

Federal Court



Cour fédérale

Date: 20201223

Docket: T-896-15

Citation: 2020 FC 1188

Ottawa, Ontario, December 23, 2020

PRESENT: The Honourable Mr. Justice Fothergill

BETWEEN:

**GEORGETOWN RAIL EQUIPMENT
COMPANY**

Plaintiff/Defendant by Counterclaim

and

TETRA TECH EBA INC.

Defendant/Plaintiff by Counterclaim

ORDER AND REASONS
(COSTS)

I. Overview

[1] This order concerns the costs and disbursements payable to Tetra Tech EBA Inc [Tetra Tech] by Georgetown Rail Equipment Company [Georgetown] as a result of the Federal Court of Appeal's judgment in *Tetra Tech EBA Inc v Georgetown Rail Equipment Company*, 2019 FCA 203 [Tetra].

[2] For the reasons that follow, Tetra Tech’s fees shall be assessed in accordance with Column V of Tariff B. Tetra Tech shall be reimbursed for only those disbursements that are shown to be reasonable and necessary.

II. Background

[3] On January 31, 2018, I held in *Georgetown Rail Equipment Company v Rail Radar Inc*, 2018 FC 70 [*Georgetown #1*] that Canadian Patent 2,572,082, titled “System and Method for Inspecting Railroad Track”, and Canadian Patent 2,766,249 [249 Patent], titled “Tilt Correction System and Method for Rail Seat Abrasion”, were valid and infringed by Tetra Tech. I therefore allowed Georgetown’s claim for infringement and dismissed Tetra Tech’s counterclaim respecting validity.

[4] The proceedings were bifurcated by Order of Prothonotary Kevin Aalto dated May 30, 2016, and my decision in *Georgetown #1* dealt only with the liability phase.

[5] On February 22, 2018, Tetra Tech appealed my judgment in *Georgetown #1* to the Federal Court of Appeal [FCA]. Tetra Tech requested that the assessment of costs be deferred until the appeal was decided and/or the quantification phase was completed. I granted this request by Order dated March 28, 2018.

[6] Despite the ongoing appeal, the parties proceeded with the quantification phase. They prepared a statement of issues, exchanged documentary productions, conducted discoveries and

began preliminary work on expert reports. A hearing on quantification was scheduled for five days commencing on December 2, 2019.

[7] However, on July 9, 2019, my judgment in *Georgetown #1* was overturned by the FCA. The FCA remanded to this Court the determinations of obviousness and validity of certain claims of the 249 Patent. This resulted in my decision in *Georgetown Rail Equipment Company v Tetra Tech Eba Inc*, 2020 FC 64 [*Georgetown #2*]. Because success was divided, no costs were awarded to either party in *Georgetown #2*.

[8] Georgetown unsuccessfully sought leave to appeal the FCA's judgment in *Tetra* to the Supreme Court of Canada.

[9] Tetra Tech seeks costs with respect to both the liability phase and quantification phase of this action.

III. Positions of the Parties

A. *Tetra Tech*

[10] Tetra Tech requests a lump sum award in the amount of \$412,912.97, calculated as follows:

- (a) \$265,649.65 in costs for the liability phase of the action, which is calculated as \$204,753.06, representing 33% recovery of Tetra Tech's legal fees, plus \$60,896.59, providing full recovery of reasonable and necessary disbursements;
- (b) \$142,263.32 in costs for the quantification phase of the action, which is calculated as \$134,095.53, representing 50% recovery of Tetra Tech's legal fees, plus \$8,167.79, providing full recovery of reasonable and necessary disbursements; and
- (c) \$5,000.00 for the preparation of its costs submissions.

[11] Tetra Tech requests 50% of its actual fees incurred in the quantification phase due to Georgetown's decision to persevere with the quantification phase despite the ongoing appeal.

B. *Georgetown*

[12] Georgetown argues that Tetra Tech's fees should be assessed in accordance with Column V of Tariff B, and has submitted a draft Bill of Costs. Georgetown says that an award of costs based on the Tariff is consistent with Tetra Tech's submissions on costs following this Court's judgment in *Georgetown #1*, in which Tetra Tech argued that costs should be assessed in accordance with the mid range of Column III of Tariff B.

[13] Georgetown therefore takes the position that Tetra Tech's costs for the liability phase should be limited to \$133,091.51, comprising \$72,195.00 in legal fees and \$60,896.59 in

disbursements, assuming they are reasonable and necessary. Georgetown argues that Tetra Tech is entitled to costs not exceeding \$27,907.79 for the quantification phase, comprising \$19,740.00 in legal fees and \$8,167.79 in disbursements, assuming they are reasonable and necessary.

[14] In the alternative, if a lump sum is awarded, then Georgetown asks that this be limited to 25% of Tetra Tech's actual fees in both the liability phase and the quantification phase.

Georgetown denies that Tetra Tech should receive an elevated lump sum award for the quantification phase, noting that Tetra Tech did not seek a stay of proceedings pending appeal.

IV. Analysis

[15] The awarding of costs, including quantum, is a matter falling within the Court's discretion (*Federal Courts Rules*, Rule 400(1); *Canada (AG) v Rapiscan Systems Inc*, 2015 FCA 97 at para 10). In determining an award of costs, the Court is guided by the considerations found in Rule 400(3).

[16] A lump sum award is specifically contemplated in Rule 400(4), and may serve to promote the objective of the *Federal Courts Rules* of securing "the just, most expeditious and least expensive determination" of proceedings (Rule 3; *Nova Chemicals Corporation v Dow Chemical Company*, 2017 FCA 25 [*Nova*] at para 11). A lump sum award may be particularly appropriate in complex matters where a precise calculation of costs would be unnecessarily complicated and burdensome; nevertheless, the burden is on the party seeking increased costs to demonstrate why its particular circumstances warrant an increased award (*Nova* at paras 12-13).

[17] As a matter of good practice, a party seeking a percentage of actual legal fees above the amounts provided for in the Tariff should provide a sufficient description of the services rendered to satisfy an opposing party and the Court that the fees actually incurred were reasonable (*Nova* at para 18). Before fixing a lump sum costs award, the Court should have a detailed record and sufficient information on which to base such an award. It is inappropriate for the Court to award a lump sum on the basis of mere assertions of the amounts spent without evidence or explanation (*Sanofi-Aventis Canada Inc. v Novopharm Limited*, 2009 FC 1139 at para 6, *aff'd* 2012 FCA 265).

[18] In its costs submissions dated September 4, 2020, Tetra Tech did not provide detailed accounts of its legal fees, nor copies of invoices to demonstrate the necessity or reasonableness of its disbursements. It provided only tables of amounts.

[19] In its costs submissions dated October 16, 2020, Georgetown objected to Tetra Tech's failure to provide a draft Bill of Costs or any evidence with respect to the fees or disbursements claimed for the liability phase or the quantification phase. Georgetown took the position that general assertions of the amounts spent, without evidence or sufficient explanation, did not demonstrate that the costs sought by Tetra Tech were reasonable.

[20] On November 20, 2020, this Court directed Tetra Tech to submit further evidence and/or explanations to substantiate the legal fees and disbursements claimed. Georgetown was also given an opportunity to make brief submissions in reply.

[21] In its supplementary costs submissions dated December 11, 2020, Tetra Tech has provided the same tables of amounts that it included in its initial submissions, but this time included within affidavits. The affiants provide general descriptions of the work performed, and attribute different sums to different categories of work.

[22] Tetra Tech's explanation for the fees incurred in the liability phase consists of the following:

2. Exhibit "A" to my affidavit is a listing of ROBIC invoices paid by Tetra Tech for the liability phase of the action. Exhibit A was previously filed with the Court as part of Tetra Tech's March 1, 2018 reply to the Plaintiff's cost submissions. The listed invoices include claimable legal fees and disbursements incurred by Tetra Tech for the liability phase of the action, through to the release of the Trial Decision, 2018 FC 70 on January 31, 2018.

3. As shown in Exhibit A, the legal fees paid by Tetra Tech for the liability phase were \$585,008.75 plus 5% tax for a total of \$614,259.19. The liability phase did not include motions or other steps where costs were already assessed.

[23] In its supplementary costs submissions dated December 18, 2020, Georgetown again objects to Tetra Tech's failure to provide sufficient evidence to support its request for a lump sum costs award: "Tetra Tech has merely taken the information it has already put before this Court in its previous costs submissions dated September 4, 2020 and inserted it in affidavits without any underlying evidence to support the reasonableness of its claim."

[24] Georgetown maintains that some of the fees claimed by Tetra Tech for the quantification phase appear to be excessive, and there is insufficient information to determine whether they are reasonable:

For instance, DLA Piper claims \$125,889.75 in counsel fees for “conducting and preparing for examinations for discovery” in the quantification phase. The discoveries of both sides totaled less than 3 days. There is no explanation as to how DLA Piper arrived at their quantum and what services were included or how many hours were spent. As a comparison, for the liability phase Georgetown indicated that its costs of conducting and preparing for discovery of 2 days with two counsel was \$77,813.00. Georgetown provided a copy of its dockets explaining the work performed and hours spent.

[25] Georgetown also notes that the ROBIC law firm made a deduction from its invoices for “unrecoverable line items”, which amounted to roughly \$9,623. There is no explanation of how this number was determined; only the assertion that this corresponded to work associated with the appeal of *Georgetown #1* and the transfer of the file from ROBIC to DLA Piper.

[26] Georgetown raises a number of additional questions regarding the amounts claimed by Tetra Tech that are not adequately explained in the costs submissions. Furthermore, there is no evidence that the disbursements claimed by Tetra Tech were reasonably incurred. There are no invoices to substantiate the items claimed, or affidavits attesting to their reasonableness. Georgetown also complains that some disbursements claimed by Tetra Tech are not recoverable, *e.g.*, overhead costs such as overtime of law firm staff and binding.

[27] In its costs submissions dated March 1, 2018, filed following this Court's decision in *Georgetown #1*, Tetra Tech took the position that a lump sum costs award was not appropriate, and "costs should be awarded based on the applicable standard set out in Rule 407; that is, the mid-point of Column III". Tetra Tech distinguished the present case from the circumstances in which the FCA approved a lump sum costs award in *Nova*:

Nova was "an extremely complex patent case involving much expert testimony," noting "22 allegations of invalidity, 33 days of discovery, 32 days of trial, written submission exceeding 700 pages, and the closing argument lasting three days." It is based on these considerations, that the trial judge concluded that an increased award of costs was justified. This is far from the present situation.

[28] Tetra Tech has had two opportunities to provide the Court and the Plaintiff with a detailed record and sufficient information on which to base a lump sum costs award, but is either unwilling or unable to do so. Having regard to Tetra Tech's position following this Court's decision in *Georgetown #1* that these proceedings were significantly less complex than those at issue in *Nova*, and that costs should be assessed in accordance with Tariff B, I accept that this is a reasonable approach to determining costs in this case.

[29] *Georgetown* proposes that Tetra Tech's fees be assessed in accordance with Column V of Tariff B, and that it be reimbursed for only those disbursements that are shown to be reasonable and necessary. An Order will be issued accordingly.

ORDER

THIS COURT ORDERS that Tetra Tech's fees shall be assessed in accordance with Column V of Tariff B. Tetra Tech shall be reimbursed for only those disbursements that are shown to be reasonable and necessary.

"Simon Fothergill"

Judge

FEDERAL COURT
SOLICITORS OF RECORD

DOCKET: T-896-15

STYLE OF CAUSE: GEORGETOWN RAIL EQUIPMENT COMPANY v
TETRA TECH EBA INC.

**SUBMISSIONS ON COSTS CONSIDERED AT OTTAWA, ONTARIO PURSUANT
TO THIS COURT'S JUDGMENT IN 2019 FCA 203**

ORDER AND REASONS FOTHERGILL J.

DATED: DECEMBER 23, 2020

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