Federal Court  Cour fédérale

Date: 20181121

Docket: T-944-15

Citation: 2018 FC 1175

Ottawa, Ontario, November 21, 2018

PRESENT: The Honourable Mr. Justice Locke

BETWEEN:

TEVA CANADA LIMITED

Plaintiff

and

JANSSEN INC. and MILLENNIUM PHARMACEUTICALS, INC.

Defendants

AND BETWEEN:

MILLENNIUM PHARMACEUTICALS INC., JANSSEN INC., CILAG GMBH INTERNATIONAL, CILAG AG and JANSSEN PHARMACEUTICA NV

Plaintiffs by Counterclaim

and

THE UNITED STATES OF AMERICA REPRESENTED BY THE DEPARTMENT OF HEALTH AND HUMAN SERVICES

Patentee added pursuant to s. 55(3) of the *Patent Act*

and

TEVA CANADA LIMITED

Defendant by Counterclaim

ORDER AND REASONS

[1] On July 18, 2018, I issued Judgment and Reasons following trial of:

1. a claim by the plaintiff, Teva Canada Limited (Teva), against Janssen Inc. (Janssen) and Millennium Pharmaceuticals, Inc. (Millennium) for compensation under s. 8 of the *Patented Medicines (Notice of Compliance) Regulations*, SOR/93-133 [the *PMNOC Regulations*] for losses suffered during the time that Teva was kept off the market for its version of a drug for treating cancer that is marketed in Canada by Janssen under the name Velcade; and
2. a counterclaim by Janssen and Millennium and the other plaintiffs by counterclaim, alleging infringement of several patents.

[2] My Judgment granted Teva's claim, dismissed the counterclaim, and awarded costs to Teva. Because the parties were not able to agree on the amount of said costs, they provided submissions thereon. This decision addresses the amount of costs, as well as post-judgment interest.

I. Applicable Law

[3] Rule 400(1) of the *Federal Courts Rules*, SOR/98-106 [the *Rules*], provides the Court with full discretionary power over the amount of costs. Rule 400(3) sets out a non-exhaustive list of factors that the Court may consider in exercising its discretion. Of particular importance in the present case are the following factors:

> (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; and
>
> (n.1) whether the expense required to have an expert witness give evidence was justified given
>
> > (i) the nature of the litigation, its public significance and any need to clarify the law,
> >
> > (ii) the number, complexity or technical nature of the issues in dispute, or
> >
> > (iii) the amount in dispute in the proceeding.

[4] Rule 400(4) provides that the Court may fix costs by reference to Tariff B, or may award a lump sum. Though I am not convinced that there is support for Teva's statement that lump sum awards are becoming the norm, I do accept that they have found increasing favour with courts because they save time and further the objective of securing "the just, most expeditious and least expensive determination" of proceedings (per Rule 3): *Nova Chemicals Corporation v Dow Chemical Company*, 2017 FCA 25 at para 11 [*Dow*].

[5] A lump sum award of costs is particularly appropriate in complex litigation between sophisticated litigants and in the context of commercial litigation: *SNF Inc v Ciba Specialty Chemicals Water Treatments Limited*, 2018 FC 245 at para 3 [*SNF*]. In dealing with lump sum, the efficiency of a set amount requires the Court to use a bit of a "broad sword" approach: *SNF* at para 9.

[6] Lump sum awards tend to range between 25% and 50% of actual fees, though there may be cases where a higher or lower percentage is warranted: *Dow* at para 17.

II. What the Parties Seek

[7] Teva requests a lump sum award of costs in the amount of $3,411,841. This amount comprises $2,389,236 in fees (being 50% of the $4,778,473 actually spent by Teva) and $1,022,605 in disbursements. In the alternative, Teva requests a lump sum award of costs in the amount of $2,138,128, which is based on a Bill of Costs calculated at the top of Column V of Tariff B ($987,189 plus HST) plus disbursements.

[8] For their part, the plaintiffs by counterclaim urge the Court not to award costs in a lump sum, and instead to provide directions for a separate assessment of costs, which assessment should take place only after the appeal of the decision on the merits has concluded. In the alternative, they ask that costs be fixed in the amount of $986,000, comprising $475,000 for fees and $511,000 in disbursements, with no obligation to pay the amount until the appeal of the decision on the merits has concluded.

III. Analysis

A. *Preliminary Issue: Prematurity*

[9] The plaintiffs by counterclaim cite the pending appeal and the Minutes of Partial Settlement as reasons that it is premature to determine the amount of costs at this stage. The Minutes of Partial Settlement dated December 20, 2017, indicate that no payments are to be made by any party until any appeal has been decided. Also, the pending appeal introduces the possibility that any determination of costs will be reversed.

[10] The plaintiffs by counterclaim cite *Smith & Nephew Inc v Glen Oak Inc* (1995), 64 CPR (3d) 452, [1995] FCJ No 1604 (QL) (FCTD) as support for awaiting the result of an appeal before determining costs. However, this decision can be distinguished from the present case on the basis that it concerned an interlocutory decision, not a final decision: *Safe Gaming System Inc v Atlantic Lottery Corporation*, 2018 FC 871 at para 9; *Halford v Seed Hawk Inc*, 2004 FC 1259 at para 33.

[11] I agree with Teva that it is best to determine the amount of costs while the trial remains relatively fresh in the mind of the Court, and we should not wait for the outcome of the appeal. That said, the parties have agreed in the Minutes of Partial Settlement that no payment should be ordered before the appeal has been decided, and I will respect that agreement.

B. *Factor: Importance and complexity of the issues*

[12] Teva argues that this was an extremely complex proceeding, citing as support an Order of case manager Prothonotary Mireille Tabib saying so. Teva points to the number of parties (seven), and the four patents in suit (one was dropped shortly before trial) which concerned distinct alleged inventions and had to be dealt with separately.

[13] The plaintiffs by counterclaim acknowledge that patent infringement actions in the Federal Court can be labour-intensive, relatively complex litigation, but they argue that this is insufficient to award elevated costs. The plaintiffs by counterclaim also assert that it is the complexity of legal issues, not technical issues, which should be considered in determining costs. In support of this position, they cite *MK Plastics Corporation v Plasticair Inc*, 2007 FC 1029 at para 24, which cites *TRW Inc v Walbar of Canada Inc* (1992), 43 CPR (3d) 449, [1992] FCJ No.

606 (QL) at pp 456-7 (FCA). These precedents do not explain why the issues to be considered under this heading do not include technical issues, but I accept the effect of this jurisprudence. In any case, the technical complexity of the case is reflected in other factors such as the amount of work and the reasonableness of expert witness expenses.

[14] In my view, even considering only the legal issues, I conclude that the issues at trial were very complex. Despite the fact that one of the patents that had been in issue was no longer in dispute once trial began, and even though some issues were resolved by means of the Minutes of Partial Settlement, the remaining legal issues included obviousness of all three patents in issue. Patent litigation is typically complex, and obviousness is typically among the most complex legal issues that are raised in patent litigation. Moreover, I found the obviousness issues in respect of the patents in issue in the present case to be even more complex than would typically be the case.

[15] In my view, this factor weighs in favour of increased costs.

C. *Factor: Offer to settle*

[16] On November 29, 2017, Teva offered to settle the present litigation on the basis of a payment of $1.5 million to Teva. It is undisputed that this offer was made in accordance with Rule 420 of the *Rules* which contemplates doubling of costs incurred after the date of the offer where the offering party obtains a judgment at least as favourable as the offer. It is also undisputed that Teva obtained a more favourable judgment.

[17] On January 16, 2018, after the Minutes of Partial Settlement had been concluded but before the trial began, Teva sweetened its original offer to settle considerably. It would pay $35

million to settle the matter. It is undisputed that the original offer was not withdrawn, and that neither offer was accepted.

[18] The failure of the plaintiffs by counterclaim to accept either of these offers to settle weighs in favour of increased costs.

D. *Factor: Amount of work*

[19] A large amount of work was called for in this matter, even relative to typical patent actions. The trial lasted 22 days, though there were some partial days. Four lawyers appeared at trial on behalf of Teva, and at least three were usually present. Five lawyers appeared at trial on behalf of the plaintiffs by counterclaim, two or three being present most of the time.

[20] Though the three patents that were discussed at trial were all relevant to the same drug, they concerned distinct alleged inventions and had different named inventors. The amount of work involved in preparing for and conducting the trial was essentially the same as if the three patents had been addressed in three separate actions.

[21] Teva prepared expert evidence from nine experts, four of whom were still needed at trial despite the settlement of various issues. The plaintiffs by counterclaim prepared expert evidence from eight experts, four of whom were still needed at trial.

[22] In my view, the amount of work weighs in favour of increased costs.

E. *Factor: Conduct of a party that tended to shorten or unnecessarily lengthen the duration of the proceeding*

[23] Teva argues that the conduct of the plaintiffs by counterclaim unnecessarily complicated the litigation. Specifically, Teva cites:

1. The refusal of the plaintiffs by counterclaim to agree to bifurcating the quantification of their counterclaim unless quantification of Teva's s.8 claim was also bifurcated (the parties' failure to agree resulted in the need to undertake large amounts of work which were not needed in the end due to the partial settlement);
2. The counterclaim itself, which added a claim of over $660 million onto an initial claim by Teva for less than $10 million;
3. The relitigation of the validity of two patents that had already effectively been found invalid in proceedings under the *PMNOC Regulations*.

[24] The plaintiffs by counterclaim respond that, on the contrary, their conduct greatly reduced the time and costs involved in the litigation for the parties and for the Court. The settlement of many issues resulted in a trial in which only a limited number of issues remained in dispute. I agree, though I note that this partial settlement happened only shortly before trial, meaning that much of the expense of the settled issues had already been incurred. The plaintiffs by counterclaim also argue that bifurcation of <u>all</u> quantification issues, as they had urged, might well have been the most efficient way of proceeding. This is also true.

[25] I devoted a paragraph of my decision on the merits to thanking the parties and their counsel for the efficient conduct of the trial, which permitted its completion earlier than anticipated. I was clearly satisfied that the conduct of the parties during trial was praise-worthy.

[26] On the other hand, I agree with Teva that the plaintiffs by counterclaim asserted two patents that had been found invalid. For the most part, the arguments they relied on at trial were similar to those that had been previously unsuccessful.

[27] In the end, I conclude that the conduct of the plaintiffs by counterclaim in this litigation weighs neither in favour of increasing nor decreasing costs.

F. *Factor: Whether the expense required to have an expert witness give evidence was justified*

[28] The plaintiffs by counterclaim criticize Teva's "extremely high expert fees", amounting to $822,707. They focus on four experts in particular:

1. Dr. Bachovchin, who billed 161.8 hours at about $1,300 per hour for a total of $236,355;
2. Dr. Suryanarayanan, who billed 158.5 hours at about $785 per hour for a total of $122,604;
3. Dr. Wilk, who billed at about $585 per hour; and
4. Teva's accounting expert, Errol Soriano, whose team billed a total of $292,607;

[29] In my view, the technical complexity of the litigation, the number of technical issues, and the importance of the litigation to the parties all justified retaining several experts of high calibre. Given the necessary length and number of expert reports, I do not find that the time devoted by any of the experts was excessive. The only expert whose expenses were excessive in my view is Dr. Bachovchin, because his hourly rate was excessive. I would reduce his allowable hourly rate to that charged by Dr. Suryanarayanan. As acknowledged by Teva, this would reduce the allowable disbursements by $83,327.

[30] I would also reduce the amount allowable for Mr. Soriano and his team because his testimony at trial was not required in the end due to the partial settlement reached shortly before trial on issues of quantum. The parties did not include any agreement on costs as part of this partial settlement. This means that I have no guidance from the Minutes of Partial Settlement as to how disbursements related to settled issues should be dealt with. Even though I am not convinced that the expense associated with Mr. Soriano's expertise was excessive or unjustified, I also have little basis on which to conclude that the amount was reasonable. In my view, the expenses associated with Mr. Soriano should not be compensated in full. Neither should the amount be zero. I would reduce the amount by 25%: $73,152.

[31] I would make the same reduction for the other experts identified in the Bill of Costs whose testimony was not required at trial: Jane Costaris, Dan Husereau, Michael McBurney and Julie Stakiw. I calculate the corresponding reduction associated with these experts as $16,492.

G. *Lump Sum Award of Costs vs Costs Based on Tariff B*

[32] As a complex litigation between sophisticated litigants and in the context of commercial litigation, this case is appropriate, in principal, for a lump sum award of costs. My principal hesitation concerns the fact that, though Teva has provided data concerning fees charged by its counsel, there is little basis for assessing the reasonableness of those fees. Teva has provided no breakdown of the fees, nor any description of the services rendered.

[33] I am inclined to grant a lump sum award of costs because of its efficiency, though I prefer to base it on an amount of legal fees that I feel would be reasonable in a case such as this. Because my assessment of a reasonable amount of fees payable in this case is necessarily an

imprecise exercise, I will compare this amount with the amount that might result from a determination of costs based on Tariff B.

H. *Legal Fees*

[34] The amount of Teva's legal fees ($4,778,473) strikes me as high even for a case of the complexity and importance of this one. In the absence of more detail from Teva concerning its legal fees, I am prepared to accept no more than $3.4 million as a reasonable amount.

[35] The next issue is the fraction of that reasonable amount of legal fees that should be recoverable in costs. As indicated above, lump sum awards tend to range between 25% and 50% of actual fees. I agree with the plaintiffs by counterclaim that 50% would be too high. This level seems to be appropriate mainly for situations in which the Court wishes to express its displeasure with the conduct of the losing party. That is not the case here.

[36] In my view, 25% of reasonable legal fees is the appropriate amount for costs. That is $850,000 (inclusive of tax).

[37] I turn now to a comparison of this amount for legal fees with the amount that might result from a determination of costs based on Tariff B. In my view, it is appropriate to use the top of Column V as the comparator. This is not because of any inappropriate conduct by the plaintiffs by counterclaim, but rather because of the number and complexity of the issues and the amount of work required. In my experience, patent cases typically merit awards of costs at the top of Column IV. I choose the top of Column V instead because the issues and the amount of work were atypical.

[38] I disagree with the assertion of the plaintiffs by counterclaim that elevated costs are reserved for exceptional cases where there is reprehensible, scandalous or outrageous conduct. Based on the authorities cited by the plaintiffs by counterclaim, this limitation applies only to awards of solicitor-and-client costs.

[39] As indicated above, there is no dispute that the November 29, 2017 offer to settle complies with Rule 420 of the *Rules*, and that it is appropriate to double the fees incurred after the date of the offer.

[40] Teva has prepared a Bill of Costs based on the top of Column V. The figure it reaches for legal fees is about $987,189 plus tax. The plaintiffs by counterclaim criticize many aspects of this Bill of Costs. I address these criticisms in the paragraphs that follow.

[41] The plaintiffs by counterclaim complain that it is inappropriate to use the top of Column V for all items in the Bill of Costs, for example amended pleadings and preparation for inventor discoveries. In my view, the amounts for such items ($1,200 for an amended pleading, $2,475 for each of the inventor discovery preparations) are modest enough that it is appropriate to use the top of Column V for all such entries.

[42] The plaintiffs by counterclaim criticize Teva's claim for second counsel for various entries in the Bill of Costs, and even for third counsel during trial. They argue that the parties did not have as many counsel in attendance at trial as indicated on the cover page of the trial transcripts. My recollection of the presence of counsel at trial (as indicated at paragraph [19] above) is not substantially different from that of the plaintiffs by counterclaim: During most of

the trial, three counsel were present in Court on behalf of Teva. In view of this, and the nature of this case, Teva's claim for second counsel, and even for third counsel during trial, is appropriate.

[43] The plaintiffs by counterclaim also criticize Teva's claim for fees related to discovery of the party added pursuant to s. 55(3) of the *Patent Act*, RSC 1985, c P-4, the United States of America represented by the Department of Health and Human Services. In my view, these expenses are appropriate because they were reasonably incurred by Teva in the process of defending itself in the counterclaim.

[44] The plaintiffs by counterclaim argue that Teva's claim for 21 trial days after the first day is inappropriate because there were only 20 such days. I disagree. There were 22 trial days in all (hence, 1+21), though there were some partial days. The amounts claimed for preparation for trial after the first day ($1,200 per senior counsel per day) are modest and appropriate.

[45] The plaintiffs by counterclaim complain that it is inappropriate to claim costs separately for each new production of documents in discovery. They also criticize the many items claimed under "miscellaneous" in the Bill of Costs. While I am not convinced that these amounts are inappropriate, I calculate their total effect as about $46,000 ($23,000 for the supplementary documentary productions, and about $23,000 again for the miscellaneous expenses).

[46] I do agree that costs should not be awarded for fees associated with case management conferences and a settlement conference. I have no information that costs were awarded for preparation for and attendance at these conferences. I calculate the amounts inappropriately claimed in relation to these conferences at about $30,000.

[47] I also agreed with the plaintiffs by counterclaim that it is inappropriate to permit Teva to claim fees for "preparation and filing of written argument" separately for each of the patents in suit, or to claim separately for the compendia and the book of authorities. In my view, the fees in relation to this item should be limited to two senior and one junior counsel: $8,250. This is a reduction of about $38,000 from what is claimed in the Bill of Costs.

[48] On the basis of the previous two paragraphs, I would reduce the fees portion of Teva's Bill of Costs by $68,000. This would yield roughly $919,000. Even if the amounts discussed in paragraph [45] above were removed, the remaining amount for fees would be $873,000.

[49] Teva also prepared a bill of costs based on the top of Column IV. That yielded an amount of about $784,706 plus tax. Based on the same logic as applied above, this amount would be reduced by about $22,000 (for attendance at various conferences) and $31,000 (related to closing argument). This would yield a result of about $732,000.

[50] These figures based on Tariff B (to which tax would be added) give me comfort that the lump sum figure of $850,000 (inclusive of tax) for fees (as stated in paragraph [36] above) is appropriate.

I. *Disbursements*

[51] In addition to the legal fees discussed above, Teva should be compensated for its reasonable disbursements.

[52] Teva asserts disbursements in the amount of $1,022,605, and provides a breakdown by category and supporting receipts. The large majority of these disbursements, $822,707, are for experts. The plaintiffs by counterclaim argue that Teva has provided no evidence of the necessity and reasonableness of these disbursements, and that many are excessive and inappropriate. In the following paragraphs, I will consider the examples raised by the plaintiffs by counterclaim.

[53] In paragraphs [28] and following above, I have already addressed the reasonableness of disbursements related to experts. I have concluded the amounts allowed for experts should be reduced by a total of $172,971.

[54] I agree with the plaintiffs by counterclaim that the following disbursements are unjustified:

1. $1,650 associated with Lauren Barth, a proposed fact witness who never testified at trial and whose invoice does not indicate the nature of her work;
2. $9,228 associated with external printing for a different case (Teva indicated that this expense was included in its Bill of Costs inadvertently); and
3. $96 associated with Reliable Process Servers Inc. for searching a Court file for a different case.

[55] I am satisfied that the other claimed disbursements are reasonable. I am not convinced by the arguments to the contrary by the plaintiffs by counterclaim.

[56] Based on the foregoing, I conclude that the amount of disbursements allowed should be reduced by $183,945. This leaves an allowable amount of $838,660.

J. *Post-Judgment Interest*

[57] Teva seeks post-judgment interest, at a rate of 5% not compounded, on costs and on the $5 million amount that was agreed to by the parties in the Minutes of Partial Settlement. Teva requests that interest run from the date of my decision on the merits.

[58] The plaintiffs by counterclaim argue that interest on costs is inappropriate where costs are determined on a lump sum basis. They also argue that interest is not awarded on costs in the Federal Court. In the alternative, they ask that interest not run until their appeal on the merits has been decided – the Minutes of Partial Settlement contemplate no payment before then.

[59] As indicated in paragraph [11] above, I accept that the plaintiffs by counterclaim should not be required to make any payment until the appeal has been decided. However, this delay in payment of amounts that have already been determined is good reason that interest should apply without delay. In my view the jurisprudence cited by the plaintiffs by counterclaim does not support the argument that post-judgment interest is inappropriate on a lump sum costs order, or any costs order.

[60] In my view, post-judgment interest on the amount of $5 million contemplated in the Minutes of Partial Settlement should run from the date of my decision on the merits, July 18, 2018. Post-judgment interest on costs should run from the date of this Order.

[61] I am not convinced that the 5% rate of interest contemplated in the *Interest Act*, RSC 1985, c I-15 should apply. In my view, 3% is an appropriate rate.

IV. Conclusion

[62] I will order costs payable in the amount of $1,688,660; being $850,000 in fees and $838,660 in disbursements. Post-judgment interest will run as indicated above, but no payment need be made until the appeal on the decision on the merits has been decided.

ORDER in T-944-15

THIS COURT ORDERS that:

1. The plaintiffs by counterclaim shall pay to Teva costs in the amount of $1,688,660.

2. Post-judgment interest on costs at a rate of 3%, not compounded, shall run from the date of this Order.

3. Post-judgment interest on the amount of $5 million contemplated in the Minutes of Partial Settlement shall run from July 18, 2018, at a rate of 3%, not compounded.

4. No payment shall be required until the appeal by the plaintiffs by counterclaim has been decided.

"George R. Locke"
Judge

FEDERAL COURT

SOLICITORS OF RECORD

DOCKET:	T-944-15
STYLE OF CAUSE:	TEVA CANADA LIMITED v JANSSEN INC. AND MILLENNIUM PHARMACEUTICALS, INC. AND MILLENNIUM PHARMACEUTICALS INC., JANSSEN INC., CILAG GMBH INTERNATIONAL, CILAG AG AND JANSSEN PHARMACEUTICA NV v THE UNITED STATES OF AMERICA REPRESENTED BY THE DEPARTMENT OF HEALTH AND HUMAN SERVICES AND TEVA CANADA LIMITED
PLACE OF HEARING:	OTTAWA, ONTARIO
DATE OF HEARING:	JANUARY 30-31, 2018 FEBRUARY 6-28, 2018 MARCH 1-9, 2018
ORDER AND REASONS:	LOCKE J.
DATED:	NOVEMBER 21, 2018

APPEARANCES:

Mr. David Aitken Mr. Marcus Klee Mr. Bryan Norrie Mr. Jonathan Giraldi	FOR THE PLAINTIFF/ DEFENDANT BY COUNTERCLAIM
Mr. Jamie Mills Ms. Beverly Moore Ms. Chantal Saunders	FOR THE DEFENDANT/ PLAINTIFF BY COUNTERCLAIM MILLENNIUM PHARMACEUTICALS, INC.
Mr. Jamie Mills Ms. Beverly Moore Ms. Chantal Saunders Mr. Andrew Skodyn Ms. Melanie Baird	FOR THE DEFENDANTS/ PLAINTIFFS BY COUNTERCLAIM JANSSEN INC., CILAG GMBH INTERNATIONAL, CILAG AG AND JANSSEN PHARMACEUTICA NV
Mr. Kiernan Murphy Mr. Benjamin Pearson	PATENTEE ADDED PURSUANT TO S. 55(3) OF THE *PATENT ACT*

SOLICITORS OF RECORD:

Aitken Klee LLP Barristers and Solicitors Ottawa, Ontario	FOR THE PLAINTIFF/ DEFENDANT BY COUNTERCLAIM
Borden Ladner Gervais LLP Barristers and Solicitors Ottawa, Ontario	FOR THE DEFENDANT/ PLAINTIFF BY COUNTERCLAIM MILLENNIUM PHARMACEUTICALS, INC.
Borden Ladner Gervais LLP Barristers and Solicitors Ottawa, Ontario AND Lenczner Slaght Royce Smith Griffin LLP Barristers and Solicitors Toronto, Ontario	FOR THE DEFENDANTS/ PLAINTIFFS BY COUNTERCLAIM JANSSEN INC., CILAG GMBH INTERNATIONAL, CILAG AG AND JANSSEN PHARMACEUTICA NV
Gowling WLG (Canada) LLP Barristers and Solicitors Ottawa, Ontario	PATENTEE ADDED PURSUANT TO S. 55(3) OF THE *PATENT ACT*