New tool has historic pedigree

Time for class-action lawyers to brush up on ye olde Statute of Monopolies?

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Recent case law suggests there is a possibility that an ancient English statute may create a right to treble damages for those harmed by invalid patents. If so, the implications are significant.

By way of background, in the early 17th century, monarchs had a habit of granting monopolies (or patents) over manufactured goods (and other rights) to their friends in return for cash. The House of Commons rebelled and in 1624 the Statute of Monopolies banned the granting of monopolies and held them to be void. It also created a right of treble damages for those who were "hindered, grieved or disturbed" by any monopoly or letters patent.

Importantly, the act contained an exception for first inventors of "new manufactures," allowing monopolies of such inventions to be given if they were not "mischievous," "generally inconvenient" or contrary to the common law. It is from this exception that English (and Canadian) patent law later grew.

The 1624 statute is found (with modifications and a different title) in the 1897 Ontario consolidated statutes. It remains part of our law today and is commonly called the Statute of Monopolies.

The 1897 act declares void monopolies or letters patent "for the sole[...]selling, making[...]of any thing in Ontario" and provides for treble damages. Like its English predecessor, the 1897 act contains an exception for inventions.

Another section attempts to confirm that an exception also applies to monopolies allowed by an act of Parliament, but the wording here is muddy. However, a monopoly granted pursuant to a valid patent under the Patent Act could not be "mischievous," "generally inconvenient" or contrary to the common law (and for a provincial statute to provide otherwise would raise constitutional issues). It

follows that the 1897 act cannot be used to claim damages for the exercise of valid patent rights. Whether a monopoly exercised pursuant to a patent later held to be invalid can find shelter is less clear.

A drug patent is a time-limited, statutorily-authorized monopoly. In two recent cases -- Apotex Inc. v. Warner-Lambert Co. LLC [2012] F.C.J. No. 1679, and Apotex Inc. v. Schering Corp. [2013] O.J. No. 1013 -- the courts have considered (albeit indirectly) claims by a generic manufacturer that it was harmed by a pharmaceutical company's exercise of a monopoly over a drug when the patent in question was claimed to be invalid. In these cases, the generic maker had sought approval to market the drugs, citing patent invalidity. The pharma companies objected. Under the legislation, as a result of the objection, the generic was automatically kept out of the market for two years.

In Warner-Lambert, the Federal Court of Appeal noted that the Ontario Court of Appeal in 1960 had held a damage claim under the 1897 act relating to an invalid patent was not one "bereft of any possibility of success." The Federal Court in 2012 took the same approach. In Schering, a motion to strike was deferred pending a determination in a related Federal Court case. The substantive law is unclear but the current indication is that such claims will likely survive at the motion to strike stage.

It will seem odd that an 1897 (or a 1624) act could provide greater damages rights when a patent is invalid than does the Patent Act. Some may view the Patent Act as a complete code. But it is also the case that the 1897 act is still on the books in Ontario. Our law does not allow our courts to ignore statutes, however old (at least if they are constitutional). It will not be an easy task to apply 17th-century wording to our very different economy today. Is a patent always a "monopoly" under the 1897 act or can one look at the marketplace to see whether a particular drug in fact had an economic monopoly? Even if the 1897 act can found a treble damages claim, is it necessary to show that the defendant is guilty of some positive misbehaviour, such as improperly procuring the patent or an abuse of process in enforcement steps relating to the patent? Is good faith a defence?

One further point may be made. This issue was first raised by well-financed competitors engaged in high-stakes litigation. But if the 1897 act provides a damages remedy, it provides a remedy to all who have been hindered, grieved or disturbed by an invalid patent. Consumer purchaser class actions claims are a possibility. Ordinary consumers have no way of assessing patent validity but class plaintiff lawyers may start scouring the law reports for cases, such as the recent Viagra decision, where patents have been successfully attacked. Piggyback lawsuits may be launched. If limitation periods are met, these claims may meet the pleadings hurdle at class certification. With treble damages as the prize, an already litigious industry may become even more so.

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