

Federal Court



Cour fédérale

Date: 20120703

Docket: T-737-08

Citation: 2012 FC 842

Ottawa, Ontario, July 3, 2012

**PRESENT:** The Honourable Mr. Justice Martineau

**BETWEEN:**

**EUROCOPTER  
(SOCIÉTÉ PAR ACTIONS SIMPLIFIÉE)**

**Plaintiff /  
Defendant by  
Counterclaim**

**and**

**BELL HELICOPTER TEXTRON CANADA  
LIMITÉE**

**Defendant /  
Plaintiff by  
Counterclaim**

**REASONS FOR JUDGMENT AND JUDGMENT AS TO COSTS**

[1] The present Reasons for Judgment and Judgment on Costs pertain to the issue of the adjudication of costs following the Judgment and Reasons for Judgment in *Eurocopter v Bell Helicopter Textron Canada Ltée*, 2012 FC 113, [2012] FCJ 107, rendered by this Court on January 30, 2012. In that case, which was brought to trial within two years of being instituted, Eurocopter initially sued Bell Helicopter Textron Canada Ltée [Bell] in May 2008, alleging an infringement of its patent No. 2,207,787 [‘787 patent] by landing gear developed by Bell [Legacy

gear], and seeking injunctive and monetary relief. Bell denied infringement on the basis of the *Gillette* defence and the experimental or regulatory use exception, and sought the invalidity of 16 claims of the '787 patent by way of a counterclaim.

[2] However, upon institution of the action, Bell immediately modified the Legacy gear, developing a certain Production gear with which it has since then customized and certified its Model 429 helicopter [Production gear]. In June 2009, Eurocopter amended its statement of claim to allege that the Production gear also infringed several claims of the '787 patent. In return, Bell sought the invalidity of all 16 claims of Eurocopter's '787 patent on the basis of obviousness, insufficient disclosure, lack of utility or sound prediction, and overbreadth.

[3] The Court found claim 15 of Eurocopter's '787 patent to be valid and infringed by Bell's fabrication and use of 21 Legacy gears, and accordingly issued a permanent injunction for, and ordering the destruction of, the said gears. Claims 1-14 and 16 were found invalid and void on the basis of lack of demonstrated utility (or sound prediction), and/or overbreadth. The Court also granted Eurocopter ordinary and punitive damages as a result of the infringement, the quantum of which is yet to be determined at a later hearing. Eurocopter's request for entitlement to profits was, however, refused. On the other hand, the Court held that the Production gear did not infringe any claim of Eurocopter's '787 patent. In so concluding, the Court dismissed Eurocopter's allegation of functional equivalence between its patented landing gear and Bell's Production gear.

[4] Following the Court's direction of February 13, 2012, as the parties have been unable to agree on the issue of costs, they have both filed motions for costs as well as reply and sur-reply

submissions detailing their propositions for an order by this Court directing the assessment officer to assess and allow their respective costs, to be calculated on a party-to-party basis. Due to the particular factual and legal complexity of the issues raised in this case and the nuanced conclusions reached by the Court, both parties rely on their expenditure of various resources and their relative part of success in the proceedings to claim entitlement to a significant amount of their costs.

[5] In sum, Eurocopter seeks the entirety of its costs, as detailed below, calculated in accordance with the maximum units of column V of Tariff B, and alternatively submits that it is at least entitled to 80% of its total costs in accordance with column V of Tariff B and no less than 50% of those costs. Eurocopter is of the view that Bell should not be entitled to any costs given the fact that Eurocopter succeeded in its principal infringement action against Bell with respect to the Legacy gear.

[6] Eurocopter's request for costs includes:

- i. honoraries of counsel (3) for the proceeding, the preparation of trial, hearings and written pleadings, preparation of witnesses and examinations for discovery;
- ii. reasonable fees and disbursements to be paid by Eurocopter, including honoraries of expert witnesses before and during trial (with the exception of Murray Wilson);
- iii. reasonable fees and disbursements in relation to travel, accommodation and living expenses for counsel during examinations for discovery abroad;
- iv. reasonable fees and disbursements in relation to travel, accommodation and living expenses for an in-house counsel, Me Jean Pascal Méo, who also testified as a fact witness at the hearing; a technical representative, Pierre Prud'homme Lacroix, and other witnesses (of fact and expert) during examinations for discovery, for their preparation and presence before and during trial;
- v. interests on costs to be payable from the date of this judgment; and,

- vi. costs of this motion in the amount of \$5 000.00.

[7] Bell seeks costs assessed in accordance with the upper level of the column IV of Tariff B and claims 85% of its costs in the overall proceedings, contending that Eurocopter should be entitled to no more than a reduction of 15% of Bell's costs considering the matters upon which Eurocopter was successful in this case. In the alternative, Bell contends that Eurocopter should be entitled to no more than an apportioned amount of 15% of its own costs, assessed in accordance with column IV of Tariff B to be set against the costs to be awarded to Bell.

[8] Costs sought by Bell are detailed as follows:

- i. Fees and reasonable disbursements (including travel, accommodation and related expenses) for 1 first counsel and 1 second counsel for all pre-trial proceedings (including preparation of pleadings, preparation of motion materials and attendance at motion hearings, documentary and oral discovery, preparation of expert reports (including in respect of experts who did not testify at trial, preparation of witnesses, and preparation and attendance at pre-trial conferences);
- ii. Fees and reasonable disbursements (including travel, accommodation and related expenses) for 2 first counsel and 1 second counsel for all trial proceedings and preparation for trial (including preparation of witnesses and preparation and attendance at trial);
- iii. Fees for travel, accommodation and related expenses by 1 first counsel and 1 second counsel, in respect of all pre-trial proceedings;
- iv. Fees for travel, accommodation and related expenses by 2 first counsel and 1 second counsel, in respect of all trial proceedings and preparation for trial;
- v. Fees for the assessment of costs;
- vi. Fees for services rendered by students-in-law or paralegals throughout the proceedings and during trial;

- vii. Fees and reasonable disbursements (travel, accommodation and related expenses) of Bell's experts who testified at trial (Dr Hodges, Dr. Gandhi, and Mr. Toner);
- viii. Fees and reasonable disbursements for Bell's experts, Dr. Dowell who did not testify at trial but prepared expert reports;
- ix. Reasonable disbursements (travel, accommodation and related expenses) of Bell's in-house counsel who attended the trial;
- x. Reasonable disbursements relating to costs of Summation technology during both pre-trial and trial proceedings;
- xi. Reasonable disbursements relating to computerized research services; and,
- xii. Reasonable fees and disbursements for counsel and representatives of Bell to meet during the conduct of litigation.

[9] At this point, I would like to state that the Court considered the option of not granting costs to either of the parties, given their equal level of involvement and shared success in these proceedings, or to defer the issue of costs until all appeals have been exhausted or all appeal periods have expired. However, considering that the parties were unable to reach an agreement and insisted on their costs being adjudged expeditiously by this Court; considering that the delays to appeal can be lengthy and unfavourable to both parties; and considering the wide discretion given to the Court at subsection 400(3) and Rule 420 of the *Federal Courts Rules*, SOR/98-106 [Rules], I have decided to proceed with an adjudication of the parties' costs, while remarking that in general, and more particularly in complicated cases such as the present which is now pending on appeal, the exercise of costs assessment involves an inescapable risk of arbitrariness and roughness on the part of the Court.

[10] On this issue, I wish to reiterate Justice Gauthier's comments in *Eli Lilly v Apotex Inc*, 2011 FC 1143 at paras 8-9, where she states:

Frankly, given the number of arguments initially raised with respect to costs in this file, the Court was tempted to simply postpone the assessment to the end of the reference. It would be so much simpler and judges are only human.

However, the wide discretion provided for at subsection 400(3) and Rule 420 of the Rules is given to the Court (more particularly to the trial judge) because it is expected that, having presided over the trial, the Court will be well acquainted with all that went on in and out of the court during the trial, as well as during the trial management conferences. The trial judge is also expected to be in a good position to assess the impact of what was done by either party on the length and complexity of the trial.

[11] Also, for the sake of greater accuracy, the Court considered distinguishing the infringement action and the invalidity counterclaim as two distinct proceedings, and ordering an assessment of costs for each action in view of the most relevant factors. However, given that the claim and the counterclaim are fairly interconnected, especially with respect to the Legacy gear, I have decided to consider the matter as whole, in accordance with the parties' submissions.

[12] As a result, these reasons address the different heads of costs respectively sought by the parties in their written representations. However, before proceeding with the parties' arguments, it is worth reviewing certain general legal and jurisprudential rules governing the award of costs although there does not seem to be much discrepancy between the parties' positions in this respect. That said, the parties are radically at odds over their share of success in the result of their case and the proper application of the rules governing the award of costs to their circumstances.

## PRINCIPLES GOVERNING THE AWARD OF COSTS

[13] As a general rule, costs should follow the event, which means that they are generally supported by the unsuccessful party unless otherwise ordered. However, in more complicated cases such as the present, there is more than often no absolute winning party or absolute losing party. When the parties' success in a proceeding is divided, other considerations – such as the conduct of the parties throughout the proceedings, the complexity of the case and the amount of work and expenses required from each party – come into play.

[14] It is well recognized that the purpose of awarding costs to the successful party has two aspects: (i) to discourage unmeritorious and unfounded litigation and (ii) more importantly, to partially indemnify the successful party for the costs incurred defending or prosecuting an action as the case may be. In fact, the jurisprudence considers that “an award of costs represents a compromise between compensating a successful party and not unduly burdening an unsuccessful party”: (*Apotex Inc v Wellcome Foundation Ltd*, (1998) 159 FTR 233 (FCTD) [*Wellcome Foundation Ltd*], *aff'd* (2001) 199 FTR 320; *Aird v Country Park Village Property (Mainland) Ltd*, 2004 FC 945 at para 6 (FCA) ; *Johnson & Johnson Inc v Boston Scientific Ltd*, 2008 FC 817 at para 3, [2008] FCJ 1022 [*Johnson & Johnson Inc*]), and that “[t]he fundamental principle of costs as between party and party is that they are given by the law as an indemnity to the person entitled to them; they are not imposed as a punishment on the party who pays them, nor given as a bonus to the party who receives them” (*Kenney v Cape York (The)*, [1989] 3 FC 35 at para 20, [1989] FCJ 253). This is why it is incumbent on each party to justify any purported entitlement to costs in view of the factors established in Rule 400(3) of the Rules.

[15] For instance, it is important to note that according to the jurisprudence, all of these factors “relate to the conduct of the lawsuit, not to conduct which occurred prior to the commencement of the litigation” (*The Queen v Anton J Pongratz*, [1983] 1 FC 77 at paras 8-9), which, in a sense, stands for the proposition that the granting of damages of any nature in an action should not necessarily result in granting costs of the action to the winning party as well, although the amount recoverable by the winning party (Rule 400(3)(b)) and the apportionment of liability (Rule 400(3)(d)) can be relevant factors. In the context of patent cases, this Court has already held that “there is no general principle that deliberate patent infringement should be sanctioned through higher costs awards” (*Monsanto Canada Inc v Rivett*, 2009 FC 717 at para 16 [*Monsanto*]).

[16] Rule 400(1) of the Rules provides that the Court has “full discretionary power over the amount and allocation of costs and the determination of by whom they are to be paid” and Rule 400(3) lists certain non exhaustive factors that the Court may take into consideration in its assessment:

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|---|---|
| (3) In exercising its discretion under subsection (1), the Court may consider | (3) Dans l'exercice de son pouvoir discrétionnaire en application du paragraphe (1), la Cour peut tenir compte de l'un ou l'autre des facteurs suivants : |
| (a) the result of the proceeding;   | a) le résultat de l'instance;   |
| (b) the amounts claimed and the amounts recovered;                            | b) les sommes réclamées et les sommes recouvrées;   |
| (c) the importance and complexity of the issues;                              | c) l'importance et la complexité des questions en litige;   |
| (d) the apportionment of  | d) le partage de la   |



liability;	responsabilité;
(e) any written offer to settle;	e) toute offre écrite de règlement;
(f) any offer to contribute made under rule 421;	f) toute offre de contribution faite en vertu de la règle 421;
(g) the amount of work;	g) la charge de travail;
(h) whether the public interest in having the proceeding litigated justifies a particular award of costs;	h) le fait que l'intérêt public dans la résolution judiciaire de l'instance justifie une adjudication particulière des dépens;
(i) any conduct of a party that tended to shorten or unnecessarily lengthen the duration of the proceeding;	i) la conduite d'une partie qui a eu pour effet d'abrèger ou de prolonger inutilement la durée de l'instance;
(j) the failure by a party to admit anything that should have been admitted or to serve a request to admit;	j) le défaut de la part d'une partie de signifier une demande visée à la règle 255 ou de reconnaître ce qui aurait dû être admis;
(k) whether any step in the proceeding was	k) la question de savoir si une mesure prise au cours de l'instance, selon le cas :
(i) improper, vexatious or unnecessary, or	(i) était inappropriée, vexatoire ou inutile,
(ii) taken through negligence, mistake or excessive caution;	(ii) a été entreprise de manière négligente, par erreur ou avec trop de circonspection;
(l) whether more than one set of costs should be allowed, where two or more parties were represented by different solicitors or were represented by the same solicitor but separated their defence unnecessarily;	l) la question de savoir si plus d'un mémoire de dépens devrait être accordé lorsque deux ou plusieurs parties sont représentées par différents avocats ou lorsque, étant représentées par le même avocat, elles ont scindé

	inutilement leur défense;
( <i>m</i> ) whether two or more parties, represented by the same solicitor, initiated separate proceedings unnecessarily;	<i>m</i> ) la question de savoir si deux ou plusieurs parties représentées par le même avocat ont engagé inutilement des instances distinctes;
( <i>n</i> ) whether a party who was successful in an action exaggerated a claim, including a counterclaim or third party claim, to avoid the operation of rules 292 to 299;	<i>n</i> ) la question de savoir si la partie qui a eu gain de cause dans une action a exagéré le montant de sa réclamation, notamment celle indiquée dans la demande reconventionnelle ou la mise en cause, pour éviter l'application des règles 292 à 299;
( <i>n.1</i> ) whether the expense required to have an expert witness give evidence was justified given	<i>n.1</i> ) la question de savoir si les dépenses engagées pour la déposition d'un témoin expert étaient justifiées compte tenu de l'un ou l'autre des facteurs suivants :
(i) the nature of the litigation, its public significance and any need to clarify the law,	(i) la nature du litige, son importance pour le public et la nécessité de clarifier le droit,
(ii) the number, complexity or technical nature of the issues in dispute, or	(ii) le nombre, la complexité ou la nature technique des questions en litige,
(iii) the amount in dispute in the proceeding; and	(iii) la somme en litige;
( <i>o</i> ) any other matter that it considers relevant.	<i>o</i> ) toute autre question qu'elle juge pertinente.

[17] In addition to the factors listed above, as allowed by paragraph 400(3)(*o*) of the Rules, in view of the particular circumstances of this case, I have also taken into account a number of other

relevant matters. Rule 400(4) to (6) further clarifies the extent of the Court's discretion to reference a specific column or combination of columns of Tariff B, and/or award a lump sum, and/or use its discretion in a variety of ways in awarding or refusing costs.

[18] Before proceeding with the relevant considerations for apportionment of costs in the matter at bar, I would reject Bell's contestation that some of Eurocopter's assertions in its motion for costs are unsupported by any evidence, affidavits or explicit references to the Court's record and should therefore not be considered. Bell contends that following the Federal Court of Appeal's decision in *Her Majesty The Queen and The Honourable Perrin Beatty v Gerlando Lagiorgia*, 87 DTC 5378, [1987] 2 CTC 251 (FCA) [*Lagiorgia*], any motion for special directions regarding the allocation of costs must be properly supported by affidavit evidence or by reference to material already in the Court record.

[19] However, I agree with Eurocopter that the principle found in the final paragraph of Hugessen JA's decision in *Lagiorgia* is only applicable in cases where a party seeks a lump sum order for costs, and certainly not where both parties are seeking the Court's directions to an assessment officer, especially, for all practical reasons, when directions are sought from the judge who heard and decided the matter on its merits. As the Court noted in *Wellcome Foundation Ltd*, above, at para 11:

As in any other action where costs have been claimed by the party that is ultimately successful, argument on costs may be addressed without affidavit evidence so far as it is based on evidence otherwise adduced at trial. In this case the Court acts pursuant to Rule 400 without further formal motion required, and it is my opinion that the Court may issue directions to an assessment officer, based on submissions of the parties and the judge's understanding from conducting the trial of the action and the reference. I am not

persuaded that, as the defendant submits, affidavit evidence is required of time spent, costs incurred or rates charged, in relation to the items for which requests for directions are made, when the Court indicates, as was done in this case, that it would consider submissions concerning special directions on costs.

## **APPORTIONMENT OF COSTS IN THE INFRINGEMENT ACTION AND THE INVALIDITY COUNTERCLAIM**

### **The scale of costs**

[20] The importance and complexity of the case and the amount of work required (Rule 400(3)(c) and (g) of the Rules) often prove determinative of the scale of costs (see *Apotex Inc v Sanofi-Aventis*, 2012 FC 318 at paras 5-8, [2012] FCJ 435 [*Apotex*]). In fact, unless the Court orders otherwise, Rule 407 requires that costs be assessed at the mid-point of column III of the table to Tariff B along with certain additional fees and disbursements. Tariff B “represents a compromise between compensating the successful party and burdening the unsuccessful party” and “reflects the philosophy that party and party costs should bear a reasonable relationship to the actual costs of litigation, while preserving the discretion of the court and the assessment officer as that discretion is permitted under the Rules”: *Wellcome Foundation Ltd*, above, at paras 5-7. The jurisprudence also establishes that “where an award of increased costs is warranted, the Court should first determine whether an award of costs that is reasonable is possible within the scope of Tariff B. Only where that would dictate an unreasonable or unsatisfactory result, should the Court consider awarding an amount in excess of the Tariff”: *Dimplex North America Ltd v CFM Corp*, 2006 FC 1403 at para 12.

[21] In this case, both parties agree that the unusual length of the proceeding, the number of issues raised by the parties, the sheer number of trial exhibits, the significant expert and factual

testimony and the amount of work necessitated by the infringement action and the invalidity counterclaim justify the number of counsel engaged in this case and attest to the need to move beyond the by-default column III of Tariff B. However, Eurocopter seeks the entirety of its costs calculated in accordance with the maximum units of column V of Tariff B while Bell seeks its costs assessed in accordance with the upper level of the column IV of Tariff B.

[22] This case was a typical long and complex patent case, which took place over 29 days of hearing witnesses and counsel, and required 14 days of discoveries; some 540 exhibits were produced by parties in a Joint Book along with additional evidence that was produced at trial, involving four counsel for Eurocopter, two counsel for Bell, and three expert witnesses on each side. In addition, Bell called five fact witnesses and Eurocopter presented three to set the proper factual background and explain the extensive documentary evidence included in the Joint Book. As I read the jurisprudence, an assessment of costs in accordance with the higher unit of column IV seem to be commonly maintained in similar lengthy and hard-fought patent litigations (*Apotex*, above, at para 8; *Novopharm*, above, at paras 7-8; *Sanofi I*, above, at para 14; *Sanofi-Aventis Canada Inc v Novopharm Limited*, 2009 FC 1139 at para 13 [*Sanofi II*]; *Johnson*, above, at para 15; *Adir v Apotex Inc*, 2008 FC 1070 at para 16 [*Adir*]; *Janssen-Ortho Inc v Novopharm Ltd*, 2006 FC 1333 at para 11; *Merck & Co Inc v Apotex Inc*, 2006 FC 631 at paras 11-12), and Eurocopter has not satisfied me that this jurisprudence should not be followed in this case. Accordingly, Eurocopter's costs and/or Bell's costs, if any, shall be assessed only at the upper end of column IV of Tariff B.

## **The determinative factors**

### ***1) The result of the proceedings***

[23] As mentioned earlier, the successful party is entitled to its costs. In view of the general principle, this first factor is of particular importance in allocating costs between the parties. When the Court is of the opinion that the parties' success – in terms of the overall final result of the action (Rule 400(3)(a)) and/or the amount recoverable by the winning party (Rule 400(3)(b)) and/or the apportionment of liability (Rule 400(3)(d)) – is truly divided or limited to certain issues, it may (1) reduce the costs awarded to the most successful party; (2) allow one or both parties a relative portion of their respective costs; or, (3) simply decline to award costs of any of the parties, especially where both parties have been equally unsuccessful. Another method of calculation, known as the principle of distributive costs, consists of distributing costs between the parties depending on their respective percentage of success or failure on issues dealt with within an action. Where liability is apportioned, another method is to lump the costs of the parties together and divide the total sum in the proportion as fixed for liability: see Mark M. Orkin, *The Law of Costs*, 2d ed. loose-leaf (Aurora: Canada Law Book, 2011), at paras 210-211. As I noted earlier, and for the reasons detailed below, I have decided to allow Eurocopter's costs, as the most successful party in this case, but to reduce the amount of costs claimed by Eurocopter so as to reflect, along with other relevant factors, Bell's indisputable partial success in defending its Production gear and Eurocopter's choice to pursue an action against the Production gear in which it was ultimately unsuccessful.

[24] Difficulties often arise in deciding what constitutes a true “issue” and what is “success”. The jurisprudence has determined that it is the practical ultimate result of the proceedings and its effect on the parties that is to be considered by the Court, rather than the number of legal arguments successfully pleaded on each side. Courts generally consider it unreasonable to impose costs on a party for having brought valid arguments that were ultimately either abandoned or unsuccessful before the Court : *Johnson & Johnson Inc*, above, at paras 3-4 [*Johnson*]; *GlaxoSmithKline Inc v Pharmascience Inc*, 2008 FC 849 at para 4; *Sanofi-Aventis Canada Inc v Apotex Inc*, 2009 FC 1138 at paras 8-10 [*Sanofi I*]; *Novopharm Ltd v Eli Lilly and Co*, 2010 FC 1154 at para 7, aff’d [2011] FCJ 1028) [*Novopharm*].

[25] In the oft-cited case of *Sunrise Co Ltd v The “Lake Winnipeg”* (1988), 96 NR 310 (FCA) [*Sunrise Co Ltd*], the Federal Court of Appeal made clear that “absent an abuse of process, a successful plaintiff should not be penalized simply because not all the points advanced by the plaintiff have found favour with the court”. Accordingly, it is the parties’ success over the principal issues opposing them that should be considered, rather than the result reached on every point of disagreement (*Canada v IPSCO Recycling Inc*, 2004 FC 1083 at paras 35-38 [*IPSCO*]; *Balfour v Norway House Cree Nation*, 2006 FC 616 at para 16 [*Balfour*]). Thus, where there is a counterclaim, as in this case, the practical end result of both actions for the parties is a relevant consideration in the assessment of costs.

[26] In this regard, I would like to underline that much of both parties’ submissions in this motion appeared to be no more than a skilful deconstruction of the judgment in view of the successfulness of each of the arguments advanced or pleaded on each side. However, this is not the

test established by the jurisprudence. Again, it is the general and practical result of the action which matters and any justified exceptions must depart from this principle.

***The infringement action***

[27] Both parties claim total or partial success over the infringement action. Eurocopter maintains that there is no divided success in this case because the initial version of its statement of claim concerned the Legacy gear as infringing the '787 patent (an issue which was at the heart of this case according to Eurocopter), and it was only after Bell developed the Production gear, following Eurocopter's infringement action, that Eurocopter amended its claim so as to include the Production gear. Eurocopter states that because it was in some way forced into this action as a result of Bell's conduct, and succeeded in obtaining the sought permanent injunction as well as ordinary and punitive damages against Bell for the 21 Legacy gears, Eurocopter was principally successful in the lawsuit and is entitled to its costs.

[28] Bell maintains that it succeeded overall in respect of the infringement action in terms of both practical result and trial resources, in that the non-infringing Production gear, with which Bell commercializes its flagship helicopter, survived Eurocopter's infringement action. Bell further contends that it never challenged that the Legacy gear embodied essential elements of claim 15, or claim 1, of the '787 patent, but rather denied infringement of the '787 patent on the basis of the *Gillette* defence and the experimental or regulatory use exception.

[29] More specifically, Bell submits that a significant portion of discoveries and trial resources were spent addressing Eurocopter's unsuccessful attempts to prove infringement by the Production



gear, which according to Bell far exceeded the time devoted to the issue of infringement by the Legacy gear and Bell's various defences against it; said efforts being notably directed towards: 1) Eurocopter's overly broad construction of claims of the '787 patent in an attempt to capture the Production gear, and 2) Eurocopter's misguided attempts to prove infringement by the Production gear through "functional equivalence", which were both unsuccessful. Bell maintains that much of its experts' efforts and other resources were spent responding to Eurocopter's overly broad construction of the claims and other contentious elements of its infringement action against the Production gear, such as the meaning and essentiality of "at the front", "double curvature" and "integrated front cross piece", and more broadly the "functional equivalence" argument advanced by Eurocopter which required pre-trial discoveries and resulting motions, including in relation to the production of documentation pertaining to representations made by Bell to Transport Canada and internal documents related to the development and tests carried out on the Legacy and Production gears for certification purposes, as well as the intervention of the '787 patent's inventor. Bell also takes issue with Eurocopter's allegation that Bell's experts dealt in large part with allegations of anticipation and obviousness, and contends that both Eurocopter and Bell's experts spent a significant amount of time and resources dealing with the issues of utility, sound prediction and overbreadth, in which Bell was ultimately successful, although the Court affirmed the validity of claim 15 of the '787 patent (para 333 of the judgment).

[30] Eurocopter retorts that Bell should not be rewarded for having mitigated its liability by modifying its original landing gear following Eurocopter's institution of the infringement action. Furthermore, Eurocopter maintains that contrary to Bell's contention in the present motion for costs, Bell consistently refused to admit that the Legacy landing gears would be infringing any of the

claims, and it was no earlier than two weeks into trial that such admission was explicitly made by one of Bell's experts, Dr. Hodge, at least as claim 1 was concerned.

[31] I agree that the Legacy gears sparked off Eurocopter's action since no infringement action would have been initiated if the 21 Legacy gears had not been developed by Bell in the first place. Furthermore, Bell undoubtedly wanted to have the Legacy gear approved by the authorities and went ahead in promoting the Legacy gear to prospective buyers of the Bell 429. However, Eurocopter's success in the infringement action should be put into perspective because, practically speaking, it is not negligible that an important part of the infringement issues litigated and adjudged in this case concerned the Production gear, regardless of whether more or less pre-trial and trial resources were devoted to each of the devices that were the subject of the infringement action (an question which is also very difficult if not impossible to decide at this point). Moreover, I agree with Bell that from a practical point of view, the Production gear was of a greater commercial importance to Bell and Eurocopter should bear the consequences of insisting on pursuing its infringement action against it, without success.

[32] Bell successfully defended the Production gear as an independent issue. It is therefore unreasonable to impose the entire costs of the infringement action on Bell. In addition, I find that Eurocopter's reliance on *Balfour*, above, and *IPSCO*, above, is unfounded here because it is not Eurocopter's arguments which have been partly unsuccessful, but the infringement action itself. Thus, the Court cannot decide as was decided in those cases where a single principal and all-inclusive issue was identified by the Court.

[33] Similarly, only one issue was before the Federal Court of Appeal in *Sunrise Co Ltd*, above: the appellants were awarded the costs of the appeal because the amount of remedies to which they were condemned by the trial judge was reduced on appeal. As the appeal was decided on a strict matter of law, the respondents' claim for costs on the basis of their success over the liability issue was rejected.

[34] However, in my view, Eurocopter is overall the most successful party in this case and should consequently be entitled to part of its costs. From a practical point of view, the fact that Bell's counterclaim has been allowed in part, the declaration of invalidity made by the Court has no effect whatsoever on claim 15, which is violated and upon which Eurocopter fundamentally based the infringement action. Even if Bell admittedly did not challenge Eurocopter's allegation that the Legacy gear infringed essential elements of the '787 patent nor presented any evidence contesting that the Legacy gear was covered by its claims – a fact with which Eurocopter takes serious issue –, the fact remains that Bell's various means of defence, including the *Gillette* defence, the anticipation allegations and the experimental or regulatory use exception, were all dismissed, so that the result is clearly in favour of Eurocopter. There lies a significant part of the principal issues that were raised in this case with respect to which Bell cannot claim any success. Furthermore, the jurisprudence does not support Bell's proposition that Eurocopter should be penalized for having set its sights high in its construction of claims of the '787 patent in an attempt to prove infringement by the Production gear.

[35] On the other hand, contrary to what Bell contends, Eurocopter's infringement action against the Production gear was not frivolous as there was at least some evidentiary basis upon which it

could succeed. As Bell itself acknowledges, in this case like in many infringement actions, much trial time was spent addressing the construction of the '787 patent's 16 claims. The construction of these claims concerned not only the Production gear but also the Legacy gear and the Court cannot conclude that the extent of resources spent on issues of claim construction *per se* favours one or the other party in this motion.

[36] Finally, although it is true that the issue of functional equivalence of the Production gear to the patented gear required evidence that would otherwise be unnecessary to the trial (with respect to finite element analyses, frequency and dynamics similarities, stress distribution, certification requirements), I consider, in line with the above-cited well established jurisprudence, that Eurocopter should not be penalized for having raised the principle of functional equivalency even if the argument was not retained in this case (para 253 of the judgment).

### ***The remedies***

[37] It appears that both sides enjoyed a relative share of success with respect to the infringement action. As for the criteria found in Rule 400(3)(b) of the Rules, pertaining to the amounts claimed versus the amounts recovered, Bell pretends that this factor tends to favour Bell because no monetary relief was awarded to Eurocopter with respect to manufacture, use and sale of the Production gear. Furthermore Eurocopter was entitled to general damages, but not an accounting of Bell's profits and the quantum of damages awarded with respect to the Legacy gear has not been determined to this date.

[38] The Court finds this factor to be neutral in the present case since it largely concurs with the result of the action, at least, until the quantum of damages resulting from the infringement is determined by the trial judge or a referee at a later hearing following the exhaustion of all appeals. Although the determination of the amount of damages has been postponed to a later date, Eurocopter was found to be entitled to all damages, including ordinary and punitive damages. Thus, the overall success of the parties based on the remedies obtained in principle is also divided in favour of Eurocopter, as concerns the infringement action which was allowed in part.

### *The invalidity counterclaim*

[39] As for the invalidity defense raised by Bell, Eurocopter maintains that as claim 15 is the principal claim of the '787 patent's 16 claims, the finding of its validity is sufficient to establish Eurocopter's success and Bell's loss. Furthermore, Eurocopter states that the invalidity arguments raised by Bell were principally based on obviousness and anticipation, over which several expert reports were submitted, while the Court finally based its conclusions on the absence of demonstrated utility or sound prediction and/or overbreadth.

[40] For its part, Bell argues that Eurocopter failed to establish the validity of 15 out of 16 claims of its patent and was thus generally unsuccessful in the invalidity counterclaim. Bell takes issue with Eurocopter's allegation that claim 15 should exclusively count in the assessment of costs, arguing that nothing in Eurocopter and its experts' submissions or in the Court's judgment suggests that claim 15 should be given more weight than claim 1 (claim 1 being the '787 patent's only independent claim and, according to Bell, the most important one). Bell submits that significant resources were devoted to the invalidity issue, including expert witness reports, examination and

cross examination. Moreover, Eurocopter's expert reports and fact witnesses also addressed the invalidity issues raised by Bell, including lack of utility and sound prediction.

[41] The '787 patent having been found valid on the basis of one or another of its claims, I see no reason to conclude that Bell shares part of Eurocopter's success in the invalidity counterclaim.

Although the fact that the Court dismissed certain grounds of invalidity raised by Bell and decided exclusively on the basis of inutility and overbreadth is, in principle, an irrelevant consideration, the result of Bell's invalidity counterattack is legally and practically in favour of Eurocopter. The only reason why I consider Bell to be partially successful is that Eurocopter failed to prove that all essential elements of the independent claim were present in its Production gear and this sufficed to dismiss the allegation that the dependent claims were infringed.

[42] Furthermore, I do not agree with Bell that the number of claims in issue in the subject patent contributed to cause excessive complexity in this litigation or that claim 1 should be given more weight than claim 15. There is no general rule that an independent (including a Jepson claim) is more important than a dependant one in the context of an invalidity action. Rather, the construction of claims generally follows a broadest-to-narrowest order so that narrower claims are usually more accurate. Furthermore, as specified in the Court's reasons, claims 2 to 14 disclosed nothing novel over claim 1. In addition the only difference between claims 15 and 16 consisted in the fact that claim 16 covered the variant whereby the integrated front cross piece was offset backwards in relation to the front delimitation of the plane of contact of the longitudinal support surfaces of the skids on the ground while claim 15 covered the variant whereby the integrated front cross piece was offset forwards (paras 295-297 of the judgment).

[43] Therefore, the number of invalidated claims is not an as relevant consideration as is the mere result that the '787 patent was found to be valid and infringed by Bell. In this case, claim 15 was found valid as it included a forwards-offset front piece of which the utility was demonstrated while other claims, including claim 16, included a backwards-offset front piece of which the utility was not demonstrated nor soundly predicted. Yet, any of these claims but for the backward-offset front piece which render same overbroad could have saved the '787 patent and there is no reason to conclude that one was more "important" than the other. In addition, Bell had no practical advantage in the invalidity of some of the '787 patent's claims, so that, at the end of the day, it won only in arguments and not in the practical outcome of its counterclaim.

[44] Claim 15 is a preferred embodiment. There would have been great advantages for Bell for having claim 15 declared invalid. In terms of operational advantages (e.g. simplification of design, lower weight) or financial considerations (e.g. reduction of manufacturing costs), Bell's preference is for the Legacy gear and Bell has an undisputable commercial interest in attempting to have claim 15 declared invalid by a court of competent authority, whether in Canada or elsewhere. Overall, in view of the general practical result of the action and the counterclaim, I find that Bell was the unsuccessful party in this case so that their costs should not burden Eurocopter. Bell should bear the consequences of its infringement and its failed counterclaim, for which Bell has only itself to blame.

[45] It is also important to remember that by Order dated July 12, 2011, the Court communicated its "Confidential Reasons on Infringement and Validity" to the parties and stayed the proceedings until January of 2012 upon both parties' consent in order for them to reach a settlement. The January 30, 2012 Judgment and Reasons for Judgment were delivered only after the parties'

efforts to negotiate failed over a period of several months. In the sequel, despite Eurocopter's relative success, once the appeal process has been exhausted (only Bell has filed an appeal), Eurocopter will be forced to proceed before the Court with respect to damages.

***2) The conduct of the parties tending to shorten or unnecessarily lengthen the duration of the proceeding***

[46] At this point, I wish to indicate that I have specifically considered the parties' respective submissions with respect to factors specifically enumerated in paragraph 400(3), even if they do not prove to be determinative in the final analysis, considering the particular circumstances of the case and the Court's exercise of its overall discretion in the matter of costs. In my humble opinion, it is not proper to award costs to Bell based on Eurocopter's conduct in the proceeding, nor to make a full award of costs (100%) in favour of Eurocopter in view of Bell's conduct in the proceeding.

[47] Each party blames the other for having acted in a manner that unnecessarily complicated and delayed the proceedings. Eurocopter takes issue with Bell's conduct since the beginning of the proceedings and more specifically Bell's attempt to strike out the infringement action in 2008, Bell's opposition to the amendment of Eurocopter's initial statement of claim so as to include the Production gear in the infringement act in 2009, and the fact that Bell appealed interlocutory orders in the course of pre-trial proceedings. Eurocopter also contends that the imposition of punitive or exemplary damages on Bell establishes reprehensible conduct on Bell's part, and points to Bell's consistent refusal to admit its deliberate infringement of the '787 patent and production of two expert reports (by Dr. Dowell and Dr. Hodges) that were not relied upon at trial.



[48] Rule 400(3)(i), (j) and (k) of the Rules do not penalize a party for having tried reasonable and legal means to make their case, even though these might have rendered the proceedings longer or more complex. The conduct in question must be unnecessary and abusive. This is not the case with any of the facts raised here in order to justify higher costs in favour of Eurocopter. Similarly, Eurocopter's entitlement to punitive damages does not entitle it to higher costs (see *Monsanto*, above, at para 16). While the purpose of costs is partly to deter abusive behaviour in litigation (*Thibodeau v Air Canada*, 2007 FCA 115 at para 24; *Glaxo Group Ltd v Novopharm Ltd*, [1999] FCJ 1595 at para 24), the purpose of punitive damages is to punish and discourage malicious, oppressive, high-handed or offensive behaviour which lead to the lawsuit, and Eurocopter submitted no authorities that suggest that there is a link between these two purposes.

[49] As concerns Bell's refusal to admit deliberate infringement of the '787 patent, I agree with Bell that the Court's conclusion with respect to the Legacy gear was not exclusively reached further to Dr. Hodge's admission at trial, but was principally based on the Court's own analysis. However, it can hardly be challenged that Bell did deny facts susceptible of establishing an infringement, either by the Production or by the Legacy gears, until Dr. Hodge candidly testified on the issue at trial. Had Bell clearly stated that its response to the infringement action was limited to its liability defences, as it does now, the Court could be dispensed from the time-consuming and technical task of establishing infringement by the Legacy gear. I conclude that Bell unnecessarily lengthened the proceeding by failing to admit facts that should have been admitted (Rule 400(3)(i) and (j) of the Rules) and it is fair for Bell to assume the consequences of its strategy. This conclusion supports my finding that Bell is not entitled to any costs in this case but rather to a reduction of Eurocopter's reasonable and justifiable costs.

[50] For its part, Bell alleges that Eurocopter's attempt to prove infringement by functional equivalence between the Production gear and the patented landing gear took up significant resources despite the fact that such equivalence does not legally prove infringement. However, in view of the circumstances of the case and the fact that the modification of the Legacy gear happened very quickly after the institution of Eurocopter's initial infringement action against Bell, the action against the Production gear was neither improper nor vexatious, and Eurocopter cannot be said to have adopted reprehensible conduct that unnecessarily lengthened the duration of the proceedings, within the meaning of Rule 400(3)(i), (j) or (k) of the Rules, by attempting to prove infringement by all legal means. One cannot reasonably expect that a party admit litigious facts before adjudication, although Eurocopter's choice finally resulted in Bell being partially successful. In fact, even if the Court so concluded, Bell cannot argue at this point that the argument of functional equivalence was not worth being made, especially given that both parties invested time and resources in terms of legal argument and expert opinion, to have the issue adjudicated.

[51] The Court also refuses to retain Bell's contention that Eurocopter withdrew its judicial admission regarding the essentiality of the "double curvature" as an essential element of the landing gears and thus unnecessarily complicated the evidence and lengthened the proceedings. Bell contends that Eurocopter's withdrawal of its judicial admission which was finally confirmed by the Court's findings, as well as the expert evidence presented by Mr. Logan on the issue of the essentiality of the "double curvature" falls within the meaning of Rules 400(3)(i) of the Rules. However, as appears in Prothonotary Morneau's order dated June 8, 2009, the amendment brought by Eurocopter to its initial statement of claim, which was allowed by the Court and with which Bell

is now taking issue, did not modify a judicial admission but a factual description of the landing gear covered by the '787 patent; a description which was not dependent on an evidentiary basis.

### ***3) The allowable expert and counsel fees and disbursements***

[52] With respect to the extent of fees that should be allowed for counsel, Eurocopter seeks an award of costs for three counsel, for preparation (written submissions, examination and discoveries) and attendance at trial, including reasonable fees and disbursements in relation to their travel, accommodation and living expenses during examinations for discovery abroad. Eurocopter also seeks costs in relation to travel, accommodation and living expenses for one in-house counsel/fact witness (Mr. Jean-Pascal Méo), one technical representative (Mr. Pierre Prud'homme Lacroix) who assisted counsel with technical aspects of the case, as well as its three expert witnesses (Mr. Andrew Logan, Dr. Edward Roberts Wood and Dr. François Malburet) and its three fact witnesses (Mr. Pierre Prud'homme Lacroix, Mr. Bernard Certain and Mr. Jean-Pascal Méo). As concerns expert fees, Eurocopter also seeks reasonable disbursements relating to trial and pre-trial honoraries of its three expert witnesses.

[53] As concerns expert fees, the Court has generally found the expert evidence admissible and relevant although Mr. Logan, for Eurocopter, and Dr. Hodges, for Bell, provided the most comprehensive and helpful expertise, and Bell does not contest the helpfulness of Eurocopter's experts to the adjudication of the matter but submits that the evidence given by Bell's three expert witnesses present at trial (Dr. Hodges, Dr. Gandhi, and Mr. Toner) was equally justified, useful, and relied upon in the Court's judgment, and claims all fees and reasonable disbursements (travel, accommodation and related expenses) of its witnesses, including Dr. Dowell, who served expert

reports in relation to infringement and invalidity but was absent to testify at trial. However, without questioning the usefulness of Bell's expert evidence (especially that submitted by Dr. Hodges and Mr. Toner), I note that the jurisprudence cited by Bell concerns cases where an infringement action was dismissed in its entirety and is inapplicable in this case.

[54] The jurisprudence has established that, in principle, fees for the winning party's experts who appeared at trial or experts who assisted counsel in reviewing and understanding expert opinions is justifiable and should be recovered: *Sanofi II*, above, at paras 17-18; *Adir*, above, at paras 21-22. The jurisprudence also recognizes that such costs should not be disallowed or reduced on assessment merely because they relate to a solicitor or counsel who is a salaried employee of the party: *Kirkbi AG v Ritvik Holdings Inc*, [2002] FCJ 1474 at para 14. Therefore, in addition to the costs relating to Eurocopter's experts witnesses, I would allow the costs sought for the in-house counsel and the technical representative, whose testimony was found relevant by the Court. No costs shall, however, be awarded for Eurocopter's fact witnesses, two of whom acted as counsel/technical representative for Eurocopter.

[55] Bell does not object to the counsel fees sought by Eurocopter and I see no reason to disallow them. Given the nature of the case, the significant volume of work and evidence required, the number of questions at issue, the duration of the pre-trial preparations and the proceedings, the implication of three counsel at all material times is neither excessive nor unnecessary in view of the most recent jurisprudence of this Court: *Apotex*, above, at paras 18-19; *Novopharm*, above, at para 8; *Adir*, above, at para 16. Thus, in application of Rule 400(4) of the Rules, the Court is prepared to allow Eurocopter's reasonable trial fees for one senior counsel as first counsel and two junior

counsel as second counsel (as per items 13, 14 and 15 of Tariff B). As for pre-trial matters, the Court allows Eurocopter to recover reasonable fees and disbursements with respect to all pre-trial procedures (including travel, accommodation and living expenses) for one senior counsel as first counsel and two junior counsel as second counsel (as per items 1 to 12 of Tariff B).

## **CONCLUSION**

[56] In view of the foregoing, in the exercise of my discretion, after having carefully reviewed both parties' initial and reply (sur-reply) submissions and considered all relevant factors, I have decided not to allow costs to Bell and to allow costs to Eurocopter. Furthermore, on the basis of the parties' relative success and all other relevant matters discussed above in these reasons, I consider it fair and just in the circumstances to reduce Eurocopter's costs and disbursements (as detailed below) by 50%.

[57] Accordingly, given that an award of costs is a rough remedy left to the discretion of the Court, considering all relevant factors, Eurocopter is entitled to receive fifty percent (50%) of their pre-trial, trial and post trial costs and disbursements, as detailed below:

- The following costs shall be assessed at the upper end of column IV of Tariff B in favour of Eurocopter;
- Reasonable trial fees for one senior counsel as first counsel and two junior counsel as second counsel for preparation and attendance at trial, preparation and filing of written submissions, as per the relevant points of items 13, 14 and 15 of Tariff B;
- Reasonable pre-trial fees for one senior counsel as first counsel and two junior counsel as second counsel for all pre-trial procedures, including travel, accommodation and living expenses during preparation of witnesses and examinations for discovery in Canada and abroad, as per the relevant points of items 1-12 of Tariff B;

- Reasonable fees and disbursements associated with expert witnesses; Mr. Andrew Logan, Dr. Edward Roberts Wood and Dr. François Malburet;
- Reasonable fees and disbursements associated with the in-house counsel, Me Jean Pascal Méo, and the technical representative, Pierre Prud'homme Lacroix;
- Interests on costs payable from the date of this judgment; and,
- All other taxable pre-trial, trial and post-trial costs and disbursements.

[58] I will make no order for costs on the present motion.

**JUDGMENT**

**THIS COURT’S JUDGMENT is that** Eurocopter is entitled to receive fifty percent (50%) of their costs detailed below and that Bell Helicopter Textron Canada Ltée shall pay the following to Eurocopter, as calculated at the upper end of column IV of Tariff B:

- Reasonable trial fees for one senior counsel as first counsel and two junior counsel as second counsel for preparation and attendance at trial, preparation and filing of written submissions, as per the relevant points of items 13, 14 and 15 of Tariff B;
- Reasonable pre-trial fees for one senior counsel as first counsel and two junior counsel as second counsel for all pre-trial procedures, including travel, accommodation and living expenses during preparation of witnesses and examinations for discovery in Canada and abroad, as per the relevant points of items 1-12 of Tariff B;
- Reasonable fees and disbursements associated with experts witnesses; Mr. Andrew Logan, Dr. Edward Roberts Wood and Dr. François Malburet;
- Reasonable fees and disbursements associated with the in-house counsel, Me Jean Pascal Méo, and the technical representative, Pierre Prud’homme Lacroix;
- Interests on costs payable from the date of this judgment; and,
- All other taxable pre-trial, trial and post-trial costs and disbursements.

“Luc Martineau”

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Judge

**FEDERAL COURT**

**SOLICITORS OF RECORD**

**DOCKET:** T-737-08

**STYLE OF CAUSE:** **EUROCOPTER (SOCIÉTÉ PAR ACTIONS SIMPLIFIÉE) v BELL HELICOPTER TEXTRON CANADA LIMITÉE**

**PLACE OF HEARING:** Montréal, Quebec

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**REASONS FOR JUDGMENT AND JUDGMENT:** MARTINEAU J.

**DATED:** July 3, 2012

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