 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 (*Janssen Inc v AbbVie Corporation*, 2014 FCA 176; and see *Unilin Beheer BV v Triforest Inc*, 2017 FC 76 [*Unilin*] for a comprehensive discussion of the jurisprudence).

[22] Justice Michael Manson provides a succinct review of the pertinent jurisprudence in *The Regents of University of California v I-Med Pharma Inc*, 2016 FC 606 [*TearLab*]. This case involves a procedural history and a factual context which are somewhat similar to those in the case at bar, and so it is worth reviewing in some detail. The plaintiffs owned a patent on a product that was useful in diagnosing dry eye disease. They had made some headway into the relevant market, but saw opportunities for further expansion. When they learned that a competitor was entering the market with a similar product, which the plaintiffs believed infringed their patent, they launched an action for infringement and sought both interim and

interlocutory injunctions to prevent further sales by the competitor, pending the determination of their infringement action.

[23] The interim injunction was denied by Justice James Russell (*University of California v I-Med Pharma Inc*, 2016 FC 350), on the basis that the plaintiffs had not met the high threshold for establishing irreparable harm during the interim period for which the injunction was sought. While Russell J. noted that the plaintiffs had expressed understandable fears that they would suffer unquantifiable loss of market opportunity if their competitor was allowed to continue to market its product, he found that "these fears need objective support from someone with the expertise to say that they cannot be quantified in the event that the injunction is not granted. Without such evidence, the alleged harm remains speculative" (para 35).

[24] Justice Manson subsequently denied the plaintiffs' application for an interlocutory injunction, again largely on the basis that the plaintiffs had not met their burden for establishing irreparable harm. His decision, which was upheld by the Federal Court of Appeal on this specific point (*TearLab Corporation v I-Med Pharma Inc*, 2017 FCA 8), sets out a succinct summary of the jurisprudence on this point, at paras 32-34:

> [32] … The threshold of establishing irreparable harm is very high: harm is not irreparable solely because precisely calculating damages would be difficult, or because it cannot be exactly quantified, provided there is some reasonably accurate way of measuring those damages (*Merck Frosst Canada Inc v Canada (Minister of Health)* (1997), 74 CPR (3d) 460 at 464 (Fed TD); *Merck & Co v Apotex Inc*, [1993] FCJ No 1095 at para 42).
>
> [33] The plaintiff is required to adduce clear and non-speculative evidence that irreparable harm will follow if the injunction is not granted (*Aventis Pharma SA v Novopharm Ltd*, 2005 FC 815, at paras 59-61 [*Aventis Pharma*] aff'd 2005 FCA 390).

> [34] In a *quia timet* application, in which the infringing party is not yet in the marketplace, an applicant may establish irreparable harm by presenting logical inferences from the evidence submitted, as there is usually no evidence of actual harm (*Sports Authority Inc v Vineberg* (1995), 61 CPR (3d) 155 at para 4 (Fed TD))….

[25] With this background, I will turn to the analysis of the particular circumstances of the case at bar.

A. *Urgency*

[26] Arysta claims that the situation is urgent because of the impact that the launch of the AgraCity generic product will have on its most important market. Arysta says that the launch of the generic HIMALAYA herbicide will cause it to lose sales of its EVEREST 3.0 product, as well as of the other products that are bought by farmers who seek to benefit from its Grower Rewards program. In addition, Arysta claims that the launch of the generic product will cause incalculable damage to its efforts to launch its new BATALIUM herbicide before the existing ‘021 Patent expires.

[27] All of these harms relate to the launch of a generic product into the marketplace at the very time when farmers will be preparing for the coming season. The herbicide will be sprayed onto crops just as the plants emerge in late May and June of this year. AgraCity has listed its HIMALAYA product at a significant discount to the price that Arysta charges for EVEREST 3.0. AgraCity advertises that it has successfully driven prices down when it launched previous generic products, both by selling its product at a lower price, and because the entry of a lower-cost alternative into the market has caused customers to demand and to receive price discounts or rebates from the brand company.

[28] Arysta's evidence is that some of its customers have already inquired about how it will respond now that a less costly alternative is coming into the market. Some customers have said they will be delaying making a purchasing decision. Arysta estimates that if the HIMALAYA product launch goes ahead at this time, it will suffer substantial losses, both of projected customers and of profit on its existing customers to whom it will be forced to offer rebates or discounts. This will "re-set" the market for this type of herbicide, which in turn will lower its anticipated profits on its new BATALIUM product. Further, once AgraCity has entered this market, it will be difficult to win back customers since they will have an incentive to continue buying through the FNA scheme, in order to recover the cost of their membership fee through discounted prices on the products.

[29] AgraCity submits that the interim injunction should be denied because Arysta has delayed by several weeks in launching its motion for an interim injunction; it contends that Arysta should have sought an interlocutory injunction instead. As noted previously, AgraCity obtained regulatory approval for HIMALAYA on March 6, 2019, and it began its advertising campaign that same day. It says that Arysta must have known of this within a few days. It also argues that Arysta would not have been surprised by this development, because it had been informed by the PMRA of AgraCity's application for approval for this product. Despite all of this, Arysta waited until April 9, 2019, to file and serve its statement of claim and its motion record for the interim injunction.

[30] AgraCity points to case law which has held that an interim injunction would not be granted where the "behaviour on the part of the party sought to be restrained is known to the aggrieved party and tolerated for a substantial period of time" (*Enterprise Rent-A-Car Co v*

Singer (1993), 49 CPR (3d) 537, 1993 CarswellNat 1955, at para 3 (FCTD)). In another case, a delay of a few weeks had been found to be too long: *Eye Masters Ltd v Ross King Holdings Ltd*, [1992] 3 FC 625, at para 24 (TD).

[31] Each case must be determined on its particular facts. Here, while I accept AgraCity's contention that Arysta was not caught completely by surprise by the approval of the generic product, I also agree with Arysta that it could not have been certain whether approval would be granted, and it could not take action prior to the launch of HIMALAYA (*AstraZeneca Canada Inc v Novopharm Limited*, 2009 FC 1209).

[32] Arysta put forward a relatively substantial record, with expert evidence to meet the Defendants' claim that their patents were invalid, as well as evidence from a private investigator about the financial circumstances of AgraCity and an expert's report on the economic impact of the launch of a generic product into this marketplace and in particular the estimated financial losses to Arysta. Furthermore, I find that even if Arysta had moved immediately upon AgraCity's receiving approval for the HIMALAYA product, it would not have been possible to prepare and argue a motion for an interlocutory injunction in advance of this year's growing season.

[33] I do not find that Arysta has delayed bringing this application, and I find that it has established that the matter is urgent, given the impending launch of this growing season. Arysta has met the first element of the test for an interim injunction.

B. *Serious Issue*

[34] The threshold for determining whether there is a serious issue to be tried is low. All that is required in order to obtain an interlocutory injunction in most cases is to show that the underlying claim is not "frivolous or vexatious" (*RJR—MacDonald*). This is a preliminary examination, since the pleadings are not fully developed and there is generally little time for preparation and argument.

[35] Arysta claims that AgraCity is infringing its patents by advertising and distributing its HIMALAYA product. They say that AgraCity must have stock on hand, since it is currently advertising to farmers for this growing season. Arysta says that the HIMALAYA herbicide falls squarely within its '021 Patent, which is still valid until September 2019. The end-use label AgraCity obtained approval for from the PMRA, as well as the AgraCity advertising which points to the "same active ingredient" as EVEREST make clear the degree of overlap between the two products. Furthermore, the PMRA approval was based on a finding that the products were equivalent, in light of its review of the evidence submitted by AgraCity.

[36] Arysta argues that AgraCity must now have in its possession substantial amounts of the HIMALAYA product in order for it to be in a position to begin to distribute to farmers for this growing season. That, in itself, is an infringement of the '021 Patent. Arysta also submits that once AgraCity begins to distribute its product to farmers, it will be inducing patent infringement.

[37] Arysta further argues that the AgraCity herbicide must be made with the same processes as those covered by its '239 and '292 Patents, although it did not pursue this point during oral submissions.

[38] AgraCity repeats its claim that the patents are invalid, but it did not advance any expert evidence to support the technical scientific arguments on this point that it had previously communicated to Arysta.

[39] There is an initial presumption that Arysta's Canadian patents are valid.

[40] At this preliminary stage of the proceedings, and in light of the very limited record before me, I will simply state that I do not find that Arysta's claim of patent infringement is frivolous or vexatious. This element of the test has been met.

C. *Irreparable Harm*

[41] In *RJR—MacDonald*, irreparable harm was described as "harm which either cannot be quantified in monetary terms or which cannot be cured, usually because one party cannot recover damages from the other" (at p 341). This concept speaks to the nature of the harm rather than its quantum. The focus at this stage is on the harm to the moving party if the injunction is refused (harm to the other party flowing from the granting of the injunction is considered in the analysis of the balance of convenience: *RJR—MacDonald*, at p 341). This can also involve a situation where the moving party states that it will not be able to recover damages from the wrongdoer, and in that sense the harm is "irreparable" because any right of recovery at the end of trial will prove to be illusory (*Turbo Resources Ltd v Petro-Canada Inc*, [1989] 2 FC 451 (CA)).

[42] As noted above, in many patent infringement cases the application for an interim or interlocutory injunction has been denied 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 period between its application and the determination of the infringement

action. In many of these cases, courts have rejected the plaintiff's arguments that its losses will be difficult or impossible to quantify. This case, however, was not argued on that basis.

[43] Two aspects of irreparable harm are raised by the parties: (i) Arysta claims that it has established that there is a substantial risk that AgraCity will not be able to pay a damages award at trial, and that this meets the threshold for irreparable harm; (ii) AgraCity contends that since Arysta no longer sells its EVEREST 1.0 product, if any patent infringement is found at trial, at most, it will have to pay a royalty fee for infringement of Arysta's '021 Patent, rather than substantial damages. It argues that the evidence shows that it will be in a position to do that, and therefore the threshold for irreparable harm has not been met.

[44] These arguments are obviously connected, in the sense that the question of inability to pay involves a consideration of the size of a potential damages award at the end of the infringement action. If Arysta were only to obtain a royalty, rather than a substantial damage award, that would obviously affect the assessment of AgraCity's ability to pay. I will deal with these arguments in turn, and then consider their combined effect.

(1) Has Arysta met its onus of showing that AgraCity will be able to pay any damage award?

[45] As noted previously, in many interlocutory or interim injunction cases, irreparable harm is claimed because there is significant doubt as to whether the defendant will be in a position to pay a future damages award. Each case must be determined on its particular facts. In previous cases, this basis of establishing irreparable harm has been rejected either because it was not properly pleaded (see, for example, *TearLab*, at para 78), or because the evidence did not

demonstrate a basis for the fear of the plaintiff that it would not be able to recover damages (see, for example, *Unilin*, at para 151).

[46] The concern about an inability of the defendant to pay a damages award will be difficult to establish, since the information relevant to the question will be largely in the control of the defendant. The onus on the plaintiff for establishing irreparable harm on this basis has been variously expressed as: "a very serious doubt" (*Bulman Group Ltd v Alpha One-Write Systems British Columbia Ltd* (1981), 54 CPR (2d) 171, at p 172); or "strong indications that a substantial judgment would be uncollectable" (*Dyckerhoff & Widmann AG v Advanced Construction Enterprises Inc*, [1986] 1 FC 526, at p 534 (TD); or "reasonable grounds for concern that it is unlikely that any substantial monetary judgment… could be collected or enforced" (*Titan Linkabit Corp v SEE See Electronic Engineering Inc* (1993), 48 CPR (3d) 62, at p 78 (FCTD)).

[47] Arysta argues that it has established sufficient doubt as to whether AgraCity will be able to pay any award of damages. They point to the following evidence, set out in the affidavit of the private investigator they retained to search publicly available information regarding the financial situation of the various companies:

- The Defendant companies are related family businesses. Jason Mann owns NewAgco Inc., which holds registrations for generic crop protection products. AgraCity is jointly owned by Jason Mann and his brother, James Mann, with each holding a 50% share. AgraCity distributes and sells these generic crop protection products, but only to farmers who pay a membership fee to join FNA. James Mann owns FNA;
- There is a third related company, NewAgco-Barbados, which is wholly owned by 101072498 Saskatchewan Ltd., which is indirectly owned by Jason Mann and James

Mann. In an appeal of a tax matter unrelated to this litigation, the FCA stated that NewAgco-Barbados had reported significant profits from the sale of another herbicide, and claimed it had paid significant amounts to AgraCity as a service fee in relation to the sale of this herbicide (see *AgraCity Ltd v Canada*, 2015 FCA 288, at paras 5-6);

- A claim in the amount of $2.7 million has been filed against AgraCity in the Saskatchewan Court of Queen's Bench by one of its suppliers, FMC Canada. This matter is currently before the court;
- Both Jason Mann and James Mann have filed claims in the Saskatchewan Court of Queen's Bench against AgraCity; the court files in regard to these claims have been sealed;
- Other claims have been filed against AgraCity by Farms and Families of North America, as well as the Concorde Group Corporation, from which AgraCity leases its warehouse facility;
- Jason Mann is subject to judgment and liens for over $750,000 in favour of the Canada Revenue Agency;
- There are other liens or claims against Jason Mann and James Mann in relation to their personal property.

[48] Arysta argues that since its Notice of Motion for the interim injunction squarely raised the issue of irreparable harm and whether AgraCity would be able to pay a damages award, it was reasonable to expect AgraCity to file evidence to establish its financial position. Arysta claims that AgraCity has failed to do so, and therefore the Court should find, on the basis of the evidence contained in the private investigator's report, that Arysta has met its burden of establishing irreparable harm.

[49] AgraCity disputes these claims. It says that it is defending the FMC Canada action, which remains unproven in court, and that the claims by the brothers against AgraCity relate to a dispute over ownership of the company. No evidence was filed to substantiate what the brothers' claims against the company relate to, other than the affidavit of Jason Mann. That affidavit also states that a 2016 valuation of AgraCity estimated that it had a $40 million fair market value, and that it has had annual gross revenues in excess of $30 million in each of the past three years. Jason Mann states that since 2006, AgraCity has invested over $10 million in the development of its expanding range of products. Furthermore, he states that AgraCity has a large warehouse that holds state of the art filling and packaging equipment, and that there is approximately $20 million worth of product in that warehouse.

[50] I find that Arysta has demonstrated serious reason to doubt whether AgraCity would be able to pay a damages award, and that the evidence of AgraCity falls short of what is required to meet these concerns. AgraCity points to its gross revenues of $30 million over the past several years, and its projection of increased revenue due to an expanded product portfolio. It also points to a corporate valuation of the free market value of the company. Further, it points to the assets in its warehouse, including the filling and packaging equipment. What it has not demonstrated, however, 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.

[51] Arysta notes that in May 2018 a lien was registered against AgraCity in relation to the filling and packaging equipment, but this is not mentioned or explained in Jason Mann's affidavit. Further, the private investigator's report shows that AgraCity leases the warehouse, and that there is no evidence of whether AgraCity owns the product that is currently said to be stored

there, or whether those goods are subject to any liens or other charges. In addition, no evidence was filed by AgraCity as to its current bank balance, nor did it provide a financial statement that would show its income or profit, rather than its gross revenues. Finally, the FCA decision in the tax matter indicates that profits on the sale of herbicides in Canada have been reported by NewAgco-Barbados, which is relevant in that it demonstrates that the proceeds of any sales may not remain in Canada. This, together with the apparent substantial financial liabilities of both Jason and James Mann, raises a doubt as to whether funds would be left for the Defendant companies to be applied to any future damage award.

[52] I agree with Arysta that its Notice of Motion made clear that the financial situation of AgraCity would be the basis for its claim of irreparable harm. Arysta also filed evidence to substantiate the basis of its concerns. In view of this, I find that it would have been reasonable to expect AgraCity to file more substantial financial information than it has done here. While the burden of proof remains on Arysta, its pleadings and its evidence put AgraCity on notice of the nature of its claim, and it would have been reasonable to expect AgraCity to make available normal corporate records regarding its financial situation. I would note that Arysta has filed certain confidential information that will be subject to an order restricting public access, and AgraCity could easily have done the same if it wished to protect its financial details from disclosure. It has failed to do so.

[53] I therefore find that Arysta has demonstrated, through clear and non-speculative evidence, that there is a substantial risk that AgraCity will not be in a position to pay a damages award if damages are awarded at the trial of the patent infringement action. This meets the test of irreparable harm established by the case law.

(2) Has Arysta demonstrated that it will suffer substantial damages under the *Patent Act*, or will its recovery be limited to a royalty fee?

[54] AgraCity argues that since Arysta no longer sells its EVEREST 1.0 product, it cannot claim to suffer substantial damages from any patent infringement. The ‘021 Patent only covers the granular or powder form of the composition. Arysta now only sells a new and improved liquid product, EVEREST 3.0. However, the HIMALAYA herbicide is in granular or powder form. AgraCity submits that any losses that may flow to Arysta from the sale of its generic product must be limited to a reasonable royalty: *Apotex Inc v Merck & Co, Inc*, 2015 FCA 171, at paras 43-44. These are the only damages which arise “by reason of the infringement” under section 55 of the *Patent Act*, RSC 1985, c P-4.

[55] This argument is linked to the issue regarding inability to pay, because AgraCity claims that it will clearly have sufficient financial resources to pay any royalty that it may be found to be owing at the end of the infringement action.

[56] Arysta contends that under section 55 of the *Patent Act*, an infringer is liable to the patentee “for all damages sustained… by reason of the infringement.” It argues that the ‘021 Patent is still valid and that the HIMALAYA product directly infringes that patent, as is admitted in AgraCity’s own marketing material. It will suffer damages through lost sales of EVEREST 3.0 and related products, and by the diminishment of the value of its new herbicide.

[57] Arysta has filed evidence from Mr. Brekkas, its country head for Canada, as well as from an expert economist, Mr. Stomberg, PhD. The estimated losses caused by the entry of the HIMALAYA generic product into the market in this growing season are in the range of $1.8 to

$2.1 million. This is an estimate of the total damages to Arysta from the infringement of its patent.

[58] No specific evidence was filed as to a reasonable royalty, but based on the total market for the Arysta product, and the price (and presumed profit) differential between the EVEREST 3.0 product and HIMALYA, it is evident that the royalty would be a substantial amount (see the expert report of Mr. Stomberg, available in the record). In regard to the Canadian law on the calculation of a reasonable royalty, see: Stephen J. Perry & T. Andrew Currier, *Canadian Patent Law*, 3rd ed (LexisNexis Canada, 2018) at pp 466 ff.

[59] In support of its argument that substantial damages cannot be awarded, AgraCity relies on *Unilever PLC v Procter & Gamble Inc* (1993), 47 CPR (3d) 479, 1993 CarswellNat 355 (FCTD) as a precedent in which the Court found that where a patentee does not sell an embodiment of its patent, sales of non-patented products are irrelevant to the compensation for any infringement. Arysta argues, however, that this decision rests on the particular facts of that case, where the patentee did not have a competing product in the marketplace at all. It could not, therefore, point to any lost sales as a result of the infringement.

[60] For its part, Arysta relies on the line of cases which have incorporated the approach to damages for patent infringement articulated by the UK Court of Appeal in *Gerber Garment Technology Inc v Lectra Systems Ltd*, [1997] RPC 443 [*Gerber*]. In *Gerber*, the Court ruled that an infringer may be liable to pay damages for lost sales for patented products, but also for “convoyed goods” which were normally sold together with the patented products. These damages were caused by the patent infringement, in the sense that “but for” the infringement, the patentee would have sold both the patented goods and the related products.

[61] This approach was approved by the FCA in *Apotex Inc v Eli Lilly and Company*, 2018 FCA 217, at para 122 [*Apotex 2018*], where the Court found that losses arising from lost sales of convoyed goods “are also accepted in Canada as potential damages resulting from the infringement despite the fact that they are not *per se* within the monopoly granted by the patent.”

[62] Arysta also points to cases which have found that damages can be granted for losses suffered after the expiry of the patent, where an infringer has “spring boarded” into the market just prior to patent expiry. These losses have been found to be compensable under section 55 of the *Patent Act* because they are a direct consequence of the infringement, even if they arise after the expiry of the patent (see *Apotex 2018*, at para 114, and the cases cited therein).

[63] In view of my findings on the questions of whether a royalty is owed to Arysta, and in relation to the evidence on the capacity of AgraCity to pay any damages award, it is not necessary for me to come to any final conclusion on this question. I will do no more than to offer some preliminary comments, in view of the argument of the parties before me.

[64] I agree with AgraCity that the cases dealing with convoyed goods are not precisely applicable to the facts of this case, because in those cases the patentee was in the market with the patented product. I do, however, find these decisions to provide helpful guidance on the proper analytical approach for this question.

[65] In *Apotex 2018*, Justice Johanne Gauthier outlined the proper approach to assessing damages under section 55 of the *Patent Act*. The starting point is that patent infringement is a statutory tort. The “guiding question” is thus: “But for the infringing product being on the market, what would the patentee’s position have been?” (at para 23).

[66] In relation to the specific question raised by the facts of the case at bar, the following passage at paragraph 114 is particularly instructive:

> [I]n Canada, there are instances where legal sales are indeed captured by damages because they result from illegal sales. In effect, the loss of certain sales can be claimed as a loss within the meaning of subsection 55(1) of the Patent Act – even if they are sales of non-infringing products (the ramp-up or springboard effect) or sales of non-infringing components of products – where the court finds that, as a fact, those lost sales arose as a result of the sales of infringing products or because of infringing components (see e.g. *Colonial Fastener Co. Ltd. v. Lighting Fastener Co. Ltd*., [1937] S.C.R. 36 at p. 41; *Beloit Canada Ltd. v. Valmet-Dominion Inc*.(1997), 73 C.P.R. (3d) 321 at p. 366 (F.C.A.); *Bourgault Industries Ltd. v. Flexi-Coil Ltd.* (1998), 80 C.P.R. (3d) 1 at para. 183 (F.C.T.D.), aff'd (1999) 86 C.P.R. (3d) 221 (F.C.A.), leave to appeal to S.C.C. refused, 27273 (March 23, 2000); *Jay-Lor International Inc. v. Penta Farm Systems Ltd*., 2007 FC 358 at para. 198; *Merck & Co., Inc. v. Apotex Inc.*, 2013 FC 751 at paras. 200-05 [*Merck*], aff'd 2015 FCA 171, leave to appeal to S.C.C. refused, 36655 (April 14, 2016)). There is no absolute bar in Canada with respect to damages for sales of non-infringing products or components.

[67] This is consistent with the position advanced in by Donald MacOdrum in *Fox on the Canadian Law of Patents*, 5th ed (Carswell, 2013) (loose-leaf) at para 14.3(g):

> The plaintiff may recover damages for lost sales of a product as a result of competing sales of a product made by a patented machine as process even if the plaintiff does not use such a process. If, for example, the plaintiff has patents on two alternative processes for making a product one of which it uses and the other of which the infringer uses, if the products made by the infringing process have caused loss of sales of the plaintiff's product, the plaintiff should recover damages for such loss, on the basic principle that it is the loss flowing from the wrongful act.

[68] On the basis of the limited record before me, I find that Arysta could, as a matter of law, establish that it will suffer damages for infringement, even though it is no longer on the market with its EVEREST 1.0 granular or powder herbicide.

[69] In addition, I find that in any event Arysta can claim a royalty is owed by AgraCity for its infringement of the ‘021 Patent. As noted previously, there is no specific evidence that speaks to the amount of such a royalty, but in view of the evidence of the difference in advertised price and inferred profit margins of the two products and the size of the overall market, I find that such a royalty would be of a substantial sum. That, in my view, meets the threshold of irreparable harm.

[70] In conclusion on the issue of irreparable harm, in the particular circumstances of this case, I find that Arysta has 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 the evidence filed by AgraCity.

[71] In addition, I find that Arysta can claim either substantial damages for an infringement of its patent, even though it is not currently in the market with the product covered by the patent, or at a minimum it can claim a reasonable royalty from AgraCity. Arysta is now a dominant player in the particular market at issue here, and its leading brand is a direct competitor to the HIMALAYA generic product that AgraCity now seeks to sell. Arysta owns a patent that will be, on the face of the limited record before me, directly infringed by the AgraCity product. While AgraCity has raised arguments about the validity of the patent, they have not filed any expert or other evidence on this point at this stage of the proceedings.

[72] Arysta has demonstrated that losses will be directly caused by the infringement of its patent. A substantial financial award in favour of Arysta is a possible outcome of the underlying claim of patent infringement, and in the alternative, AgraCity will be liable to pay a royalty for the period of its infringement. On the basis of the record before me, I find that Arysta has

demonstrated a sufficient doubt about whether AgraCity could pay any such award. This is sufficient to meet the very high threshold for irreparable harm in the specific circumstances of this case.

D. *Balance of Convenience*

[73] This element of the test is sometimes described as the “balance of inconvenience.” This stage requires an assessment of which party would suffer greater harm from the granting or refusal of the interlocutory injunction, pending the decision on the merits (*RJR—MacDonald*, at pp 342-43). The factors which must be considered will vary with the circumstances of each case.

[74] As a practical matter, a key question in many cases is whether the effect of the injunction will be to preserve the *status quo* by preventing a party from commencing some new activity (rather than stopping a course of conduct already well underway), and if so, what the impact on that party would be.

[75] Arysta argues that this is a case where the balance of convenience favours preserving the existing *status quo*, and cites the expert evidence that the harm to it through lost sales and other effects would be greater than the harm to AgraCity of a delay in launching its product. Arysta submits that AgraCity was made aware of its patents and its intention to protect them, but that they went ahead with their plans to launch sales of its HIMALAYA product rather than taking any steps to “clear the way” by either launching a claim that the ‘021 Patent is invalid, or by seeking a licence from Arysta (see *China Ceramic Proppant Ltd v Carbo Ceramics Inc*, 2004 FCA 283, at paras 9-10; and *Smithkline Beecham plc v Apotex Europe Ltd*, [2002] EWCH 2556 (Pat), aff’d [2003] EWCA Civ 137).

[76] Arysta submits that the balance of convenience weighs in its favour, and notes that in a case involving similar facts, Justice Colin Birss of the United Kingdom Patents Court found that the balance of convenience favoured maintaining the *status quo*, and so he granted an interim injunction and ordered a speedy trial of the underlying action, as this would only have the effect of keeping the new product out of the market for a season or two. If it turned out that the patent was not infringed, and therefore the injunction should not have been issued, any sales made by the alleged infringer after the expiry of the injunction would then assist in establishing the damages it was owed due to the wrongful granting of the injunction: *BASF SE v Sipcam (UK) Ltd*, [2013] EWHC 2863 (Pat), at para 44 [*BASF*].

[77] In the case before me, Arysta has given an undertaking in damages. Furthermore, since February 2019, Arysta became part of a very large multinational crop protection company – New UPL. I am satisfied it will have the financial capacity to pay any damages award that may be made against it in this proceeding.

[78] If an interim injunction is granted, AgraCity will be delayed in launching its HIMALAYA product. I note, however, that it has a wide array of other products on the market, and there is no evidence that this delay will call into question its financial viability. I adopt the expression of Birss J. in *BASF*, at para 44, that if I grant the injunction "they will be kept out of the market for a season, perhaps two."

[79] I also note that despite receiving notice from Arysta about its patents and its intention to enforce them, 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 from Arysta. It deliberately took the risk with its eyes open to the possible consequences.

[80] I find on the evidence before me that the balance of convenience weighs in favour of Arysta. AgraCity should not be allowed to launch its product at this time, pending a disposition of the interlocutory injunction or determination of the patent infringement action. This will inevitably have the effect of keeping AgraCity out of the market with this type of herbicide for this growing season, but any damages that may be owed to it as a consequence of this will be covered by the undertaking provided by Arysta.

V. Conclusion

[81] For these reasons, in the particular circumstances of this case, I am granting the interim injunction requested by Arysta. The Defendants are enjoined from any further marketing, distribution, transfer, or use in commerce of any form of the HIMALAYA product, pending the disposition of the interlocutory injunction or determination of the patent infringement action. All of the existing stock of the HIMALAYA product is to be held in its current position, pending disposition of the interlocutory injunction. Within twenty days of the release of this decision, an Officer of the Defendants shall swear an affidavit as to the current stock of HIMALAYA that they currently hold.

[82] Arysta filed a confidential record, containing financial and market share details. By agreement of the parties, this record shall remain sealed to the public, with a redacted version to be available in the public record. AgraCity has agreed to treat this as covered within the implied undertaking rule in regard to its access to this information. I am satisfied that a confidentiality order should be issued in relation to this record, pursuant to Rule 152 and the relevant jurisprudence. In view of this, I have issued a confidential set of reasons to the parties, which

will be released to the public once I have received the submissions of the parties regarding any proposed redactions.

[83] The parties agreed that the question of costs for this motion would be left to the judge determining the interlocutory injunction application.

AMENDED ORDER in T-604-19

THIS COURT ORDERS that:

1. The Plaintiffs' motion for an interim injunction is granted.

2. The Defendants are hereby enjoined from any further sale, distribution, transfer or use in commerce of any form of the HIMALAYA flucarbazone sodium herbicide, pending final disposition of the interlocutory injunction or determination of the patent infringement action or expiry of the 021 Patent, whichever comes earlier.

3. All of the existing stock of the HIMALAYA product is to be held in its current position, pending disposition of the interlocutory injunction.

4. Within twenty days of the release of this decision, an Officer of the Defendants shall swear an affidavit as to the current stock of HIMALAYA that they currently hold. This affidavit shall be filed with the Court and held as part of the confidential record.

5. Costs of this motion are to be determined by the judge hearing the interlocutory injunction application.

6. The confidential record filed by the Plaintiffs shall remain sealed, subject to any further Order of this Court or the Court of Appeal (if an appeal is taken from this Order). The redacted version of the record shall form part of the public record in this proceeding.

7. Notwithstanding paragraphs 2 and 3 of this order, the Defendants are permitted to provide samples of the HIMALAYA flucarbazone sodium herbicide and samples of the

NewAgco Flucarbazone Technical to counsel for the plaintiffs, or as counsel for the plaintiffs may direct, for testing purposes.

"William F. Pentney"

Judge

<u>FEDERAL COURT</u>

<u>SOLICITORS OF RECORD</u>

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