Federal Court  Cour fédérale

Date: 20180216

Docket: T-941-13

Citation: 2018 FC 186

[ENGLISH TRANSLATION]

Ottawa, Ontario, February 16, 2018

PRESENT: The Honourable Mr. Justice LeBlanc

BETWEEN:

LAINCO INC.

Plaintiff

and

COMMISSION SCOLAIRE DES BOIS-FRANCS

and

PLURITEC LTÉE

and

LEMAY CÔTÉ ARCHITECTES INC.

and

CONSTRUCTIONS GAGNÉ ET FILS INC.

Defendant

ORDER AND REASONS FOR COSTS AND DISBURSEMENTS

I. Introduction

[1] On September 12, 2017, I partially allowed the plaintiff's action at the end of a trial that was held from October 17 to 28, 2016 (*Lainco Inc. v Commission scolaire des Bois-Francs*, 2017 FC 825 [the Judgment]).

[2] In doing so:

a) I acknowledged the plaintiff's valid copyright under the terms of the *Copyright Act*, RSC 1985, c. C-42 [the Act], for the works entitled [TRANSLATION] "Plans for the structure of the Artopex sports complex" and "Structure of the Artopex sports complex" [the Lainco Design], which are subject to Certificates of Registration of Copyright issued by the Canadian Intellectual Property Office and bearing numbers 1,103,943 and 1,103,944, respectively;

b) I found that the plaintiff's copyright for those works had been infringed by the defendant with respect to the design and construction of an indoor sports complex in Victoriaville, Quebec; and

c) I ordered the defendant to pay the plaintiff, jointly and severally, the amount of $722,996, with interest, in damages for loss of profits.

[3] However, I reserved my judgment on the question of costs, leaving the parties 30 days following the Judgment to submit written submissions to me on that question, particularly the appropriateness of granting an overall lump sum in light of the costs, and in doing so, to depart from Tariff B of the *Federal Courts Rules*, SOR/98-106 [the Rules]. As is shown by

paragraph 306 of the Judgment, the trial had to attempt to settle the question of costs in its entirety, that is, regarding both fees and disbursements.

[4] Since the parties were not able to find common ground after having been invited to do so as part of the process begun by the terms of the Judgment in order to decide on the question of costs, here is my order on this question.

II. The position of the parties

[5] The plaintiff claims an overall lump sum of $450,000 in costs and disbursements. The costs portion would total $244,702.50 and the disbursements would total $206,857.53. What is claimed as costs represents 35% of the amount actually disbursed by the plaintiff in legal fees until the signing of an offer to settle by the defendants on July 22, 2016, and the other amount of legal fees incurred by it prior to the offer from July 22, 2016. In total, those portions are $117,274.50 and $127,428, respectively.

[6] As for the amount claimed in disbursements ($206,857.53), it includes an amount of nearly $130,000 in costs incurred by the plaintiff for the services of two experts (an architect and a certified accountant), who testified on its behalf at the trial.

[7] The plaintiff recalls that the Rules grant the Court full discretion to determine the amount and the apportionment of costs, including that of awarding costs in the form of an overall lump sum instead of ordering that it be set in accordance with Tariff B of the Rules. According to it, this is a power that the Court increasingly exercises, particularly in intellectual property disputes,

which are often complex. The goal of this is to grant an appropriate contribution regarding solicitor-client costs, a contribution that the Tariff does not allow in many cases.

[8] Based on a non-exhaustive list of factors that the Court is able to consider when exercising its discretion, it finds that awarding an overall lump sum is warranted in the circumstances of this matter. According to it, it is more particularly the case considering:

a) the final result, since the Judgment agreed with it in all of the issues and sub-issues, except for one, that of punitive damages;

b) the complexity of the issues, including some regarding new law or regarding those for which there is very little case law, and considerable work proved to be necessary in this context to present the facts, expert opinions and law in a concise and effective manner;

c) the inherent complexity of intellectual property disputes, which now and increasingly serve to justify awarding increased costs;

d) the dilatory and unfounded efforts from some defendants in the initial stages of the case, which would have had the effect of delaying the trail were it not for the filing of motions to strike, accompanied by the additional costs that this entailed for it; and

e) the decision by the defendants, despite their common interest in the outcome of the dispute, to present three separate defences instead of one for all, even though they were based on the same legal principles, placing particular emphasis on facts or points of law, which compelled it, once again, to incur additional fees.

[9] As for the amount claimed ($450,000), the plaintiff argues that it represents a more than reasonable compromise between what was actually disbursed in legal fees ($517,110) and the amount to which it would be entitled in accordance with the Tariff ($73,325), an amount that, according to it, represents barely 15% of the legal fees that it incurred.

[10] Lastly, the plaintiff finds that it is entitled to a duplication of its costs as of July 23, 2016, the date that followed the offers to settle that it presented to each of the defendants and that it maintained until the trial started. In that regard, it said that it was satisfied with the conditions for applying Rule 420, since said offers were clear and unequivocal, would have brought an end to the dispute, were timely, proposed something of a compromise and ultimately proved to be more advantageous for the defendants than the Judgment to which they are now the debtors.

[11] The defendants, Commission scolaire des Bois-Francs and Constructions Gagné [CSBF and CG], which are represented by the same counsel, maintain that the plaintiff only demonstrated that recourse to Tariff B would not allow for adequate compensation of the legal fees that it incurred in this case. They also find that they should not be required to pay unreasonable costs, especially in light of the fact that this dispute raises questions that still have not been determined by the Court.

[12] CSBF and CG also maintain that in the resolution of the costs issue, the Court should consider the fact in the findings of its action, the plaintiff sought declaratory-style orders regarding two other plans and structures (the Anthony Carola sports complex and the Air Inuit hangar), findings that were abandoned during the trial on the ground that the references to those other plans and structures only sought to contribute to showing the history of the plans and

structures of the infringing complex (the Artopex complex). They submit that this needlessly caused them to incur additional costs.

[13] Alternatively, CSBF and CG argue that if the Court had to order the payment of an overall lump sum, in the circumstances of this case, that did not have to exceed 25% of the legal fees that the plaintiff actually incurred.

[14] In additional written submissions that were filed on November 24, 2017, CSBF and CG increased this percentage to 30%. However, they oppose applying Rule 420, finding that the plaintiff cannot both claim the payment of an overall lump sum in place of costs and ask for another set of said costs for the period prior to presenting its offer to settle, since the aim of the overall lump sum is to award an appropriate contribution regarding all the legal fees that were actually incurred by the party that was given judgment. In other words, to them the awarding of an overall lump sum appears to exclude recourse to Rule 420, at least in the circumstances of this matter.

[15] In their additional written submissions, CSBF and CG also challenge some of the disbursements claims by the plaintiff, particularly those associated with the fees for the accounting expert who testified on their behalf, Martin Fafard of the Mareval firm. In that regard, they require that this disbursement, which totalled $107,013.50 and is more than double that of the architecture expert who testified on the plaintiff's behalf, be reduced to $25,000 regarding fees and to $5,096 for administrative fees.

[16] In total, CSBF and CG ask the Court to set the overall lump sum, if that is the method that it chooses, at a uniform rate of 30% of the total legal fees incurred by the plaintiff. That represents an amount of $155,133. As for disbursements, they invite the Court to reduce them to $175,755.89, instead of the $206,827.53 claimed by the plaintiff. Lastly, that represents an overall lump sum of $330,888.09 in costs and disbursements, instead of the $450,000 claimed by the plaintiff.

[17] Through their respective counsels, the defendants Pluritec and Lemay Côté Architectes indicated to the Court that they would rely on the submissions of CBSF and CG.

III. Analysis

A. *Costs*

[18] As emphasized by the parties, Rule 400(1) gives the Court full discretionary power over the amount and allocation of costs and the determination of by whom they are to be paid. Under Rule 407, unless the Court orders otherwise, the costs are assessed in accordance with column III of the table to Tariff B. By the terms of Rule 400(4), the Court may also decide to fix a lump sum in light of costs and in doing so, depart from Tariff B.

[19] The powers of the Court in this matter were summarized in the following manner by Rothstein J., as he then was, in *Consorzio del Prosciutto di Parma v Maple Leaf Meats Inc. (CA)*, 2002 FCA 417:

> [8] An award of party-and-party costs is not an exercise in exact science. It is only an estimate of the amount the Court considers appropriate as a contribution towards the successful

> party's solicitor-client costs (or, in unusual circumstances, the unsuccessful party's solicitor-and-client costs). Under rule 407, where the parties do not seek increased costs, costs will be assessed in accordance with column III of the table to Tariff B. Even where increased costs are sought, the Court, in its discretion, may find that costs according to column III provide appropriate party-and-party compensation.
>
> [9] However, the objective is to award an appropriate contribution towards solicitor-client costs, not rigid adherence to column III of the table to Tariff B which is, itself, arbitrary. Subsection 400(1) makes it clear that the first principle in the adjudication of costs is that the Court has "full discretionary power" as to the amount of costs. In exercising its discretion, the Court may fix the costs by reference to Tariff B or may depart from it. Column III of Tariff B is a default provision. It is only when the Court does not make a specific order otherwise that costs will be assessed in accordance with column III of Tariff B.
>
> [10] The Court, therefore, does have discretion to depart from the Tariff, especially where it considers an award of costs according to the Tariff to be unsatisfactory. Further, the amount of solicitor-and-client costs, while not determinative of an appropriate party-and-party contribution, may be taken into account when the Court considers it appropriate to do so. Discretion should be prudently exercised. However, it must be borne in mind that the award of costs is a matter of judgment as to what is appropriate and not an accounting exercise.

[20] As this same Court noted recently in *Philip Morris Products S.A. v Marlboro Canada Limited*, 2015 FCA 9 at paras 4–5, for some years, particularly in intellectual property matters, there has been "a judicial trend to grant costs on a lump sum basis whenever possible", calculated based on a percentage of legal fees paid by the party entitled to costs. However, the goal is not to compensate all the costs incurred, which is moreover not what the plaintiff is claiming, but to ensure a compensation that is closer than what Tariff B allows without imposing, as the Tariff seeks to do, an undue burden on the party ordered to pay costs (*Philip*

Morris Products S.A. v Marlboro Canada Limited, 2011 FC 1113 at para 31; *Apotex Inc. v Wellcome Foundation Ltd.* (1998), 84 CPR (3d) 303).

[21] In order to determine the reasonableness of a cost award, the Court can consider the non-exhaustive list of factors found in Rule 400(3), such as the result of the proceeding, the importance and complexity of the issues, the amount of work, the conduct of a party or any other matter that the Court considers relevant.

[22] I find that there is no need in this case to depart, as much as possible, from this legal trend of awarding a lump sum instead of costs, calculated on the basis of a percentage of legal fees paid by the party that was given judgment. I made that finding for the following reasons:

a) in its essential aspects, the Judgment is in favour of the plaintiff;

b) the importance and complexity of the issues, including the presence of certain new questions of law, was acknowledged by the defendants and is not in doubt;

c) I have no difficulty in accepting that the workload required to argue the plaintiff's rights was considerable in the circumstances;

d) we are dealing with an issue of intellectual property and sophisticated commercial parties (at least for four of the five parties in this dispute), two factors that underlie the legal trend of favouring the awarding, as the plaintiff claims, of an overall lump sum in place of costs; and

e) I am satisfied that in this case, awarding costs based on the Tariff would not be satisfactory, since in my view, it would not allow for an appropriate compensation

> of the legal fees that were actually incurred by the plaintiff—no one argued that they were exorbitant (the difference between them), even after generously applying the Tariff, which was significant.

[23] It is now a matter of determining the percentage of the legal fees that were actually incurred by the plaintiff that would allow for an appropriate compensation in the circumstances. As I have already mentioned, the plaintiff maintains that 35% would be appropriate. In their additional written submissions, the defendants claim that this percentage must not exceed 30%. According to the Court's case law, an overall lump sum typically fluctuates around 30% of the legal fees incurred by the party entitled to costs. The maximum awarded was 50%.

[24] In my view, it is the conduct of the parties that becomes relevant. The plaintiff reproached some of the defendants, who sought to blame one another, for making dilatory and unfounded efforts, which without intervention would have uselessly burdened and prolonged the litigation. I would not sanction those efforts, since they were done in a timely manner (at the beginning) and they sought to broaden the debate so as to allow, as those defendants doubtlessly hoped, for a complete solution to the litigation instituted by the plaintiff by obtaining a final judgment that, if needed, would separate their respective responsibilities.

[25] As I mentioned in paragraph 245 of the Judgment, that question, which encountered the limits of this Court's authority, remains intact. Insofar as the plaintiff's action relied on the Act and therefore on a range of federal legal rules that govern both the alleged responsibility of the defendants and the awarding of damages, I would not say that those preliminary efforts were trivial or vexatious, even though they failed in the end. I would not be more rigorous with the

defendants for filing separate defences. In addition, the sought-after findings were not completely the same from one defendant to the other—what comes to mind in particular is the claim for punitive damages, just like how the infringement allegations were not consistent. *Inter alia*, I think of those directed against Lemay et Côté and Constructions Gagné. In my view, that warranted each defendant filing its own defence.

[26] Moreover, I share the perspective of the defendants regarding the abandonment, once the trial had begun, of the findings from the statement of claim identifying the Anthony Carola complex and the Air Inuit. If the reference to those two projects had the sole purpose, as the plaintiff cited during the trial, of showing the history of the Lainco Design, there was no need to seek declaratory-style findings for them. Maintaining those findings until the trial was well underway obligated the defendants to prepare themselves for a broader debate than what it actually proved to be. I have no difficulty in accepting that this situation caused needless additional costs for the defendants.

[27] I must also consider two other factors when establishing the appropriate percentage to be used when calculating the overall lump sum in place of costs in this case. First, I must consider the success of the CSBF and Pluritec, even if it is modest, for the question of punitive damages. Second, when the parties agreed on the filing of joint books of authorities, the plaintiff sent the defendants two additional books of authorities containing a total of 22 tabs the day before the trial's oral arguments. I allowed the plaintiff to serve those additional authorities, despite the objections of the defendants to this late filing. Out of concern for procedural fairness, however, I gave the defendants the chance to file additional written submissions on those authorities. I indicated to the parties that I would take this late filing into account when awarding costs.

[28] In light of the foregoing, and recalling, without diminishing the significance of this case, that many intellectual property trials exceed the two weeks that this case spanned, I find that a percentage of 30% is appropriate in the circumstances for the purposes of calculating the overall lump sum payable to the plaintiff.

[29] At this time, does this percentage need to be doubled as of July 22, 2016, the date when the plaintiff submitted its offers to settle to each of the defendants? My answer is no.

[30] Rule 420(1) entitles the plaintiff, who made an offer to settle to the defendant that meets the requirements of Rule 420(3), to double the party-and-party costs to which it is entitled when it obtains a judgment as favourable or more favourable than the terms of the offer to settle. That doubling is calculated based on the meaning of the offer. Based on the wording of Rule 420(1), however, the Court can decide differently. That will be the case here for two reasons.

[31] On the one hand, the offer to settle submitted by the plaintiff required the defendants to acknowledge the copyright of the Lainco Design. The offer to settle was therefore not strictly monetary in nature. It identified one of the main issues in this case, that of knowing whether that design is even protected by the Act. This is one of the questions for which, if it does not involve new legislation, there is very little case law. Just like the Judgment, that question is presently being appealed. With respect to this crucial point of the plaintiff's offer, there were no elements of compromise, as case law requires (*Venngo Inc. v Concierge Connection Inc*., 2017 FCA 96 at para 87). In fact, there could not have been any, unless that component were withdrawn. Therefore, I hesitate in these circumstances to in any way penalize the defendants for not accepting that offer. They found that this debate had to be made, particularly that the offer was

made to them less than three months before the start of the trial. I would not be more rigorous with them in the circumstances.

[32] Additionally, as the defendants highlight, the payment of an overall lump sum already serves to provide appropriate compensation for legal fees that were actually incurred by the party that was given judgment—compensation that is not allowed by the Tariff in many cases. Already generous when compared to what could have been obtained under the Tariff, is this compensation's artificial inflation appropriate in a case that the parties did not hesitate to describe as a white paper? My answer is no. The situation may have been different if this case had been divided and once the question of responsibility was settled by a definitive judgment, the offer would have dealt with the amount of damages. However, this is not the scenario before us at this time.

[33] Therefore, I will apply a uniform rate of 30% to the total legal fees incurred by the plaintiff ($517,110) for the purposes of calculating the overall lump sum that the defendants, jointly and severally, will need to pay to the plaintiff. That represents an amount of $155,133.

B. *Disbursements*

[34] The defendants are challenging three of the amounts claimed by the plaintiff for disbursements, which total $206,827.53. One of them ($975.64) involves a certain number of items for which the plaintiff was reportedly not able to provide supporting documentation. After reviewing the file, that amount will be subtracted from the total claimed by the plaintiff.

[35] The other two involve the bill of costs for the accounting expert, Mr. Fafard, who testified on behalf of the plaintiff. Those costs totalled $107,013.50. As I have already indicated, the defendants first find the fee portion of that bill to be exorbitant and would like to see it reduced by $25,000 on the basis that it is more than double the bill of costs for the architecture expert whose services were retained by the plaintiff. I hesitate to reduce the bill of costs for the accounting expert on such a basis. It would have been more useful to compare these fees to those of the accounting expert hired by the defendants to reply to Mr. Fafard. However, I do not have that information before me. Comparing the bill of costs of two experts from different disciplines, and with different levels of experience and fields of activity, seems hazardous to me, and I will not do so.

[36] Second, the defendants challenge the 5% rate applied to Mr. Fafard's bill of costs to account for administrative fees. That charge represents a total amount of $5,096. They find that this amount does not represent the administrative fees that were actually incurred and as a result, they do not have to assume them. It is true that this billing method does not allow us to accurately know the types and amounts of administrative expenses that were actually incurred. However, with no risk of self-deception, we can assume that even if we do not know the details,

such expenses were incurred and that the plaintiff assumed the cost. In the circumstances and with concern for fairness to the plaintiff and the defendants, I will order the repayment of this disbursement, but in the amount of $2,550 instead of $5,096 as claimed.

[37] The amount of disbursements payable by the defendants is therefore set at $203,305.89.

[38] The plaintiff is therefore entitled to the payment of a lump sum for costs and disbursements totalling $358,438.89, which consists of $155,133 in fees and $203,305.89 in disbursements, including the expert fees. Interest, which is calculated in accordance with section 37 of the *Federal Courts Act*, RSC 1985, c. F-7, will be payable as of September 12, 2017.

ORDER in T-941-13

THE COURT ORDERS the defendants to pay the plaintiff, jointly and severally, the overall lump sum of $358,438.89 as repayment for its costs and disbursements, with interest, calculated in accordance with section 37 of the *Federal Courts Act*, payable as of September 12, 2017.

"René LeBlanc"

LeBlanc J.

FEDERAL COURT

SOLICITORS OF RECORD

DOCKET:	T-941-13
STYLE OF CAUSE:	LAINCO INC. v COMMISSION SCOLAIRE DES BOIS-FRANCS and PLURITEC LTÉE and LEMAY CÔTÉ ARCHITECTES INC. and CONSTRUCTIONS GAGNÉ ET FILS INC.

SUBMISSIONS ON COSTS CONSIDERED AT OTTAWA IN COMPLIANCE WITH THIS COURT'S JUDGMENT IN 2017 FC 825

ORDER AND REASONS FOR COSTS AND DISBURSEMENTS:	LEBLANC J.
DATED:	FEBRUARY 16, 2018

WRITTEN SUBMISSIONS BY:

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