Federal Court Cour fédérale

Date: 20230608

Dockets: T-1623-16
T-1624-16

Citation: 2023 FC 779

Ottawa, Ontario, June 8, 2023

PRESENT: The Honourable Madam Justice St-Louis

BETWEEN:

ELI LILLY CANADA INC., ELI LILLY AND COMPANY, LILLY DEL CARIBE, INC., LILLY, S.A. and ICOS CORPORATION

Plaintiffs/Defendants by counterclaim

and

PHARMASCIENCE INC.

Defendant/Plaintiff by counterclaim

and

LABORATOIRE RIVA INC.

Defendant/Plaintiff by counterclaim

PUBLIC ORDER AND REASONS

I. Introduction

[1] This Order deals with the costs and disbursements payable as a result of the Judgment and Reasons in which I allowed the Defendants Teva Canada Limited, Pharmascience Inc. and Laboratoire Riva Inc. (hereinafter collectively referred as "PMS"), Apotex Inc., and Mylan Pharmaceuticals ULC's counterclaims and held that the asserted claims of the Plaintiffs' (hereinafter collectively referred to as "Lilly") in the Canadian Letters Patent No. 2,226,784 [the 784 Patent] were invalid for overbreadth and insufficiency and dismissed Lilly's infringement against each of the Defendant as it relates to the 784 Patent (2022 FC 1398). I then reserved the issue of costs, allowed the parties to file written submissions in this regard, but granted the costs on the hearsay motion to Lilly in accordance with Rule 407 of the *Federal Courts Rules*, SOR/98-106 [the Rules]. PMS and Lilly have filed written submissions in regards to costs in the summary trial.

[2] I must thus determine which party is entitled to the costs and the amount of costs to be awarded.

[3] As the Defendants have been successful on the summary trial, I will award costs to PMS and, for the following reasons, I will award them in the form of a lump sum for an amount akin to costs at the upper end of column IV of Tariff B in the amount of $82,403.87, representing $80,000.00, including tax, and disbursements of $2,403.87. The deduction of costs of the hearsay motion payable to Lilly ($1,084.80) is reflected in the total amount.

II. Parties' positions

[4] PMS seeks an Order granting it:

a) an award of costs in the amount of $114,179.57, consisting of an award of costs in accordance with the upper end of column V of Tariff B to the Rules ($98,640.00), tax ($13,135.70), and 100% of their disbursements ($2,403.87, tax inclusive);

b) in the alternative, an award of costs in the amount of $89,753.49, consisting of an award of costs in accordance with the upper end of column IV of Tariff B to the Rules ($77,024.00), tax ($10,325.62), and 100% of their disbursements ($2,403.87, tax inclusive), and;

c) post-judgment interest at a rate of 6.9%, calculated from 7 days after the decision on costs is issued.

[5] PMS relies on the affidavit of Ms. Dawn Trach, a law clerk employed by the law firm of Aitken Klee LLP. Ms. Trach, who was not cross-examined, introduces, *inter alia*, two Bill of Costs, one prepared in accordance with the upper end of column V of Tariff B and the other with the upper end of column IV of Tariff B (Exhibits A and B), confirming the amounts, as well as a copy of the receipts corresponding to the disbursements set out in the Bills of Costs (Exhibit J).

[6] PMS submits that a costs award based on the upper end of column V is justified in this case, having regard to the following factors set out in Rule 400(3): (1) the results of the proceeding; (2) the importance and complexity of the issues; (3) the amount of work; and (4) any conduct of a party that tended to shorten or unnecessarily lengthen the duration of the proceeding.

[7] PMS points out that this Court has recently awarded costs at the upper end of column V in patent litigation similar to the case at bar, referring to *Swist v MEG Energy Corp*, 2021 FC 198

[*Swist*], *Bristol-Myers Squibb Canada Co v Pharmascience Inc*, 2021 FC 354 [*Bristol-Myers Squibb*], and *Gilead Sciences, Inc v Canada (Health)*, 2016 FC 870. PMS submits that the previously factors enumerated lead to the conclusion that the upper end of column V is appropriate in the present action as well.

[8] Alternatively, PMS opines that the upper end of column IV is appropriate. It cites Justice Rennie's remark in *Apotex Inc v Shire LLC*, 2021 FCA 54 at paragraph 11 [*Shire*] that the upper end of column IV of the Tariff is "routinely chosen in intellectual property litigation".

[9] In their Opening and Closing Submissions on the summary trial, the Defendants proposed that costs be dealt with following release of the decision while Lilly asked for its costs at an elevated level. It is not clear if Lilly was then referring, by the use of the term "elevated", to costs still within the Tariff, but higher than column III, or to costs outside the realm of the Tariff.

[10] In any event, in its written submissions on costs, Lilly submits that the Court should not grant costs sought by PMS under column V of the Tariff B, which it qualifies as elevated, given PMS's limited role in the summary trial. Lilly submits that the Court should award costs at the upper end of column III of the Tariff, or alternatively, no higher than column IV. Lilly asks that the amount of the costs in the summary trial be reduced by an amount equal to the costs it was awarded in regards to the hearsay motion which it calculated at $1,084.80; which I will grant Lilly.

[11] Lilly submits the affidavit of Ms. Kathy Paterson, a law clerk at Borden Ladner Gervais LLP, who introduces, *inter alia*, two Bill of Costs in respect of the costs of the summary trial, hence one prepared in accordance with the upper end of column III of Tariff B, totalling $38,665.12 ($37,346.05 plus disbursements of $2,403.87 inclusive of tax, and less Lilly's costs on hearsay motion) and the other in accordance with the upper end of column IV of Tariff B, totalling $53,765.53 ($52,446.46 plus disbursements of $2,403.87 inclusive of tax and less Lilly's costs on hearsay motion) (Exhibits F and I), one Bill of Costs in respect of the Defendants' hearsay motion, totalling $1,084.80 (Exhibit E), and various correspondences between the Defendants and Lilly's counsel.

[12] Lilly asserts the following items in PMS's Bill of Costs contained claims that should not be awarded, and which it deducted in its own Bills of Costs: 5, 6, 10-11, 13, 14.

[13] Lilly thus asserts that costs should be awarded at the upper end of column III of Tariff B, with reductions for various items per its proposition, totalling $37,346.05, tax inclusive, or alternatively, no higher than the upper end of column IV of Tariff B with reductions for various items per its proposition totalling $53,765.53, tax inclusive.

[14] In essence, Lilly opines that PMS is entitled to the upper end of column III because (1) motions for summary trials in patent proceedings warrant a reduced cost award (*Janssen Inc v Apotex Inc*, 2022 FC 107 [*Apotex*]; *Janssen Inc v Pharmascience Inc*, 2022 FC 62 [*Pharmascience*]; *Mud Engineering Inc v Secure Energy (Drilling Services) Inc*, 2022 FC 943 [*Mud*]); (2) the cases cited by PMS, namely *Shire*, *Swist* and *Bristol-Myers Squibb*, are not

appropriate comparators; (3) the quantum and scale of costs sought are unjustified as the purpose of costs does not support it and there is no evidence that PMS paid the elevated fees being sought and this suggests an award higher than column III would be a windfall or source of profit; (4) the Defendants unnecessarily increased the length and complexity of the proceeding; (5) the Defendants clearly duplicated work; and (6) costs greater than column III would be exceptional and there is nothing extraordinary that warrants a departure here.

[15] In particular, Lilly submits that the case law recognizing that the upper end of column IV is reasonable and appropriate in patent actions applies only when such litigations proceeded through full trials (see e.g., *Shire* and *Allergan Inc v Sandoz Canada Inc*, 2021 FC 186 [*Allergan*]). Lilly also relies on the three decisions cited above (i.e., *Apotex, Pharmascience*, and *Mud*) to assert that a sort of "norm" was created by the jurisprudence in pharmaceutical patent-related summary trial proceedings to award costs under column III and there is therefore a lack jurisprudential basis to depart from column III in such circumstances.

[16] Lilly argues that the purpose of an award of costs favors an award under column III in this proceeding. Specifically, Lilly asserts that the overriding consideration in making an award of costs is fairness and reasonableness (*Bristol-Myers Squibb Canada Co v Teva Canada Ltd*, 2016 FC 991 at para 5) and it would be unreasonable for Lilly to compensate the Defendants for the excessive fees they claim, i.e., the multiple counsels retained from each party.

[17] Finally, Lilly agrees that PMS should be entitled to disbursements in the amount of $2,403.87, inclusive of tax, and leaves post-judgment interest to the discretion of the Court, but

asks that, if awarded, interest should begin to run 30 days after the date of this judgment to allow time for payment.

III. General principles of costs assessment

[18] The law of costs is not an exact science. In adjudicating costs, courts attempt to strike an appropriate balance between three main objectives: compensation, providing incentive to settle, and dissuasion of abusive conduct in litigation. In this exercise, Rule 400(1) of the Rules provides that the Court "shall have full discretionary power over the amount and allocation of costs and the determination of by whom they are paid".

[19] Rule 400(3) provides a non-exhaustive list of considerations for a Court to consider in assessing costs. With respect to quantum, Rule 407 of the Rules dictates that within this general rule, costs are to be awarded in accordance with column III of the table to Tariff B on a default basis (*Consorzio del Prosciutto di Parma v Maple Leaf Meats Inc*, 2002 FCA 417 at para 9 [*Consorzio del Prosciutto*]). However, the Court's broad discretion includes the power to order an assessment under a different column of Tariff B or to permit a departure from the Tariff (*Philip Morris Products SA v Marlboro Canada Ltd*, 2015 FCA 9 at para 4).

[20] Rule 400(4) allows the Court to fix costs and award a lump sum in lieu of an assessment of costs pursuant to Tariff B.

[21] On the topic of lump sum, the award of a lump sum is increasingly valued by the courts as it saves the parties time and money and further the objective of securing "the just, most

expeditious and least expensive determination" of proceedings (Rule 3) (*Nova Chemicals Corporation v Dow Chemical Company,* 2017 FCA 25 at para 11 [*Nova*]). When a court can award costs on a lump sum basis, granular analyses are avoided and the costs hearing does not become an exercise in accounting (*Nova* at para 11). The Federal Court of Appeal in *Nova* adds that "[l]ump sum awards may be appropriate in circumstances ranging from relatively simple matters to particularly complex matters where a precise calculation of costs would be unnecessarily complicated and burdensome: *Mugesera v Canada (Minister of Citizenship & Immigration)*, 2004 FCA 157 at para. 11" (*Nova* at para 12). At paragraph 15 of the decision *Mugesera v Canada (Minister of Citizenship and Immigration),* 2004 FCA 157, the Federal Court of Appeal outlined that "[…] the Court should be guided, as much as possible, by the standards established in the table to Tariff B when awarding a lump sum in lieu of assessed costs".

[22] Hence, a lump sum may be awarded for an amount akin to that would be awarded under the Tariff or it can represent "elevated costs", i.e., costs in excess of the Tariff, often calculated as a percentage of the actual legal fees incurred. There is no need to address the issues related to an award of costs outside the realm of the Tariff as it is not at play here.

[23] Concerning the disbursements, "[w]here disbursements are outside of the knowledge of the solicitor, they should generally be accompanied by an affidavit such that the Court can be satisfied that they were actually incurred and were reasonably required" (*Nova* at para 20). As set forth in subsection 1(4) of Tariff B, no disbursement shall be assessed or allowed under the Tariff B unless it is reasonable and it is established by affidavit or by the solicitor appearing on

the assessment that the disbursement was made or is payable by the party. The Federal Court of Appeal repeated that principle, stating that a party is allowed to recover disbursements when reasonable and necessary for the conduct of the proceeding (*Exeter v Canada (Attorney General)*, 2012 FCA 153 at para 13, citing *Merck & Co Inc v Apotex Inc*, 2006 FC 631).

IV. Application to the facts of the case

A. *Costs to each Defendant*

[24] PMS submits that each of the Defendant (Apotex Inc., Mylan Pharmaceuticals ULC, Teva Canada Limited and PMS) is entitled to its own costs award and Lilly has not disputed this in this proceeding. I agree with PMS. In similar circumstances, where the separate proceedings were consolidated, the Court held that the Defendants were each entitled to separate costs awards (*Packers Plus Energy Services Inc v Essential Energy Services*, 2020 FC 68; *Eli Lilly Canada Inc v Apotex Inc*, 2023 FC 3 at paras 37-40). Accordingly, I am satisfied that PMS is entitled to its own costs award.

B. *Lump sum*

[25] Rule 400(4) of the Rules provides that the Court may fix all or part of any costs by reference to Tariff B of the Rules. After considerations of the circumstances of this case and the relevant factors, I am satisfied that an award of costs in the form of a lump sum is justified. As the Federal Court of Appeal stated at paragraph 11 of *Nova*, it will allow "the just, most expeditious and least expensive determination" of proceedings (Rule 3) and avoid granular analyses and an exercise in accounting.

C. *Scale of costs*

[26] The Defendants were successful on almost all substantive issues at the summary trial. The Court granted the Defendants' motion for summary trial and dismissed Lilly's action with respect to the 784 Patent, upon concluding that the 784 Patent was invalid for both obviousness and overbreadth.

[27] I agree with PMS that the subject matter had some level of technical complexity and required a great amount of work from the parties. The Defendants alleged overbreadth, insufficiency and inutility. The asserted claims of the 784 Patent were directed to physiologically acceptable salts of tadalafil or methyltadalafil. One of the key issues in the summary trial was whether a physiologically acceptable salt of tadalafil could be made. Expert affidavits from three experts were tendered at the hearing; all experts were cross-examined at the summary trial. The hearing lasted five days. As the Court has observed in the past, patent matters are inherently complex (*Pollard Banknote Ltd v Babn Technologies Corp*, 2016 FC 1193 at para 13; *Teva Canada Limited v Janssen Inc*, 2018 FC 1175 at para 14), and pharmaceutical patent cases are especially so.

[28] Lilly and PMS raise issues with a number of each other's conduct. I will give this factor a neutral weight. Each party vigorously defended the interest of its client and I see no justification to penalize one of them in particular for their conduct in the present case. As Justice Grammond recently noted: "[m]y role in awarding costs […] is not to engage in an autopsy of the trial and

criticize retrospectively the parties' tactical decisions" (*Bauer Hockey Ltd v Sport Maska Inc (CCM Hockey)*, 2020 FC 862 at para 32).

[29] The Defendants in this action are competitors. Lilly chose to pursue multiple defendants in multiple proceedings and they were each entitled to receive representation by different counsel – and it was not unreasonable for the Defendants to choose to do so. It should not be for the losing party to "tell the winning party how they could have succeeded by doing or spending less" (*Hospira Healthcare v Kennedy Trust for Rheumatology Research*, 2018 FC 1067 at para 24).

[30] As for a "norm" having been created, I disagree with Lilly. The Court has full discretion to determine the appropriate column or level of costs in the circumstances, and I do not see how the case law could create a "norm" that interferes with the Court's discretion (Rule 400(1); *Betser-Zilevitch v Petrochina Canada Ltd*, 2021 FC 151 at para 9; *Guest Tek Interactive Entertainment Ltd v Nomadix Inc*, 2021 FC 848 at para 17 [*Guest Tek*]). Furthermore, the decisions cited by Lilly are not persuasive in the circumstances of the present case as they either seemingly did not deal with issues of invalidity, did not detail the submissions from the parties on costs or indicate that submissions on costs were provided, and-or did not provide reasons for awarding costs under column III of the Tariff. I also note other decisions were lump sum, seemingly for an amount higher than the Tariff, was awarded in cases of patent-related summary trials and in which I saw no mention of a discussion about column III (*Steelhead LNG (ASLNG) Ltd. v ARC Resources Ltd*, 2022 FC 998 at para 93; *ViiV Healthcare Company v Gilead Sciences Canada, Inc*, 2020 FC 486 at paras 179-181).

[31] Lilly has not satisfied me that the jurisprudence accepting column IV as being reasonable and appropriate in intellectual property actions cannot apply to patent litigations that proceeds by way of a motion for summary trial. I note that, per Rule 407, column III is the level of costs that applies unless the Court decides otherwise and that the case law has found that it is often deemed inappropriate as it is only intended to provide partial indemnification for "cases of average or usual complexity" (*Allergan* at para 25). The assessment of the various factors found in Rule 400(3) often point to the upper end of column IV as being an appropriate level of costs in cases involving patent disputes (*Shire*; *Allergan* at para 26; *Guest Tek* at para 18). These factors include "greater than average complexity, sophisticated parties, legal bills far in excess of what is contemplated by Column III of Tariff B, and 'giving parties an incentive to litigate efficiently" (*Allergan* at paras 25-26, citing *Seedlings Life Science Ventures, LLC v Pfizer Canada* ULC, 2020 FC 505 at para 4). Accepting Lilly's argument of some sort of a norm being fixed at column III for summary trials in intellectual property would entail, in addition to encroaching on the Court's discretion, assuming that summary trials in intellectual property are, by default, of average complexity. While summary trials may mitigate the considerations highlighted by the Chief Justice in *Allergan*, I have not been convinced that they necessarily or always completely diminish the complexity of a pharmaceutical patent litigation to the point that these 400(3) factors cannot be considered and found to be present.

[32] I further disagree with Lilly's assertion that PMS should have provided evidence that its clients incurred the "elevated fees" it claims. PMS seeks an award under the Tariff and Lilly has not cited any case law to convince me that a party must demonstrate it incurred the fees claimed under the Tariff.

[33] PMS relies on a number of cases where this Court awarded costs at the upper end of column V in complex patent litigation. However, I do not find that sufficient justification has been presented by PMS to compel me to make an award under column V. PMS acknowledged in its submissions that costs calculated at the upper end of column IV is appropriate, and in light of the Rule 400(3) factors considered above, I will be guided by the amounts calculated under column IV.

[34] The parties have each adduced Bill of Costs in evidence and I agree with Lilly that some of the items are unrecoverable. Deducting the costs for the hearsay motion, I will establish the final award of costs at $80,000.00 tax inclusive.

D. *Disbursements*

[35] PMS seeks total disbursements of $2,403.87, inclusive of tax, and Lilly does not contest the amount claimed.

[36] I am satisfied that PMS's claimed disbursements were actually incurred and reasonable. Accordingly, I will award PMS disbursements of the amount of $2,403.87, inclusive of tax.

E. *Interest*

[37] Lilly accepts that 5% interest is acceptable and I agree. I will grant Lilly the 30 days delay it seeks before the interest starts running.

V. Conclusion

[38] For the aforementioned reasons, I will thus award PMS total costs of $82,403.87 inclusive of all fees, disbursements, and tax.

ORDER IN T-1623-16, T-1624-16

THIS COURT'S ORDER is that:

1. The costs of the hearsay motion payable to Lilly are deducted from the cost award payable to PMS on the summary trial.

2. PMS is awarded total costs of $82,403.87 inclusive of all fees, disbursements, and tax.

3. This amount will bear 5% interest starting 30 days from the date of this Order.

4. No costs are awarded on this Order for costs.

"Martine St-Louis"

Judge

FEDERAL COURT

SOLICITORS OF RECORD

DOCKET:	T-1623-16 and T-1624-16
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APPEARANCES:

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