

Federal Court



Cour fédérale

Date: 20131126

Docket: T-1407-09

Citation: 2013 FC 1188

Vancouver, British Columbia, November 26, 2013

PRESENT: The Honourable Mr. Justice Harrington

BETWEEN:

APOTEX INC.

Plaintiff

and

H. LUNDBECK A/S

Defendant

AND BETWEEN:

H. LUNDBECK A/S

Plaintiff by Counterclaim

and

**APOTEX INC. AND
APOTEX PHARMACHEM INC.**

Defendants by Counterclaim

**REASONS FOR JUDGMENT AND JUDGMENT
(ON DIRECTIONS WITH RESPECT TO COSTS)**

[1] Following a hard fought 26-day trial, I dismissed Apotex's action for the impeachment of Lundbeck's Canadian Patent No. 1,339,452 in respect of Escitalopram and maintained Lundbeck's

counterclaim against Apotex Inc. and Apotex Pharmachem Inc. for infringement of the said patent. I condemned Apotex Inc. to pay by way of an accounting of profits \$1,410,906.21 and Apotex Pharmachem Inc. \$304,177.38 both with interest. Costs were reserved. The public version of my reasons is reported at *Apotex Inc v H. Lundbeck A/S*, 2013 FC 192, 111 CPR (4th) 171, [2013] FCJ No 274 (QL).

[2] Lundbeck has now moved the court for an order for directions to the taxing officer. Its prime submissions are that it should be awarded costs at the high-end of Column V of Tariff B of the *Federal Courts Rules* and that those costs should be doubled following a settlement offer as it fared better in the result. It also seeks directions on various ancillary points. It has not sought directions with respect to each and every tariff item. To the extent that directions have not been sought and given, the matter is left to the taxing officer.

[3] For its part, the collective Apotex submit that costs should be awarded in accordance with mid-level Column IV and that there should be no doubling up because of the settlement offer. It also takes issue with some of the other points raised.

[4] I shall deal with the submissions in their order of presentation, combining those which are very similar in nature.

[5] Rules 400 and following of the *Federal Courts Rules* give the Court full discretion with respect to the amount and allocation of costs. However, pursuant to rule 407, unless the Court orders otherwise, party-and-party costs are assessed in accordance with Tariff B, Column III.

This gives rise to Lundbeck's motion, pursuant to rule 403 for directions, to be given to the assessment officer.

[6] Lundbeck emphasizes several factors the Court may consider under rule 400(3) such as the result, the importance and complexity of the issues, any written offer to settle, the amount of work, the conduct of the parties, and improper or vexatious proceedings allegedly taken by Apotex. Apotex submits that all pharmaceutical patent cases are inherently difficult and that the practice is to award costs in accordance with Column IV. Furthermore, Lundbeck did not succeed in its claim for punitive damages based on alleged bad faith by Apotex and so the award should be reduced by 10%.

[7] In addition, Lundbeck claimed an accounting of profits in excess of \$10,000,000 while it was awarded less than \$2,000,000.

[8] As my reasons for judgment show, the case was complex. The validity of the patent was attacked on several fronts. However, pharmaceutical patent cases are inherently complex.

I. Item A –Which Scale

[9] There is a great deal of jurisprudence on this issue. Each party was able to muster up a number of cases in its favour, each, of course, turning on its particular facts and the appreciation thereof by the trial judge.

[10] This is not a case of divided success. All but a few days of the trial dealt with impeachment. Although Lundbeck's counterclaim was not as successful as it would have liked,

it nevertheless succeeded. Thus, there is no reason to take that factor into account either in holding which column should apply, or in discounting the amount ultimately to be determined by the taxing officer pursuant to rule 405 (*Liquilassie Shipping Ltd v MV Nipigon Bay (The)*, [1975] FCJ No 209 (QL)). I consider it appropriate to award costs based on the high-end of Column IV. See *Sanofi-Aventis Canada Inc v Apotex Inc*, 2009 FC 1138, [2009] FCJ No 1626 (QL), *aff'd* 2012 FCA 265, [2012] FCJ No 1352 (QL).

II. Item B – Lundbeck’s Settlement Offer

[11] Lundbeck, as defendant and counter-claimant, made a settlement offer on 21 September 2012 which was kept open until five minutes after the commencement of trial. The offer was that the parties drop hands each paying its own costs. Apotex did not respond.

[12] As mentioned above, Apotex’s impeachment action was dismissed and Lundbeck’s infringement counterclaim was maintained with an award by way of an accounting of profits in excess of \$1,700,000.

[13] Rules 419 and following deal with offers to settle. Unless the Court orders otherwise, if a plaintiff fails to obtain judgment, the defendant is entitled to party-and-party cost to the date of service of the offer and to costs calculated at double that rate, but not double disbursements, from that date to the date of judgment. Likewise, where a plaintiff, in which case Lundbeck as counterclaimant, makes a written offer to settle and obtains a judgment as favourable as or more favourable than the terms thereof, it is likewise entitled to party-and-party costs, doubled up from the date of the offer.

[14] Apotex submits that costs should not be doubled up. It submits there was no real compromise on Lundbeck's part. If Apotex succeeded, Lundbeck would have lost revenues, the details of which are subject to a confidentiality order, but which, prior to the expiration of the patent would at least have been in the hundreds of million of dollars.

[15] Lundbeck counters that Apotex, in a real sense, had nothing to lose, and had already lost the Patented Medicine (Notice of Compliance) proceedings in first instance and in appeal (*Lundbeck Canada Inc v Canada (Minister of Health)*, 2009 FC 146, 73 CPR (4th) 69, [2009] FCJ No 249 (QL), aff'd 2010 FCA 320, 88 CPR (4th) 325, [2010] FCJ No 1504 (QL), leave to appeal refused, [2011] SCCA No 43 (QL).

[16] Based on the report of their expert witness, Howard Rosen, and by their own admissions, the Apotex entities were well aware prior to trial that if an accounting of profits were granted, the amount awarded would at the very minimum be just over \$1,000,000.

[17] The offer was not that the proceedings be settled on the basis of a unilateral discontinuance by Apotex. This was not a demand for surrender.

[18] Consequently, I see no reason why I should adjudge that Lundbeck not be awarded double costs from the date of the offer. Although rule 420 speaks of double costs until judgment, since the Court is not aware of what might have gone on after the case was taken under reserve, double costs are awarded up to the date of close of argument on 14 December 2012.

III. Items C, D, E and F

[19] These items are all similar in the sense that Lundbeck is claiming fees and reasonable disbursements, including travel, accommodation and related expenses for one or two first counsel and two second counsel for all pre-trial proceedings (other than where costs were awarded to Apotex), for all trial proceedings and preparation for trial, fees for travel, accommodation and related expenses in respect of all pre-trial proceedings and in respect of all trial proceedings and preparation for trial. The difference between the parties relates to the number of counsel.

[20] As regards Item C, for all pre-trial proceedings, including discovery, Lundbeck submits that costs should be for one first counsel and two second counsel. Apotex suggests the direction should be for one first counsel and one second counsel at 50%, and that there should be no award with respect to experts or potential witnesses who did not testify at trial.

[21] As regards Item D, for all trial proceedings and preparation, Lundbeck seeks direction for two first counsel and two second counsel. Apotex agrees to two first counsel but only one second counsel in accordance with items 13 to 15 of Tariff B.

[22] As regards Item E, fees for travel, etc. in respect of all pre-trial proceedings, Lundbeck seeks directions for one first counsel and two second counsel. Apotex proposes one first counsel and one second counsel.

[23] As regards Item F, fees for travel, etc. in respect of trial proceedings and preparation for trial, Lundbeck seeks directions for two first counsel and two second counsel. Apotex proposes two first counsel and one second counsel.

[24] I agree with Apotex's submissions on these items. Save in exceptional circumstances, our tariff is not intended to make a party whole. For the most part, Lundbeck had six counsel present throughout the trial and Apotex had five on some days, and four on others. Big pharma is big business, and big litigation is part of that business. It has not been the practice to award fees for a second junior counsel and I decline to do so.

IV. Item G – Travel and Other Disbursements of Lundbeck Personnel

[25] Lundbeck submits that reasonable disbursements for its in-house counsel, its director of corporate patents and trade-marks, and one of its technical specialists should be awarded.

[26] Apotex agrees that the disbursements of John Meidahl Petersen in relation to his examination for discovery as a representative of Lundbeck should be recoverable, but disputes the rest.

[27] Although there are always cases on both sides of just about every issue in intellectual property cost disputes, the overall principle is that no disbursements are allowed with respect to those who did not testify. I agree with Apotex.

V. Item H – Reasonable Disbursements for all Fact Witnesses

[28] Apotex submits that the current practice is not to allow these disbursements unless, of course, one is under subpoena and conduct money is provided. Counsel referred to *Eurocopter v Bell Helicopter Textron Canada Limitée*, 2012 FC 842, [2012] FCJ No1055 (QL) at para 54. However, the rationale was not fully set out in what was a case of divided success. I note that the witnesses also acted as technical advisors. In this case, a paralegal testified for Lundbeck but she was local and incurred no additional expenses. In my experience, such expenses have always been allowed.

[29] In this case, there were a number of necessary fact witnesses, many coming from Denmark, Lundbeck's home office, and from the United States. All reasonable disbursements in connection therewith are allowed.

VI. Item I – Fees for the Assessment of Costs

[30] This item will be dealt with at the conclusion of these reasons.

VII. Item J – Fees for Services Rendered by Students at Law, Law Clerks and Paralegals throughout the Proceeding and During Trial

[31] These fees are not usually taxed, and I see no reason to depart from that practice. As Mr. Justice Hughes stated in *Janssen-Ortho Inc v Novopharm Ltd*, 2006 FC 1333, 57 CPR (4th) 58, [2006] FCJ No1684 (QL), at paragraph 25:

The attendance of a client or its representatives has traditionally been an expense borne by the client. Similarly, if client chooses to have Canadian or foreign lawyers also assist, that is an expense that it

should bear alone. The same applies to experts who did not appear as witnesses, but assisted in other capacities, that is the choice of the party, but not an expense to be borne by others. The same applies in respect of paralegals, clerks, students and any other persons engaged by the Plaintiffs in respect of this action unless otherwise expressly referred to in these Reasons.

Incidentally, this is another case in which fees were directed to be assessed at the upper end of Column IV.

VIII. Item K – Fees and Reasonable Disbursements for Lundbeck’s Experts who Testified at Trial

[32] Apotex agrees but points out that the hourly rate charged by an expert should be no more than the hourly rate charged by Lundbeck’s senior counsel. Apotex’s position reflects the current state of the law. The taxing officer is directed to take into account the decisions of Mr. Justice Hughes in *Janssen-Ortho*, above, and in *Bayer Inc v Cobalt Pharmaceuticals Company*, 2013 FC 1061.

[33] In addition, the reasonable fees and disbursements of Doctor Bode, who prepared a report with respect to toxicity, are allowed. Dr. Bode’s report was filed and constituted his evidence-in-chief. He did not attend at trial only because Apotex waived cross-examination.

IX. Item L – All Fees and Reasonable Disbursements of Lundbeck’s Experts Who Did Not Testify at Trial

[34] In accordance with the general rule, as stated above, I see no reason to direct that such fees and disbursements be paid. While it is true that Apotex only dropped its selection patent

allegation at the opening of trial, there have been many cases where points have been dropped in mid-trial and no costs have been awarded for witnesses who were no longer required to testify.

X. Item M – Stenography

[35] Apotex says that the recent jurisprudence indicates that stenography is no longer taxed. Reference was made to *Novopharm Ltd v Jansen-Ortho Inc*, 2012 FCA 29, [2012] FCJ No 126 (QL) where there was an assessment of costs by an assessment officer. However, the assessment officer, Mr. Preston, was dealing with court reporting services on the appeal which he allowed as being reasonable and justified. His reasons do not indicate that taxation of stenography at discovery or at trial was ever in issue.

[36] As every trial lawyer knows, an accurate transcript prepared by an independent reporter is crucial. Examinations for discovery are transcribed in order to adequately and properly deal with undertakings and objections. The transcript may be used at trial as read-ins or to bring an inconsistent testimony to a witness' attention.

[37] In this case, daily transcripts of the trial were agreed. They were extensively used by counsel, and by the Court. Furthermore, one could not have a proper record on appeal without them.

[38] If any one disbursement is recoverable, this is it.

XI. Item N – Reasonable Disbursements Relating to Computerized Services

[39] Following discussion, I held that this matter should be reserved for the taxing officer.

These disbursements very much depend on context rather than on principle.

XII. Cost of this Motion

[40] The fees, without doubling up, and the disbursements on this motion, are allowed as follows: fees are awarded under Tariff B, Item 21 for one senior and one junior counsel at the high-end of Column IV based on a four hour hearing and for travel for the same counsel under item 24. The Court had directed that the motion be heard at Ottawa which necessitated travel from Montréal by Lundbeck's counsel.

JUDGMENT

THIS COURT’S JUDGMENT is that the taxing officer is directed to tax one set of H. Lundbeck A/S costs in accordance with these reasons.

“Sean Harrington”

Judge

FEDERAL COURT

SOLICITORS OF RECORD

DOCKET: T-1407-09

STYLE OF CAUSE: APOTEX INC. v H. LUNDBECK A/S

PLACE OF HEARING: OTTAWA, ONTARIO

DATE OF HEARING: NOVEMBER 20, 2013

**REASONS FOR JUDGMENT
AND JUDGMENT:**

HARRINGTON J.

DATED: NOVEMBER 26, 2013

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