

Federal Court



Cour fédérale

Date: 20190109

Docket: T-1787-16

Citation: 2019 FC 19

Ottawa, Ontario, January 9, 2019

PRESENT: The Honourable Mr. Justice Southcott

BETWEEN:

QUALITY PROGRAM SERVICES INC.

Plaintiff

and

**HER MAJESTY THE QUEEN IN RIGHT OF
ONTARIO AS REPRESENTED BY THE
MINISTER OF ENERGY**

Defendant

JUDGMENT AND REASONS

I. Overview

[1] This decision relates to costs in this matter, following my Judgment and Reasons dated October 4, 2018 [the Judgment], which found that the Defendant, Her Majesty the Queen in Right of Ontario as represented by the Minister of Energy [Ontario], had infringed the “EMPOWER ME” trade-mark of the Plaintiff, Quality Program Services Inc. [QPS], contrary to

s 20 of the *Trade-marks Act*, RSC 1985, c T-13 [the Act], and awarded \$10,000.00 in damages for such infringement.

[2] The Judgment followed a motion for summary trial under Rule 213 of the *Federal Courts Rules*, SOR/98-106 [the Rules], argued in Vancouver on June 25, 2018. As requested by the parties at that hearing, the Judgment afforded them an opportunity either to agree on costs or to propose a schedule for written submissions. This process resulted in submissions received from both parties, which form the basis for this costs decision.

[3] As explained in greater detail below, I am awarding QPS increased costs in the lump sum amount of \$25,800.00.

II. **The Plaintiff's Position on Costs**

[4] QPS seeks \$60,000.00 as a lump sum award of costs. It notes the recent statement by the Federal Court of Appeal in *Nova Chemicals Corporation v The Dow Chemical Company*, 2017 FCA 25 [*Nova Chemicals*] at para 11 that lump sum awards have found increasing favour with courts, as they save the parties time and money and further the objective of the Rules of securing the just, most expeditious, and least expensive determination of proceedings. QPS advances several arguments, including invoking several of the factors prescribed by Rule 400(3) to guide the Court's exercise of its discretion in awarding costs. These arguments include the submission that the Judgment clarified the legal rights and obligations of public authorities, who obtain public notice with respect to official marks under s 9(1)(n)(iii) of the Act, by confirming that

official mark status is not a defence to a claim of infringement. QPS also relies on a settlement offer made to Ontario and the resulting application of Rule 420.

[5] QPS takes the position that an award of costs calculated in accordance with Column III of Tariff B (which it states would be approximately \$8,000.00 plus taxes and disbursements) would represent inadequate compensation. In support of this position, QPS has filed an affidavit by a legal assistant in the offices of its counsel, attaching copies of its legal accounts to demonstrate that its actual legal costs total \$79,701.81, composed of fees of \$64,095.00, disbursements of \$7,113.39, GST of \$3,538.94 and PST of \$4,954.48.

III. The Defendant's Position on Costs

[6] Ontario takes the position that the claim of \$60,000.00 in costs is disproportionate, given that QPS claimed damages of \$50,000.00 in this action and recovered \$10,000.00. Ontario agrees with QPS's position that this case raised novel issues, as Ontario's primary defence, that official mark status precluded a finding of infringement, had not previously been considered by a Canadian court. Ontario therefore submits that it is appropriate that each party bear its own costs, relying on authorities in which courts have found it inappropriate to award costs where novel issues of statutory interpretation were raised (see, e.g., *Nault v Canada (Public Works and Government Services)*, 2010 FC 623 at para 27).

[7] Ontario takes the further position that, in the event the Court decides to award costs to QPS, such an award should not exceed \$20,000.00. It argues proportionality, submits that the complexity of the matter and amount of work involved were not significant, and notes that QPS

was not wholly successful in the action, as it advanced three claims against Ontario and succeeded in only one. Ontario acknowledges that QPS's offer to settle entitles it to substantial indemnity costs or double the amount of costs (but not disbursements) from the date the offer was served.

IV. Analysis

[8] Addressing first the novelty argument, I find that this point exerts little influence on my costs decision. I recognize the authorities identified by Ontario, which support the proposition that it may be appropriate for each party to bear its own costs in cases which turn on a previously undecided point of law, on the basis that a party is "proceeding along a path which is not encumbered by a precedent which would warn him not to proceed further" (see *Baldwin v Daubney*, [2006] OJ No 3919 (Ont SCJ) [*Baldwin*] at para 19). However, it is also clear that, while the novelty of an issue is a factor to be taken into account, that factor does not mandate any particular result, as costs remain in the discretion of the Court (see *Baldwin* at paras 29-31).

[9] I agree that the present case involved some degree of novelty. In the Judgment (at para 29), I found that none of the cases cited by Ontario had addressed directly the issue then before the Court, i.e. whether s 9(1)(n)(iii) of the Act serves to protect a public authority against claims of the sort asserted by QPS. As QPS submits, I found (at para 23 of the Judgment) that the authorities relied upon by Ontario for its defence addressed a point that was conceptually distinct from the one that was before the Court. However, I concluded through statutory interpretation (at paras 29 to 34 of the Judgment) that s 9(1)(n)(iii) of the Act did not represent a defence to QPS's

claims. As expressed in *Baldwin* at para 20, I consider this to be a circumstance where “the law provides adequate guidance for the resolution of the issue”.

[10] I therefore decline to adopt Ontario’s position that each party should bear its own costs. However, I also find that the level of novelty of the statutory interpretation point surrounding s 9(1)(n)(iii) of the Act does not support QPS’s position, under Rules 400(3)(c), (g) and (h), that the importance and complexity of the issues in this case, including the public interest in having the proceeding litigated, and the amount of work involved, warrant an increased award of costs. While the official marks issue required consideration of the legal authorities cited by the parties and, in the absence of applicable authority, construction of the statute, I do not regard the issue as being of sufficient complexity to militate in favour of increased costs.

[11] Nor do I consider the overall level of complexity of this action, or the amount of work involved in advancing it, to warrant increased costs as argued by QPS. As Ontario submits, the Judgment largely turned on questions of law, with no significant facts in dispute, by way of a motion for summary trial after the close of pleadings. There were no examinations for discovery, cross-examinations on affidavits, or expert evidence, and the hearing was completed in one day.

[12] QPS also submits that increased costs are supported by the results of the proceeding and the amounts claimed and recovered, as contemplated by Rules 400(3)(a) and (b). I disagree, as the amounts involved in this matter were relatively modest. QPS claimed \$50,000.00 in damages and was awarded \$10,000.00. While QPS was successful in enforcing its trade-mark rights

through one (but not all) of the causes of action it asserted, neither this result nor the amounts involved warrant either increased or decreased costs.

[13] QPS relies on Rule 400(3)(i), related to any conduct of a party that tended to shorten or lengthen the duration of a proceeding, to support an increased award of costs. It notes that, when Ontario delivered its motion record on May 11, 2018 in preparation for the summary trial, it revealed to QPS that its “emPOWERme” site would in due course cease to exist as a result of Ontario’s intended migration to a new website. QPS submits that it was therefore unreasonable for Ontario to continue to use the mark through to the summary trial and vigorously defend QPS’s action. Ontario argues in response that, notwithstanding it communicated its intention to discontinue its use of the “emPOWERme” site, it continued to use its mark for a period of time, and its mark remains an official mark of the Government of Ontario. Ontario submits that its decision to defend its official mark in this proceeding does not represent the sort of conduct contemplated by Rule 400(3)(i).

[14] I agree with Ontario’s position on this point. The conduct to which QPS refers is simply Ontario’s decision to defend the action. QPS does not identify any questionable conduct on the part of Ontario in the manner in which it pursued that defence. I find no basis under Rule 400(3)(i) for an increased costs award.

[15] However, I agree with QPS that it should receive increased costs as a consequence of its efforts to settle its claim. QPS has provided evidence that on February 15, 2017, following the close of pleadings but before other steps were taken in this matter, its counsel wrote to Ontario

proposing to settle this action, by waiving its claim to damages and costs, if Ontario agreed to discontinue its use of the “emPOWERme” mark and other concessions.

[16] There could be debate as to whether Rule 420(1), entitling a plaintiff to double party-and-party costs, is formally invoked by this letter, as the result of the Judgment is not in all respects as favourable or more favourable to QPS than the terms of its offer. For instance, the offer required that Ontario withdraw its then pending request for public notice of its use of an official mark under s 9(1)(n)(iii) of the Act, which is not relief that QPS claimed or was entitled to in the action. However, QPS received a Judgment which was clearly more favourable to it in monetary terms than its offer. Also, as previously noted, Ontario acknowledges that QPS’s offer to settle entitles it to substantial indemnity costs or double the amount of costs (but not disbursements) from the date the offer was served. I therefore consider QPS’s offer to be a factor militating in favour of an increased costs award.

[17] QPS asserts that, if its costs were assessed according to Column III of Tariff B, at regular (not double) rates, the resulting amount would be approximately \$8,000.00 plus disbursements and taxes. While QPS has provided no Bill of Costs performing this calculation, this figure is not disputed by Ontario. I am therefore prepared to adopt this figure as the starting point for the calculation of a lump sum costs award. QPS’s offer to settle was served after close of pleadings. However, this timing is sufficiently close to the commencement of the action that, given that the \$8,000.00 figure is an approximate one, I find it appropriate to double the \$8,000.00 amount.

[18] QPS also claims disbursements of \$7,112.39. Ontario notes that QPS has provided no receipts for these disbursements. However, the disbursements are itemized in the legal accounts attached to QPS's supporting affidavit and consist principally of a combination of printing/copying/scanning, electronic legal research, postage and courier costs, long-distance telephone charges, trade-mark registration, and other searches. I find the disbursements claim sufficiently well supported.

[19] Doubling the \$8,000.00 costs figure to \$16,000.00, adding disbursements of \$7,112.39, and applying GST of 5% and British Columbia PST of 7% to both figures, would generate a total of \$25,885.88. Appreciating that some of the disbursements may not be subject to tax, I would adopt a round figure of \$25,800.00.

[20] This figure would represent just under one-third of the \$79,701.81 in actual costs incurred by QPS. This places it squarely in the range of 25% to 50% of actual fees, which was identified by the Federal Court of Appeal in *Nova Chemicals* (at para 17) as the typical range of increased costs in the form of lump sum awards found in applicable case law. While *Nova Chemicals* notes that there may be cases where a higher or lower percentage is warranted, none of the factors identified by QPS convince me that a higher percentage is appropriate in the present case. QPS submits that a higher percentage is warranted by the objective of providing fair compensation to trade-mark owners who must sue infringers to maintain their legal rights. I find no basis to conclude that costs calculated based on the Tariff do not represent fair compensation in trade-mark litigation, particularly in circumstances that support doubling of such costs based on an offer to settle.

[21] Finally, I note QPS's reliance on *Trans-High Corporation v Hightimes Smokeshop and Gifts Inc.*, 2013 FC 1190 [*Trans-High*] at para 27, in which Justice Manson awarded costs of \$30,000.00 in a trade-mark infringement application. However, it appears from this decision that the respondent did not file any submissions in that proceeding or appear at the hearing, and the decision provides no reasons for the amount of the costs award, other than that Justice Manson accepted the applicant's submissions with respect to the amount of costs. It is therefore not possible to draw a meaningful comparison between the facts of that case and the present one so as to conclude, as QPS submits, that it should be entitled to costs higher than the amount awarded in *Trans-High*.

[22] In conclusion, my decision is to award QPS increased costs in the lump sum amount of \$25,800.00.

JUDGMENT IN T-1787-16

THIS COURT'S JUDGMENT is that the Plaintiff is awarded costs in the lump sum amount of \$25,800.00.

“Richard F. Southcott”

Judge

FEDERAL COURT
SOLICITORS OF RECORD

DOCKET: T-1787-16

STYLE OF CAUSE: QUALITY PROGRAM SERVICES INC. v HER
MAJESTY THE QUEEN IN RIGHT OF ONTARIO

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APPEARANCES:

Jonathan Woolley
Yue Fei

FOR THE PLAINTIFF

Baaba Forson

FOR THE DEFENDANT

SOLICITORS OF RECORD:

Richards Buell Sutton LLP
Vancouver, British Columbia

FOR THE PLAINTIFF

Attorney General of Canada
Toronto, Ontario

FOR THE DEFENDANT