Federal Court  Cour fédérale

Date: 20160126

Docket: T-944-15

Ottawa, Ontario, January 26, 2016

PRESENT: Case Management Judge Mireille Tabib

BETWEEN:

TEVA CANADA LIMITED

Plaintiff

and

JANSSEN INC. AND MILLENNIUM PHARMACEUTICALS, INC.

Defendants

AND BETWEEN:

MILLENNIUM PHARMACEUTICALS INC. AND JANSSEN INC.

Plaintiffs by Counterclaim

and

THE UNITED STATES OF AMERICA REPRESENTED BY THE DEPARTMENT OF HEALTH AND HUMAN SERVICES

Patentee

and

TEVA CANADA LIMITED

Defendant by Counterclaim

ORDER

UPON the motion of the Defendants and Plaintiffs by Counterclaim for an order that the issues of quantification in the action and the counterclaim be determined separately from/and only after the determination of the liability issues.

CONSIDERING the parties' respective motion records and supplemental records, and having heard counsel's submissions.

The case law has identified a list of factors that may be considered by the Court to facilitate the determination of a motion for bifurcation; however, it remains that the essential question to be determined is whether bifurcation is more likely than not to result in the just, expeditious and least expensive determination of the proceeding on its merits.

The present proceedings include, as a principal action, Teva's claim for damages under section 8 of the *PM (NOC) Regulations*, and, as defence and counterclaim, Janssen and Millennium's claim for infringement of the two patents that were at issue in the original prohibition proceedings from which the section 8 claim arises, and of two additional process patents. This defence and counterclaim is itself met by a defence that all patents are invalid, and that the two process patents are not infringed.

It is abundantly clear that the liability issues in this case are numerous and will be extremely complex, both in respect of the section 8 claim and the infringement claim.

It is also true that a determination as to the relevant period for section 8 damages will most likely significantly reduce the number of issues in dispute and the complexity of the

section 8 quantification exercise, and that if it is determined that none of the four patents are both valid and infringed, the issue of Janssen and Millennium's damages will not need to be tried.

However, it is very unlikely that the quantification phase could be entirely avoided if the liability issues, as proposed by Janssen and Millennium, were determined first. Indeed, the only scenario in which such a result would occur is if the Court determined that Teva is not entitled to claim section 8 damages for any period at all AND that this determination did not result from a finding that any of the four patents are both valid and infringed. On their face, all but one of the grounds raised in Janssen and Millennium's defence to the section 8 claim appear to merely limit or reduce the length of the relevant period for section 8 damages. Only the allegation that Teva would not have been ready to enter the market until March 30, 2015 appears likely, if proven, to result in a complete denial of section 8 damages. There is no basis upon which the Court could conclude that it more likely than not that this defence will be successful and that, at the same time, none of the four asserted patents will be held valid and infringed, such that bifurcation would obviate any need for a quantification phase. On the contrary, I find that it is clearly more likely than not that, even with bifurcation, there will be a need for a quantification phase.

I note also that any quantification phase will more likely than not involve at least discovery of Teva's profits: If Teva is successful, to any degree, in its section 8 claim, then its revenue and costs of sales will be at issue at discovery and at trial. If Janssen and Millennium are successful, to any degree, on their infringement claim, then, having claimed the right to elect an accounting of profits, they will likely wish to have discovery as to Teva's profits before making an election. While the right to an accounting of profits is discretionary, I note that the pleadings as they stand contain no express contestation of that right by Teva, and no factual allegation of the basis on which the remedy might be disallowed.

Accordingly, while bifurcation might narrow the issues on which discovery of Teva's profits or losses might be needed, I am not satisfied that it is likely that it would be avoided altogether.

Discovery of Janssen and Millennium's damages, I agree, might be saved, as could the trial time on these damages. The narrowing of issues in respect of Teva's section 8 losses would also, I agree, likely save some trial time. However, whatever savings of time or expenses might be realized, these must be weighed against the additional time which two separate trials, with a likely intervening appeal, would certainly take. On the record before me, I am simply not satisfied that the magnitude of the potential savings offsets the delay and inconvenience, to the parties and the Court, of a two-stage trial.

I also have significant concerns that the issues of liability and quantification in the section 8 action are not as easily severed as Janssen and Millennium suggest. Teva argues that much of what Janssen and Millennium present as defences or elements going to the determination of the relevant period, should rather be taken into account as part of the overall assessment of Teva's entitlement to compensation pursuant to section 8(5), and are thus more properly part of the quantification rather than the liability phase. There is, in my view, a very real risk that the same factual issues would have to be considered twice, or at least, that additional complication and duplication will arise from potential arguments as to whether evidence and arguments on certain issues properly belonged, were presented and determined, or should have been presented and determined in the first phase, or whether they can be considered or determined afresh in the context of quantification. The answer to this is not, as was initially suggested by Janssen and Millennium, and as Teva again suggested in its record, to bifurcate only the quantification of the infringement claim. Indeed, there is inherent duplication and

potential for contradictory judgments if quantification of section 8 claim and compensation for infringement are not heard and determined together.

I appreciate that without knowledge of the exact section 8 period, the quantification of Teva's section 8 damages will necessarily involve constructing numerous scenarios and will be extremely complex. I also appreciate that there have been section 8 cases in which, despite a full hearing on both liability and quantification issues, the Court has been unable to finalize the calculation of damages. Still, bifurcation is not a panacea for all complexities and inefficiencies of the litigation process. Indeed, for every example of inefficiency or waste that might have been avoided by bifurcation in a section 8 and infringement case, there is an equally cautionary example of unforeseen complications and duplication and wasteful debates caused by bifurcation.

In the final analysis, Janssen and Millennium had the burden of satisfying me that bifurcation would be more likely to result in the just, expeditious and least expensive determination of the issues in this matter, and have failed to meet their burden.

THIS COURT ORDERS that:

1. Janssen and Millennium's motion is dismissed, with costs payable to Teva, fixed at $5,000.

"Mireille Tabib"
Case Management Judge