Federal Court  Cour fédérale

Date: 20160804

Docket: T-574-15

Citation: 2016 FC 898

Ottawa, Ontario, August 4, 2016

PRESENT: Madam Prothonotary Mireille Tabib

BETWEEN:

ALCON CANADA INC., ALCON LABORATORIES, INC., ALCON PHARMACEUTICALS LTD., AND ALCON RESEARCH, LTD.

Plaintiffs

and

APOTEX INC.

Defendant

AND BETWEEN:

APOTEX INC.

Plaintiff By Counterclaim

and

ALCON PHARMACEUTICALS LTD., AND ALCON CANADA INC.

Defendants By Counterclaim

REASONS FOR ORDER AND ORDER

[1] The Plaintiffs in this action, Alcon Canada Inc., Alcon Laboratories, Inc., Alcon Pharmaceuticals Ltd., and Alcon Research, Ltd. ("Alcon") seek a bifurcation order pursuant to Rule 107 of the *Federal Courts Rules* SOR/98-106, so that the liability issues in this infringement action be tried separately from and before all issues of quantification, as well as all issues from Apotex Inc.'s counterclaim for damages pursuant to section 8 of the *Patented Medicines (Notice of Compliance) Regulations* SOR/93-133. Apotex opposes the motion.

[2] Alcon markets in Canada, under the brand name Pataday, a formulation of olopatadine 0.2% solution used to treat allergic eye diseases. This formulation is allegedly covered, *inter alia*, by Patent No. 2,447,924 (the '924 Patent). Several generic pharmaceutical companies seeking to market their own generic versions of Pataday, including Apotex, served on Alcon Notices of Allegation pursuant to the *PM (NOC) Regulations*, to which Alcon responded by instituting applications for prohibition orders. Following the dismissal of the first of those applications (*Alcon Canada Inc. v Cobalt Pharmaceuticals Co.*, 2014 FC 149), Alcon discontinued its prohibition application against Apotex. Apotex obtained its NOC in February 2014 and immediately began to sell its Apo-olopatadine 0.2% solution.

[3] In this action, Alcon seeks a declaration that Apotex's Apo-olopatadine 0.2% solution infringes the '924 Patent, as well as the usual remedies of injunction, destruction or delivery up of infringing products, and compensation by way of an accounting of profits or damages. Apotex, by way of a defence and counterclaim, denies infringement and asserts that the '924

Patent is invalid. In addition, Apotex asserts that even if the Patent is valid and infringed, Alcon's damages should be reduced or denied because Apotex had available to it a non-infringing alternative product, and because Alcon, through an elaborate anti-competitive conspiracy, unjustly and unlawfully increased its sales of and profits on Pataday 0.2% solution by withdrawing and blocking the availability of the cheaper olopatadine 0.1% solution before generics could enter that market. Finally, Apotex asserts, by way of counterclaim, a claim for damages pursuant to section 8 of the *PM (NOC) Regulations* for having been delayed entering the market by Alcon's prohibition application.

[4] There is no dispute as to the applicable test on this motion. It is Alcon's burden to satisfy the Court that, considering all the circumstances of the case, it is more likely than not that bifurcation will result in the just, most expeditious and least expensive determination of the litigation.

[5] Alcon relies in part on the well-established understanding that bifurcation is particularly beneficial in patent infringement cases, where the right to opt between an accounting of profits and damages is asserted and opposed. The benefits of bifurcation in those cases are that a second quantification phase might be avoided altogether if no liability is found but that even if it does proceed, an early determination of whether the patentee has the right to elect damages will always avoid leading evidence at trial (if not on discovery) as to either the patentee's damages or the infringer's profits (see: *Apotex Inc. v H. Lundbeck A/S*, 2012 FC 414 at para 38). There is in those cases a certainty of significant savings of costs, even if there remains a possibility that the total time to complete resolution would end up being longer. Indeed, except where a second

phase of trial is entirely avoided, bifurcation is presumptively duplicative and inefficient (*Value Village Market (1990) Ltd. v Value Village Stores Co.*, [1999] FCJ No 1663 at para 6).

[6] Where however, as here, a section 8 claim is asserted as a counterclaim to the infringement action, the cost-benefit analysis changes dramatically. There is no longer a possibility that a judgment on liability will eliminate the need for a second phase of trial altogether: A finding that the Patent is valid and infringed leads to a necessary quantification phase; a finding of no infringement leaves the Defendant entitled to its section 8 damages and to a necessary liability and quantification phase of that counterclaim.

[7] Alcon argues that infringement is its main defence to Apotex's section 8 claim, and that with it resolved in the first phase, there is a high likelihood that the section 8 claim will be settled, a factor which was taken into consideration in my recent decision to bifurcate a section 8 claim in *Apotex v Alcon* 2016 FC 720. In *Apotex v Alcon*, however, documentary discoveries had been completed and the parties had been able to put before the Court estimates of the amounts at stake in the section 8 claim, from which the Court could form a view of the probabilities of settlement. There is before the Court on this motion no evidence at all from which the Court could conclude that a resolution of the infringement issues would likely lead to a settlement of the section 8 claim. I also note that *Apotex v Alcon* turned in large part on the fact that an infringement action and the corresponding section 8 action had been instituted as separate actions, were not at the same stage, and that the parties had previously consented to an order bifurcating the infringement action. It was specifically mentioned that the outcome might very well have been different if those circumstances had not existed:

> [12] I add that my determination on this motion is also influenced by the fact that Alcon's related infringement action is already bifurcated. Had that not been the case, and had the proceedings in both actions been at the same stage, it is quite possible that the most appropriate way forward for the Court and both parties would have been the consolidation of both actions, without any bifurcation.

[8] The determination of whether bifurcation in this matter, as proposed, is more likely than not to lead to the just, most expeditious and least expensive determination of the issues must therefore proceed from the assumption that a second phase of the trial will most likely be necessary. One must consider whether bifurcation will likely result in sufficiently important savings of costs or resources to offset the inherent inefficiencies of a bifurcated trial.

[9] I am prepared to accept that in a bifurcated trial, if Alcon is unsuccessful on infringement, Apotex's defences of non-infringing alternative and of anti-competitive conduct will no longer be relevant and will not have to be litigated at all, resulting in significant savings in terms of discovery and trial time. I agree with Alcon that, based on Justice Locke's decision in *Alcon Canada Inc. v Actavis Pharma Co.*, 2015 FC 1323, the allegations of anti-competitive conduct pleaded can only avail as a defence to Alcon's claims for damages from infringement and cannot avail as a defence against its claims for the equitable remedies of a permanent injunction or an accounting of profits. The fact that Alcon's own damages will no longer be at issue will also result in significant savings.

[10] In the opposite scenario, where Alcon would be successful on infringement, however, I am not satisfied that the savings that might result would be significant enough to outweigh the inherent wastefulness of the bifurcation. Even considering that the section 8 claim could be

significantly reduced or even eliminated by a finding that Apotex's product would have infringed, it remains that calculations of section 8 losses are extrapolated from the profits actually realized by the generic after reception of its NOC, such that the factual basis for that calculation is largely co-extensive with the factual basis for an accounting of Apotex's profits. Assuming that Alcon will be entitled to opt for an accounting of profits, discovery of Apotex's profits prior to election would be expected to occur in any event. Savings from the resolution of the section 8 claim would therefore be marginal, and primarily confined to a reduction of the time spent at trial in proving both Apotex's lost profits and Alcon's damages. These savings might not even be realized at all since at law, a defence of infringement has not been held to constitute a complete bar to a section 8 claim and Apotex could still chose to pursue the quantification of its section 8 claim.

[11] Alcon has led evidence to show that an injunction, if granted at the end of a first trial, would also result in savings, as it would crystallize its claim for damages or profits and avoid the need for updating evidence and calculations of ongoing losses. Alcon's evidence however fails to satisfy me that such savings would be any more than marginal.

[12] In conclusion, given that bifurcation carries with it inherent and significant duplications and delay, the Court should be satisfied that, even if a bifurcated trial might not result in a complete resolution of all issues between the parties, it will at least be more likely than not to result in substantial savings regardless of the outcome of the first trial. In the present case, bifurcation is only likely to lead to appreciable savings of costs or time in the event that Alcon loses in the liability phase. In other words, Alcon's case for bifurcation requires the Court to

conclude that it is more likely than not that Alcon's action will fail. The determination of contested motions for bifurcation should not turn on an assessment of the relative merits of the parties' case or an evaluation of which party is most likely to prevail. In particular, Alcon's case for bifurcation here boils down to an argument that it should be allowed to take a chance on a weak case without having to incur the full costs of meeting Apotex's defences. This is not a compelling or attractive argument. It is made worse by the fact that accommodating Alcon's desire also requires the effective stay of Apotex's section 8 counterclaim.

[13] The case law has recognized a number of additional factors to be considered in determining motions for bifurcation (*Merck & Co. Inc. v Brandford Chemicals Inc.*, 2004 FC 1400). I need not discuss them here as none, in the circumstances, taken individually or cumulatively, outweigh the factors specifically identified and discussed above.

[14] For these reasons, I am not satisfied that the bifurcation proposed achieves the just, most expeditious and least expensive determination of the issues between the parties, and Alcon's motion will be dismissed.

ORDER

THIS COURT ORDERS that:

1. Alcon's motion is dismissed.

2. Costs, fixed in the amount of $3,750.00, shall be in the cause.

"Mireille Tabib"
Prothonotary

FEDERAL COURT

SOLICITORS OF RECORD

DOCKET:	T-574-15
STYLE OF CAUSE:	ALCON CANADA INC., ALCON LABORATORIES, INC., ALCON PHARMACEUTICALS LTD., AND ALCON RESEARCH, LTD. v APOTEX INC.
STYLE OF CAUSE:	APOTEX INC. v ALCON PHARMACEUTICALS LTD., AND ALCON CANADA INC.
PLACE OF HEARING:	TORONTO, ONTARIO
DATE OF HEARING:	JULY 26, 2016
REASONS FOR ORDER AND ORDER:	TABIB P.
DATED:	AUGUST 4, 2016

APPEARANCES:

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Sandon Shogilev	FOR THE DEFENDANT/PLAINTIFF BY COUNTERCLAIM

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