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Pharma in brief - Canada

Federal Court of Appeal confirms single standard of review and clarifies rules for discovery of non-party inventors

Case:	*Hospira Healthcare Corporation v Kennedy Institute of Rheumatology*, 2016 FCA 215 (Court File No. A-303-15, on appeal from T-396-13)
Drug:	Unidentified
Nature of case:	Motion for further discovery of non-party inventors in an action for patent infringement/impeachment under the *Patent Act*, RSC 1985, c P-4
Successful party:	The Kennedy Institute of Rheumatology, Janssen Biotech, Inc., Janssen Inc., and Cilag GmbH International (the **Respondents**)
Date of decision:	August 31, 2016

Summary

Hospira Healthcare Corporation, together with Celltrion Healthcare Co., Ltd. and Celltrion, Inc. (collectively, the **Appellants**) are involved in a patent infringement/impeachment action against the Respondents concerning an unidentified "proposed product" belonging to Hospira. This appeal arises from the Appellants' motion for further discovery of the two non-party inventors of the patent in suit, which was successful in part. The judgment is significant because the Respondents asked the Court of Appeal to unify the standard of review for appeals from discretionary orders of prothonotaries and the court, for the first time in 23 years, sat in a panel of five judges to decide the issue.

The court dismissed the appeal, affirming the prothonotary's decision to allow an additional half-day of discovery. In doing so, it clarified the considerations applicable to third-party discovery of inventors and held that all appeals from discretionary decisions of both prothonotaries and motions judges should be subject to the standard of review set out in the Supreme Court's decision in *Housen v Nikolaisen*, 2002 SCC 33 (***Housen***).

Background

This dispute concerns Canadian Patent No. 2,261,630, "Anti-TNF Antibodies and Methotrexate in the Treatment of Autoimmune Disease." The Appellants sought discovery of the inventors, who are retired and reside in the United Kingdom, as assignors. A first day of in-person discovery was completed. The Respondents refused to make the inventors available for a second day of in-person discovery and the Appellants moved before the case-management prothonotary, Milczynski P, for an order to this effect. They were awarded a half-day of discovery by teleconference instead. Mr. Justice Boswell dismissed the Appellants' Rule 51 appeal to the Federal Court, giving rise to the further appeal reported here.

The issue of standard of review arises after uncertainty regarding the application of the test articulated in *Canada v Aqua-Gem Investments Ltd.*, [1993] 2 FC 425 (***Aqua-Gem***). The continued viability of the *Aqua-Gem* test has already been addressed by the court in a number of recent judgments, including two this year in favour of uniformly applying the *Housen* standard to all appeals (reported here and here).

A single standard of review for all appeals

Sitting in a panel of five for the first time since *Aqua-Gem*, the court unanimously confirmed that there is a single standard of review for all appeals from discretionary orders of prothonotaries and motion judges, including on further appeal to the Court of Appeal: As set out in *Housen*, factual determinations are reviewable for palpable and overriding errors, while questions of law (and questions of mixed fact and law with an extricable legal principle at issue) are reviewable for correctness. *Aqua-Gem* is no longer good law.

Writing for the court, Nadon JA held that the standard of review in *Aqua-Gem* has been overtaken by a significant evolution and rationalization of standards of review in Canadian jurisprudence, fundamentally shifting the parameters of the debate. Notably, this change brings federal jurisprudence in line with recent changes to the standard of review from discretionary decisions of masters in the Ontario courts.

In reaching its conclusion, the court acknowledged confusion in the Federal Court regarding the identification of "questions vital to the final issue of the case," a key feature of the *Aqua-Gem* test, which triggered *de novo* review by appeals courts. The court also endorsed the view that "traditional notions of hierarchy" within the federal judiciary should be abandoned in favour of a presumption of fitness that prothonotaries and judges are capable of fulfilling their mandates.

Proportionality and the court's role in discovery of non-party inventors

On the merits, the court found that Boswell J had no reason to interfere with Milczynski P's order awarding an additional half-day of discovery via teleconference. However, it took issue with the way the parties handled their dispute.

The court accepted that it was not the Respondents' call to terminate discovery. However, it also held that it was not entirely the Appellants' call to determine the duration of the examinations. The parties should have sought the assistance of the court when it became clear that they could not agree. Once discovery commenced, the Respondents' only proper recourse was a motion under Rule 243 asking the court to make a determination that the continuance of the examination was oppressive, vexatious, or unnecessary.

The court found that Milczynski P properly considered the circumstances and context before her, including the fact that the inventors are not parties to the action, in crafting her order. The court also noted that since the inventors were located in the United Kingdom and could not be compelled to attend an examination without letters rogatory, there was no error in ordering that examination proceed by way of teleconference. As a result, it dismissed the appeal.

Links:

Hospira Healthcare Corporation v Kennedy Institute of Rheumatology, 2016 FCA 215, aff'g 2016 FC 436, aff'g Order of Milczynski P dated April 17, 2015 (unreported)

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