

Date: 20060407

Docket: T-1821-02

Citation: 2006 FC 452

Ottawa, Ontario, April 7, 2006

PRESENT: The Honourable Mr. Justice Harrington

BETWEEN:

**KRAFT CANADA INC.
KRAFT FOODS SCHWEIZ AG and
KRAFT FOODS BELGIUM SA**

Applicants

and

EURO EXCELLENCE INC.

Respondent

REASONS FOR DIRECTIONS

[1] In this motion Kraft Canada asks that the assessment officer be given certain directions with respect to the taxation of the costs it was awarded on its successful application for copyright infringement. It asks that service of counsel be assessed in accordance with the high-end of Column IV of Tariff B. It also seeks directions with respect to some individual service and disbursement items.

[2] Kraft provided a draft bill of costs in which it calculates fees at \$30,362 based on Column IV and disbursements of \$30,665.87. It adds G.S.T. of 7% to this subtotal of \$61,027.87 to come up with a grand total of \$64,377.69. In lieu of directions to the assessment officer, it invites me award lump sum costs of \$60,000, including G.S.T.

[3] For its part, Euro Excellence submits there is no reason to depart from the assessment of fees normally awarded in the absence of specific directions, which is the mid-range of Column III of Tariff B. It submits that the fees should be \$9,286. It says some of the disbursements should be disallowed and others reduced. It suggests disbursements be taxed at \$10,000, rather than \$30,685.87 and is not adverse to the proposition that in lieu of directions to the assessment officer I award costs of \$19,286, not taking into account G.S.T.

DIRECTIONS OR LUMP SUM

[4] Although the award of costs on a lump sum basis is often desirable, I am not prepared to make such an award at this time. The parties are too far apart on individual items. However, once they have considered these reasons, and Kraft has given an explanation with respect to the items Euro Excellence queries, hopefully they can come to an agreement without further adieu.

COLUMN III OR COLUMN IV

[5] The application hearing lasted two days. It was preceded by a few motions, cross-examination of one witness in Toronto, another in Montreal and another in Paris.

[6] Although the case was factually straightforward, the legal issues were complex, and novel, at least in the Canadian context. Euro Excellence claims, so far unsuccessfully, that Kraft is improperly using intellectual property law to stifle the free market economy which allows the importation of grey market goods. Indeed, its application for leave to appeal to the Supreme Court of Canada on that very point is currently pending.

[7] I am satisfied that the complexity of the issues, the detail that had to go into the preparation for the hearing, and the overall celerity of the matter justifies an award of costs based on the high-end of Column IV rather than mid-range Column III. This modest increment over a short period in fact does very little to compensate Kraft for the overall fees and disbursements it incurred in excess of \$190,000.

[8] Costs are a matter of judicial discretion taking into account a number of factors including those set forth in Rule 400(3).

[9] Euro Excellence says that this is a test case and that public interest justifies maintaining fees at Column III. Although many may well be interested in the ultimate outcome of the case, Euro Excellence carries no brief but its own. In my view, there is no public interest which has a bearing on costs.

[10] The circumstances are such that a higher than usual volume of work was involved for a two-day hearing, important and complex legal issues were raised and the actual fees incurred by Kraft were much greater than those recoverable under Column III, and for that matter under the high end

of Column IV. See *Apotex Inc. v. Wellcome Foundation Ltd.* (1998) 84 C.P.R. (3d) 303 at para. 37, *Porto Seguro Companhia De Seguros Gerais v. Belcan S.A. et al* (the Beograd) 2001 FCT 1286, (2001) 214 F.T.R. 291 and *Lifescan, Inc. v. Novopharm Limited* 2001 FCT 809, [2001] F.C.J. No. 1176 (QL).

[11] Euro Excellence suggests that Column III should be maintained because in fact there was divided success. The Court of Appeal maintained its appeal with respect to damages in the sense that that issue was referred back to me for redetermination. However, the Court of Appeal did not disturb my holding as to costs. Furthermore, although Kraft did not get everything it sought, such as delivery up or an inventory of infringing material, it achieved substantial success. This case does not compare with, say, a ship collision in which both ships are found to be at blame, and costs are awarded in the same proportion as liability. Actually even in such cases, if only one ship suffers damage, it still recovers 100% of its costs even if found partially to blame. (*Liquilassie Shipping Ltd. v. M.V. Nipigon Bay*, [1975] 2 Lloyd's Rep 279, [1975] F.C.J. No. 209 (QL), Walsh J.)

INDIVIDUAL FEE ITEMS

[12] Kraft claims entitlement to fees for second counsel during the two-day hearing of the application. Euro Excellence, which also had two counsel present at that application, does not oppose as long as the fees are reasonable. Often the second counsel is junior. That was not the case here as both Kraft's counsel were very experienced. Nevertheless, while I award second counsel fees, they should be taxed at 50% of the fees for first counsel. See for example Wetston J. in *Apotex*, *supra* at paragraph 42.

[13] The other fee component on which directions are sought is for counsel fees for travel to attend the hearing, motions and cross-examinations. For the most part, that travel would be flights between Toronto and Montreal. Tariff B, Item 24 allows a fee for travel “at the discretion of the Court”. There is nothing to convince me that Kraft’s counsel did not either exercise their celerity during travel, or read the newspaper or other material they would have read anyway. I think it appropriate to take up Euro Excellence’s proposal, and so with respect to item 24 of the draft bill of costs attached to the motion record I award a total of 5 units, rather than 35.

DISBURSEMENTS

[14] Kraft claims disbursements of \$30,665.87. Euro Excellence challenges some of the disbursements outright, and says that others have not yet been established. However, it would not be adverse to disbursements fixed at \$10,000. After deducting the two items they challenge outright, the remaining disbursements total \$15,544.27, so that Euro Excellence suggests that an award of slightly less than two thirds thereof would be appropriate.

[15] It must be kept in mind that the draft bill of costs was only intended to serve as an aid to the Court in giving directions to the assessment officer. If the bill of costs is actually taxed, Kraft will have to do more to explain and justify its disbursements.

[16] One item challenged outright is in the amount \$1,941.50 for costs incurred in translating from French to English. That cost should be disallowed. This is a national court which operates in both official languages and accepts pleadings and other documents in either language. Like Mr.

Justice Muldoon in *Maison des Pâtes Pasta Bella Inc. v. Olivieri Foods Ltd* (1999) 86 C.P.R. (3d) 356, I would disallow that expense in its entirety.

[17] The other disbursement challenged outright is the fee of French solicitors in the amount of \$13,180.10. The firm was retained by Kraft's Canadian solicitors to attend Euro Excellence's cross-examination of Gilles Portail on his affidavit. Mr. Portail was the financial director of Landor Associates, which produced for Kraft some of the copyrighted material in question. His cross-examination took place in Paris, and lasted some 55 minutes. In addition to claiming \$13,180.10 as a disbursement, Kraft also claims fees under Tariff B for preparing for and attending the cross-examination. Kraft concedes that the account is much higher than it anticipated. However, it says that it was put to considerable extra expense because Euro Excellence refused to admit certain facts it was requested to admit, more particularly that one Thierry Bigard authored the copyrighted material relating to the Côte d'Or chocolate bar wrappers while an employee of Landor Associates. Furthermore, Kraft proposed that the cross-examination take place by videoconference, a proposal which was rejected.

[18] On the other hand, Mr. Portail's affidavit was only served after the request to admit, and was part of a much broader issue, which was whether under French law the creation belongs to the employee, rather than to the employer. Kraft did not seek directions with respect to the manner in which the cross-examination was to be carried out and it appears that Mr. Portail, who was not under Kraft's control, was more comfortable having his hand held by a French solicitor.

[19] I am not prepared to award Kraft any more than if the cross-examination had been carried out by its own Canadian solicitors. That may have included air travel to France (there is evidence that return economy airfare from Toronto to Paris was about \$5,500), accommodation, and some consideration for travel time. On the other hand, it is inconceivable to me that one would have flown to Paris to sit in on a cross-examination that lasted less than one hour, and have immediately returned to Toronto. The attendance at the cross-examination should have been carried in conjunction with other business. I allow the disbursement at \$3,000 and do not disturb the Tariff B fees.

[20] I turn now to disbursements Euro Excellence considers may be excessive, such as photocopies, both done in-house at their lawyers' offices and outsourced. Euro Excellence suggests that both the number thereof and the cost thereof at \$0.15 per copy are excessive. These figures were contained in the affidavit of Louise McLean, a law clerk in the employ of Kraft's Canadian solicitors. Her hearsay evidence from the accounting supervisor is that \$0.15 per page represents the actual costs of the photocopies taking into account the maintenance involved. Unless she is cross-examined, I am satisfied that \$0.15 per page is reasonable. However, at this stage we have no breakdown as to the use put to the number of copies involved. Likewise, there is no breakdown of the number of photocopies outsourced, and the costs per page thereof.

[21] Euro Excellence also queries whether it was necessary to incur online computer charges of \$687.82. This apparently relates to legal research through a commercial website. Euro Excellence suggests that the same results are readily available from no-charge sites such as CanLII and LexUM. I do not know to what the charges relate, and so cannot comment.

[22] No explanation of Government fees of \$1,269.10 is given, except that they are not fees paid into Court.

[23] Kraft also claims G.S.T. of 7% on the total. While G.S.T. would appear to be a chargeable item, some care must be taken as G.S.T. would not normally accrue on fees and expenses incurred outside Canada, such as the Paris lawyers' account. To the extent it has already paid G.S.T., it must deduct accordingly.

[24] Silence on any particular item claimed does not serve as a direction, one way or another, to the taxing officer.

[25] Based on Kraft's draft, taxable fees are \$27,062 and disbursements \$18,544.27, against which Euro Excellence suggested \$10,000. One would hope the parties can accommodate each other on the \$8,544.27 remaining in issue.

[26] Kraft shall have the costs of this motion. Unlike the application on the merits, while Kraft succeeded on its Column IV submission, it did poorly on individual items. I fix the costs, inclusive of fees, disbursements and G.S.T. at \$500.

DIRECTIONS

THIS COURT DIRECTS that, pursuant to Federal Courts Rule 303, the assessment officer tax costs in accordance with these reasons.

“Sean Harrington”

Judge

FEDERAL COURT

NAME OF COUNSEL AND SOLICITORS OF RECORD

DOCKET: T-1821-02

STYLE OF CAUSE: KRAFT CANADA INC. ET AL v.
EURO EXCELLENCE INC.

PLACE OF HEARING: Montreal, Quebec

DATE OF HEARING: March 30, 2006

REASONS FOR ORDER: HARRINGTON J.

DATED: April 6, 2006

APPEARANCES:

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