

Federal Court



Cour fédérale

**Date: 20230608**

**Docket: T-1631-16**

**Citation: 2023 FC 782**

**Ottawa, Ontario, June 8, 2023**

**PRESENT: The Honourable Madam Justice St-Louis**

**BETWEEN:**

**ELI LILLY CANADA INC., ELI LILLY AND  
COMPANY, LILLY DEL CARIBE, INC.,  
LILLY, S.A. and ICOS CORPORATION**

**Plaintiffs/Defendants by counterclaim**

**and**

**TEVA CANADA LIMITED**

**Defendant/Plaintiff by counterclaim**

**PUBLIC ORDER AND REASONS**

I. Introduction

[1] This Order deals with the costs and disbursements payable as a result of the Judgment and Reasons in which I allowed the Defendants Teva Canada Limited (“Teva”), Pharmascience Inc. and Laboratoire Riva Inc., Apotex Inc., and Mylan Pharmaceuticals ULC’s counterclaims and held that the asserted claims of the Plaintiffs’ (hereinafter collectively referred to

as “Lilly”) in the Canadian Letters Patent No. 2,226,784 [the 784 Patent] were invalid for overbreadth and insufficiency and dismissed Lilly’s infringement against each of the Defendant as it relates to the 784 Patent (2022 FC 1398). I then reserved the issue of costs, allowed the parties to file written submissions in this regard, but granted the costs on the hearsay motion to Lilly in accordance with Rule 407 of the *Federal Courts Rules*, SOR/98-106 [the Rules]. Teva and Lilly have filed written submissions in regards to costs in the summary trial.

[2] I must thus determine which party is entitled to the costs and the amount of costs to be awarded.

[3] As the Defendants have been successful on the summary trial, I will award costs to Teva and, given the circumstances at hand, I will award them in the form of a lump sum for an amount akin to costs at the upper end of column IV of Tariff B, and the disbursements. I thus award a total amount of \$124,793.77 representing \$80,000.00, including tax, and disbursements of \$44,783.77. The deduction of costs of the hearsay motion payable to Lilly (\$1,084.80) is reflected in the total amount.

## II. Parties’ positions

[4] Per its written representation, Teva requests:

- An Order awarding Teva \$228,728.42, representing 50% of its legal fees (\$162,782.88), inclusive of tax (\$21,161.77) and all disbursements (\$44,783.77);
- In the alternative, an Order awarding Teva \$182,742.26, representing 37.5% of its legal fees (\$122,087.16) inclusive of tax (\$15,871.33) and all disbursements (\$44,783.77);

- In the further alternative, \$150,672.30 representing assessable fees at the upper end of column V of Tariff B (\$93,706.00), plus tax (\$12,181.67) and all disbursements (\$44,783.77);
- Costs of these submissions in the amount of \$1500.

[5] Teva relies on the affidavit of Ms. Dawn Trach, a law clerk employed by the law firm of Aitken Klee LLP. Ms. Trach, who was not cross-examined, introduces, *inter alia*, a copy of invoices related to Patent 784 (Exhibit A, partially redacted), a copy of disbursements relating to the 784 Patent (Exhibit B), a spreadsheet summarizing the legal fees and disbursements Aitken Klee LP charged to Teva in respect of the 784 Patent (Exhibit C), and a Bill of Costs prepared according to the upper end of column V of Tariff B for the steps relating to the 784 Patent (Exhibit E).

[6] In assessing the appropriate scale of costs to apply in the present case, Teva argues that the following factors set out in Rule 400(3) strongly support an increase in costs payable to Teva, whether on a lump sum or pursuant to the upper end of column V of Tariff B: (1) the result of the proceeding (Rule 400(3)(a)); (2) the complexity of the proceeding (Rule 400(3)(c)); (3) the conduct of a party that tended to shorten or unnecessarily lengthen the duration of the proceeding (Rule 400(3)(i)); (4) whether more than one set of costs should be allowed where two or more parties were represented by different solicitors (Rule 400(3)(m)); and (5) whether the expense requires to have an expert witness give evidence was justified, given the technical nature of the issues in dispute (Rule 400(3)(n.1)).

[7] Teva asserts that a lump sum representing 50% of its actual legal fees is appropriate in this case. It points out that the Court has recognized costs awards under the Tariff in complex

intellectual property litigation between sophisticated parties are “ridiculously low” (*Apotex Inc v Syntex Pharmaceuticals International Ltd*, [1999] FCJ No. 1465 (FC) at paras 2-4 [*Syntex*], aff’d 2001 FCA 137) and has thus regularly departed from the Tariff in such cases in favor of lump sum costs awards in the range of 25-50% of actual costs. It submits that its request for 50 % legal fees is consistent with a number of recent patent costs awards (*Seedlings Life Science Ventures v Pfizer Canada*, 2020 FC 505 at para 24 [*Seedlings*]; *Allergan Inc. v Sandoz Canada Inc*, 2021 FC 186 at para 2 [*Allergan*]; *Janssen Inc v Teva Canada Ltd*, 2022 FC 269 at para 12 [*Janssen*]; *Hospira Healthcare v Kennedy Trust for Rheumatology Research*, 2018 FC 1067 at para 26 [*Hospira*]), and recent summary trials between sophisticated litigants (*ViiV Healthcare Co v Gilead Sciences Canada Inc*, 2020 FC 486 at para 181 [*ViiV*]; *Steelhead LNG (ASLNG) Ltd v ARC Resources Ltd*, 2022 FC 998 at para 91 [*Steelhead*]).

[8] Alternatively, Teva opines that the upper end of column V is appropriate. It refers to number of recent patent actions in which cost awards using column V of Tariff B has been ordered (see e.g., *Swist v Meg Energy Corp*, 2021 FC 198 at para 25 [*Swist*]; *Bristol-Myers Squibb v Pharmascience Inc*, 2021 FC 354).

[9] In their Opening and Closing Submissions on the summary trial, the Defendants proposed that costs be dealt with following release of the decision while Lilly asked for its costs at an elevated level. It is not clear if Lilly was then referring, by the use of the term “elevated”, to costs still within the Tariff, but higher than column III, or to costs outside the realm of the Tariff.

[10] In any event, in its written submissions on costs, Lilly submits that the Court should not grant costs sought by Teva under column V of the Tariff B, which it qualifies as elevated, or as a percentage of Teva's actual legal fees. Lilly submits that the Court should award costs at the upper end of column III of the Tariff, or alternatively, no higher than column IV. Lilly asks that the amount of the costs in the summary trial be reduced by an amount equal to the costs it was awarded in regards to the hearsay motion which it calculated at \$1,084.80; which I will grant Lilly.

[11] Lilly submits the affidavit of Ms. Kathy Paterson, a law clerk at Borden Ladner Gervais LLP, who introduces, *inter alia*, two Bill of Costs in respect of the costs of the summary trial, hence one prepared in accordance with the upper end of column III of Tariff B, totalling \$81,988.79 (\$38,289.82 plus disbursements of \$44,783.77 inclusive of tax, and less Lilly's costs on hearsay motion) and the other in accordance with the upper end of column IV of Tariff B, totalling \$95,595.80 (\$51,896.83 plus disbursements of \$44,783.77 inclusive of tax and less Lilly's costs on hearsay motion) (Exhibits F and I), one Bill of Costs in respect of the Defendants' hearsay motion, totalling \$1,084.80 (Exhibit E), and various correspondences between the Defendants and Lilly's counsel.

[12] Lilly asserts the following items in Teva's Bill of Costs contained claims that should not be awarded, and which it deducted in its own Bills of Costs: 5, 10-11, 14. Lilly thus asserts that costs should be awarded at the upper end of column III of Tariff B, with reductions for various items per its proposition, totalling \$38,289.82, tax inclusive, or alternatively, no higher than the

upper end of column IV of Tariff B with reductions for various items per its proposition totalling \$51,896.83, tax inclusive.

[13] In essence, Lilly opines that Teva is entitled to the upper end of column III because (1) motions for summary trials in patent proceedings warrant a reduced cost award (*Janssen Inc v Apotex Inc*, 2022 FC 107 [*Apotex*]; *Janssen Inc v Pharmascience Inc*, 2022 FC 62 [*Pharmascience*]; *Mud Engineering Inc v Secure Energy (Drilling Services) Inc*, 2022 FC 943 [*Mud*]); (2) the cases cited by the Defendants, namely *Apotex Inc v Shire LLC*, 2021 FCA 54 [*Shire*], and *Swist*, are not appropriate comparators as they were full patent trials (as opposed to a motion for summary trial); (3) the Defendants unnecessarily increased the length and complexity of the proceeding; (4) the Defendants clearly duplicated work; and (5) costs greater than column III would be exceptional and there is nothing extraordinary that warrants a departure here.

[14] In particular, Lilly submits that the case law recognizing that the upper end of column IV is reasonable and appropriate in patent actions applies only when such litigations proceeded through full trials (see e.g., *Shire* and *Allergan*). Lilly also relies on the three decisions cited above (i.e., *Apotex*, *Pharmascience*, and *Mud*) to assert that a sort of “norm” was created by the jurisprudence in pharmaceutical patent-related summary trial proceedings to award costs under column III and there is therefore a lack jurisprudential basis to depart from column III in such circumstances.

[15] Lilly argues that the quantum and scale of costs sought by Teva are exorbitant. Here, it is Lilly’s opinion that the purpose of an award of costs favors an award under column III in this

proceeding. Specifically, Lilly asserts that the overriding consideration in making an award of costs is fairness and reasonableness (*Bristol-Myers Squibb Canada Co v Teva Canada Ltd*, 2016 FC 991 at para 5) and it would be unreasonable for Lilly to compensate the Defendants for the excessive fees they claim, i.e., the multiple counsels retained from each party.

[16] Furthermore, Lily opines that the Court should not award a lump sum calculated as a percentage of Teva's legal fees instead of the Tariff. It asserts that the case law cited by Teva that awarded a 50% lump sum is inappropriate (i.e., *Hospira, Allergan, Janssen*), that fees for full patent infringement trials – which is not the scenario here – are “exceptional” when higher than the range of 25-33% (*Shire* at para 22), and that 50% lump sum may be appropriate “mainly for situations in which the Court wishes to express its displeasure with the conduct of the losing party”, which is not the case here (*Teva Canada Limited v Janssen Inc*, 2018 FC 1175 at para 35).

[17] In the event that the Court awards a lump sum calculated as a percentage of its legal fees, Lilly asserts that any such award should be substantially below 25% of Teva allowable fees. Additionally, it submits that non-compensable fees should be reduced from Teva's total claimed fees, including dockets for motions it lost and an expert that it did not call at trial.

[18] Finally, Lilly agrees that Teva should be entitled to disbursements in the amount of \$44,783.77, inclusive of tax.

### III. General principles of costs assessment

[19] The law of costs is not an exact science. In adjudicating costs, courts attempt to strike an appropriate balance between three main objectives: compensation, providing incentive to settle, and dissuasion of abusive conduct in litigation. In this exercise, Rule 400(1) of the Rules provides that the Court “shall have full discretionary power over the amount and allocation of costs and the determination of by whom they are paid”.

[20] Rule 400(3) provides a non-exhaustive list of considerations for a Court to consider in assessing costs. With respect to quantum, Rule 407 of the Rules dictates that within this general rule, costs are to be awarded in accordance with column III of the table to Tariff B on a default basis (*Conorzio del Prosciutto di Parma v Maple Leaf Meats Inc*, 2002 FCA 417 at para 9 [*Conorzio del Prosciutto*]). However, the Court’s broad discretion includes the power to order an assessment under a different column of Tariff B or to permit a departure from the Tariff (*Philip Morris Products SA v Marlboro Canada Ltd*, 2015 FCA 9 at para 4).

[21] Rule 400(4) allows the Court to fix costs and award a lump sum in lieu of an assessment of costs pursuant to Tariff B.

[22] On the topic of lump sum, the award of a lump sum is increasingly valued by the courts as it saves the parties time and money and further the objective of securing “the just, most expeditious and least expensive determination” of proceedings (Rule 3) (*Nova Chemicals Corporation v Dow Chemical Company*, 2017 FCA 25 at para 11 [*Nova*]). When a Court can



award costs on a lump sum basis, granular analyses are avoided and the costs hearing does not become an exercise in accounting (*Nova* at para 11). The Federal Court of Appeal in *Nova* adds that “[l]ump sum awards may be appropriate in circumstances ranging from relatively simple matters to particularly complex matters where a precise calculation of costs would be unnecessarily complicated and burdensome: *Mugesera v Canada (Minister of Citizenship & Immigration)*, 2004 FCA 157 at para. 11” (*Nova* at para 12). At paragraph 15 of the decision *Mugesera v Canada (Minister of Citizenship and Immigration)*, 2004 FCA 157, the Federal Court of Appeal outlined that “[...] the Court should be guided, as much as possible, by the standards established in the table to Tariff B when awarding a lump sum in lieu of assessed costs”.

[23] Hence, a lump sum may be awarded for an amount akin to that would be awarded under the Tariff or it can represent “elevated costs”, i.e., costs in excess of the Tariff, often calculated as a percentage of the actual legal fees incurred.

[24] The Court often deviates from the Tariff (1) to sanction reprehensible conduct; and (2) where the default scale would provide inadequate compensation for particularly costly or complex litigation (*Nova* at para 13). Regarding the costly and complex litigation, the court has to consider if the default Tariff scale would be unjust because it would leave the successful party insufficiently compensated (*Crocs Canada Inc v Holey Soles Holdings Ltd*, 2008 FC 384 at para 2). An award of costs is usually intended to ensure a “reasonable contribution” to the successful party’s legal costs (*Nova* at para 13; *Conorzio del Prosciutto* at paras 8-9). The practice of

awarding lump sum costs as a percentage of actual costs reasonably incurred is increasingly common in “complex litigation conducted by sophisticated parties” (*Seedlings* at para 4).

[25] Chief Justice Crampton outlined the general principles that must guide the Court in deciding an award of costs (*Allergan*). I adopt these principles and note particularly the following statement of paragraph 27:

For essentially the same reasons identified immediately above, it is also increasingly common in intellectual property cases to award a significant lump sum amount “well in excess of the Tariff”: *Vengo*, above, at para 85; *Bauer Hockey Ltd v Sport Maska Inc*, 2020 FC 862 at para 12 [Bauer]. In this regard, a lump sum award in the range of 25-50% of actual fees, plus reasonable disbursements, is often made: *Nova v Dow*, above, at paras 17 and 21; *Seedlings*, above, at para 6; *Bauer*, above, at para 13. See also *Loblaws Inc v Columbia Insurance Company*, 2019 FC 1434 at para 15. In approaching this assessment, it should be kept in mind that determining the level of a lump sum award “is not an exact science”: *Nova v Dow*, above, at para 21.

[26] In regards to the evidentiary considerations of legal fees, the Federal Court of Appeal in *Nova* examined the requirement and mentioned that “[a]n award of costs on a lump sum basis must be justified in relation to the circumstances of the case and the objectives underlying costs. It is not a matter of plucking a number or percentage out of the air” (*Nova* at para 15). The parties should provide both a Bill of Costs and evidence demonstrating the fees actually incurred (*Nova* at para 18). “What is required is sufficient evidence of the nature and extent of the services provided so that a party can make an informed decision whether to settle the fees or contest and that the Court can be satisfied that the actual fees incurred and the percentage awarded are reasonable in the context of the litigation” (*Nova* at para 18).

[27] Concerning the disbursements, “[w]here disbursements are outside of the knowledge of the solicitor, they should generally be accompanied by an affidavit such that the Court can be satisfied that they were actually incurred and were reasonably required” (*Nova* at para 20). As set forth in subsection 1(4) of Tariff B, no disbursement shall be assessed or allowed under the Tariff B unless it is reasonable and it is established by affidavit or by the solicitor appearing on the assessment that the disbursement was made or is payable by the party. The Federal Court of Appeal repeated that principle, stating that a party is allowed to recover disbursements when reasonable and necessary for the conduct of the proceeding (*Exeter v Canada (Attorney General)*, 2012 FCA 153 at para 13, citing *Merck & Co Inc v Apotex Inc*, 2006 FC 631).

IV. Application to the facts of the case

A. *Costs to each Defendant*

[28] Each of the Defendant (Apotex Inc, Mylan Pharmaceuticals ULC, Pharmascience Inc. and Laboratoire Riva Inc., and Teva) is entitled to its own costs award and Lilly has not disputed this in this proceeding. In similar circumstances, where the separate proceedings were consolidated, the Court held that the Defendants were each entitled to separate costs awards (*Packers Plus Energy Services Inc v Essential Energy Services*, 2020 FC 68; *Eli Lilly Canada Inc v Apotex Inc*, 2023 FC 3 at paras 37-40). Accordingly, I am satisfied that Teva is entitled to its own costs award.

B. *Lump sum*

[29] After considerations of the circumstances of this case and the relevant factors, I am satisfied that an award of costs in the form of a lump sum is justified. As the Federal Court of Appeal stated at paragraph 11 of *Nova*, it will allow “the just, most expeditious and least expensive determination” of proceedings (Rule 3) and avoid granular analyses and an exercise in accounting.

C. *Scale of costs*

[30] The Defendants were successful on almost all substantive issues at the summary trial. The Court granted the Defendants’ motion for summary trial and dismissed Lilly’s action with respect to the 784 Patent, upon concluding that the 784 Patent was invalid for both obviousness and overbreadth.

[31] I agree with Teva that the subject matter had some level of technical complexity and required a great amount of work from the parties. The Defendants alleged overbreadth, insufficiency and inutility. The asserted claims of the 784 Patent were directed to physiologically acceptable salts of tadalafil or methyltadalafil. One of the key issues in the summary trial was whether a physiologically acceptable salt of tadalafil could be made. Expert affidavits from three experts were tendered at the hearing; all experts were cross-examined at the summary trial. The hearing lasted five days. As the Court has observed in the past, patent matters are inherently complex (*Pollard Banknote Ltd v Babn Technologies Corp*, 2016 FC 1193 at para 13; *Teva*

*Canada Limited v Janssen Inc*, 2018 FC 1175 at para 14), and pharmaceutical patent cases are especially so.

[32] Lilly and Teva raise issues with a number of each other's conduct. I will give this factor a neutral weight. Each party vigorously defended the interest of its client and I see no justification to penalize one of them in particular for their conduct in the present case. As Justice Grammond recently noted: “[m]y role in awarding costs [...] is not to engage in an autopsy of the trial and criticize retrospectively the parties’ tactical decisions” (*Bauer Hockey Ltd v Sport Masko Inc (CCM Hockey)*, 2020 FC 862 at para 32 [*Bauer*]).

[33] The Defendants in this action are competitors. Lilly chose to pursue multiple defendants in multiple proceedings and they were each entitled to receive representation by different counsel – and it was not unreasonable for the Defendants to choose to do so. It should not be for the losing party to “tell the winning party how they could have succeeded by doing or spending less” (*Hospira* at para 24).

[34] As for a “norm” having been created in summary trials, I disagree with Lilly. The Court has full discretion to determine the appropriate column or level of costs in the circumstances, and I do not see how the case law could create a “norm” that interferes with the Court’s discretion (Rule 400(1); *Betsler-Zilevitch v Petrochina Canada Ltd*, 2021 FC 151 at para 9; *Guest Tek Interactive Entertainment Ltd v Nomadix Inc*, 2021 FC 848 at para 17 [*Guest Tek*]). Furthermore, the decisions cited by Lilly are not persuasive in the circumstances of the present case as they either seemingly did not deal with issues of invalidity, did not detail the submissions from the

parties on costs or indicate that submissions on costs were provided, and-or did not provide reasons for awarding costs under column III of the Tariff. I also note other decisions were lump sum, seemingly for an amount in excess of the Tariff, was awarded in cases of patent-related summary trials and in which I saw no mention of a discussion about column III (*Steelhead* at para 93; *ViiV* at paras 179-181).

[35] I am not prepared to grant Teva's request for elevated costs, i.e., in excess of the Tariff, representing 50% or 37.5% of its actual legal fees, as I am satisfied that the circumstances do not warrant it. I am also satisfied that the current Tariff amounts under the Rules provides a level of indemnification sufficient to adequately reflect the actual costs incurred in the conduct of the litigation (*Syntex* at para 4) and to further the purposes of costs awards for intellectual property disputes (*Bauer* at paras 10-11).

[36] Teva cites a number of cases where this Court awarded costs at the upper end of column V in complex patent litigation. However, I do not find that sufficient justification has been presented by Teva to compel me to make an award under column V.

[37] Lilly has not satisfied me that the jurisprudence accepting column IV as being reasonable and appropriate in intellectual property actions cannot apply to patent litigations that proceeds by way of a motion for summary trial. I note that, per Rule 407, column III is the level of costs that applies unless the Court decides otherwise and that the case law has found that it is often deemed inappropriate as it is only intended to provide partial indemnification for "cases of average or usual complexity" (*Allergan* at para 25). *The* assessment of the various factors found in Rule

400(3) often point to the upper end of column IV as being an appropriate level of costs in cases involving patent disputes (*Shire; Allergan* at para 26; *Guest Tek* at para 18). These factors include “greater than average complexity, sophisticated parties, legal bills far in excess of what is contemplated by Column III of Tariff B, and ‘giving parties an incentive to litigate efficiently’” (*Allergan* at paras 25-26, citing *Seedlings* at para 4). Accepting Lilly’s argument of some sort of a norm being fixed at column III for summary trials in intellectual property would entail, in addition to encroaching on the Court’s discretion, assuming that summary trials in intellectual property are, by default, of average complexity. While summary trials may mitigate the considerations highlighted by the Chief Justice in *Allergan*, I have not been convinced that they necessarily or always completely diminish the complexity of a pharmaceutical patent litigation to the point that these 400(3) factors cannot be considered and found to be present.

[38] In light of the Rule 400(3) factors considered above, I will be guided by the amounts calculated under the upper end of column IV as I find they provide adequate compensation.

[39] I agree with Lilly that some of the items are unrecoverable. Considering the parties’ Bill of Costs in evidence and their representations, and deducting the costs for the hearsay motion, I will establish the final award of costs at \$80,000.00 tax inclusive.

D. *Disbursements*

[40] Teva seeks total disbursements of \$44,783.77, inclusive of tax, and Lilly does not contest the amount claimed.

[41] I am satisfied that Teva's claimed disbursements were actually incurred and reasonable. Accordingly, I will award Teva disbursements of the amount of \$44,783.77, inclusive of tax.

V. Conclusion

[42] For the aforementioned reasons, I will thus award Teva total costs of \$124,783.77 inclusive of all fees, disbursements, and tax.



**ORDER IN T-1631-16**

**THIS COURT'S ORDER is that:**

1. The costs of the hearsay motion payable to Lilly are deducted from the cost award payable to Teva on the summary trial.
2. Teva is awarded total costs of \$124,783.77 inclusive of all fees, disbursements, and tax.
3. No costs are awarded on this Order for costs.

"Martine St-Louis"

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Judge

**FEDERAL COURT**

**SOLICITORS OF RECORD**

**DOCKET:** T-1631-16

**STYLE OF CAUSE:** ELI LILLY CANADA INC., ELI LILLY AND COMPANY, LILLY DEL CARIBE, INC., LILLY, S.A. v ICOS CORPORATION v TEVA CANADA LTD.

**PLACE OF HEARING:** HELD BY VIDEOCONFERENCE

**DATE OF HEARING:** OCTOBER 18, 2021

**PUBLIC ORDER AND REASONS:** ST. LOUIS J.

**DATED:** JUNE 8 2023

**APPEARANCES:**

Jamie Mills  
Chantal Saunders  
Beverley Moore  
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