Federal Court  Cour fédérale

Date: 20160830

Docket: T-1364-14

Citation: 2016 FC 991

Toronto, Ontario, August 30, 2016

PRESENT: The Honourable Madam Justice Mactavish

BETWEEN:

BRISTOL-MYERS SQUIBB CANADA CO., BRISTOL-MYERS SQUIBB HOLDINGS IRELAND AND NOVARTIS AG

Applicants

and

TEVA CANADA LIMITED AND THE MINISTER OF HEALTH

Respondents

SUPPLEMENTARY JUDGMENT AND REASONS

[1] By judgment dated May 27, 2016 (reported as 2016 FC 580), I granted the applicants' application pursuant to section 6 of the *Patented Medicines (Notice of Compliance) Regulations,* SOR/93-133, as amended, prohibiting the respondent Minister of Health from issuing a Notice of Compliance to Teva for its atazanavir sulfate 150, 200 and 300 mg capsules until after the expiry of the '840 patent. I dismissed the applicants' application for an order prohibiting the Minister of Health from issuing a Notice of Compliance to Teva for its atazanavir sulfate 150, 200 and 300

mg capsules until after the expiry of the ’736 patent. What remains to be determined is the question of who should bear the costs of the proceeding.

[2] Teva submits that as I granted an order of prohibition with respect to one patent and refused to make such an order with respect to the other patent, I should consider success as having been divided in this matter and order that each party bear its own costs.

[3] In contrast, the applicants submit that the fact that they succeeded in obtaining an order prohibiting the granting of a Notice of Compliance to Teva means that they were successful in obtaining the goal of their application and that they should therefore have their costs of this entire proceeding.

[4] As a general rule, costs follow the event. However, Rule 400(1) of the *Federal Courts Rules*, S.O.R./98-106, confers full discretionary power on the Court in determining the amount and allocation of the costs of a proceeding, as well as the determination of by whom the costs should be paid. Rule 400(3) further provides a non-exhaustive list of factors that may be taken into account by the Court in exercising its discretion with respect to the matter of costs. Amongst other things these include the result of the proceeding, the complexity of the matters in issue and whether any step in the proceeding was unnecessary.

[5] The purpose of an award of costs is to provide compensation, to promote settlement and to deter abusive behaviour; see *Air Canada v. Thibodeau*, 2007 FCA 115 at para. 24, 375 N.R. 195. The overriding consideration in making an award of costs is fairness and reasonableness; see *Boucher v. Public Accountants Council (Ontario)* (2004), 71 O.R. (3d) 291 (C.A.) at para. 24, [2004] O.J. No. 2634.

[6] I agree with the applicants that it is appropriate that they be awarded their costs of the application at the upper end of Column IV of Tariff B insofar as it relates to the ’840 patent. The applicants were successful in establishing that Teva’s allegations of invalidity were not justified as they related to this patent, and in obtaining an order prohibiting the Minister of Health from issuing a Notice of Compliance to Teva for its generic atazanavir product until after the expiry of the patent.

[7] I also agree that it is appropriate that the applicants receive costs for one senior and two junior counsel for the portion of the hearing that was devoted to the ’840 patent. The complexity of this proceeding is reflected by the fact that both sides were represented by multiple lawyers. The applicants should also have their costs for one senior and one junior counsel where two counsel were actually involved in conducting cross-examinations of witnesses relating to the ’840 patent, and for one senior counsel in defending cross-examinations.

[8] The applicants should also have their reasonable disbursements associated with the proceeding in relation to the ’840 patent, including reimbursement for the consulting fees paid to Dr. Fässler. I agree with Teva that the fees charged by Mr. Brogan are excessive, and should be reduced by 50% in light of the limited utility of his evidence, which was not even mentioned by the applicants at the hearing.

[9] I do not, however, agree with the applicants that they should receive their costs of the entire proceeding on the basis that they were entirely successful in this case. The ’840 patent expires on April 14, 2017, whereas the ’736 patent expires on December 22, 2018. The applicants were seeking to prohibit the granting of a Notice of Compliance to Teva for the sale of

its generic atazanavir product until the expiry of the ’736 patent in 2018. However, they only succeeded in prohibiting the granting of a Notice of Compliance to Teva until April 14, 2017.

[10] In other words, Teva will be entitled to receive a Notice of Compliance some 20 months earlier than would have been the case had it not served its Notice of Allegation and succeeded in demonstrating that its allegations with respect to the alleged invalidity of the ’736 patent were justified.

[11] Indeed, I agree with Teva that there can be little doubt that had the applicants commenced separate prohibition applications with respect to the ’840 patent and the ’736 patent, the applicants would not have received their costs with respect to the ’736 patent proceeding.

[12] The difference in the expiry dates of the two patents distinguishes this case from the proceeding before Justice Heneghan in *Abbott Laboratories v. Canada (Minister of Health)*, 2009 FC 648, 347 F.T.R. 159, relied upon by the applicants. In that case, both of the patents in issue expired on the same date. As a result, the fact that the innovator company only succeeded in obtaining an order of prohibition with respect to one of two patents did not have any practical effect on the ability of the generic company to enter the market.

[13] This case is closer to the cases relied upon by Teva: see, for example, *Gilead Sciences, Inc. v. Canada (Minister of Health)*, 2014 FC 950, [2014] F.C.J. No. 987, where the innovator’s costs were reduced by a factor of approximately 50% to reflect the generic’s success with respect to one of two patents.

[14] It is therefore appropriate that Teva receive its costs of one senior and two junior counsel at upper end of Column IV of Tariff B for the portion of the hearing that was devoted to the ’736

patent. Teva is also entitled to its costs for one senior and one junior counsel where two counsel were actually involved in conducting cross-examinations of witnesses relating to the ’736 patent, and for one senior counsel in defending cross-examinations. In addition, Teva is entitled to reimbursement for all reasonable disbursements incurred with respect to the portion of the proceeding relating to the ’736 patent.

[15] That said, I agree with the applicants that some reduction should be made in the award of costs to Teva in recognition of the fact that Teva’s Notice of Allegation set out five grounds of invalidity relating to the ’736 patent, but only the allegation of obviousness was pursued at the hearing. This resulted in the applicants having unnecessarily spent considerable time and resources rebutting four allegations of invalidity that were not expressly abandoned until the hearing of the applicants’ application. In my view, a 20% reduction in the costs awarded to Teva is appropriate in the circumstances.

JUDGMENT

THIS COURT'S JUDGMENT is that:

1. The applicants are entitled to their costs of this proceeding as they relate to the '840 patent at upper end of Column IV of Tariff B, including the cost of one senior and two junior counsel for the portion of the hearing that was devoted to the '840 patent, the costs of one senior and one junior counsel where two counsel were actually involved in conducting cross-examinations of witnesses relating to the '840 patent and one senior counsel in defending cross-examinations;

2. The applicants are also entitled to their reasonable disbursements associated with the '840 patent, including the consulting fees paid to Dr. Fässler and 50% of the fees paid to Mr. Brogan;

3. Teva is entitled to its costs of this proceeding as they relate to the '736 patent at upper end of Column IV of Tariff B, including the cost of one senior and two junior counsel for the portion of the hearing that was devoted to the '736 patent, the costs of one senior and one junior counsel where two counsel were actually involved in conducting cross-examinations of witnesses relating to the '736 patent and one senior counsel in defending cross-examinations;

4. The costs payable to Teva are to be reduced by 20%, in accordance with these reasons;

5. Teva is also entitled to its reasonable disbursements associated with the ’736 patent;

6. Any amounts previously awarded payable to the parties in connection with any interlocutory matters shall be payable in accordance with the terms of the applicable Orders; and

7. Each side is awarded post-judgment interest at the rate of 5.0% on the costs assessed from the date of assessment until payment.

"Anne L. Mactavish"
Judge

FEDERAL COURT

SOLICITORS OF RECORD

DOCKET:	T-1364-14
STYLE OF CAUSE:	BRISTOL-MYERS SQUIBB CANADA CO., BRISTOL-MYERS SQUIBB HOLDINGS IRELAND AND NOVARTIS AG v TEVA CANADA LIMITED AND THE MINISTER OF HEALTH

SUBMISSIONS ON COSTS CONSIDERED AT OTTAWA, ONTARIO PURSUANT TO JUDGMENT AND REASONS DATED MAY 27, 2016

SUPPLEMENTARY JUDGMENT AND REASONS:	MACTAVISH J.
DATED:	AUGUST 30, 2016

WRITTEN SUBMISSIONS BY:

Andrew Reddon Steve Mason David Tait Sanjaya Mendis Martin Brandsma	FOR THE APPLICANTS
Marcus Klee Jonathan Stainsby Scott A. Beeser	FOR THE RESPONDENT TEVA CANADA LIMITED

SOLICITORS OF RECORD:

McCarthy Tetrault LLP Barristers and Solicitors Toronto, Ontario	FOR THE APPLICANTS
Aitken Klee LLP Barristers and Solicitors Ottawa, Ontario	FOR THE RESPONDENT TEVA CANADA LIMITED