Federal Court  Cour fédérale

Date: 20210208

Docket: T-28-20

Citation: 2021 FC 154

Ottawa, Ontario, February 8, 2021

PRESENT: The Honourable Mr. Justice O'Reilly

BETWEEN:

ASTRAZENECA INC. AND ASTRAZENECA AB

Plaintiffs

and

SANDOZ CANADA INC.

Defendant

ORDER AND REASONS

I. Overview

[1] The plaintiffs, AstraZeneca Canada Inc and AstraZeneca AB (collectively, AstraZeneca), began an action against the defendant, Sandoz Canada Inc, for infringement of its patent for a drug called saxagliptin pursuant to s 6 of the *Patented Medicine (Notice of Compliance) Regulations*. The trial is set to be heard in October 2021.

[2] Over the past several months, the parties have exchanged communications on the subject of settlement. Sandoz alleges that those discussions resulted in an agreement in September 2020 to discontinue the action without costs. It brings this motion to enforce the putative agreement.

[3] I find that the parties did not actually arrive at an agreement. I must, therefore, dismiss this motion.

II. The Discussions Between the Parties

[4] The parties have discussed the terms of a potential settlement at various times, beginning even before the action began. In March 2020, Sandoz suggested a settlement that would involve payment of damages of [redacted] by AstraZeneca to Sandoz pursuant to s 8 of the Regulations. AstraZeneca declined, stating that it did not consider itself liable for any s 8 damages.

[5] Sandoz proposed a similar settlement in April 2020, this time for [redacted] in damages payable by AstraZeneca. A month later, AstraZeneca made a counter-offer. It offered to discontinue its infringement action if Sandoz relinquished any claim for costs or s 8 damages. A series of further discussions between the parties ensued over subsequent months, without success.

[6] The discussions at the core of this motion took place by email between September 8th and 17th, 2020, as follows:

- September 8th – Sandoz presented an offer proposing that both sides relinquish their claims without costs. However, the offer included a range of compensatory payments to

Sandoz by AstraZeneca of between [redacted] depending on the timing of AstraZeneca's acceptance.

- September 12th – AstraZeneca declined Sandoz's offer, but stated it was "willing for both sides to discontinue the litigation on a without costs basis, if you are interested."

- September 14th – Sandoz stated that it "hereby accepts your offer to discontinue the litigation on a without costs basis. Please provide us with a copy of the notice of discontinuance once filed with the Court."

- September 15th – AstraZeneca replied to Sandoz, stating that it was "happy that you are prepared to agree to a discontinuance," but went on to point out that Sandoz would need to withdraw its notice of allegation and waive its s 8 claim.

- September 16th – Sandoz reacted to AstraZeneca's message from the day before by stating that the offer to settle that Sandoz had accepted did not require withdrawal of the notice of allegation or waiver of damages. Sandoz said that it expected "AstraZeneca to abide by the agreement and discontinue the action on a without costs basis with the Court."

- September 17th – AstraZeneca responded with an expression of surprise at Sandoz's position as expressed in its September 16th message. AstraZeneca stated that the "suggestion that AstraZeneca would settle only one aspect of the dispute is completely

inconsistent with our prior interactions." It concluded by saying it would continue with next steps in the litigation.

A. *Did the Parties Reach an Agreement?*

[7] Sandoz submits that the parties arrived at a settlement agreement on September 14th when it accepted AstraZeneca's September 12th offer. It characterizes the agreement as involving a withdrawal by AstraZeneca of its infringement claim, without costs while, by virtue of its silence on the matter, allowing Sandoz to pursue its claim for s 8 damages.

[8] I disagree with Sandoz's position. The parties did not have a meeting of minds on the terms of a potential agreement; no agreement was actually achieved.

[9] The factors relevant to determining whether a settlement agreement was reached are set out in *Apotex Inc v Allergan Inc*, 2016 FCA 155 [*Apotex*]. Of the five factors included there, three are pertinent here:

1. Was there "a mutual intention to create legal relations"?
2. Were the terms of the agreement sufficiently certain?
3. Was there a matching offer and acceptance on the essential terms?

[10] I will address each factor in turn.

(1) Was there "a mutual intention to create legal relations"?

[11] This factor should be addressed from the perspective of a "reasonable bystander" (*Apotex*, above, para 22). In my view, a reasonable bystander would not conclude from the exchange of emails set out above that the parties intended to create legal relations.

[12] Sandoz seizes on AstraZeneca's September 12th communication as a clear expression of an offer to discontinue AstraZeneca's infringement action without costs, an offer that Sandoz purported to accept two days later. A reasonable bystander, viewing the discussions between the parties, would not agree with Sandoz's description.

[13] First, AstraZeneca's message was equivocal – it said it was willing for both sides to discontinue the litigation. In my view, a reasonable bystander would read this as an expression of readiness to settle, not an actual offer to settle. The other offers put forward by the parties assigned each of them an obligation in mandatory language – i.e., "Sandoz shall . . ." and "AstraZeneca shall . . ." The September 12th message was less emphatic.

[14] Second, AstraZeneca said it was "willing for both sides to discontinue the litigation on a without costs basis, if you are interested." In my view, a reasonable bystander, reading the message as a whole, would interpret AstraZeneca's communication as an inquiry about whether Sandoz was interested in a settlement of the litigation. If Sandoz had responded with an expression of interest, a discussion of the precise language of the settlement would likely have followed.

[15] Third, AstraZeneca said it was willing for both sides to discontinue the litigation. In my view, in the context of the issues between the parties and their prior communications on the subject, a reasonable bystander would interpret AstraZeneca's message as referring to a discontinuance of both the infringement action and Sandoz's claim for s 8 damages. Sandoz's previous offers had included sums representing s 8 damages or equivalent forms of compensation in lieu of s 8 damages. In addition, in responding to AstraZeneca's earlier motion for a declaration that the action would not be rendered moot by the expiry of the patent, I concluded that even if the action was moot the issues should be determined anyway. If not addressed within the ongoing action, the issues could nevertheless arise in a subsequent s 8 claim (2020 FC 635). It was clear to me then that s 8 was in play between the parties even though no formal claim had yet been filed.

[16] In this context, the reference to "both sides" alludes to the remedies sought by each party, not just AstraZeneca's quest for a declaration of infringement. This interpretation is reinforced by the use of the term "litigation." AstraZeneca did not suggest a discontinuance of its "action." It alluded to a cessation of the litigation as a whole, being both AstraZeneca's infringement action and Sandoz's demand for damages.

[17] AstraZeneca suggests that its September 12th communication should be regarded not as an offer but as an "invitation to treat," a mere expression of willingness to enter into a contract. I believe this is a fair characterization, one that would be accepted by a reasonable bystander. In any case, he or she would not be persuaded that the parties displayed a mutual intention to create legal relations.

(2) Were the terms of the agreement sufficiently certain?

[18] Sandoz argues that the terms of the agreement were sufficiently clear. In AstraZeneca's September 12th message, the term "litigation" referenced AstraZeneca's infringement action – no s 8 action had yet been commenced. Similarly, the word "discontinuance" referred to the infringement alone since there was no other litigation alive at that point. The reference to "both sides" simply acknowledged that the parties had to agree. AstraZeneca made no reference to s 8 proceedings or the withdrawal of the notice of allegation, although it had done so in previous offers to settle. According to Sandoz, AstraZeneca tried to add those terms after the parties had already agreed to a settlement that did not include them.

[19] I disagree with Sandoz's submissions. In my view, an objective observer would not conclude that the terms of the alleged agreement were clear, or that the parties had a common understanding of them.

[20] As mentioned above, I believe an objective bystander would interpret AstraZeneca's use of the words "both sides to discontinue the litigation" as a suggestion that both parties walk away from their positions without costs. Sandoz's contention that AstraZeneca was proposing to abandon its infringement claim without any expectation that Sandoz would forego its pursuit of damages is not objectively sustainable or commercially explicable.

[21] I note that Sandoz responded to AstraZeneca's September 12th email by saying that it "hereby accepts your offer to discontinue the litigation on a without costs basis." It refers to

"your offer to discontinue" suggesting that it read AstraZeneca's email as a spontaneous unilateral capitulation, ignoring use of the words "both sides." AstraZeneca responded by making explicit what it believed was required on Sandoz's part.

[22] I read these exchanges as evidence that the parties were not on the same page. Sandoz purported to accept an offer that had not actually been proposed. AstraZeneca then particularized what it had actually suggested, which was not acceptable to Sandoz. The parties were not of one mind about what the terms of the alleged agreement were.

[23] The circumstances are comparable to those considered by Justice Robert Barnes in *Allergan Inc v Sandoz Canada Inc*, 2020 FC 1047. The case involved an allegation by Allergan of infringement by Sandoz and a defence and counterclaim by Sandoz based on invalidity. During the trial, Sandoz sent an email to Allergan containing a message Justice Barnes described as "cryptic":

> Sandoz hereby offers to withdraw the counterclaim on a without costs basis. Kindly advise if you consent, and we will prepare a discontinuance. (p 5)

[24] Allergan consented. However, Sandoz maintained that its invalidity defence remained active and expressed its intention to present evidence on that issue. Allergan sought to enforce what it thought was a settlement of the invalidity issue. Sandoz maintained that it intended only to withdraw its counterclaim while preserving its defence of invalidity. Justice Barnes found that there was no agreement:

> [W]hen viewed in the broader context of all of the communications and conduct of the parties through their counsel leading up to that email exchange . . ., the objective observer would not conclude that

> there was a meeting of the minds as to the essential character or scope of the purported agreement. (p 9-10)

[25] More particularly, Justice Barnes found that an objective observer would not conclude that Sandoz's offer "included the abandonment of its long-asserted obviousness case" (p 10). Recently, the Federal Court of Appeal dismissed Allergan's request for leave to appeal Justice Barnes's ruling (January 14, 2021, 20-A-38).

[26] Similarly, an objective observer would not conclude that AstraZeneca had abandoned its infringement claim without a reciprocal concession from Sandoz regarding s 8 damages.

(3) Was there a matching offer and acceptance on the essential terms?

[27] Sandoz maintains that AstraZeneca made an offer to discontinue its infringement action without costs and that Sandoz accepted that offer. This, says Sandoz, created a valid settlement agreement.

[28] Again, I disagree.

[29] It follows from the discussion above that Sandoz purported to accept an offer that was not actually on the table. This is apparent from the language of its supposed acceptance – no reference to both sides discontinuing their legal pursuits – and from AstraZeneca's response expressing its expectation that Sandoz would withdraw its notice of allegation and waive its claim to s 8 damages. However, AstraZeneca was "happy" that Sandoz was "prepared to agree to a discontinuance."

[30] The evidence, objectively speaking, does not show an alignment between the parties of offer and acceptance. As I read them, the September communications between the parties did not advance in any meaningful way their efforts to achieve a settlement, beyond displaying an imprecise mutual desire to do so.

[31] Looking at the relevant factors in play and the entire context of the communications between the parties, I find that there was no valid settlement agreement between the parties.

III. Conclusion and Disposition

[32] Sandoz has not established that the parties arrived at a settlement agreement. Therefore, I must dismiss this motion to enforce the alleged agreement, with costs to AstraZeneca.

ORDER AND REASONS IN T-28-20

THIS COURT ORDERS that

1. The motion is dismissed with costs to AstraZeneca.
2. AstraZeneca may make submissions on costs within 20 days of the issuance of this Order; Sandoz may reply within 10 days thereafter.

"James W. O'Reilly"
Judge

FEDERAL COURT

SOLICITORS OF RECORD

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