

Federal Court



Cour fédérale

**Date: 20111209**

**Docket: T-1786-08**

**Citation: 2011 FC 1441**

**Ottawa, Ontario, December 9, 2011**

**PRESENT: The Honourable Madam Justice Simpson**

**BETWEEN:**

**APOTEX INC.**

**Plaintiff**

**and**

**NYCOMED CANADA INC.**

**Defendant**

**AND BETWEEN**

**NYCOMED CANADA INC.  
and NYCOMED GMGH**

**Plaintiffs by  
Counterclaim**

**and**

**APOTEX INC.**

**Defendant by  
Counterclaim**

**AND BETWEEN**

**Docket: T-368-08**

**NOVOPHARM LIMITED**

**Plaintiff  
Defendant by  
Counterclaim**

**and**

**NYCOMED CANADA INC., NYCOMED  
GMBH and NYCOMED INTERNATIONAL  
MANAGEMENT GMBH**

**Defendants  
Plaintiffs by  
Counterclaim**

**REASONS FOR JUDGMENT AND JUDGMENT**

[1] The Plaintiffs by counterclaim in both actions described above [collectively Nycomed] appeal two decisions of Prothonotary Milczynski dated December 13, 2010 to the extent that she refused Nycomed leave to amend its counterclaim in each action to allege (i) that Apotex and Novopharm should be found liable for contributory infringement and (ii) that Apotex and Novopharm knew or ought to have known that their generic versions of pantropazole would be used in an infringing manner i.e. in a combination that infringed Nycomed's Canadian Patent No. 2,089,748.

[2] Prothonotary Milczynski described Nycomed's proposed amendments in the following terms:

...By these proposed amendments, Nycomed alleges that Novopharm, distinct from the “but for” allegation of inducement, has contributed to physicians prescribing, pharmacists dispensing, and patients using Novo-pantoprazole tablets in combination with *Helicobacter*-inhibiting anti-microbial agents for the regulation of gastrointestinal disorders and treatment of *Helicobacter pylori* associated duodenal and gastric ulcers. Nycomed alleges that Novopharm may not be the sole cause, but has contributed to the infringing activities of these third parties through its product monograph, website and its marketing strategies to physicians and pharmacists.

## **THE STANDARD OF REVIEW**

[3] Since, in my view, the causes of action to be pleaded are vital to the final issue, I will undertake a *de novo* review (see *Merck & Co Inc v Apotex Inc*, 2003 FCA 488, [2004] 2 FCR 459 at para 19).

## **CONTRIBUTORY INFRINGEMENT**

### **(a) The General Rule in *Beloit Canada***

[4] Apotex and Novopharm say that the cases discussed below are authority for the proposition that contributory infringement is not a cause of action. However, for the reasons which follow, I have not been persuaded of the validity of this submission.

[5] *Beloit Canada Ltee/Ltd et al v Valmet Oy* [1988] FCJ No 103 (CA) (QL) [*Beloit Canada*] concerns parts [the Parts] used in the manufacture of Tri-Nip press sections of paper making machines.

[6] As a result of previous patent litigation in which Valmet Oy, a Finish company, was found to have been infringing a patent held by Beloit Canada Ltee/Ltd. [Beloit], Valmet Oy had been enjoined from manufacturing, using, selling or inducing others to use Tri Nip press sections [the Injunction]. In other words, the Injunction prohibited Valmet Oy from infringing the patent.

[7] After the Injunction issued, Valmet Oy sold the Parts to a Canadian company for use in the manufacture of Tri-Nip press sections.

[8] The issue for the Federal Court of Appeal, when considering whether Valmet Oy had breached the Injunction, was whether by supplying the Parts, Valmet Oy procured or induced the Canadian company to infringe the Patent. If inducement had been shown, then Valmet Oy would have infringed the patent and would have been in breach of the Injunction.

[9] In discussing the issue, the Court of Appeal set out the law in the following terms [the General Rule]:

...Moreover, it is well established that there is no infringement of a patent in selling an article which does not in itself infringe the patent even when the vendor knows that the purchaser buys the article for the purpose of using it in the infringement of the patent. There seems to be only two exceptions to that rule, namely, that there is infringement

- (a) if the vendor, alone or in association with another person, sells all the components of the invention to a purchaser in order that they be assembled by him; and
- (b) if the vendor, knowingly and for his own ends and benefit, induces or procures the purchaser to infringe the patent.

[footnotes omitted]

[10] Beloit argued that Valmet Oy controlled the Canadian company and that Valmet Oy's failure to act to prevent the Canadian company from using the Parts to produce Tri Nip press sections was tantamount to inducement to infringe.

[11] The Court of Appeal held that no inducement had occurred because, in order to induce or procure another to infringe a patent, one must do something that leads another to infringe. Failing to act cannot amount to inducement.

[12] It is noteworthy that *Beloit Canada* dealt with traditional inducement. Contributory infringement was not alleged.

[13] Sixteen years later, *Beloit Canada* was referred to in a Prothonotary's decision in *Faurecia Automotive Seating Canada Ltd. v Lear Corporation Canada Limited* (July 23, 2003), Ottawa T-51-01 (FC), aff'd 2004 FC 421, [2004] 250 FTR 26. That case dealt with removable seat assemblies which the Defendant, Lear Corporation, manufactured and sold to the Ford Motor Company of Canada. The Plaintiff sought leave to amend its Statement of Claim to allege that Lear "...aids and assists in and contributes to the infringement by Ford."

[14] In considering whether to grant leave to amend, one of the issues before the Prothonotary was whether contributory infringement was a recognized cause of action in Canada. The Prothonotary concluded that contributory infringement was a theory of indirect infringement which was soundly rejected in *Beloit Canada* in which leave to appeal to the Supreme Court of Canada had been refused (see [1998] 21 CPR (3d) v).

[15] This statement gives the impression that *Beloit Canada* dealt explicitly with contributory infringement and that the Supreme Court of Canada refused leave on that issue. However, as shown above, *Beloit Canada* was not a case about contributory infringement.

[16] On an appeal from the Prothonotary, the Federal Court in *Faurecia* decided the matter *de novo*. The Court concluded at para 53 that the General Rule precludes contributory infringement as a cause of action.

[17] However, I am not able to agree that the General Rule has this effect because it says nothing about what needs to be shown to establish inducement.

### **(b) The Test for Inducing Infringement**

[18] In my view, it is the cases which set out the well-established test for inducing infringement that present Nycomed with an insurmountable hurdle. The three-fold test in this regard is well-established and has recently been affirmed by the Federal Court of Appeal in *Corlac Inc et al v Weatherford Canada Ltd et al*, 2011 FCA 228. There the Court said that the test was stringent (para 168) and set it out in the following terms at para 162:

It is settled law that one who induces or procures another to infringe a patent is guilty of infringement of the patent. A determination of inducement requires the application of a three-prong test. First, the act of infringement must have been completed by the direct infringer. Second, the completion of the acts of infringement must be influenced by the acts of the alleged inducer to the point that, without the influence, direct infringement would not take place. Third, the influence must knowingly be exercised by the inducer, that is, the

inducer knows that this influence will result in the completion of the act of infringement: *Dableh v. Ontario Hydro*, [1996] 3 F.C. 751, paras. 42,43 (C.A.), leave to appeal refused, [1996] S.C.C.A. No. 441; *AB Hassle v. Canada (Minister of National Health and Welfare)*, 2002 FCA 421, 22 C.P.R. (4<sup>th</sup>) 1, para. 17 (C.A.), leave to appeal refused, [2002] S.C.C.A. No. 531; *MacLennan v. Les Produits Gilbert Inc.*, 2008 FCA 35, 67 C.P.R. (4<sup>th</sup>) 161, para. 13. The test is a difficult one to meet.

[the Inducement Test]

[19] Applying the Inducement Test, Nycomed might satisfy the first and third prongs if it showed that physicians, pharmacists and patients were direct infringers and that Apotex and Novopharm knew their influence would result in infringement.

[20] However, an allegation of contributory infringement by Apotex and Novopharm involves an implicit admission that they are only partially responsible for the infringement. This admission means that Nycomed could not meet the second prong of the Inducement Test. Nycomed would be unable to show that, but for their inducing activities, the direct infringement would not have taken place.

[21] Accordingly, at this point in the analysis, it appears to me to be plain and obvious and beyond doubt that contributory infringement is not a reasonable cause of action.

[22] However, Nycomed relies heavily on the Supreme Court of Canada's decision in *Monsanto Canada Inc v Schmeiser*, 2004 SCC 34 and says at para 38 of its factum in the Apotex case that, in *Monsanto*, the Supreme Court of Canada set out an "expansive and purposive interpretation of patent infringement and thus implicitly rejected discrete categories of infringement".

[23] At para 45 of its factum in the Apotex case, Nycomed says that “a purposive interpretation of infringement should allow for the possibility that a party that plays a role in the deprivation of a patentee’s full enjoyment of its monopoly may be liable for contributing to the infringement of those rights”.

[24] To accept these submissions, I must be persuaded that the Supreme Court of Canada intended to move away from the Inducement Test when it made the statements on which Nycomed relies. These statements are all found in a section of the judgment headed “The Law on “Use””. Under this heading, the Supreme Court was considering the meaning of “use” as that term appears in section 42 of the *Patent Act*.

[25] The statements on which Nycomed relies are found in *Monsanto* at the paragraphs shown below. The emphasis is mine:

(i) Paragraphs 34 and 35:

34. The purpose of s. 42 [of the Patent Act] is to define the exclusive rights granted to the patent holder. These rights are the rights to full enjoyment of the monopoly granted by the patent. Therefore, what is prohibited is “any act that interferes with the full enjoyment of the monopoly granted to the patentee”: H.G. Fox, *The Canadian Law and Practice Relating to Letters Patent for Inventions* (4<sup>th</sup> ed. 1969), at p. 349; see also *Lishman v. Erom Roche Inc.* (1996), 68 C.P.R. (3d) 72 (F.C.T.D.), at p. 77.

35. The guiding principle is that patent law ought to provide the inventor with “protection for that which he has actually in good faith invented”: *Free World Trust, supra*, at para. 43. Applied to “use”, the question becomes: did the defendant’s activity deprive the inventor in whole or in part, directly or indirectly, of full enjoyment of the monopoly conferred by law?



## (ii) Paragraph 43:

43. Infringement through use is thus possible even where the patented invention is part of, or composes, a broader unpatented structure or process. This is, as Professor Vaver states, an expansive rule. It is however, firmly rooted in the principle that the main purpose of patent protection is to prevent others from depriving the inventor, even in part and even indirectly, of the monopoly that the law intends to be theirs: only the inventor is entitled, by virtue of the patent and as a matter of law, to the full enjoyment of the monopoly conferred.

## (iii) Paragraph 44:

44. Thus, in *Saccharin Corp. v. Anglo-Continental Chemical Works, Ltd.* (1900), 17 R.P.C. (H.C.J.), the court stated, at p. 319:

By the sale of saccharin, in the course of the production of which the patented process is used, the Patentee is deprived of some part of the whole profit and advantage of the invention, and the importer is indirectly making use of the invention.

This confirms the centrality of the equation that flows from a purposive interpretation of the *Patent Act*: did the defendant, by his acts or conduct, deprive the inventor, in whole or in part, directly or indirectly, of the advantage of the patented invention?

## (iv) And at paragraph 58

58. These propositions may be seen to emerge from the foregoing discussion of “use” under the *Patent Act*:

1. “Use” or “*exploiter*”, in their ordinary dictionary meaning, denote utilization with a view to production or advantage.
2. The basic principle in determining whether the defendant has “used” a patented invention is whether the inventor has been deprived, in whole or in part, directly or indirectly, of the full enjoyment of the monopoly conferred by the patent.

[...]

[26] Nycomed says that these statements advocate a purposive approach in which the focus is on whether the effect of a defendant's infringing actions is to deprive the patent holder of its monopoly. Nycomed says that the nature of the actions is not important and that a purposive approach leaves open the possibility of an action for contributory infringement in which Nycomed would not have to satisfy the second prong of the current Inducement Test.

[27] However, in my view, there are compelling reasons to conclude that the Supreme Court of Canada did not intend to signal such a fundamental departure from the well established Inducement Test. They include:

- (i) The fact that *Monsanto* was a case of direct infringement;
- (ii) The Court's failure to mention contributory infringement;
- (iii) The fact that the language "even in part and even indirectly" can be read in a manner that is consistent with the Inducement Test in that "even in part" means "part of the patent" and "indirectly" refers to "inducement";
- (iv) The Supreme Court is careful to say in paragraph 32 that, in addition to being purposive and contextual, the inquiry into the meaning of use "...must be attentive to the wisdom of the case law". In its review of the relevant cases, the Court did not mention the established case law dealing with the Inducement Test.

[28] For these reasons, I have concluded that *Monsanto* does not support the existence of a cause of action for contributory infringement.

**“KNEW OR OUGHT TO HAVE KNOWN”**

[29] Nycomed also wishes to amend its counterclaims to allege that, with respect to contributory infringement, what Apotex “ought to have known” (i.e. an objective test for knowledge) is the standard to be applied. However, since I have not allowed the amendment dealing with contributory infringement, this amendment serves no purpose and is not permitted.

**JUDGMENT**

**THIS COURT’S JUDGMENT is that**, for all these reasons, Prothonotary Milczynski’s decisions of December 13, 2010 are affirmed and Nycomed’s appeals in both actions are hereby dismissed with costs to Apotex and Novopharm respectively.

“Sandra J. Simpson”

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Judge

**FEDERAL COURT**  
**SOLICITORS OF RECORD**

**DOCKET:** T-1786-08

**STYLE OF CAUSE:** Apotex Inc. v Nycomed Canada Inc.  
and  
Nycomed Canada Inc. et al v Apotex

**PLACE OF HEARING:** Toronto, Ontario

**DATE OF HEARING:** March 22, 2011

**REASONS FOR JUDGMENT:** SIMPSON J.

**DATED:** December 9, 2011

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