Federal Court  Cour fédérale

Date: 20210215

Docket: T-1158-18

Citation: 2021 FC 151

Ottawa, Ontario, February 15, 2021

PRESENT: The Honourable Mr. Justice Manson

BETWEEN:

MAOZ BETSER-ZILEVITCH

Plaintiff

and

PETROCHINA CANADA LTD

Defendant

SUPPLEMENTARY JUDGMENT AND REASONS

I. Introduction

[1] This decision deals with the quantum of costs that were awarded to the Defendant in this Court's Judgment and Reasons in *Maoz Betser-Zilevitch v Petrochina Canada Ltd*, 2021 FC 85, dated January 26, 2021.

I. Background

[2] The underlying proceeding involved an action for infringement, brought by the Plaintiff, Maoz Betser-Zilevitch. He claimed that the Defendant, PetroChina Canada Ltd, had infringed claims 1 to 8 of Canadian Patent No. 2,584,627 [the "627 Patent"], by constructing and operating its modularized steam-assisted gravity drainage [SAGD] well pads for bitumen recovery at its MacKay River Commercial Project [MRCP] facility. The Defendant counterclaimed, seeking declarations of invalidity for all claims 1 to 17 of the 627 Patent.

[3] This Court found that the 627 claims were valid and that the construction and operation of the SAGD well pads at the MRCP facility did not infringe claims 1 to 8 of the 627 Patent. Costs were awarded to the Defendant, and the parties were provided with 10 days, following the date of the Judgment and Reasons, to make written representations on the nature and amount of costs to be awarded.

II. Defendant's Position

[4] The Defendant seeks lump sum costs, as set out in its Bill of Costs. As an alternative, the Defendant requests an award of costs assessed under Tariff B of the *Federal Courts Rules*, SOR/98-106 [*Federal Courts Rules* or Rules], at the highest range of Column IV. These costs are set out in a separate "Tariff Bill of Costs". The Defendant further seeks post-judgment interest on both fees and disbursements from the date of the Court's Judgment and Reasons (January 26, 2021) to the date of payment by the Plaintiff, at a rate of 2.5% per annum. Lastly, the Defendant requests that the costs of its costs submissions, in the amount of $3,000, be included in the costs

award. The Defendant also relies on Rule 420 of the *Federal Courts Rules*, based on offers to settle prior to the trial.

[5] It is the Defendant's position that a lump sum award is warranted when the parties are justified in expending a significant amount on legal fees, as is the case here. They argue this approach is appropriate even where one of the parties is an individual. In the Defendant's view, an award limited by the Tariff would only amount to 17% of the actual costs of the litigation. Further, the Defendant alleges that certain conduct on the part of the Plaintiff has resulted in additional and unnecessary legal expenses being incurred by the Defendant.

III. Plaintiff's Position

[6] The Plaintiff counters that no costs should be awarded to the Defendant. In the alternative, the Plaintiff requests that legal fees be calculated based on the lower end of Column III of Tariff B. Mr. Brindle's expert fees should also be capped and not exceed those of the Plaintiff's experts, Mr. Bishop and Mr. Beale. The Plaintiff further argues that no other fees should be awarded to the Defendant with respect to expert witnesses.

[7] It is the Plaintiff's position that an award of costs should not function to make patent litigation inaccessible to the individual inventor. He asks this Court to consider the divided success of the parties in the underlying litigation and the Defendant's inappropriate pursuit of "virtually every conceivable line of attack". In the Plaintiff's view, the Defendant's approach to litigation served to complicate and increase the costs of litigation, and that engaging in such

tactics should not be encouraged by this Court. As such, an appropriate award is that each party should bear its own costs.

[8] The Plaintiff further argues that any lump sum costs should not exceed Tariff B. The Plaintiff is not a sophisticated commercial party with resources and the Defendant's conduct militates against a lump sum costs award. Further, the Defendant should not be entitled to elevated costs based on the purported "Formal Offer to Settle" under Rule 420 of the *Federal Courts Rules*, as this offer: (1) was not a *bona fide* attempt to settle; and (2) did not comply with the Rules.

IV. The Law

[9] This Court has "full discretionary power over the amount and allocation of costs and the determination of by whom they are to be paid" (*Federal Courts Rules*, Rule 400(1)). In exercising its discretion, this Court may consider various factors in awarding costs, as outlined in Rule 400(3) of the *Federal Courts Rules*. While I have considered the entirety of the circumstances of the underlying proceeding, of particular relevance to the parties, as reflected in their submissions, are the following factors (*Federal Courts Rules*, Rule 400(3)(a), (b), (e), (i), (j)):

i. The result of the proceeding;
ii. The amounts claimed and the amounts recovered;
iii. Any written offer to settle;
iv. Any conduct of a party that tended to shorten or unnecessarily lengthen the duration of the proceeding; and

v. The failure by a party to admit anything that should have been admitted or to serve a request to admit.

[10] Modern costs rules should additionally foster the following 3 fundamental objectives: (i) to partially indemnify successful litigants for the costs of litigation; (ii) to encourage settlement; and (iii) to discourage and sanction inappropriate behavior (*Air Canada v Thibodeau*, 2007 FCA 115 at para 24). Increased costs are justified in certain circumstances. Pursuant to Rule 400(4) of the *Federal Courts Rules*, this Court "may fix all or part of any costs by reference to Tariff B and may award a lump sum in lieu of, or in addition to, any assessed costs".

V. Analysis

[11] The starting point is that the Defendant is entitled to costs. "[A] defendant in a patent infringement case need not be successful in both its defence of non-infringement and invalidity in order to be entitled to its costs. If successful in defending the main action of patent infringement, such a defendant is entitled to costs" (*Raydan Manufacturing Ltd v Emmanuel Simard & Fils (1983) Inc.*, 2006 FCA 293 at para 2).

[12] The Defendant, however, has not met its burden of demonstrating it is entitled to lump sum costs. Success at trial does not entitle a party to a lump sum costs award, which must be justified by the circumstances (*Nova Chemicals Corporation v Dow Chemical Company*, 2017 FCA 25 at para 13 [*Nova Chemicals Corp*]). I am not persuaded by the Defendant's argument, that the nature of this case justified the parties in expending a "significant amount of legal fees", to which indemnification pursuant to the Tariff is inappropriate.

[13] Increased costs are not justified solely on the basis that a successful party's actual fees are significantly higher than the Tariff amounts (*Nova Chemicals Corp,* above at para 13). This case further bears no resemblance to the factors influencing the costs award in *Bauer Hockey Ltd v Sport Maska Inc (CCM Hockey)*, 2020 FC 862.

[14] Moreover, I am unconvinced that the conduct of the Plaintiff unnecessarily or needlessly caused the Defendant to incur additional expenses, to an extent that would warrant a higher costs award, including by any refusal to admit. Instead, as described in the January 26, 2021 Judgment and Reasons, and as recited by the Plaintiff in their cost submissions, the conduct of the Defendant, in advancing multiple unsubstantiated claims and voluminous prior art documents until an advanced stage in the underlying proceeding is conduct that should be discouraged. As discussed in the Judgment and Reasons, it "unnecessarily expended both this Court's and the Plaintiff's time and resources". The Defendant failed to narrow its allegations, despite a lack of evidence, requiring the Plaintiff to nonetheless address a multitude of issues, which were ultimately not advanced by the Defendant, through to closing submissions. This factor weighs in favour of cost consequences to discourage this behaviour.

[15] Additionally, the settlement offers described by the parties do not favour a higher costs award. The Defendant asserts that it engaged in valid and continued attempts to settle the underlying action, for amounts which the Plaintiff indicated was a "nuisance offer". The Plaintiff states that the Defendant's "Formal Offer to Settle" was non-compliant with Rule 420 of the *Federal Courts Rules* and does not engage the cost consequences of this provision.

[16] This Court may consider "any written offer to settle" (*Federal Courts Rules*, Rule 400(3)(e)). Further, the *Federal Courts Rules* provide for the consequences of a Plaintiff's failure to accept a Defendant's Rule 420 offer to settle (*Federal Courts Rules*, Rule 420(2), (3)(a)):

Consequences of failure to accept defendant's offer	**Conséquences de la non-acceptation de l'offre du défendeur**
(2) Unless otherwise ordered by the Court and subject to subsection (3), where a defendant makes a written offer to settle,	(2) Sauf ordonnance contraire de la Cour et sous réserve du paragraphe (3), si le défendeur fait au demandeur une offre écrite de règlement, les dépens sont alloués de la façon suivante :
(a) if the plaintiff obtains a judgment less favourable than the terms of the offer to settle, the plaintiff is entitled to party-and-party costs to the date of service of the offer and the defendant shall be entitled to costs calculated at double that rate, but not double disbursements, from that date to the date of judgment; or	a) si le demandeur obtient un jugement moins avantageux que les conditions de l'offre, il a droit aux dépens partie-partie jusqu'à la date de signification de l'offre et le défendeur a droit, par la suite et jusqu'à la date du jugement au double de ces dépens mais non au double des débours;
(b) if the plaintiff fails to obtain judgment, the defendant is entitled to party-and-party costs to the date of the service of the offer and to costs calculated at double that rate, but not double disbursements, from that date to the date of judgment.	b) si le demandeur n'a pas gain de cause lors du jugement, le défendeur a droit aux dépens partie-partie jusqu'à la date de signification de l'offre et, par la suite et jusqu'à la date du jugement, au double de ces dépens mais non au double des débours.
Conditions	**Conditions**
(3) Subsections (1) and (2) do not apply unless the offer to settle	(3) Les paragraphes (1) et (2) ne s'appliquent qu'à l'offre de règlement qui répond aux conditions suivantes :
(a) is made at least 14 days before the commencement of the hearing or trial; and	a) elle est faite au moins 14 jours avant le début de l'audience ou de l'instruction;
(b) is not withdrawn and does not expire before the commencement of the hearing or trial.	b) elle n'est pas révoquée et n'expire pas avant le début de l'audience ou de l'instruction.

[17] My review of the documentary evidence provided by the parties indicates that proposals to cease litigation or offers to settle were made as early as September or October of 2020. However, the Defendant made a "Formal Offer to Settle", pursuant to Rule 420 of the *Federal Courts Rules*, dated November 20, 2020, and sent it to the Plaintiff that same day. The Defendant's proposed Rule 420 offer did not meet the conditions required for the offer to fall within the ambit of Rule 420, notably, that the offer was not made at least 14 days before trial (*Venngo Inc v Concierge Connection Inc (Perkopolis)*, 2017 FCA 96 at para 87, leave to appeal to SCC refused, 37680 (23 November 2017); *Federal Courts Rules*, Rule 420(3)). The trial commenced on November 30, 2020.

[18] Evidence has not been led to suggest that any other offer should fall under Rule 420 of the *Federal Courts Rules*. I am further not persuaded that the Defendant has engaged in "valid and continued attempts to settle this action", to an extent that would weigh in favour of a higher costs award.

[19] While it was not argued by the Plaintiff in their costs submissions, it is worth noting that indemnity does not disentitle a successful party from its right to its costs (*WH Brady Co v Letraset Canada Ltd*, [1991] 2 FC 226 (FCA) at paras 10-12). The Defendant otherwise acknowledges that Worley Parsons, a third party to the underlying proceedings, has paid a portion of the Defendant's legal costs.

[20] As it relates to disbursements, the Plaintiff's affidavit evidence details that a combined total of $61,796.59 was spent on expert fees (for Mr. Bishop, Mr. Beale and Mr. Lobo). In their

Bill of Costs, the Defendant's disbursement line item for the expert fees of Mr. Brindle, alone, total $156,660.00, as the billed amount. The scope of Mr. Brindle's expert report included unnecessary and unhelpful analyses on alternative claim constructions, and I find that two-thirds of his actual fees is a reasonable amount.

[21] The expert fees engaged in the underlying litigation warrant greater scrutiny. Expert fees should not always be automatically compensable. While a party is free to engage any expert it desires, this Court should be concerned with the mounting and often extravagant expert fees charged by these witnesses (*Janssen-Ortho Inc v Novopharm Ltd*, 2006 FC 1333 at para 43). Mr. Brindle's expert fees alone were more than double the combined total of the Plaintiff's expert fees. These circumstances warrant that Mr. Brindle's fees be capped at $104,440.00 (which is two-thirds the billed amount).

[22] I have not been pointed to any further evidence that supports a reduction of the costs associated with disbursements.

[23] For the above reasons, I find that costs should be awarded to the Defendant pursuant to the middle range of Column III of Tariff B. The expert fees for Mr. Brindle shall be capped at two-thirds the actual amount billed of $156,660.00, in the amount of $104,440.00, and the costs associated with these post-judgment costs submissions will not be included in the updated bill of costs.

[24] The Defendant has failed to demonstrate its entitlement to a lump sum costs award and has failed to substantiate its entitlement to the highest range of Column IV of Tariff B. In light of the Defendant's conduct, I am further persuaded to exercise my discretionary power to otherwise limit cost recovery as described above.

VI. Conclusion

[25] In conclusion, I find that the Defendant should be awarded costs that meet the following requirements:

a) The Defendant is entitled to costs at the middle range within Column III of Tariff B of the *Federal Courts Rules*;

b) Mr. Brindle's expert fees shall be capped at $104,440.00, which is two-thirds the billed amount;

c) The Defendant's disbursements, other than Mr. Brindle's expert fees, are allowed in full, in an amount of $211,761.52 ($368,421.52 (total disbursements) - $156,660.00 (Mr. Brindle's billed amount of expert fees));

d) No costs associated with these post-judgment costs submissions are awarded; and

e) Post-judgment interest on both fees and disbursements will be granted from the date of the Court's Judgment and Reasons (January 26, 2021) to the date of payment by the Plaintiff, at a rate of 2.5% per annum.

[26] An assessment officer of this Court shall assess such costs in the manner directed above.

JUDGMENT IN T-1158-18

THIS COURT'S JUDGMENT is that:

1. The Defendant is entitled to costs at the middle range within Column III of Tariff B of the *Federal Courts Rules*;
2. Mr. Brindle's expert fees shall be capped at $104,440.00, which is two-thirds the billed amount;
3. The Defendant's disbursements, other than Mr. Brindle's expert fees, are allowed in full, in an amount of $211,761.52;
4. No costs associated with these post-judgment costs submissions are awarded;
5. Post-judgment interest on both fees and disbursements will be granted from the date of the Court's Judgment and Reasons (January 26, 2021) to the date of payment by the Plaintiff, at a rate of 2.5% per annum; and
6. An assessment officer of this Court shall assess such costs in the manner directed above.

"Michael D. Manson"
Judge

FEDERAL COURT

SOLICITORS OF RECORD

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