

Federal Court



Cour fédérale

Date: 20181102

**Dockets: T-1056-16
T-998-16**

Citation: 2018 FC 1106

Ottawa, Ontario, November 2, 2018

PRESENT: The Honourable Mr. Justice Fothergill

Docket: T-1056-16

BETWEEN:

APOTEX INC.

**Plaintiff
(Defendant by Counterclaim)**

and

**SHIRE LLC AND SHIRE PHARMA CANADA
ULC**

**Defendants
(Plaintiffs by Counterclaim)**

Docket: T-998-16

AND BETWEEN:

SHIRE PHARMA CANADA ULC

Applicant

and

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

Respondents

and

SHIRE LLC

Respondent/Patentee

ORDER AND REASONS

I. Overview

[1] On June 21, 2018, this Court ruled that specified claims of Canadian Patent 2,527,646, “Abuse Resistant Amphetamine Compounds” [646 Patent], are not invalid on any of the asserted grounds of anticipation, obviousness, overbreadth, or insufficiency of specification. This Court also ruled that Apotex Inc [Apotex] did not infringe the 646 Patent by manufacturing and retaining its generic product for experimental or regulatory use. Finally, this Court prohibited the Minister of Health from issuing a Notice of Compliance [NOC] to Apotex for its generic product under the *Patented Medicines (Notice of Compliance) Regulations*, SOR/93-133 [*PM(NOC) Regulations*] promulgated under the *Patent Act*, RSC 1985, c P-4.

[2] Shire LLC and Shire Pharma Canada ULC [collectively Shire] seek costs of the impeachment action and the application brought under the *PM(NOC) Regulations*. For the reasons that follow, costs are awarded to Shire in the amount of \$1,600,000.00, inclusive of legal fees and disbursements.

II. Positions of the Parties

A. *Shire*

[3] Shire requests a lump sum award comprising 50% of the legal fees it actually incurred, together with all reasonable disbursements. Shire has submitted a Bill of Costs in the amount of \$3,468,984.18 for legal fees and \$828,570.97 for disbursements. Shire therefore seeks \$1,734,492.09 in legal fees and \$828,570.97 in disbursements, for a total of approximately \$2.6 million.

[4] According to Shire, partial indemnity lump sum awards typically range from 25% to 50% of actual legal fees. It requests an award at the upper end of this range because of the complex nature of the proceedings, its overall level of success, and actions taken by Apotex that are said to have lengthened or complicated the litigation.

[5] Shire claims that Apotex unnecessarily increased costs by commencing both an impeachment action and an application under the *PM(NOC) Regulations*. Shire argues that employing an unsuccessful “dual litigation” tactic should expose Apotex to increased costs.

[6] In addition, Shire says it incurred needless expense to address Apotex’s utility argument, which was rooted in the promise doctrine. The Supreme Court of Canada abolished the promise doctrine in *AstraZeneca Canada Inc v Apotex Inc*, 2017 SCC 36. Apotex nevertheless maintained its utility argument until the eve of trial.

[7] Shire seeks compensation for all reasonable disbursements, including payments made to expert witnesses, the inventors of the 646 Patent, and fact witnesses. Shire claims costs for each of its expert witnesses, Drs. Clement, Eldon, Joshi, and Brahm, although only Drs. Clement and Eldon testified at trial. Shire argues that the reasonableness of expert witness expenditures should be assessed at the time of their engagement, rather than at the close of proceedings. Shire states that Dr. Brahm was retained primarily to respond to Apotex's utility argument, which was abandoned on the eve of trial. Dr. Joshi's testimony was ultimately unnecessary in light of answers given on cross-examination by Apotex's expert witness, Dr. Marron.

[8] Shire requests costs related to Apotex's examination for discovery of eight inventors of the 646 Patent. The inventors were examined at Apotex's request. None of the inventors were employees of Shire when the examinations took place, and Shire was therefore obliged to compensate them for their time.

[9] Shire seeks costs for the testimony of two fact witnesses, Drs. Mickle and Moncrief. Shire acknowledges that Dr. Mickle's hourly rate is high compared to that of other witnesses, but argues that this was justified by his status as Chief Executive Officer of a publicly-traded pharmaceutical company.

[10] As an alternative to a lump sum award based on a percentage its legal fees, Shire seeks costs equal to three times the upper end of Column IV of Tariff B. Shire says this results in a total award of \$1,763,214.31, including disbursements, although it is unclear how this number is calculated. According to Exhibit D to the affidavit filed by Shire in support of its submissions,

fees calculated at the upper end of Column IV total \$183,804.00. Allowing for tax at 13%, applying a multiplier of three produces \$623,095.56 in legal fees. Adding disbursements in the amount of \$828,570.97 results in a total award of \$1,451,666.53.

B. *Apotex*

[11] Apotex says that Shire has not cited any precedent in which a successful party recovered 50% of its legal fees (but see *Air Canada v Toronto Port Authority*, 2010 FC 1335 at para 18). Apotex maintains that costs awards in proceedings more complicated than these were calculated at lower percentages.

[12] Apotex defends its decision to commence both an impeachment action and an application under the *PM(NOC) Regulations* as necessary to avoid the “double jeopardy” of obtaining a Notice of Compliance from the Minister of Health only to face an infringement action by Shire. Apotex says its utility argument was legitimate, and was not pursued at trial only because it related to an allegation of infringement that was abandoned by Shire on the eve of trial.

[13] Apotex argues that costs for Shire’s legal fees should be assessed in accordance with the mid-range of Column IV of Tariff B. Apotex asserts that pharmaceutical patent cases are usually assessed under Column IV, and the Court should be reluctant to make an award in excess of the amounts prescribed by the Tariff. Apotex says that Shire’s legal fees should be assessed on the basis of one senior and one junior counsel attending the hearing and conducting examinations for discovery, and one senior counsel attending examinations for discovery.

[14] Apotex claims that Shire's fees relating to in-house counsel, employees of the parties, law clerks, students, and other staff are not compensable. Apotex also says that costs relating to factual witnesses are not assessable.

[15] Apotex submits that it should be liable only for the costs of Drs. Clement and Eldon, the two expert witnesses who testified on behalf of Shire at trial. Apotex argues that it should not be responsible for costs relating to time spent by Shire's expert witnesses on anything beyond writing their reports or preparing for cross-examination. Apotex maintains that it should not be required to pay for the "Cadillac of expert witnesses", and should not have to pay expert witness hourly rates that exceed those of senior counsel.

[16] Apotex concedes that Shire is entitled to reasonably-incurred disbursements such as photocopying, travel and accommodation, and transcription and translation services. However, Apotex argues that Shire is not entitled to costs that constitute overhead, such as scanning services, fax charges, binding, CDs, USBs, supplies for trial, research, books, texts, Quick law/Westlaw charges, and long distance calls.

[17] Apotex has proposed a draft Bill of Costs for Shire in the amount of \$178,910.08, inclusive of legal fees and disbursements. Apotex argues this amount should be reduced by 25% to \$134,182.56, because of certain actions taken by Shire in the proceedings. Apotex complains that Shire decreased the number of claims it alleged to be infringed, was unsuccessful in its counterclaim, and abandoned its allegation that Apotex's filing of numerous applications amounted to an abuse of process. Shire responds that the reduction in the number of claims was a

mutual decision taken by the parties to streamline the issues for trial, the dismissal of the counterclaim did not detract from Shire's overall success in the proceedings, and the abuse allegation had no impact on the conduct of the proceedings.

III. Analysis

[18] 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).

[19] Apotex relies on Justice Roger Hughes' decision in *Janssen-Ortho Inc v Novopharm Ltd*, 2006 FC 1333 at paragraph 25 [*Janssen-Ortho*] for the proposition that the attendance of a client, its representatives or in-house counsel has traditionally been an expense borne by the client. The same applies to experts who did not appear as witnesses but assisted in other capacities. Justice Hughes explained the rationale for this approach as follows (at para 43):

I am concerned with what has been increasingly observed as mounting and often extravagant fees charged by expert witnesses. While a party is free to engage a person for expert services and pay whatever fee is negotiated, that fee should not become simply allowable on an assessment. Therefore, such fees should, for assessment purposes, be capped for days spent by the witness in attendance in Court, whether testifying or not, at the lesser of fees actually charged or those charged for daily services to the same client for senior counsel attending at trial. For preparation time the cap will be one half such senior counsel fee.

[20] The caution against excesses or luxuries in the retention of experts and other advisers has long been recognized by this Court as a relevant consideration in the awarding of costs.

Ultimately, however, this is a matter falling within the Court's discretion (*Biovail Corporation v Canada (Health)*, 2007 FC 767; *Merck & Co v Apotex Inc*, 2002 FCT 842 [*Merck*]).

[21] In *Adir v Apotex Inc*, 2008 FC 1070 at paragraph 21, Justice Judith Snider held that “any assistance provided by an expert related to his or her area of expertise is justifiable”. In *Rothmans, Benson & Hedges v Imperial Tobacco Ltd*, [1993] FCJ No 659 (FCTD), Justice Paul Rouleau approved an expert in an advisory role.

[22] Fees for scientific experts who assist counsel in reviewing and understanding other experts' reports, preparing for cross-examination of opposing experts and, where applicable, assisting in preparation for discoveries, may be recoverable on an assessment of costs (*Eurocopter v Bell Helicopter Textron Canada Limitée*, 2012 FC 842 [*Eurocopter*]). As Justice Luc Martineau held in *Eurocopter* at paragraph 54:

The jurisprudence has established that, in principle, fees for the winning party's experts who appeared at trial or experts who assisted counsel in reviewing and understanding expert opinions is justifiable and should be recovered [citations omitted].

[23] In *Merck*, the Court observed that it may be difficult to deny costs associated with experts' time in meeting with counsel and with experts not ultimately called unless these costs were clearly superfluous (at para 29):

[...] It is supervising counsel who set and adjust, as necessary, the parameters for the work of experts as a function of a professional

legal opinion as to the technical assistance necessary for the Court. With respect, I am uncertain as to how the conclusions in [*Janssen-Ortho*] could be said to account for those considerations.

[24] Finally, there may be situations where there was an intention to call an expert but, due to the circumstances of the particular case, the expert was not ultimately called to testify. In those situations, it has been held that expert fees, including providing assistance to counsel in reviewing and understanding other experts' opinions, may be allowed (*Hoffman-La Roche Limited v Apotex Inc*, 2013 FC 1265 at para 44).

[25] While Apotex maintains that Shire should not recover fees and disbursements for experts and other professionals who were not called to testify or who acted only in an advisory role, it has offered no evidence or argument that their involvement in these proceedings was "clearly superfluous". Similarly, Apotex's insistence that Shire should be limited to recovering its legal fees for one senior and one junior counsel attending the hearing and conducting examinations for discovery, and one senior counsel attending examinations for discovery, is not supported by any analysis of what may be required to advance a party's position in complex pharmaceutical litigation. The trial of this matter entailed 17 hearing days between April 16 and May 24, 2018. The documentation was voluminous. Apotex was represented in these proceedings by no fewer than five counsel, including some of the most senior and respected members of the patent bar.

[26] In *Nova Chemicals Corporation v Dow Chemical Company*, 2017 FCA 25 [*Nova*], Justice Donald Rennie said the following at paragraph 13:

[...] there are circumstances in which costs generated even at the high end of Column V of Tariff B bear little relationship to the

objective of making a reasonable contribution to the costs of litigation. The Tariff amounts have been described as inadequate in this respect, although this may be a significant understatement in complex litigation conducted by sophisticated parties in the Federal Courts. Nevertheless, 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: *Wihksne v. Canada (Attorney General)*, 2002 FCA 356 (Fed. C.A.), at para. 11. The burden is on the party seeking increased costs to demonstrate why their particular circumstances warrant an increased award.

[27] 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* 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 (*Nova* at para 12, citing *Mugesera v Canada (Citizenship and Immigration)*, 2004 FCA 157 at para 11).

[28] A costs award may reflect successful defences to important parts of a proceeding (*Eurocopter, société par actions simplifiée v Bell Helicopter Textron Canada Limitée*, 2013 FCA 220 at para 5; *Merck & Co, Inc v Apotex Inc*, 2013 FC 751 at paras 272, 275-277). However, the calculation of lump sum awards is “not an exact science, but reflects the amount the Court considers to be a reasonable contribution to the successful party's actual legal fees” (*Nova* at para 21, citing *Consorzio del prosciutto di Parma v Maple Leaf Meats Inc*, 2002 FCA 417 at para 8).

[29] Shire enjoyed a high level of success in the proceedings, but its counterclaim was dismissed. Both parties abandoned significant arguments on the eve of trial, obviating the need to

call certain expert and fact witnesses. Apotex's "dual litigation tactic" added some cost and complexity to the proceedings, although these were minimized by the consolidation of the proceedings pursuant to the Order of Prothonotary Mireille Tabib dated October 3, 2016 (*Apotex Inc v Shire LLC*, 2016 FC 1099, aff'd 2017 FC 139). In my view, these factors tend to balance each other out, and do not support either an enhanced or reduced costs award for Shire.

[30] Shire's request for a lump sum award comprising 50% of the legal fees it actually incurred is a departure from the usual partial indemnity rate of one-third (*Philip Morris Products SA v Marlboro Canada Limited*, 2015 FCA 9 at para 6). One-third of Shire's actual legal fees amounts to \$1,156,328.06. For the sake of simplicity, I set Shire's costs for legal fees in the amount of \$1,000,000.00.

[31] I have reservations about the disbursements requested by Shire in amount of \$828,570.97. This figure is unsupported by copies of invoices. Only the total amounts paid to experts and witnesses have been disclosed to the Court and to Apotex. Some disbursements appear to be inordinately high. Shire claims \$227,511.39 for expert witness fees; \$167,250.36 for discovery and fact witnesses; \$185,453.96 for travel; and \$81,311.72 for photocopies.

[32] In the absence of more detailed information, it is impossible to determine the reasonableness of the disbursements claimed by Shire. For the sake of simplicity, I set Shire's costs for disbursements in the amount of \$600,000.00.

[33] Costs are therefore awarded to Shire in the amount of \$1,600,000.00, inclusive of legal fees and disbursements.

ORDER

THIS COURT ORDERS that costs are awarded to Shire LLC and Shire Pharma Canada ULC in the amount of \$1,600,000.00, inclusive of legal fees and disbursements.

"Simon Fothergill"

Judge

FEDERAL COURT

SOLICITORS OF RECORD

DOCKET: T-1056-16

STYLE OF CAUSE: APOTEX INC. v SHIRE LLC AND SHIRE PHARMA
CANADA ULC

AND DOCKET: T-998-16

STYLE OF CAUSE: SHIRE PHARMA CANADA ULC v APOTEX INC. AND
THE MINISTER OF HEALTH AND SHIRE LLC

ORDER AND REASONS: FOTHERGILL J.

DATED: NOVEMBER 2, 2018

BY WRITTEN SUBMISSIONS:

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SHIRE LLC AND SHIRE PHARMA CANADA ULC

T-998-16
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