Federal Court  Cour fédérale

Date: 20210303

Docket: T-1069-14

Citation: 2021 FC 198

Ottawa, Ontario, March 3, 2021

PRESENT: Mr. Justice Fothergill

BETWEEN:

JASON SWIST AND
CRUDE SOLUTIONS LTD.

Plaintiffs/
Defendants by Counterclaim

and

MEG ENERGY CORP.

Defendant/
Plaintiff by Counterclaim

ORDER AND REASONS
(COSTS)

I. Overview

[1] This order concerns the costs and disbursements payable to MEG Energy Corp [MEG] by Jason Swist and Crude Solutions Ltd [collectively Swist] as a result of this Court's judgment in *Swist v MEG Energy Corp*, 2021 FC 10 [*Swist*].

[2] This Court held in *Swist* that Canadian Patent 2,800,746 [746 Patent], titled "Pressure Assisted Oil Recovery", is not infringed by MEG and is invalid on the grounds of anticipation and inutility. Swist's claim of infringement was dismissed, and MEG's counterclaim respecting invalidity was granted.

[3] For the reasons that follow, MEG's costs are assessed in accordance with the high end of Column V of Tariff B, for a total of $521,932.93 inclusive of all fees and disbursements.

II. Positions of the Parties

A. *MEG*

[4] MEG requests a lump sum award in the amount of $1,980,542.75, calculated as follows:

(a) $1,500,647.48 in legal fees, representing 40% recovery of MEG's actual fees;

(b) $106,802.32 in taxable disbursements, representing 100% recovery;

(c) $1,942.44 in non-taxable disbursements;

(c) $368,550.51 in expert fees, representing 100% recovery of the fees of Dr. Boone ($113,432.76), Dr. Gates ($138,495.00) and Dr. Carey ($92,047.50); and

(d) $2,500 for preparing its costs submissions.

[5] MEG submits that a lump sum award equivalent to 40% of its actual fees is appropriate in light of the following: MEG's success with respect to both infringement and invalidity; the complexity of the matter; the significance of the issues and the magnitude of MEG's potential exposure; and MEG's attempts to settle the action.

[6] According to MEG, where the nature of the case is such that the parties are justified in expending a significant amount of legal fees, Tariff B of the *Federal Courts Rules*, SOR/98-106 [Rules] does not provide a level of indemnification sufficient to further the purposes of costs awards (citing *Bauer Hockey Ltd v Sport Maska Inc (CCM Hockey)*, 2020 FC 862 at paras 10-11).

[7] MEG says that impecuniosity is irrelevant to the assessment of costs. As the Federal Court of Appeal held in *Leuthold v Canadian Broadcasting Corp*, 2014 FCA 174 at paragraph 12:

> It is true that an impecunious claimant with a meritorious claim should not be prevented from bringing his or her claim by an order for security for costs, or advance costs: see *British Columbia (Minister of Forests) v. Okanagan Indian Band*, 2003 SCC 71,

> [2003] 3 S.C.R. 371 (S.C.C.), at paragraph 36 and following. However, once a matter has proceeded to trial and judgment has been rendered, a party's impecuniosity is not a relevant factor in the assessment of costs. The person entitled to costs has had to incur the costs of proceeding to trial and has the right to be compensated within the limits prescribed by the Rules of Court. Issues of enforceability are distinct from issues of entitlement.

[8] MEG is not seeking costs incurred with respect to its late disclosure of data relating to computer modelling that it performed in-house (see *Swist* at para 124). Nor is MEG seeking to recover the expert fees it incurred with respect to a summary judgment motion that was ultimately withdrawn.

[9] If costs are to be determined pursuant to Tariff B, MEG asks that they be assessed at the upper end of Column V. MEG says that this produces a total award of $640,483.33, calculated as follows:

(a) trial attendance fees for two senior counsel (MEG notes the Plaintiffs were represented by two senior counsel and two junior counsel on most days of the trial);

(b) reasonable fees for two counsel for all pre-trial procedures;

(c) reasonable fees for the preparation of pleadings;

(d) reasonable fees for the preparation of written submissions on costs and MEG's draft Bill of Costs; and

(e) all taxable and non-taxable disbursements, and expert fees.

[10] MEG argues that the discrepancy between the legal fees recoverable under the highest column of Tariff B ($157,090.50) and MEG's fees actually incurred ($3,751,618.70) reinforces the rationale for a lump sum award. MEG says it would be unjust for a wholly successful party to recover only 4% of its legal fees, and asserts that recent jurisprudence has recognized 25% of actual fees as the starting point (citing *Seedlings Life Science Ventures, LLC v Pfizer Canada ULC*, 2020 FC 505 at paras 22-26).

B. *Swist*

[11] Swist argues that MEG's fees should be assessed in accordance with Column III of Tariff B, plus reasonable and necessary disbursements, and has submitted a draft Bill of Costs. Swist says that the Tariff is the default mechanism and usual benchmark for allowable costs in this Court.

[12] According to Swist, this case pitted an impecunious inventor against a multi-billion dollar oil sands operator. While the dispute related to intellectual property, the case was not particularly complex, and was not between sophisticated and well-funded commercial litigants. There is therefore no reason to depart from the Tariff.

[13] Swist therefore takes the position that MEG's indemnification for legal fees should be limited to $95,450.00, comprising $4,500.00 for pleadings, $15,050.00 for motions, $16,800.00 for discoveries, $1,650.00 for pre-trial procedures, and $57,450 for the trial itself.

[14] Swist maintains that MEG's conduct increased the costs of both parties, and any award granted to MEG should be discounted accordingly. Swist says that the following aspects of MEG's conduct unnecessarily prolonged and complicated the proceedings:

(a) maintaining allegations of invalidity, including allegations akin to fraud under s 53 of the *Patent Act*, throughout the evidentiary phase of trial before unilaterally withdrawing them in closing submissions;

(b) retaining duplicative experts, forcing the Plaintiffs to respond to and cross-examine MEG's expert witnesses on what was in some instances identical evidence (particularly in relation to Dr. Carey and Dr. Gates);

(c) failing to comply with its document production obligations, including failing to comply with a court order that it produce specific documents until the eighth day of the evidentiary phase of trial, when approximately 1,500 additional data files were produced, requiring a two-month adjournment and interruption of the trial; and

(d) pursuing unmeritorious motions that prolonged the proceedings by at least three years, including an unsuccessful motion for security for costs and a motion for summary judgment that was ultimately withdrawn.

[15] Swist denies that MEG ever made the Plaintiffs an offer to settle that was certain or capable of acceptance, let alone any written offer within the scope of Rules 400(3)(e) or 420. These Rules require that an offer be clear, unequivocal, and open for acceptance until the commencement of trial.

[16] In the alternative, Swist does not oppose MEG's proposal to fix costs with reference to the high end of Column V of Tariff B, for a total of $640,483.44. However, Swist says this amount should be adjusted as follows:

(a) deduction of $119,865.75 for the disbursements claimed in respect of Dr. Carey's expert evidence (the less expensive of the expert reports that Swist says were duplicative);

(b) reduction by 25% to reflect MEG's unilateral withdrawal of allegations akin to fraud under s 53 of the *Patent Act* in closing argument; and

(c) reduction by a further 10% to reflect MEG's conduct throughout.

[17] According to Swist, this produces a total award of $338,401.50.

III. Analysis

[18] The awarding of costs, including quantum, is a matter falling within the Court's discretion (Rule 400(1); *Canada (AG) v Rapiscan Systems Inc,* 2015 FCA 97 at para 10). In determining an award of costs, the Court is guided by the considerations found in Rule 400(3).

[19] A lump sum award is specifically contemplated in Rule 400(4), and may serve to promote the objective of the Rules of securing "the just, most expeditious and least expensive determination" of proceedings (Rule 3; *Nova Chemicals Corporation v Dow Chemical Company*, 2017 FCA 25 [*Nova*] at para 11).

[20] A lump sum award may be particularly appropriate in complex matters where a precise calculation of costs would be unnecessarily complicated and burdensome. Nevertheless, the burden is on the party seeking increased costs to demonstrate why its particular circumstances warrant an increased award (*Nova* at paras 12-13).

[21] In *Betser-Zilevitch v Petrochina Canada Ltd*, 2021 FC 151 [*Betser-Zilevitch*], Justice Michael Manson refused the successful defendant's request for a lump sum award, and ordered that costs be assessed in accordance with the mid-range of Column III of Tariff B. There are notable similarities between this case and *Betser-Zilevitch*:

(a) the case involved a patent dispute between an inventor and a major petrochemical company operating in the Alberta oil sands;

(b) the patent concerned modularized steam-assisted gravity drainage [SAGD] well pads for bitumen recovery (the patent at issue in this case concerned a modification of SAGD);

(c) the defendant's approach to the litigation was said to have needlessly complicated and increased the costs of litigation; and

(d) the defendant argued that it was justified in expending a significant amount on legal fees, and that an award limited by the Tariff would amount to only a small percentage of the actual costs of the litigation.

[22] An important consideration in this case is that the Plaintiffs are not sophisticated commercial entities comparable to the parties in *Nova*. An award of costs should not function to make patent litigation inaccessible to the individual inventor (see *Betser-Zilevitch* at para 7; *Air Canada v Thibodeau*, 2007 FCA 115 at para 21).

[23] While MEG was wholly successful, its argument respecting obviousness was rejected by the Court, in part because of the unsatisfactory testimony of its experts (*Swist* at paras 209-210). There are other aspects of the Defendant's conduct that also militate against a lump sum costs award, including:

(a) the motion for summary judgment that was ultimately withdrawn;

(b) the motion for security for costs that was rejected by the Federal Court of Appeal;

(c) the late disclosure of data that this Court had previously ordered be produced, resulting in a two-month interruption of the trial; and

(d) the argument akin to fraud under s 53 of the *Patent Act* that was abandoned only in closing submissions.

[24] I agree with Swist that MEG did not make a settlement offer in accordance with the Rules that might serve to increase its entitlement to costs.

[25] Considering all of the above, MEG's costs shall be determined in accordance with the high end of Column V of Tariff B. The parties agree that this amounts to an award of $640,483.44, inclusive of all fees and disbursements.

[26] While Swist asks that this amount be adjusted to reflect aspects of MEG's conduct, I have already taken these into account in rejecting MEG's request for a lump sum award. With one exception, I do not consider it appropriate to reduce MEG's costs award further.

[27] That exception pertains to the fees claimed by MEG in respect of its three expert witnesses. The total fees for these witnesses, whose expert testimony often overlapped, amounts to $368,550.51. However, as Justice Manson observed in *Betser-Zilevitch* at para 21:

> The expert fees engaged in the underlying litigation warrant greater scrutiny. Expert fees should not always be automatically compensable. While a party is free to engage any expert it desires, this Court should be concerned with the mounting and often extravagant expert fees charged by these witnesses (*Janssen-Ortho*

> *Inc v Novopharm Ltd*, 2006 FC 1333 at para 43). Mr. Brindle's expert fees alone were more than double the combined total of the Plaintiff's expert fees. These circumstances warrant that Mr. Brindle's fees be capped at $104,440.00 (which is two-thirds the billed amount).

[28] The Plaintiffs were able to advance their claim and defend against the Defendant's counterclaim with just two expert witnesses. Not only did the Defendant rely on the evidence of three expert witnesses, but there was clear duplication in the expert reports and testimony of Dr. Gates and Dr. Carey. Some of their testimony was not particularly helpful to the Court (see *Swist* at paras 52-56). I therefore exercise my discretion to cap MEG's recoverable fees for expert testimony at $250,000.00.

ORDER

THIS COURT ORDERS that the costs payable to the Defendant MEG Energy Corp by the Plaintiffs Jason Swist and Crude Solutions Ltd are hereby assessed in accordance with the high end of Column V of Tariff B, for a total of $521,932.93, inclusive of all fees and disbursements.

"Simon Fothergill"
Judge

FEDERAL COURT

SOLICITORS OF RECORD

DOCKET:	T-1069-14
STYLE OF CAUSE:	JASON SWIST AND CRUDE SOLUTIONS LTD. V MEG ENERGY CORP.

SUBMISSIONS ON COSTS CONSIDERED AT OTTAWA, ONTARIO PURSUANT TO THIS COURT'S JUDGMENT IN 2021 FC 10.

ORDER AND REASONS:	FOTHERGILL J.
DATED:	MARCH 3, 2021

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