Federal Court  Cour fédérale

Date: 20091106

Docket: T-1161-07

Citation: 2009 FC 1139

BETWEEN:

SANOFI-AVENTIS CANADA INC.,
SCHERING CORPORATION and
SANOFI-AVENTIS DEUTSCHLAND GmbH

Plaintiffs

and

NOVOPHARM LIMITED

Defendant

AND BETWEEN:

NOVOPHARM LIMITED

Plaintiff by Counterclaim

and

SANOFI-AVENTIS CANADA INC.,
SCHERING CORPORATION and
SANOFI-AVENTIS DEUTSCHLAND GmbH

Defendants by Counterclaim

PUBLIC
REASONS FOR JUDGMENT ON COSTS

SNIDER, J.

[1] These reasons relate to the matter of costs arising from the patent infringement action, for which Reasons for Judgment and Judgment were released to the parties on June 29, 2009 (*Sanofi-Aventis Canada Inc. v. Apotex Inc.*, 2009 FC 676). The trial of this matter was held together with an

action commenced by the same Plaintiffs, in respect of the same patent, against Apotex Inc. (Docket: T-161-07). At that time, the parties were provided with an opportunity to make submissions on costs, if they could not agree amongst themselves. They did not agree and submissions and reply submissions on costs were served and filed. Having reviewed the submissions, I now wish to provide my decision and reasons on the issue of costs in this matter.

[2] Although the Reasons cited above dealt with both actions, separate judgments were issued for each Docket. I observe that each of Novopharm Limited (Novopharm) and Apotex Inc. (Apotex) have materially different interests on the issue of costs. Accordingly, I have determined that a separate decision will issue for each Docket.

[3] Pursuant to Rule 400(1) of the *Federal Courts Rules*, SOR/98-106, the Court has "full discretionary power over the amount and allocation of costs". Rule 400(3) describes, without limitation, factors that may be considered.

[4] The starting point is that a successful party is entitled to have its costs assessed on the basis of Tariff B at the mid-point of Column III (as provided for in Rule 407), together with disbursements that are reasonable and necessary for the conduct of the proceedings. This would be the basis of assessment unless the judge provides directions to the assessment officer or takes on the responsibility of assessing the costs.

[5] In exercising my discretion, I have had regard to all of the written submissions, the pertinent jurisprudence and the factors set out in Rule 400(3). A number of matters warrant particular attention.

Lump Sum Award

[6] In this case, Novopharm seeks a lump sum award in the amount of $5.14 million. Novopharm submits that this Court has held that, as a matter of policy, lump sum orders should be favoured (*Barzelex v. EBN Al Waleed (The)*, 1999 F.C.J. No. 2002, 94 A.C.W.S. (3d) 434, at para. 11 (F.C.T.D.); *Conorzio del Prosciutto di Pharma v. Maple Leaf Meats Inc.*, 2002 FCA 417, [2003] 2 F.C. 451, at para. 12; *Abbott Laboratories v. Pharmscience*, 2007 FC 50, 154 A.C.W.S. (3d) 786, at paras. 9-10). There may well be cases where lump sums are warranted. This is not one of them. I simply do not have sufficient information on which to base a single lump sum award. Further, the practice of providing guiding directions to the parties has certainly been followed in many recent cases in the area of pharmaceutical litigation (see, for example, *ADIR v. Apotex*, 2008 FC 1070, 70 C.P.R. (4th) 347 (referred to as *ADIR Costs*); *Merck & Co. v. Apotex Inc.*, 2006 FC 631, 53 C.P.R. (4th) 69, at para. 3, varied on different matters 2006 FCA 324, 354 N.R. 355).

The Result of the Action

[7] The Plaintiffs (Sanofi-Aventis Canada Inc. and Sanofi-Aventis Deutschland GmbH, referred to collectively as Sanofi, and Schering Corporation, referred to as Schering) were unsuccessful in this action. This Court declared that certain claims of Canadian Patent No. 1,341,206 ('206 Patent)

were invalid. Sanofi argues that success was divided and that I should reduce the award by 50% on the basis of the lack of success of Novopharm on some of the issues dealt with by the Court. I do not agree.

[8] The general rule is that the successful party should have its costs. I recognize that Novopharm was not successful in each and every argument it pursued. For example, Novopharm did not persuade the Court of the merits of its arguments of patent construction, and Example 20 or double patenting, all of which took up considerable time during the trial. There is no doubt that pursuit of these issues during the trial led to extra time and expense for all parties. Nevertheless, I would not characterize success as divided. The Plaintiffs commenced an action to validate its claims to the drug ramipril and to enjoin Novopharm from making and selling ramipril; they lost. In my view, success ought not to be measured in terms of how many issues were argued and won or lost. Rather, success ought to be assessed on the basis of the overall finding of the Court. Absent an abuse of process, "a successful plaintiff should not be penalised simply because not all the points he has taken have found favour with the court" (*Sunrise Co. Ltd. v. The "Lake Winnipeg"* (1988), 96 N.R. 310, 28 F.T.R. 78 (F.C.A.) at para. 29, rev'd on a different point, [1991] 1 S.C.R.); *Canada v. IPSCO*, 2004 FC 1083, 259 F.T.R. 204, at para. 36).

[9] The decision of this Court in *ADIR Costs* is an example of where success was truly divided. While the Plaintiffs succeeded in having their patent upheld and obtaining an injunction against the Defendants (see *Servier v. Apotex*, 2008 FC 825, 332 F.T.R 193 aff'd by *Apotex v. ADIR*, 2009 FCA 222, 75 C.P.R. (4th) 443), they failed to obtain standing for two of the originally-named Plaintiffs. They were also unsuccessful in obtaining a finding of inducement. These two failures

went directly to the remedies sought by the Plaintiffs. This, in my view, was “divided success”. In the decision on costs, I reduced the overall award by 10% to account for the divided success.

[10] It is not reasonable to penalize parties for bringing arguments that are ultimately abandoned after hearing the evidence, or that do not find favour with the Court. Obviously, there may be cases where an argument pursued is so specious as to constitute an abuse of process. That was definitely not the case in this trial with respect to the issues raised that responded directly to the claim of patent infringement. The award of costs will not be reduced in respect of the issues that were advanced at the trial, regardless of whether Novopharm succeeded or not.

[11] There were, however, allegations of conspiracy in Novopharm’s counterclaim. Although the claim was abandoned prior to trial, it required extensive work. In my view, a reduction of 10% in the overall award would be a reasonable accounting for the inclusion of this issue in the pleadings.

Scale of Costs

[12] If the Court does not accept that a lump sum should be awarded, Novopharm submits that its costs should be assessed at the high end of Column V of Tariff B. Sanofi asserts that the high end of Column III is appropriate; Schering argues simply for Column II of Tariff B.

[13] In my view, the upper end of Column IV is appropriate, and not simply because this award “splits the difference”. A review of recent jurisprudence on the issue of awards in intellectual property trials indicates that this scale recognizes the significance and complexity of the various

issues in such a trial (see, for example, *Johnson & Johnson Inc. v. Boston Scientific Ltd.*, 2008 FC 817, [2008] F.C.J. No. 1022, at para. 15; *Adir Costs*, above, at para. 9-11; *Kirkbi AG v. Ritvik Holdings Inc.*, 2002 FCT 1109, [2002] F.C.J. No. 1474, at para. 10). This trial, in my view, reflects the same level of significance and complexity. Indeed, in light of the number of Federal Court decisions where the Court concluded, in cases of similar complexity, that the high end of Column IV was appropriate, I question why the parties argued this point. I will award costs based on the upper end of Column IV.

Recovery of Counsel Fees and Disbursements

[14] Novopharm requests that it be allowed to recover for more than one counsel with respect to aspects of preparation for and attendance at pre-trial motions and at the trial, requests that it be allowed to recover for more than one counsel. I am prepared to allow Novopharm to recover its costs in relation to two first counsel and one second counsel (where used) for preparation for and attendance at trial and for preparation and filing of and attendance for written argument.

[15] In respect of pre-trial matters, Novopharm should be allowed to recover fees and reasonable disbursements (including travel, accommodation and related expenses) for all pre-trial procedures (Items 1 to 12, 16 to 22 and 24 of Tariff B). This would include attendance at the testing in relation to Example 20 of the '206 Patent. However, except in the limited circumstances set out in the following, the request for recovery for more than one first and one second counsel is refused.

[16] For further guidance, the award would be allowed to include the costs for one first and one second counsel (where in attendance) in respect of:

- preparation of pleadings; preparation of motion materials and attendance at motion hearings (other than those where costs were specifically directed or awarded to the Plaintiffs);

- documentary and oral discovery (including reasonable time spent traveling to attend discovery out of the normal place of residence of those attending);

- preparation of expert affidavits for those experts who appeared at trial; preparation of witnesses who appeared at trial; and

- preparation and attendance at pre-trial conferences.

Experts

[17] Novopharm seeks recovery of all fees and expenses for all experts, regardless of whether they appeared at trial. There is no question that fees for experts who appeared at trial should be recovered. In the Reasons, I observed that there was some duplication of expert testimony. Upon further review and reflection, I am satisfied that all of the experts provided assistance to the Court. However, I am not prepared to allow an award of costs for experts who did not appear at trial.

[18] I am also prepared to allow costs for experts assisting counsel in reviewing and understanding other experts' reports, preparing for cross-examination of opposing experts and, where applicable, assisting in preparation for discoveries. Costs for attending at trial are recoverable only where the expert was attending to hear the testimony of an opposing party's expert, whose report and testimony responded to or addressed issues considered in his or her own expert report.

Costs for non-lawyers

[19] Novopharm seeks recovery of costs for services of students-at-law and clerks. Related to this, Novopharm also seeks recovery of the costs of Summation technology and of computerized research services. In my view, all of these expenses were part of the normal overhead costs of litigation. I am not prepared to award costs for any of these expenses.

Offer to Settle

[20] Under Rule 400 (1)(e), a factor that the Court may consider is a written offer to settle. In addition, pursuant to Rule 420, there are serious cost consequences where a written offer to settle is made and judgment is made in favour of the party who makes the offer to settle. Not all settlement offers will meet the stringent requirements of Rule 420. Nevertheless, a written offer to settle that does not meet the requirements of Rule 420 may still be factored into an award of costs under Rule 400 (*Dimplex North America Ltd. v. CFM Corp.*, 2006 FC 1403, 55 C.P.R. (4th) 202 at para. 20).

[21] Novopharm submits that it made a number of serious written settlement offers to Sanofi beginning on January 19, 2008. Novopharm asks the Court to apply Rule 420, or, in the alternative, that it be entitled to double costs from January 19, 2008.

[22] Sanofi argues that Novopharm has not provided sufficient evidence to support a Rule 420 finding and, in any event, the settlement offers would not meet the criteria of Rule 420. I agree. However, I am also sympathetic to Novopharm's situation. It appears that, even if these offers were not formal or substantive enough to satisfy Rule 420, there is no doubt that they were made in a good faith effort to end the litigation. Further, while Sanofi now explains why the offers could not have been accepted, I see no evidence that Sanofi ever tried to make responding offers. In November 2008, Novopharm went so far as to draw up draft terms of settlement, to which there appears to have been no response. Even on the little evidence before me, I am satisfied that Novopharm made very serious efforts to settle the litigation both prior to and during the trial. Sanofi's attitude throughout, and its defensive, after-the-fact justification for its failure to properly consider the offers are simply not helpful. In the circumstances, while recognizing that the offers do not satisfy Rule 420, I am convinced that the settlement offers by Novopharm should result in an increase in the overall award of 50%.

Remedies Phase of the Trial

[23] As I noted in the Reasons for Judgment, over half of the days of the trial were taken up with evidence and argument for the remedies phase. Due to the result on the validity of the patent in question, there was no need for the Court to make any determination on the remedies or damages

issues. Sanofi and Schering submit that each party should bear its own costs for this phase. Apotex argues that it should be allowed to recover such costs.

[24] The problem with all of the submissions on this matter is that they take an after-the-fact perspective to the question. The reality is, pursuant to an order of the case management prothonotary, the trial was not bifurcated. Attaching blame, at this stage, is difficult.

[25] At the pre-trial stage, Sanofi, supported by Schering, brought a motion to bifurcate the proceeding. Novopharm did not consent to the motion. It is almost certain that, if the Defendants had consented, the motion for bifurcation would have succeeded. To what extent, if any, should Novopharm be "punished" not agreeing to a bifurcation order?

[26] In my view, there should be some – but not substantial – discount of the costs of this phase. It was only after considerable pre-trial work had been carried out that the true extent of the issues for the remedies phase became apparent. As the reality became clear, the Plaintiffs could have brought a further motion or a motion for reconsideration. That did not happen. Further, Sanofi contributed to the length of this phase of the trial by not making an election between damages and profits until the commencement of the presentation of oral arguments. Finally, I believe that the pre-trial discovery and expert reports were, more likely than not, helpful to the parties for settlement discussions.

[27] Weighing all of this, I am of the view that a reduction in the overall award of costs (rather than trying to separate out specific fees and costs) in the order of 10% would be a fair and just recognition that Novopharm bears some responsibility for the second phase of the trial.

Summary

[28] Having considered all of the submissions of the parties and the factors of Rule 400, I determine that costs of the action in favour of Novopharm and against Sanofi and Schering should be awarded in accordance with the above findings and directions. As noted above, I would decrease the cost award by 10% to deal with the remedies phase of the trial and a further 10% in respect of certain issues not pursued at trial. On the other hand, I believe that an increase of 50% in the award is justified in response to the settlement offers made by Novopharm. Thus, overall, the costs, once calculated in accordance with these reasons, should be increased by 30%.

[29] I expect that the parties will now be able to calculate and agree on a quantum for the award. I will remain seized of this matter. I would be prepared to make a further order awarding a lump sum, if Novopharm wishes to prepare an order for my consideration calculating the amounts of the

costs to which it is entitled. Specific questions or further disagreements may be brought to me. However, only in exceptional circumstances will any award of costs be made for further steps in finalizing the quantum of the award.

POSTSCRIPT

[1] These Reasons for Judgment on Costs are un-redacted from confidential Reasons for Judgment which were issued on November 6, 2009 pursuant to a Protective Order dated December 5, 2007.

[2] The Court canvassed counsel for the parties whether they had concerns if the reasons were issued to the public without redactions. On November 10, 2009, November 12, 2009 and November 13, 2009, the parties advised that there are no portions of the confidential Reasons for Judgment that should be redacted.

"Judith A. Snider"
Judge

Ottawa, Ontario
November 6, 2009

FEDERAL COURT

SOLICITORS OF RECORD

DOCKET:	T-1161-07
STYLE OF CAUSE:	SANOFI-AVENTIS CANADA INC. & SCHERING CORP. v. NOVOPHARM LIMITED

SUBMISSIONS IN WRITING (COSTS)

PUBLIC REASONS FOR JUDGMENT ON COSTS:	Snider, J.
DATED:	November 6, 2009

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