

IP monitor

Where does a cause of action for patent infringement arise?

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Litigation

Patents

In *Apotex Inc. v Astrazeneca Canada Inc.*, 2017 FCA 9, the Court of Appeal had to interpret section 39 of the *Federal Courts Act* in order to determine the appropriate limitation period for those patents that issued before a six-year limitation period was established by section 55.01 of the *Patent Act* in 1993. The determination of the applicable limitation period for such patents thus turned on the interpretation of section 39 of the *Federal Courts Act*, RSC, 1985, c F-7, which provides as follows:

39. (1) Except as expressly provided by any other Act, the laws relating to prescription and the limitation of actions in force in a province between subject and subject apply to any proceedings in the Federal Court of Appeal or the Federal Court in respect of any cause of action arising in that province.

(2) A proceeding in the Federal Court of Appeal or the Federal Court in respect of a cause of action arising otherwise than in a province shall be taken within six years after the cause of action arose.

In a nutshell this required the Federal Court of Appeal to decide whether the cause of action arose wholly within one province in which case that province's limitation period applied (in most cases only two years), or whether the cause of action arose "otherwise than in a province." The trial court (*Astrazeneca v Apotex* 2015 FC 322) seemed to agree with AstraZeneca that the cause of action cannot be parsed into pieces and had reasoned that (paragraph 397):

"One of the distinct purposes of section 39 of the *Federal Courts Act* is to facilitate a judicial forum providing for the one-time resolution of disputes that concern activity crossing provincial boundaries and international borders. If it were otherwise, the burden associated with the segregation and characterization of relevant evidence could be enormous. Problems with establishing when and where title to products passed or where effective delivery occurred would inevitably arise as the responsible party attempted to bring itself within the sphere of the most favourable provincial limitation period. In the case of patent infringement proceedings the problem would be exacerbated because an infringing sale into one province could also constitute an infringement in another if the same product was resold or reshipped or where there was downstream inducement in other jurisdictions."

The trial court agreed with the reasoning expressed by the Ontario Superior Court in *Hyslop v Canada* 2008 CanLII 8248, interpreting the same statutory language found in the *Crown Liability and Proceedings Act*, RSC, 1985, c C-50, at section 32. In that case, which was a class action with individual plaintiffs in different provinces, the court considered the phrase "cause of action" used in [ss. 31](#) and [32](#) of the [CLPA](#) as referring to "the group of causes of action that might have otherwise been litigated separately."¹

The Court of Appeal rejected this interpretation of section 39, which is that a group of causes of action could create a collective cause of action “otherwise than in a province.” There was prior case law and even a Court of Appeal decision in *Sanofi-Aventis v Plavix* that supported the view that where the cause of action “arose” was the one place where all the elements of the cause of action were completed and this must be (in the case of infringement by sale) where the final sale took place. The court thus considered that each individual transaction had to be considered in respect of not where the chain of events started, but where all the elements of the cause of action were completed.

While the Court of Appeal might have been correct to find that a series of multiple individual claims is by its nature “otherwise than in a province,” it is respectfully submitted that it failed to properly consider the nature of the patent infringing act, which can consist of a series of steps starting with manufacture, use, distribution, offer for sale and transfer of legal title. It seems a dubious proposition at best to look only at the location where the final completed transfer of title took place. The words “arose” or “arising” suggest the commencement of a change of causation that results in the sale. Surely in this context it is an artificial distinction to consider there is only one location of the cause of action where the transfer of possession took place in one province and the transfer of title is in a different province.

If for instance there is a shipment to Alberta based on a contract FOB Ontario so that title passed in Ontario but possession passed in Alberta, does this mean that infringement did not also occur in Alberta? What about where the product was shipped from Ontario to Alberta, FOB Alberta, did not the cause of action “arise” in Ontario, although legal title passed in Alberta? This kind of reasoning could cause enormous difficulties in respect of export and import sales and for situations involving products or processes where some of the elements were located in one location and other elements located in another location, such as in Internet processes or products such as in *Menashe v William Hill*² or *NTP, Inc v Research in Motion, Inc*³. The court did recognize that inducement could be “otherwise in a province” and perhaps the answer is that putting the product into the stream of commerce with a view to a transfer of title in another province is the ultimate inducement, but it would seem to be simpler and more consistent with the purpose of section 39 to conclude that an infringement that involves multiple activities is naturally in such circumstances otherwise than in a single province.

What about using?

What effect, if any should be given to the fact that patent infringement is not just about “sales” but also about using (and “making,” to be discussed later)? Obviously infringement can consist of more than just a legal “sale” by transfer of the title to goods. While simple possession will not always be an infringement, where the product is possessed for sale with a view to production or advantage such use is an infringement.⁴ It is reasonable that the commencement of a chain of sale and transfer of possession is a “use” even if a change of legal title does not take place.⁵ This seems clear from the definition of “use” given by the Supreme Court in *Schmeiser*⁶ in that any utilization with a view to production or advantage is an infringing use.

In other contexts, the Federal Court has recognized in trademark cases that “use” of a trademark occurs across the whole commercial transaction. Of course, trademark “use” is different from patent “use” but it is an infringement of a patent to make, use or sell. Could not the commencement of a commercial transaction in one province be a use in that province that culminated in a sale in a different province? The Federal Court in the well-known case of *Manhattan v Princeton*⁷ had no trouble concluding that a sale FOB New York that resulted in a delivery in Ontario was a use of the trademark in Ontario:

“...if any part of the chain takes place in Canada, this is ‘use’ in Canada within the meaning of s. 4. If this interpretation is correct, then the sale by the retailers in Toronto and Montreal to the public of HARNESS HOUSE wares marked with applicant’s trade mark is a ‘use’ in Canada and it matters not whether property or possession passed to the retailer in the United States.”

What about “making”?

Quite apart from these considerations the clear evidence at trial (see trial decision paragraph 389) was that Apotex made its product in Ontario and sold it to persons in other provinces. Since it is an infringement to make as well as to use or sell, how does this not support a finding that the cause of action arose otherwise than in a province? Are we to believe that making the product is one infringement and the extra-provincial sale a second infringement for which damage is to be assessed at the place of sale? Surely the manufacture in Ontario and the sale, e.g., FOB Alberta of the product is one transaction that is arising “otherwise than in a province.”

For infringement of “old act” patents, provincial limitations should apply only where the completed commercial transaction, the complete chain of making, using and selling, occurred in one province. Where there is a commercial transaction that involves acts that are subject to possible infringement claims of making, using and selling in multiple jurisdictions, such infringements ought to be “otherwise than in a province.”

At some point this limited view of section 39 could come back to cause issues, but fortunately it will only be relevant to older patents now that a limitation period of six years has been prescribed by section 55.01 of the *Patent Act*.

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Footnotes

- ¹ *Hyslop v Canada* paragraph 19.
- ² [2003] RPC 31, [2003] 1 WLR 1462, [2002] EWCA Civ 1702, [2003] 1 All ER 279, [2003] WLR 1462.
- ³ 418 F.3d 1282 (Fed. Cir. 2005). The Court of Appeals for the Federal Circuit held that RIM was liable for infringement of the system claims of NTP's patent, despite an element of the BlackBerry system being located abroad, because the control and beneficial use of the system occur within the United States. The court held that BlackBerry did not infringe NTP's method claims because not every step of the method was performed within the U.S.
- ⁴ *Monsanto Canada v Schmeiser* 2004 SCC 34.
- ⁵ It is interesting that Article 25 of the Community Patent Convention provides that a European patent prevents the “making, offering, **putting on the market** or using a product which is the subject-matter of the patent,” a situation not unlike the Schmeiser's courts view of “use.”
- ⁶ *Monsanto Canada v Schmeiser* paragraph 58: “Use” or “*exploiter*,” in their ordinary dictionary meaning, denotes utilization with a view to production or advantage. The basic principle in determining whether the defendant has “used” a patented invention is whether the inventor has been deprived, in whole or in part, directly or indirectly, of the full enjoyment of the monopoly conferred by the patent. If there is a commercial benefit to be derived from the invention, it belongs to the patent holder.
- ⁷ (1972) 4 CPR (2d) 6.

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