Federal Court  Cour fédérale

Date: 20210312

Docket: T-408-20

Citation: 2021 FC 224

Ottawa, Ontario, March 12, 2021

PRESENT: The Honourable Mr. Justice Southcott

BETWEEN:

HIDDEN BENCH VINEYARDS & WINERY INC.

Applicant

and

LOCUST LANE ESTATE WINERY CORP.

Respondent

SUPPLEMENTARY JUDGMENT AND REASONS

I. Overview

[1] This decision addresses costs resulting from the trial of the trademark dispute between the parties to this matter. On February 17, 2021, I released my Judgment and Reasons in *Hidden Bench Vineyards & Winery Inc v Locust Lane Estate Winery Corp*, 2021 FC 156, finding in favour of the Respondent and dismissing the Applicant's application. The Applicant had sought relief for alleged passing off by the Respondent under ss 7(b) and (c) of the *Trademarks Act*,

RSC 1985, c T-13, related to the use of the words LOCUST LANE as a trademark in association with the sale of alcoholic beverages and the delivery of winery and vineyard services.

[2] My Judgment afforded each of the parties an opportunity to provide written submissions on costs. This decision is based on those submissions and the accompanying material.

[3] As explained in more detail below, I am awarding the Respondent costs based on Column IV of Tariff B of the *Federal Courts Rules*, SOR/98-106 [the Rules], quantified as a lump sum all-inclusive amount of $27,442.05.

II. **Background**

A. *Respondent's Position on Costs*

[4] The Respondent asks the Court to fix a lump sum award of costs, without need for an assessment, calculated as 25% of the Respondent's actual legal fees, plus its disbursements. The Respondent has submitted evidence quantifying its fees as $209,255.00, plus 13% HST of $27,203.15, and its disbursements as $1,718.68 plus HST (on those disbursements that are taxable) of $223.43, for a total of $238,400.26. The Respondent claims 25% of the fees and applicable HST (i.e. 25% of $236,458.15 = $59,114.54) plus its disbursements and applicable HST (i.e. $1,942.11) for a total lump sum claim of $61,056.65, as well as post-judgment interest.

[5] In the alternative, the Respondent seeks a lump sum award based on the upper end of Column IV of Tariff B and applicable disbursements. The Respondent has submitted a Bill of

Costs, calculating its costs claim on that basis in the amount of $27,442.05, plus post-judgment interest.

B. *Applicant's Position on Costs*

[6] In response to the Respondent's costs claim, the Applicant takes the position that the Respondent's legal fees are excessive. The Applicant has filed evidence that its own legal fees amounted to $111,407.50, HST of $14,482.98, disbursements of $3,687.13, and HST on taxable disbursements of $479.33, for a total of $130,056.94. The Applicant contrasts this figure with the Respondent's figure of $238,400.26.

[7] The Applicant argues that, in any case, this is not a case where a lump sum award of costs is warranted. It has prepared a Bill of Costs, employing the middle of Column III of Tariff B, which generates a figure of $14,807.16 in fees, disbursements and taxes, and requests that the Court fix the Respondent's costs in that amount.

III. **Issue**

[8] The sole issue to be decided by the Court is the selection of an appropriate costs award in favour of the Respondent in this matter.

IV. **Analysis**

A. *Suitability of a Lump Sum Award*

[9] While the Applicant takes the position that this proceeding is not appropriate for an award of lump sum costs, I do not understand it to be arguing that the Court should direct an assessment of costs instead of imposing a lump sum amount. Indeed, the Applicant has proposed a lump sum figure of $14,807.16. Rather, the Applicant takes issue with calculating costs as a percentage of the Respondent's actual fees, particularly as it takes the position that those fees are excessive. The Applicant argues that the lump sum award should be based on Tariff B. It does not raise any particular issues with the calculations in the Respondent's Bill of Costs based on Tariff B, other than taking the position that Column III should be employed rather than Column IV.

[10] I agree with the parties that a lump sum award is appropriate, as this avoids recourse to a further assessment process. The questions for the Court to consider are whether this lump sum should be based on a percentage of the Respondent's fees or based on Tariff B and, if the latter, which column of the Tariff should be employed.

[11] The selection of the amount of costs is in the full discretion of the Court (see Rule 400(1)). Rule 400(3) prescribes factors that may be taken into account in the exercise of this discretion. The parties have made submissions on the application of several of these factors, to which I will now turn.

B. *Rule 400(3)(a) – Result of the Proceeding*

[12] The Respondent was successful in defending this application. As it submits, this was not a case of divided success. The Respondent also notes that it was successful in defending a Rule 312 motion brought by the Applicant, seeking leave to file additional evidence in the month before the hearing of the application. On January 19, 2021, Justice Richard Mosley dismissed the Applicant's motion, with costs in the cause. This factor favours the Respondent.

C. *Rule 400(3)(b) - Amounts Claimed and Recovered*

[13] Under this factor, the Applicant argues that the Respondent's costs claim is excessive, because its fees are excessive, representing 45% more than the Applicant's fees for the same proceeding. The Applicant identifies a number of steps in the proceeding where it argues that the Respondent employed more counsel and other personnel than was reasonable.

[14] In my view, the factor prescribed by Rule 400(3)(b) is intended to take into account the amount claimed and recovered in the main proceeding, not the amount claimed by way of costs. That said, if I were to decide that this case warranted a lump sum award calculated as a percentage of the Respondent's actual fees, it would be necessary to consider the reasonableness of those fees. I also consider a significant discrepancy in the amount of fees incurred by the parties to a proceeding to potentially militate against employing actual fees as a means of calculating a cost award.

D. *Rule 400(3)(c) – Importance and Complexity of the Issues*

[15] The Applicant argues that the issues considered in this application were not complex. It notes that the matter was completed with a single day hearing and without any need for expert evidence. The Applicant contrasts this proceeding with more complex intellectual property matters, particular surrounding patent disputes, which involve multiple days of trial, expert evidence, and complex technical and financial issues.

[16] I do not regard the availability of a lump sum costs award based on a percentage of actual fees to be restricted to patent proceedings (see, e.g., *Loblaws Inc. v Columbia Insurance Company*, 2019 FC 1434 at paras 8-17). However, I agree with the Applicant that the issues in this matter were not particularly complex. While there were some technical areas of trademark law on which the parties did not agree, overall the proceeding was neither lengthy nor overly complicated. I would describe the matter as involving issues of modest complexity.

E. *Rule 400(3)(i) – Conduct of a Party Tending to Lengthen a Proceeding*

[17] The Applicant argues that the Respondent took advantage of procedural delays and sought to delay the proceeding.

[18] By way of example, the Applicant refers to a letter dated August 28, 2020 from the Respondent's counsel to the Court, seeking an extension of time to complete cross-examination of the Respondent's representative. However, this letter indicates that the Respondent sought an extension of only about a month and that the request was submitted with the consent of the

Applicant. This step does not support a conclusion that the Respondent was seeking to delay the proceeding.

[19] The Applicant also relies on the position taken by the Respondent, during a case management conference leading to the Applicant's Rule 312 motion and during the hearing of the motion, that granting the motion would necessitate a delay of the scheduled hearing of the application. The Applicant argues this position was unreasonable, as the delay proposed by the Respondent was for purposes of cross-examining a law clerk on an affidavit introducing publicly available trademark registrations.

[20] Again, I find no merit to the Applicant's position that the Respondent unreasonably sought to delay the proceeding. The Respondent was responding to a motion in which the Applicant sought to introduce new evidence in the month before the hearing of the application. In so responding, the Respondent sought time not only to cross-examine the Applicant's affiant but also to file its own evidence in response. I also note that Justice Mosley dismissed the Applicant's motion on the basis that granting it would result in a delay and that the evidence the Applicant sought to introduce was unnecessary and irrelevant.

[21] The Applicant seeks to contrast the Respondent's conduct with its own efforts to advance the proceeding expeditiously. It refers to a Rule 420 offer to settle that it served upon the Respondent early in the proceeding, which the Applicant argues could have resolved the proceeding without the Respondent incurring significant costs. However, this offer proposed that the Respondent cease all use of the LOCUST LANE mark. I struggle to understand how the

Applicant can credibly argue that the Respondent unreasonably delayed the proceeding by declining to accept this offer, when the Respondent ultimately prevailed in defending the application.

[22] I also note that the offer provided for acceptance before a particular date on a without costs basis and, thereafter, with the Respondent paying the Applicant's costs. The offer identified such costs as based on the top of Column V of Tariff B plus reasonable disbursements.

F. *Rule 400(k)(i) – Unnecessary Step in the Proceeding*

[23] Under this factor, the Respondent again refers to the Applicant's unsuccessful Rule 312 motion. I have already considered the Respondent's submission that it successfully defended this motion, which favours the Respondent, and I am conscious not to "double count" the fact of the Applicant's unsuccessful motion.

G. *Decision on Costs Award*

[24] In summary, the Respondent is entitled to a costs award that takes into account its success in the result in this matter, including success in defending an unnecessary interlocutory motion close to the commencement of the main hearing, all in the context of a matter of modest complexity.

[25] Taking into account the above arguments and the authorities cited by the parties, I find that the Respondent should receive costs on a somewhat elevated basis but not calculated based

on a percentage of its actual costs. The Respondent has cited several authorities that awarded costs at the upper end of Column IV of Tariff B in trademark proceedings (see *MC Imports Ltd v Afod Ltd*, 2014 FC 1161 at 19; *Kamsut Inc v Jaymei Enterprise Inc*, 2009 FC 627 at 37; *Denturist Group of Ontario v Denturist Assn of Canada*, 2014 FC 989 at para 97). I find these authorities more applicable than those cited by the Respondent in favour of a calculation based on its actual costs.

[26] I therefore award costs in a lump sum amount of $27,442.05, inclusive of fees, disbursements and applicable HST, representing the amount calculated by the Respondent based on the upper end of Column IV of Tariff B. Post-judgment interest will apply at a rate of 5% per annum.

SUPPLEMENTARY JUDGMENT IN T-408-20

THIS COURT'S JUDGMENT is that the Applicant shall pay the Respondent's costs of this proceeding in the all-inclusive amount of $27,442.05, plus post-judgment interest at a rate of 5% per annum from the date of this Judgment.

"Richard F. Southcott"
Judge

FEDERAL COURT

SOLICITORS OF RECORD

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