Cour fédérale Federal Court

Date: 20190606

Docket: T-1612-16

Citation: 2019 FC 788

Ottawa, Ontario, June 6, 2019

PRESENT: The Honourable Mr. Justice Southcott

BETWEEN:

AUX SABLE LIQUID PRODUCTS LP,
AUX SABLE LIQUID PRODUCTS INC.
AND AUX SABLE CANADA LTD.

Plaintiffs

and

JL ENERGY TRANSPORTATION INC.

Defendant

<u>JUDGMENT AND REASONS ON COSTS</u>

[1] This decision on costs follows my Judgment and Reasons dated May 6, 2019, found at 2019 FC 581, following a 12 day trial in this matter, which addressed the merits of the action but reserved on the issue of costs. The parties were afforded a brief opportunity to attempt to agree

on costs or to file written submissions in support of their respective positions. The parties did not reach agreement, and each has now filed written materials in support of its position on costs.

[2] The Plaintiffs, Aux Sable Liquid Products LP, Aux Sable Liquid Products Inc., and Aux Sable Canada Ltd. [together, Aux Sable], brought this action to invalidate a patent identified as Canadian Patent No. 2,205,670 [the 670 Patent], related to the transportation of natural gas by pipeline, held by the Defendant, JL Energy Transportation Inc. [JL Energy]. The 670 Patent sets out 10 claims. My decision on the merits was that claims 1-8 are valid and that claims 9-10 are invalid. The resulting Judgment declared that claims 9-10 are invalid and void as contemplated by s 60(1) of the *Patent Act*, RSC 1985 c P-4 [the Act]. The Plaintiffs' action was otherwise dismissed.

[3] Each of the parties takes the position that it was the successful party in the action and requests that it be awarded costs. Each also advances arguments in connection with other factors under Rule 400(3) which it submits support the costs disposition it seeks.

[4] For the reasons explained in more detail below, my conclusion is that, because of the parties' divided success at trial, no costs should be awarded.

[5] Rules 400(3) sets out various factors that the Court may consider in exercising its Rule 400(1) discretionary power over the amount and allocation of costs and the determination of by whom they are to be paid. The first such factor is the result of the proceeding. The parties do not dispute the general rule that the successful party is entitled to its costs (see, e.g. *Sanofi-Aventis*

Canada Inc. v. Novopharm Limited, 2009 FC 1139 at para 8 [*Sanofi-Aventis*]). They also agree that success should not be measured in terms of how many issues were argued and won or lost but rather based on the overall finding of the Court (see *Sanofi-Aventis*) and the practical ultimate result of the proceeding and its effect on the parties (see *Eurocopter v Bell Helicopter Textron Canada Ltée*, 2012 FC 842 at para 24). However, they disagree on the application of these principles to this action.

[6] Aux Sable contends that these principles favour it and establish that it succeeded in the action. It notes that it commenced this action to invalidate the claims of the 670 Patent in response to an action brought by JL Energy for, among other things, patent infringement in the Court of Queen's Bench of Alberta [the Alberta Action]. Because claims 9-10 of the 670 Patent were invalidated in the present action, Aux Sable submits that such result has a practical and realizable benefit for it, as it can move to strike JL Energy's assertion of infringement of claims 9-10 in the Alberta Action. Aux Sable argues that claims 9-10 asserted a broader monopoly than do claims 1-8 and that any practical benefit to JL Energy of the survival of claims 1-8 remains to be seen.

[7] In contrast, JL Energy submits that, because of the dismissal of Aux Sable's allegations of invalidity in relation to claims 1-8 of the 670 Patent, JL Energy is the successful party. It argues that the practical result of the present action is that the 670 Patent is valid and will continue to be the foundation of the infringement claim in the Alberta Action. JL Energy notes that such claim does not allege the infringement of any specific claim within the 670 Patent.

[8] I agree that the Alberta Action does not identify which particular claim or claims of the 670 Patent form the basis for the infringement allegation. The Court has been provided with a copy of JL Energy's Statement of Claim in the Alberta Action, and I understand that Aux Sable has not yet filed a Defence. In my view, it is not possible for this Court to determine the practical effect that the divided success in the Federal Court action will have on the parties' respective positions and prospects for success in the Alberta Action. However, it is clear that success, as measured by the outcome in the Federal Court action, was divided. While not a mandatory result, it is a common outcome in cases of divided success for the Court to award costs to neither party (see *Mylan Pharmaceuticals ULC v. Bristol-Myers Squibb Canada Co.*, 2013 FCA 231 at para 6).

[9] Each of the parties asserts arguments intended to establish that it succeeded on more of the overall dispute, or in relation to more of the work associated with the overall dispute, than did the other. Aux Sable submits that, while it succeeded in invalidating only 2 of the 10 claims, there were broadly two claim sets in issue (claims 1-8 and claim 9-10) and it succeeded with respect to one set but not the other. It also submits that, even in relation to claims 1-8, where it was not successful, it succeeded in relation to most of the elements of the test applicable to the obviousness allegation it was asserting. Further, Aux Sable notes that the Court accepted its submission that the "reasonably diligent search" test is no longer applicable to an obviousness assessment under s 28.3 of the Act, which it argues represents a precedent setting decision that advances the state of the law.

[10] JL Energy argues that, while the s 28.3 analysis in relation to the "reasonably diligent search" test was an important issue for the Court's consideration and for cases that follow, it did not affect the overall finding of the Court, because the finding was that, even considering the broader set of prior art resulting from the s 28.3 analysis, Aux Sable did not establish obviousness. It also submits that the obviousness allegation was particularly complex and that the work related to claims 1-8 (which included the obviousness allegation) exceeded that related to claims 9-10. In support of that position, JL Energy makes detailed submissions on the extent to which the efforts of Aux Sable's experts related to claims 1-8 versus claims 9-10.

[11] None of these submissions changes the ultimate conclusion that the parties' success was divided and, in my view, roughly equally so. There were two sets of claims (i.e. two independent claims, each of which was followed by one or more dependant claims). There were more invalidity issues advanced and requiring analysis in relation to claims 9-10 than in relation to claims 1-8, but the issues varied as to degree of complexity and the volume of fact and expert evidence necessary to address them, with the obviousness allegation being perhaps the most complex. Aux Sable's arguments did prevail in relation to most of the elements of the obviousness test, but ultimately it was unsuccessful in that allegation. I do not find the parties' submissions in relation to the portion of the overall dispute on which each was successful, or the amount of work associated therewith, to warrant departure from the common outcome in cases of divided success.

[12] Each of the parties also makes submissions to the effect that the other advanced issues, positions, evidence, or intended evidence that were ultimately withdrawn before or during trial,

or failed to admits fact that should have been admitted, therefore requiring unnecessary work. In my view, there is some merit to these submissions by each of the parties. However, particularly given that this factor applies to some extent to each party, I am not persuaded that the weight to be afforded to it warrants a result other than that, because of the roughly equally divided success at trial, no costs should be awarded.

JUDGMENT ON COSTS IN T-1612-16

THIS COURT'S JUDGMENT is that no costs are awarded to any party.

"Richard F. Southcott"

Judge

FEDERAL COURT

SOLICITORS OF RECORD

DOCKET:	T-1612-16
STYLE OF CAUSE:	AUX SABLE LIQUID PRODUCTS LP, AUX SABLE LIQUID PRODUCTS INC. AND AUX SABLE CANADA LTD.V JL ENERGY TRANSPORTATION INC.

CONSIDERED AT OTTAWA, ONTARIO PURSUANT TO RULE 369 OF THE *FEDERAL COURTS RULES*

JUDGMENT AND REASONS ON COSTS	SOUTHCOTT, J.
DATED:	JUNE 6, 2019

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