

Intellectual Property

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Intellectual Property Enforcement In Canada

The Time it Takes to Move a Case Through the Courts

In Canada, the time required for an intellectual property case to reach final determination (including the exhaustion of all appeals) varies widely. There are cases that are determined in as little as two years and some that remain outstanding for as many as nineteen years. On average, an intellectual property infringement action can be expected to take between three to five years to reach trial. The appeal of the trial result may require at least a further year to be determined.

The principal factors that determine the length of a dispute are the nature of the dispute, the specific procedure invoked, the intensity with which the plaintiff prosecutes the matter, the frequency with which interim decisions are appealed, the degree of cooperation shown by each party, the complexity of the action and the expected trial length. Most Canadian courts have adopted measures to help bring cases to trial faster.

Intellectual property enforcement is typically litigated using one of two procedures. In pharmaceutical cases, where a patent contains claims to a medicine, or to the use of a medicine, the owner of the patent may invoke a summary application procedure to prevent the issuance of a marketing approval to the manufacturer of a generic version of the medicine before the expiry of the patent. The application procedure is also available in those very rare intellectual property cases where no facts are in dispute.

Applications are determined on the basis of affidavit evidence and transcripts of out-of-court cross-examinations upon the affidavit evidence. There is no right to complete pre-trial oral and documentary discovery. Applications are subject to fairly strict timetables and pre-hearing motions are rare. As a result, these proceedings, at least at the trial level, are often resolved within two years. However, in regard to the proceedings prohibiting the issuance of marketing approval for generic pharmaceuticals, they do not finally determine the patent rights of the parties, which may still be litigated by ordinary action.

Most intellectual property enforcement cases proceed as actions. These involve an initial exchange of pleadings, extensive documentary and oral discovery, the exchange of expert reports and a trial where witnesses give their evidence before a judge. Juries, although available in some courts, are rarely used.

In Canada, the plaintiff has the carriage of the action and can greatly influence the speed of its progression through trial. The rules of procedure contain fairly short deadlines for the completion of pre-trial steps, but it is up to the plaintiff to use these rules to its best advantage. A plaintiff interested in getting to trial quickly must first ensure that it meets its own procedural obligations, and then must attempt to force the defendant through the process as well. In many cases, the plaintiff will need to request that the court issue orders compelling the defendant to do certain things by specific deadlines. While motions to the court are expensive, they are typically effective in moving a case along.

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In some cases, parties attempt to streamline the case by agreeing to try the issues of liability before having discovery and trial on the issue of remedy. In the liability stage of the action, the Court will determine issues of validity and infringement. If liability is established, the remedy stage will determine the nature and amount of the remedy to be awarded. This bifurcation may save time in some cases, but not in others.

As a case makes its way to trial, there are many opportunities for disagreement between the parties. Unlike some other jurisdictions, each party to a Canadian action decides, "on the honour system", which of its documents are relevant to the issues in the case and produces only those documents to other side. Further, at the examination for discovery, a question may be refused if the deponent's counsel asserts that it is not relevant. As may be expected, significant disputes arise over the relevance of documents and questions. These must often be resolved by the court at a motion.

These and other matters of disagreement can considerably slow a case as the parties wait for a motion date, its outcome, an appeal date, and for the outcome of the appeal. Further, in many intellectual property cases, examinations for discovery can be lengthy and their scheduling may require the coordination of the schedules of witnesses and counsel. The degree of cooperation between counsel is often of crucial importance to the speed with which a case is determined.

Finally, there is usually considerable delay in securing a trial date once a case is certified ready for trial, particularly in lengthy (more than one week) cases. The greater proportion of cases are heard in the Federal Court of Canada, a national court which has concurrent jurisdiction with provincial courts over intellectual property matters. The Federal Court currently has a trial wait time for lengthy cases of up to two years.

The Cost of Taking an Action Through the Courts

The costs of an intellectual property case include the filing fees that must accompany certain court documents, the costs of transcripts, photocopying, binding, travel, expert and witness fees, and most significantly, legal fees.

In addition, the losing party in a case must expect to pay at least a portion of the winning parties' rea-

sonable legal costs. These costs are calculated on one of two scales. In ordinary cases, costs are calculated on the basis of a tariff that typically nets a figure that is approximately forty per cent of actual costs. In rare cases where the court finds a punitive level of costs is appropriate, costs can approach full indemnity.

Most intellectual property cases tried in Canada involve the use of expert evidence. As with lawyers, the cost of experts may be considerable and varies from case to case and expert to expert.

Due to the considerations outlined above, intellectual property enforcement actions can vary widely in cost. We would be pleased to discuss with you the estimated costs to be expected in a particular matter.

Whether Courts are Specialized for IP Matters

As noted above, intellectual property actions in Canada may be commenced in either the provincial courts or in the Federal Court of Canada. In most instances, the Federal Court is preferred because of the nation-wide effect of its orders (favouring a plaintiff) and its ability to expunge registrations for copyrights, trade-marks, patents, industrial designs and other intellectual property rights (favouring a defendant). However, the provincial courts must be used for trade-secret and breach of contract cases.

While the Federal Court does not hear only intellectual property actions, intellectual property actions form a large part of the matters which are before this Court, such that many judges of the Federal Court have expertise in this area. The experience of judges of the provincial courts with intellectual property cases is more varied.

Pro- or Anti-IP Owners?

Canadian courts, particularly the Federal Court of Canada, are regarded as being friendly to rights-holders. Intellectual property rights are given a broad and liberal interpretation to support their validity and to find infringement.

In addition, there is no doctrine of file wrapper estoppel in Canada and thus statements made by the applicant for an intellectual property right may not be used to interpret (i.e. limit) the scope of the right once issued. Further, the documentary disclosure requirements, which are lower than those in other jurisdictions, yield more favourable results for rights holders, particularly on issues of validity.

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Remedies Available to Rights Owners

The remedies which may be available to intellectual property holders include:

- Temporary and permanent injunctions preventing further infringement of an intellectual property right.
- Seizure and delivery up for destruction of any articles in the defendant's position which are infringing of intellectual property rights.
- Damages suffered by the rights-holder as a result of the infringement of its intellectual property rights, including, in the case of copyright, statutory damages.
- As an alternative to compensatory damages, an accounting of the defendant's profits as a result of the infringement.
- Punitive and exemplary damages.
- Recovery of legal and expert expenses.

Key Points To Be Aware of When Enforcing IP Rights

When planning to litigate intellectual property rights in Canada, the potential plaintiff should keep in mind the following:

- Different intellectual property cases are subject to different limitation periods. The applicability of limitation periods should be discussed with counsel before proceeding.
- Canadian courts consider but do not simply adopt the decisions of foreign courts involving corresponding intellectual property rights.
- Experimental and other non-commercial work with a patented article and repair of the article may not constitute infringement.
- Canadian patent law provides certain exemptions from infringement for products acquired prior to the issuance of a patent. Counsel should be sought to determine if a given activity comes within this exemption.
- Foreign plaintiffs, if requested, must post security for the defendants' costs as a condition of proceeding in Canada. The amount of security depends on the costs expected to be incurred by the defendants and may often be advanced in stages as the action progresses.
- Information obtained at discovery, whether by written production or answer given, may not be used for any purpose collateral to the Canadian proceeding. Leave of the court is required for a party to use information obtained at discovery in another proceeding, or for any purpose other

than the litigation itself. Improper use of such information may result in a contempt of court citation.

- There is a specialized intellectual property bar. While general practitioners may take patent, copyright and trade-mark matters, particularly in the provincial courts, specialized counsel should be considered for all intellectual property litigation.

The Availability of Damages

An award of damages to a successful plaintiff in an intellectual property action is intended to place the plaintiff in the same position that it would have been in had the infringement not occurred. The party claiming damages has the burden of proving the nature and extent of the damages suffered. This burden is lightened somewhat by the readiness of the Court to presume that the invasion of a right-holder's monopoly will cause damage.

Damages may be calculated on the basis of lost profit to the rights-holder if it suffers such a loss. Alternatively, even if the rights-holder suffered no direct harm from the infringement, then the rights-holder may recover damages based on a calculation of a reasonable royalty.

Canadian Courts will consider claims for punitive damages in intellectual property infringement actions. However, an award of exemplary or punitive damages in an intellectual property action is an extremely rare occurrence. The Courts will more frequently punish egregious conduct on the part of an infringer with recovery of legal expenses on a full indemnity basis.

The Availability of Interlocutory Relief

The most common form of interlocutory relief is that of an interim or temporary interlocutory injunction preventing the continuation of infringement before trial.

In order to obtain interlocutory relief, an applicant must establish that:

- (a) Its action raises a serious question to be tried;
- (b) It will suffer irreparable harm if the interlocutory injunction is not granted; and
- (c) The balance of convenience favours the grant of the interlocutory injunction.

The "serious question" part of the test requires the applicant to demonstrate only that its action is not frivolous and that it raises a serious issue to be determined. This is a fairly low threshold.

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The more difficult hurdle is the second branch of the test, which requires an applicant to establish that it will suffer irreparable harm if an injunction is not granted to restrain the activities of the opposite party prior to trial. Irreparable harm is defined by Canadian courts to be harm that cannot be quantified in monetary terms or which cannot be cured by an award of damages and a prohibitory injunction, usually because one party cannot collect damages from the other. Examples include instances where a party will be put out of business or will suffer permanent market loss or irrevocable damage to its business reputation. The harm in each case will be assessed on its particular facts.

Finally, once an applicant for an injunction has established that it will suffer irreparable harm if the injunction is not granted, the Court will then make a determination as to where the balance of convenience lies. This is an inquiry into the relative harm to be suffered by the parties if an interlocutory injunction is granted or refused. This involves an exercise of the Court's discretion, and will vary according to the circumstances of each case.

Interlocutory injunctions are infrequently granted in intellectual property cases in Canada. However, this may be due more to the fact that it is the nature of intellectual property rights that they are primarily monetary and rarely incommensurable rather than due to the high standards imposed by Canadian Courts.

An exception to the difficulties in obtaining interlocutory injunctions arises in the context of pharmaceutical patents, where Canadian legislation gives patent holders the right to an automatic "statutory injunction", without having to satisfy the test normally applicable for the grant of such relief, and enables patent holders to prevent competitors from entering the market. Legislation links the regulatory (health and safety) approval process for pharmaceutical products to pharmaceutical patent rights and allows patentees to invoke a twenty-four month statutory injunction where a generic competitor compares its product to that of the patent holder for the purposes of regulatory approval.

Alternatives to Litigation

Because intellectual property litigation is time intensive and draining on the parties' resources and finances, parties may wish to consider using Alternative Dispute Resolution techniques to resolve

intellectual property disputes. However, it should be recognized that dispute resolution techniques outside the Court often do not succeed and that success is largely dependant upon the willingness of the parties to resolve the dispute without resorting to litigation.

Three alternatives to full scale litigation of intellectual property matters which are available in Canada are mediation, mini-trials or severing of issues, and binding arbitration. In a mediation, a mediator who is chosen or agreed upon by the parties meets with the parties either separately or together to encourage and to facilitate discussions in an attempt to reach a mutually acceptable resolution of the dispute. Mediation is largely consensual and dependant upon the willingness of the parties to settle.

Mediation offers the benefits of decreasing costs and increasing the speed at which parties can resolve their differences, and offers flexibility in that the parties may select a mediator and can agree upon the process and the degree to which a decision will be binding. More significantly, mediation may have the effect of preserving the relationship between the parties.

However, mediation in intellectual property litigation has its limitations. Where the litigation involves substantial legal issues, the parties may prefer to have a judicial determination along with rights of appeal. Second, where intellectual property rights involve market exclusivity and the infringer is determined to be in the marketplace, the possibility of arriving at a mutually acceptable resolution is limited. There will be little a mediator can do to accommodate the desires of both parties, leaving a judicial determination as perhaps the only alternative.

The Federal Court can also conduct a mini-trial of the case, or a portion of the case, and render a non-binding opinion as to the probable outcome of the proceeding. In addition, the Court has the power to sever issues and try them separately.

Finally, the parties may agree to binding arbitration. In binding arbitration, the parties agree to have the case determined by one or more persons (often retired judges) outside the court system. The result is usually agreed to be binding, with or without appeal rights. Arbitration allows the parties to achieve an expeditious conclusion to the dispute by a mutually agreeable arbitration or panel, often perceived to have the requisite expertise in the substantive aspects of the matter.