Federal Court  Cour fédérale

Date: 20201203

Docket: T-458-17

Citation: 2020 FC 1115

Ottawa, Ontario, December 3, 2020

PRESENT: The Honourable Justice Fuhrer

BETWEEN:

RALLYSPORT DIRECT LLC

Plaintiff

and

2424508 ONTARIO LTD., SYLVAIN CAYER, GENEVIEVE-ANN CAYER, and 2590579 ONTARIO LTD. now carrying on business as "SubieDepot" and "SubieDepot.ca"

Defendants

COSTS ORDER AND REASONS

I. Overview

[1] On the Defendants' motion for summary judgment (or summary trial), I found in favour of the Plaintiff in *Rallysport Direct LLC v 2424508 Ontario Ltd*, 2019 FC 1524. In the Summary Judgment, I held that: copyright subsisted in RSD's Works comprised of 112 Photographs, 1318

Photographs, and 3 Product Descriptions; the Defendants infringed RSD's copyright by unlawfully electronically reproducing and displaying RSD's Works on the website www.subiedepot.ca; and the Defendants were jointly and severally liable for such infringement. I then bifurcated the matter by ordering that damages and costs would be the subject of a subsequent order.

[2] The Order and Reasons regarding damages was issued earlier this year on July 24, 2020, under citation 2020 FC 794. The Damages Order provided the parties with thirty days from its date to serve and file costs submissions, not exceeding ten pages. I have received and reviewed the parties' submissions and correspondence in response.

[3] This Costs Order and Reasons concerns my determination of the outstanding costs issue. Because the Plaintiff was successful on the Defendants' summary judgment motion, I find that RSD is entitled to lump sum costs in the amount of $139,023.26, with post judgment interest at the rate of 2.5% per annum from the date of this Order to the date of payment in full. This amount includes lump sum costs in the amount of $1,890 related to the Defendants' motion to appeal the Case Management Judge's November 28, 2017 Order [the Rule 51 Motion], having regard to Justice Pentney's July 31, 2019 Order vacating the appeal as moot. My analysis addresses the amount and basis of the award. I begin with a preliminary procedural issue, followed by a brief review of the parties' positions on costs, the applicable costs principles and rules, and then the application of those principles and rules to the relevant circumstances of this case.

II. Analysis

(i) *Preliminary Procedural Issue*

[4] The Defendants assert that the costs submissions of both parties were due by August 24, 2020 by 5:00 pm at each recipient's local time, if they were unable to reach an agreement earlier. The parties were unable to agree on costs. The Defendants objected, informally by letter, to the timing of RSD's costs submissions which were served by 5:40 pm Mountain or 7:40 pm Eastern on August 24, 2020, the date on which the Court received the parties' submissions. The Defendants further objected to the delay of RSD's supporting Book of Authorities, which was received by the Court on August 25, 2020.

[5] I found the short delay insufficient to warrant the exercise of the Court's discretion under Rule 74(1) of the *Federal Courts Rules*, SOR/98-106 to remove RSD's submissions from the Court file; especially in the absence of a formal motion do so. Rather, in a Direction issued to the parties in September 2020, I concluded the minor delay was in the nature of an irregularity. Pursuant to Rules 3 and 56, I therefore have considered the parties' submissions in arriving at my conclusions on costs. A final word about this issue - I find that the objection is a "purely technical procedural point" of the sort commented on negatively by my colleague Justice Pentney in his above-mentioned July 31, 2019 Order. For an instructive judicial response to picayune procedural wrangling, I refer to the unreported decision in *Hyperphrase Technologies, LLC v Microsoft Corp*, 2003 WL 2190041 (WDWis).

(ii) *Parties' Positions on Costs*

[6] The parties diverge substantially regarding the appropriate costs award. The Plaintiff, as the successful party, seeks:

- Lump sum costs in the amount of $306,668.25 forthwith (representing approximately 35% of actual fees, including a doubling of a portion of its fees after March 1, 2019, when the last of several settlement offers was proposed, all for less than the damages awarded);

- Alternatively, lump sum costs in the amount of $208,642.61 (representing approximately 35% of actual fees, but not including a doubling of a portion of its fees);

- Alternatively, costs on the high side of Column V of Tariff B;

- Plus disbursements in the amount of $38,890.38; and

- Plus post judgment interest from July 24, 2020 (the date of the Damages Order) to the date of payment at the rate of 2.5% per annum.

[7] The Defendants counter;

- No costs should be awarded because they conceded liability to infringement and were themselves the moving parties;

- Alternatively, costs under Column III of Tariff B for a maximum $27,920.55 are more appropriate;

- The Plaintiff's photocopying charges alone ($26,377.91) exceeded the Defendants' total disbursements for the entire proceeding ($16,520.55); the Defendants should not be required to pay the full amount of RSD's disbursements; and

- The Plaintiff is not entitled to double recovery for disbursements or to recover additional costs for motions in respect of which this Court already has awarded costs; the costs in question are for the summary judgment motion only, with the possible exception of the costs of the Rule 51 Motion.

(iii) *Applicable Costs Principles and Rules*

[8] Awarding costs may be described as striking a balance between partial compensation for the successful party and avoiding a crushing or undue burden for the unsuccessful party: *Johnson & Johnson Inc v Boston Scientific Ltd*, 2008 FC 817 at para 3; *Air Canada v Thibodeau*, 2007 FCA 115 at para 21. At the same time, costs may serve to regulate, indemnify and deter: *Sherman v Minister of National Revenue*, 2003 FCA 202 at para 46.

[9] The award of costs is a matter of judgment as to what is appropriate and not an accounting exercise: *Consorzio del Prosciutto di Parma v Maple Leaf Meats Inc*, 2002 FCA 417 at para 10. Disbursements should be assessed for reasonableness and necessity in the context of the proceeding: *Sanofi-Aventis Canada Inc v Novopharm Limited*, 2009 FC 1139 at para 4.

[10] The Court has broad discretion over costs, including who will pay them, and even may award costs against the successful party: Rules 400(1) and 400(6) of the *Federal Courts Rules*, SOR/98-106 [FCR]. The Court can take into account “any other matter it considers relevant” in addition to a variety of enumerated factors: FCR Rule 400(3). Consistent with its broad discretion, the Court can refer to Tariff B to fix costs and it may award a lump sum instead of, or in addition to, assessed costs: FCR Rule 400(4).

[11] There is a trend in recent case law favouring lump sum costs awards, based on a percentage of actual costs, especially in the case of sophisticated commercial litigants (including personal and corporate) that have the means to pay for the legal choices they make: *H-D USA, LLC v Berrada*, 2015 FC 189 [*Berrada*] at para 22. In my view, the term "sophisticated" in this context means possessing experience, knowledge and intelligence. I consider the parties sophisticated in the case before me: they were e-commerce business competitors in the field of automotive aftermarket components and accessories; and they were represented by experienced intellectual property counsel.

[12] Awarding lump sum costs avoids granular analyses that devolve into an accounting exercise: *Nova Chemicals Corporation v Dow Chemical Company*, 2017 FCA 25 at paras 11 and 15. The Court should determine first whether a reasonable award can be achieved within the Tariff: *Ultima Foods Inc v Canada (Attorney General)*, 2013 FC 238 at para 24. If not, then the Court may consider setting an amount in excess of the Tariff and may consider setting a percentage of fee recovery, taking into account the factors in Rule 400(3): *Seedlings Life Science Ventures, LLC v Pfizer Canada ULC*, 2020 FC 505 at para 22. While a further trend in recent case law is to set the percentage between 25% and 50%, a lower or higher percentage may be warranted in the circumstances of the particular case: *Loblaws Inc v Columbia Insurance Company*, 2019 FC 1434 at para 15.

[13] In addition, an unaccepted or refused settlement offer can have significant costs consequences, provided it meets certain conditions: FCR Rule 420. To trigger a doubling of costs under Rule 420, the offer must be made in writing at least 14 days before the commencement of

the trial or hearing and remain open until then: FCR Rules 420(3)(a) and 420(3)(b). It also must be genuine, meaning it must include an element of compromise, and it must end the litigation: *Bauer Hockey Ltd v Sport Maska Inc (CCM Hockey)*, 2020 FC 862 [*Bauer Hockey*] at para 39, citing *Venngo Inc v Concierge Connection Inc (Perkopolis)*, 2017 FCA 96 at para 87. Further, the offer must be "clear and unequivocal": *MK Plastics Corporation v Plasticair Inc*, 2007 FC 1029 at para 39. While the Court's discretion continues to apply - in light of the limitation "unless otherwise ordered by the Court" – departure from Rule 420 should not occur lightly so as to encourage early settlement: *Bauer Hockey*, above at para 36.

(iv) *Application of Costs Principles and Rules to Relevant Circumstances*

[14] With these principles and Rules in mind, I consider next the relevant circumstances of this case in arriving at the costs award. Starting with Rule 400(3), I find the following paragraphs are relevant, and on balance favour awarding the Plaintiff costs:

(a) **Result of the proceeding** – This factor favours RSD which was the successful party on the Defendants' summary judgment motion (2019 FC 1524). In addition, the Defendants' Rule 51 motion was vacated for being moot.

(b) **Amounts claimed and amounts recovered –** The Plaintiff seeks almost the same amount in costs as it was awarded in damages. RSD already has obtained a substantial damages award - a total amount of $357,500 in statutory damages for infringement of its Works (calculated at $250/work x 1430 works), prejudgment interest on the statutory damages, and an additional $50,000 in punitive damages (2020 FC 794). I note, however, the Defendants have appealed the Damages Order.

(c) **Importance and complexity of the issues –** I note that this is a moderately complex intellectual property matter.

(d) **Apportionment of liability –** This factor favours the Defendants who conceded liability for copyright infringement.

(e) **Any written offer to settle –** This factor favours RSD which offered to settle with the Defendants on four occasions, namely: October 26, 2018 for the court-ordered quantum and a $100,000 cost payment; October 29, 2018 for the amount of $250,000; February 15, 2019 for the amount of $175,000; and March 1, 2019 for the amount of $200,000. The Defendants rejected all four offers, and 242 Ontario declared bankruptcy.

(g) **Amount of work –** This factor favours neither party. Both parties contributed to the voluminous motion record containing extensive affidavit and cross-examination evidence. See also the following discussion regarding the conduct of the parties.

(i) **Any conduct of a party that tended to shorten or unnecessarily lengthen the duration of the proceeding –** This factor favours neither party. While the Defendants' liability concession likely tended to shorten the proceedings, both parties engaged in actions and strategies that had the opposite effect. For example, savings in time and effort by not having to conduct examinations for discovery were eroded through extensive affidavit and cross-examination evidence. Further, in her Order dated September 18, 2018, granting the Plaintiff leave to file its Further Fresh as Amended Statement of Claim, Prothonotary Tabib commented that the motion should not have been opposed and none of the arguments raised by the Defendants presented any serious merit. Prothonotary Tabib also made the following observations about both parties that I find applicable to the Defendants' summary judgment motion as well:

- The volume of paper filed by both parties was massive;
- Both sides' records included much duplication;
- Much of the time both parties spent on cross-examination did not elicit a great deal of useful or relevant evidence;
- Both parties could have been more restrained and used means more proportional to the importance or merits of the issues raised on the motion(s).

I also note that the Summary Judgment resulted from the third of three motions for summary judgment or summary trial brought by the Defendants.

(k) **Whether any step in the proceeding was (i) improper, vexatious or unnecessary –** This factor favours RSD. As Prothonotary Tabib held in her September 18, 2018 Order, granting RSD's motion for leave to file its Further Fresh as Amended Statement of Claim, the motion should not have been opposed. Justice Pentney found the Rule 51 Motion to be of questionable legal merit and vacated it as moot, only after it had been argued fully. In addition, I found that punitive damages were warranted because of the Defendants' efforts to judgment-proof their actions by

> creating 259 Ontario and putting 242 Ontario into bankruptcy (2020 FC 794 at para 48).

[15] Turning next to the quantum of costs to be awarded in this case, I disagree with the Defendants that no costs should be awarded. The case on which the Defendants rely in support of a "no costs" order, *Gallagher v Smith* (1996), 62 ACWS (3d) 407, 1996 CarswellOnt 1226 at para 29, is readily distinguishable. The latter case involves a personal injury action and extenuating circumstances resulting in the award of no costs. I am not persuaded that those extenuating circumstances are in any way analogous to the circumstances of the case before me.

[16] I also disagree with the Defendants that RSD is entitled only to costs of the summary judgment motion (and the Rule 51 Motion) and that costs under Column III of the Tariff are appropriate. The parties were required to put their best foot forward on the summary judgment motion, the result of which effectively disposed of the main action.

[17] Because the above-mentioned Rule 400(3) factors favour RSD overall, and having regard to the substantial damages already awarded to RSD, I find that a lump sum award approximating 25% of its costs is warranted in this case. There remains, however, an issue regarding the base amount on which the 25% is to be calculated.

[18] I agree with the Defendants that the Plaintiff is not entitled to recover above and beyond any awards previously made in this matter. The Plaintiff's Bill of Costs is unclear in this regard. For example, the Plaintiff presents its costs in the following manner:

Date	Actual Cost Billed to Client	Amounts Covered by Previous Awards	Actual Cost Less Amounts Covered by Previous Awards	Actual Cost Less Amounts Covered by Previous Awards (incl. doubling to amounts after March 1, 2019)
May-Aug 2017	$107,669.00	$41,696.50	$65,972.50	$65,972.50

[19] I am unable to discern from this limited information if all of the cost billed to the client related to the effort or step resulting in the previous award. In a four-month period, it is quite possible that all the cost related to that step or effort. As such, I am inclined to deduct $65,972.50 from the total of the last column ($674,696.00). There are four such entries in RSD's Bill of Costs, totaling $185,079. None of these entries involves the doubling of costs to which I find RSD is entitled; it was not disputed that its March 1, 2019 written offer to settle satisfied the preconditions mentioned in paragraph 14 above. The adjusted base therefore is $489,617 ($674,696.00 - $185,079) and 25% of that sum is $122,404.25.

[20] Regarding the claimed disbursements, I agree with the Defendants that they are unreasonable. They also partially represent "double dipping" because RSD's Bill of Costs shows the total amount of $8,606.17 was covered in previous awards. The adjusted amount, therefore, is $29,458.02 ($38,064.19 - $8,606.17). I find half of that sum, that is $14,729.01, to be a more reasonable amount.

[21] Finally, I am of the view that the Plaintiff should be awarded its claimed costs of the Rule 51 Motion in the amount of $1,890.

[22] I therefore award the Plaintiff costs totaling $139,023.26 ($122,404.25 + $14,729.01 + $1,890), with post judgment interest at the rate of 2.5% per annum from the date of this Order to the date of payment in full.

ORDER in T-458-17

THIS COURT ORDERS is that:

1. The Defendants shall pay the Plaintiff costs in the amount of $139,023.26, inclusive of taxes and disbursements;
2. The Defendants shall pay the Plaintiff post judgment interest at the rate of 2.5% per annum from the date of this Order to the date of payment in full.

"Janet M. Fuhrer"
Judge

FEDERAL COURT

SOLICITORS OF RECORD

DOCKET:	T-458-17
STYLE OF CAUSE:	RALLYSPORT DIRECT LLC v 2424508 ONTARIO LTD., SYLVAIN CAYER, GENEVIEVE-ANN CAYER, and 2590579 ONTARIO LTD. now carrying on business as "SubieDepot" and "SubieDepot.ca"

MOTION IN WRITING CONSIDERED AT OTTAWA, ONTARIO PURSUANT TO RULE 369 OF THE *FEDERAL COURTS RULES*

ORDER AND REASONS:	FUHRER J.
DATED:	DECEMBER 3, 2020

APPEARANCES:

D. Doak Horne	FOR THE PLAINTIFF
Bayo Odutola	FOR THE DEFENDANTS

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