Federal Court  Cour fédérale

**Date: 20161027**

**Dockets: T-1379-13**
**T-1468-13**
**T-1368-14**

**Citation: 2016 FC 1192**

**Ottawa, Ontario, October 27, 2016**

**PRESENT: The Honourable Mr. Justice Fothergill**

**Docket: T-1379-13**

**BETWEEN:**

**BAYER INC. and BAYER PHARMA AKTIENGESLLSCHAFT**

**Plaintiffs**
**Defendants by Counterclaim**

**and**

**COBALT PHARMACEUTICALS COMPANY**

**Defendant**
**Plaintiff by Counterclaim**

**Dockets: T-1468-13**
**T-1368-14**

**AND BETWEEN:**

**BAYER INC. and BAYER PHARMA AKTIENGESLLSCHAFT**

**Plaintiffs**
**Defendants by Counterclaim**

**and**

**APOTEX INC.**

**Defendant**
**Plaintiff by Counterclaim**

## ORDER AND REASONS

[1] On September 7, 2016, this Court held that Canadian Patent No. 2,382,426 [the 426 Patent], which is owned by the Plaintiff Bayer Pharma Aktiengesellschaft and licensed by the Plaintiff Bayer Inc. [collectively Bayer], was valid and infringed by the Defendants Apotex Inc. [Apotex] and Cobalt Pharmaceuticals Company [Cobalt] (*Bayer Inc v Apotex Inc*, 2016 FC 1013). The parties were given an opportunity to make written submissions regarding Bayer's entitlement to elect between damages and an accounting of profits. The parties filed their principal submissions on October 7, 2016, and their responding submissions on October 17, 2016. Cobalt substantially relies on the submissions of Apotex.

[2] Bayer says that it is entitled to elect between damages and an accounting of profits following discovery. Apotex says that it, rather than Bayer, should be entitled to make the election, and that Bayer should be restricted to an accounting of profits. This novel approach is premised on Apotex's prior adherence to the requirements of the *Patented Medicines (Notice of Compliance) Regulations*, SOR/93-133 [*NOC Regulations*], and Justice Hughes' finding in that context that Apotex's products did not infringe the 426 Patent (*Bayer Inc v Apotex Inc*, 2014 FC 436). In the alternative, Apotex submits that Bayer should be required to make its election expeditiously following discovery.

[3] Apotex argues that, pursuant to s 57(1) of the *Patent Act*, RSC 1985, c P-4, the Court may allow an unsuccessful defendant to elect between damages and an accounting of profits on behalf of a successful plaintiff. I disagree.

[4] Pursuant to s 55(1) of the *Patent Act*, "[a] person who infringes a patent is liable […] for all damage sustained by the patentee […] by reason of the infringement." A trial judge has no discretion with respect to the remedy of damages, for the simple reason that Parliament has conferred that right upon a patentee and only Parliament can alter that right (*Eli Lilly and Co v Apotex Inc*, 2014 FC 1254 at paras 13 and 14 [*Lilly*]).

[5] As an alternative to damages, the Court may award a successful plaintiff the equitable remedy of an accounting of profits (*Beloit Canada Ltd v Valmet-Dominion Inc*, [1997] 3 FC 497 at para 97). This jurisdiction is derived from ss 4 and 20 of the *Federal Courts Act*, RSC 1985, c F-7 and s 57(1) of the *Patent Act*.

[6] It is common practice in cases of patent infringement to allow a plaintiff to elect between damages and an accounting of profits (*AlliedSignal Inc v Du Pont Canada Inc*, [1995] FCJ No 744 (CA) at para 77). This practice, however, does not establish a right to an election. The award of an equitable remedy, such as an accounting of profits, is at the Court's discretion, subject to the principles governing its availability (*Strother v 3464920 Canada Inc*, 2007 SCC 24 at para 74; *Wewaykum Indian Band v Canada*, 2002 SCC 79 at para 107; *Apotex Inc v Bristol-Myers Squibb Co*, 2003 FCA 263 at para 14; *Philip Morris Products SA v Marlboro Canada Ltd*, 2016 FCA 55 at para 8).

[7] As Justice Snider explained in *Laboratoires Servier, Adir, Oril Industries, Servier Canada Inc v Apotex Inc*, 2008 FC 825, aff'd 2009 FCA 222 at paragraph 504 [*Laboratoires Servier*]:

> [A]n accounting of profits is based on the premise that the defendant, by reason of its wrongful conduct, has improperly received profits which belong to the plaintiff. The objective of the award is to restore those actual profits to their rightful owner, the plaintiff, thereby eliminating whatever unjust enrichment has been procured by the defendant.

[8] In *Apotex Inc v Merck & Co*, 2006 FCA 323 at paragraph 127, the Federal Court of Appeal held that "[o]nce a patentee has successfully demonstrated infringement, the Court has the discretion to grant the patentee's choice of remedies" (see also *Lilly* at para 14). The fact that a defendant has taken a business risk and has obtained authority to market an infringing product pursuant to the *NOC Regulations* will not deprive a successful plaintiff of an election between damages and profits (see, *e.g.*, *Laboratoires Servier* at paras 509-510 and *Eli Lilly and Company v Apotex Inc*, 2009 FC 991 at paras 655, 663).

[9] In any event, Apotex and Cobalt do not seek to deprive Bayer of the equitable remedy of an accounting of profits. On the contrary, the defendants seek to deprive Bayer of its statutory entitlement to damages.

[10] An unsuccessful defendant cannot invoke the Court's equitable jurisdiction to shield itself from an award of damages. This would turn the doctrines of equity and parliamentary sovereignty on their heads. At most, an unsuccessful defendant may oppose the grant of an equitable remedy based on considerations that have been recognized in the jurisprudence, *e.g.*,

the plaintiff's lack of "clean hands"; the plaintiff's undue delay in commencing the proceedings; the plaintiff's undue delay in prosecuting the proceedings; the complexity of an accounting of profits; or the infringer's conduct (see *Varco Canada Ltd v Pason Systems Corp*, 2013 FC 750 at paras 403-410; *Philip Morris Products SA v Marlboro Canada Ltd*, 2015 FC 364 at paras 22-45, aff'd 2016 FCA 55). Aside from Apotex's adherence to the *NOC Regulations*, the defendants do not claim that any of these considerations arise here.

[11] Given that Bayer is entitled to damages pursuant to s 55(1) of the *Patent Act*, and all parties agree that an accounting of profits may also be an appropriate remedy, I see no reason to deny Bayer an election between damages and profits.

## ORDER

**THIS COURT ORDERS that** Bayer may, after due inquiry and reasonable discovery, elect either an accounting of the profits of Apotex and Cobalt or all damages sustained by reason of Apotex's and Cobalt's infringement of the 426 Patent.

"Simon Fothergill"
Judge

**FEDERAL COURT**

**SOLICITORS OF RECORD**

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|---|---|
| **DOCKETS:** | T-1379-13, T-1468-13 AND T-1368-14 |
| **DOCKET:** | T-1379-13 |
| **STYLE OF CAUSE:** | BAYER INC. AND BAYER PHARMA AKTIENGESELLSCHAFT v COBALT PHARMACEUTICALS COMPANY |
| **AND DOCKETS:** | T-1468-13; T-1368-14 |
| **STYLE OF CAUSE:** | BAYER INC. AND BAYER PHARMA AKTIENGESELLSCHAFT v APOTEX INC. |
| **ORDER AND REASONS:** | FOTHERGILL J. |
| **DATED:** | OCTOBER 27, 2016 |

**BY WRITTEN SUBMISSIONS:**

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|---|---|
| Peter Wilcox<br>Jason Markwell | FOR THE PLAINTIFFS |
| Douglas Deeth | FOR THE DEFENDANT<br>COBALT PHARMACEUTICALS COMPANY |
| Harry Radomski | FOR THE DEFENDANT<br>APOTEX INC. |

**SOLICITORS OF RECORD:**

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|---|---|
| Belmore Neidrauer LLP<br>Barristers and Solicitors<br>Toronto, Ontario | FOR THE PLAINTIFFS |
| Deeth Williams Wall LLP<br>Barristers and Solicitors<br>Toronto, Ontario | FOR THE DEFENDANT<br>COBALT PHARMACEUTICALS COMPANY |

Goodmans LLP
Barristers and Solicitors
Toronto, Ontario

FOR THE DEFENDANT
APOTEX INC.