Federal Court  Cour fédérale

Date: 20101110

Docket: T-2169-01

Citation: 2010 FC 1133

Vancouver, British Columbia, November 10, 2010

PRESENT: Roger R. Lafrenière, Esquire
Prothonotary

BETWEEN:

BAYER AG, and BAYER INC.

Applicants

and

APOTEX INC. and
THE MINISTER OF HEALTH

Respondents

REASONS FOR ORDER AND ORDER

[1] This is a motion brought on behalf of the Applicants, Bayer AG and Bayer Inc., for an order that costs of their application brought pursuant to the *Patented Medicines (Notice of Compliance) Regulation*s (*PMNOC Regulations*), and discontinued following the withdrawal of the underlying Notice of Allegation (NOA), be paid by Apotex Inc. (Apotex).

Facts

[2] The pertinent facts giving rise to this motion to fix costs of the proceeding can be summarized as follows. On October 24, 2001, Apotex served the Applicants with a NOA in which Apotex alleged that its ciprofloxacin hydrochloride tablets in various dosage strengths did not infringe the Applicants' Canadian Patent 1,218,067 ('067 Patent), and that the '067 Patent was invalid. The NOA was the 8th challenge by Apotex relating to '067 Patent, and the third attack based on validity.

[3] The Applicants instituted the present proceeding (commonly referred to as Cipro 8) pursuant to the *PMNOC Regulations* on December 10, 2001, within three weeks of commencing another proceeding against Apotex in T-2052-01 (Cipro 7). In support of the Cipro 8 proceeding, the Applicants served and filed affidavit evidence of nine affiants. Apotex filed six responding affidavits.

[4] Over the next few months, there were a number of interlocutory skirmishes between the parties, including a motion by Apotex in May 2002 to dismiss the Cipro 8 proceeding for delay. The motion was dismissed on July 26, 2002, without prejudice to Apotex's right to later assert that the Applicants had failed to reasonably cooperate in expediting the hearing of the application.

[5] On February 20, 2003, the application was scheduled for hearing commencing on September 8, 2003. Apotex offered to agree to a stay of the proceeding pending the determination of the Cipro 7 proceeding, however, the offer was rejected by the Applicants. Apotex acknowledges

that it did not offer to waive any claim for compensation for loss it may have suffered during the stay period.

[6] Following cross-examinations and service of the Applicants' Record, Apotex advised that it was withdrawing its NOA by letter dated August 19, 2003.

[7] On September 2, 2003, the Applicants discontinued the proceeding. The Notice of Discontinuance specified that the proceeding was being dismissed "aside from the issue of costs, which shall be decided by way of motion regarding entitlement and directions to an assessment officer on consent of the Applicants and the Respondent, Apotex Inc." It should be noted that the terms of discontinuance, while agreed to by the parties, were never raised with the case management judge.

[8] On June 14, 2010, nearly seven years after the proceeding was discontinued, the Applicants brought the present motion seeking costs of the proceeding. No explanation, nor any justification, has been provided by the Applicants for their delay in bringing this motion. Although the *Federal Courts Rules* do not prescribe any deadline for seeking costs when a proceeding is discontinued, the assumption, as well as expectation, is that the request will be made in a timely manner. Prompt attention to the issue of costs is required in order that the matter is sufficiently fresh in the mind of the parties and the Court.

[9] Apotex submits that the Applicants should be estopped from claiming their costs because of the excessive delay. Estoppel by conduct may arise when a party has made a statement or has led

the other party to believe in a certain fact. In addition, estoppel by acquiescence could arise when one person gives a legal warning to another based on some clearly asserted facts, and the other does not respond within a reasonable period of time. However, on the facts before me, I am not satisfied that the Applicants should be prevented from advancing their claim.

[10] First of all, there is no indication that the Applicants made any representation regarding the timing of a motion for costs, or that any warning was ever given to the Applicants to bring the motion within a specific time. Secondly, Apotex does not appear to have been prejudiced by the delay or to have altered its position to its disadvantage as a result. In fact, the Applicants were deprived of the benefit of any cost award, as well as any claim for interest, for the entire period of delay. Thirdly, it was always open to Apotex to seek directions itself from the case management judge and obtain finality regarding costs. Rather, Apotex simply appears to have condoned the delay.

[11] Turning to the issue of entitlement, a party against whom an application has been discontinued is usually entitled to its costs forthwith: see Rule 402. The general rule does not apply, however, where a respondent withdraws the NOA that formed the basis for an application under the *PMNOC Regulations*. On the record before me, it is clear that the present proceeding was rendered moot as a result of the withdrawal of the NOA by Apotex. The Applicants are therefore *prima facie* entitled to their costs.

[12] The Applicants seek solicitor and client costs, as well as its disbursements, as a lump sum award of $994,708.31. They claim that Apotex's attempt to re-litigate the issue of validity of

the ‘067 Patent was an abuse of process of the regulatory scheme established by the *PMNOC Regulations*. There is some merit to the Applicants’ position in light of the decision of the Federal Court of Appeal in *Pharmascience Inc. v. Abbott Laboratories* (2007), 59 C.P.R. (4th) 131. At paragraph 46, Mr. Justice Sexton concluded that, unless a material fact could not be uncovered by reasonable diligence, multiple NOAs alleging invalidity are not permissible because the factual basis does not change depending on the circumstances of the generic.

[13] That said, solicitor and client costs should not be granted based on a decision issued almost four years after this proceeding was discontinued. Apotex’s conduct should be assessed at the time of discontinuance, and not filtered through the prism of subsequent events. In any event, solicitor and client costs are to be awarded only in exceptional circumstances, which have not been established on this motion. Finally, the Court should be encouraging parties to discontinue or abandon unmeritorious proceedings, and not penalizing them by imposing a substantial award of costs for acting responsibly: *Fournier Pharma Inc. v. Canada (Health)*, 2007 FC 433 (CanLII).

[14] Cases under the *PMNOC Regulations* are usually complex, often involve the retainer and instruction of experts, and require a large amount of work to be accomplished in a relatively short period of time. This case is no exception. As a result, I find that, although a case for solicitor and client costs has not been made out, increased costs are warranted.

[15] The Order disposing of this motion reflects a lump sum amount of costs and disbursements agreed to by the parties at the hearing of the motion, calculated roughly based on the middle of Column IV of Tariff B.

ORDER

THIS COURT ORDERS that the Respondent Apotex Inc. shall pay costs to the Applicants, as follows**:**

(a) Fees, disbursements and costs of this assessment in the lump sum of $175,000.00; and

THIS ORDER BEARS INTEREST at the rate of 2.0 per cent per year commencing 30 days from the date of this Order.

"Roger R. Lafrenière"
Prothonotary

FEDERAL COURT

SOLICITORS OF RECORD

DOCKET:	T-2169-01
STYLE OF CAUSE:	Bayer AG, and Bayer Inc. v. Apotex Inc. and The Minister of Health
PLACE OF HEARING:	Toronto, Ontario
DATE OF HEARING:	October 27, 2010
REASONS FOR ORDER: AND ORDER	LAFRENIÈRE P.
DATED:	November 10, 2010

APPEARANCES:

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David Lederman Daniel Cappe	FOR THE RESPONDENT, APOTEX INC.

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