Date: 20071119

Docket: T-1548-06

Citation: 2007 FC 1210

Toronto, Ontario, November 19, 2007

PRESENT: The Honourable Madam Justice Snider

BETWEEN:

LES LABORATOIRES SERVIER,
ADIR, ORIL INDUSTRIES,
SERVIER CANADA INC.,
SERVIER LABORATORIES (AUSTRALIA) PTY LTD
and SERVIER LABORATORIES LIMITED

Plaintiffs
(Defendants to the Counterclaim)

and

APOTEX INC. and
APOTEX PHARMACHEM INC.

Defendants
(Plaintiffs by Counterclaim)

REASONS FOR ORDER AND ORDER

I. Introduction

[1] In the first of two motion before this Court, Sanofi-Aventis Deutschland GmbH (Sanofi Germany) seeks to be added as a defendant to the Counterclaim in Court File T-1548-06 (the Perindopril Action), pursuant to r. 104(1)(b) of the *Federal Courts Rules*, S.O.R./98-106. Schering Corporation (Schering) has made the same request in a companion motion. For the reasons set out

below, I have determined that neither Sanofi Germany nor Schering should be joined in the Perindopril Action.

II. **Background**

[2] In the Perindopril Action, Les Laboratoires Servier, ADIR, Oril Industries, Servier Canada Inc., Servier Laboratories (Australia) Pty Ltd, and Servier Laboratories Limited (collectively referred to as Servier) are Plaintiffs in an action against Apotex Inc. and Apotex Pharmachem Inc. (collectively referred to as Apotex). Servier claims that Apotex has infringed its rights under Canadian Patent No. 1,341,196 (the 196 Patent).

[3] Apotex, in its Defence and Counterclaim to the Servier claim, asserts that the 196 Patent is invalid on numerous grounds. Further and of importance to this motion, Apotex has alleged that Servier and others, including Schering and the predecessor to Sanofi Germany, "entered into an agreement or conspiracy in contravention of section 45 of the *Competition Act*". The alleged conspiracy relates to an agreement in respect of the allocation among the alleged co-conspirators of certain patent claims that were involved in a conflict proceeding in the Canadian Patent Office. The conflict proceedings concerned a determination of inventorship of a number of co-pending Canadian patent applications, including: the 196 Patent; Canadian Patent No. 1,341,296 (the 296 Patent); and Canadian Patent No. 1,341,206 (the 206 Patent).

[4] Apotex did not name either Sanofi Germany or Schering as Defendants to the Counterclaim. In the motions before me, both Apotex and Servier strongly object to the joinder of Sanofi Germany and Schering in the Perindopril Action.

[5] The Perindopril Action is set for trial commencing on February 25, 2008 – just over three months from now.

[6] The events in the alleged conspiracy are also in play in Court File T-161-07 (the Ramipril Action) and T-1161-07 (the Novopharm Ramipril Action).

[7] In the Ramipril Action, by Statement of Claim dated January 26, 2007, Schering and Sanofi-Aventis Canada Inc. (Sanofi Canada) have commenced an action against Apotex Inc. alleging infringement of the 206 Patent. Apotex Inc. defends the claim by Statement of Defence and Counterclaim served March 12, 2007 and issued April 10, 2007. The Counterclaim in the Ramipril Action alleges two conspiracies, one of which is exactly the same conspiracy alleged in the Perindopril Action. Apotex has joined Sanofi Germany and Ratiopharm Inc. as defendants to the Counterclaim in that action. However, although Apotex names ADIR, one of the Plaintiffs in the Perindopril Action, as one of the co-conspirators, it has not joined ADIR as a party in the action.

[8] In the Novopharm Ramipril action, by Statement of Claim dated June 22, 2007, Sanofi Canada and Schering commenced an action against Novopharm Limited (Novopharm) in Court File No. T-1161-07 alleging that Novopharm has infringed the 206 Patent. Novopharm defends the

claim by Statement of Defence and Counterclaim and has added Sanofi Germany as a defendant to the Counterclaim. In its Counterclaim, Novopharm alleges that Sanofi, ADIR and Schering engaged in conduct contrary to s. 45 of the *Competition Act*. ADIR has not been joined in the action.

[9] Trials in the Ramipril and Novapharm Ramipril Actions are to commence in early 2009.

III. Analysis

A. *General Principles*

[10] At common law, plaintiffs are entitled to choose the defendants against whom they wish to proceed. As noted, in the Perindopril Action, Apotex has not chosen to add Sanofi Germany or Schering and in this case opposes their addition. Thus, the only way that either Sanofi Germany or Schering may be joined as a defendant to the Counterclaim is through the operation of r. 104(1)(b) of the *Federal Courts Rules*. This Rule allows the addition of a party in special circumstances. Specifically, the Court may only add a person as a party to an action pursuant to r. 104(1)(b) if one of the following two tests is met:

> a) The person ought to have been joined as a party; or
>
> b) The person's presence before the Court is necessary to ensure that all matters in dispute in the proceeding may be effectively and completely determined.

[11] Where, as here, the plaintiff opposes the addition of a defendant:

> …the test…is a stringent one requiring special or exceptional circumstances to allow a departure from the general rule that it is for the plaintiff to choose the defendants, not to have defendants forced upon him or her (*Ferguson v. Arctic Transportation Ltd*., [1996] 1 F.C. 771 at 781 (Proth.)).

[12] The first test was considered in the case of *Ferguson*, above. In determining whether a party "ought to have been joined", Prothonotary Hargrave analyzed the jurisprudence and noted that it had been narrowly interpreted to require "parties who ought to have been joined, in the strict legal sense, for example joint contractors or…co-covenantees…" or to permit a party to be added "only if the question at issue cannot be adjudicated unless the new party is added." (*Ferguson,* above at 780-782).

[13] The second test was also considered in *Ferguson*, above. Prothonotary Hargrave noted that, generally, the necessity of a party had been found to vary according to the circumstances (*Ferguson,* above at 783-784). Prothonotary Hargrave denied the defendant's motion to add a third party as a defendant after noting that the third party would not lose any legal right if it were not a defendant and that, even with its absence, all matters the plaintiff had put in dispute could still be completely determined and adjudicated upon (*Ferguson,* above at 784-785).

[14] The question of joinder has been examined in a number of other cases.

[15] In *Canadian Red Cross Society v. Simpsons Ltd.* (1983), 70 C.P.R. (2d) 19 at 22 (F.C.T.D.), Justice Mahoney, considered an application by Twentieth Century-Fox Film Corporation to be joined as a defendant to an action to restrain the defendant from selling towels bearing the design of

the Red Cross. After considering the case of *Re Starr and Township of Puslinch et al.* (1976), 12 O.R. (2d) 40 (Div. ct.), Justice Mahoney held that "it is not necessary that the applicant have an interest in the immediate issue; it is sufficient that determination of that issue will directly affect his rights or his pocket-book" [emphasis added]. However, this rather narrow and, I suggest, case-specific test set out by Justice Mahoney has seen significant refinement in more recent jurisprudence.

[16] The question of joinder was further considered by the Court of Appeal in *Shubenacadie Indian Band v. Canada (Minister of Fisheries and Oceans)* (2002), 299 N.R. 241 at para. 8 (F.C.A.). Although *Shubenacadie* involved an appeal from a motions judge dismissing a motion to remove defendants as parties, the Court quoted the following passage from *Amon v. Raphael Tuck & Sons*, [1956] 1 Q.B. 357 with approval as to when a person should be considered a "necessary" party:

> What makes a person a necessary party? It is not, of course, merely that he has relevant evidence to give on some of the questions involved; that would only make him a necessary witness. It is not merely that he has an interest in the correct solution of some question involved and has thought of relevant arguments to advance and is afraid that the existing parties may not advance them adequately. ... The only reason which makes it necessary to make a person a party to an action is so that he should be bound by the result of the action, and the question to be settled therefore must be a question in the action which cannot be effectually and completely settled unless he is a party. [Emphasis added.]

[17] The following principles also apply when determining whether a person is a necessary defendant:

- The fact a person has evidence relevant to the plaintiff's

statement of claim is not sufficient to make them a necessary defendant (*Shubenacadie,* above at para. 7).

- The fact that a person may be adversely affected by the outcome of the litigation is not sufficient to make them a necessary defendant (*Shubenacadie,* above at para. 7).
- A mere commercial interest rather than a legal interest is not sufficient to make a person a necessary party (*Ferguson,* above at 784-785; *Apotex Inc. v. Canada (Attorney General)* (1986), 9 C.P.R. (3d) 193 at 201 (F.C.T.D.)).
- Absent a specific legislative provision (as in, for example, *Nissho-Iwai Canada Ltd. v. Minister of National Revenue for Customs & Excise*, [1981] 2 F.C. 721 (T.D.)), when the plaintiff's statement of claim seeks no relief against a person and makes no allegations against them the person will not be considered a necessary party (*Shubenacadie,* above at para. 6; *Hall v. Dakota Tipi Indian Band*, [2000] F.C.J. No. 207 at paras. 5, 8 (T.D.) (QL); *Stevens v. Canada (Commissioner, Commission of Inquiry)*, [1998] 4 F.C. 125 at para. 21 (C.A)).

B. *Application to the facts of this case*

[18] In assessing the facts before me against these principles, there is no difference between the position of Sanofi Germany and Schering. As Sanofi Germany brought the first motion to be joined, I will refer mainly to its arguments. However, if I were to conclude that Sanofi Germany should succeed on this motion, I can think of no valid reason to exclude Schering. Apart from the timing of its motion, Schering's interests are identical to those of Sanofi Germany.

Ought Sanofi Germany and Schering to have been joined?

[19] Sanofi Germany is not "a party who ought to have been joined" in the "strict legal sense" contemplated by r. 104(1)(b). Therefore, an order to join Sanofi Germany should only be made if the second part of r. 104(1)(b) is satisfied. That is, Sanofi Germany should only be joined if I am

persuaded that its presence is "necessary to ensure that all matters in dispute in the proceeding may be effectually and completely determined".

Will the rights or pocket-book of Sanofi Germany and Schering be affected?

[20] Will the rights or pocket-book of Sanofi Germany or Schering be affected by a decision of the Court in the Perindopril Action? To respond to this question, it is helpful to place the key claims made by Apotex in the Perindopril Action side-by-side with the key claims made in the Ramipril Action.

	Perindopril Action	Ramipril Action
Remedy sought by Apotex in its Statement of Defence and Counterclaim with respect to *Competition Act*.	79. The Defendants, Plaintiffs by Counterclaim, therefore claim: (a). A Declaration that [the 196 Patent] and each of claims 1,2,3 and 5 is invalid, void, unenforceable, and of no force and effect. (b) … (c) Damages pursuant to section 36 of the *Competition Act*…	125. The Defendant, Plaintiffs by Counterclaim, therefore claims: (a) A Declaration that [the 206 Patent] and each of claims 1, 2, 3, 6 and 12 inclusive is invalid, void, unenforceable and of no force and effect. (b) Damages for conspiracy to unlawfully violate the *Patent Act* (c) Damages for conspiracy to injure Apotex (d) Damages pursuant to section 36 of the *Competition Act*
Key Claim with respect to *Competition Act*.	76. By reason of the foregoing, ADIR and its co-plaintiffs, Schering and Hoecht and Aventis, and each of them have: (a) limited unduly the facilities for transporting, producing, manufacturing, supplying, storing or dealing in ACE inhibitors, including compounds falling within the scope of the claims of the '196 Patent; (b) restrained or injured, unduly, trade or commerce	70. By reason of the foregoing, Schering and Hoecht/Sanofi and ADIR, and each of them have: (a) limited unduly the facilities for transporting, producing, manufacturing, supplying, storing or dealing in ACE inhibitors, including compounds falling within the scope of the claims of the '206 Patent; (b) restrained or injured, unduly, trade or commerce in ACE inhibitors falling within the scope of the claims of the '206

	in ACE inhibitors falling within the scope of the claims of the '196 Patent; (c) prevented, limited, or lessened, unduly, the manufacture, purchase, barter, sale, transportation or supply of ACE inhibitors, including compounds falling within the scope of the claims of the '196 Patent.	Patent; and (c) prevented, limited, or lessened, unduly, the manufacture, purchase, barter, sale, transportation or supply of ACE inhibitors, including compounds falling within the scope of the claims of the '206 Patent.

[21] The following facts become clear from a review of this chart and the full versions of the relevant parts of the Counterclaim in each action:

- The conspiracy allegations are largely the same; however, Apotex places the focus in each set of allegations on the 196 Patent or 206 Patent respectfully.
- Apotex is not seeking any damages against anyone other than Servier in the Perindopril Action. Similarly, Apotex limits its claims against the plaintiffs (Defendants by Counterclaim) in the Ramipril Action.
- Apotex is <u>not</u> seeking a general declaration in either action that the Plaintiffs (Defendants by Counterclaim) breached the *Competition Act*.
- Apotex is <u>not</u> seeking to declare that the 206 Patent is invalid in the Perindopril Action. Similarly, Apotex is <u>not</u> seeking to declare that the 196 Patent is invalid in the Ramipril Action.

In other words, Sanofi Germany's and Schering's rights and pocket-books in the Ramipril Action are not affected by the Perindopril Action.

Are Sanofi Germany and Schering otherwise "necessary"?

[22] Sanofi Germany submits that, as an alleged co-conspirator, it is a necessary party to the Perindopril case. In support of its position, Sanofi Germany cites the Ontario Superior Court of Justice decision in *Vitapharm Canada Ltd. v. F. Hoffmann-La Roche Ltd.*, [2002] O.J. No. 298 (Sup. Ct.) (QL). The Court in *Vitapharm* was considering a motion by five named defendants challenging the jurisdiction of the Ontario Superior Court of Justice to hear five class actions relating to losses in Canada connected to a worldwide price fixing conspiracy in vitamins. The motion was dismissed. In his analysis, Justice Cumming remarked, at para. 78:

> In my view, and I so find, the balance of convenience favours trying all of the defendants in each action together. <u>The claims against all defendants in a given action arise out of the same alleged conspiracy. The issues will involve common questions of fact and law. It is logical that the claims against all the alleged conspirators in an alleged single price-fixing scheme be tried together. Each of the alleged co-conspirators is a necessary and proper party.</u>

[23] In my view, this case is readily distinguishable from the situation before me. First, the plaintiffs in *Vitapharm* were not only asserting that some of the named defendants had conspired to fix prices contrary to s. 45 of the *Competition Act* but also were pleading that the defendants were liable at common law for the tort of civil conspiracy. Presumably, damages were being sought against all of the defendants. In contrast, in the Perindopril Action Counterclaim, Apotex does not plead the tort of civil conspiracy. Nor does it seek any damages from Sanofi Germany or Schering.

Further, given that the named defendants in *Vitapharm* were seeking to avoid the suit, rather than asking to be joined, the Court did not have to consider the common law rule that a plaintiff may choose its defendants. In sum, the case does not stand for the general proposition that all parties to an alleged conspiracy should be joined as defendants in an action.

Should Sanofi Germany and Schering be bound by the results in the Perindopril Action?

[24] Can it be said that Sanofi Germany and Schering should be bound by the result in the Perindopril Action? I do not think that can be the case.

[25] In the Perindopril Action, Apotex will be required to prove the elements of conspiracy under the *Competition Act*, including the *actus reus* and *mens rea* components (see the leading case of *R. v. Nova Scotia Pharmaceutical Society*, [1992] 2 S.C.R. 606). In contrast to a prior conviction in a criminal case (see s. 36(2) of the *Competition Act*), there is nothing in the jurisprudence or in the *Competition Act* which indicates that establishing these elements for one defendant of an alleged conspiracy in a civil suit relieves the burden on the plaintiff in any way in subsequent proceedings against another party to the same conspiracy. Therefore, Apotex would have to prove all the *mens rea* and *actus reus* elements again in the Ramipril Action.

[26] As part of its burden, Apotex will be required to establish that the agreement likely prevented or lessened competition unduly (*Nova Scotia Pharmaceutical,* above at para. 72). To do this, Apotex must show that Servier had "market power" – which requires that the relevant market

be determined. In the Perindopril Action, it appears that Apotex will present expert evidence that the relevant market is limited to that of perindopril rather than the broader market for ACE inhibitors (which would include ramipril). Although the relevant market is a fact which must be proved by Apotex in each action and which may be opposed by the defendants to the counterclaim, the fact that Apotex has stated that it intends to prove different relevant markets in each action is worth noting.

[27] Sanofi Germany is concerned that a factual finding by the Court in the Perindopril Action that there was a conspiracy will be binding on the trial judges in the Ramipril and Novapharm Ramipril Actions. In its view, judicial comity would restrict another judge from finding against Apotex in the later cases.

[28] I cannot agree that the principles of judicial comity would necessarily present the problem envisioned by Sanofi Germany. Any finding of fact by the trial judge in the Perindopril Action that there was a conspiracy would be based on the evidence before the Court. With different parties and additional or different evidence, the judge in the later actions will have to reach his or her decision on the basis of the evidence before the Court in those actions. The result may differ.

Is the question of the alleged conspiracy one "which cannot be effectually and completely settled" unless Sanofi Germany and Schering are added?

[29] Sanofi Germany also submits that it is not in the interests of justice that the same counterclaim be tried twice. In this argument, they appear to be asserting that adding all parties to the conspiracy counterclaim in the Perindopril Action will “effectually and completely” settle the question of the alleged conspiracy and, thus, lead to a more efficient use of judicial resources. A determinative finding with all parties present in the Perindopril Action, it is submitted, would obviate the need for separate determination in each of the Ramipril and Novopharm Ramipril Actions.

[30] I acknowledge that such a result could be attained (although that is far from clear). However, this is not a sufficient reason to warrant adding Sanofi Germany or Schering as a defendant. In *Ferguson,* above, Prothonotary Hargrave noted that the avoidance of a multiplicity of proceedings is a benefit of r. 104(1)(b) rather than the primary reason behind the rule (*Ferguson,* above at 779). Similarly, Justice Devlin remarked, in the case of *Amon,* above, that joinder was not “designed to offer slightly cheaper alternative consolidation” (*Amon,* above at 381).

Would there be prejudice to the parties?

[31] Finally, I turn to the question of prejudice. It should be recalled that r. 104(1)(b) is discretionary.

[32] Based on the above analysis, I am not persuaded that Sanofi Germany or Schering will be prevented from pursuing a full defence to the counterclaims in the other actions. I do not see serious prejudice to the moving parties if I dismiss this motion.

[33] In contrast, there are factors that militate against joining Sanofi Germany and Schering to the Perindopril Action. I note first the delay in bringing this motion. Although Apotex's Counterclaim in the Perindopril Action was filed early in 2007, Sanofi Germany did not seek to bring this motion until August 2007. Schering only made its request three days before this motion was heard.

[34] Sanofi Germany has put forward a schedule that, it submits, would allow the trial in the Perindopril Action to proceed as scheduled in February 2008. As helpful as this proposed schedule was to the Court, it is based on many assumptions. Considering the number of issues that could arise concerning discoveries, admissions and documents, I conclude that it is highly probable that the late addition of two more parties to the Perindopril Action will cause delays. Servier and Apotex have worked very hard and cooperatively to ensure an early trial date in the Perindopril Action. Their interests in seeing an expeditious and just resolution of the matters at issue would be prejudiced by the joinder of Sanofi Germany and Schering.

IV. Conclusion

[35] In conclusion, I am not persuaded that Sanofi Germany and Schering have met the requirements of r. 104(1)(b). They have not satisfied me:

- That they ought to be joined as parties to the counterclaim; or
- That they are necessary in the sense that they should be bound by the result of the Perindopril Action or that the issue of the conspiracy by Servier cannot be effectually and completely settled unless they are parties.

[36] Accordingly, they will not be joined as defendants to the Counterclaim of Apotex. The motion will be dismissed with costs.

ORDER

THIS COURT ORDERS that the motions of Sanofi Germany and Schering are dismissed with costs.

"Judith A. Snider"
Judge

FEDERAL COURT

NAMES OF COUNSEL AND SOLICITORS OF RECORD

DOCKET:	T-1548-06
STYLE OF CAUSE:	LES LABORATOIRES SERVIER, ADIR, ORIL INDUSTRIES, SERVIER CANADA INC., SERVIER LABORATORIES (AUSTRALIA) PTY LTD and SERVIER LABORATORIES LIMITED Plaintiffs (Defendants to the Counterclaim) and APOTEX INC. and APOTEX PHARMACHEM INC. Defendants (Plaintiffs by Counterclaim)
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DATED:	NOVEMBER 19, 2007

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