

Federal Court



Cour fédérale

Date: 20220225

Docket: T-353-18

Citation: 2022 FC 269

Ottawa, Ontario, February 25, 2022

PRESENT: The Honourable Mr. Justice Manson

BETWEEN:

JANSSEN INC.

Plaintiff

and

JANSSEN PHARMACEUTICA N.V.

Plaintiff

(Defendant by Counterclaim)

and

TEVA CANADA LIMITED

Defendant

(Plaintiff by Counterclaim)

JUDGMENT AND REASONS

I. Introduction

[1] This decision deals with the quantum of costs that were awarded to the Plaintiffs, Janssen Inc. and Janssen Pharmaceutica N.V., in this Court's Judgment and Reasons in *Janssen Inc. v. Teva Canada Ltd.*, 2020 FC 593, dated May 5, 2020 [the "Judgment"].

II. Background

[2] The underlying proceeding was an infringement action brought by the Plaintiffs pursuant to the *Patented Medicines (Notice of Compliance) Regulations*, SOR/93-133, in which they claimed the Defendant, Teva Canada Ltd., would infringe claims 1 to 48 [the “Asserted Claims”] of the Canadian Patent No. 2,655,335 [the “335 Patent”] if it were to come to market with its paliperidone palmitate product as described in its Abbreviated New Drug Submission No. 210095 [the “ANDS”].

[3] The Defendant counterclaimed seeking a declaration of invalidity of the Asserted Claims, a declaration that the Defendant’s products would not infringe the Asserted Claims, and costs.

[4] Prior to the Judgment being rendered, the Parties agreed to a costs framework of 35 per cent of legal fees and 100 per cent of disbursements subject to reasonableness of the fees and disbursements.

[5] In the Judgment, I found that:

- i. The Asserted Claims are valid;
- ii. The Defendant will directly infringe claims 1 to 16 and 33 to 48 of the 335 Patent if it comes to market with its paliperidone palmitate product in accordance with its ANDS;
- iii. Claims 17 to 32 will not be directly infringed;

- iv. The Defendant will not induce infringement of any of the Asserted Claims; and
- v. Costs were awarded to the Plaintiffs.

[6] The Parties have since been unable to agree on the amount of costs owed to the Plaintiffs. By Order, dated November 26, 2021, the Parties were provided a schedule to submit written representations on the nature and amount of costs to be awarded.

III. Analysis

[7] *Rule 400 of the Federal Courts Rules, SOR/98-106* provides this Court with “full discretionary power over the amount and allocation of costs and the determination of by whom they are to be paid.” In exercising its discretion, the Court may consider various factors in awarding costs, as outlined in *Rule 400(3)*. Of particular relevance to the Parties, as reflected in their submissions, are the following factors:

- i. The result of the proceeding;
- ii. The importance and complexity of the issues;
- iii. The amount of work;
- iv. Any conduct of a party that tended to shorten or unnecessarily lengthen the duration of the proceeding; and
- v. 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.

[8] The overriding consideration in making an award of costs is fairness and reasonableness [*Bristol-myers Squibb Canada Co. v. Teva Canada Limited*, 2016 FC 991 at paragraph 5]. An award of costs represents a compromise between compensating the successful party and not unduly burdening the unsuccessful party [*Eurocopter v. Bell Helicopter Testron Canada Limitée*, 2012 FC 842 at paragraph 14].

[9] While a detailed accounting is to be avoided, the party seeking costs must provide sufficient information to satisfy the Court that the fees were reasonably incurred in the context of the litigation [*Seedlings Life Science Ventures, LLC v. Pfizer Canada ULC*, 2020 FC 505 [SLSV] at paragraph 5]. An affidavit should be provided explaining the amounts and that the amounts do in fact relate to the action. The burden is on the Plaintiffs to provide evidence as to what work was performed, what that work involved, that it relates to this action, and that it was reasonable.

[10] For a disbursement to be reasonable it must be a justified expenditure in relation to the issues at trial in the proceeding [SLSV at paragraph 7]. Counsel's decision to incur the expense must represent prudent and reasonable representation taking into account the circumstances at the time [*Nova Chemicals Corporation v. The Dow Chemical Company*, 2017 FCA 25 at paragraph 20; *Janssen Inc. v. Teva Canada Ltd.*, 2012 FC48 at paragraph 68].

[11] The Plaintiffs request an Order requiring the Defendant to pay total costs in the amount of \$3,699,540.67, plus post-judgment interest of 5 per cent from the date of the Judgment, namely May 5, 2020. This amount was reduced from \$4,113,410.03 in the Plaintiffs' Reply, and, as I note below, this amount also takes into consideration the first disbursement amount sought by the Plaintiffs, which somehow rises in the Reply.

[12] In accordance with the framework in the Judgment awarding the Plaintiffs 35 per cent of its legal fees, the Plaintiffs claim counsel fees of \$2,619,607.46. The Plaintiffs submit that this amount is reasonable considering:

- i. The underlying patent action was complex, involving infringement and validity allegations;
- ii. The stakes in this action were high for the Plaintiffs;
- iii. There is no rule or expectation that each party should spend the same amount on legal fees;
- iv. The Plaintiffs' fees are not unprecedented in comparison to other complex patent actions;
- v. The work required in the underlying action was time-consuming; and
- vi. The Defendant did not withdraw its method of medical treatment allegation until the middle of trial.

[13] In accordance with the framework in the Judgment awarding the Plaintiffs 100 per cent of its disbursements, the Plaintiffs claim \$1,079,933.21, including, *inter alia*, fees associated with the Plaintiffs' experts and fact witnesses.

[14] As stated above, I acknowledge that in their Reply Submission, the Plaintiffs increased their disbursements to \$1,081,140.36. Given that there was no explanation for this increase, my decision reflects the original claimed amount of \$1,079,933.21.

[15] The Defendant's argue that the fees charged and disbursements incurred by the Plaintiffs are excessive, unreasonable and unjustified.

[16] The Defendant submits that reasonable legal fees are in the order of \$3,041,452.07, of which 35 per cent is \$1,064,508.22 and reasonable disbursements are \$825,756.21, for a total costs award of \$1,890,264.43. In addition, the Defendant claims that the applicable legislation sets post-judgment interest at 2 per cent.

A. *Costs*

[17] The Defendant's assertion that the cost award should be reduced by 11.5 per cent is without merit. As stated above, the Parties agreed prior to the issuance of the Judgment that costs are to be set at 35 per cent of the successful party's actual fees.

[18] That the current tariff amounts under the *Federal Court Rules* do not provide a level of indemnification sufficient to further the purposes of costs awards for intellectual property

disputes – where the nature of the cases is such that the parties are justified in expending a significant amount of legal fees – is well known [*Bauer Hockey Ltd. v. Sport Maska Inc. (CCM Hockey)*, 2020 FC 862 at paragraphs 10 to 11].

[19] Also, while a direct comparison between the Parties' relative costs may not be appropriate, an understanding and review of cases involving costs amounts and awards in similar cases is useful and instructive, especially where the Parties agreed on a costs framework before a judgment was rendered. As stated above, the overriding considerations are fairness and reasonableness, and the reasonable expectations of the respective parties is a consideration in awarding costs [*Fluid Energy Group Ltd. v. Exaltexx Inc.* 2020 FC 299 at paragraph 15].

[20] I find that the Plaintiffs' accounting of legal fees is unreasonable for several reasons:

- i. Excessive legal fees reflecting inefficiencies in conducting tasks, such as, *inter alia*, preparation of documents, meeting with inventors, and preparing for discoveries;
- ii. Excessive legal fees reflecting an unnecessary number of lawyers and external service providers throughout the litigation process;
- iii. Time spent monitoring other patented medicines cases, including those in other jurisdictions, which are not related to the underlying action;
- iv. Time spent on tasks that do not appear to relate to the underlying action; and

- v. While the trial was postponed on the eve of trial, the Plaintiffs spent significantly more time preparing for the second scheduled trial and repeating tasks, which appear at least in part to have been duplicative and unnecessary.

[21] In their Reply submissions, the Plaintiffs agreed to reductions to costs associated with motions, the action as it relates to a second patent, which was discontinued on consent, and an entry for reviewing materials for an advocacy course.

[22] Given the above and having reviewed the Parties' breakdown of fees for the course of this proceeding, I find the Plaintiffs' reasonable legal fees are 70 percent of the actual fees claimed, namely \$5,239,214.91, reduced from the claimed amount of \$7,484,592.73, of which 35 percent is \$1,833,725.22, which includes any sales taxes.

B. *Disbursements*

[23] The Plaintiffs' accounting of disbursements is unreasonable in several instances:

- i. Excessive travel expenses with no evidence of their necessity or association with the underlying action;
- ii. Excessive expenses associated with experts;
- iii. Unnecessary purchase of expert publications; and
- iv. Costs relating to overhead, such as equipment and external services, which is not recoverable.

[24] Given the above, I find that the Plaintiffs' reasonable disbursements are 80% of the claimed amount, namely \$863,946.57, reduced from \$1,079,933.21.

C. *Post-judgment interest*

[25] Post-judgment interest is 2 per cent in accordance with subsection 37(1) of the *Federal Courts Act*, RSC, 1985, c F-7 and section 127 of the *Courts of Justice Act*, RSO 1990, c C.43 and will apply starting the date of this judgment.

IV. Conclusion

[26] For the above reasons, the Plaintiffs costs are allowed in the total amount of \$2,697,671.79 with post-judgment interest at a rate of 2 per cent from the date of this judgment.

JUDGMENT in T-353-18

THIS COURT'S JUDGMENT is that

1. The Plaintiffs are hereby awarded total costs in the amount of \$2,697,671.79, inclusive of all fees, disbursements, and taxes, with post-judgment interest at a rate of 2 per cent from the date of this judgment.
2. No costs are awarded on this judgment for costs.

"Michael D. Manson"

Judge

FEDERAL COURT
SOLICITORS OF RECORD

DOCKET: T-353-18

STYLE OF CAUSE: JANSSEN INC. AND JANSSEN PHARMACEUTICA
N.V. v TEVA CANADA LIMITED

DATE OF HEARING: MOTION DEALT WITH IN WRITING, WITHOUT
APPEARANCES OF THE PARTIES

JUDGMENT AND REASONS: MANSON J.

DATED: FEBRUARY 25, 2022

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