Federal Court  Cour fédérale

Date: 20140122

Docket: T-2280-12

Citation: 2014 FC 69

Ottawa, Ontario, January 22, 2014

PRESENT: The Honourable Mr. Justice de Montigny

BETWEEN:

TEVA CANADA LIMITED

Plaintiff

and

PFIZER CANADA INC., PFIZER INC. AND PFIZER IRELAND PHARMACEUTICALS

Defendants

REASONS FOR ORDER AND ORDER

[1] Teva Canada Limited ("Teva") appeals the portion of the Order of Prothonotary Aronovitch, dated August 20, 2013, that granted the Defendants' motion to strike Teva's claims for punitive and exemplary damages, and the related paragraphs pertaining to Pfizer's profits. The impugned order was made on Pfizer's motion to strike certain paragraphs of Teva's Amended Statement of Claim in a damages action commenced by Teva under section 8 of the *Patented Medicines (Notice of Compliance) Regulations*, SOR/93-133 (the "*Regulations*").

[2] In a cross-appeal, Pfizer Canada Inc. (“Pfizer Canada”), Pfizer Inc. (“Pfizer U.S.”) and Pfizer Ireland Pharmaceuticals (“Pfizer Ireland”) (collectively, “Pfizer”) appeal the Order of the Prothonotary in respect of Teva’s claim for unrecoverable legal expenses incurred in the underlying prohibition proceeding and related appeals, and of the propriety of the pleadings in respect of Pfizer U.S. and Pfizer Ireland as “first persons” under the *Regulations*. Pfizer argues that the Prothonotary erred by declining to strike Teva’s claim for unrecoverable legal expenses and Teva’s plea of joint and several liability.

[3] For the reasons that follow, I have determined that the appeal must fail and that the cross-appeal must succeed in part.

Background

[4] Pfizer Canada markets sildenafil citrate tablets in Canada under the brand name VIAGRA® (“VIAGRA Tablets”) and caused 8 patents to be listed on the Patent Register in respect of this drug.

[5] On December 27, 2006, Teva (carrying on business at the time as Novopharm Limited) filed an Abbreviated New Drug Submission (the “ANDS”) seeking a Notice of Compliance (“NOC”) for its sildenafil product (“Novo-Sildenafil Tablets”).

[6] On July 6, 2007, Teva served Pfizer Canada with a Notice of Allegation (“NOA”) alleging that each of the patents listed on the Patent Register was invalid and/or would not be infringed by the making, constructing, using or selling of Novo-Sildenafil Tablets.

[7] On August 24, 2007, in response to Teva's NOA, Pfizer commenced an application bearing Federal Court File No. T-1566-07 pursuant to section 6 of the *Regulations*, for an order prohibiting the Minister from issuing an NOC for Novo-Sildenafil Tablets until the expiry of six of its patents.

[8] On November 9, 2007, Teva moved to dismiss the application in respect of five (5) of the six (6) asserted patents pursuant to subsection 6(5) of the *Regulations*. This Court dismissed Pfizer's application in respect of all five (5) patents; four (4) on the basis that the patents were ineligible to be listed on the Patent Register and the fifth on the basis that Pfizer's reliance upon the patent was an abuse of the Court's process.

[9] On April 25, 2008, the Minister of Health informed Teva that its ANDS for Novo-Sildenafil Tablets was approvable and that an NOC would be issued once the requirements under the *Regulations* had been met.

[10] The Supreme Court of Canada dismissed Pfizer's application in T-1566-07 in respect of the remaining patent on November 8, 2012, thereby reversing both this Court (2009 FC 638) and the Federal Court of Appeal (2010 FCA 242): see *Teva Canada Ltd v Pfizer Canada Inc*, 2012 SCC 60.

[11] By Statement of Claim issued December 21, 2012, Teva commenced this action under section 8 of the *Regulations* seeking compensation for losses suffered during the period beginning on April 25, 2008 (the date it alleges that the Minister would have issued an NOC), and ending on November 8, 2012 (the date the Supreme Court reversed the order granting the Prohibition

Application). Teva seeks relief against each of Pfizer Canada, Pfizer U.S. and Pfizer Ireland on a joint and several basis. Teva also claims punitive damages based on Pfizer's conduct by:

a) asserting patents against Teva that were ineligible to be listed on the Patent Register in relation to Viagra;

b) asserting a patent against Teva in a manner that abused the Court's process; and

c) gaming the system by asserting a patent against Teva that was drafted so as to withhold disclosure.

[12] On April 23, 2013, Pfizer moved to strike paragraphs 5, 6, 26(f), 26(i), 27(d), and 28-38 of Teva's Statement of Claim, on the basis that these allegations fail to disclose a reasonable cause of action under section 8 of the *Regulations*.

[13] On May 27, 2013, Teva served and filed an Amended Statement of Claim in which certain impugned portions of Teva's claim, including its claim for aggravated damages, as well as paragraphs 26(h), 26(j) and 26(k), were removed in their entirety.

[14] On August 20, 2013, Prothonotary Aronovitch allowed Pfizer's motion in part, and ordered that paragraphs 27(d) and 33 be struck from Teva's Amended Statement of Claim along with Teva's claims for punitive and exemplary damages.

The impugned decision

[15] After summarizing each party's arguments on the various issues raised before her, Prothonotary Aronovitch dismissed Teva's claim for punitive or exemplary damages on the basis

that section 8 of the *Regulations* is a complete code for the recovery of damages by a second person and deals only with compensatory damages. In her view, the broad language of subsection 8(4), which allows a court to "make any order for relief by way of damages that the circumstances require", is limited by reference to losses incurred under subsection 8(1) and does not extend the relief available to the plaintiff beyond losses actually suffered.

[16] The nub of the Prothonotary's reasoning on that issue is found in the following paragraph of her reasons:

> Punitive damages are plainly not compensatory. They are awarded to compensate for injury, not loss. They are, in addition to compensatory damages which in turn, is the only remedy available to a second person under section 8. I agree with Pfizer, that the claim for punitive and exemplary damages is an impermissible attempt to graft a civil punishment or fine, onto a complete code of statutory damages. By their nature and definition such damages fall outside the ambit of a section 8 remedy as interpreted by the Federal Court of Appeal, and therefore plainly and obviously irrelevant to any cause of action pleaded. I am satisfied therefore that the claims for punitive and exemplary damages have no reasonable chance of success.
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> Plaintiff's Motion Record, p 13

[17] As a result, Prothonotary Aronovitch struck out the claims for punitive and exemplary damages, along with the related paragraphs 27(d) and 33 of the Amended Statement of Claim. She noted, in conclusion, that the Court is not stripped of its inherent power to award punitive damages, and relied on the 2006 Regulatory Impact Analysis Statement ("RIAS") (*Canada Gazette, Part 1, Vol 140, No 24)* according to which (at p 1621) redundant, scandalous, frivolous or vexatious prohibition applications can be dealt with summarily by way of motion under subsection 6(5) of the *Regulations*, "with costs available to the generic manufacturer on a solicitor-and-client basis in particularly egregious circumstances" (her emphasis).

[18] On the other hand, the Prothonotary declined to strike the paragraphs of the Amended Statement of Claim related to Teva's claim for unrecoverable legal expenses and she refused to strike the allegations of joint and several liability. These two findings are the subject of the cross-appeal.

[19] Despite acknowledging that there is a "strong argument" for Pfizer's position with respect to the unrecoverable legal expenses, Prothonotary Aronovitch found nevertheless that the issue is not settled and ought to be left for determination at trial, on a full evidentiary record. In her view, this Court has not specifically considered whether the unrecoverable expenses that a second person has been required to expend as a result of a first person's Prohibition Application fall within the scope of the compensation that may be awarded under section 8 of the *Regulations*. Accordingly, she declined to strike out subparagraph 26(i) of the Amended Statement of Claim.

[20] The Prothonotary also dismissed Pfizer's argument that the corporate veil should not be lifted unless there is an allegation that the corporation constitutes a "sham" or there is statutory (or common law) authorization to do so. Relying on a decision of the Court of Appeal (*Apotex Inc v Eli Lilly and Co*, 2004 FCA 358), she found that the degree of control exercised by the foreign parent company might be sufficient to render both the foreign parent and the Canadian subsidiary "first persons" under the *Regulations*. Since the degree of control is a factual question that must be determined on a full record, it was not plain and obvious in her view that the control pleaded by Teva was insufficient to establish its claim against Pfizer U.S. and Pfizer Ireland. For this reason, she refused to strike out subparagraphs 37(a), (c), (d), and (e) of the Statement of Claim.

Issues

[21] The only issue raised on the appeal is whether or not it is plain and obvious that this Court is without jurisdiction to award punitive or exemplary damages, as a matter of law, in an action for damages pursuant to section 8 of the *Regulations*.

[22] On the cross-appeal, the Defendants raise two issues:

a) Did the Prothonotary err in holding that unrecoverable legal expenses are not necessarily precluded under section 8 of the *Regulations*?

b) Did the Prothonotary err in holding that Teva may be entitled to recovery from Pfizer U.S. and Pfizer Ireland as "first persons" under section 8 of the *Regulations*?

Analysis

[23] A judge hearing an appeal from a discretionary order of a prothonotary should exercise his or her own discretion *de novo* if:

> a) the questions raised in the motion are vital to the final issue of the case, or
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> b) the orders are clearly wrong, in the sense that the exercise of discretion by the prothonotary was based upon a wrong principle or upon a misapprehension of the facts.
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> *Merck & Co v Apotex Inc*, 2003 FCA 488, at para 19

[24] It is not disputed that a decision to strike a party's claim is vital to the final issues of a case. I shall therefore look at the issue raised on the appeal on a *de novo* basis.

[25] As for the portion of the Prothonotary's Order dealing with the potential inclusion of unrecoverable legal expenses as part of the damages that can be claimed under section 8 of the *Regulations*, I am of the view that it ought not to be reviewed by this Court on a *de novo* basis. As the motion to strike was dismissed by the Prothonotary, no change was made in the case and the inclusion or exclusion of this type of loss will be determined at trial. I fully agree with my colleague Justice Campbell who, after reviewing the jurisprudence on this issue, came to the conclusion that it is not what was sought (i.e. the question before the Prothonotary) but what was ordered by the Prothonotary (i.e. the answer) which is to be analyzed in order to determine whether or not it is vital to a final issue in the case:

> In my opinion, the jurisprudence of this Court that holds that issues considered by a Prothonotary leading to the dismissal of a motion to strike are not subject to being considered *de novo* on appeal is a proper well-established application of the second principle I have discerned from the decision in *Merck*. Generally speaking, because on a motion to strike the focus of a Prothonotary is on the test as to whether it is plain and obvious that the claim cannot succeed, and because the dismissal of a motion to strike allows the full merits of the claim advanced by a plaintiff to be determined on a trial, it cannot be said that the issues considered by a Prothonotary in dismissing a motion to strike are vital to the final resolution of the claim.…
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> *Teva Canada Ltd v Pfizer Canada Inc and Pfizer Inc*, 2013 FC 1066, at para 10

[26] This reasoning is unassailable, and is clearly consistent with the recent jurisprudence of this Court: *Seanautic Marine Inc v Jofor Export Inc*, 2012 FC 328, at para 20; *Ridgeview Restaurant Ltd v Canada (Attorney General)*, 2010 FC 506 at para 24; *Chrysler Canada Inc v Canada*, 2008 FC 1049 at para 4; *Apotex Inc v AstraZeneca Canada Inc*, 2009 FC 120 at para 25; *AYC Pharmacy Ltd v Canada (Minister of Health)*, 2009 FC 554 at para 9; *Horseman v Horse Lake First Nation*, 2009 FC 368 at para 2; *Lundbeck Canada Inc v Canada (Minister of Health)*, 2008 FCA 265 at para 14;

and *Peter G. White Management Ltd v Canada*, 2007 FC 686 at para 2 [*Peter G. White Management Ltd*]. It may be that if Pfizer's motion to strike had succeeded before the Prothonotary, some specific remedies of the Amended Statement of Claim would be at an end. However, that is not the test. What is at stake in a motion to appeal a prothonotary's decision is the impact of that decision on the final issue. Despite the decision of my colleague, Justice Simpson, to the contrary in *Sanofi-Aventis Canada Inc v Teva Canada Ltd*, 2010 FC 1210, I am of the view that Justice Hugessen's reasons in *Peter G. White Management Ltd*, remain good law:

> . . . the mere fact that what was sought before the prothonotary might have been determinative of the final issues in the case does not result in the judge hearing the matter entirely *de novo*. A reading of the decisions, and particularly the key decision of the Court of Appeal in the case of *Aqua-Gem* [citation omitted], makes it quite clear that it is not what was sought but what was ordered by the prothonotary which must be determinative of the final issues in order for the judge to be required to undertake *de novo* review. . . . Put briefly, barring extraordinary circumstances, a decision of a prothonotary not to strike out a statement of claim is not determinative of any final issue in the case. In determining the standard of review the focus is on the Order as it was pronounced, not on what it might have been.
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> *Peter G. White Management Ltd*, above, at para 2

[27] As for the cross-appeal regarding the relevancy of Teva's pleading of the common enterprise theory at subparagraphs 37(a), (c), (d) and (e) of the Amended Statement of Claim, Pfizer concedes that it is not one which would be dispositive of the issue of the joint and several liability of Pfizer U.S. and Pfizer Ireland. The Court must therefore consider whether, in failing to strike these allegations, the Prothonotary was "clearly wrong" in that she erred in law, applied wrong principles, and/or misapprehended the facts.

Issue on appeal

Is it plain and obvious that this Court is without jurisdiction to award punitive or exemplary damages, as a matter of law, in an action for damages pursuant to section 8 of the *Regulations*?

[28] Counsel for the Plaintiff argues that subsection 8(4) of the *Regulations* is the operative provision, and must be read in light of subsection 55.2(4) of the *Patent Act,* RSC 1985, c P-4 which provides the Governor-in-Council with a broad discretion in fashioning the nature of the award of damages under section 8. According to counsel, the Governor-in-Council would have been well aware that the Federal Court has inherent power to award exemplary or punitive damages where appropriate and to award costs, yet the Governor-in-Council did not place any limit on the Court's ability to award punitive or exemplary damages under section 8. Indeed, the Plaintiff argues, the Governor-in-Council removed the power of the Court to make an order for relief by way of profits when it amended section 8 of the *Regulations* in 2006, but did not limit the remedies available, thereby implicitly confirming the availability of punitive or exemplary damages.

[29] With all due respect, I cannot agree with this submission. It seems to me that the key provision of section 8 is subsection (1), according to which "the first person is liable to the second person for any loss suffered during the period". When read in that context, it is very clear that the order for relief by way of damages which a court may make under subsection 8(4) must be "to compensate" a second person "in respect of any loss referred to" in subsection 8(1) during the relevant period. In other words, subsection 8(4) is only engaged in the context of compensating for a loss.

[30] Punitive damages are fundamentally incompatible with the section 8 remedy under the *Regulations* by reason that they are not compensatory in nature and therefore cannot constitute a "loss", and they are not "suffered" but caused or imposed. Punitive damages are a form of punishment in the nature of a "civil fine":

> Punitive damages bear no relation to what the plaintiff should receive by way of compensation. Their aim is not to compensate the plaintiff, but rather to punish the defendant. It is the means by which the jury or judge expresses its outrage at the egregious conduct of the defendant. They are in the nature of a fine which is meant to act as a deterrent to the defendant and to others from acting in this manner.
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> *Hill v Church of Scientology of Toronto*, [1995] 2 SCR 1130, at 1208. See also: *Lubrizol Corp v Imperial Oil Ltd* (1996), 67 CPR(3d) 1 at 18 (FCA)

[31] It is well established that section 8 of the *Regulations* does not extend the relief available to the plaintiff beyond losses actually suffered, and is to that extent a complete code: see *Apotex Inc v Merck & Co Inc* 2009 FCA 187, at para 101; *Apotex Inc v Syntex Pharmaceuticals International Ltd*, 2005 FCA 424, at para 9; S*anofi-Aventis Canada Inc v Teva Canada Ltd*, 2012 FC 552, at paras 116-117. One may obviously disagree with the balance struck by Parliament and by the Governor-in-Council and be of the view that compensatory damages are not sufficient to prevent a patentee from misusing the NOC regulatory regime. However this is not a matter for the courts.

[32] The Federal Court of Appeal dealt with a similar argument in *Apotex Inc v Eli Lilly Canada Inc*, 2011 FCA 358. In that case, each of the respondents had brought proceedings under the *Regulations*, all of which were later dismissed. The appellant filed statements of claim in respect of each of the dismissed proceedings seeking damages pursuant to section 8 of the *Regulations*. In each matter, the appellant sought disgorgement of profits earned by the respondents during the

period in which the appellant's notice of compliance was withheld because of the respondents' allegedly wrongful invocation of the *Regulations*. The appellant asserted that profits in excess of the appellant's damages pursuant to section 8 were earned by the respondents. Due to the appellant's absence from the Canadian market, the respondents were able to charge higher prices than the appellant could have charged during the same period had an NOC been issued. The prothonotary and this Court struck paragraphs from the appellant's statements of claim related to the appellant's claim for disgorgement of profits. At issue before the Court of Appeal was whether the appellant could have any hope of successfully invoking subsection 20(2) of the *Federal Courts Act*, RSC 1985, c F-7 to obtain the additional remedy (disgorgement of profits) which it sought. The Federal Court of Appeal dismissed the appeal, and the substance of its reasoning is applicable in the case at bar:

> [18] …Parliament, through the delegated authority of the Governor-in-Council, has considered the question whether a remedy should be available to second persons in the circumstances alleged by the statements of claim and the extent of that remedy. It did so in an attempt to strike a balance between the need for patent protection on the one hand and the timely entry of lower priced drugs on the market, on the other. Section 8 fits within this compromise (…)
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> [19] Compromises by their nature fall short of fully responding to the competing interests at stake with the result that no one was happy with section 8. Innovative companies did not believe that they ought to be visited with damages for simply availing themselves of the procedure devised by Parliament to ensure patent protection (…). Generic companies argued, as Apotex does here, that the balance struck did not provide a sufficient disincentive to first persons when regard is had to the negative impact which the "automatic stay" has on the access to cheaper drugs.
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> [20] Prior to the 2006 amendment, section 8 was ambiguous as it provided for an entitlement to "damages or profits". However, the reference to "profits" was eventually determined to refer to a second person's lost profits rather than to profits earned by the first person during the regulatory stay period (…)

> [21] Any doubt in this regard was removed by the 2006 amendment which deleted the reference to the word "profits" in section 8 (…)
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> [22] When regard is had to this amendment, and the decision of this Court in *Merck F.C.A.* [*Apotex Inc. v Merck & Co. Inc.* 2009 FCA 187], the matter could not be any clearer. Parliament, through the auspices of the Governor-in-Council, has considered whether generic companies should be entitled to the disgorgement of first persons' profits in the circumstances contemplated by section 8, and has excluded this remedy. It did so in the context of the above-noted balance which is sought to be achieved by the *PM(NOC) Regulations*. This is a legislative policy issue with respect to which the will of Parliament is paramount.
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> [23] It follows that whatever jurisdiction the Federal Court has under subsection 20(2) of the *Federal Courts Act* to provide equitable relief, it cannot be used to grant a remedy which section 8 was intended to exclude (…) unless a cause of action independent of the operation of section 8 is alleged (…)
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> *Apotex Inc v Eli Lilly Canada Inc*, 2011 FCA 358

[33] I find further support for the proposition that the Governor-in-Council intended to exclude punitive damages in the RIAS. Commenting on the changes made to the section 8 damage provision of the *Regulations*, this statement notes that redundant, scandalous, frivolous or vexatious prohibition proceedings or applications based on ineligible patents can be dealt with summarily and with "costs available to the generic manufacturer on a solicitor-and-client basis in particularly egregious circumstances" ("RIAS" 2006, p 1621). It is no doubt true that costs are no substitute for punitive damages and serve a different purpose, as argued by Teva. However, this misses the point: the RIAS shows that the Governor-in-Council put its mind to a remedy for "particularly egregious conduct" on the part of an innovator in invoking the *Regulations* and chose costs, not punitive damages, to deal with it. The Court cannot second-guess the will of the Governor-in-Council on this choice.

[34] In short, it is plain and obvious that Teva cannot succeed in its attempt to seek a remedy beyond compensation for losses suffered during the prescribed period. As the Prothonotary correctly held, Teva's attempt to claim punitive damages is wholly inconsistent with the jurisprudence and the balance sought to be achieved under the *Regulations*. As a result, there is no basis for this Court to overturn her decision.

[35] I am also of the view that the Prothonotary was correct in striking subparagraph 27(d) and paragraph 33 of the Amended Statement of Claim. In subparagraph 27(d), Teva pleads Pfizer's profits in connection with the computation of Teva's loss. Such an attempt to bring in the first person's profits through the backdoor is entirely improper, as Pfizer's profits can have no bearing on the losses actually suffered by Teva.

[36] In paragraph 33, the Plaintiff relies on the Defendants' profits from maintaining monopoly prices on drugs containing sildenafil citrate to support its claim for punitive damages. As such damages are excluded under section 8 of the *Regulations*, this paragraph also ought to be struck from the pleadings.

[37] For all of the foregoing reasons, Teva's motion for an order setting aside the Order of Prothonotary Aronovitch dated August 20, 2013 is dismissed. The Prothonotary was correct in striking the claims for punitive and exemplary damages, as well as paragraphs 27(d) and 33 of the Amended Statement of Claim. Punitive and exemplary damages are excluded from the scope of section 8 of the *Regulations*, and paragraphs 27(d) and 33 are irrelevant. As a result, it is plain and

obvious that the claim has no reasonable prospect of success and was properly struck for failing to disclose a reasonable cause of action (*Federal Courts Rules*, SOR/98-106, Rule 221(a)).

Issues on cross-appeal

a) Did the Prothonotary err in holding that unrecoverable legal expenses are not necessarily precluded under section 8 of the *Regulations*?

[38] At subparagraph 26(i) of the Amended Statement of Claim, Teva seeks "compensation for the cost of unrecoverable legal expenses arising from the need to respond to the T-1566-07 Prohibition Application; from the need to appeal the T-1566-07 Prohibition Application; and arising from the need to appeal to the Supreme Court of Canada". The Prothonotary declined to strike Teva's claim, holding that there is a strong argument for Pfizer's position, however "the issue is not settled and ought to be left for determination at trial, on a full evidentiary record" (Motion Record, p. 4).

[39] I agree with counsel for Pfizer that the issue of costs is *res judicata*. The Supreme Court of Canada has already considered the question of Teva's entitlement to costs in the underlying Prohibition Proceeding and has rendered an award in respect of Teva's claims.

[40] The *Regulations* provide a specific and comprehensive regime for the determination of the costs of an underlying prohibition proceeding. Pursuant to subsection 6(9) of the *Regulations*, any order as to costs arising from prohibition proceedings commenced under subsection 6(1) of the *Regulations* is to be made in accordance with the *Federal Courts Rules*. This provision set out a complete and comprehensive regime to deal with all costs or expenses of prohibition proceedings.

Having engaged this regime, Teva cannot now take another "kick at the can" through the section 8 proceeding and seek what it either did not ask for or did not get from the Supreme Court. When there is an order as to costs, there can be no further claims for costs as between the parties. The situation might have been different had Teva not asked for costs, or had the Supreme Court not ruled on that issue, in the underlying Prohibition Proceeding. Whether they could have then been recovered by way of damages in a section 8 claim is an open question that I need not decide here. The fact of the matter is that Teva did claim for costs, and the Supreme Court explicitly granted costs in an Order dated June 4, 2013. As a result, there can be no further claims for costs as between the parties; to rule otherwise would risk undermining the finality and authority of judicial decisions rendered under section 6 of the *Regulations*.

[41] I find, therefore, that the Prothonotary has erred by declining to strike Teva's claim for unrecoverable legal expenses. On that issue, the Prothonotary was clearly wrong, and her Order in that respect must be set aside.

[42] That being said, I would refrain from characterizing Teva's claim as an abuse of process. Abuse of process must only be invoked in the clearest of cases, which are "unfair to the point that they are contrary to the interests of justice": *Blencoe v British Columbia (Commission)*, 2000 SCC 44, at para 120, citing L'Heureux-Dubé J. in *R v Power*, [1994] 1 SCR 601, at 616. Such cases will be extremely rare, and this is not one of those exceptional cases.

b) Did the Prothonotary err in holding that Teva may be entitled to recovery from Pfizer U.S. and Pfizer Ireland as "first persons" under section 8 of the *Regulations*?

[43] Paragraphs 5, 6, and 36-38 of the Amended Statement of Claim plead joint and several liability against Pfizer U.S. and Pfizer Ireland based on the allegation that they exercised "complete control" over Pfizer Canada so as to make each of these entities "first persons" for the purposes of the *Regulations*. I have not been convinced that Prothonotary Aronovitch was clearly wrong to find that Pfizer U.S. and Pfizer Ireland might be considered "first persons" subject to liability under section 8, or that it is plain and obvious that subparagraphs 37(1), (c), (d) and (e) are irrelevant to a determination of whether Pfizer U.S. and Pfizer Ireland are "first persons".

[44] Relying on the recent decision of Justice O'Reilly in *Apotex Inc v Pfizer Canada Inc*, 2013 FC 493 [*Apotex*], Pfizer argues that Teva is not permitted to extend its claim by including Pfizer U.S. and Pfizer Ireland as it must pursue the claims founded in its NOA. There is no doubt that a party claiming under section 8 is limited by its original NOA and cannot raise new matters that were not put in play in the underlying section 6 proceedings. As Justice O'Reilly stated at paragraph 26 of his reasons:

> …the overall scheme of the *Regulations* and the close connection between ss 6 and 8 suggest that the determination of damages flows from the s 6 application, and should be framed by the issues raised and decided in that proceeding. Further, the breadth of the word "relevant" in s 8 must be considered in light of the matters that were put in play in the s 6 application as framed by the NOA. The s 8 action should not be treated as a completely new and open-ended proceeding.
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> *Apotex,* above, at para 26

[45] It seems clear to me that what Justice O'Reilly had in mind were substantive issues relating to infringement and validity. Indeed, he says so explicitly earlier in his reasons when stating that "entirely new allegations of non-infringement or invalidity are not 'relevant' for purposes of s 8"

(*Apotex*, above, at para 22). Justice O'Reilly was not referring to the identification of the proper "first persons", an issue that can be addressed in the section 8 proceeding without the requirement that those parties be listed in the NOA.

[46] Pfizer's alternative argument is that in any event, subparagraphs 37(1), (c), (d) and (e) should have been struck as they are irrelevant to a determination of whether Pfizer U.S. and Pfizer Ireland are "first persons". There are five areas of control pleaded at paragraph 37 of the Amended Statement of Claim:

> a) whether and when Pfizer Canada will apply for and obtain NOC in respect of a particular drug product and, if so, what the contents of the New Drug Submission ("NDS") should comprise;
>
> b) whether and when Pfizer Canada will be permitted to list Pfizer and Pfizer Ireland patents on a patent list submitted to the Minister by Pfizer Canada in respect of an NOC;
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> c) whether, upon receipt of a Notice of Allegation, Pfizer Canada will seek a prohibition order pursuant to the *Regulation*s;
>
> d) how such a proceeding will be prosecuted including whether, at any point, it will be discontinued or otherwise abandoned; and
>
> e) how Pfizer Canada will market and sell its drug products, and in particular, whether and how "pseudo-generic" products should be launched.

[47] Pfizer submits that the only question left open by the decision of the Federal Court of Appeal in *Apotex Inc v Ely Lilly and Co*, 2004 FCA 358 with respect to control is whether a parent corporation could meet the statutory definition of "first person" on the limited basis that the parent corporation controlled the submission of the patent on the Patent Register. I agree with Teva that Pfizer's submission relies on a misinterpretation of the cited decision.

[48] The question in that case was whether a “first person” could include the parent corporation who directed the submission of the patent list in the name of its subsidiary. The case leaves the door open for other relevant considerations, such as whether an application will be commenced after a patent has been listed and a notice of allegation has been received. This and the other considerations framed in Teva’s Amended Statement of Claim are potentially relevant to determining whether each applicant for a prohibition order is also a “first person”. I agree with counsel for Teva that the identification of one potentially relevant factor for reversing a summary judgment does not imply it is the only relevant factor. Accordingly, the cross-appeal on this issue must be dismissed, as Pfizer failed to demonstrate that the various considerations found in paragraph 37 of the Amended Statement of Claim are clearly irrelevant and that the Prothonotary erred in refusing to strike them.

Conclusion

[49] In light of the foregoing, the appeal from the Order of Prothonotary Aronovitch by Teva is dismissed, and the cross-appeal by Pfizer is granted in part, to the extent that she declined to strike subparagraph 26(i) of the Amended Statement of Claim. As a result, that paragraph shall be struck as it fails to disclose a reasonable cause of action.

ORDER

THIS COURT ORDERS that the appeal from the Order of Prothonotary Aronovitch by Teva is dismissed, and the cross-appeal by Pfizer is granted in part, to the extent that she declined to strike subparagraph 26(i) of the Amended Statement of Claim. As a result, that paragraph shall be struck as it fails to disclose a reasonable cause of action. As the Defendants have been substantially successful, they are awarded the costs of this motion.

"Yves de Montigny"

Judge

FEDERAL COURT

SOLICITORS OF RECORD

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