Federal Court Cour fédérale

Date: 20230608

Docket: T-1627-16

Citation: 2023 FC 780

Ottawa, Ontario, June 8, 2023

PRESENT: The Honourable Madam Justice St-Louis

BETWEEN:

ELI LILLY CANADA INC., ELI LILLY AND COMPANY, LILLY DEL CARIBE, INC., LILLY, S.A. and ICOS CORPORATION

Plaintiffs/Defendants by counterclaim

and

MYLAN PHARMACEUTICALS ULC.

Defendant/Plaintiff by counterclaim

PUBLIC ORDER AND REASONS

I. Introduction

[1] This Order deals with the costs and disbursements payable as a result of the Judgment and Reasons in which I allowed the Defendants Mylan Pharmaceuticals ULC (hereinafter referred as "Mylan"), Teva Canada Limited, Pharmascience Inc. and Laboratoire Riva Inc., and Apotex Inc.'s counterclaims and held that the asserted claims of the Plaintiffs' (hereinafter

collectively referred to as “Lilly”) in the Canadian Letters Patent No. 2,226,784 [the 784 Patent] were invalid for overbreadth and insufficiency and dismissed Lilly’s infringement against each of the Defendant as it relates to the 784 Patent (2022 FC 1398). I then reserved the issue of costs, allowed the parties to file written submissions in this regard, but granted the costs on the hearsay motion to Lilly in accordance with Rule 407 of the *Federal Courts Rules*, SOR/98-106 [the Rules]. Mylan and Lilly have filed written submissions in regards to costs in the summary trial.

[2] I must thus determine which party is entitled to the costs and the amount of costs to be awarded.

[3] As the Defendants have been successful on the summary trial, I will award costs to Mylan and, for the following reasons, I will award them in the form of a lump sum for an amount akin to costs at the upper end of column IV of Tariff B and the disbursements. I thus award a total amount of $82,009.14, representing $80,000.90, including tax, and disbursements of $2,009.14. The deduction of costs of the hearsay motion payable to Lilly ($1,084.80) is reflected in the total amount.

II. Parties’ positions

[4] Mylan requests costs be fixed at the upper end of column V of Tariff B, plus disbursements, and that Lilly be thus ordered to pay the sum of $118,906.00 inclusive of tax, plus reasonable disbursements of $2,009.14. In the alternative, Mylan seeks the same relief but with fees assessed at the upper end of column IV, resulting in $94,293.00 inclusive of all taxes, plus reasonable disbursements.

[5] Mylan relies on the affidavit of Mr. Daniel Wright, an articling student employed by the law firm of Osler, Hoskin & Harcourt LLP. Mr. Wright, who was not cross-examined, introduces a copy of a settlement offer letter dated October 16, 2021 from Mylan's counsel to Lilly's counsel (Exhibit A), Bill of Costs for the 784 Patent prepared in accordance with upper ends of column V and IV of Tariff B (Exhibit B) confirming the above amounts, and supporting documentations for disbursements (Exhibit C).

[6] In assessing the appropriate scale of costs to apply in the present case, Mylan argues that the Court should consider the following factors set out in Rule 400(3) as being relevant to the present case to justify a costs award based on the higher end of column V: (1) the result of the proceeding; (2) Mylan's written offer to settle the case on October 16, 2021; and (3) Lilly's conduct unnecessarily broadening and changing the scope of the proceedings. Mylan opines that its Bill of Costs, at the upper end of column V of Tariff B, is reasonable and justified.

[7] In regards to Lilly's conduct, Mylan submits that (1) Lilly should never have brought this action as it was aware and has admitted that Mylan did not enter the market until the expiry of the 784 Patent; (2) Lilly possessed the information necessary to cause it to informedly forgo advancing its allegations as evidence undermining the validity of the 784 Patent was adduced at the 684 Trial; (3) even if Lilly had succeeded (which it did not in any respect), asserting a patent in respect only of post-expiry sales would not yield meaningful damages; and (4) Lilly's motion to strike the Defendants' rebuttal evidence added materially and unnecessarily to Mylan's workload as the trial was otherwise proceeding.

[8] Mylan outlines that it made an offer on October 16, 2021, and submits that Rule 420 applies in this case (*Teva Canada Limited v Janssen Inc*, 2018 FC 1175 [*Janssen*]). Although an award under rule 420 would involve double-costs, Mylan is seeking costs at the high end of column V without doubling (*Dimplex North America Limited v CFM Corporation*, 2006 FC 1403 [*Dimplex*]).

[9] In their Opening and Closing Submissions on the summary trial, the Defendants proposed that costs be dealt with following release of the decision while Lilly asked for its costs at an elevated level. It is not clear if Lilly was then referring, by the use of the term "elevated", to costs still within the Tariff, but higher than column III, or to costs outside the realm of the Tariff.

[10] In any event, in its written submissions on costs, Lilly submits that the Court should not grant costs sought by Mylan under column V of the Tariff B, which it qualifies as elevated, given Mylan's limited involvement in the summary trial. Lilly submits that the Court should award costs at the upper end of column III of the Tariff, or alternatively, no higher than column IV. Lilly asks that the amount of the costs in the summary trial be reduced by an amount equal to the costs it was awarded in regards to the hearsay motion which it calculated at $1,084.80; which I will grant Lilly.

[11] Lilly submits the affidavit of Ms. Kathy Paterson, a law clerk at Borden Ladner Gervais LLP, who introduces, *inter alia*, two Bill of Costs in respect of the costs of the summary trial, hence one prepared in accordance with the upper end of column III of Tariff B, totalling $47,127.96 ($46,203.62 plus disbursements of $2,009.14 inclusive of tax, and less Lilly's costs

on hearsay motion) and the other in accordance with the upper end of column IV of Tariff B, totalling $64,759.03 ($63,834.69 plus disbursements of $2,009.14 inclusive of tax and less Lilly's costs on hearsay motion) (Exhibits F and I), one Bill of Costs in respect of the Defendants' hearsay motion, totalling $1,084.80 (Exhibit E), and various correspondences between the Defendants and Lilly's counsel.

[12] Lilly asserts the following items in Mylan's Bill of Costs contained claims that should not be awarded, and which it deducted in its own Bills of Costs: 3, 5, 6, 10-11, 13, 14.

[13] Lilly thus asserts that costs should be awarded at the upper end of column III of Tariff B, with reductions for various items per its proposition, totalling $47,127.96, tax inclusive, or alternatively, no higher than the upper end of column IV of Tariff B with reductions for various items per its proposition totalling $64,759.03, tax inclusive.

[14] In essence, Lilly opines that Mylan is entitled to the upper end of column III because (1) motions for summary trials in patent proceedings warrant a reduced cost award (*Janssen Inc v Apotex Inc*, 2022 FC 107 [*Apotex*]; *Janssen Inc v Pharmascience Inc*, 2022 FC 62 [*Pharmascience*]; *Mud Engineering Inc v Secure Energy (Drilling Services) Inc*, 2022 FC 943 [*Mud*]); (2) the cases cited by the Defendants, namely *Apotex Inc v Shire LLC*, 2021 FCA 54 [*Shire*] and *Swist v Meg Energy Corp*, 2021 FC 198 [*Swist*], are not appropriate comparators; (3) the quantum and scale of costs sought are unjustified as the purpose of costs does not support it and there is no evidence that Mylan paid the elevated fees being sought and this suggests an award higher than column III would be a windfall or source of profit; (4) the Defendants clearly

duplicated work; (5) Mylan's allegations regarding general conduct are unfounded; and (6) costs greater than column III would be exceptional and there is nothing extraordinary that warrants a departure here.

[15] In particular, Lilly submits that the case law recognizing that the upper end of column IV is reasonable and appropriate in patent actions applies only when such litigations proceeded through full trials (see e.g., *Shire* and *Allergan Inc v Sandoz Canada Inc*, 2021 FC 186 [*Allergan*]). Lilly also relies on the three decisions cited above (i.e., *Apotex*, *Pharmascience*, and *Mud*) to assert that a sort of "norm" was created by the jurisprudence in pharmaceutical patent-related summary trial proceedings to award costs under column III and there is therefore a lack jurisprudential basis to depart from column III in such circumstances.

[16] Lilly argues that the purpose of an award of costs favors an award under column III in this proceeding. Specifically, Lilly asserts that the overriding consideration in making an award of costs is fairness and reasonableness (*Bristol-Myers Squibb Canada Co v Teva Canada Ltd*, 2016 FC 991 at para 5) and it would be unreasonable for Lilly to compensate the Defendants for the excessive fees they claim, i.e., the multiple counsels retained from each party.

[17] Lilly also asserts that the Defendants' unnecessarily increased the length and complexity of the proceeding by (1) attempting to add in "to treat erectile dysfunction" despite it not being in their notice of motion; (2) seeking leave to rely on additional materials at the hearing that they could have included in their original motion record; and (3) bringing a last minute hearsay motion to strike expert evidence as hearsay.

[18] On the issue of the offer to settle, Lilly submits, amongst other things, that Mylan's offer to settle did not contain an element of compromise and was made within the 14-day period before trial and thus does not qualify for consideration under Rule 420. It further submits that the Court should decline to exercise any further discretion under Rule 400 for the above stated reasons.

[19] Finally, Lilly agrees that Mylan should be entitled to disbursements in the amount of $2,009.14, inclusive of tax.

III. General principles of costs assessment

[20] The law of costs is not an exact science. In adjudicating costs, courts attempt to strike an appropriate balance between three main objectives: compensation, providing incentive to settle, and dissuasion of abusive conduct in litigation. In this exercise, Rule 400(1) of the Rules provides that the Court "shall have full discretionary power over the amount and allocation of costs and the determination of by whom they are paid".

[21] Rule 400(3) provides a non-exhaustive list of considerations for a Court to consider in assessing costs. With respect to quantum, Rule 407 of the Rules dictates that within this general rule, costs are to be awarded in accordance with column III of the table to Tariff B on a default basis (*Consorzio del Prosciutto di Parma v Maple Leaf Meats Inc*, 2002 FCA 417 at para 9 [*Consorzio del Prosciutto*]). However, the Court's broad discretion includes the power to order an assessment under a different column of Tariff B or to permit a departure from the Tariff (*Philip Morris Products SA v Marlboro Canada Ltd*, 2015 FCA 9 at para 4).

[22] Rule 400(4) allows the Court to fix costs and award a lump sum in lieu of an assessment of costs pursuant to Tariff B.

[23] On the topic of lump sum, the award of a lump sum is increasingly valued by the courts as it saves the parties time and money and further the objective of securing “the just, most expeditious and least expensive determination” of proceedings (Rule 3) (*Nova Chemicals Corporation v Dow Chemical Company,* 2017 FCA 25 at para 11 [*Nova*]). When a court can award costs on a lump sum basis, granular analyses are avoided and the costs hearing does not become an exercise in accounting (*Nova* at para 11). The Federal Court of Appeal in *Nova* adds that “[l]ump sum awards may be appropriate in circumstances ranging from relatively simple matters to particularly complex matters where a precise calculation of costs would be unnecessarily complicated and burdensome: *Mugesera v Canada (Minister of Citizenship & Immigration)*, 2004 FCA 157 at para. 11” (*Nova* at para 12). At paragraph 15 of the decision *Mugesera v Canada (Minister of Citizenship and Immigration),* 2004 FCA 157, the Federal Court of Appeal outlined that “[…] the Court should be guided, as much as possible, by the standards established in the table to Tariff B when awarding a lump sum in lieu of assessed costs”.

[24] Hence, a lump sum may be awarded for an amount akin to that would be awarded under the Tariff or it can represent “elevated costs”, i.e., costs in excess of the Tariff, often calculated as a percentage of the actual legal fees incurred. There is no need to address the issues related to an award of costs outside the realm of the Tariff as it is not at play here.

[25] Concerning the disbursements, "[w]here disbursements are outside of the knowledge of the solicitor, they should generally be accompanied by an affidavit such that the Court can be satisfied that they were actually incurred and were reasonably required" (*Nova* at para 20). As set forth in subsection 1(4) of Tariff B, no disbursement shall be assessed or allowed under the Tariff B unless it is reasonable and it is established by affidavit or by the solicitor appearing on the assessment that the disbursement was made or is payable by the party. The Federal Court of Appeal repeated that principle, stating that a party is allowed to recover disbursements when reasonable and necessary for the conduct of the proceeding (*Exeter v Canada (Attorney General)*, 2012 FCA 153 at para 13, citing *Merck & Co Inc v Apotex Inc*, 2006 FC 631).

IV. Application to the facts of the case

A. *Costs to each Defendant*

[26] Mylan submits that each of the Defendant (Apotex Inc, Pharmascience Inc and Laboratoire Riva Inc, Teva Canada Limited and Mylan) is entitled to its own costs award and Lilly has not disputed this in this proceeding. I agree with Mylan. In similar circumstances, where the separate proceedings were consolidated, the Court held that the Defendants were each entitled to separate costs awards (*Packers Plus Energy Services Inc v Essential Energy Services*, 2020 FC 68; *Eli Lilly Canada Inc v Apotex Inc*, 2023 FC 3 at paras 37-40). Accordingly, I am satisfied that Mylan is entitled to its own costs award.

B. *Lump sum*

[27] Rule 400(4) of the Rules provides that the Court may fix all or part of any costs by reference to Tariff B of the Rules. After considerations of the circumstances of this case and the relevant factors, I am satisfied that an award of costs in the form of a lump sum is justified. As the Federal Court of Appeal stated at paragraph 11 of *Nova*, it will allow “the just, most expeditious and least expensive determination” of proceedings (Rule 3) and avoid granular analyses and an exercise in accounting.

C. *Scale of costs*

[28] The Defendants were successful on almost all substantive issues at the summary trial. The Court granted the Defendants’ motion for summary trial and dismissed Lilly’s action with respect to the 784 Patent, upon concluding that the 784 Patent was invalid for both obviousness and overbreadth.

[29] I consider that the subject matter had some level of technical complexity. The Defendants alleged overbreadth, insufficiency and inutility. The asserted claims of the 784 Patent were directed to physiologically acceptable salts of tadalafil or methyltadalafil. One of the key issues in the summary trial was whether a physiologically acceptable salt of tadalafil could be made. Expert affidavits from three experts were tendered at the hearing; all experts were cross-examined at the summary trial. The hearing lasted five days. As the Court has observed in the past, patent matters are inherently complex (*Pollard Banknote Ltd v Babn Technologies Corp*, 2016 FC 1193 at para 13; *Janssen* at para 14), and pharmaceutical patent cases are especially so.

[30] Furthermore, under Rule 400(3)(e), the Court may consider any written offer to settle as a factor in awarding costs. Additionally, pursuant to Rule 420, there are serious cost consequences where a written offer to settle is made and judgment is made in favour of the party who makes the offer to settle. Settlement offers must however meet the stringent requirements of Rule 420. Nevertheless, settlement offers that do not meet the conditions of Rule 420 may be considered under Rule 400 in making a costs award the Court (*Dimplex* at para 15; *Sanofi-Aventis Canada Inc v Apotex Inc*, 2009 FC 1138 at para 20, aff'd 2012 FCA 265; *Allergan* at para 58).

[31] On October 16 2021, two days prior to the date scheduled for the summary trial, Mylan offered to settle the litigation on the basis of a payment of $25,000.00 to Lilly. Mylan's offer remained open throughout the summary trial. It expired at the date for the Judgement and Reasons as Lilly did not accept Mylan's offer prior to the ruling.

[32] However, Mylan has not demonstrated that the conditions to Rule 420 have been met in regards to its settlement offer so to impact the costs, as in particular, Mylan's offer did not meet the timing conditions set forth in subsection 420(3). That being said, Mylan's written offer was genuine and made in a good faith effort to end the litigation, and I will therefore consider it as one factor in awarding costs (*Pharmascience Inc v Teva Canada Innovation*, 2022 FCA 207; Rule 400(3)(e)). In doing so, I am also mindful of the objectives of costs awards, including the promotion of settlement (*Air Canada v Thibodeau*, 2007 FCA 115 at para 24).

[33] Lilly and Mylan raise issues with a number of each other's conduct. I will give this factor a neutral weight. Each party vigorously defended the interest of its client and I see no

justification to penalize one of them in particular for their conduct in the present case. As Justice Grammond recently noted: “[m]y role in awarding costs […] is not to engage in an autopsy of the trial and criticize retrospectively the parties’ tactical decisions” (*Bauer Hockey Ltd v Sport Maska Inc (CCM Hockey)*, 2020 FC 862 at para 32).

[34] I, however, add, in regards to Mylan’s argument that Lilly unduly complicated and lengthened the case by adding a frivolous and vexatious action, that the summary trial was limited in scope and that the allegations of infringement of the 784 Patent were not before the Court. In any event, Mylan’s argument ignores Associate Judge Mireille Tabib’s order in *Lilly v Apotex*, 2019 FC 884 allowing Lilly’s amendments to add a claim for infringement of the 784 Patent (use) by reason of the manufacturing, importing and stockpiling of tadalafil for ED prior to the expiration of the 784 Patent, and springboard damages flowing from that infringement (see e.g., paras 17-33).

[35] The Defendants in this action are competitors. Lilly chose to pursue multiple defendants in multiple proceedings and they were each entitled to receive representation by different counsel – and it was not unreasonable for the Defendants to choose to do so. It should not be for the losing party to “tell the winning party how they could have succeeded by doing or spending less” (*Hospira Healthcare v Kennedy Trust for Rheumatology Research*, 2018 FC 1067 at para 24).

[36] As for a “norm” having been created, I disagree with Lilly. The Court has full discretion to determine the appropriate column or level of costs in the circumstances, and I do not see how the case law could create a “norm” that interferes with the Court’s discretion (Rule 400(1);

Betser-Zilevitch v Petrochina Canada Ltd, 2021 FC 151 at para 9; *Guest Tek Interactive Entertainment Ltd v Nomadix Inc*, 2021 FC 848 at para 17 [*Guest Tek*]). Furthermore, the decisions cited by Lilly are not persuasive in the circumstances of the present case as they either seemingly did not deal with issues of invalidity, did not detail the submissions from the parties on costs or indicate that submissions on costs were provided, and-or did not provide reasons for awarding costs under column III of the Tariff. I also note other decisions were lump sum, seemingly for an amount higher than the Tariff, was awarded in cases of patent-related summary trials and in which I saw no mention of a discussion about column III (*Steelhead LNG (ASLNG) Ltd v ARC Resources Ltd*, 2022 FC 998 at para 93; *ViiV Healthcare Company v Gilead Sciences Canada, Inc*, 2020 FC 486 at paras 179-181).

[37] Lilly has not satisfied me that the jurisprudence accepting column IV as being reasonable and appropriate in intellectual property actions cannot apply to patent litigations that proceeds by way of a motion for summary trial. I note that, per Rule 407, column III is the level of costs that applies unless the Court decides otherwise and that the case law has found that it is often deemed inappropriate as it is only intended to provide partial indemnification for "cases of average or usual complexity" (*Allergan* at para 25). *The* assessment of the various factors found in Rule 400(3) often point to the upper end of column IV as being an appropriate level of costs in cases involving patent disputes (*Shire*; *Allergan* at para 26; *Guest Tek* at para 18). These factors include "greater than average complexity, sophisticated parties, legal bills far in excess of what is contemplated by Column III of Tariff B, and 'giving parties an incentive to litigate efficiently" (*Allergan* at paras 25-26, citing *Seedlings Life Science Ventures, LLC v Pfizer Canada* ULC, 2020 FC 505 at para 4). Accepting Lilly's argument of some sort of a norm being fixed at

column III for summary trials in intellectual property would entail, in addition to encroaching on the Court's discretion, assuming that summary trials in intellectual property are, by default, of average complexity. While summary trials may mitigate the considerations highlighted by the Chief Justice in *Allergan*, I have not been convinced that they necessarily or always completely diminish the complexity of a pharmaceutical patent litigation to the point that these 400(3) factors cannot be considered and found to be present.

[38] I further disagree with Lilly's assertion that Mylan should have provided evidence that its clients incurred the "elevated fees" it claims. Mylan seeks an award under the Tariff and Lilly has not cited any case law to convince me that a party must demonstrate it incurred the fees claimed under the Tariff.

[39] I do not find that sufficient justification has been presented by Mylan to compel me to make an award under column V. As an alternative, Mylan seeks an award under column IV, and in light of the Rule 400(3) factors considered above, I will be guided by the amounts calculated under column IV.

[40] The parties have each adduced Bill of Costs in evidence and I agree with Lilly that some of the items are unrecoverable. Deducting the costs for the hearsay motion, I will establish the final award of costs at $80,000.00 tax inclusive.

D. *Disbursements*

[41] Mylan seeks total disbursements of $2,009.14, inclusive of tax, and Lilly does not contest the amount claimed.

[42] I am satisfied that Mylan's claimed disbursements were actually incurred and reasonable. Accordingly, I will award Mylan disbursements of the amount of $2,009.14, inclusive of tax.

V. Conclusion

[43] For the aforementioned reasons, I will thus award Mylan total costs of $82,009.14 inclusive of all fees, disbursements, and tax.

ORDER IN T-1627-16

THIS COURT'S ORDER is that:

1. The costs of the hearsay motion payable to Lilly are deducted from the cost award payable to Mylan on the summary trial.

2. Mylan is awarded total costs of $ of $82,009.14 inclusive of all fees, disbursements, and tax.

3. No costs are awarded on this Order for costs.

"Martine St-Louis"

Judge

FEDERAL COURT

SOLICITORS OF RECORD

DOCKET:	T-1627-16
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APPEARANCES:

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