

Federal Court



Cour fédérale

Date: 20190614

Docket: T-2338-14

Citation: 2019 FC 816

[UNREVISED CERTIFIED ENGLISH TRANSLATION]

Ottawa, Ontario, June 14, 2019

PRESENT: The Honourable Mr. Justice Locke

BETWEEN:

CAMSO INC.

**Plaintiff/
Defendant by Counterclaim**

and

**SOUCY INTERNATIONAL INC.
and KIMPEX INC.**

**Defendants/
Plaintiffs by Counterclaim**

ORDER AND REASONS

I. Background

[1] This is a decision on costs following a patent infringement trial regarding all-terrain vehicles (ATVs) and track assemblies used in place of wheels on ATVs to facilitate travel on snow. There were three patents in suit, and the plaintiff, Camso Inc., alleged that 246 of the 681 claims had been infringed in the three patents. The defendants, Soucy International Inc. and

Kimpex Inc., denied the allegations of infringement, and counterclaimed, alleging invalidity of the claims in issue. The proceeding before me lasted 18 days, and the decision on the merits contains more than 150 pages.

[2] This Court, in its decision on the merits (2019 FC 255), dismissed the action and granted the counterclaim in part. It ruled that costs would follow the event and that the parties would file their submissions in that regard if they were unable to agree on the quantum of costs.

[3] The parties were unable to agree on the quantum of costs, and this Court then received the following documents from the parties:

- (a) Defendants' costs submissions, dated April 1, 2019;
- (b) Plaintiff Camso Inc.'s costs submissions, dated April 23, 2019; and
- (c) Defendants' reply costs submissions, dated April 29, 2019.

II. Arguments of the parties

[4] The following is a summary of the parties' arguments on costs. Note that I have examined every argument of the parties, although I have not referred to each one in these reasons.

A. *Defendants' costs submissions*

[5] The defendants state that they have paid their lawyers and experts approximately \$1,900,000 in this litigation. They are claiming a lump sum of \$1,000,000 in costs, which represents 52% of their costs.

[6] The defendants justify their \$1,000,000 claim on the basis of a draft statement of costs prepared in accordance with the higher unit of column V of the table to Tariff B of the *Federal Courts Rules*, SOR/98-106, and Rule 420. This rule provides that, if a party has made an offer to settle that has not been accepted and the party obtains a judgment more favourable than the offer, the party is entitled to double costs (but not disbursements) after the date of the offer.

[7] The draft statement of costs filed by the defendants shows approximately \$387,000 in fees and approximately \$479,000 in disbursements, for a total of approximately \$866,000.

[8] The defendants give a number of reasons to justify awarding costs greater than in the draft statement of costs. For example, they refer to the high number of claims in issue at trial (246, a number of which are multi-dependent) and the numerous kits that are allegedly infringing.

[9] They also note that the plaintiff was aware of a number of pieces of prior art that were highly relevant to the validity of the patents in suit. These included approximately 100 track assemblies manufactured and sold by the plaintiff itself but for which no documentation was initially provided in this dispute. Witness Charles Shaw presented evidence in this regard. This elderly man was forced to travel to Montréal from California, where he resides, to give his testimony.

[10] In addition, the defendants note that the amount shown on their draft statement of costs does not include the hours spent by their employees on this case, in particular to find pieces of prior art that had not been identified through a computer search.

[11] As for Rule 420, the defendants refer to an offer to settle made on August 27, 2018 (two weeks before the trial began), in which they offered to withdraw their counterclaim in exchange for a withdrawal by the plaintiff (the costs to be borne by each party) and to grant, for one dollar, a licence for the patents in suit. This offer was valid until the start of the trial. The defendants also note that this offer was first made verbally on June 13, 2018, and that considerable work was done between that date and the date of the written offer (when costs began to increase under Rule 420).

B. *Plaintiff Camso Inc.'s costs submissions*

[12] The plaintiff agrees with awarding a lump sum for costs but maintains that the amount of \$1,000,000 claimed by the defendants is completely unreasonable. More importantly, the plaintiff requires that the decision on costs be deferred.

[13] As for the deferral request, the plaintiff notes my recent appointment to the Federal Court of Appeal and states that I will not be able to award costs. It further argues that, since my decision on the merits is under appeal and any decision on costs may therefore be changed, the considerable time that a new judge would have to spend to become familiar with the case would be better spent after the appeal.

[14] In its conclusion, the plaintiff also requests a hearing on costs. It believes that the number of pages allowed for the parties to make their submissions is insufficient given that another judge will have to deal with this issue.

[15] The plaintiff states that Rule 420 does not apply in this case because the defendants' offer to settle did not contain an element of compromise as required by the Federal Court of Appeal in

Venngo Inc v Concierge Connection Inc (Perkopolis), 2017 FCA 96 at paragraph 87. The plaintiff claims that the defendants were looking for it to capitulate but should have known that it would refuse the offer.

[16] Although the plaintiff agrees that overall costs may be awarded, it states that the Federal Court generally awards 25% to 35% of the fees actually paid, except in special cases.

[17] The plaintiff acknowledges that, because of their complexity, intellectual property disputes may justify higher costs (calculated in accordance with column IV of Tariff B); however, in its view, an amount corresponding to the higher unit in column III would be appropriate in this case. In support of this argument, the plaintiff claims that each of the parties was unsuccessful on certain counts. The plaintiff notes that I agreed with it on the interpretation of almost all the disputed terms in the claims in issue and that the defendants had not raised any arguments of non-infringement other than the rejected arguments on the interpretation of the claims.

[18] As for the complexity of the dispute, the plaintiff notes that the three patents in suit include 681 claims, of which 364 were allegedly infringed; this number was subsequently reduced to 246. At trial, the plaintiff's expert testified on only approximately 90 to avoid repetition. The plaintiff also notes that the length of the trial was reduced; instead of the 32 days originally planned, it ultimately lasted 18 days.

[19] The plaintiff points out that Mr. Shaw's testimony regarding the approximately 100 prior art track assemblies manufactured and sold by the plaintiff (see paragraph 9 above) was described as imprecise and unreliable in my decision on the merits and that a number of the

statements contained in his affidavit were contradicted. The plaintiff states that these facts show that it was right to insist that Mr. Shaw testify at trial.

[20] The plaintiff states that the draft statement of costs is riddled with irregularities that artificially inflate the total. As for disbursements, the plaintiff disputes only the expert fees claimed, that is, approximately \$27,000 for Pierre Pellerin and approximately \$388,000 for Jean-Yves Leblanc.

[21] The plaintiff is of the view that Mr. Pellerin's testimony was essentially about admitted facts, so his presence at the trial was unnecessary. The plaintiff notes that the analysis of the issues in my decision on the merits makes no reference to Mr. Pellerin's testimony.

[22] The plaintiff considers the fees charged by Mr. Leblanc to be exorbitant. It also notes that I criticized Mr. Leblanc's testimony and that the testimony did not support my findings. In addition, I found that "Mr. Leblanc appeared to be too close to the defendants' counsel and not sufficiently independent." The plaintiff raises a number of points regarding Mr. Leblanc's invoices that confirm this very close relationship.

[23] In lieu of deferring the decision on costs, the plaintiff proposes that a lump sum of approximately \$299,000 be awarded, representing approximately \$131,000 for fees (in accordance with the higher unit in column III of Tariff B) and approximately \$168,000 for disbursements (25% of the expert costs claimed and 100% of the other disbursements claimed).

C. *Defendants' reply costs submissions*

[24] The defendants object to the request to defer the decision on costs and to the request for a hearing. They argue that a deferral amounts to a stay of the decision on the merits, which they consider unacceptable, and that a hearing would make the decision on costs more onerous and time-consuming. The defendants are silent on the issue of my ability to award costs in this case.

[25] The defendants object to the argument that both parties were unsuccessful in part. They note that the plaintiff's action was dismissed in its entirety and that the defendants' counterclaim was granted in respect of each of the claims in issue.

[26] The defendants argue that Rule 420 applies because their offer to settle includes at least two compromises, namely (i) withdrawing their counterclaim and (ii) waiving costs. With respect to the principle that waiving costs may represent a compromise, the defendants refer to *Culhane v ATP Aero Training Products Inc*, 2004 FC 1667 at para 6.

[27] With respect to their experts, the defendants note that my decision on the merits described Mr. Pellerin's testimony as informative. They also point out that I adopted the position advocated by Mr. Leblanc on the issues of anticipation and obviousness of the patents in suit.

III. Preliminary issues: Request to defer decision on costs and request for hearing

[28] Although I have been appointed to the Federal Court of Appeal, I remain an ex officio judge of the Federal Court (see subsection 5.1(4) of the *Federal Courts Act*, RSC 1985, c F-7). Therefore, I retain the ability to decide the issue of costs in this case. See also the following decisions of Justice Robert Mainville, then a judge of the Federal Court of Appeal:

Padilla Ochoa v Canada (Citizenship and Immigration), 2010 FC 683 at para 1;
Guevara Villatoro v Canada (Citizenship and Immigration), 2010 FC 705 at para 1; and
Troya Jimenez v Canada (Citizenship and Immigration), 2010 FC 727 at para 1.

[29] It is also much more efficient for the trial judge to decide the issue of costs.

[30] The request to defer the decision on costs and the request for a hearing are unfounded in that they are based on the erroneous assumption that another judge will decide the issue of costs. I therefore refuse both requests.

IV. Analysis

[31] Under Rule 400(1), I have full discretion to determine the amount of costs. Rule 400(3) lists a number of factors that may be considered in exercising this discretion.

[32] Under Rule 407, party-and-party costs are by default taxed in accordance with column III of the table to Tariff B. However, Rule 400(4) provides that a lump sum may be awarded.

[33] I accept the agreement of the parties that it is appropriate in this case to award a lump sum. I also accept the plaintiff's argument that, when the Court decides to award a lump sum, it generally represents 25% to 35% of the fees actually paid.

[34] In my opinion, the lump sum awarded in this case should be in this range. Although the plaintiff was unsuccessful, I do not believe that the invalidity of the claims in issue was so obvious that the plaintiff should not have brought its action. However, with respect to Mr. Shaw, I am of the opinion that the documentary evidence he provided was helpful in analyzing the invalidity of some of the claims in issue, despite his memory problems and the errors in his

testimony. I also note that the prior art track assemblies he mentioned came from the plaintiff itself. Therefore, it was aware of their existence.

[35] In order to determine a reasonable lump sum, I will consider the draft statement of costs prepared by the defendants and the comments of the parties on this matter.

[36] I agree with the plaintiff that costs in accordance with the higher unit of column V of Tariff B would be excessive in this case. However, I find that the maximum values in column III would be insufficient. Case law shows that the higher unit of column IV is commonly maintained in lengthy and hard-fought patent litigations (*Eurocopter v Bell Helicopter Textron Canada Limited*, 2012 FC 842 at para 22). I believe that this case is of that nature. Therefore, I find that a statement of costs based on the higher unit of column IV of Tariff B would be a good point of comparison for determining the lump sum of costs.

[37] I reject the plaintiff's argument that each of the parties was unsuccessful on some counts. Regardless of my conclusions on the arguments regarding the interpretation of the claims, the defendants succeeded in invalidating all the claims in issue and in having the plaintiff's action dismissed. The defendants were completely successful.

[38] I am of the opinion that the defendants' offer to settle meets the requirements of Rule 420, and that the defendants may be entitled to double costs (but not double disbursements) after August 27, 2018. I accept the defendants' argument that the offer included two compromises. They were prepared to withdraw their counterclaim (alleging invalidity of the claims in issue) and to waive costs. The mere fact that a party should have known that its opponent would refuse an offer to settle does not negate the consequences of Rule 420.

[39] Aside from the issue of which column of Tariff B to apply, several aspects of the defendants' draft statement of costs are unacceptable:

- (a) I would not award costs for the motions seeking (i) a bifurcation order; (ii) a confidentiality order; (iii) a decision on the objections; or (iv) a commission for examination, since none of the orders following these motions awarded costs;
- (b) I would not award the costs provided for in item 8 of the table to Tariff B for preparing a request for additional documentary production, for preparing a response to such a request or for reviewing such a response;
- (c) I would not award any costs under item 9 of the table to Tariff B for responses to undertakings or for reviewing responses to undertakings received; and
- (d) I would not double the costs related to the assessment of costs.

[40] According to my calculations, the changes above would reduce the total number of units from 2,244 to 1,628. At \$150 per unit, after adding taxes, the total for fees is approximately \$281,000.

[41] As for disbursements, since there is no dispute except with regard to experts, I would accept the other amounts claimed.

[42] With respect to Mr. Pellerin, I note in my conclusion in the decision on the merits that his testimony was informative. In my opinion, the amount he billed (approximately \$27,000) is reasonable. I would therefore accept the full amount.

[43] However, I am of the opinion that the amount requested for Mr. Leblanc's services should be reduced.

[44] To begin with, I reproduce paragraphs 61 and 62 of my decision on the merits, which deal with the strengths and weaknesses of Mr. Leblanc's testimony:

[61] Mr. Leblanc was eager to provide the Court with knowledge and instruction regarding the general track assembly and track belt structures and mechanisms. He clearly has a profound understanding of the engineering principles at play. However, he sometimes overlooked finer details in his assessment. For example, at one point he confused the front and rear track assemblies of a particular track kit. This was not an isolated incident. Such details are critical in the present case.

[62] In addition, I have concerns regarding (i) his construction of the term "ATV," and (ii) measurements that were reported in his first expert report. These concerns are detailed later in this decision, but the result is that Mr. Leblanc appeared to be too close to the defendants' counsel and not sufficiently independent.

[45] I also note that, despite his extensive knowledge of the field, I did not accept his opinions on most of the issues related to the interpretation of the claims.

[46] Moreover, I find that the amount he charged (approximately \$388,000) is excessive, even in a case involving 246 claims of infringement in three patents, dozens of relevant pieces of prior art (a few of which were not easy to find) and a number of products that were allegedly infringing.

[47] I would reduce the amount that might be claimed for Mr. Leblanc's services to approximately \$150,000. With the other disbursements, the total would be approximately \$241,000 for disbursements.

[48] Adding \$281,000 for the fees, the total would be \$522,000 based on Tariff B, which represents 27% of the \$1,900,000 paid by the defendants in this litigation (all figures being approximate). This value falls within the range of 25% to 35% referred to in paragraph 33 above.

[49] However, I believe that this amount is slightly less than the lump sum I would award. In my opinion, it would be reasonable to fix the costs at 30% of the \$1,900,000, or \$570,000.

V. Conclusion

[50] For the reasons above, I would award the defendants costs in a lump sum of \$570,000 to be collected from the plaintiff.

ORDER in T-2338-14

THIS COURT ORDERS that costs are payable to the defendants by the plaintiff in the amount of \$570,000.

“George R. Locke”

Judge

Certified true translation
This 3rd day of July, 2019.

Vincent Mar, C Tran

FEDERAL COURT
SOLICITORS OF RECORD

DOCKET: T-2338-14
STYLE OF CAUSE: CAMSO INC. v SOUCY INTERNATIONAL INC. AND
KIMPEX INC.

SUBMISSIONS ON COSTS CONSIDERED IN OTTAWA IN ACCORDANCE WITH THIS
COURT'S JUDGMENT IN 2019 FC 255.

ORDER AND REASONS: LOCKE J.
DATED: June 14, 2019

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