

Date: 20080903

Docket: A-589-05

Citation: 2008 FCA 253

BETWEEN:

**SANOFI AVENTIS CANADA INC. and
SANOFI-AVENTIS DEUTSCHLAND GmbH**

Appellants

and

**APOTEX INC. and
THE MINISTER OF HEALTH**

Respondents

ASSESSMENT OF COSTS – REASONS

**Charles E. Stinson
Assessment Officer**

[1] On November 4, 2005, the Federal Court dismissed an application by the Appellants for an order prohibiting the Minister of Health from issuing a Notice of Compliance (NOC) to the Respondent, Apotex Inc. [*Apotex*], for rampiril oral capsules of various dosages (rampiril) until after the expiration of Canadian Patent No. 1,246,457 (the ‘457 Patent) (2nd NOC decision). That proceeding (2nd NOC proceeding) had been brought further to a Notice of Allegation (NOA) asserting invalidity due to obviousness, a position accepted by the Federal Court. Earlier, Apotex had advanced an NOA asserting that it would not infringe the ‘457 Patent because its rampiril product would not be used to treat heart failure, a position rejected by the Federal Court on

October 11, 2005 (the 1st NOC decision) in Federal Court file T-1851-03 and resulting in prohibition of issuance of an NOC.

[2] This proceeding is the Appellants' appeal of the 2nd NOC decision. The Federal Court of Appeal allowed with costs Apotex's motion to dismiss the appeal (the 2nd NOC appeal decision) and dismissed the appeal with costs on the ground of mootness. Essentially, Apotex's position at the hearing was that the expiry of the '457 Patent and the existence of its undertaking to abandon its appeal (the 1st NOC appeal) (ultimately discontinued on October 13, 2006) of the 1st NOC decision in the event of success here, meant that there was no longer a statutory obstacle preventing issuance of an NOC and that there was nothing left to decide.

[3] I have not set out the respective submissions of the parties on counsel fee items 17 (preparation of notice of appeal), 25 (services after judgment), 26 (assessment of costs) and 27 (such other services as the assessment officer may allow) as I am satisfied that my findings in *Abbott Laboratories v. Canada (Minister of Health)*, [2008] F.C.J. No. 870 (A.O.) [*Abbott*] apply. I allow fee item 25. I disallow fee items 17 and 27 as claimed respectively for review of the appeal and for preparation of the bill of costs. As in *Abbott*, I refuse to allow fee item 27 as an alternative to fee item 17. I allow fee item 26 as presented at the mid-range value used throughout the bill of costs. Fee items 18 (review appeal books) and 19 (memorandum of fact and law) and disbursements not in issue are allowed as presented. Given my finding below on item 22, nothing is allowable for item 22(b) (second counsel at an appeal hearing).

I. Apotex's Position

[4] Further to Rules 419 and 420(2)(b) (settlement offer), Apotex claimed doubling of fee items 21 (preparation and hearing of motion) and 22 amounting to an additional \$2,400. Apotex by e-mail dated June 29, 2006 (e-mail) proposed settlement on the basis that a Federal Court of Appeal decision in another proceeding (the jurisprudence) had rendered this appeal moot, the '457 Patent having expired, and asserted that it would seek "full indemnification" of costs if the Applicants did not agree to a dismissal order. The full text of the e-mail made it clear that it was a proposal to settle, contained the element of compromise requisite for Rule 420(2)(b) by precluding costs of the appeal hearing and was capable of acceptance.

[5] Apotex argued that the Appellants' position that the e-mail could not be read as an offer to settle is preposterous given their response by their counsel on July 19, 2006, characterizing it as "a proposal which our clients are not prepared to accept" and asserting that "the proposal was not accepted/acceptable." The Appellants' evidence did not suggest a lack of understanding of what was being proposed. As well, the Appellant's materials asserted that the avoidance of an adverse award of costs had not been any incentive to forego protection of the '457 Patent. That position clearly demonstrated the presence of an element of compromise in the e-mail which was not a call for capitulation and confirmed the Appellants' understanding of that.

[6] Apotex noted the concession by the Appellants of fee item 21(a) (preparation of motion to dismiss on the ground of mootness) and 21(b) (attendance on the motion) and their objection to fee item 22(a) (attendance on the hearing of an appeal) made on the basis that there had not actually

been a hearing of the appeal. Apotex argued that its success on the motion to dismiss was in effect disposition of the appeal thereby creating entitlement to costs of the appeal. In the event that the motion was dismissed, counsel had to be prepared to argue the appeal itself.

[7] Apotex argued that its evidence established *prima facie* the reasonableness of computer research (\$576.99) and file retrieval (\$91.00) put in issue by the Appellants. The identification of relevant case law for the memorandum of fact and law (hearing of the appeal) and for the motion to dismiss was prudent. The charge for file retrieval (storage and access) is not overhead. Both of these categories of costs have been allowed previously.

II. The Appellants' Position

[8] The Appellants characterized the e-mail as an alleged settlement offer and argued that it lacked clarity and was no more than a call to capitulate, i.e. by dropping their appeal in exchange for Apotex not seeking full indemnity for costs. That was not a compromise. As well, there could be no guarantee of an award of solicitor-client costs and there was nothing in the record to indicate conduct warranting such an award. Alternatively, the e-mail was not a clear and unequivocal offer of settlement, but rather a proposal to attempt negotiation of a settlement. Said proposal, which here did not request a response, is not an offer to settle.

[9] The Appellants conceded that Apotex is entitled to costs of the appeal for disbursements and for fee items such as 18 and 19. The filing of a discontinuance would entitle a party to costs of an appeal (Rule 402), but fee item 19 could not be claimed if the discontinuance preceded any work on

the memorandum of fact and law. Similarly, if a motion to dismiss an appeal on grounds such as here for mootness is successful, the effect is that an appeal hearing never takes place thereby precluding fee item 22 because no attendance within the meaning of said item occurred.

Preparation for a hearing in the Federal Court of Appeal falls under fee items 18 or 19. Fee item 22 is confined to appearance. The structure of the Tariff contemplates recovery of a separate fee item 21(a) for preparation for the motion, but nothing for preparation for the appeal hearing.

The evidence did not adequately support the disbursements.

III. Assessment

[10] The e-mail asserted to opposing counsel that he would “surely agree” that the jurisprudence had “effectively determined the outcome of two outstanding appeals between our clients,” being an unrelated appeal and the 1st NOC appeal and that an order of dismissal was “the only sensible way to proceed”. The e-mail also addressed a third (unrelated) appeal. Apotex’s counsel followed up on July 19, 2006, with a request for a response.

[11] I do not think that the mingling in the e-mail of references to three different appeal proceedings confused the Appellants. I think that the e-mail was a settlement offer although that specific term was not used. Paragraphs 14-16 inclusive of *Biovail Corp. v. Canada (Minister of National Health and Welfare)*, 61 C.P.R. (4th) 33, [2007] F.C.J. No. 1018 (A.O.) [*Biovail*], aff’d [2008] F.C.J. No. 342 (F.C.) outlined my concerns with Rule 420 in certain circumstances. I allow doubling of fees here, but I will make minimal allowances to blunt its effect further to Rules 409 and 400(3)(o) (any other matter considered relevant) because I think as I did in *Biovail* that the offer

here barely met the technical threshold for doubling of costs and that the Appellants never for an instant gave it any consideration in the circumstances of market share at stake.

[12] The order dated April 12, 2006 directed that “Apotex’s motion to dismiss the appeal will be heard at the same time as the appeal by the panel designated by the Chief Justice to hear the appeal on its merits.” The implication of that wording was that the hearing of the motion was distinguishable from the hearing of the appeal, being discrete events. Fee item 21 addresses the former and fee item 22 the latter. The order dated July 11, 2006 directed that the “Respondent’s motion to dismiss and the Appeal” were set down for hearing on October 11, 2006, again indicating to me discrete events. Paragraph 14 of the 2nd NOC appeal decision held that “the appeal became moot as a result of the expiration of the patent in issue.” Paragraph 16 stated that the “only issue, therefore, is whether this Court should nevertheless exercise its discretion to hear the appeal.” Paragraphs 18-21 inclusive held that the Appellants had not justified a hearing of the appeal. I agree with the Appellants’ submissions on item 22 because costs are an indemnity. That is, if there was no hearing, counsel for Apotex could only have billed for his appearance on the motion. Therefore, the Appellants are liable to indemnify Apotex only for the costs of what occurred, i.e. the motion but not for what did not occur, i.e. the appeal hearing. I disallow the claims under item 22. Doubling per Rule 420(2)(b) therefore applies only to fee items 21(a) and (b) which I reduce to their respective minimum values to minimize its effect for the reasons above. As in *Biovail*, GST is applied to the relevant fees before they are doubled, but not to the amount added further to Rule 420(2)(b) because Apotex would not have paid GST on that added amount.

[13] Some of my findings in *Abbott* addressed appeal proceedings for NOC issues. The evidence here was comparable to the evidence there. Further to my approach in *Abbott*, I disallow file retrieval and allow computer research as presented. The bill of costs of Apotex, presented at \$10,562.69, is assessed and allowed at \$9,122.52.

“Charles E. Stinson”
Assessment Officer

FEDERAL COURT OF APPEAL

SOLICITORS OF RECORD

DOCKET: A-589-05

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v. APOTEX INC. et al.

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REASONS FOR ASSESSMENT OF COSTS: CHARLES E. STINSON

DATED: September 3, 2008

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