

## Key Canadian Patent Law Decisions from 2022 and Some Predictions for 2023

*Mark Davis, Kassandra Shortt, Steven Henderson*

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2022 was another busy year in Canadian patent litigation. Canadian courts delivered a record-setting monetary award and clarified several important legal principles including the proper test for patentable subject matter. We have summarized some of the most important developments in Canadian patent law in 2022 and offer some predictions on how they will affect pending and future cases.

### **Accounting of Profits - Nova Chemicals Corp. v. Dow Chemical Co., 2022 SCC 43**

In the Supreme Court of Canada's only patent decision of the year, the Court clarified the test for an accounting of profits. The Court upheld the largest monetary award ever granted in a Canadian patent case: a \$645 million award to Dow for infringement by Nova of Dow's patent for a type of polyethylene plastic.

A majority of the Court recognized that an accounting of profits was an important remedy that helps maintain the integrity of the patent bargain by ensuring that an infringer does not benefit from infringing a patent. The Court reformulated the test for accounting of profits as: (1) calculate the actual profits the infringer made by selling the infringing product (i.e., actual revenues minus actual costs); (2) consider whether the infringer had a non-infringing option it could have sold instead of the infringing product; and (3) subtract the profits the infringer could have made by selling the non-infringing option (if one was identified) from the actual profits it made by selling the infringing product.

Another key aspect of this decision was the Court's confirmation that "springboard profits" may be included in an accounting. Springboard profits are profits that an infringer made after the patent expired, but which are nonetheless attributable to infringement that took place during the term of the patent. The Court confirmed that springboard profits are consistent with the overall emphasis on causation that guides the accounting of profits assessment, as profits made after the patent expired may be attributable to the market share and sales capacity that the infringer built up for an infringing product during the term of the patent.

2023 will undoubtedly see many litigants working to apply these principles in their own circumstances.

For more information, please see our previous Cassels Comment.

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## **Applying Common General Knowledge - Pharmascience Inc. v. Teva Canada Innovation, 2022 FCA 2**

In early 2022 the Federal Court of Appeal clarified the distinction between sound prediction of utility and obviousness when assessing the validity of a patent. This was an appeal of a Federal Court decision finding that a patent held by Teva Canada Innovation (Teva) was valid. One of the key arguments the appellant, Pharmascience Inc. (Pharmascience), made on appeal was that because common general knowledge had been used to conclude that the utility of Teva's invention was soundly predicted, that same common general knowledge should have been used to conclude that the invention was obvious.

The Court rejected Pharmascience's argument. The Court noted that the legal tests for sound prediction and for obviousness are distinct. The test for sound prediction considers whether an idea is sufficiently described to support a sound prediction that it will be useful, whereas the test for obviousness considers whether an idea is sufficiently known in the prior art to lead a skilled person to the solution taught in the patent. As a result, it is possible for a court to find that common general knowledge is sufficient to support a sound prediction, while being insufficient to find the invention obvious.

The Court also emphasized that the relevant date for applying each of these tests is different. The relevant date for assessing sound prediction is the filing date of the patent, whereas the relevant date for assessing obviousness is the claim date. Since common general knowledge can change between these two dates, this distinction further supported the Court's conclusion that common general knowledge sufficient for sound prediction may not be sufficient for obviousness.

This should help clarify these two different validity challenges going forward.

## **Claims Construction - Biogen Canada Inc. v. Pharmascience Inc., 2022 FCA 143**

The Federal Court of Appeal clarified that a patent's disclosure should always be reviewed when construing the claims of a patent – not just in cases where a claim term is ambiguous. The Court emphasized that the purpose of claim construction is to interpret the objective intention of the inventors. Therefore, even if words in a claim appear to be simple and unambiguous, the disclosure should still be reviewed to determine whether the inventor has defined these words in a way that may differ from their seemingly simple meaning.

The facts of this case provided the Court a specific example of the importance of reviewing the disclosure. The patent in this case noted that all terms used in the patent had the same meanings as commonly understood by a person of skill, "unless defined otherwise." As a result, even though expert evidence was

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presented in this case regarding how a person of skill would read the words of a claim, the Court still emphasized the importance of reviewing the disclosure to ensure that the expert evidence was supported by the purposive approach to claim construction.

## **Pricing of Patented Medicines - Innovative Medicines Canada v. Canada (AG), 2022 FCA 210**

Earlier this year, amendments to the *Patented Medicines Regulations* under the *Patent Act* came into force. One of these amendments (the “Comparator Countries Amendment”) expanded the list of comparator countries the Patented Medicine Prices Review Board (PMPRB) considers when assessing whether pharmaceutical prices are “excessive” under section 85 of the *Patent Act*. In this decision, the Federal Court of Appeal confirmed that the Comparator Countries Amendment was reasonable and properly within the scope of the *Patent Act*.

The Court held that this amendment was within the scope of the Governor in Council’s authority under the *Patent Act* to make regulations for the purpose of excessive pricing. Although the amendment arguably went beyond the PMPRB’s narrow power of “policing excessive pricing” since it could result in overall cost savings for the public, the Court clarified that these potential cost savings were merely a natural consequence of the amendment. The central purpose of the amendment was to modernize the tools used to police excessive pricing, which was within the bounds of the Governor in Council’s power.

Despite upholding the Comparator Countries Amendment, the Court was careful to reiterate that the PMPRB’s mandate is limited to policing excessive pricing or patent abuse. If the PMPRB uses the new information it obtains from the amendment for purposes outside of its mandate, such misuse may be blocked by the courts.

For more information, please see our previous Cassels Comment.

## **Patentable Subject Matter - Benjamin Moore & Co. v. Canada (Attorney General), 2022 FC 923**

In this decision, the Federal Court built on the evolving caselaw regarding how to assess patentable subject matter. In a previous ruling released in 2020, the Court rejected the Canadian Intellectual Property Office’s (CIPO) long-standing “problem-solution approach,” which required CIPO to identify a problem and a solution to that problem disclosed in the patent application. The Court therefore had to decide what instructions should be provided to the Commissioner of Patents to re-assess Benjamin Moore’s patent applications for computer-related inventions, which had originally been assessed using the problem-solution

approach.

The Court settled on a three-step framework for the Commissioner to use when assessing the patentability of computer-related inventions. First, the Commissioner must purposively construe the claim. Second, the Commissioner must ask whether the construed claim as a whole consists of only a mere scientific principle or abstract theorem, or whether it comprises a practical application that employs a scientific principle or abstract theorem. Finally, if the construed claim comprises a practical application, the Commissioner must assess the construed claim for the remaining patentability criteria (i.e., statutory categories, judicial exclusions, novelty, obviousness, and utility).

This decision has been appealed to the Federal Court of Appeal, and the FCA recently dismissed a motion to quash the appeal while granting the parties' request to expedite the appeal. As a result, we will likely see further commentary on this new patentability framework in 2023.

## **The Prior Use Defence - Kobold Corporation v. NCS Multistage Inc., 2021 FC 1437**

This decision marked the first time that the Federal Court interpreted the newly expanded "prior use defence" under section 56 of the *Patent Act*. Amended in 2018, the current version of section 56 provides that if a person, in good faith, committed an act with respect to an invention before a patent's claim date, then that person will not be found to have infringed the patent if they committed the same act after the claim date. In this case, the Court had to determine whether this defence applies only to an *identical* act or if other activities can fall under the protection of section 56.

The Court concluded that while the phrase "same act" in the legislation means an identical act, there are circumstances where a post-claim act that differs from a pre-claim act may nonetheless fall under the prior use defence. If the pre-claim act and post-claim act are identical (which the Court cautioned will only be found in the clearest of cases), section 56 will automatically apply. However, if the pre-claim act and post-claim act are not identical and both infringe the claim, section 56 will still apply if the difference between the two acts is unrelated to the inventive concept of the patent.

The Court also commented on when summary judgment may be granted when the prior use defence is asserted. Cases where the pre-claim act and post-claim act are identical are appropriate for summary judgment. On the other hand, if the pre-claim act and post-claim act differ, then a full evidentiary record will likely be needed to determine whether both acts infringed the claim, so summary judgment will usually not be granted.

## Trends in Summary Judgment and Summary Trial - *Gemak Trust v. Jempak Corporation*, 2022 FCA 141 and *Janssen Inc. v. Pharmascience Inc.*, 2022 FC 62

Beyond *Kobold*, multiple other cases this year specifically considered the question of when a court should use the summary judgment and summary trial tools available to it in the patent context.

The Federal Court of Appeal's decision in *Gemak Trust v. Jempak Corporation* highlights the limitations of the summary judgment process in patent infringement cases. In this case, a patentee appealed from a Federal Court decision granting summary judgment in favour of the alleged infringer. The patentee argued on appeal that the Federal Court judge made improper credibility findings about expert witnesses that it could not properly make within the summary judgment context. The Court agreed with the patentee and emphasized the difficulty in making negative credibility findings about a witness during a summary judgment motion where such findings are based solely on a written transcript. More generally, the Court acknowledged that summary judgment may occasionally be appropriate in the patent infringement context, but it cautioned that most patent infringement cases raise complex factual and legal issues that are better left for a full trial.

Despite this warning, 2022 saw the Federal Court allow a patent infringement claim to proceed by way of a summary trial. In *Janssen Inc. v. Pharmascience Inc.*, an alleged infringer brought a motion for summary trial in a patent infringement action under the *Patented Medicines (Notice of Compliance) Regulations*. The patentee opposed summary trial on the basis that the case contained issues of conflicting expert evidence and credibility, and that the patentee would be prejudiced by incomplete discovery. The Court rejected these arguments by the patentee and allowed the matter to be decided by way of summary trial, concluding that there was already sufficient evidence to resolve the narrow issues in this case and that any issues related to the expert witnesses could be determined on the written record.

While the contexts of these cases differ slightly – *Gemak* considered summary judgment, whereas *Janssen* was a motion for a summary trial – they nonetheless highlight the unpredictable approach to summary judgment and summary trial that the courts have taken in patent infringement proceedings. Since the FCA decision in *Gemak* was released after the Federal Court's decision in *Janssen*, it is possible that the FCA's comments will provide more stability on this issue going forward. Either way, this area will certainly be one to monitor in 2023.