**Date: 20080627**

**Docket: T-1822-97**

**Citation: 2008 FC 817**

**Ottawa, Ontario, June 27, 2008**

**PRESENT: The Honourable Madam Justice Layden-Stevenson**

**BETWEEN:**

**JOHNSON & JOHNSON INC.,**
**EXPANDABLE GRAFTS PARTNERSHIP**
**and CORDIS CORPORATION** **Plaintiffs**

**and**

**BOSTON SCIENTIFIC LTD./**
**BOSTON SCIENTIFIQUE LTÉE**

**Defendant**

## REASONS FOR JUDGMENT AND JUDGMENT

[1] The reasons for judgment and judgment in this matter were issued to the parties on April 30, 2008. I retained jurisdiction in relation to the determination of costs. I have received and reviewed the written submissions and the responses of the parties in this regard. These reasons relate to my determination on costs.

[2] Costs are within the discretion of the court: *Federal Courts Rules*, SOR/98-106, Rule 400(1). The factors that may be considered include, but are not limited to, those set out in Rule 400(3):

| *Federal Courts Rules*, SOR/98-106 | *Règles des Cours fédérales*, DORS/98-106 |
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| 400. (3) In exercising its discretion under subsection (1), the Court may consider | 400. (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 : |
| (a) the result of the proceeding; | a) le résultat de l'instance; |
| (b) the amounts claimed and the amounts recovered; | b) les sommes réclamées et les sommes recouvrées; |
| (c) the importance and complexity of the issues; | c) l'importance et la complexité des questions en litige; |
| (d) the apportionment of liability; | d) le partage de la responsabilité; |
| (e) any written offer to settle; | e) toute offre écrite de règlement; |
| (f) any offer to contribute made under rule 421; | f) toute offre de contribution faite en vertu de la règle 421; |
| (g) the amount of work; | g) la charge de travail; |
| (h) whether the public interest in having the proceeding litigated justifies a particular award of costs; | h) le fait que l'intérêt public dans la résolution judiciaire de l'instance justifie une adjudication particulière des dépens; |
| (i) any conduct of a party that tended to shorten or unnecessarily lengthen the duration of the proceeding; | i) la conduite d'une partie qui a eu pour effet d'abréger ou de prolonger inutilement la durée de l'instance; |
| (j) the failure by a party to | |

admit anything that should have been admitted or to serve a request to admit;

j) le défaut de la part d'une partie de signifier une demande visée à la règle 255 ou de reconnaître ce qui aurait dû être admis;

(k) whether any step in the proceeding was
(i) improper, vexatious or unnecessary, or
(ii) taken through negligence, mistake or excessive caution;

k) la question de savoir si une mesure prise au cours de l'instance, selon le cas :
(i) était inappropriée, vexatoire ou inutile,
(ii) a été entreprise de manière négligente, par erreur ou avec trop de circonspection;

(l) whether more than one set of costs should be allowed, where two or more parties were represented by different solicitors or were represented by the same solicitor but separated their defence unnecessarily;

l) la question de savoir si plus d'un mémoire de dépens devrait être accordé lorsque deux ou plusieurs parties sont représentées par différents avocats ou lorsque, étant représentées par le même avocat, elles ont scindé inutilement leur défense;

(m) whether two or more parties, represented by the same solicitor, initiated separate proceedings unnecessarily;

m) la question de savoir si deux ou plusieurs parties représentées par le même avocat ont engagé inutilement des instances distinctes;

(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

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;

(o) any other matter that it considers relevant.

o) toute autre question qu'elle juge pertinente.

[3] Costs should be neither punitive nor extravagant. It is a fundamental principle that an award of costs represents 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.). As a general rule, costs should follow the event. Absent an abuse of process, a successful party should not be penalized simply because not all the points advanced by that party have found favour with the court: *Sunrise Co. Ltd. v. The "Lake Winnipeg"* (1988), 96 N.R. 310 (F.C.A.) at para. 29. Regarding 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: *TRW Inc. v. Walbar of Canada Ltd.* (1992), 146 N.R. 57 (F.C.A.); *Unilever PLC v. Procter & Gamble Inc*. (1995), 184 N.R. 378 (F.C.A.); *Porto Seguro Companhia De Seguros Gerais v. Belcan S.A.* (2001), 214 F.T.R. 291 (F.C.T.D.).

[4] Although Boston Scientific (Boston) did not succeed in all respects, it was, for the most part, successful. It succeeded in defending against alleged infringement of the Palmaz patents. It also succeeded in having one of the two patents in suit declared invalid. I agree with Boston that the jurisprudence is to the effect that 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: *Emmanuel Simard & Fils (1983) Inc. v. Raydan Manufacturing Ltd*. (2006), 53 C.P.R. (4th) 178 citing *Gorse v. Upwardor Corp*. (1992), 140 N.R. 295 (F.C.A.) and *Illinois Tool Works Inc. v. Cobra Anchors Co.*, (2003), 312 N.R. 184 (F.C.A.). Subject to the qualification that will be discussed later, Boston is entitled to its costs throughout against the plaintiffs.

[5] Boston seeks a lump sum award of costs. It claims that such an award is appropriate because the trial was "highly organized and proceeded smoothly". It claims that Tariff B would not come close to compensating for the quantum of fees billed to it; the disbursements alone exceed $1,000,000. Johnson & Johnson (J&J) argues otherwise. It claims, for a variety of reasons, that it is not possible to assess the appropriateness and reasonableness of even the disbursements. According to J&J, this case is not an appropriate one for a lump sum award.

[6] Undoubtedly, a lump sum award of costs is an alternative to an assessment. Mr. Justice Rothstein, then of the Federal Court of Appeal, considered that one advantage of a lump sum award of costs is the saving in costs to the parties that would otherwise be incurred in the assessment process. He also cautioned that a lump sum award of costs may not be appropriate in all cases. Further, a judge is not bound to award a lump sum of costs merely because it is requested: *Consorzio Del Prosciutto di Parma v. Maple Leaf Meats Inc.*, [2003] 2 F.C. 451.

[7] In the circumstances of this case, I agree with J&J. The comments of Mr. Justice Hughes in *Janssen-Ortho Inc. v. Novopharm Ltd.* (2006), 57 C.P.R. (4th) 58 (F.C.) (*Janssen-Ortho*) are apposite. At paragraph 10 of *Janssen-Ortho*, Justice Hughes concluded that it was not appropriate to award a lump sum. He stated:

> The case was extensive and simply to award an arbitrary figure without much more by way of evidence and explanation would be inappropriate. It would be preferable to have an assessment officer review the relevant matters in detail and come to a reasoned decision within the context of the principles set out in these reasons.

The same is true for this matter.

[8] J&J maintains that Boston's costs should be reduced to reflect the time and effort wasted by J&J in preparing evidence for trial in relation to issues not admitted by Boston in response to J&J's Request to Admit Facts. Boston claims that it rightly declined to admit because the content of J&J's request related largely to matters of construction. It seems to me that, despite the posturing, the parties were aware of those issues requiring determination. J&J, during its opening statement, proffered a bound volume detailing its position with respect to the various issues. The "contested" matters were highlighted in yellow, for the court's convenience. That approach, which was most helpful, undermines J&J's submission in this respect.

[9] J&J also argues that Boston's section 53 defence warrants a 25% reduction in its costs because it "implicates the notion of fraud". If that were so, I would be inclined to grant J&J's request. However, the section 53 defence was limited. It was advanced to support the submission that damages, if any, be limited to the period following the enactment of remedial legislation. J&J, in response to Boston's position maintained that *Dutch Industries v. Canada (Commissioner of Patents)*, [2003] 4 F.C. 67 (F.C.A.) constituted a "complete answer" to Boston's position. A reduction in costs is not warranted in these circumstances.

[10] I find otherwise in relation to Boston's *estoppel* defence. Boston is correct when it says that I did not find that *issue estoppel* could not apply to a patent case. It is also correct when it says that I did not specifically find that the conditions for the application of *issue estoppel* were not met in this case. However, I did not find that the conditions were met. A large portion of trial time was expended on witnesses addressing the *estoppel* argument. The witnesses came from all over the

world. Preparation was extensive and the plaintiffs had little choice but to respond to the defendant's expert witnesses. I determined, for the reasons stated at paragraphs 257-270 of my decision in the main action, that the case was not an appropriate one for the application of the doctrine. In my view, the propriety of advancing the defence, in the circumstances that I discussed in my reasons, ought to have been readily apparent to Boston. Accordingly, I conclude that Boston's costs should be reduced by 35% in relation to its advancement of the *estoppel* defence. The discounting is sufficient to address J&J's various concerns. Although it is stating the obvious, Ms. Chantal Morel is not to be regarded as an expert witness.

[11] The parties agree that, if costs are to be assessed, they should be assessed on the upper end of Column IV of Tariff B. They also agree upon proposed directions to be provided to the assessment officer. In general, I find the suggested directions to be reasonable. The matter was lengthy and complex. The trial alone spanned a six-week time frame. The fluidity of the hearing stood as a testament to the intensive preparation of both sides. That said, I do have some concerns regarding specific items.

[12] The request for one day of preparation for each two days of trial, given the structure and timetable of the trial, is excessive. I am prepared to allow one day of preparation for each four days of trial. One day of preparation for each three days of discovery (rather than for each one day) is, in my view, reasonable. There will be no direction for expert fees for time spent in court when the witnesses were not testifying.

[13] Costs with respect to the summary judgment motion and appeal are to be excluded since they were dealt with by the Federal Court of Appeal.

[14] The assessment officer is to allow costs in accordance with the following directions:

- appearance of one senior and one junior counsel on motions (if present);
- attendance of one senior and one junior counsel at all examinations for discovery (if present);
- attendance of one senior and two junior counsel at trial;
- for each three days of discovery, one day preparation time for one senior counsel and one junior counsel (if present at discovery);
- for each four days of trial, one day preparation time for one senior counsel and one junior counsel;
- reasonable counsel fees for meeting with and preparing reports of those expert witnesses who testified at trial;
- reasonable travel expenses, including travel to discovery (counsel or witness) for meetings with expert witnesses and for witnesses to attend at trial;
- reasonable photocopy expenses, including up to eight copies (if made) of documents used at trial or on discovery.

[15] Awarding costs is not an exact science. Regard to the factors set out in Rule 400(3) is required. In my view, the award of costs and the directions contained in these reasons constitute a reflection of those factors.

**JUDGMENT**

The defendant will have its costs throughout against the plaintiffs, such costs to be taxed at the upper-range of Column IV of Tariff B and in accordance with the directions contained in these reasons. The total award is then to be reduced by 35%.

"Carolyn Layden-Stevenson"
Judge

**FEDERAL COURT**

**NAME OF COUNSEL AND SOLICITORS OF RECORD**

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| **DOCKET:** | T-1822-97 |
| **STYLE OF CAUSE:** | JOHNSON & JOHNSON INC. ET AL. v. BOSTON SCIENTIFIC LTD./BOSTON SCIENTIFIQUE LTÉE |
| **PLACE OF HEARING:** | Toronto, Ontario |
| **REASONS FOR JUDGMENT AND JUDGMENT:** | Layden-Stevenson J. |
| **DATED:** | June 27, 2008 |

**APPEARANCES:**

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