Federal Court  Cour fédérale

Date: 20250203

Docket: T-953-17

Citation: 2025 FC 189

Toronto, Ontario, February 3, 2025

PRESENT: The Honourable Madam Justice Furlanetto

BETWEEN:

THE ESTATE OF VIVIAN MAIER

Plaintiff

and

STEPHEN M. BULGER AND STEPHEN M. BULGER PHOTOGRAPHY GALLERY INC

Defendants

ORDER AND REASONS (COSTS)

I. Overview

[1] This decision provides the Court's disposition on the quantum and allocation of costs to be paid in respect of the Court's Judgment reported at 2024 FC 1267 [Judgment]. In the Judgment, the Court found that the Defendant, Stephen M Bulger Photograph Gallery Inc. [Gallery] had infringed copyright in works owned by The Estate of Vivian Maier [Estate]. It granted an injunction against the Gallery and awarded statutory damages to be paid by the

Gallery to the Estate, in the amount of $194,000. The claims against the Defendant, Stephen M. Bulger [Bulger] personally, were dismissed. The Judgment provided the parties with an opportunity to make further submissions if they could not come to an agreement on costs. As no agreement was reached, this decision addresses the further submissions made by the parties.

[2] The Estate asserts that as liability was found and damages and an injunction were ordered, it is the successful party in the action and should be awarded costs. It requests a lump sum costs award of $414,405.05, which it asserts represents 30% of its legal fees and reasonable disbursements. In the alternative, it requests an award of $383,184.64, which it asserts represents legal fees calculated at the top end of Column IV of Tariff B and reasonable disbursements.

[3] The Defendants assert that overall, they were more successful than the Plaintiff at trial and as such that costs should flow to the Defendants. They request costs in a lump sum amount of $573,549, which they assert represents 30% of the legal fees incurred up until January 10, 2024, when they made an offer to settle that they contend triggers rule 420(2)(b) of the *Federal Courts Rules* SOR/98-106 [*Federal Courts Rules*] and double recovery thereafter, plus their reasonable disbursements. In the alternative, the Defendants request $378,924, which they assert represents an overall 30% lump sum award, including disbursements, or in the further alternative, costs in the amount of $233,490, which they say includes fees calculated at the top end of Column V of Tariff B and disbursements.

[4] The Defendants assert that even if the Court were to view the Estate's submissions with some favour, then no costs should be awarded to either party and, in any event, the mid-point of Column III of Tariff B is too high for any award of costs to the Plaintiff.

[5] For the reasons set out below, and in consideration of both the purpose behind an award of costs and the factors set out in rule 400(3) of the *Federal Courts Rules*, including the offer made by the Defendants, it is my view that costs should be awarded to the Plaintiff as the overall successful party in the litigation, but that they should only be awarded in an amount of $102,445.10.

II. **General Principles on Costs**

[6] The Federal Court has full discretionary power over the amount and allocation of costs to be awarded for a proceeding, and the determination of by whom they are to be paid: rule 400(1), *Federal Courts Rules*; *Nova Chemicals Corporation v Dow Chemical Company*, 2017 FCA 25 [*Nova*] at para 10.

[7] In exercising its discretion, the Court seeks to achieve the various purposes underlying an award of costs, which include indemnifying a party for the costs associated with successfully pursuing a valid legal right or defending an unfounded claim, penalizing a party who refused a reasonable settlement offer, and sanctioning behaviour that increases the duration and expense of litigation, or is otherwise unreasonable or vexatious: *Allergan Inc v Sandoz Canada Inc*, 2021 FC 186 [*Allergan*] at para 19; *British Columbia (Minister of Forests) v Okanagan Indian Band*, 2003 SCC 71 [*Okanagan Indian Band*] at para 25.

[8] Rule 400(3) of the *Federal Courts Rules* sets out a list of non-exhaustive factors that the Court may consider when awarding costs. As relevant to this case, the factors include: (a) the result of the proceeding; (b) the amounts claimed and the amounts recovered; (c) the importance and complexity of the issues; (e) any written offer to settle; (g) the amount of work; (i) any conduct of a party that tended to shorten or unnecessarily lengthen the duration of the proceeding; (j) the failure by a party to admit anything that should have been admitted or to serve a request to admit; (k) whether any step in the proceeding was improper, vexatious or unnecessary, or taken through negligence, mistake or excessive caution; and (o) any other matter that the Court considers relevant.

[9] Pursuant to rule 400(4) of the *Federal Courts Rules*, the Court may "fix all or part of any costs by reference to Tariff B and may award a lump sum in lieu of, or in addition to, any assessed costs." A lump sum award can simplify the costs determination and further the goal articulated in rule 3 of the *Federal Courts Rules* of ensuring "the just, most expeditious and least expensive determination of every proceeding on its merits": *Apotex Inc v Shire LLC*, 2021 FCA 54 [*Shire*] at para 18. A lump sum can be determined at enhanced, lesser, or approximated values to those calculated by the parties or as based on the Tariff: *Shire* at para 18.

[10] Elevated lump sum awards that are a percentage of the successful party's legal fees may be appropriate in some cases, as even the high end of Tariff B may not meet the objective of making a reasonable contribution to the costs of litigation. However, an increased costs award cannot be justified solely on the basis that a successful party's actual fees are significantly higher

than the Tariff amounts: *Nova* at para 13; *Shire* at para 18. The rationale for a costs award must be tailored to the circumstances: *Shire* at para 18.

[11] Here, as a first step, the Court must consider which party, if any, is entitled to costs and if it determines that there is entitlement, must then determine quantum based on the parties' submissions and evidence, including whether Tariff B of the *Federal Courts Rules* is appropriate for fixing costs or whether costs should be determined based on a lump sum of legal fees.

III. **Analysis**

A. *Which party, if any, is entitled to costs?*

[12] In this case, each party contends that they are entitled to costs. To determine entitlement, I must consider the overall objectives in awarding costs – *i.e.*, the result of the proceeding, the impact of the Offer, and any conduct of the parties that significantly increased the duration and expense of the litigation or was otherwise unreasonable or vexatious.

[13] As will be discussed further below, in light of these considerations, it is my view that the Plaintiff, as the overall successful party, should be entitled to costs, *albeit* at a reduced amount from that which was requested.

(1) Who is the successful party?

[14] The general rule is that a successful party is entitled to costs, even if the party was not successful in respect of each argument pursued. The practical ultimate result of the proceeding and its effect on the parties is the gauge of success, not the number of legal arguments advanced:

Eurocopter v Bell Helicopter Textron Canada Ltée, 2012 FC 842 [*Eurocopter FC*] at paras 24-25; aff'd 2013 FCA 220 [*Eurocopter FCA*].

[15] A court may depart from this approach in cases of truly divided success or where there are mixed results: *Allergan* at para 30, citing to *Okanagan Indian Band* at paras 20-21. Where the court is of the view that the parties' success in terms of the overall final result of the action 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 to any of the parties: *Eurocopter FC* at paragraph 23. Where success is truly divided, other considerations may come into play, 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: *Eurocopter FCA* at para 13.

[16] The concept of "divided success" was discussed by the Court in *Bertrand v Acho Dene Koe First Nation*, 2021 FC 525 at paragraphs 12-14:

> [12] "Divided success," in this context, typically means that the case can conceptually be separated in a manner that each part has a different outcome. For example, where the Court deals with two motions at the same time, success is said to be divided where each party prevails with respect to one motion: *Stelpro Design Inc v Thermolec ltée*, 2019 FC 363 at paragraph 55; *Narte v Gladstone*, 2020 FC 1082 at paragraph 46. Likewise, no costs were awarded in a case where the merits of a judgment were upheld on appeal, but the appeal was allowed only with respect to one aspect of the remedy issued by the trial judge: *Wahta Mohawks v Commandant*, 2008 FCA 195 at paragraph 4.
>
> [13] Cases where the Court accepts only a subset of the prevailing party's submissions or defences, however, are usually not considered cases of divided success. Thus, in a patent infringement action, the defendant who claims that it does not infringe the patent and that the patent is invalid is entitled to costs

> if it succeeds on one of these two issues: *Raydan Manufacturing Ltd v Emmanuel Simard & Fils (1983) Inc*, 2006 FCA 293.
>
> [14] There is no mathematical formula to distinguish cases of divided success from those where only a subset of the prevailing party's arguments are accepted. The judge who heard the matter must come to a practical appreciation of what was really at stake. The fact that both parties strategically decide to claim victory is not determinative.

[17] Divided success can arise from a case that involves different parts with different outcomes, but not one dealing with the level of success on an issue. The extent of success on an issue is a separate factor (see rule 400(3)(b)) that may be relevant to the assessment of costs: *Energizer Brands, LLC v Gillette Company*, 2024 FC 717 [*Energizer*] at paras 21-24.

[18] In this case, both the Plaintiff and the Defendants claim to be the successful party in the litigation. As noted earlier, the Estate attributes success to the Court's finding of copyright infringement and the injunction and award of statutory damages imposed against the Gallery. The Defendants, in contrast, contend that they have achieved overall success as the Estate was unsuccessful on a number of its infringement claims, and the quantum of statutory damages awarded was far less than what was claimed. They also point to the dismissal of the claim against Bulger personally.

[19] At trial, the Plaintiff asserted infringement in respect of activities involving both prints and digital scans of negatives embodying the Maier Works. The inclusion of the digital scans in the claim increased the number of alleged infringed works from 98 to 16,643. Once the Court found that the alleged acts relating to the digital scans of the negatives were not infringing, the magnitude of the statutory damage award changed significantly.

[20] This was not a case where there were different, unrelated causes of action alleged as the Court found in *Energizer*. Although there were various acts of infringement alleged in respect of the prints and the digital scans, all allegations were for copyright infringement, and copyright infringement was found in respect of 97 unique works, with statutory damages and an injunction ordered in respect of each of the Maier Works.

[21] While the degree of success on the allegations of copyright infringement is relevant to the assessment of costs (rule 400(3)(b)), in my view they do not detract from the finding that the Plaintiff was successful in its overriding allegation that there was copyright infringement.

[22] The Defendants assert that the dismissal of the personal liability claim against Bulger should be balanced against any findings against the Gallery to make the results divided; however, I cannot agree.

[23] This case is distinct from *NRS Block Bros Realty v Kubek*, [1996] BCWLD 2326 [*NRS Block*] and *Huron Bay Co-op v Needham*, 2016 ONSC 7296 [*Huron Bay Co-op*], cited by the Defendants, where personal liability was described respectively as "the most contentious and time-consuming issue at Trial" (*NRS Block* at para 11) and "by far, the most important and the most difficult question to resolve" (*Huron Bay Co-op* at para 29). Here, the allegations of personal liability were secondary and relied on the same evidence that was relied upon for the allegations against the Gallery. They did not occupy significant time at trial, nor in the Court's reasons. While the Plaintiff's failure to succeed on its personal liability claim is a factor relevant to the assessment of costs (rule 400(3)(k)) and limits any costs payable as against the Gallery

only, the outcome on this issue does not lead to a finding of overall divided success or to separate costs in favour of Bulger.

(2) What is the impact, if any, of the Offer and admissions made by the Defendants?

[24] Under Rule 420(2)(b) of the *Federal Courts Rules*, where a defendant makes a written offer to settle and a plaintiff obtains a judgment less favourable than the terms of the offer to settle, the plaintiff may only be entitled to party and party costs up to the date of the offer and the defendant may be entitled to costs calculated at double the rate from the date of the offer to the date of judgment

[25] As a preliminary matter, to qualify as an offer that can trigger the effect of rule 420, the offer must meet certain criteria, specifically it must: a) be made at least 14 days before the start of trial and remain open until the commencement of trial; b) be clear and unequivocal; c) contain an element of compromise; and d) be capable of bringing the litigation to an end: *Venngo Inc v Concierge Connection Inc*, 2017 FCA 96 at para 87.

[26] In this case, the Offer was for the sum of $250,000 CAD, inclusive of legal fees, disbursements, applicable taxes, and interest, and included a permanent injunction against the Defendants in respect of the Maier Works and delivery up of any infringing materials. The financial portion was described as including $150,000 CAD in damages, $81,409 CAD for legal fees, disbursements, and applicable taxes, and $18,591 for pre-judgment interest.

[27] It is uncontested that the Offer met all of the preliminary criteria: a) it was made on January 10, 2024, more than 14 days before the start of trial and remained open until the commencement of trial; b) the terms were clear, such that the Estate only needed to decide whether to accept the Offer; c) it contained an element of compromise in that it included payment of damages and the provision of an injunction; and d) it covered all aspects of relief such that if accepted, it was capable of bringing the litigation to an end.

[28] The disputed issue is whether the Offer was more favourable than the Judgment.

[29] Here, it is not a simple apples-to-apples comparison. The damage amount that was proposed within the Offer was less than the damages that were awarded at trial; however, there was also pre-judgment interest which was not ultimately pursued at trial. Further, the offer included provision for costs.

[30] The Defendants, who have the burden of proof to establish that rule 420 applies (*Apotex Inc v Sanofi-Aventis*, 2012 FC 318 at para 30) urge me to adopt rule 420(2)(b). They simply assert that the Offer was more favourable than the Judgment, but do not provide any specific details outside of their broader costs submissions as to how they arrive at this conclusion.

[31] The Plaintiff asserts that the Offer was less favourable than the Judgment as the difference between the monetary component of the Offer and the damages awarded in the Judgment (*i.e.*, $56,000) is far less than their recoverable costs. They rely on their cost calculations as support for their position.

[32] Based on the submissions made and materials filed, I cannot come to the clear conclusion that rule 420(2)(b) is satisfied. Overall, I have difficulty evaluating the Defendants' position. If I take the damages amount on its own, the Offer is less favourable than the Judgment. However, if I consider the full Offer as against the Judgment, it requires me to put the cart before the horse and draw conclusions on costs before I have fully evaluated all relevant factors. Even if I were to consider the parties' respective calculations on costs from the perspective of the Plaintiff as the overall successful party as held above, the costs calculated in each case, with the sole exception of the Defendants' calculation based on column III of Tariff B, which is below the scale that I would apply, is at least $56,000 CAD.

[33] Thus, I prefer to consider the Offer under rule 400(3)(e). Indeed, even though I cannot find the Offer more favourable than the Judgment, I consider it to be a close and reasonable offer that is a relevant and important factor under rule 400(3)(e) for determining the appropriate quantum of costs (*Pharmascience Inc v Teva Canada Innovation*, 2022 FCA 207 at para 18) and in particular, whether a reduction in costs should be applied.

(3) Conduct of the Parties

[34] While the Defendants ultimately made concessions relating to ownership of copyright, certain infringing activity and the applicability of an injunction and delivery up, it is the timing of those concessions that are of concern, and which does not negate the Plaintiff's entitlement to costs. As I noted at paragraph 183 of the Judgment:

> [183] Although by the time of trial the Gallery had conceded the Estate's ownership rights, admitted to certain infringing activity, and consented to the delivery up of all infringing prints in their possession, these concessions came late in the proceedings. While

> the fact of these concessions serve to contrast this action from others where a high-end award of statutory damages is needed to punish a defendant that has not responded to a proceeding, is evasive, or is dismissive of the authority of the Court (*Vidéotron* at para 95), they do not explain or excuse the delay in the Defendants' conciliatory actions.

[35] In delaying these concessions, the Defendants made the case more difficult than it had to be (*e.g.*, necessitating the Plaintiff retaining experts to opine on ownership and U.S. law) and extended its duration. Thus, while the concessions made by the Defendants justify, in my view, an overall reduction in the amount of costs to be awarded, particularly as it relates to the trial portion of the proceeding, it does not remove the Plaintiff's entitlement to its overall costs for the proceeding.

B. *What is the appropriate quantum of costs?*

[36] As set out above, the Court has discretion to award a lump sum award based on a percentage of the party's legal fees in appropriate circumstances. It is up to the party claiming costs to justify that such an award should be granted: *Nova* at para 13; *Shire* at para 18.

[37] Awards of this type have shown increasing favour with the Federal Court, especially in intellectual property cases where sophisticated parties are involved who are "represented by teams of lawyers whose hourly rates are well beyond what the framers of the Tariff may have contemplated" and who have "resources at their disposal": *Bauer Hockey Ltd v Sport Maska Inc*, 2020 FC 862 at paras 13 and 22.

[38] The Plaintiff asserts that in view of this trend and the actual costs incurred, a lump sum award is appropriate. The Defendants agree that if they are awarded costs, it should be a lump sum, but argue if costs are awarded to the Plaintiff, it should be based on the Tariff because of the lack of sophistication and financial situation of the Gallery, as well as the offers to settle that were made, the Defendants' concessions, and the approach taken by the Defendants at trial. The Defendants also take issue with the evidence provided by the Plaintiff in support of its costs, which consisted of redacted invoices which removed any details relating to the tasks associated with the legal fees incurred.

[39] I agree with the Defendants this is not an appropriate case for an increased lump sum award based on a percentage of legal fees. While the actual fees billed as reflected by both parties' calculations are significantly higher than the Tariff, for the same reasons set out in the Judgment that did not support a statutory damages award at the maximum end of the range (Judgment paras 187-193), it is my view that the Gallery cannot be described as an entity with "resources at their disposal" that would justify an increased lump sum award.

[40] Further, although the calculation of fees incurred were broadly comparable between the parties, the Plaintiff did not provide proper support for its request for an increased lump sum award. As set out in *Nova* at paragraph 18, a sufficient description of the services provided in exchange for the fees should be given:

> [18] When a party seeks a lump sum award based on a percentage of actual legal fees above the amounts provided for in the Tariff, as a matter of good practice the party should provide both a Bill of Costs and evidence demonstrating the fees actually incurred. As well, a sufficient description of the services provided in exchange for the fees should be given to establish that it is

> appropriate that the party be compensated for those services. What is required is sufficient evidence of the nature and extent of the services provided so that a party can make an informed decision whether to settle the fees or contest and that the Court can be satisfied that the actual fees incurred and the percentage awarded are reasonable in the context of the litigation.

[41] In this case, through extensive redactions to its invoices (which were far greater than those made by the Defendants to their own invoices) the Plaintiff provided no means for the Defendants or the Court to evaluate the services offered for the fees incurred. It is not sufficient for the Plaintiff to simply suggest that the Court could request further details as this provides no means for the Defendants to evaluate the costs claimed.

[42] In addition, the Plaintiff's calculation of costs under its Bill of Costs column IV Tariff calculation did not demonstrate that a calculation of fees under the Tariff was inadequate.

[43] As set out in *Nova*, an award of a lump sum based on legal fees "must be justified in relation to the circumstances of the case and the objectives underlying costs" (at para 15). In my view, an increased lump sum award is not justified in the circumstances here. Rather, the Gallery's circumstances, the evidence provided, and rule 400(3)(e) support an award of costs based on the Tariff amounts.

[44] Because of the timing of the admissions made by the Defendants, particularly the lateness of the admission as to ownership of copyright, which increased the complexity and amount of work required for pre-trial matters, I consider fees at the top end of column IV to be appropriate for pre-trial matters. However, I will deduct the recoverable costs for trial fees in view of the

following rule 400(3) factors: (a) the reasonableness of the Offer (400(3)(e), and the history of the offers made; the amount claimed by the Plaintiff and the amount actually recovered (400(3)(b)); the personal liability claim against Bulger (400(3)(k)); and the admissions that had been made by the Defendants by the time of trial.

[45] Here, I note that there are also a number of peculiarities associated with the Tariff amounts claimed by the Plaintiff, which refer to items that are clearly not contemplated by the current Tariff (*e.g.*, counsel fees for originating documents, duplicative and expansive tariff charges for single line items, and second "first counsel" fees), and serve to artificially inflate the Plaintiff's Tariff calculation. In my view, the Defendants' Tariff calculation is more accurate and reflective of what would apply to the Plaintiff.

[46] I will therefore award $63,042.00 in fees ($71,237.46 with HST).

[47] With respect to disbursements, I agree with the Defendants that as the evidence of the Plaintiff's expert, Mr. Gaillard, was not relied on by the Plaintiff or the Court, his fees should be deducted from the recoverable reasonable disbursements, as well as the fees for the Plaintiff's foreign associate which were not properly established, and that the claimed amount for meals at trial should be reduced to a more reasonable amount, similar to the amount incurred by the Defendants, which I will allot at $500. The disbursement total is accordingly adjusted to $31,207.64.

[48] The total costs awarded is therefore $102,445.10, all inclusive.

ORDER IN T-953-17

THIS COURT ORDERS that:

1. Costs are awarded to the Plaintiff in the fixed amount of $102,445.10, all inclusive.

"Angela Furlanetto"
Judge

FEDERAL COURT

SOLICITORS OF RECORD

DOCKET:	T-953-17
STYLE OF CAUSE:	THE ESTATE OF VIVIAN MAIER v STEPHEN M. BULGER AND STEPHEN M. BULGER PHOTOGRAPHY GALLERY INC

SUBMISSIONS ON COSTS CONSIDERED AT TORONTO, ONTARIO, PURSUANT TO THIS COURT'S JUDGMENT IN 2024 FC 1267

ORDER AND REASONS (COSTS):	FURLANETTO J.
DATED:	FEBRUARY 3, 2025

WRITTEN SUBMISSIONS BY:

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