

## Pharma in brief - Canada

### Federal Court of Appeal affirms Apotex not entitled to apportion profits related to infringement of perindopril patent; remits non-infringing alternative to trial judge

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<b>Case:</b>	<i>Apotex Inc et al v ADIR and Servier Canada Inc</i> , 2017 FCA 23 (Court File No. A-315-15)
<b>Drug:</b>	COVERSYL <sup>®</sup> (perindopril)
<b>Nature of case:</b>	Appeal of accounting of profits quantification after a finding of infringement under the <i>Patent Act</i>
<b>Successful party:</b>	ADIR and Servier Canada Inc. (collectively, <b>Servier</b> ) on apportionment issue; Apotex Inc. and Apotex Pharmachem Inc. ( <b>Apotex</b> ) on non-infringing alternative issue
<b>Date of decision:</b>	February 2, 2017

#### Summary

On February 2, 2017, the Federal Court of Appeal upheld certain findings related to the amount of profits Apotex was required to disgorge to Servier as a result of Apotex's infringement of Servier's Canadian patent relating to perindopril. The Court of Appeal held the trial judge did not err in her conclusion that it was not a proper case to apportion Apotex's profits. However, the Court of Appeal held that the trial judge erred in rejecting the relevance of any non-infringing available perindopril and by failing to adequately consider evidence regarding certain hypothetical suppliers.

#### Background

In 2008, Servier successfully upheld the validity of its patent that claims perindopril, and the Federal Court held that, *inter alia*, the patent had been infringed by Apotex through the manufacture and the sale of perindopril tablets. Servier was awarded an election of its damages or Apotex's profits. Servier elected to pursue the latter.

In 2015, the Federal Court ordered Apotex to pay Servier a combined total of Canadian \$61 million plus interest, which represented Apotex's profits from its Canadian and export sales. The trial judge rejected Apotex's defences that its export profits should be apportioned under its transfer price agreements and that it would have sold a non-infringing alternative perindopril product to its foreign affiliates.

Apotex appealed the trial judge's findings relating to apportionment and non-infringing alternative defences with respect to its export profits. Apotex did not appeal the court's finding with respect to its profits from its Canadian sales.

#### Apportionment defence not applicable

At the quantification trial, Apotex argued that the higher price of perindopril in its transfer price agreements could be attributed to the indemnity Apotex agreed to provide to its foreign affiliates if they were sued for patent infringement (including compensation for legal services). Apotex argued the indemnity revenues were not tied to its infringement and should therefore be deducted from the profits owed to Servier. The trial judge rejected this defence.

The Federal Court of Appeal found that, had perindopril not been patented, there would have been no need for Apotex to provide an indemnity to cover the patent litigation risk. As a result, "The profits resulting from the sale of perindopril [were] entirely causally attributable to the invention." The court also noted that Apotex did not plead the issue of apportionment, and it was not credible for Apotex to raise the apportionment defence for the first time in its amended expert report.

### **Non-infringing alternative defence remitted to the trial judge**

The Federal Court of Appeal held that the trial judge erred in law by rejecting the relevance of any available non-infringing available perindopril, which it found was contrary to the differential profit approach. The Federal Court of Appeal also held that the trial judge erred by failing to consider certain parts of the evidence as to whether Apotex could have and would have been able to source perindopril from a foreign jurisdiction.

Ultimately, the Federal Court of Appeal remitted to the trial judge for determination the issue of whether Apotex would have and could have obtained sufficient quantities of non-infringing perindopril from three foreign manufacturers, and if so, whether Apotex would have and could have used non-infringing perindopril for its foreign sales.

*Norton Rose Fulbright Canada LLP represented Servier at both the liability and quantification stage and on appeal.*

### **Links:**

[Apotex Inc et al v ADIR and Servier Canada Inc, 2017 FCA 23](#)

Trial decision: [2015 FC 721](#)

Validity and infringement: [2008 FC 825](#) (trial decision); [2009 FCA 222](#) (Court of Appeal decision)

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