

Date: 20071005

Docket: T-2108-03

Citation: 2007 FC 1029

Ottawa, Ontario, October 05, 2007

PRESENT: The Honourable Madam Justice Tremblay-Lamer

BETWEEN:

M.K. PLASTICS CORPORATION

Plaintiff

and

PLASTICAIR INC.

Defendant

REASONS FOR ORDER AND ORDER

[1] This is a motion pursuant to R. 403(1), whereby Plasticair requests directions to be given to the assessment officer respecting the assessment of costs in Federal Court file no. T-2108-03.

BACKGROUND

[2] M.K. Plastics Corporation commenced an action for patent infringement on November 10, 2003. The defendant, Plasticair, defended and counterclaimed for a declaration that M.K. Plastics' Canadian Patent No. 2,140,163 was invalid. The trial was held in Montreal between March 19 and March 27, 2007 for a total duration of 5 days.

[3] Both M.K. Plastics' action and Plasticair's counterclaim were dismissed with costs to Plasticair on May 30, 2007.

[4] The defendant submits that it is entitled to its costs at the upper end of Column IV as it was successful at trial in the main action and absolved of any liability. Moreover as it incurred \$326,286.99 in fees and disbursements defending the action, assessment of costs in accordance with the upper end of Column IV is appropriate to ensure that the costs awarded reasonably reflect Plasticair's actual costs of litigation.

[5] Furthermore, the litigation was important given that if M.K. Plastics had succeeded in its action, Plasticair would likely have gone out of business.

[6] According to the defendant, the litigation was also complex, and encompassed complicated legal issues which merit assessment in Column IV.

[7] With respect to preparation for and attendance at trial, Plasticair submits it was reasonable to have first and second counsel present. Thus, it is entitled to costs of second counsel at trial as well as reasonable travel expenses for both counsels.

[8] It submits that it is entitled to be wholly reimbursed for fees and disbursements paid to the expert witness called to testify on its behalf at trial (\$18,137.38). The fees relate to advising counsel

in respect of the case, preparation of expert reports and attendance through the duration of the trial. Plasticair asserts that the amount is entirely reasonable given the importance and stakes of the case.

[9] The defendant contends that it is entitled to double costs as it served an Offer of Settlement on August 24, 2006, which was neither revoked nor accepted at the commencement of the trial. The offer was more favourable to M.K. Plastics than the ultimate result of the action: had it accepted, it would have received \$50,000 from Plasticair.

[10] Moreover, the offer was unequivocal and unambiguous: it provided that M.K. Plastics' action would be dismissed, that Plasticair's Counterclaim would be withdrawn, that Plasticair would have its costs throughout subject to any previous order regarding costs of interlocutory proceedings, and that Plasticair would pay \$50,000 to M.K. Plastics. The offer was served in a timely fashion, approximately 7 months before trial, and had the offer been accepted, it would have brought an end to the dispute between the parties.

[11] The plaintiff asserts that the matter raised in the present case was not of greater importance than most intellectual property cases given that there were only three main issues involved: infringement, invalidity, and unfair trade practice.

[12] Furthermore, it submits that it also made an Offer of Settlement to Plasticair, which was definite, serious, made not shortly before trial, and in good faith.

[13] The plaintiff alleges that Plasticair's conduct was improper, sometimes vexatious and significantly increased the amount of work that it had to carry out. It was required to file three Motions to compel the defendant to follow the rules and the time limit with respect to submissions of affidavit of documents. It contends that when finally four affidavits of documents were served, they included many lengthy and irrelevant documents. Moreover, when it requested that Plasticair identify the relevant documents as it was its duty to do, Plasticair failed to respond.

[14] Further, when it requested to examine, as a representative of Plasticair, Mr. Paul Sixsmith, Plasticair refused and forced M.K. Plastics to examine Mr. Richard Sixsmith who had no recollection or knowledge of the facts in litigation.

[15] In addition, M.K. Plastics submits that Plasticair's counterclaim of \$1,000,000 based on unfair trade practice was exaggerated, without legal basis, and was expeditiously set aside by this Court.

[16] The plaintiff alleges that Plasticair's expert was useless in this case as he did not have the qualification and skills, the ability and the credibility to help the Court to decide on the issue of infringement or any other issue.

[17] According to the plaintiff, the disbursements claimed by Plasticair are exaggerated. The travel fees incurred at trial by counsel, Mr. Robert H.C. MacFarlane, are almost five times the fees incurred by counsel, Ms. Christine Pallota (\$5, 030.11 and 1,613.31 respectively). The costs of

photocopying for the out of Court examination are also exaggerated. There is no evidence of the actual costs of each disbursement and thus Plasticair does not abide by the best evidence rule.

[18] As for the defendant's Offer of Settlement, it was refused by the Plaintiff and thus was revoked pursuant to article 1392 C.c.Q.

1. Column IV

[19] As per *Apotex Inc. v. Syntex Pharmaceuticals International Ltd. et al.*, [1999] 2 C.P.R. (4th) 368 (FCTD) (QL), at para.4, partially overturned but not on this point at (2001) 12 C.P.R. (4th) 413 (FCA): "[...] the general philosophy is that party and party costs should bear a reasonable relationship to the actual costs of the litigation." Therefore the fact that the defendant has spent \$326, 286.99 in fees and disbursements in defending the action should be taken into consideration.

[20] Conversely, costs should neither be punitive nor extravagant but should represent a compromise between "compensating a successful party and not unduly burdening an unsuccessful party." (*Apotex Inc. v. Wellcome Foundation Ltd.* (1998), 159 F.T.R. 233 (F.C.T.D.), aff'd. (2001) 199 F.T.R. 320 (F.C.A.)).

[21] Column III of Tariff B represents the default assessment of party-and-party costs (R.407). Therefore, "[a]bsent special considerations, (see rule 400(3)), the Court should be reluctant to attempt to rewrite Tariff B [...]" (*Wihksne v. Canada (Attorney General)*, [2002] FCA 356, [2002] F.C.J. No. 1394 (QL), at para. 11).

Factors to be taken into account

[22] In *Visx, Inc. v. Nidek Co.*, [2001] FCT 1183, [2001] F.C.J. No. 1597 (QL), Dubé J. held at para. 6:

The costs of the action shall be assessed at the highest end of Column IV of Tariff B of the Tariff of Fees on the grounds that a higher than usual volume of work was involved, important and complex legal issues were raised and the actual expenses of the litigation were much greater than the costs recoverable under Column III.

[23] With respect to the issue of complexity, there is divergence in the case law as to how patent litigation is to be treated. For example, in *Apotex Inc. v. Syntex, supra*, at para. 9, the Court suggested that patent cases are generally more complex than non-patent cases and thus merit being assessed above Column III level costs.

[24] However, *TRW Inc. v. Walbar of Canada Inc.*, (1992) 43 C.P.R. (3d) 499, 146 N.R. 57, 34 A.C.W.S. (3d) 743, at pp. 456-7, Stone J.A. indicated that cases involving infringement and validity are commonplace and that while the technology is complex, it is the complexity of the legal issues raised that must be considered when increased costs are contemplated.

[25] In my view, the present case did not raise any complex legal issue and was not more complex than most of the intellectual property cases.

[26] On the issue of importance, it is the legal significance of the case, not the economic and business significance to the parties that must be considered (*TRW, supra*, at p. 457). In *Balfour v. Norway House Cree Nation*, [2006] FC 616, [2006] F.C.J. No. 870 (QL), at para. 15, citing *Aird v. Country Party Village Property (Mainland) Ltd.*, [2004] FC 945, [2004] F.C.J. No. 1153 (QL), at para. 6, the Court emphasized “[r]egarding the importance and complexity of the issues, it is the legal significance and complexity, including the number of issues, that are to be considered and not the factual subject matter.” (emphasis added).

[27] Thus, the defendant’s assertion that the litigation was of importance given the risk of going out of business relates to business or economic significance, and not to the legal significance relevant to the assessment of costs.

[28] The amount of work involved in the action is also a primary consideration in awarding increased costs. In *Unilever PLC v. Procter & Gamble Inc.*, [1995] 61 C.P.R. (3d) 499, at p. 527, Stone J.A. asserted that due to the tremendous volume of work including over four and one-half sitting days, approximately 30 volumes of transcript and 30 volumes of appeal book, 58 page appellant and 65 page respondent memorandums of fact and law, increased costs were merited.

[29] However, with respect to patent cases specifically, Mackay J. in *Monsanto Canada Inc. v. Schmeiser*, [2002] 19 C.P.R. (4th) 524 (QL) at para. 17, held that:

[...] To the extent that the volume of work was higher than usual, and actual expenses were much greater than recoverable under column III, those factors were in substantial part the necessary consequence of the nature of the patent

in suit and the problems of evidence inherent from it to establish infringement. Costs reflecting these consequences should not be expected to be borne by the defendants in this case. In my opinion, they are an aspect of the plaintiffs' overall business expenses. Some inventions may be inherently more expensive to defend than others. In my opinion, that is a factor which should not be reflected in a higher than normal level of party-and-party costs awarded.

I agree. This is not a factor which in the present case is determinative.

[30] A party's actions may also affect the costs assessed. In *Glaxo Group Ltd. et al. v. Novopharm Ltd.*, [1999] 3 C.P.R. (4th) 333 (QL), at paras. 18 and 31, the Federal Court responded unfavourably to tactics employed by the plaintiff. The plaintiff took under advisement and objected to 3,000 questions at the examination which caused significant delays and consumed an undue quality of judicial resources. The Court found that an award of party-and-party costs would be fully justified in the circumstances.

[31] In the present case, the defendant, "[...] failed to comply with not one but two orders of this Court requiring it to serve its affidavit of documents on the Plaintiff within a 10 day delay [...]." Prothonotary Tabib indicated that, in the circumstances, she "would have to infer that the Defendant deliberately prioritized the preparation and serving of its motion for summary judgement [sic] over compliance with this Court's order." While Prothonotary Tabib did indicate that the plaintiff itself contributed to the delay by failing to promptly bring its motion after the defendant breached the court order, I note that the defendant's conduct did cause delays in the action.

[32] Overall, I am not satisfied that this is a case that warrants a departure from Column III of Tariff B.

2. Additional Counsel at Trial and Travel costs

[33] I am satisfied that it was reasonable and necessary to have first and second counsel present at trial. Therefore, costs of a second counsel (at 50% of the rate of first counsel) for preparation and attendance at trial are approved. I am also satisfied that reasonable travel, accommodation and related expenses for both counsel at trial and closing argument are justified and should be reimbursed.

3. Expert Fees

[34] Whether expert fees are to be included in an assessment of costs is to be determined with reference to the reasonableness of the disbursement.

[35] In *Dableh v. Ontario Hydro*, [1994] F.C.J. No. 1810 (QL), at para. 15, Taxing Officer Stinson indicated that:

The test or threshold, for indemnification of disbursements such as these, is not a function of hindsight but whether, in the circumstances existing at the time a litigant's solicitor made the decision to incur the expenditure, it represented prudent and reasonable representation of the client both in terms of leading and responding to Rule 482 expert evidence and of filling the void of technical expertise requisite to the solicitor's preparation and conduct. Austerity must be a factor in costs: I am not suggesting that experts should always be indemnified for the entire period of a trial.

[36] Similarly, in the case of *Canada v. Meyer*, [1988] F.C.J. No. 482 (QL), Taxing Officer Stinson indicated that the proper inquiry when determining the amount of expert fees to be awarded is whether the claiming party acted “reasonably and necessarily in view of the situation at the time the disbursement was made.”

[37] In the present case, I recognize that it was reasonable and necessary for the defendants to obtain an expert. The case involved matters necessitating the explanations of expert witnesses. Thus, I will allow fees for the work of the defendant’s expert including his attendance at trial, the amount to be determined by the taxing officer.

4. Agreed Statement of Facts and Joint Book of Documents

[38] I am satisfied that the defendant should be awarded costs for reasonable time spent preparing the Agreed Statement of Facts and Joint Book of Documents to be assessed by the taxation officer.

5. Double Costs and Offer to Settle

[39] In order to trigger the double costs rule, an offer must be clear and unequivocal in that the opposite party need only decide whether to accept or reject the offer (*Apotex Inc. v. Syntex Pharmaceuticals*, [2001] FCA 137, [2001] F.C.J. No. 727 (QL), at para. 10). The offer must also contain an element of compromise (or incentive to accept) (*Canadian Olympic Assn. v. Olymel, Société en commandite*, [2000] F.C.J. No. 1725 (QL), at para. 10). The offer must also be presented in a timely fashion such that the benefit would still be derived from the opposite party if accepted

(*Sammammas Compania Maritima S.A. v. Netuno (the) Action in rem against the Ship "Netuno"*, [1995] F.C.J. No. 1442 (QL), at paras. 30 and 31). Finally, if accepted, the offer must bring the dispute between the parties to an end (*TRW, supra*, at p. 456).

[40] I am satisfied that the defendant's offer contained all elements and thus is capable of triggering double costs.

[41] Therefore, double costs are ordered on all assessable items excluding disbursements, pursuant to r. 420, after August 24, 2006, the date on which Plasticair served an Offer to Settle on the Plaintiff, M.K. Plastics Corporation.

[42] The plaintiff submits that it refused the offer on November 2, 2006, and that pursuant to article 1392 C.c.Q., the offer was thereby revoked and incapable of triggering double costs. I do not agree.

[43] Article 1392 C.c.Q., upon which the plaintiff relies, indicates that "[a]n offer lapses [...] in respect of the offeree if he has rejected it". However, Rule 420 was established to deal specifically with this type of situation where a party has rejected an offer to settle. It is precisely when the offeree refuses an offer to settle that the application of r.420 is triggered. For the plaintiff, an award of double costs is barred when an offer to settle is rejected; however, to interpret article 1392 C.c.Q. in this manner would, in effect, render r. 420 inapplicable.

[44] In the present case an offer to settle was made by the defendants and was rejected by the plaintiffs as per article 1392 C.c.Q. The rejection then triggered the application of r. 420 and the award of double costs which flows there from.

ORDER

THIS COURT ORDERS that

1. Costs of the proceedings are to be assessed under Column III of Tariff B of the Federal Courts Rules on all assessable items.
2. Costs of travel to examination for discovery of the Plaintiff in Montreal in April 2005 and July 2006 for first Counsel and accommodation, living and related expenses are allowed.
3. Costs for time reasonably spent in the preparation of the Agreed Statement of Facts and Agreed Book of Documents submitted at trial are allowed.
4. Costs of second counsel (at 50% the rate of first counsel) for trial preparation and attendance are allowed.
5. Costs of travel to Montreal for trial and closing argument, as well as accommodation, living and related expenses for first and second counsel are allowed.
6. Costs of expert fees for preparation of the expert report, testifying at trial and assistance to counsel at trial as well as travel, accommodation, living and related expenses incurred during preparation for and attendance at trial are allowed.
7. Costs of travel, and accommodation, living, and related expenses incurred during preparation for and attendance at trial by Paul Sixsmith are allowed.
8. Double costs on all assessable items after August 24, 2006 the date on which Plasticair served an offer to settle on the plaintiff are allowed.
9. Post judgment interest on any award of costs and disbursements is allowed.

10. Costs of this motion are allowed.

The ultimate amount of all listed items to be determined by an assessment officer with regard to what is reasonable in the particular circumstances of the case.

“Danièle Tremblay-Lamer”

Judge

ANNEX A

<i>Federal Court Rules, SOR/98-106</i>	<i>Règles des Cours fédérales, DORS/98-106</i>
<p>[...]</p> <p>400. (1) The Court shall have full discretionary power over the amount and allocation of costs and the determination of by whom they are to be paid.</p> <p>[...]</p> <p>Factors in awarding costs</p> <p>(3) In exercising its discretion under subsection (1), the Court may consider</p> <p>(a) the result of the proceeding;</p> <p>(b) the amounts claimed and the amounts recovered;</p> <p>(c) the importance and complexity of the issues;</p> <p>[...]</p> <p>(e) any written offer to settle; [...]</p> <p>(g) the amount of work; [...]</p> <p>(i) any conduct of a party that tended to shorten or unnecessarily lengthen the duration of the proceeding; [...]</p> <p>(k) whether any step in the proceeding was</p> <p>(i) improper, vexatious or unnecessary, or</p> <p>(ii) taken through negligence, mistake or excessive caution; [...]</p> <p>(n) whether a party who was successful in an action exaggerated a claim, including a counterclaim or third party claim, to avoid the operation of rules 292 to 299; and</p> <p>(o) any other matter that it considers relevant.</p> <p>[...]</p> <p>407. Unless the Court orders otherwise, party-and-party costs shall be assessed in accordance with column III of the table to Tariff B.</p> <p>[...]</p> <p>420. (1) Unless otherwise ordered by the Court and subject to subsection (3), where a plaintiff makes a written offer to settle and obtains a judgment as favourable or more favourable than</p>	<p>[...]</p> <p>400. (1) La Cour a le pouvoir discrétionnaire de déterminer le montant des dépens, de les répartir et de désigner les personnes qui doivent les payer.</p> <p>[...]</p> <p>Facteurs à prendre en compte</p> <p>(3) Dans l'exercice de son pouvoir discrétionnaire en application du paragraphe (1), la Cour peut tenir compte de l'un ou l'autre des facteurs suivants :</p> <p>a) le résultat de l'instance;</p> <p>b) les sommes réclamées et les sommes recouvrées;</p> <p>c) l'importance et la complexité des questions en litige; [...]</p> <p>e) toute offre écrite de règlement; [...]</p> <p>g) la charge de travail; [...]</p> <p>i) la conduite d'une partie qui a eu pour effet d'abrégéer ou de prolonger inutilement la durée de l'instance; [...]</p> <p>k) la question de savoir si une mesure prise au cours de l'instance, selon le cas :</p> <p>(i) était inappropriée, vexatoire ou inutile,</p> <p>(ii) a été entreprise de manière négligente, par erreur ou avec trop de circonspection; [...]</p> <p>n) la question de savoir si la partie qui a eu gain de cause dans une action a exagéré le montant de sa réclamation, notamment celle indiquée dans la demande reconventionnelle ou la mise en cause, pour éviter l'application des règles 292 à 299;</p> <p>o) toute autre question qu'elle juge pertinente.</p> <p>[...]</p> <p>407. Sauf ordonnance contraire de la Cour, les dépens partie-partie sont taxés en conformité avec la colonne III du tableau du tarif B.</p> <p>[...]</p>

<p>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 costs calculated at double that rate, but not double disbursements, after that date.</p> <p>Consequences of failure to accept defendant's offer</p> <p>(2) Unless otherwise ordered by the Court and subject to subsection (3), where a defendant makes a written offer to settle,</p> <p>(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</p> <p>(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.</p> <p>Conditions</p> <p>(3) Subsections (1) and (2) do not apply unless the offer to settle</p> <p>(a) is made at least 14 days before the commencement of the hearing or trial; and</p> <p>(b) is not withdrawn and does not expire before the commencement of the hearing or trial.</p> <p>[...]</p>	<p>420. (1) Sauf ordonnance contraire de la Cour et sous réserve du paragraphe (3), si le demandeur fait au défendeur une offre écrite de règlement, et que le jugement qu'il obtient est aussi avantageux ou plus avantageux que les conditions de l'offre, il a droit aux dépens partie-partie jusqu'à la date de signification de l'offre et, par la suite, au double de ces dépens mais non au double des débours.</p> <p>Conséquences de la non-acceptation de l'offre du défendeur</p> <p>(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 :</p> <p>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;</p> <p>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.</p> <p>Conditions</p> <p>(3) Les paragraphes (1) et (2) ne s'appliquent qu'à l'offre de règlement qui répond aux conditions suivantes :</p> <p>a) elle est faite au moins 14 jours avant le début de l'audience ou de l'instruction;</p> <p>b) elle n'est pas révoquée et n'expire pas avant le début de l'audience ou de l'instruction.</p> <p>[...]</p>
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FEDERAL COURT
SOLICITORS OF RECORD

DOCKET: T-2108-03

STYLE OF CAUSE: M.K. PLASTICS CORPORATION

Plaintiff

and

PLASTICAIR INC.

Defendant

PLACE OF HEARING: Montreal, QC

DATE OF HEARING: September 25, 2007

REASONS FOR ORDER: TREMBLAY-LAMER J.

DATED: October 5, 2007

APPEARANCES:

Julie Gallagher

FOR THE APPLICANT

Robert H.C. MacFarlane
Christine Pallota

FOR THE RESPONDENT

SOLICITORS OF RECORD:

BÉLANGER SAUVÉ

FOR THE APPLICANT

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