Federal Court  Cour fédérale

Date: 20191114

Docket: T-548-18

Citation: 2019 FC 1434

Ottawa, Ontario, November 14, 2019

PRESENT: The Honourable Mr. Justice Southcott

BETWEEN:

LOBLAWS INC.

Plaintiff

and

COLUMBIA INSURANCE COMPANY, THE PAMPERED CHEF, LTD., AND PAMPERED CHEF – CANADA CORP.

Defendants

SUPPLEMENTARY JUDGMENT AND REASONS

I. Overview

[1] This Supplementary Judgment and Reasons addresses costs of the within action by the Plaintiff, Loblaws Inc. [Loblaw], against the Defendants, Columbia Insurance Company, The Pampered Chef, Ltd., and Pampered Chef – Canada Corp. [together, Pampered Chef], which asserted various causes of action under the *Trade-marks Act*, RSC 1985, c T-13 [the Act] and claimed remedies related thereto. Pampered Chef counterclaimed, seeking to have certain

trademarks that were the subject of Loblaw's action declared invalid and struck from the Register, on the basis that they were not distinctive of Loblaw. In broad terms, this litigation resulted from both parties using trademarks including the letters "PC", standing for both "Pampered Chef" and Loblaw's brand "President's Choice".

[2] On July 22, 2019, I released both confidential and public versions of my decision (see *Loblaws Inc v Columbia Insurance Company*, 2019 FC 961, for the Public Judgment and Reasons), dismissing both Loblaw's claims and Pampered Chef's counterclaim. As agreed by the parties, I reserved my decision on costs to give the parties an opportunity to reach agreement, in lieu of which each party was afforded an opportunity to make written submission on how costs should be addressed. Despite efforts to pursue agreement, supported by a number of extensions of time, none was reached. The parties therefore filed their written submissions, which I have considered in arriving at this costs decision.

[3] For the Reasons explained below, I am awarding Pampered Chef costs in the lump sum amount of $500,000.00, plus $203,487.11 in disbursements, for a total of $703,487.11.

II. **Positions of the Parties**

[4] Pampered Chef urges the Court to award costs on a lump sum basis in the amount of $997,028.91, consisting of the sum of: (a) $793,541.80, representing 40% of its total legal fees incurred in this matter; plus (b) disbursements of $203, 487.11. It has confidentially filed affidavit evidence, attaching copies of its counsel's invoices. Pampered Chef's $793,541.80

figure appears to be based (approximately) on 40% of total fees of $1,983,854.50, as tabulated at the last exhibit to that affidavit.

[5] Pampered Chef has also filed a Draft Bill of Costs, calculating the costs (exclusive of disbursements) that would be available applying either the middle of Column III or the top of Column IV of Tariff B of the *Federal Courts Rules*, SOR/98-106 [the Rules]. These calculations are, respectively, $188,649.39 and $406,230.00. In support of its position that these figures calculated under the Tariff would be inadequate, Pampered Chef explains that the figures represent, respectively, only 9.5% and 20.5% of its actual incurred fees.

[6] Loblaw does not object to the Court awarding costs on a lump sum basis for efficiency, as opposed to basing the costs award on Tariff B. However, it resists Pampered Chef's position that such an award should be based on an escalated scale.

[7] Loblaw takes the position the Court should award costs in the total amount of $358,300.17, representing the sum of (a) 12% of $1,757,110.50 in fees; plus (b) $147, 446.91 in disbursements. It develops the 12% figure by proposing (a) 15% of fees is more consistent with case law; and (b) such 15% should be further reduced by 3% (being 20% of 15%) to take into account Pampered Chef's unsuccessful counterclaim. It also asserts that the 12% figure is closer to the Tariff amount. Loblaw calculates the $1,757,110.50 figure for Pampered Chef's legal fees by taking Pampered Chef's total fees of $1,983,854.50 (exclusive of disbursements) and subtracting fees for one of its three senior counsel, who was involved only shortly before and during trial, and for two associates, who did not appear at trial or at the discovery examinations.

It arrives at its proposed figure of $147,446.91 for disbursements through certain reductions that it argues should be applied to the fees of Pampered Chef's experts.

III. **Analysis**

A. Suitability of a Lump Sum Costs Award

[8] As previously noted, Loblaw does not object to a lump sum costs award, rather than an award based on the Tariff. Loblaw refers the Court to *Nova Chemicals Corporation v The Dow Chemical Company*, 2017 FCA 25 [*Nova Chemicals FCA*] at paragraph 21, in which the Federal Court of Appeal upheld the decision of the trial judge to award a lump sum to avoid the parties incurring additional costs and time associated with a costs assessment. The Court referred to the practice of awarding lump sum costs, as a percentage of actual costs reasonably incurred, as well established in the jurisprudence, particularly when dealing with sophisticated parties (*ibid* at para 16). The Federal Court of Appeal has recently cited these passages from *Nova Chemicals FCA* with approval in *Sports Maska Inc v Bauer Hockey Ltd*, 2019 FCA 204 [*Sports Maska*] at paragraph 50.

[9] Applying this reasoning, I am satisfied this is an appropriate case for a lump sum award, based on a percentage of Pampered Chef's fees. I must therefore determine both the appropriate percentage and whether there should be any reductions from the actual fees before applying that percentage.

B. Determination of an Appropriate Percentage

[10] With respect to the appropriate percentage, Pampered Chef relies on the 25% to 50% range described in *Sports Maska*. It cites several examples falling within this range (30% in *Apotex Inc v Shire LLC*, 2018 FC 1106; 30% in *Nova Chemicals Corporation v The Dow Chemical Company*, 2016 FC 91, aff'd *Nova Chemicals FCA*; 33% in *H-D USA, LLC v Berrada*, 2015 FC 189 [*H-D USA*]; 25% in *Eli Lilly v Apotex Inc*, 2011 FC 1143; 33% in *Philip Morris Products SA v Marlboro Canada Ltd*, 2015 FCA 9 [*Philip Morris FCA*]; and 50% in *Air Canada v Toronto Port Authority*, 2010 FC 1335 [*Air Canada*]). Pampered Chef proposes 40% as a figure squarely within this range.

[11] In response, Loblaw argues that courts award lump sum costs in the 25% to 50% range to reflect something out of the ordinary. It submits that, in the absence of such circumstances, courts tend to award lump sum costs in intellectual property cases in the 10% to 20% range. Loblaw cites: 10% in *Bodum USA Inc v Trudeau Corp* (1989) Inc, 2013 FC 128 [Bodum]; 20% in *Dimplex North America Ltd v CFM Corp*, 2006 FC 140; and 12.5% in *ABB Technology AG v Hyundai Heavy Industries Co*, 2013 FC 1050. Loblaw therefore proposes a 15% figure as the middle of the 10% to 20% range, which it further reduces to 12% based on Pampered Chef's unsuccessful counterclaim.

[12] Loblaw relies in particular on the statement by the Federal Court in *Bodum* at paragraph 9 that the trademark case it was addressing could not be compared with some pharmaceutical cases in its complexity, duration, or number of witnesses. Loblaw therefore argues that authorities

upon which Pampered Chef relies are distinguishable. Referring to *Nova Chemicals FCA*, Loblaw notes the trial judge characterized the case as an extremely complex patent proceeding involving 33 days of discovery, 32 days of trial, written closing submissions exceeding 700 pages, and fees of $9.6 million incurred by the successful party (at paras 2-3). In contrast, Loblaw describes the present case as involving 6 days of discovery, 7 days of trial, and written closing submissions of 70 pages per party.

[13] In distinguishing *H-D USA*, Loblaw notes the Court held at paragraph 21 that an award of substantial costs was warranted because the action lasted for more than seven years and involved three rejected offers to settle. Loblaw contrasts those circumstances with the present case, which lasted only one year and involved no offer to settle.

[14] In support of its position that lump sum awards in the 25% to 50% range have reflected something out of the ordinary or exceptional circumstances, Loblaw cites *Nova Chemicals FCA* at paragraph 17 and *H-D USA* at paragraphs 26-27. I do not find those references to support Loblaw's assertions. Rather, in *Nova Chemicals FCA* at paragraph 17, the Federal Court of Appeal found a review of the case law indicated increased costs in the form of lump sum awards tend to range between 25% and 50% of actual fees, although there may be cases where a higher or lower percentage is warranted. In *H-D USA* at paragraphs 26-27, the Federal Court acknowledged case law pointing to the imposition of fee awards totalling around one-third of incurred legal fees and held awards of 50% of legal fees are granted in exceptional circumstances. While this conclusion suggests that the top of the 25% to 50% range is reserved for exceptional circumstances, it does not suggest that the range itself applies only in such cases.

[15] Having considered the authorities cited by both parties, I find the statement by the Federal Court of Appeal at paragraphs 16 to 17 of *Nova Chemicals FCA*, largely repeated at paragraph 50 of *Sports Maska*, to aptly summarize the jurisprudence. That is, as noted above, the practice of awarding lump sum costs as a percentage of actual costs reasonably incurred is well established, particularly when dealing with sophisticated commercial parties, and such costs awards tend to range between 25% and 50% of actual legal fees, although there may be cases where a higher or lower percentage is warranted.

[16] I also note that awards in the 25% and 50% range are not exclusive to pharmaceutical patent litigation. For instance, Justice Hughes' award of 50% of actual costs in *Air Canada* involved applications for judicial review of certain decisions taken by the Toronto Port Authority in respect of operations at a commercial airport. Similarly, in *Philip Morris FCA*, the Federal Court of Appeal upheld Justice de Montigny's 33% award in a trademark dispute.

[17] Consistent with the jurisprudence, it is appropriate for me to consider the potential application of the factors suggested by Rule 400(3) in selecting an appropriate percentage for my costs award. Pampered Chef emphasizes the following points in particular.

(1) Result of the Proceeding, Amounts Claimed, and Amounts Recovered

[18] Pampered Chef notes that Loblaw asserted five causes of action under the Act and sought remedies including injunctive relief; damages or an accounting of profits; destruction of

products; and punitive, exemplary, and aggravated damages. Loblaw ultimately withdrew its claim for punitive, exemplary, and aggravated damages, although not until trial was underway.

[19] Pampered Chef correctly asserts that it was successful on all counts in defending Loblaw's action. However, it was not successful in asserting its counterclaim challenging the validity of Loblaw's PC word mark. It argues that its unsuccessful counterclaim should have no impact on the costs award as the counterclaim, like the defence, was based on co-existing PC acronym marks and products, and it concerned the same evidence as relied upon in the defence. As such, Pampered Chef submits that relatively little time was spent on the counterclaim. It submits the Court acknowledged its counterclaim to be, in effect, an alternative argument.

[20] This latter point refers to the Court's acknowledgement that Pampered Chef's counsel confirmed at trial that, if Loblaw did not succeed in the causes of action it was asserting, the Court need not address Pampered Chef's challenge to the validity of Loblaw's word mark. However, Pampered Chef did not take this position until closing argument at trial.

[21] Relying on *Philip Morris Products SA v Marlboro Canada Limited*, 2011 FC 1113 [*Philip Morris*] at paragraphs 13 to 14, aff'd *Philip Morris FCA*, Pampered Chef submits that failure to succeed on all claims or a counterclaim is typically immaterial to a costs award. I do not read this authority as supporting that argument. In *Philip Morris*, Justice de Montigny rejected the argument that the Plaintiff's failure on some issues represented a basis to deprive it of its costs. However, Justice de Montigny noted at paragraph 16 that a successful party may be entitled to less costs where it has been unsuccessful on one or several key issues.

[22] Pampered Chef's allegation that the PC word mark is not distinctive of Loblaw was based principally on a design mark registered by a company called Ventura Foods in 1971, more than a decade before the registration by Loblaw of its mark. The evidence surrounding Ventura consumed material time and effort, including being one of the main topics of the evidence of Pampered Chef's witness, Mr. Stephan, and the sole topic of the evidence of Loblaw's witness, Mr. Blizzard.

[23] I found the evidence surrounding the Ventura mark to have little impact upon the distinctiveness of the PC word mark. While this evidence was relevant to both the counterclaim and the main claim (relating to acquired distinctiveness of Loblaw's mark, for purposes of the confusion analysis), the evidence surrounding the Ventura mark and products had little impact on either analysis. While Pampered Chef's overall success in this matter is a factor operating in its favour, I consider its failure on the counterclaim to be a factor to be taken into account as well.

(2) Importance of the Case

[24] Pampered Chef argues that successfully defending the claim was critically important to it, as Loblaw sought to prevent it from using two of its most important marks that were central to its rebranding. I agree with this characterization and note, based on the evidence at trial, that the marks upon which Loblaw's claims were based are clearly very important to it as well. This case was important to both parties.

(3) Sophistication of the Parties

[25] While this is not a factor expressly set out in Rule 400(3), I have previously noted that it is a factor favouring a lump sum costs award consistent with the applicable jurisprudence.

(4) Complexity of the Issues / Conduct of a Party

[26] Pampered Chef submits this action required significant effort expended in bringing the matter to trial in what it characterizes as "record time." The proceeding spanned sixteen months from start to finish and, as submitted by Pampered Chef, involved 3600 documents produced by Loblaw, two to three rounds of discovery conducted by each party, several pre-trial motions, and a requirement for Pampered Chef to respond to two expert reports prepared for Loblaw. The trial spanned seven days.

[27] Pampered Chef also refers to certain conduct by Loblaw as exacerbating the effort and cost required to respond to its claims. Loblaw maintained all its claims until the commencement of trial, abandoning certain of those claims and reliance on one of its marks only at trial. The claim for punitive damages was not abandoned until closing argument. On the other hand, Loblaw correctly asserts that, as I recognized in my trial decision, the parties approached the introduction of evidence at trial very cooperatively, through agreed statement of facts, introduction of much of the documentary evidence by agreement, and some witnesses' evidence in chief being introduced through affidavits.

[28] My assessment is that, while Pampered Chef was required to respond to a range of causes of action and related arguments, some of which were abandoned at trial, the overall conduct of this matter represents an example of cooperation between the parties. While the issues in this matter did involve some level of complexity, I agree with Loblaw's position that they do not rise to the complexity seen in some of the jurisprudence where awards at higher levels within the 25% to 50% range were appropriate.

(5) Other Relevant Matters

[29] As a further matter it considers relevant, Pampered Chef notes its calculation of the costs (exclusive of disbursements) that would be available applying either the middle of Column III or the top of Column IV of Tariff B of the Rules. These calculations are, respectively, $188,649.39 and $406,230.00, representing 9.5% and 20.5% of its actual legal fees. Pampered Chef argues these figures would be an inadequate reflection of the actual costs of this litigation.

[30] I have also taken into account Loblaw's point that, unlike some of the authorities on which Pampered Chef relies, there is no indication in this matter of offers to settle that would militate in favour of a costs award higher in the applicable range.

(6) Conclusion on the Appropriate Percentage

[31] Considering all the above, including the unsuccessful counterclaim, I find the circumstances of this matter support a lump sum costs award in the 25% to 50% range advocated

by Pampered Chef, but at the bottom of that range. My award will be based on approximately 25% of actual legal fees reasonably incurred. I therefore turn next to the question raised by the parties' submissions as to whether all Pampered Chef's actual fees are reasonable.

C. Reasonableness of Legal Fees

[32] Loblaw argues that Pampered Chef's legal fees are excessive. First, it takes the position that the fees charged by one of its senior counsel should be removed from the calculation. Loblaw notes that this counsel became involved in this matter only immediately before trial. The fees applicable to his time total $122,765.50. Second, Loblaw argues the fees of two associates who did not appear at trial or at the discoveries should also be removed. These associates' fees total $103, 978.50.

[33] As authority in support of its position on this issue, Loblaw refers to *Johnson & Johnson Inc v Boston Scientific Ltd*, 2008 FC 817 [*Johnson & Johnson*] at paragraph 14, in which Justice Layden-Stevenson allowed costs for only one senior counsel and two junior counsel at trial. I do not find that precedent to be particularly instructive as to whether Pampered Chef's actual fees were reasonably incurred in the present matter. I note that *Johnson & Johnson* concerned instructions to an assessment officer as to how to conduct an assessment under Tariff B, as opposed to consideration of the reasonableness of fees in calculating a lump sum award. More significantly, the question for the Court is whether the combination of Pampered Chef's counsel and their seniority profile are reasonable for this particular matter.

[34] Pampered Chef argues its additional senior counsel was present for only the first three days of trial. It contrasts this limited presence with Loblaw's legal team at trial, submitting that Loblaw had four counsel present, including two senior counsel, throughout the trial. Pampered Chef also submits Loblaw had additional counsel attending some of the discoveries, noting the total number of additional counsel assisting Loblaw throughout the proceeding is unknown. Pampered Chef notes the discrete role of individual counsel in conducting specific examinations and cross-examinations and submits, given the compressed timing and commercial importance of this proceeding, its decisions with respect to number and quality of counsel were reasonable (see *Apotex Inc v Egis Pharmaceuticals* (1991), 37 CPR (3d) 335 at 337 (Ont Ct J (Gen Div)).

[35] I find no basis for a conclusion that Pampered Chef's decisions in this regard were unreasonable. As it notes, the Court has little visibility on the overall legal effort employed by Loblaw, or the resulting cost, with which to make a comparison. I also find compelling the point that this matter was brought to trial (by both parties) efficiently and expeditiously, making me less inclined to engage in a microscopic analysis of how Pampered Chef chose to employ legal resources to achieve its end of that objective.

[36] Applying the 25% figure to the entirety of Pampered Chef's actual fees of $1,983,854.50 results in a calculation of $495,963.63. Rounding slightly, I therefore select a lump sum costs award of $500,000.00, before considering disbursements.

D. Disbursements

[37] Pampered Chef claims disbursements of $203,487.11, significant components of which relate to fees charged by its experts.

[38] Loblaw seek to reduce the fees of $65,660.95 charged by Pampered Chef's expert witness Dr. Ruth Corbin, to $36,710.95. It raises two arguments. First, Loblaw submits that 40% of the hours billed (amounting to fees of $19,740.00) were worked by a colleague of Dr. Corbin's, who was not a witness or involved in the trial. Loblaw notes that the Court has disallowed costs for experts who did not appear as witnesses but assisted in other capacities (see *Janssen-Ortho Inc v Novopharm Ltd*, 2006 FC 1333 [*Janssen-Ortho*] at para 25). Second, Loblaw notes that $9210.00 of Dr. Corbin's fees was incurred before issuance of the report of Loblaw's expert Dr. Chakrapani, to which Dr. Corbin was responding.

[39] Pampered Chef responds that it was reasonable for it to retain Dr. Corbin at the outset of this proceeding, before receipt of Dr. Chakrapani's report. It relies on *Eli Lilly Canada Inc v Teva Canada Ltd*, 2013 FC 621 at paragraph 4, where Justice Barnes held it was prudent for the successful litigant to have retained expert witnesses in advance of having received its opponent's evidence in that PM(NOC) proceeding, as some anticipatory work with experts is to be anticipated under the tight timeframes that apply to such proceedings. Pampered Chef submits this same logic applies in the present matter, where the parties managed this proceeding to tight timeframes. I find this logic compelling.

[40] With respect to the fees of Dr. Corbin's partner, Pampered Chef submits these fees were reasonably incurred in connection with the analysis of Dr. Chakrapani's data. Dr. Corbin's retention, and the preparation of her report and evidence, relate to responding to Dr. Chakrapani's evidence. I do not find unreasonable the fact that some of the work to support her role was performed by her partner. The statement in *Janssen-Ortho* upon which Loblaw relies is that the fees of experts who do not appear as witnesses, but assist in other capacities, are to be borne by the party who retains them. It is not clear to me from the decision that this statement is intended to apply to the fees of those who are in practice with the expert witness and who assist with that witness's role.

[41] Next, Loblaw seeks to reduce the fees charged by Pampered Chef's expert, Dr. Derek Hassay, by 50% to $11,900.98. It argues that a significant portion of Dr. Hassay's report was devoted to responding to the evidence of Loblaw's expert Prof. Wong, which in turn was primarily a response to Pampered Chef's counterclaim. For the same reasons, Loblaw argues that disbursements totalling $15,445.72 for "investigations and trial testimony" should be entirely removed, details of these fees not having been provided. Loblaw submits, to the extent these fees for Dr. Hassay relate to the testimony of Pampered Chef's factual witness, Mr. Stephen, they represent a response to evidence adduced by Pampered Chef in support of its unsuccessful counterclaim.

[42] Pampered Chef takes the position that Dr. Hassay's fees were reasonable and necessary, having been incurred to respond to both Dr. Chakrapani and Prof. Wong and to provide evidence surrounding the relevant channels of trade. I agree with this characterization of Dr. Hassay's

role. In my trial decision, I took into account Dr. Hassay's evidence on the direct sales channel, including how it differs from mass merchandising and differences as to how websites are used. I also noted my understanding that the evidence of Prof. Wong was introduced by Loblaw principally in support of its s 22 claim, in order to establish goodwill associated with the PC Marks. Given that the s 22 claim failed, for reasons unrelated to the requirement to establish goodwill, it was unnecessary for me to consider the opinions of Prof. Wong. To the extent that Dr. Hassay's evidence was tendered in response to the conclusions in Prof. Wong's report, I do not regard that evidence as primarily related to the counterclaim.

[43] I therefore find no basis to reduce the disbursements associated with the work of either of Pampered Chef's experts.

IV. **Conclusion**

[44] My Judgment below awards costs in favour of the Defendants in this proceeding in the total amount of $703,487.11, composed of the $500,000.00 lump sum derived above, plus disbursements of $203,487.11.

SUPPLEMENTARY JUDGMENT IN T-548-18

THIS COURT'S JUDGMENT is that the Plaintiff shall pay the Defendants costs of this proceeding in the all-inclusive amount of $703,487.11.

"Richard F. Southcott"
Judge

FEDERAL COURT

SOLICITORS OF RECORD

DOCKET:	T-548-18
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DATED:	NOVEMBER 14, 2019

APPEARANCES:

Andrew Bernstein Emily Sherkey Stefan Case Michelle Nelles	FOR THE PLAINTIFF
Mark Evans Mark Biernacki Steven Garland Graham Hood	FOR THE DEFENDANTS

SOLICITORS OF RECORD:

Torys LLP Barristers & Solicitors Toronto, Ontario	FOR THE PLAINTIFF
Smart & Biggar Barristers & Solicitors Toronto, Ontario	FOR THE DEFENDANTS