Federal Court  Cour fédérale

Date: 20220411

Docket: T-40-18

Citation: 2022 FC 519

Ottawa, Ontario, April 11, 2022

PRESENT: Madam Justice McDonald

BETWEEN:

PAID SEARCH ENGINE TOOLS, LLC

Plaintiff/Defendant By Counterclaim

and

GOOGLE CANADA CORPORATION,
GOOGLE LLC AND ALPHABET INC.

Defendants/Plaintiffs by Counterclaim

SUPPLEMENTARY JUDGMENT AND REASONS

[1] These Reasons deal with the costs and disbursements payable to the Defendants, Google Canada Corporation, Google LLC, and Alphabet Inc, (Google), as a result of the Judgment and Reasons issued in 2021 FC 1435, where I allowed Google's counterclaim and held that the asserted claims of the Plaintiff's (PSET) patent were invalid and not infringed.

[2] For the reasons that follow, I order that Google's fees shall be assessed in accordance with the upper range of Column of IV of Tariff B and that Google shall be reimbursed for the disbursements that are shown to be reasonable and necessary.

I. Background

[3] In the underlying proceeding, PSET claimed that Google infringed Canadian Patent No. 2,415,167 (167 Patent) titled "Paid Search Engine Bid Management", a patent designed to support advertisers in managing their bids for online advertising space on paid search engines.

[4] The trial in this matter was conducted virtually over 15 days with 19 fact witnesses and 8 expert witnesses giving evidence.

[5] In the Judgment and Reasons, I dismissed PSET's claim for patent infringement against Google. I allowed Google's counterclaim and found that PSET's patent was invalid on various grounds, including anticipation, obviousness, and insufficiency. As the successful party, Google was awarded costs.

[6] The parties were unable to agree on costs and the Court received the following submissions:

- Google's confidential cost submissions, filed January 24, 2022 including a draft Bill of Costs and Affidavit of Susan Burkhardt sworn on January 24, 2022;
- PSET's confidential submissions on costs, filed January 24, 2022, with the Affidavit of Jennifer Nahorniak sworn on January 17, 2022;

- Google's confidential responding submissions, filed February 4, 2022, with the Affidavit of Chirani Mudunkotuwa sworn on February 4, 2022;
- PSET's confidential responding cost submissions, filed February 4, 2022, with the Affidavit of Dawn Trach sworn on February 4, 2022.

[7] In their Bill of Costs, Google claims fees in the amount of $562,221.88, calculated based upon the upper range of Column V Tariff B, and $2,007,820.35 in disbursements for a total of $2,570,042.23.

[8] PSET submits that the fees awarded to Google should be calculated based upon the middle range of Column III, which they have calculated at $143,436.00. As for disbursements, PSET argues that Google should not recover expert fees for Michael Grehan, Steven Tadelis, Christopher Bakewell and Errol Soriano. They also argue that there should be an overall 25% reduction applied as a result of Google's allegations that PSET made misrepresentations to the Canadian Intellectual Property Office (CIPO). They submit that Google's disbursements should be limited to $364,429.97.

II. Analysis

[9] The purpose of an award of costs is threefold: "providing compensation, promoting settlement and deterring abusive behaviour" (*Air Canada v Thibodeau*, 2007 FCA 115 at para 24).

[10] Although lump-sum costs awards are "increasingly common" in intellectual property trials (*Allergan Inc v Sandoz Canada Inc*, 2021 FC 186 at para 22 [Allergan]), Google does not seek a lump-sum award.

[11] The Court has discretion on the awarding of costs pursuant to Rule 400(1) of the *Federal Courts Rules*, SOR/98-106 (Rules). As noted in *Nova Chemicals Corporation v Dow Chemical Company*, 2017 FCA 25:

> [10] Rule 400(1) of the *Federal Courts Rules* gives the Court "full discretionary power over the amount and allocation of costs". This has been described to be the "first principle in the adjudication of costs": *Consorzio del prosciutto di Parma v. Maple Leaf Meats Inc.*, 2002 FCA 417, [2003] 2 F.C.R. 451, at para. 9 [*Consorzio*].

[12] Rule 400(3) outlines a number of factors that may be considered in exercising this discretion, some of which I will address below.

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

[13] Google argues that, as it was successful on all aspects of the action and counterclaim, it is entitled to costs at an elevated level. They also highlight that this was PSET's third failed patent claim against Google for the same invention.

[14] PSET warns that awarding costs of the magnitude sought by Google would have a chilling effect on the willingness of smaller patent holders to bring claims. They frame this as an access to justice issue.

[15] The trial evidence demonstrated that PSET is neither an inexperienced nor an unsophisticated litigant. Accordingly, I do not accept that the access to justice rights of smaller patent holders is a factor that needs to be considered in setting the quantum of costs in this case.

[16] I am granting costs to Google at an elevated level in light of the factors addressed below.

B. *Rule 400(3)(b), (c) and (g) – The Amounts Claimed, the Complexity, and the Amount of Work*

[17] Google highlights that PSET sought an unprecedented amount in damages – over 1 billion dollars – and asserted 59 patent claims. According to Google, the breadth and magnitude of the claims advanced by PSET required Google to aggressively defend all aspects of the claim and call evidence from multiple fact witnesses and numerous expert witnesses.

[18] During the trial, the Court heard extensive technical evidence on auction theory, auction design, the technology of search engines, and the emergence of search engine marketing. Evidence was also led on the development and evolution of web-based advertising. Finally, significant expert evidence was led on economic issues and the approaches to calculating damages.

[19] I would characterize the issues and the evidence in this case as being above average in their complexity. I also note that there were 59 patent claims that required construction. Further, there were multiple invalidity grounds that needed to be assessed. Some of the technical

evidence and much of the financial evidence was confidential, requiring the Court to move to *in-camera* proceedings for significant portions of the trial.

[20] Although PSET points out that they limited their damage claim to 10% of Google's profits, they only did so at trial – long after Google had retained experts to address the issue of damages.

[21] There is no doubt that this case was complex, necessitating significant work by both parties throughout the proceeding. In my view, this justifies a departure from the standard Column III fees in favor of fees at a higher scale.

C. *Rule 400(3)(i) – Conduct of a Party that Tended to Shorten or Unnecessarily Lengthen the Duration of the Proceeding*

[22] Both parties took an aggressive approach to this litigation.

[23] Google argues that PSET's refusal to bifurcate the action unnecessarily lengthened and complicated the proceeding. Google notes that their four experts on the remedies were only necessitated because PSET refused to bifurcate.

[24] PSET points to *Seedlings Life Science Ventures, LLC v Pfizer Canada ULC*, 2020 FC 505 [*Seedlings*], where on the issue of a party's failure to bifurcate, Justice Grammond held "[w]hile it is common for parties to seek bifurcation in intellectual property cases, they are not required to do so. Nor is it always the case that bifurcation will expedite a trial…" (at para 25).

Justice Grammond went on to note that the unsuccessful party would already face the consequences of failing to bifurcate as the costs award would include the fees that the successful party spent on the damages portion of the claim.

[25] In my view, this is a case that should have been bifurcated. The trial on construction, infringement and validity could have been conducted in half the time with significantly fewer experts. Although I acknowledge that, as in *Seedlings*, PSET will be responsible for Google's damage experts' fees, this was, nonetheless, a case that would have benefited – from the liability portion of the claim – proceeding in advance of the damages portion of the claim.

[26] Here, despite there being 59 claims that required construction, there is no doubt that the damages portion of the case took the majority of time and was the focus of most of the expert evidence. Damage and remedy-related evidence focused on reasonable royalty, accounting of profits, apportionment and non-infringing alternatives.

[27] This proceeding would have been more efficient as a bifurcated matter. The failure of PSET to agree to bifurcate is a factor which weighs in favour of higher fees.

[28] Google also argues that PSET refused to admit basic details of non-contentious documents, including the authenticity of 152 Google company documents. In my view, the lack of agreement on the documentary evidence applies equally to both sides. I, therefore, consider this a neutral point.

D. *Rule 400(3)(n.1) – Whether the Expense Required to Have an Expert Witnesses Give Evidence Was Justified*

[29] The Court heard oral evidence from eight experts who also submitted voluminous reports.

[30] Google claims reimbursement for the cost of their experts in the following amounts:

- $203,917.50 for Dr. Parkes;
- $875,307.38 for Dr. Tadelis;
- $558,784.00 for Mr. Bakewell;
- $247,172.50 for Mr. Soriano; and,
- $20,569.90 for Mr. Grehan.

[31] PSET challenges the amounts that should be awarded for Dr. Tadelis, Mr. Grehan, Mr. Bakewell and Mr. Soriano given the concerns expressed by the Court with regard to the independence of their reports, or because the Court did not rely upon their opinions. PSET relies on *Allergan* at paras 69-73 and *Betser-Zilevitch v Petrochina Canada Ltd*, 2021 FC 151 at para 20, where the Court took these factors into consideration.

[32] However, I would characterize the Court's assessment of the experts' reports as a typical exercise undertaken by a trial judge. The fact that the Court did not accept an expert's opinion or afforded it low value does not mean, by default, that the fees incurred in calling that expert are to be discounted or deemed non-recoverable (*Seedlings* at paras 30-31).

[33] I further note that although PSET challenges the costs of Google's experts, they have not disclosed the costs of their own experts. There is, therefore, no comparator amount against which to assess the reasonableness of the fees of the experts.

[34] In the circumstances, Google is entitled to the full recovery of the costs of their expert witnesses.

E. *Rule 400(3)(o) – Any Other Matter that it Considers Relevant*

[35] PSET argues that Goggle's costs should be reduced by 25% as Google alleged that PSET made misrepresentations and amendments for the purpose of misleading CIPO. PSET argues this implies fraud and should have a significant consequence when assessing costs if the allegation is not proven. PSET relies on *Eli Lilly Canada Inc v Apotex Inc*, 2008 FC 142, where even though the respondent raised and subsequently abandoned such an allegation, the Court reduced all costs and disbursements by 25% (at paras 61-63, 192).

[36] The allegation by Google that PSET mislead the patent office required PSET to call evidence from Shauna Paul, their Patent Agent. However, even without the allegation of misrepresentation, given the irregular filings by PSET with CIPO, PSET would have had to call this evidence in any event. Accordingly, I will not reduce the recoverable costs and disbursements owing to this factor.

[37] In their Bill of Costs calculations for trial, Google seeks recovery for four counsel (two senior and two junior). Considering the factors outlined above, in my view recovery for two senior counsel and one junior counsel is appropriate.

III. Disbursements

[38] On the recovery of disbursements, the question is if they were reasonable and necessary at the time they were incurred (*MK Plastics Corporation v Plasticair Inc*, 2007 FC 1029 at paras 34-37).

[39] The most significant portion of Google's disbursements are expert fees. Google seeks to be reimbursed for expert fees as noted in paragraph 30 above, based upon hourly rate reductions and removal of expenses related to reply evidence which the Court did not allow. In my view, these disbursements were reasonable and necessary and are, therefore, recoverable.

[40] PSET objects to the disbursement of $12,352.50 claimed by Google for expenses related to a mock trial conducted with the assistance of the Right Honourable Beverley McLachlin. The recoverability of this disbursement should be determined by the Assessment Officer with the benefit of further information.

[41] Disbursements for travel time to attend the discovery should be restricted to the number of lawyers in attendance at the discovery.

[42] The necessity and, therefore, the recoverability of travel time to attend the trial (which was held virtually) will also need to be assessed with the benefit of further information.

[43] Other than as noted above, Google is entitled to recovery of all reasonable and necessary disbursements.

IV. Conclusion

[44] For the reasons noted above, I order an assessment of costs in accordance with upper range of Column of IV of Tariff B. Subject to my comments on disbursements above, Google shall be reimbursed for disbursements that are shown to be reasonable and necessary.

JUDGMENT IN T-40-18

THIS COURT'S JUDGMENT is that: Google's fees shall be assessed in accordance with the upper range of Column IV of Tariff B. Google shall be reimbursed for those disbursements that are shown to be reasonable and necessary.

"Ann Marie McDonald"
Judge

FEDERAL COURT

SOLICITORS OF RECORD

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STYLE OF CAUSE:	PAID SEARCH ENGINE TOOLS, LLC v GOOGLE CANADA CORPORATION, GOOGLE LLC AND ALPHABET INC.

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

SUPPLEMENTARY JUDGMENT AND REASONS:	MCDONALD J.
DATED:	APRIL 11, 2022

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