

# Recent Developments in Patent Injunctions

## **Moderator:**

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# **#1: INTRODUCTION TO INJUNCTIONS AND *RJR* TEST FOR INTERLOCUTORY INJUNCTIONS**

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## Injunctions – An Overview

- **Injunction:** a prohibitive writ issued by a court of equity
  - **Permanent** injunction: issued upon a court's determination on the merits
  - **Interim** injunction: time-limited duration, usually pending the court's hearing on the interlocutory injunction, additional burden of establishing urgency
  - **Interlocutory** injunction: made during a trial and lasts until a determination on the merits

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# Injunctions – An Overview

- **Focus of our discussion:** interlocutory injunction
- May be sought in the Federal Court or a Provincial Court
- Federal Court:
  - *Federal Courts Act*, s. 44: may grant an injunction in cases “in which it appears to the court to be **just or convenient** to do so. The order may be made either unconditionally or **on any terms and conditions that the court considers just**”
- Intellectual Property (IP) Statutes allow court to grant injunctions in actions for infringement

# Interlocutory Injunctions in Federal Court

- Rarely granted
- Rough Statistics: 156 IP decisions where interim or interlocutory injunctions were sought in Federal Court since 1994

	Patent	Copyright	Trademarks	Total
Applied	29	35	92	156
Granted	5 (17%)	10 (29%)	31 (34%)	46 (30%)

Research string: adv: "irreparable harm" & ((interim or interlocutory) /s injunction) & (patent or copyright or trademark) (Westlaw) Filtered by: post January 20, 1994 and Federal, Sorted by relevance

- Why?
- Time to re-consider?

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## Interlocutory Injunction – *RJR* Test

- ***RJR-MacDonald Inc v Canada (AG)*, [1994] 1 SCR 311**
  - First, **a serious question to be tried**
  - Second, whether the applicant would suffer **irreparable harm** if refused
  - Third, **balance of inconvenience**
    - Public interest considerations

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## *American Cyanamid* – Origin of *RJR* Test

### – *American Cyanamid Co v Ethicon Ltd.*, [1975]

#### **A.C. 396 (H.L.)**

- **Patent infringement** case
- Patentee Cyanamid owned a patent for absorbable surgical sutures made of polyhydroxyacetic ester (PHAE)
- Patentee captured about 15% UK market for absorbable surgical sutures
- Defendant Ethicon proposed to introduce their own sutures made of a different polymer (*quia timet*)
- Infringement depended on claim construction
- Defendant raised invalidity
- **Interlocutory injunction granted**

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# *American Cyanamid* – Origin of *RJR* Test

## – Before *American Cyanamid*

- Needed to show a *prima facie* case
- Graham J. of the Chancery Division, [1974] F.S.R. 312
  - Considered claim construction, infringement and invalidity
  - Granted interlocutory injunction because
    - Plaintiff made out a *prima facie* case on validity and infringement
    - Balance of convenience: defendant not on the market, no factory to be closed down, no people to be out of work; but if no injunction, would disrupt the plaintiff's existing and future business, permanent injunction might not be commercially practical even if successful (i.e. to preserve the *status quo*)



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## *American Cyanamid* – Origin of *RJR* Test

- House of Lords (Lord Diplock)
  - “The object of the interlocutory injunction is to protect the plaintiff against injury by violation of his right for which he could not be adequately compensated in damages recoverable in the action if the uncertainty were resolved in his favour at the trial”

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## *American Cyanamid* – Origin of *RJR* Test

- House of Lords (Lord Diplock)
  - No rule of *prima facie* case; a **serious question** to be tried (the claim is not frivolous or vexatious)

*It is no part of the court's function at this stage of the litigation to try to resolve conflicts of evidence on affidavit as to facts on which the claims of either party may ultimately depend nor to decide difficult questions of law which call for detailed argument and mature considerations. These are matters to be dealt with at the trial.*

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## *American Cyanamid* – Origin of *RJR* Test

- House of Lords (Lord Diplock)
  - If a serious question, then consider **balance of convenience**
    - First, would the plaintiff's loss be adequately compensated by a damages award if no relief? If yes, would the defendant be in a financial position to pay?
    - Then, if damages were not adequate and defendant were successful at trial, would the plaintiff's undertaking for the defendant's loss be adequate if relief were granted? If yes, would the plaintiff be in a financial position to pay?
    - Factors for balance of convenience and relative weight vary from case to case

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## ***American Cyanamid* – Origin of *RJR* Test**

- House of Lords (Lord Diplock)
  - If evenly balanced, preserve the *status quo*
  - When to appraise the relative strength of each party's case: only exceptionally

“if the extent of the uncompensatable disadvantage to each party would not differ widely”, and “only where it is apparent upon the facts disclosed by evidence as to which there is no credible dispute that the strength of one party's case is disproportionate to that of the other party”

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# Adoption of *American Cyanamid* by the SCC

- ***Manitoba (Attorney General) v Metropolitan Stores (MTS) Ltd*, [1987] 1 SCR110**
- ***RJR*:**
  - Tobacco manufacturers requested that the enforcement of a statute regulating the advertisement of tobacco products be stayed pending the Court's decision on an application for leave to appeal from the decision of the Court of Appeal of Quebec upholding the statute's constitutional validity

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## The *RJR* Test

- **Three sequential separate stages mandatory?**

“It **may be helpful** to consider each aspect of the test and then apply it to the facts presented in these cases.”  
[Emphasis added]

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# The *RJR* Test

## → **Serious question:**

- Low threshold; a preliminary assessment of the merits
- But exceptions:
  - 1) When the result of the interlocutory motion will in effect amount to a final determination of the action
  - 2) The case rests on “a simple question of law” (question of constitutionality) (exceptional)
  - 3) (?) In private law, the factual record is largely settled

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# The *RJR* Test

## → Irreparable harm to the applicant:

### → “Irreparable”:

- The nature of the harm suffered not its magnitude
- Harm which either cannot be quantified in monetary terms or which cannot be cured, usually because applicant cannot collect damages from respondent

### → Examples:

- Applicant will be out of business
- Permanent market loss
- Irrevocable damages to business reputation
- Permanent loss of natural resources



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# The *RJR* Test

## → **Balance of Inconvenience**

- Numerous factors
- Vary from case to case
- Public interest

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## The *RJR* Test in Federal Court – Looking Backward and Forward and Elsewhere

- Historically, irreparable harm is the “swing vote”
- Is interlocutory injunction all or nothing?
- Is the Federal Court an outlier? Should we look elsewhere and where?

Fiona Legere

## **#2: INTERLOCUTORY INJUNCTIONS VS. PERMANENT INJUNCTIONS IN FEDERAL COURT**

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# Interlocutory Injunctions: Irreparable Harm as the “Swing Vote”

## – The high threshold:

### – Trilogy of cases in early 1990s

- *Syntex Inc v. Novopharm* (1991), 36 CPR (3d) 129
- *Nature Co v. Sci-Tech Educational* (1992), 41 CPR (3d) 129
- *Centre Ice Ltd v. National Hockey League* (1994), 53 CPR (3d) 34

### – The test:

- It must be established on the basis of “clear and not speculative” evidence that the harm **will** occur
- The evidence must demonstrate that the harm **cannot be compensated** for in damages

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## The Court in *Syntex* Considers The Following Factors from *Turbo Resources/American Cyanamid* For Irreparable Harm:

- (a) Where a plaintiff's recoverable damages resulting in the continuance of the defendant's activities pending trial would be an **adequate remedy** that the defendant would be financially able to pay, an interlocutory injunction should not normally be granted;
- (b) where such damages would not provide the plaintiff **an adequate remedy** but damages (recoverable under the plaintiff's undertaking) would provide the defendant with such a remedy for the restriction on his activities, there would be no ground for refusing an interlocutory injunction;
- (c) **where doubt exists as to the adequacy of these remedies in damages available to either party, regard should be had to where the balance of convenience lies**;
- (d) **where other factors appear to be evenly balanced, it is prudent to take such measures as will preserve the status quo**;

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## The Court in *Syntex* Considers The Following Factors from *Turbo Resources/American Cyanamid* For Irreparable Harm:

- (e) where the evidence on the application is such as to show one party's case to be disproportionately stronger than the other's, this factor may be permitted to tip the balance of convenience ...;
- (f) other unspecified special factors ....particular circumstances of individual cases.

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## Interlocutory Injunction— Denied

- ***Boston Pizza International v. Boston Market Corp, 2003 FCT 382***
  - Boston Pizza sought to retrain Boston Market from using trade name “Boston Market” in Canada.
  - Boston Pizza’s expert evidence was based on hypothetical scenarios that “may” have occurred.
  - **Interlocutory injunction denied.** Evidence cannot be couched in hypothetical terms— it must be clear and not speculative.



# Interlocutory Injunction— Denied

## → ***AstraZeneca v. Apotex Inc, 2011 FC 505***

- Patent infringement action involving AstraZeneca's patents for the drug "Nexium." AstraZeneca sought an interlocutory injunction, claiming that the introduction of Apotex's generic into the market would cause catastrophic harm.
- AstraZeneca's experts estimated that it would suffer a loss of market share, as well as various intangible harms permanently decreasing its market share.
- **Interlocutory Injunction denied.** The Court held that damages for loss of market share could be quantified.





# Interlocutory Injunction— Granted

- ***Reckitt Benckiser v. Jamieson Labs*, 2015 FC 215**
  - Reckitt sought to restrain Jamieson from selling its nutritional supplements under the name OMEGARED (nearly identical to Reckitt’s product, sold under the trademark MEGARED).
  - Reckitt established that it would suffer a “loss of distinctiveness” associated with the infringing use of its market, and that its losses would not be possible to quantify.
  - **Interlocutory injunction granted.** Damages for “loss of distinctiveness” are impossible to calculate. Jamieson’s experts did not forward any formulae to calculate damages.



# Interlocutory Injunction— Granted

- ***Sleep Country Canada Inc v. Sears Canada Inc*, 2017 FC 148**
  - Sleep Country sought to restrain Sears from using a slogan almost identical to its famous slogan.
  - Sleep Country led expert evidence demonstrating it would be impossible to quantify damages resulting from infringing use of its slogan, which was well-known and had been in use for over 20 years.
  - **Interlocutory Injunction granted.** In cases dealing with a slogan instead of a product, damages are impossible to quantify. Further, a loss of distinctiveness would occur, rendering damages incalculable.



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# Conclusions: Establishing Irreparable Harm

- **Whether an injunction is granted may depend on:**
  - The relative strength of the expert evidence presented by the parties.
  - Whether the responding party forwards a method for calculating damages.
  - Whether there is a clear case of infringement before the Court, involving a sympathetic applicant.
- **In trademark infringement cases, an injunction is likely to be granted where:**
  - The case involves a slogan instead of a product.
  - The Applicant can demonstrate a “loss of distinctiveness.”

# Conclusions: Establishing Irreparable Harm

- **In patent infringement cases, obtaining an interlocutory injunction remains difficult.**
  - The Court has stated that there is typically no reason why damages in a patent case cannot be calculated.
    - *Pfizer Ireland Pharma v. Lilly Icos*, 2003 FC 1278
  - Loss of market share can be compensated for in damages.
    - *White v. EBF Manufacturing Ltd*, 2001 FCT 1133
    - *Bristol-Myers Squibb Co v. Apotex Inc*, 2001 FCT 1086
  - Particularly in cases involving “pharmaceutical giants”, the Court expects sophisticated participants in the market place to provide clear evidence that the loss will occur and that damages cannot be calculated.
    - *Effem Foods Ltd v. HJ Heinz Co* (1997), 75 CPR (3d) 331

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# Permanent Injunction– Patent Cases

## – Section 57(1) of the *Patent Act*:

**57 (1)** In any action for infringement of a patent, the court, or any judge thereof, may, on the application of the plaintiff or defendant, make such order as the court or judge sees fit,

**(a)** restraining or enjoining the opposite party from further use, manufacture or sale of the subject-matter of the patent, and for his punishment in the event of disobedience of that order, or

**(b)** for and respecting inspection or account,

and generally, respecting the proceedings in the action.

- Permanent injunctions are a discretionary remedy
- They are only refused in rare circumstances.

# Application of the Test— *Partial Injunction Granted*

## → ***AbbVie Corp v. Janssen Inc (2014)***

### → **The Facts:**

- AbbVie's patent was held to be infringed by Janssen's product STELARA. AbbVie had a competing product, HUMIRA.
- However, there was a medical need for at least a portion of psoriasis sufferers in Canada, requiring the STELARA product for effective treatment of their condition.
- Thus, the Court was required to balance the rights of the patentee with the medical need of the Canadian public.



## *Partial Injunction—The Terms*

### → **Partial Injunction Granted on the Following Terms:**

- Current patients remained on STELARA. New patients could be prescribed STELARA, provided their physician had determined it was necessary for treatment.
- Janssen was prohibited from influencing the decisions of doctors.
- Janssen was prohibited from marketing STELARA.
- Janssen was prohibited from conducting a Phase IV clinical trial, since such trials are often used for promotion.



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## Question:

- *Abbvie Corp v. Janssen Inc:*
  - The ***test applied on interlocutory injunction applications is not relevant***, per se, but may inform the determination as to whether an injunction is the appropriate remedy.
- Could the partial injunction test be incorporated to increase the availability of interlocutory injunctions in patent infringement cases?
  - If damages is not an adequate remedy, and a full interlocutory injunction is not possible, is there a middle ground that could protect the “status quo”



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Nathaniel Lipkus

## **#3: INTERLOCUTORY INJUNCTIONS: LESSONS FROM NEAR AND FAR**

# Is there greener grass to be found?

- Irreparable harm in other provinces
- Across the pond – how the UK has adjusted to *American Cyanamid*
- Lessons from other forms of intellectual property



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# Where is the Federal Court on the Canadian spectrum?

*Mosaic Potash, 2011 SKCA 120 at para 51*

- NB:** Irreparable harm is not a condition precedent to granting injunctive relief and, as a result, it is **unnecessary to identify any required standard of proof** in relation to it.
- BC:** It is important to note that **clear proof of irreparable harm is not required**. Doubt as to the adequacy of damages as a remedy may support an injunction.
- AB:** The proper approach is to assess **whether or not it is probable** that irreparable harm will be suffered.
- FC:** At the far end of the range, there are decisions of the **Federal Court of Appeal** indicating that “**evidence as to irreparable harm must be clear and not speculative.**”

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## SK: Avoiding a second straitjacket

60 In short, the same basic logic which recommends the serious issue to be tried standard in relation to the strength of the plaintiff's case consideration also recommends against requiring the plaintiff to prove to a high level of certainty that irreparable harm will result if the injunction is denied. The purpose sought to be achieved by giving a judge the discretion to grant interlocutory relief will be "stultified," to use Lord Diplock's term, if he or she could consider in the balance of convenience only such irreparable harm as is certain or highly likely to occur.

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## Application of the flexible SK approach

- ***Mosaic Potash***: Injunction granted due to *possibility* that plaintiff will not be able to meet contracts due to unavailability of potash from defendant
- **Application in TM context**: Same standard applied in *Kulyk v Wildman*, 2013 SKCA 55
  - Injunction denied in passing off case – no goodwill in GLOBAL HEALTHCARE CONNECTION mark, and no credible basis for alleging harm on the facts.

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## New Brunswick: as lax as advertised?

- ***Imperial Sheet Metal, 2007 NBCA 51***

29 I am not suggesting that an applicant who fails to establish irreparable harm (for example, on a balance of probabilities) retains a realistic chance of obtaining injunctive relief. Far from it, ...

- **Approach:**

- Irreparable harm is not threshold test
- Must proceed to third stage, regardless of whether irreparable harm case is weak or strong
- This approach is consistent with *RJR*

- **Outcome:** Use by ex-employee of confidential information to undercut company pricing could lead to irreparable harm, but outweighed by effect on ex-employee being unable to work.

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## A more bullish approach in Quebec

- **Civil Code** provides that an injunction can issue if harm is “serious or irreparable”, though in practice they appear to apply *RJR*.
- ***Thermolec c Stelpro*, 2018 QCCS 901** awards injunction against Stelpro relating to air heating system having patented electric coils, despite patent expiring imminently.
  - **Facts:** Thermolec had only one main business line, and Stelpro had many. Thermolec alleged lost customers and incalculable loss in invention value.
  - Full non-infringement expert reports were tendered on the motion. Although issues of non-essential elements arose, Thermolec met the “**serious issue**” threshold.
  - **Irreparable harm** included potential loss of customers/distributors, loss of goodwill, and loss of enjoyment of monopoly.
  - **Balance of convenience** was in Thermolec’s favour but considered less relevant and not to be considered.

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## Back to basics in BC

- **1987:** McLachlin JA (as she then was) in BC (AG) v *Wale* (1987), 9 BCLR (3d) 333:

52        Having set out the usual procedure to be followed in determining whether to grant an interlocutory injunction, it is important to emphasize that the judge must not allow himself to become the prisoner of a formula. **The fundamental question in each case is whether the granting of an injunction is just and equitable in all circumstances of the case.**

- **2017:** Abella J (McLachlin CJC and 5 other concurring) in *Google v Equustek*, 2017 SCC 34:

1        ... Ultimately, the question is whether granting the injunction would be just and equitable in all the circumstances of the case.



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## ***Before American Cyanamid***

- **Historical approach:** In chancery, irreparable harm was never considered an independent threshold, but rather to be assessed on relative basis in context of other relevant factors. (Siebrasse, 88 Can. B. Rev. 2009)
- ***Pre-American Cyanamid Test:***

“[t]he Court must, before disturbing any man’s legal right, or stripping him of any of the rights with which the law has clothed him, be satisfied that the probability is in favour of his case ultimately failing in the final issue of the suit.”

-Kerr, *A Treatise on the Law and Practice of Injunctions* (1888)

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## How has the UK fared since *American Cyanamid*?

- **Criticism** for failing to adequately consider the merits of the case – merits are now considered in balance of convenience step (*Series 5 Software v Clarke* (1995), [1996] 1 All ER 853)
- **Exceptions** for cases in which interlocutory injunction is determinative or case is determinable (*NWL Ltd. V Woods*, [1979] 3 All ER 614)
  - The “determinative” exception was imported in *RJR*, and Justice Sharpe has indicated that breach of confidence actions, industrial property cases and passing off cases are within the exception.
- **Expectation** that it will be difficult (but certainly not impossible) to obtain interlocutory injunctions in patent cases.

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## Uncertainty supports irreparable harm

[15] ... “But would they lower their price? It would reduce their profit.” Well, yes and no. It would reduce the *profit per pack*, but if the number of packs that were sold went up substantially, the *profits* would clearly increase. ...

[16] Then one enters a great field of speculation. What would be the response of Leo? Would they keep their price where it stood or would they find that that made no commercial sense? ... **One is into an area of “what if?” and “how much?” and a whole series of other uncertainties.** ... What if Sandoz started to get a substantial part of the market? Would Leo just stand by and let it get the rest? Who knows?

- *Leo Pharma*, [2008] EWCA Civ 850

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## Lessons from trademark cases

- Federal Court line of cases including **Centre Ice** clearly applies “clear and speculative” standard, refusing to (a) draw inference about loss of goodwill, or (b) acknowledge lost sales unless they are “certain”
  - **Jamieson**, 2015 FCA 104 (krill oil) is anomalous, since TM holder wasn’t in the market yet at the time it sought the injunction → sales more difficult to quantify
  - **Sleep Country**, 2017 FC 148 doesn’t appear to change anything – the slogan at issue was distinguished from prior cases, due to difficulty of calculating impact of slogan confusion on Sleep Country
- In general, hard to compare patent to trademark, since injunction relates to branding, not product *per se*

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## Lessons from copyright cases

- In cases of internet piracy, a strong *prima facie* case may lower the threshold on the other two prongs:
  - ***Bell Canada***, 2016 FC 612 –pre-loaded set-top boxes facilitated access to free content from illegal sites (i.e. piracy) / case was so strong as to lower threshold required for irreparable harm, and irreparable harm shown due actual/potential loss of customers and unlikelihood of recovery
  - ***Bell Canada***, 2018 FCA 42 – website provided and drew attention to add-ons that enable access to illegal third-party content (also piracy) / case followed an *Anton Piller* order, and defendant seen as evasive
- In cases of copyright piracy, where the copying is brazen or clearly calculated, the Court has historically taken and continues to apply the tripartite test more flexibly

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## Lessons from trade secret cases

- Focus is largely on whether company is poised to lose its **competitive advantage**:
  - **Maple Leaf Foods** (2002), 23 BLR (3<sup>rd</sup>) 141 – irreparable harm if competitors are enabled to use Maple Leaf’s meat chill technology
  - **CPC v Seaforth** (1996), 63 CPR (3d) 297 – irreparable harm inferred for use of Hellmann’s mayo recipe, since competitor could create taste experience that had eluded competitors and was basis for Hellmann’s success
- Don’t forget **Cadbury Schweppes**, [1999] 1 SCR 142 – no permanent injunction awarded due to passage of time and “nothing very special” nature of information
- Trade secret cases are different from patent cases, since the infringement involves (a) breach of direct duty to the rights holder, (b) secrets being actively protected, (c) employment restriction issues

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## Key takeaways

- **Sliding scale:** The three-part test is a guideline to achieving an overarching objective – justice and equity in the circumstances
- **Judicial flexibility:** There is ample room to apply *RJR* without an unduly strict “clear and speculative evidence” threshold for irreparable harm
- **Embracing uncertainty:** Despite prior case law, difficulty of predicting the future and/or permanent market effects can justify an injunction