Federal Court  Cour fédérale

Date: 20101207

Docket: T-124-08

Citation: 2010 FC 1238

BETWEEN:

PFIZER CANADA INC. AND PHARMACIA ATKIEBOLAG

Applicants

and

THE MINISTER OF HEALTH AND APOTEX INC.

Respondents

REASONS FOR ORDER

[1] Pfizer Canada Inc. and Pharmacia Atkiebolag (collectively "Pfizer") successfully obtained an Order of Prohibition pursuant to the *Patented Medicines (Notice of Compliance) Regulations*, SOR/93-133 (the "Regulations") relative to Canadian Patent No. 1,339,132 (the " '132 Patent") by Reasons for Judgment and Judgment issued April 26, 2010. Pfizer, being the successful party, was awarded costs.

[2] By Notice of Motion dated May 18, 2010, Pfizer sought directions with respect to the assessment of costs, pursuant to the *Federal Courts Rules*, SOR/98-106 (the "Rules").

[3] By Notice of Motion dated May 26, 2010, Apotex Inc. (“Apotex”), the responding party to Pfizer’s prohibition proceedings, also sought directions with respect to the assessment of costs. Apotex submitted its Notice of Motion for consideration without personal appearance. Apotex filed the affidavit of Mr. Andrew Brodkin in support of its motion.

[4] By further Notice of Motion dated October 12, 2010, Pfizer sought an order striking out the affidavit of Mr. Brodkin.

[5] All three motions proceeded for a hearing at the same time. These Reasons will address all three motions and individual orders will then be filed. I will first address Pfizer’s motion to strike the affidavit of Mr. Brodkin.

Motion to Strike the Affidavit of Mr. Andrew Brodkin

[6] As noted above, Pfizer filed a motion on October 12, 2010, seeking an order to strike the affidavit of Mr. Andrew Brodkin. That affidavit was filed as part of Apotex’s Motion Record and in support of its motion for directions.

[7] Mr. Brodkin was actively involved as counsel in the NOC proceedings. He participated in cross examinations and argued the case at trial.

[8] Pfizer objects to this affidavit on a number of grounds. First, referring to Rule 82, it argues that leave of the Court is required before reliance can be placed upon a solicitor's affidavit. Next, it submits that the affidavit is largely based on hearsay and thereby flawed and inadmissible. Next, it argues that the affidavit is argumentative.

[9] Rule 82 provides as follows:

Use of solicitor's affidavit	Utilisation de l'affidavit d'un avocat
82. Except with leave of the Court, a solicitor shall not both depose to an affidavit and present argument to the Court based on that affidavit.	82. Sauf avec l'autorisation de la Cour, un avocat ne peut à la fois être l'auteur d'un affidavit et présenter à la Cour des arguments fondés sur cet affidavit.

[10] In general, the Court does not look favourably upon a solicitor's affidavit, especially where such affidavit refers to contentious facts as is the case here. In this regard, see *Merck & Co., Inc. v. Apotex Inc.*, [2004] 2 F.C.R. 459 (F.C.A). As well, Apotex should have sought leave of the Court prior to filing the affidavit.

[11] In my opinion, this case is exceptional. Apotex is alleging misconduct on the part of Pfizer's counsel in the conduct of the cross examination of Dr. Stjernschantz. It argues that this conduct should be considered by the Court in the motions for directions for costs. I agree with the submissions by Apotex that the best person to address the alleged misconduct of Pfizer's counsel is Counsel for Apotex. For that reason, I decline to dismiss the affidavit of Mr. Brodkin in its entirety.

[12] Nonetheless, I agree with Pfizer that parts of this affidavit are inadmissible because they contain hearsay evidence which fails to satisfy the criteria of necessity and reliability, as discussed by the Supreme Court of Canada in *R. v. Starr*, [2000] 2 S.C.R. 144.

[13] Paragraph 52 of Mr. Brodkin's affidavit will be struck on the grounds that it contains hearsay evidence which does not meet the criteria for admissibility as discussed in *Starr*. While Mr. Brodkin's statement is likely reliable, it is not necessary.

[14] Nonetheless, other paragraphs of Mr. Brodkin's affidavit can stand. Paragraphs 10, 36, 48 and 49 are not, contrary to the submissions of Pfizer, hearsay evidence. They refer to out-of-court statements but they are not tendered for the truth of their contents but rather for the fact that the statements were made or otherwise communicated.

[15] Further, certain paragraphs of the Brodkin affidavit contain legal argument, for example paragraphs 11 and 23.

[16] Paragraph 19 contains a fact that Pfizer considers contentious but otherwise, this paragraph is not argumentative nor does it contain inadmissible hearsay evidence. In my opinion, a paragraph that sets out a fact that Pfizer disagrees with is not *per se*, subject to being struck.

[17] In paragraph 36, only the last sentence should be struck. The remainder of that paragraph sets out uncontested factual matters.

[18] The remaining paragraphs of Mr. Brodkin's affidavit challenged by Pfizer should be struck. The admissible portions of the affidavit provide a useful factual background which is relevant to Apotex's motion for directions.

Motions for Directions

[19] Both Pfizer and Apotex seek directions relative to the assessment of Pfizer's costs in this matter. Rule 403 allows the Court to give such directions and provides as follows:

Motion for directions	Requête pour directives
403. (1) A party may request that directions be given to the assessment officer respecting any matter referred to in rule 400,	403. (1) Une partie peut demander que des directives soient données à l'officier taxateur au sujet des questions visées à la règle 400 :
(a) by serving and filing a notice of motion within 30 days after judgment has been pronounced; or	a) soit en signifiant et en déposant un avis de requête dans les 30 jours suivant le prononcé du jugement;
(b) in a motion for judgment under subsection 394(2).	b) soit par voie de requête au moment de la présentation de la requête pour jugement selon le paragraphe 394(2).
Motion after judgment	Précisions
(2) A motion may be brought under paragraph (1)(a) whether or not the judgment included an order concerning costs.	(2) La requête visée à l'alinéa (1)a) peut être présentée que le jugement comporte ou non une ordonnance sur les dépens.
Same judge or prothonotary	Présentation de la requête
(3) A motion under paragraph (1)(a) shall be brought before the judge or prothonotary who signed the judgment.	(3) La requête visée à l'alinéa (1)a) est présentée au juge ou au protonotaire qui a signé le jugement.

[20] First, I note that both parties filed their motions pursuant to Rule 403 on a timely basis.

[21] Pfizer seeks the assessment of costs at the mid-point of Column IV, Tariff B of the Rules. The parties agree that Pfizer is entitled to costs for two counsel, one senior and one junior, in the conduct of cross examinations, and the cost for one senior counsel in defending cross examinations. Pfizer seeks to recover costs for three counsel at the hearing, two senior and one junior, on the basis that it argued this case immediately after the hearing in Cause T-2221-07.

[22] Further, Pfizer seeks a 25 percent increase in the Tariff costs, as a penalty against Apotex, on the grounds that Apotex had withdrawn the issue of invalid selection, only to argue that issue at the hearing.

[23] Apotex submits that all travel costs should be assessed in economy class, for single hotel rooms and exclusive of entertainment and alcohol expenses.

[24] Apotex argues that costs for photocopying should be recoverable for only a limited number of pages, not for all the copies of pleadings and jurisprudence that were filed by Pfizer. The parties agree that the allowable recovery should be $00.25 per page.

[25] Pfizer disagrees with Apotex’s proposed limit on the number of copies for which costs should be awarded and submits that this item should be addressed by the assessment officer on the standard of reasonableness.

[26] Apotex, for its part, seeks directions concerning the award of costs and disbursements relating to the cross-examination of Dr. Stjernschantz. It submits that the costs and disbursements in this regard should be reduced by 25 percent to account for the conduct of Pfizer, specifically the introduction of the Stjernschantz affidavit as a “fact” affidavit when it clearly was an opinion affidavit.

[27] Apotex also argues that Pfizer should be unable to recover the costs of its travel to Sweden for the cross-examination and that the travel costs of Apotex should be set-off, since the cross-examination of Dr. Stjernschantz could have been conducted in a venue other than Sweden.

[28] Pfizer responds to this argument by saying that the issue of costs relative to Dr. Stjernschantz had been addressed by Prothonotary Aalto in his Order of June 25, 2009. In rendering that Order, Prothonotary Aalto found that Dr. Stjernschantz was an expert witness, not a fact witness, and denied Pfizer’s motion to introduce evidence from more than five expert witnesses.

[29] The Prothonotary allowed Pfizer to elect the five of its six experts that it would rely on, but awarded Apotex costs for the sixth expert that Pfizer would discard. Prothonotary Aalto’s award of costs did not address Pfizer’s conduct in its continuing treatment of Dr. Stjernschantz as a fact witness, the implications of that treatment on Apotex’s discovery of Dr. Stjernschantz, or the scheduling of that discovery in Uppsala, Sweden.

[30] Apotex submits that no one expert should receive compensation that is disproportionate to the costs awarded in respect of all other experts. Pfizer argues that this is an issue of reasonableness that is best left to the assessment officer.

[31] Apotex submits that the recoverable fees for expert witnesses should be limited to the time spent preparing the experts' affidavits and the time required to prepare for and participate in cross-examination. In other words, Apotex takes the position that Pfizer should not recover for time spent by its experts in preparing counsel for the cross-examination of Apotex's expert witnesses. Pfizer, unsurprisingly, disagrees and seeks recovery for the costs of such preparation on the grounds that such preparation time is a reasonable expense in the context of this proceeding.

[32] Apotex argues that since there is overlap between the witnesses in this proceeding and Cause T-2221-07, a prohibition proceeding involving the same drug and commenced by Pfizer as Applicant against Pharmascience Inc. as Respondent. Apotex says that the overlap justifies a 50 percent reduction in the costs to be awarded to Pfizer.

[33] Pfizer, in reply, submits that the overlap in the substantive portions of the affidavits is not significant, indeed Pfizer argued that only the background information was the same and in any event, will be reflected in the fees charged.

Discussion and Disposition

[34] The overriding principle applicable to the assessment of costs is set out in Rule 400(1) of the Rules which provide 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.

[35] Although both Pfizer and Apotex identified multiple issues in their respective Notices of Motion, certain matters were resolved between them either before or after the hearing of the motions. The parties agree that the hourly rate for the allowable experts shall be capped at the hourly rate of senior counsel for Pfizer, that is Ms. Robinson**,** and that no costs will be recoverable for the fees of other people including in-house counsel, law clerks, students, and support staff who may have assisted in the conduct of this litigation.

[36] The parties also agree that Pfizer shall be entitled to recover costs only for those experts who deposed to affidavits that were filed in this proceeding. It is not necessary for me to comment further on these matters. I will now address the contentious issues.

[37] First, there is the question of recoverable costs in relation to Dr. Stjernschantz. I agree with the submissions advanced by Apotex that the Order of Prothonotary Aalto did not deal with the matter of costs for the role of Dr. Stjernschantz as an expert witness.

[38] I am satisfied, independently of Prothonotary Aalto, that the evidence of Dr. Stjernschantz is essentially opinion evidence and properly characterized as expert evidence. This is apparent from Dr. Stjernschantz himself in the early minutes of his cross-examination.

[39] The fact that Dr. Stjernschantz provided expert opinion evidence but was cross-examined prior to a judicial determination on the nature of that evidence, affected the ability of Counsel for Apotex to fully test that evidence. Apotex made that argument upon the hearing of its motion for directions. I am satisfied, from my review of the transcript of Dr. Stjernschantz's cross-examination, that the argument is solidly established. In this regard, I refer to pages seven, twenty, and twenty-one of that cross-examination transcript. While insisting that Dr. Stjernschantz was a fact witness, although his own discovery evidence indicated the contrary, Pfizer's counsel objected to questions from Apotex's counsel regarding Dr. Stjernschantz's opinion evidence. This interference improperly limited the scope of the discovery.

[40] It is inappropriate for me to estimate how the lack of a broad cross-examination of Dr. Stjernschantz, that is an examination on all the matters raised in his affidavit, may have affected the final outcome. It is sufficient to say that Apotex was deprived of its right to a full cross-examination and that should be recognized in the assessment of costs. I will direct the assessment officer to reduce the amount Pfizer would otherwise be entitled to recover for fees paid to Dr. Stjernschantz by 50 percent.

[41] The scope of Dr. Stjernschantz's cross-examination is one thing, the location of that cross-examination is another. Apotex contends that Pfizer unreasonably required the cross-examination to be held in Sweden, a locale that required two days travel time. From the admissible, uncontested evidence in Mr. Brodkin's affidavit, it is apparent that counsel for Pfizer unreasonably insisted on producing Dr. Stjernschantz in Uppsala, Sweden, rather than in London, United Kingdom, or

another location that would have been more convenient for counsel for both parties. As a result, I will direct that Pfizer will not be entitled to recover its costs for its counsel to travel to Sweden.

[42] Next, I refer to the evidence of the expert witnesses put forward by Pfizer in this proceeding and the alleged overlap with the expert evidence presented in the related Pharmascience prohibition proceeding. I reject Pfizer's argument that this overlap is limited to background information. Pfizer filed the evidence of Dr. Fechtner, Dr. Maxey, Dr. Neufeld, and Dr. Stjernschantz in this matter as well as in Cause T-2221-07.

[43] From my review of the affidavits filed by these witnesses in both the Pharmascience and Apotex applications, there is a significant degree of overlap, particularly in the evidence of Dr. Fechtner and Dr. Neufeld. The majority of the paragraphs in the affidavit filed by Dr. Fechtner in this matter, sworn on January 15, 2009, are identical or nearly identical to the affidavit filed by that expert in Cause T-2221-07 on August 26, 2008. Otherwise, additions and modifications are made primarily in response to the evidence of Apotex's expert witnesses. The same is true of the affidavits filed by Dr. Neufeld in this matter compared to those filed in Cause T-2221-07.

[44] Apotex submits that the recoverable costs for these experts should be reduced by 50 percent to account for the overlap in the evidence. In particular, the evidence filed by four of Pfizer's expert witnesses overlaps to a significant degree. I am satisfied that the fees should be reduced for any of the four expert witnesses who provided evidence in Cause T-2221-07 and then subsequently in this case. This overlap may be reflected in the experts' fees. Since their bills were not tendered to the Court on these motions, I am unable to determine whether this is the case. As a result, I will direct

the assessment officer to reduce the fees of each of the common experts by up to 25 percent to account for the overlap.

[45] Pfizer seeks costs for three counsel at the hearing of the application. It says this is justified because the lawyers argued this case immediately after the hearing of Cause No. T-2221-07, a prohibition proceeding involving Pharmascience. It argues that the lawyers who participated in that case had to prepare further materials over the weekend in preparation for the hearing of the within matter.

[46] I am not persuaded that the "back to back" hearings justify an award of costs for third counsel, a cost that would be borne by Apotex who was not a party in the Pharmascience matter. The consecutive hearings were scheduled by the Court. Pfizer, in their written material filed upon its motion for directions, did not provide evidence about any extra work that was required to prepare for the hearing that began on September 14.

[47] In any event, the majority of counsel's work had been completed prior to the hearing. An award of costs for a third lawyer would be inappropriate. Counsel fees shall be assessed by the assessment officer on the basis of one senior and one junior counsel at the hearing.

[48] The experts Pfizer retained to provide evidence may have provided technical assistance to Pfizer's counsel beyond preparing their own affidavits and preparing for their own cross examinations. However, Pfizer shall only be entitled to recover for such costs where Pfizer can

demonstrate that it was reasonable and necessary. In this regard, I refer to *Biovail Corporation v. Canada (Minister of National Health and Welfare) et al.* (2007), 61 C.P.R. (4th) 33 (F.C.):

> Experts may provide technical assistance, in addition to the work for their own reports and their oral evidence, in areas of case preparation beyond the capacity of supervising counsel. However, such work, potentially recoverable on a full indemnity basis as a function of reasonable necessity, should not stray into areas for which supervising counsel bear sole responsibility. That is, Tariff limitations could be circumvented because the assessable costs for counsel are limited to partial indemnity.

[49] Pfizer seeks a 25 percent increase in assessed costs on the basis that Apotex "withdrew" its allegations as to the status of the '132 Patent as a selection patent only to raise the issue at the hearing and to make further submissions on the issue post-hearing.

[50] There was much debate in the course of the September 2009 hearing about the selection patent issue and the meaning of certain emails and letters that were exchanged between counsel for the parties in June and July 2009. This correspondence is included in Pfizer's Application Record at Volume 11, pages 3371 to 3377.

[51] Pfizer argued at the hearing that these emails mean that Apotex had abandoned the selection patent issue. Apotex argued that Pfizer had addressed that issue in its Memorandum of Fact and Law that was filed as part of its Application Record.

[52] Post-hearing, Counsel for Apotex submitted a recent decision of the Federal Court that dealt with selection patents, that is *Eli Lilly Canada Inc. v. Novopharm Ltd.* (2009), 78 C.P.R. (4th) 1

(F.C.). Counsel were given the opportunity, if they wished, to make submissions about the relevance of this decision to the matters raised in the within proceeding.

[53] The selection patent issue was fully canvassed by both Pfizer and Apotex, both in September 2009 and in a further hearing of January 2010. Indeed, in January 2010, Pfizer responded to the *Eli Lilly* decision relied upon by Apotex by presenting a more recent decision of the England and Wales Court of Appeal in *Dr. Reddy's Laboratories (UK) Ltd. v. Eli Lilly and Co. Ltd.*, [2010] R.P.C. 9 (C.A.). The selection patent issue was addressed in the Reasons for Judgment at paragraphs 114 to 134.

[54] In the result, I am not persuaded that Apotex had withdrawn the selection patent issue. It was fully argued and Pfizer has not shown that it was prejudiced either by having been taken by surprise or deprived of the opportunity to address it. Pfizer had made written arguments on the point prior to its oral submissions both in September 2009 and January 2010. I decline to direct the imposition of a costs penalty in any percentage.

[55] Apotex seeks directions as to the nature of the travel and accommodation expenses to be recovered by Pfizer, saying that these disbursements should be assessed on the basis of economy fares and single rooms.

[56] In the absence of authority to the contrary, this approach is reasonable and justifiable, in my opinion. I direct that the assessment officer shall assess these expenses on the basis of economy air fares and single hotel accommodation.

[57] Apotex seeks direction that a limit be placed on the number of photocopies for which costs will be assessed. The parties agree on the cost, that is $00.25 a page, but Pfizer does not agree that the number of copies be limited by the Court.

[58] In my opinion, this is an item that should be determined by the assessment officer, on the standard of reasonableness. A certain number of copies were required, pursuant to the Rules. The parties can address the reasonable requirements of other copies in their submissions before the assessment officer.

[59] Finally, there remains the question of the appropriate column of Tariff B upon which the assessment of fees will proceed. Pfizer seeks recovery at the mid-point of Column IV, relying in that regard upon the statements of Justice Hughes in two decisions, that is *Novopharm Limited v. Canada (Health)*, 2010 FC 156 and *Eli Lilly Canada Inc. v. Apotex Inc.* (2009), 75 C.P.R. (4th) 165 (F.C.).

[60] Apotex submits that costs on Column IV of Tariff B have not become the norm and further, that Pfizer bears the onus of demonstrating that a departure from Column III is appropriate. Apotex argues that Pfizer failed to bring any evidence to support a deviation from Column III, and in any event, this is not a particularly complex intellectual property case that would justify a costs award above Column III.

[61] The Federal Court of Appeal has not commented, to date, on the recognition of Column IV of Tariff B as the norm for the assessment of costs in prohibition proceedings. The decisions cited by Pfizer do not set out a principled basis for resorting to the mid-point of the Column IV of Tariff B as the standard in prohibition proceedings. These proceedings, while complex, are not uniquely so.

[62] The fact that this proceeding went forward in tandem with Cause No. T-2221-07 allowed for a certain degree of economies of effort. This fact weighs in favour of directing the assessment of costs at the lower, not middle, of Column IV of Tariff B.

[63] In conclusion, Pfizer's costs in relation to this matter will be assessed in accordance with the following directions:

a. Pfizer's costs in relation to Dr. Stjernschantz's fees shall be reduced by 50 percent;

b. Pfizer's counsel's costs for traveling to Sweden are disallowed;

c. The hourly rate for the allowable experts shall be capped at the hourly rate of senior counsel for Pfizer, that is Ms. Robinson;

d. No costs will be recoverable for the fees of people including in-house counsel, law clerks, students, and support staff;

e. Pfizer shall be entitled to recover costs only for those experts who deposed to affidavits that were filed in this proceeding;

f. Pfizer may recover the fees paid to experts for time not spent preparing the expert's own affidavit or preparing for the expert's own cross-examination

where it is demonstrated that it was reasonable and necessary to provide technical assistance to Pfizer's counsel;

g. The fees of experts overlapping with Cause T-2221-07 will be reduced by up to 25 percent to account for overlap not reflected in the experts' bills;

h. Counsel fees shall be assessed by the assessment officer on the basis of one senior and one junior counsel at the hearing, one senior and one junior counsel in conducting cross-examination, and one senior counsel for defending cross-examination;

i. Travel and accommodation expenses will be assessed on the basis of economy fares and single rooms;

j. Photocopying costs will be assessed at $00.25 per page, and the assessment officer will determine the number of copies for which recovery can be had based on the Rules and reasonable requirements;

k. Costs are to be assessed at the lower end of Column IV of Tariff B.

"E. Heneghan"
Judge

Ottawa, Ontario
December 7, 2010

FEDERAL COURT

SOLICITORS OF RECORD

DOCKET:	T-124-08
STYLE OF CAUSE:	PFIZER CANADA INC. AND PHARMACIA ATKIEBOLAG v. THE MINISTER OF HEALTH AND APOTEX INC.
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APPEARANCES:

Brian Daley Kavita Ramamoorthy	FOR THE APPLICANTS
David Lederman	FOR THE RESPONDENT APOTEX INC.

SOLICITORS OF RECORD:

Ogilvy, Renault LLP Barristers and Solicitors Montreal, QC	FOR THE APPLICANTS
Goodmans LLP Barristers and Solicitors Toronto, ON	FOR THE RESPONDENT APOTEX INC.
Myles J. Kirvan Deputy Attorney General of Canada Toronto, ON	FOR THE RESPONDENT THE MINISTER OF HEALTH