

Date: 20080923

Docket: T-1548-06

Citation: 2008 FC 1070

Ottawa, Ontario, September 23, 2008

PRESENT: The Honourable Madam Justice Snider

BETWEEN:

**ADIR and
SERVIER CANADA INC.**

**Plaintiffs
(Defendants by Counterclaim)**

and

**APOTEX INC. and
APOTEX PHARMACHEM INC.**

**Defendants
(Plaintiffs by Counterclaim)**

REASONS FOR JUDGMENT AND JUDGMENT AS TO COSTS

[1] The Reasons for Judgment and Judgment, following the trial of this patent infringement action, were released to the parties on July 2, 2008 (*Laboratoires Servier v. Apotex Inc.*, 2008 FC 825). At that time, the parties were asked to make written submissions on costs. In a subsequent Order dated August 5, 2008, I allowed the parties to make brief reply submissions. Having reviewed the submissions, I now wish to provide my decision and reasons on the issue of costs in this matter.

[2] Pursuant to Rule 400(1) of the *Federal Courts Rules*, SOR/98-106, the Court has “full discretionary power over the amount and allocation of costs”. Rule 400(3) describes, without limitation, factors that may be considered.

[3] The starting point, it seems to me, is that a successful party is entitled to its costs to be assessed by an assessment officer on the basis of Tariff B at the mid-point of Column III, as provided for in the *Rules* (see Rule 407), together with disbursements that are reasonable and necessary for the conduct of the proceedings. This would be the basis of assessment unless the judge provides directions to the assessment officer or takes on the responsibility of assessing the costs. In this case, the parties are not seeking that I establish the amount of costs; rather, the parties, in a very principled way, have provided me with their view of the directions that the Court should provide to the assessment officer who will undertake the onerous task of assessment.

[4] In exercising my discretion, I have had regard to all of the written submissions, the pertinent jurisprudence and the factors set out in Rule 400(3). A number of matters warrant particular attention.

I. Result of the Proceeding

[5] The Plaintiffs (referred to collectively as Servier) were, for the most part, successful. In particular, the patent in issue was held to be valid and infringed. On the other hand, Servier did not enjoy complete success as they were not successful in establishing that the Defendants (collectively referred to as Apotex) had induced infringement. Apotex was unsuccessful in the counterclaim,

except that they persuaded the Court that all but two of the Plaintiffs (ADIR and Servier Canada) had no standing to bring the action. Apotex also succeeded in demonstrating that certain otherwise infringing product should be exempted from the infringement claim.

[6] I note that both of the issues on which Servier was not successful required significant time and resources – albeit not as much as alleged by Apotex. Where an otherwise unsuccessful party has persuaded the Court of the merits of its position on certain discrete issues, the award of costs may be reduced (see, for example, *Merck & Co. v. Apotex Inc.*, 2006 FC 631 at para. 13-14, 53 C.P.R. (4th) 69). Apotex suggests that the award should be reduced to 80% of Servier’s costs of the action as a whole and that it should also receive 20% of its costs. Servier argues for no reduction and no award to Apotex. In this case, I believe that it would be just to reduce the award of costs, although not to the 80% level suggested by Apotex. Apotex’s assessment that 20% of the trial days were spent on the issues where it was successful is greatly overstated. Further, Apotex’s request for a separate award of any portion of its costs would be “double dipping”; the reduction in Servier’s costs is intended as a surrogate for a calculation of costs for Apotex on those two issues where it was successful.

[7] Apotex seeks reimbursement for its costs (by way of set off) related to establishing the regulatory and experimental use exemption to infringement. I do not agree that these costs should be recoverable. The burden was on Apotex to satisfy the Court on the quantities of the otherwise infringing product. Servier, not unreasonably, waited until it heard the oral evidence of the witnesses before it decided whether or not it needed to question the witnesses. No recovery of these costs by Apotex will be allowed.

[8] In sum, Servier should receive an award of costs of 90% of its costs of the action, subject to the further directions set out in these reasons.

II. Complexity

[9] Servier submits that the complexity of the issues at trial, together with the speed at which the entire litigation was conducted, justifies an award at the high end of Column V. Apotex asserts that there was nothing exceedingly complex that would take the costs award out of the normal Column III.

[10] This trial dealt with a number of issues that were complex or novel. For example, the issues of first inventorship, the alleged breach of the *Competition Act*, meaning of the concepts of sound prediction and the “invention” were all issues raised by the Defendants where little guidance could be drawn from existing jurisprudence or where Apotex was asking the Court to extend established legal principles. In this regard, I consider the complexity of the issues to be comparable to that in *Merck*, above, where Justice Hughes concluded that the appropriate level was the upper end of Column IV of Tariff B.

[11] Servier appears to argue that a higher Tariff is appropriate given the fact that this matter proceeded quickly to trial. I observe that, although the speed at which this matter proceeded to trial may have some implications for a cost award (see Volume of Work), it does not make the underlying issues more complex. Nor does the fact that an issue was abandoned raise the level of difficulty of that issue.

[12] Accordingly, it would be reasonable to assess costs at the upper end of Column IV.

III. Volume of Work

[13] With the cooperation of both parties, this trial proceeded expeditiously; judgment was rendered less than two years after filing of the Statement of Claim. In total:

- the parties produced over 1500 documents;
- discoveries lasted 19 days;
- 43 expert reports were exchanged;
- the trial lasted 34 days;
- pre-trial motions occupied two days immediately before the trial and many more days between December 2006 and February 2008;
- more than 30 witnesses were heard at trial; and
- 314 documents were marked as exhibits.

[14] Along the way, there were many events that necessitated extraordinary effort on both parties (and, I might add, the Court) to maintain the assigned trial dates. Further, the issues raised in respect of the counterclaim, in particular, were diverse and, most notably for the competition issues, required the engagement of counsel with different skill sets.

[15] As I have already noted, this does not make the issues at trial more complex. Arguably, the time requirements for a path to trial that took four years and one that took less than two years are the same; the difference is that the same volume of work must be carried out in half the time.

[16] However, because of the combination of time pressures and breadth of the issues, the retained law firms were required to work on more than one issue concurrently. Thus, each party used more senior lawyers than might have ordinarily been the case. Accordingly, I will allow Servier to recover costs in relation to 2 senior (first) and 1 junior (second) counsel.

IV. Costs for non-lawyers

[17] The Plaintiffs seek recovery of costs for the services of students-at-law and paralegals. Normally, I would agree with the Defendants that such costs are not recoverable. However, this trial presented an unusual situation with respect to one paralegal, Ms. Denise Pope. The parties agreed, prior to the trial, to use Summation software. The Defendants do not object to reasonable disbursements relating to the cost of Summation technology during pre-trial procedures and trial but object to fees for Ms. Pope. The Defendants were aware that Ms. Pope would be the coordinator of this valuable tool for the efficient management of the trial. Ms. Pope was called on, by both parties,

from time to time to assist in the loading of documents into the database and the management of the database. Her services, in my view, extended beyond those normally associated with non-legal staff. Accordingly, I am prepared to allow a portion of the fees for her services; recovery of 50% of her fees is appropriate in the circumstances.

V. Conduct of Parties

[18] Servier asserts that its work was complicated by certain actions of the Defendants. They refer to “persistent ambiguity in Apotex’s pleadings” and to an allegation that “Apotex abandoned a number of its invalidity allegations at the end of the trial, resulting in Servier having expended considerable resources to respond to matters which Apotex clearly felt were not necessary to its case”. I do not accept either of these allegations as supportable in this trial and certainly as anything that would warrant an increased award of costs. It appears to me that the abandonment of issues in final argument or earlier was a legitimate part of the evolution of this trial and certainly does not signify that Apotex was engaged in conduct that unnecessarily lengthened the duration of the proceeding. Indeed, in my view, counsel for Apotex acted very responsibly throughout.

[19] Servier submits that Apotex’s knowledge that their activities constituted infringement “must” be taken into account when assessing costs (*Dimplex North America Limited v. CFM Corporation*, 2006 FC 1403, 307 F.T.R. 153 at para. 28 (T.D.), aff’d 2007 FCA 278, 60 C.P.R. (4th) 277). I do not agree. In effect, Servier seeks punitive damages as part of the award of costs. While that may have been appropriate in the context of *Dimplex* case, it is not warranted here. As noted in

the trial reasons, at paragraph 515, consideration of punitive or exemplary damages has been deferred until after damages or profits are awarded.

VI. Expert Reports

[20] The Plaintiffs seek recovery of all fees and reasonable disbursements (travel, accommodation and related expenses) of their experts who testified at trial and reasonable fees and disbursements for the balance of their experts who did not testify at trial but who prepared expert reports which were served. Apotex does not object to the reasonable fees and disbursements of experts who testified at trial but objects to: (a) any recovery for work done by the experts to assist counsel in case preparation (such as in formulating questions for cross-examination of the opposing expert witnesses); and (b) any reimbursement for experts who were not called at trial.

[21] I am not prepared to limit the reimbursement of the experts as requested by Apotex. In my view, any assistance provided by an expert related to his or her area of expertise is justifiable. That would include assisting counsel in reviewing and understanding the expert reports from the other side and preparing for cross-examination. Until we have a trial process that allows experts to openly question each other on their reports, lawyers must be involved. And, the only meaningful way counsel can be prepared to act as such middlemen is to have the experts' assistance. Recovery of the reasonable fees charged by the experts who then appeared at trial to provide this service is appropriate.

[22] Reimbursement for experts not called at trial is more problematic. I do not know how many experts were retained or whether their reports were relevant to the issues. I will not permit recovery for experts who were not called at trial.

[23] In its initial submissions, Apotex submits that experts' fees should not exceed rates of senior counsel. Although such a practice may be seen in some recent cases before the Court (see, for example, *Research in Motion v. Visto Corporation*, 2008 FC 618 at paragraph 29), I can see no reason to do so in this case. Accordingly, I will leave the assessment of the reasonableness of experts' fees in the capable hands of the assessment officer.

VII. Other Matters

[24] Servier has requested costs, to which Apotex does not object, for fees for the assessment of costs and reasonable disbursements for Servier's discovery representatives who traveled to Canada to be examined. These costs will be allowed.

[25] Apotex objects to costs claimed for Servier's counsel to travel to France for discoveries. In principle, I see no reason why reasonable costs of counsel ought not to be allowed for the France discoveries. The reasonableness of these costs and disbursements is to be determined by the assessment officer.

[26] Some matters are simply not described in sufficient detail and will be left to the discretion of the assessment officer. These are the following:

- Reasonable expenses relating to computerized research services; and
- Fees and disbursements for foreign counsel (in New Jersey, Germany, Austria and France) related to the rogatory commissions sought by Apotex. While I believe that, in principle, these costs are allowable, the reasonableness is left to the discretion of the assessment officer.

[27] One item claimed by Servier that I am not inclined to allow is “reasonable fees and disbursements for counsel and representatives of Servier to meet during the conduct of litigation”. I can see no reference to such costs in the Tariff to cover these imprecisely described costs. They will not be allowed.

VIII. Conclusion

[28] One hopes that, in light of these reasons, the parties could now come to agreement on costs. However, in the event that this is not possible, the assessment officer is to allow 90% of Servier’s taxed costs and disbursements, at the upper end of Column IV and in accordance with the directions set out in these reasons.

[29] The assessment officer has complete discretion to deal with all matters where I have deferred certain matters to his discretion and with all matters not specifically addressed in these reasons.

JUDGMENT

THIS COURT ORDERS AND ADJUDGES that:

1. The Plaintiffs (Servier Canada Inc. and ADIR) are to have their costs throughout against the Defendants, such costs to be taxed at the upper range of Column IV of Tariff B and in accordance with the directions contained in these reasons; and

2. The total award is then to be reduced by 10%.

“Judith A. Snider”

Judge

FEDERAL COURT
SOLICITORS OF RECORD

DOCKET: T-1548-06

STYLE OF CAUSE: ADIR and SERVIER CANADA INC.

v.

APOTEX INC. and APOTEX PHARMACHEM INC.

SUBMISSIONS IN WRITING (COSTS)

**REASONS FOR JUDGMENT
AND JUDGMENT AS TO COSTS: SNIDER J.**

DATED: September 23, 2008

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