**Date: 20080320**

**Docket: T-1800-02**

**Citation: 2008 FC 369**

**St. John's, Newfoundland and Labrador, March 20, 2008**

**PRESENT: The Honourable Madam Justice Heneghan**

**BETWEEN:**

**FOURNIER PHARMA INC. and LABORATOIRES FOURNIER S.A.**

**Applicants**

**and**

**THE MINISTER OF HEALTH and APOTEX INC.**

**Respondents**

## REASONS FOR JUDGMENT AND JUDGMENT

[1] Apotex Inc. ("Apotex") appeals from the Order of Prothonotary Lafrenière dated April 23, 2007. In that Order, Prothonotary Lafrenière denied Apotex' claim for disbursements in its entirety.

[2] The within proceeding arises pursuant to the *Patented Medicines (Notice of Compliance) Regulations*, SOR/93-133 (the "NOC Regulations") and the *Federal Courts Rules*, SOR/98-106 (the "Rules"). By Notice of Application dated October 23, 2002, Fournier Pharma Inc. and Laboratoires Fournier S.A. (collectively "Fournier") applied for an Order, pursuant to the NOC Regulations,

prohibiting the Minister of Health (the "Minister") from issuing a Notice of Compliance to Apotex in respect of Fenofibrate 100mg or 160mg tablets until expiry of Canadian Patent No. 2,219,475 (the " '475 Patent"). For ease of reference, I refer to this as the "prohibition proceeding".

[3] By Notice of Discontinuance dated July 6, 2004, and filed July 7, 2004, Fournier discontinued the prohibition proceedings.

[4] By Notice of Motion dated June 20, 2005, Apotex sought an award of its costs in the amount of $306,865.45, representing its costs on a solicitor and client basis and its disbursements. Apotex submitted its Notice of Motion for consideration in writing, pursuant to Rule 369 of the Rules, without personal appearance. Apotex filed the affidavit of Mr. Harry Radomski, one of the solicitors of record in the prohibition proceedings. In his affidavit, Mr. Radomski deposed, under oath, that the legal fees associated with the discontinued prohibition proceeding amounted to $181,598.05, including GST. He claimed "reasonable" disbursements in the amount of $121,710.87, including GST.

[5] Mr. Radomski outlined the history of the prohibition proceedings, beginning with the service of a Notice of Allegation ("NOA") by Apotex upon Fournier on September 5, 2002. In its NOA, Apotex alleged that it would not infringe Fournier's '475 Patent.

[6] Fournier issued the Notice of Application pursuant to the NOC Regulations on October 23, 2002. This event gave rise to a twenty-four month statutory injunction in favour of Fournier, pursuant to the NOC Regulations.

[7] According to Mr. Radomski's affidavit, Fournier filed the affidavits of Philippe Reginault and Graham Jobson on November 21, 2002. These affidavits represented the evidence of Fournier in prosecuting the prohibition proceeding.

[8] Following receipt of Fournier's evidence, Apotex agreed to provide Fournier with its formulation details. After a Protective Order was put in place, Apotex delivered that information in November 2002.

[9] Subsequently, a Notice of Status Review was issued pursuant to the Rules on June 4, 2003. Up to that time, Fournier made no requests relative to the formulation documents that had been produced by Apotex, nor advised of any intentions to bring a motion pursuant to section 6(7) of the NOC Regulations.

[10] On July 18, 2003, Prothontary Lafrenière ordered that the matter continue as a specially managed proceeding, after reviewing the submissions filed by the parties in response to the Notice of Status Review. He also ordered Fournier to bring any motion seeking relief pursuant to section 6(7) of the NOC Regulations by July 31, 2003.

[11] Fournier served and filed its section 6(7) motion on July 31, 2003, alleging that the formulation documents delivered by Apotex in April 2003 were incomplete. Fournier's motion was

supported by the affidavit of Dr. Joseph B. Schwartz and a second affidavit of Graham Jobson. In response, Apotex filed the affidavit of Dr. Bernard Sherman.

[12] By Order dated October 6, 2003, Prothonotary Lafrenière dismissed Fournier's motion on the basis of delay. An appeal from the Order was dismissed by Justice Pinard on November 7, 2003. Upon further appeal to the Federal Court of Appeal, the Appeal was dismissed on June 2 2004. Fournier discontinued the prohibition proceedings on or about July 6, 2004.

[13] The Prothonotary assessed legal fees in the lump sum of $20,000.00, inclusive of GST. He disallowed the claim for disbursements in its entirety, on the grounds that Apotex had failed to submit evidence that the disbursements were necessary to defend the prohibition proceedings and were reasonable. The Prothonotary concluded that "since the reasonableness of the amounts claimed is less than obvious, and the propriety of certain disbursements have not been established, I am not prepared to make an arbitrary award for disbursements."

[14] Apotex here only appeals the Prothonotary's Order relative to dismissal of its claim for disbursements, it does not challenge the lump sum award of $20,000.00 for legal fees.

[15] In the present motion, Apotex argues that the Prothonotary committed a reviewable error by dismissing the claim for disbursements in its entirety. It submits that the affidavit of Mr. Radomski is evidence to show that the disbursements were incurred and that the disbursements were required, having regard to the nature of these proceedings, that is prohibition proceedings under the NOC

Regulations. Apotex refers and relies on the decisions in *Carlile v. Canada* (1997), 97 D.T.C. 5284 (Fed. Taxing Off.) and *Wanderingspirit v. Salt River First Nation 195*, [2007] F.C.J. No. 447 where the Court recognized that litigation does not advance without the expenditure of funds.

[16] Apotex submits that if the Prothonotary was unable to assess the reasonableness of the disbursements claimed, then the matter should have been referred to an Assessment Officer for determination.

[17] For its part, Fournier argues that the Prothonotary did not commit a reviewable error and that Apotex is not now entitled to request an assessment of its disbursements since it initially specifically chose not to use that mechanism.

[18] The award of costs is wholly within the discretion of the Court pursuant to Rule 400(1) which provides as follows:

| | |
|---|---|
| 400(1) The Court shall have full discretionary power over the amount and allocation of costs and the determination of by whom they are to be paid. | 400(1) La Cour a le pouvoir discrétionnaire de déterminer le montant des dépens, de les répartir et de désigner les personnes qui doivent les payer. |

[19] Rule 402 provides for entitlement to costs following the discontinuance of a proceeding. Rule 400(2) provides as follows:

| | |
|---|---|
| (2) Costs may be awarded to or against the Crown. | (2) Les dépens peuvent être adjugés à la Couronne ou contre elle. |

[20] Rule 400(3) sets out a non-exhaustive list of factors to be considered by the Court in exercising its discretion pursuant to Rule 400(1). These factors include the result of the proceeding and the importance and complexity of the issues.

[21] Rule 51 provides for appeals from decisions of a Prothonotary. The standard of review for decisions of a Prothontary was discussed by the Federal Court of Appeal in *Merck & Co. v. Apotex Inc.* (2004), 30 C.P.R. (4th) 40 (F.C.A.) as follows, at para. 19:

> …
>
> Discretionary orders of prothonotaries ought not be disturbed on appeal to a judge unless:
>
> a) the questions raised in the motion are vital to the final issue of the case, or
> b) the orders are clearly wrong, in the sense that the exercise of discretion by the prothonotary was based upon a wrong principle or upon a misapprehension of the facts.

[22] The present decision is a discretionary one since an award of costs is fully within the discretion of the Court. However, exercising his discretion, the Prothonotary is to heed the evidence submitted. In this case, I am of the view that he committed a reviewable error in dismissing the entire claim for disbursements by failing to consider the evidence that Apotex submitted. That

evidence consisted of the affidavit of Mr. Radomski, including the exhibits attached to and forming part of that affidavit. With respect to the disbursements claimed, Mr. Radomski said the following at paragraphs 43 and 44 of his affidavit.

> 43. I have reviewed our accounts rendered to Apotex in connection with the Application proceeding. Apotex incurred $303,308.92 in legal costs from our firm representing fees and disbursements charged in connection with counsels' preparation of materials, filings and attendance connected with the proceeding. Particulars of the fees and disbursements charged by our firm to Apotex are set out on a solicitor and client basis in a Bill of Costs attached hereto as exhibit "N" to my affidavit.
>
> 44. The fees and disbursements charged to Apotex in connection with this matter were entirely reasonable, particularly given the seriousness of Fournier's allegations and that the proceeding had very significant consequences for Apotex.

[23] In *McCain Foods Ltd. v. C.M. McLean Ltd.*, [1981] 1 F.C. 534 (C.A.), Mr. Justice Urie, writing for the Court, commented at p. 539 upon the affidavit evidence submitted before the Motions Judge upon a motion for lump sum assessment of costs, including disbursements, as follows:

> It was further deposed that substantial executive time was spent by officers and senior employees of the respondent estimated to be at least 50 hours, valued at $30 per hour, for a total of $1,500. Similarly $375 in travel and other expenses were estimated to have been incurred by the respondent none of which was in any way verified. [Emphasis in original.]
> …

[24] The affidavit in the present case sets out an unqualified statement by Mr. Radomski that the disbursements claimed were incurred. Mr. Radomski was not cross-examined on his affidavit and no evidence was submitted by Fournier to dispute or contradict the disbursements that were claimed.

[25] I agree with the submissions of Apotex that the Court should allow for the recovery of reasonable disbursements, as was discussed by the Ontario Court of Appeal in *3664902 Canada Inc. v. Hudson's Bay Co.* (2003), 169 O.A.C. 283 (Ont. C.A.).

[26] Further, I refer to the decision in *Eli Lilly Canada Inc. v. Novopharm Ltd.*, [2006] F.C.J. No. 1002 at para. 15 concerning the reasonableness of disbursements set out in a draft bill of costs, as follows:

> As for disbursements, the affidavit of Nancy Schuurmans establishes that all disbursements set out in the draft bill of costs presented by Lilly were incurred and invoiced to Lilly in the preparation and for the purposes of these proceedings. The charges appear consistent with the record, showing that Lilly has prepared and filed nine affidavits, of which eight were expert affidavits. I therefore find that Lilly has established the reasonableness of these disbursements on a *prima facie* basis. While it is true that Lilly did not file invoices or supporting documents, it did not have to do so to establish a *prima facie* case. Novopharm had the opportunity to cross-examine on Ms. Schuurmans' affidavit and demand production of the supporting documents. It chose not to do so, and the evidence it tendered in response falls short of showing that the disbursements claimed were not in fact incurred for this matter or were excessive or unreasonable.

[27] Likewise, I agree with the view expressed by Justice Mosley when he characterized the assessment of costs on a lump sum basis in *Dimplex North America Ltd. v. CFM Corp.* (2006), 55 C.P.R. (4th) 202 as "rough justice". In other words, costs will not be determined with precision when being disposed of by a lump sum award.

[28] In *Merck* the Federal Court of Appeal decided that a reviewing Court can exercise its own discretion relative to a discretionary order only if the Court below based its decision on an error of law or a wrongful exercise of discretion. In the present case, I am satisfied that the Prothonotary erred in law by ignoring the evidence contained in the affidavit of Mr. Radomski. This evidence related to the claim for disbursements and it could not be dismissed out-of-hand.

[29] Apotex requested that this Court make its own lump sum award for the disbursements or alternatively, remit the matter to an assessment officer for assessment. Fournier resisted the idea that the matter be sent back for assessment, arguing that Apotex had chosen to have a lump sum determination and is not entitled to now ask for an assessment.

[30] I disagree with the position taken by Fournier. In my opinion, it is in the interests of justice for both parties and consistent with Rule 3 of the Rules that the matter of recovery of disbursements be remitted to an assessment officer, pursuant to Rule 405. The assessment officer shall determine, in the exercise of his discretion, the process to be followed upon the assessment and shall issue such directions as he considers necessary and just in that regard.

**JUDGMENT**

The appeal is allowed with costs and the Order of April 23, 2007, insofar as it deals with disbursements, is set aside and the issue of recovery of disbursements is remitted to an assessment officer, pursuant to the *Federal Courts Rules*, SOR/98-106.

"E. Heneghan"

Judge

**FEDERAL COURT**

**SOLICITORS OF RECORD**

| | |
|---|---|
| **DOCKET:** | T-1800-02 |
| **STYLE OF CAUSE:** | FOURNIER PHARMA INC. and LABORATOIRES FOURNIER S.A. v. THE MINISTER OF HEALTH and APOTEX INC. |
| **PLACE OF HEARING:** | Toronto, Ontario |
| **DATE OF HEARING:** | September 17, 2007 |
| **REASONS FOR JUDGMENT AND JUDGMENT:** | HENEGHAN J. |
| **DATED:** | March 20, 2008 |

**APPEARANCES:**

| | |
|---|---|
| David M. Reive | FOR THE APPLICANTS |
| Andrew R. Brodkin<br>John Simpson | FOR THE RESPONDENTS |

**SOLICITORS OF RECORD:**

| | |
|---|---|
| Dimock & Stratton LLP<br>Barristers & Solicitors<br>Toronto, Ontario | FOR THE APPLICANTS |
| Goodmans LLP<br>Barristers & Solicitors<br>Toronto, Ontario | FOR THE RESPONDENTS |