Federal Court  Cour fédérale

Date: 20230203

Docket: T-604-19

Citation: 2023 FC 163

Ottawa, Ontario, February 3, 2023

PRESENT: The Honourable Madam Justice Aylen

BETWEEN:

UPL NA INC., ARYSTA LIFESCIENCE NORTH AMERICA, LLC and UPL AGROSOLUTIONS CANADA INC.

Plaintiffs

and

AGRACITY CROP & NUTRITION LTD. and NEWAGCO INC.

Defendants

JUDGMENT AND REASONS

[1] By Judgment and Reasons dated November 10, 2022, in *UPL NA Inc v Agracity Crop & Nutrition Ltd*, 2022 FC 1422 [Judgment], I found that specific claims of Canadian Letters Patent No. 2,346,021 [021 Patent] were not invalid and had been infringed by the Defendant AgraCity Crop & Nutrition Ltd [AgraCity]. AgraCity was required to disgorge its profits in the amount of $227,409.00 to the Plaintiffs. The action against the Defendant NewAgco Inc. [NewAgco] was dismissed in its entirety. The issue of costs was reserved.

[2] The parties have since been unable to reach an agreement on the issue of costs and have now made written cost submissions. The parties agree that the Plaintiffs are entitled to their costs from AgraCity, but disagree on the quantum.

I. Analysis

[3] 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." Rule 400(4) expressly contemplates an award of costs in a lump sum in lieu of an assessment of costs pursuant to Tariff B.

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

[5] 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 [see *Seedlings Life Science Ventures, LLC v Pfizer Canada ULC*, 2020 FC 505 at para 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.

[6] For a disbursement to be reasonable, it must be a justified expenditure in relation to the issues at trial in the proceeding. Counsel's decision to incur the expense must represent prudent

and reasonable representation taking into account the circumstances at the time [see *Nova Chemicals Corporation v Dow Chemical Company*, 2017 FCA 25 at para 20; *Janssen Inc v Teva Canada Limited*, 2012 FC 48 at para 68].

[7] The parties agree, and the Court accepts, that costs should be determined based on a percentage of the Plaintiffs' actual costs reasonably incurred.

[8] The Plaintiffs request an order requiring AgraCity to pay total costs in the amount of $1,170,651.00, comprised of $797,048.00 in legal fees and $373,603.00 in disbursements, together with post-judgment interest of 5% from the date of the judgment. The Plaintiffs' costs calculation is based on 37% of their actual fees ($155,744.00) until an offer to settle was made on November 30, 2020, 50% of their actual fees ($641,304.00) after the offer to settle, and 100% of their disbursements, after adjustments to both fees and disbursements to remove all costs associated with: (a) the Defendants' motion to vary the interim injunction; (b) the Plaintiffs' motion for production of samples; (c) the process patents and pleading amendments relating thereto (including on the injunction motion); and (d) the Defendants' motion to amend their Statement of Defence and the Plaintiffs' cross-motion to strike. The total actual adjusted fees incurred by the Plaintiffs were $1,703,537.00.

[9] The Defendants assert that: (a) any lump sum cost award should be based on 25% of actual reasonable legal fees; (b) many aspects of the Plaintiffs' actual legal costs are manifestly unreasonable in the circumstances of this case; and (c) some of the disbursements claimed are excessive, inadequately proven or otherwise unreasonable. The Defendants submit that a reasonable contribution by AgraCity to the Plaintiffs' costs of this action would be approximately

$450,000.00, comprising $250,000.00 in counsel fees (based on actual fees that the Defendants assert should have been approximately $1,000,000.00) and $200,000.00 in disbursements.

A. *Counsel Fees*

[10] The calculation of a lump sum award is not an exact science. Rather, it reflects the amount the Court considers to be a reasonable contribution to the successful party's actual legal fees [see *Nova, supra* at para 21].

[11] Lump sum cost awards tend to range between 25% and 50% of actual fees, although higher or lower percentages may be warranted. The selection of the appropriate percentage for a lump sum award is within the trial judge's discretion, who is well positioned to assess the evidentiary and legal complexity of the trial, the result of the action, the conduct of the parties, and the other considerations relevant to the assessment of costs. In that the regard, the Court should be guided by the criteria set out in Rule 400(3), which remain "useful beacons" in the selection of a lump sum award [see *Nova, supra* at paras 17 and 21].

[12] As a matter of good practice, requests for lump sum cost awards should generally be accompanied by a Bill of Costs and an affidavit in respect of disbursements that are outside of the knowledge of the solicitor [see *Nova, supra* at para 14], which I have in this case.

[13] In support of their request for legal fees as described above, the Plaintiffs submit that the requested amounts are reasonable considering:

A. The underlying proceeding was complex, involving infringement and invalidity allegations.

B. AgraCity had full knowledge of the risks associated with prematurely launching its infringing product and that litigation would ensue.

C. The Plaintiffs were successful in obtaining an interim injunction to prevent the Defendants' infringing product from continuing to be sold. Extensive evidence was put forward by the Plaintiffs on the injunction motion, including affidavits from a technical expert and an economics expert, as well as four fact witness affidavits and a law clerk affidavit.

D. The amount at stake was much higher than the profits ordered to be disgorged as a result of the issuance of the injunction. The evidence on the injunction was that absent the injunction, the losses to the Plaintiffs would have been $1.8 to $2.1 million.

E. Prior to the examinations for discovery, the Plaintiffs proposed a without-costs walk-away settlement with releases, which offer was rejected by the Defendants and no counter-offer was made. The Plaintiffs' offer was repeated two months prior to trial and again rejected by the Defendants. While the offer does not fall within the parameters of Rule 420, the Plaintiffs assert that it is nevertheless relevant to the Court's consideration of costs pursuant to Rules 400(3)(e) and (o) [see *Pharmascience Inc v Teva Canada Innovation*, 2022 FCA 207].

F. The Defendants unnecessarily complicated the action. They failed to narrow their case before trial in that they did not concede infringement by AgraCity until closing arguments, did not make reasonable admissions, failed to omit allegations relating to patent claims not in issue, advanced invalidity allegations at trial without any expert evidence in support thereof, and did not serve a request to admit.

G. Success in the action was not divided, as the Plaintiffs were successful on both infringement and validity. While only AgraCity was found liable for infringement, the Plaintiffs assert that the finding does not amount to divided success since the profits to be disgorged were the same.

[14] In support of their proposed legal fees as described above, the Defendants assert that:

A. The action was not complex nor was it lengthy. The amount at stake was small, as was the award of AgraCity's profit. Accordingly, it did not warrant two senior counsel and a junior counsel.

B. There was substantial duplication of efforts by counsel, such as all three counsel attending a meeting to prepare the Plaintiffs' representative for discoveries, all three counsel attending a meeting with Mr. McCrea to prepare for trial testimony, and all three counsel attending various calls and meetings with experts.

C. There are deficiencies in the evidence put forward by the Plaintiffs, as only one invoice out of all of the 2019 invoices provides the hours expended on the listed tasks, the persons who performed those tasks, and the rates charged for such persons.

D. A reduction should be made to the Plaintiffs' recoverable fees due to the Plaintiffs' pursuing the process patent allegations through the examinations for discovery.

E. A reduction should be made to the Plaintiffs' recoverable fees due to the Plaintiffs pursuing the allegations of infringement against NewAgco up to closing, even though a finding against NewAgco would have no impact whatsoever on any relief granted.

F. The Plaintiffs' actual legal fees were over three times those of the Defendants, which demonstrates their lack of reasonableness.

G. The starting point for a lump sum assessment is 25% of the costs reasonably incurred and none of the factors set out in Rule 400(3) warrant increasing that percentage above 25%. In that regard: (a) the amount recovered was low and the issues not complex; (b) the offer to settle does not warrant the doubling of the percentage of recovery to 50% as the offer was time limited and expired before trial, so as not to trigger Rule 420; and (c) the Plaintiffs unnecessarily pursued the process patent and the claims against NewAgco and refused their own counsel's proposal to simplify the quantification of monetary relief at trial.

[15] In reading the submissions of the parties, I have taken into consideration the criteria detailed in Rule 400(3). I am also mindful of the following commentary made by Justice Sébastien Grammond in *Seedlings*, *supra* at para 15, with which I agree:

> …It is inherently difficult for a court to second-guess strategic litigation choices made by the parties. The court does not know each party's degree of tolerance of risk and may not have a full appreciation of the impact of its judgment on the parties. And, of course, hindsight is always perfect. Indeed, it should not be for the losing party "to tell the winning party how they could have succeeded by doing or spending less"…

[16] While not meeting all of the requirements of Rule 420(3), I am satisfied that the Plaintiffs' offer to settle is a relevant factor in my assessment of the quantum of costs, as the offer had substance, was made in good faith, amounted to a serious offer to settle the litigation, contained significant compromise, and was worthy of serious consideration. However, I am not satisfied that it warrants an increase in the percentage of the lump sum to 50% from the date it was made so as,

in effect, to trigger the cost consequences that flow from Rule 420. Rather, I have taken the offer to settle into account in assessing the appropriate percentage of recovery.

[17] I reject the Defendants' assertion that any material reduction should be made in relation to the Plaintiffs pursuing the claim against NewAgco, as the costs incurred by the Defendants to defend such allegations would generally otherwise have been incurred to respond to the allegations against AgraCity. I am not satisfied that any incremental increase to deal with issues related solely related to NewAgco is material and there is no evidence before me to suggest otherwise.

[18] I also reject the Defendants' assertion that costs should be reduced to account for the process patents being pursued through to the end of discovery or for the Plaintiffs not simplifying the financial issues in advance of trial. In any event, such costs would readily be offset by the costs associated with issues advanced by the Defendants through to the end of trial, but then dropped or not meaningfully pursued in closing arguments. Both parties could equally be accused of unnecessarily complicating the proceeding to some extent.

[19] I reject the assertion that costs should be reduced on the basis that the Plaintiffs spent three times more in legal fees than the Defendants. There is no rigid rule that both parties must spend roughly equal amounts [see *Bauer Hockey Ltd v Sports Maska Inc (CCM Hockey)*, 2020 FC 862 at para 24], particularly when they have different interests at stake in the litigation. Moreover, a significant amount was expended by the Plaintiffs on the injunction motion (which was reasonable in the circumstances) and no responding expert evidence was proffered by the Defendants, which accounts for a not insignificant portion of the discrepancy between the parties' total costs.

[20] That said, I am satisfied that there were some inefficiencies in conducting tasks and an unnecessary number of lawyers involved in certain tasks. Moreover, given the narrow scope of the remaining financial issues by the time of trial, having two senior counsel at trial, together with a junior lawyer, was excessive. That said, the amount of time expended on the file by counsel (including by two senior counsel) was not, prior to trial, generally unreasonable given the amount at stake. While recovery was limited to only $227,409.00 in disgorgement of profits, that recovery was driven by the Plaintiffs' success on the injunction motion, absent which the recovery could have been closer to $2,000,000.00.

[21] In light of the above, I am satisfied that a reduction should be made to the recoverable legal fees so as to fix the amount of reasonable legal fees at $1,500,000.00. With respect to the percentage recovery, I agree with the Plaintiffs that the Chief Justice in *Allergan Inc v Sandoz Canada Inc*, 2021 FC 186, which post-dates the *Seedling* decision relied upon by the Defendants, stated that the starting point should be the mid-point between 25% and 50%. However, unlike in *Allergan*, this is not a complex drug patent proceeding. Taking into consideration all of the circumstances of this case (including the offer to settle), I am satisfied that the Plaintiffs are entitled to 30% of their actual reasonable fees incurred.

[22] As such, the total legal fees recoverable from AgraCity shall be $450,000.00.

B. *Disbursements*

[23] The Plaintiffs seek disbursements, after adjustment, in the amount of $373,603.00, which largely consist of expert fees from both the injunction motion and the trial. The balance relates to

costs associated with the proceeding, such as printing, couriers, court fees, the court reporter, legal research fees, and travel costs for the trial.

[24] The Defendants assert that the disbursements should be reduced to $200,000.00 on the basis that:

A. The Plaintiffs should not be permitted to recover the costs associated with the Plaintiffs' financial expert's attendance at trial, as the Plaintiffs should have agreed to their own counsel's proposal to settle the financial issues. Further, there should be no recovery of expert fees in the amount of $21,468.75 related to fees not yet invoiced by the Plaintiffs' financial expert.

B. The economics expert's fees from the injunction motion ($116,333.86) are excessive for a variety of reasons and should be reduced to approximately $33,000.00.

C. There should be no recovery of the currency administrative surcharge on US currency disbursements in the amount of $6,188.98 due to a lack of detail regarding the charge and its necessity.

D. The in-house photocopying charges are excessive and not documented.

E. The LexisNexis and Westlaw search fees are not reasonable nor necessary, particularly given the availability of free case law search platforms.

F. Travel expenses for trial should be reduced from three counsel to two.

[25] I am satisfied that the majority of the Plaintiffs' disbursements were reasonable and necessary and reject the bulk of the Defendants' criticisms, for the reasons given by the Plaintiffs. However, I am satisfied that the disbursements should be reduced for the travel expenses for trial from three counsel to two, for the case law search fees, and for excessive in-house copying charges. Accordingly, the total amount of disbursements recoverable from AgraCity shall be fixed at $350,000.00.

C. *Post-judgment interest*

[26] The Plaintiffs seek post-judgment interest at the rate of 5%, which was not opposed by the Defendants and which is consistent with the rate of post-judgment interest awarded in the Judgment. The request will be granted.

JUDGMENT in T-604-19

THIS COURT'S JUDGMENT is that:

1. The Plaintiffs are hereby awarded total costs in the amount of $800,000.00, inclusive of all fees, disbursements, and taxes, with post-judgment interest at the rate of 5% from the date of this judgment.

2. No costs are awarded on this judgment for costs.

"Mandy Aylen"
Judge

FEDERAL COURT

SOLICITORS OF RECORD

DOCKET:	T-604-19
STYLE OF CAUSE:	UPL NA INC. ET AL v AGRACITY CROP & NUTRITION LTD. ET AL

MOTION MADE IN WRITING PURSUANT TO RULE 369 OF THE *FEDERAL COURT RULES*, SOR/98-106 CONSIDERED AT OTTAWA, ONTARIO.

JUDGMENT AND REASONS:	AYLEN J.
DATED:	FEBRUARY 3, 2023

WRITTEN SUBMISSIONS BY:

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