Early Stage Claim Construction: Should it be Implemented in Canada?

November 4, 2016

CENTRE FOR INNOVATION LAW AND POLICY

UNIVERSITY OF TORONTO FACULTY OF LAW

Your Panel

- Moderator: The Hon. Justice George R. Locke
- Panelists:
  - Chief Judge Leonard P. Stark, U.S. District Court, D. Delaware
  - Steven C. Carlson, Kasowitz, Benson, Torres & Friedman
  - R. Scott MacKendrick, Bereskin & Parr

Markman in Canada

- "Without settlement, patent infringement actions in this Court often take many years to be resolved. I believe that this suggested new procedure [a "Markman Proceeding"] might give an opportunity to parties to speed up the litigation in such actions."

  Realsearch Inc. and Dingwell's Machinery & Supply Ltd., [2003] 4 FCR 1012, per Noël J.

The U.S. Experience

- A brief U.S. history of “Claim Construction” or “Markman” hearings
- The procedure
  - how these hearings fit within patent litigation as a whole
- The procedure before Chief Judge Stark

The U.S. Experience

- What works
- What doesn't work
- How does it fit in the context of appeals?
- The experience in the context of Hatch-Waxman proceedings

Realsearch, before Noël J.

- The evidence included:

  "… the affidavit suggests that the chances of settlement would be improved by early construction of the language in claim 1. This is evident from paragraphs 4, 6, 7 and 10 of the affidavit:

  > 4. Without settlement, patent infringement actions in the Federal Court of Canada take many years to be resolved. In many patent cases, an early determination of claim construction issues will facilitate settlement. …
  >
  > 6. A significant barrier to settlement was the fact that the issue of claim construction was unresolved.
  >
  > 7. If, early in the litigation, the claims had been construed, the parties could have better determined the relative merits of their positions. The chances of success for one party or the other would have been better ascertainable and assessed by each. …
  >
  > 10. An early decision on the meaning of key terms in claims will provide parties in patent cases with a better view of their likelihood of success. Consequently, such an early decision on claim construction will promote settlement of patent cases that will otherwise take years to reach trial or settle."

Realsearch, per Noël J.

- Ascertaining chances of success:

  "If, early in the litigation, the claims are construed, the parties can possibly better determine the relative merits of their positions. The chances of success for one party or the other could be better ascertained and assessed by each."

Realsearch, per Noël J.

- Strengthening or weakening of arguments:

  "The argument of infringement could significantly be strengthened, or weakened, depending on the claim construction arrived at by the Court. Likely, the argument of invalidity could be similarly improved or weakened."

Realsearch, per Noël J.

- Justice Noël's Order:

  "THIS COURT ORDERS [under Rule 107(1)] that the motion for the issue of **a separate determination of claim construction to be determined on a pre-trial hearing**, is granted. The file is referred to the Associate Chief Justice of the Federal Court so that it may proceed as a specially managed proceeding and that a case management judge be assigned."

Rule 107(1)

- The “bifurcation” Rule:

  “The Court may, at any time, order the trial of an issue or that issues in a proceeding be determined separately.”

Realsearch, before the Federal Court of Appeal, *per* Stone J.A.

- Rule 107 is more flexible:

  “Rule 107 was adopted in 1998 as part of the general revision of the former rules of the Federal Court of Canada. The rule contemplates bifurcation of an issue or issues for purposes of trial. Prior to this revision, former paragraphs 480(1)(b) and (c) … provided for bifurcation of "any question as to the damages flowing from any infringement of any right" or of "any question as to the profits arising from any infringement of any right". …

  As was stated by Evans J. (as he then was) in *Illva Saronno S.p.A. v. Privilegiata Fabbrica Maraschino "Excelsior"*, 1998 CanLII 9100 (FC), [1999] 1 F.C. 146 (T.D.), at paragraph 12, "**rule 107 gives the Court more flexibility** in the sense that, unlike the former Rule 480, the Court may now order a severance of issues even though the severed issues may not be suitable for determination on a reference because, for example, they raise issues of both fact and law". It is not to say that in both the Federal Court and Exchequer Court no attempt was ever made in patent litigation to sever an issue of law for determination before trial. However, all such attempts have failed.”

Realsearch, before the Federal Court of Appeal, *per* Stone J.A.

- The impact of the “just, most expeditious and least expensive” Rule:

  “Although Evans J. did not focus on the significance of every word in rules 3 and 107, the word "determined" in both rules appears to indicate that rule 107 was designed to assist the Court in achieving the just, expeditious and least expensive determination of the proceeding on the merits rather than to assist the parties to reach an out-of-court settlement of their dispute.

  The intent of **rule 3 is not only to secure the most expeditious and least expensive determination but also, and as importantly, the "just" determination** of the proceedings on its merits. In the case at bar it is not apparent that sufficient attention was given to this factor, or that, assuming a saving of time and expense, whether the appellants would suffer some injustice under the order.”

Realsearch, before the Federal Court of Appeal, *per* Stone J.A.

- A Markman-type order might be available, but evidence drove the granting of the appeal:

  "**It is not to suggest that a Markman-type order would not be available in any circumstances** under the rule which, admittedly, is broadly phrased. Rather, the present case seems to involve a fairly simple and relatively straightforward issue of infringement. As has been noted, the action proceeded without apparent difficulty … In the absence of evidence to the contrary, one might infer that the action would continue to proceed without difficulty … There is **no evidence that severance of the issues of claim construction would save time and expense** in the case at bar."

Realsearch, before the Federal Court of Appeal, *per* Stone J.A.

- First, a debate within the IP bar, then submission for consideration of adoption by this Court:

  "The appellants … say that this [Markman-type orders] will surely produce a novel and fundamental change in current Canadian patent law practice, and that such a change ought not to be made by the courts on an *ad hoc* basis. The point is not without substance. A change of this kind might better be made the subject of some debate within the intellectual property bar, with a view to possibly submitting it for consideration to the Court's rules committee. If such were done, the **procedure would receive careful and thoughtful consideration before being adopted by the Court**."

Rule 213

- Rule 213(1), summary judgment or trial:

  "A party may bring a motion for summary judgment or summary trial on all or some of the issues raised in the pleadings at any time after the defendant has filed a defence but before the time and place for trial have been fixed."

Rule 215(3)

- Rule 215(3), despite genuine issue for trial:

  "If the Court is satisfied that there is a genuine issue of fact or law for trial with respect to a claim or a defence, the Court may

  (a) nevertheless **determine that issue by way of summary trial** and make any order necessary for the conduct of the summary trial;"

Rule 216(1)

- Rule 216(1), summary trial evidence includes expert evidence:

  "The motion record for a summary trial shall contain all of the evidence on which a party seeks to rely, including

  (a) affidavits;

  (b) admissions under rule 256;

  (c) affidavits or statements of an expert witness prepared in accordance with subsection 258(5); and

  (d) any part of the evidence that would be admissible under rules 288 and 289."

Hryniak v. Mauldin, [2014] 1 SCR 87, *per* Karakatsanis J.

"In my view, a trial is not required if a summary judgment motion can achieve a fair and just adjudication, if it provides a process that allows the judge to make the necessary findings of fact, apply the law to those facts, and is a proportionate, more expeditious and less expensive means to achieve a just result than going to trial.

To that end, **I conclude that summary judgment rules must be interpreted broadly, favouring proportionality and fair access to the affordable, timely and just adjudication of claims**.

As the Court of Appeal observed, the inappropriate use of summary judgment motions creates its own costs and delays. However, judges can mitigate such risks by making use of their powers to manage and focus the process and, where possible, remain seized of the proceedings."

Hryniak v. Mauldin, [2014] 1 SCR 87, *per* Karakatsanis J.

"There will be **no genuine issue requiring a trial when the judge is able to reach a fair and just determination on the merits** on a motion for summary judgment. This will be the case when the process (1) allows the judge to make the necessary findings of fact, (2) allows the judge to apply the law to the facts, and (3) is a proportionate, more expeditious and less expensive means to achieve a just result.

These principles are interconnected and all speak to whether summary judgment will provide a fair and just adjudication. When a summary judgment motion allows the judge to find the necessary facts and resolve the dispute, proceeding to trial would generally not be proportionate, timely or cost effective. Similarly, a process that does not give a judge confidence in her conclusions can never be the proportionate way to resolve a dispute. It bears reiterating that the standard for fairness is not whether the procedure is as exhaustive as a trial, but whether it gives the judge confidence that she can find the necessary facts and apply the relevant legal principles so as to resolve the dispute."

Manitoba v. Canada, 2015 FCA 57, *per* Stratas J.A.

"In my view, *Hryniak* does bear upon the summary judgment issues before us, but only in the sense of reminding us of certain principles resident in our Rules. It does not materially change the procedures or standards to be applied in summary judgment motions brought in the Federal Court under Rule 215(1)."

Rule 220

- Rule 220(1)(a), question of law:

  "A party may bring a motion before trial to request that the Court determine

  (a) a question of law that may be relevant to an action;"

- Rule 220(1)(c), special case:

  "(c) questions stated by the parties in the form of a special case before … the trial of the action."

Cascade Corporation v. Kinshofer GmbH, 2016 FC 1117, per Southcott J.

- Construction was determined at an early summary trial (the summary trial itself being held on consent):

  "Liability and quantification issues have been bifurcated by previous order of the Court, and the parties have cooperated to narrow the liability issues and to seek determination of these issues by way of motion for summary trial. The Court has received affidavit evidence and has heard oral testimony in chief and cross-examination by the parties' experts.

  For the reasons that follow, I am dismissing Cascade's action. I find that this dispute is suitable for adjudication by summary trial. I have construed the patent with the benefit of the expert evidence but have reached my own conclusions on the appropriate construction."

Should we begin a Canadian debate?

- Post *Cascade*, should we begin a *Realsearch* debate?

  "A change of this kind might better be made the subject of some debate within the intellectual property bar, with a view to possibly submitting it for consideration to the Court's rules committee."

- Should the answer be early stage construction where helpful, but not necessarily early stage construction in all cases?
- If so, then what procedure for those helpful cases would be optimal?

Thank you!

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