Federal Court  Cour fédérale

Date: 20231102

Dockets: T-1441-20
T-558-22

Citation: 2023 FC 1464

BETWEEN:

JANSSEN INC. and JANSSEN PHARMACEUTICA N.V.

Plaintiffs

and

PHARMASCIENCE INC.

Defendant

PUBLIC REASONS FOR ASSESSMENT

(The parties were canvassed about redactions for my Confidential Reasons for Assessment issued on September 28, 2023, and I was advised on October 27, 2023, that no redactions are required.)

GARNET MORGAN, Assessment Officer

I. Overview

[1] This assessment of costs is related to the Federal Court's Public Judgment and Reasons (2022 FC 1218) dated August 23, 2022, which stated the following regarding costs (at page 64):

> 5. Janssen is awarded 25% of reasonable legal fees and 100% of reasonable disbursements, exclusive of any motions for which costs have been fixed including the motion for summary trial in Court file no. T-1441-20, with the following limitations:

> a) the fees of Dr. Ereshefsky and Dr. Chue are reduced by 25%;
>
> b) No fees are awarded for Dr. Gobburu, and costs are awarded to Pharmascience for all reasonable costs thrown away given the last minute failure to call him as a witness at the trial.
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> 6. Within 45 days of receiving this decision, the Parties will endeavour to agree on a reasonable costs quantum in accordance with the foregoing parameters, failing which the costs shall be assessed by an assessment officer in accordance with these reasons and judgment.

[2] In addition, at paragraph 178 of the Public Judgment and Reasons dated August 23, 2022, the following instructions were provided to the Assessment Officer conducting the assessment of costs for these files:

> [178] Having carefully considered the parties' written representations and relevant case law, and the nature of the evidence tendered by the witnesses at trial, as well as the conduct of the witnesses during the trial, I find as follows:
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> > The Plaintiffs are hereby awarded a lump sum of 25% of all reasonable legal fees plus 100% of all reasonable disbursements and taxes, and any dispute about reasonableness of those fees and disbursements shall be determined by an assessment officer if no agreement is reached within 45 days from the issuance of this decision, with the following limitations to be accounted for:
> >
> > i. The fees of Dr. Ereshefsky and Dr. Chue are reduced by 25%. As stated in my reasons above, there was inconsistent evidence given by each of these witnesses having regard to their previous testimony in related proceedings and at times their testimony was not forthcoming when it should have been.

ii. No fees are awarded for Dr. Gobburu, and costs are awarded to Pharmascience for all reasonable costs thrown away given the last minute failure to call him as a witness at the trial;

iii. Post-judgment interest shall be calculated at 2.5%;

II. Documentation

[3] The Plaintiffs, Janssen Inc. and Janssen Pharmaceutica N.V. [hereafter referred to as Janssen] initiated a request for an assessment of costs by filing a list of costs on November 10, 2022.

[4] On November 15, 2022, and February 23, 2023, directions were issued to the parties regarding the filing of additional documents for the assessment of costs to be dealt with in writing.

[5] The court record (hard copy file and computerized version) shows that the following documents were filed by the parties for this assessment of costs:

a) On January 13, 2023, Janssen filed a Book of Authorities, and a confidential costs record containing a revised list of costs; an Affidavit of Mary Mutchler, sworn on January 12, 2023 (Mutchler Affidavit #1); and Written Submissions of Janssen Inc. and Janssen Pharmaceutica N.V. Re Assessment of Costs (Janssen's Submissions).

b) On March 3, 2023, the Defendant, Pharmascience Inc. [hereafter referred to as Pharmascience], filed a Book of Authorities, and a confidential costs record containing an Affidavit of Jennifer Nahorniak, sworn on March 3, 2023 (Nahorniak Affidavit); and Confidential Responding Written Submissions of Pharmascience Inc. (Pharmascience's Submissions);

c) On March 31, 2023, Janssen filed a Supplemental Book of Authorities, and a confidential reply costs record containing a Supplemental Affidavit of Mary Mutchler, sworn on March 30, 2023 (Mutchler Affidavit #2); and Confidential Reply Costs Submissions of Janssen Re Assessment of Costs (Janssen's Reply).

III. Assessment of Costs

[6] Janssen has requested a cumulative total of "$774,178.79 in costs (inclusive of fees, disbursements, and HST for both actions), plus post-judgment interest in the quantum of 2.5%, beginning from the date of the Judgment of August 23, 2022." In support of these costs, it is submitted that intellectual property cases "often involve increased costs due to the amount of work required of counsel" and that Janssen's expenditures reflect the seriousness it places on its intellectual property rights. Janssen asserts that its claims are reasonable and that the only issue left to determine is whether they accord with the Court's Judgment that "awarded 25% of its reasonable legal fees and 100% of its reasonable disbursements exclusive of motions which already had costs fixed, such as the summary trial motion." To support the allowance of Janssen's costs, paragraphs 400(3)(a)(c) and (g) of the *Federal Courts Rules*, SOR/98-106 [FCR] and the case law: *Consorzio del Prosciutto di Parma v Maple Leaf Meats Inc*, 2002 FCA 417 [*Consorzio*] at paragraph 6; *Philip Morris Products SA v Marlboro Canada Limited*, 2015 FCA 9 at paragraph 4; *Seedlings Life Science Ventures, LLC v Pfizer Canada ULC*, 2020 FC 505 [*Seedlings*] at paragraphs 13-16; *Bauer Hockey Ltd v Sport Maska Inc (CCM Hockey)*, 2020 FC 862 [*Bauer*] at paragraph 24; *Hospira Healthcare Corporation v Kennedy Trust for Rheumatology Research*, 2018 FC 1067 [*Hospira*] at paragraph 24; were cited (Janssen's Submissions at paras 2, 9, 13, 17-19, 22-23).

[7] In response, Pharmascience countered that “Janssen’s materials improperly presume that all of its claimed legal fees and disbursements are reasonable. However, Janssen has provided no evidence that any of the costs it seeks to recover are reasonable, essential, or were prudently incurred.” Pharmascience submitted that Janssen did not follow the Court’s Judgment and Reasons dated August 23, 2022, and has claimed similar and unreasonable legal fees and disbursements without any evidence, and that some of the issues dealt with in file T-353-18 are echoed within these files (*Janssen Inc v Teva Canada Limited*, 2020 FC 593 [*Teva #1*] at paras 95-97, 124-163, 164-224, 233-290; and 2022 FC 269 [*Teva #2*] at paras 20-21). The problematic claims identified by Pharmascience pertain to the summary trial; reviewing material from other cases; experts’ hourly rates, services, publications, and travel; preparing witness evidence; docket entries; discovery preparations; pleadings for file T-558-22; and the renting of a conference room. Pharmascience has requested that these claims be either reduced or disallowed totalling $334,742.00, leaving a balance of $439,436.79 to be reimbursed to Janssen (Pharmascience’s Submissions at paras 39-41, 43-52, 55-58, 60-62, 64-66, 70-76, 78-85, 87-100, 102-119).

[8] In reply, Janssen submitted that Pharmascience has erroneously stated that no evidence was provided and that its submissions and affidavits meet the precedential requirements for evidence and cited *Nova Chemicals Corporation v Dow Chemical Company*, 2017 FCA 25 [*Nova*] at paragraph 18, and *Teva #2* at paragraph 9, in support of its assertion of compliance. Concerning the various claims that Pharmascience argued should be reduced or disallowed, Janssen replied that most of the costs were relevant and reasonable but conceded that some costs should be deducted. For the summary trial held on November 10, 2021, Janssen conceded that

costs totalling $1,605.36 should be deducted. For the time spent reviewing files T-353-18, T-558-22, and related proceedings in the United States of America, Janssen conceded that claims totalling $1,147.05 should be deducted. For the expert related expenses, Janssen reduced the fees for Dr. Ereshefsky by $5,726.81 to account for the recalculation of the USD currency exchange rate and the lowering of the hourly rate to align with Janssen's senior counsel's hourly rate. For docket entries, Janssen conceded that a deduction of $1,031.59 would be appropriate. Lastly, for the various costs surrounding witnesses, Janssen conceded that additional costs in relation to Dr. Gobburu and witnesses for the summary trial should be deducted totalling $876.18. Taking the various deductions into account, including the "costs claimed by PMS in relation to work for Dr. Gobburu, Janssen submits that its total recoverable costs amount is $715,634.72 plus post-judgment interest" (Janssen's Reply at paras 2-5, 7-17, 21-27, 29, 31-33, 39-46; Mutchler Affidavit #2 at paras 2, 7).

[9] Although Janssen has conceded to deductions of $58,544.07 from its initial request of $774,178.79, there is still a substantial difference ($276,197.93) in the quantum of costs proposed by Pharmascience at $439,436.79, and Janssen at $715,634.72. Given this substantial difference, I will review the problematic claims highlighted by Pharmascience in greater detail to determine if they align with the instructions found at paragraph 178 of the Court's Public Judgment and Reasons dated August 23, 2022 (cited at para 2 (above)). My review of these claims will take into consideration existing costs case law, which highlights that expenditures should be justified in relation to the issues at trial, and that although a detailed accounting of claims may not be required, the burden is on Janssen "to provide evidence as to what work was performed, what that work involved, that it relates to this action, and that it was reasonable"

(*Teva #*2 at paras 9-10; *Nova* at paras 18 and 20; *Crocs Canada, Inc v Double Diamond Distribution Ltd*, 2023 FC 184 at paras 9-12). Concerning the reasonableness of claims, the Court has noted that it is "inherently difficult" to "second-guess strategic litigation choices made by the parties;" and that "[w]hat is at stake may be different, or have a different value, for each party" (*Seedlings* at paras 15-16). This having been noted, in *Carlile v Canada (Minister of National Revenue - MNR)*, [1997] FCJ No 885 [*Carlile*] at paragraph 26, the Assessment Officer stated the following regarding having "less than exhaustive proof" for assessments of costs:

> 26. […] Taxing Officers are often faced with less than exhaustive proof and must be careful, while ensuring that unsuccessful litigants are not burdened with unnecessary or unreasonable costs, to not penalize successful litigants by denial of indemnification when it is apparent that real costs were indeed incurred. This presumes a subjective role for the Taxing Officer in the process of taxation. My Reasons dated November 2, 1994, in T-1422-90: Youssef Hanna Dableh v. Ontario Hydro cite, [1994] F.C.J. No. 1810, at page 4, a series of Reasons for Taxation shaping the approach to taxation of costs. Dableh was appealed but the appeal was dismissed with Reasons by the Associate Chief Justice dated April 7, 1995, [1995] F.C.J. No. 551. I have considered disbursements in these Bills of Costs in a manner consistent with these various decisions. Further, Phipson On Evidence, Fourteenth Edition (London: Sweet & Maxwell, 1990) at page 78, paragraph 4-38 states that the "standard of proof required in civil cases is generally expressed as proof on the balance of probabilities". Accordingly, the onset of taxation should not generate a leap upwards to some absolute threshold. If the proof is less than absolute for the full amount claimed and the Taxing Officer, faced with uncontradicted evidence, albeit scanty, that real dollars were indeed expended to drive the litigation, the Taxing Officer has not properly discharged a quasi-judicial function by taxing at zero dollars as the only alternative to the full amount. Litigation such as this does not unfold solely due to the charitable donations of disinterested third persons. On a balance of probabilities, a result of zero dollars at taxation would be absurd.
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> […]

[10] Further to the guidance provided in the *Carlile* decision, for my assessment of Janssen's costs, I will utilize the parties' costs documents, the court record, the FCR and any relevant case law to ensure that any costs that are allowed were reasonable (Public Judgment and Reasons dated August 23, 2022, at para 178 and p 64). It is important for me to highlight though, that in my role as an Assessment Officer, I must avoid "stepping away from a position of neutrality to act as the litigant's advocate," hence it is not my role to substitute absent submissions for a party due to procedural fairness (*Dahl v Canada*, 2007 FC 192 at para 2).

A. *Summary trial*

[11] Concerning the claims for the summary trial, I find that Janssen's deduction of $1,605.36 from its claims takes into consideration the concerns raised by Pharmascience, with the remaining claims being reasonable legal fees (Pharmascience's Submissions at para 44; Nahorniak Affidavit at exhibit KK; Janssen's Reply at paras 7-8, 10). I do not find it unreasonable that some of Janssen's fees pertain to the post-judgment strategy to be taken by counsel depending on the results of the summary trial (Janssen's Reply at paras 12-14). These services were pertaining to Janssen's overall litigation strategy and not directly pertaining to the summary trial and I find it reasonable for these fees to be allowed. All of the fees directly pertaining to the services performed by counsel for the summary trial have been satisfactorily removed by Janssen. Therefore, I have determined that it is reasonable to allow Janssen's recalculated claims as requested (Mutchler Affidavit #2 at exhibit A).

B. *Reviewing material from other cases*

[12] Concerning the claims for the review of material from other cases, I find that Janssen's deduction of $1,147.05 from its claims takes into consideration the concerns raised by Pharmascience, with the remaining claims being reasonable legal fees (Pharmascience's Submissions at para 45; Nahorniak Affidavit at exhibit KK; Janssen's Reply at para 15). I have reviewed paragraphs 20-21 of the Court's Judgment and Reasons for file T-353-18 (*Teva #2*) and I did not find that the Court made parallel observations regarding inefficient or duplicative services in its Public Judgment and Reasons dated August 23, 2022, for these particular files (Pharmascience's Submissions at para 46; Public Judgment and Reasons dated August 23, 2022, at para 178 and p 64). My review of the Court's Public Judgment and Reasons dated August 23, 2022, found that several references were made to other related cases (T-353-18, T-455-20, T-553-22) (at paras 38, 41, 51). In addition, I find it relevant that Pharmascience referred to related cases in its arguments, as this added an element of necessity for Janssen's review of other cases (Janssen's Reply at paras 17-18 and 20). Some intellectual property proceedings may have overlapping issues with other proceedings, especially with those that may involve the same or similar types of patents and/or trademarks, and I find it reasonable that Janssen reviewed other related cases, or cases of interest, to thoroughly prepare its arguments for these intellectual property proceedings. In addition, I also find it reasonable that multiple counsel reviewed similar material, allowing for a shared workload and obtaining varying perspectives. Also, Pharmascience did not provide a suggestion as to how many counsel would be acceptable for reviewing material. Having considered the aforementioned facts, I find that Janssen's review of other cases was prudent and necessary to thoroughly prepare its litigation for these particular proceedings, which is reflected in Janssen being the successful party in these intellectual

property proceedings. Therefore, I have determined that it is reasonable to allow Janssen's remaining fees for the review of material from other cases as requested.

C. *Expert related expenses*

[13] Concerning the claims related to experts, I find that Janssen's deduction of $5,726.81 from Dr. Ereshefsky's expert services total takes into consideration the concerns raised by Pharmascience regarding the currency exchange rate and his hourly rate (Pharmascience's Submissions at para 94; Janssen's Reply at paras 41, 46). In addition, Janssen deducted $876.18 for costs related to witnesses for the summary trial and Dr. Gobburu's services (Janssen's Reply at para 22). The remaining expert fees and disbursements highlighted by Pharmascience will be expanded upon in greater detail under the following four headings: hourly rates, expert related services, expert publications, and travel.

(1) Hourly rates

[14] Pharmascience submitted that the hourly rates for the expert services of Dr. Ereshefsky and Dr. Chue should be reduced to a more reasonable rate (Pharmascience's Submissions at paras 91-93). Pharmascience has argued that Janssen did not provide any justifications regarding the reasonableness of its experts' rates "particularly considering the Court found both experts suffered credibility issues" and cited *AlliedSignal Inc v DuPont Canada Inc*, [1998] FCJ No 625 at paragraph 77, in support of its arguments. In reply, Janssen submitted that its "experts had more relevant experience in the issues they were asked to opine on," and that the Court's decision was devoid of positive references regarding Pharmascience's experts' evidence. Janssen

also noted that Dr. Ereshefsky's hourly rate, including the currency exchange rate, were recalculated to not exceed the hourly rate of Janssen's senior counsel (Janssen's Reply at paras 40-41, 46).

[15] My review of the Court's Public Judgment and Reasons dated August 23, 2022, did not reveal that the Court or the parties had any issues regarding the qualifications of the experts. The Court did make some observations regarding inconsistent evidence given by Dr. Ereshefsky and Dr. Chue but did not conclude that this evidence should be considered partially or totally inadmissible (at paras 77 and 82). Further to these observations though, the Court did reduce the expenditures related to Dr. Ereshefsky and Dr. Chue by 25% each (Public Judgment and Reasons dated August 23, 2022, at para 178).

[16] I am in agreement with Pharmascience regarding the importance of an expert's years of experience within a certain field of work. This being noted, I am also in agreement with Janssen regarding the importance of an expert's experience in dealing with a specific area within a certain field of work. Although Janssen's experts had fewer years of experience, they had experience in a specific area that Pharmascience's experts did not have, which was relevant at the trial hearing (Janssen's Reply at para 40; Public Judgment and Reasons dated August 23, 2022, at paras 85, 89 and 157). In *Abbott Laboratories Ltd v Canada (Minister of Health)*, 2009 FC 399 [*Abbott*] at paragraphs 48-49, the Assessment Officer stated the following regarding an expert's specific qualifications and hourly rates:

> [48] Several factors are found in the jurisprudence and have been put before me to help assess experts' fees. These different manners all seem to provide formulas, the application of which would effectively equalize experts' fees. Considering the different

> mandates for which experts are called before the Federal Courts and with no specific directions from the Court in this case, I find it difficult to benchmark the hours billed or the rates per hour charged by the experts called to testify. Each expert has an explicit mandate which calls for specific qualifications. In taking the approach of comparing one with the other, we lose sight of the different circumstances of each file.
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> [49] The approach consisting of not paying experts a higher rate than the senior counsel on file is quite tempting but considering the variation in legal fees across the country, it may be seen as disproportionately benefiting parties represented by counsel in larger municipalities and it should be applied with careful consideration. Also, I have reviewed the decision of the Court in *Bristol-Myers Squibb Canada Co. v. Apotex Inc.* (2009 FC 137) as submitted by counsel for the applicants subsequent to the hearing. I recognize that fees allowed for one particular expert should not be disproportionately large when compared to the fees charged by another expert. However, in my view and in the circumstances of this case, there is no need to determine whether one of these approaches should be adopted.

[17] Utilizing the *Abbott* decision as a guideline, I find that Janssen's experts had specific qualifications that were relevant for the trial hearing, which Pharmascience's experts did not have. Concerning the experts differing hourly rates, for greater transparency, Pharmascience could have provided the hourly rate for both of its experts. In the absence of this information, it is difficult for me to determine if both of Janssen's experts' fees were disproportionately higher than both of Pharmascience's experts' fees (*Guest Tek Interactive Entertainment Ltd v Nomadix, Inc*, 2021 FC 848 [*Guest Tek*] at para 64). This having been noted, I find that Janssen's adjustments of the currency exchange rate and the hourly rate for Dr. Ereshefsky's services to not exceed Janssen's senior counsel's hourly rate were attempts to address some of the concerns raised by Pharmascience. In *Iamgold Corporation v Hapag-Lloyd AG*, 2020 FC 610 [*Iamgold*] at paragraphs 40-43, the Court stated the following regarding expert fees and hourly rates:

> [40] With respect to the proposed hourly rate cap, Hapag-Lloyd relies on *Eli Lilly Canada Inc v Apotex Inc*, 2015 FC 1165 at paragraph 18, and the cases cited therein:
>
> > [18] Apotex has contested that amounts claimed by several of Lilly's experts (which in some cases appear to exceed $1000.00 per hour) and in reply Lilly has conceded that it would be appropriate to limit expert fees at the amount charged by senior counsel for similar time involvement, as has been done in other cases (see, for example, *Teva Canada* at para 116; *ABB Technology AG v Hyundai Heavy Industries Co., Ltd*., 2013 FC 1050 at para 10). I concur that this is appropriate and accordingly find that expert fees should be capped at the amount charged by senior counsel for similar time involvement.
>
> [41] I accept the merits of this approach in cases where there is need to place a limit on expert fees charged at what could be considered excessive hourly rates. However, I agree with the Plaintiffs' submission that there is no principle of general application that expert hourly rates cannot exceed that of a party's most senior counsel. As the Plaintiffs submit, such a rule could have adverse consequences, as it could penalize parties who are content to assign work to more junior or otherwise less expensive counsel and motivate choices that increase the cost of litigation.

[18] Having considered the aforementioned facts and the guidance provided in *Abbott* and *Iamgold*, I have determined that Pharmascience has not provided sufficient justification for a further reduction of Janssen's experts' hourly rates beyond the adjustments already made, and that to do so would unfairly penalize Janssen. Therefore, Janssen's experts' (Dr. Ereshefsky and Dr. Chue) hourly rates will not be reduced any further than the adjustments already made by Janssen.

(2) Expert related services

[19] Pharmascience has submitted that there is a duplication of expert related services between these files and file T-353-18, and that no evidence was provided to support the excessive fees related to the services of Dr. Ereshefsky, Dr. Chue, and Dr. Gobburu. Pharmascience has argued that previously hired experts could have been utilized again; and requested that the fees for experts who did not testify at the trial be disallowed (Pharmascience's Submissions at paras 48-51, 54-57, 60-76; *Adir v Apotex Inc*, 2008 FC 1070 at para 22; *Sanofi-Aventis Canada Inc v Novopharm Limited*, 2009 FC 1139 [*Sanofi-Aventis*] at para 17).

[20] In reply, Janssen submitted that "it is common practice to have more than one counsel be involved in the preparation of expert witnesses and their evidence," and that it is unreasonable to compare the amount of time spent by counsel to draft/revise expert reports with the amount of time experts spent doing the same tasks, and cited *Medimmune Ltd v Novartis Pharmaceuticals UK Ltd*, [2011] EWHC 1669 (Pat) [*Medimmune*] at paragraph 110, in support of this argument. Janssen replied that it was reasonable to have more than one expert opine on the same issues and that the Court "referred positively to both experts' evidence in his decision and ultimately agreed with Janssen on all issues, clearly finding Drs. Chue and Ereshefsky's evidence helpful in making a final determination on validity." Janssen disagreed with Pharmascience's position that an expert from another successful proceeding should have been hired again to reduce costs; and submitted that the counsel's work to find appropriate expert witnesses should be recoverable (Janssen's Reply at paras 22-26, 28-29; *Hospira* at para 24).

[21] In addition to the parties' documents filed for this assessment of costs, I also reviewed the parties' costs documents filed on August 3, 2022, which were for the Court's consideration, and I found that the issue of expert witnesses was raised before the Court. In particular, Pharmascience's submissions discussed issues such as unhelpful and unnecessary evidence, wasted resources, and the recycling of evidence, and requested that Janssen's costs be either unrecoverable or significantly reduced by the Court. Similar issues have been raised by Pharmascience for this assessment of costs, albeit in more detail.

[22] As I stated earlier these Reasons (at para 12), some intellectual property proceedings may have overlapping issues with other proceedings, especially with those that may involve the same or similar types of intellectual property. Although there are some interrelated issues between these files and file T-353-18, I did not find that Janssen's claims for this assessment of costs were unwarranted. I find it reasonable that Janssen's experts reviewed previously prepared reports to prepare their reports for these proceedings, and that counsel spent more time incorporating information from the experts' reports into written and oral material for use in the litigation of these proceedings (*Medimmune* at para 110). In addition, I did not find that the Court made parallel observations in these files similar to the Judgment and Reasons for file T-353-18 (*Teva #2*) regarding inefficient or duplicative services being areas of concern that I should address.

[23] I find that in relation to the expert services of Dr. Ereshefsky, Dr. Chue, and Dr. Gobburu, the Court already assessed the value of these services, which was done with the use of the parties' costs documents filed on August 3, 2022 (*Carruthers v The Queen, [1983] 2 FC 350*

at para 5; *Rothmans, Benson & Hedges Inc v Imperial Tobacco Ltd* (1993), 50 CPR (3d) 59 at [*Rothmans*] at para 13). The Court's Public Judgment and Reasons dated August 23, 2022, reduced the costs related to the expert services of Dr. Ereshefsky and Dr. Chue by 25%, and no fees were awarded in relation to Dr. Gobburu's services, with costs being awarded to Pharmascience for all reasonable costs thrown away. I have reviewed the case law regarding assessing expert services from the perspective of hindsight and I find it difficult to negate the necessity of the expert services claimed by Janssen without a clear indication from the Court that there were issues with how these services were delivered and/or presented to the Court, similar to the Court's determination in *Teva #2* (*Hospira* at para 24; *Seedlings* at paras 13-17 and 31; *Bauer* at para 24; *Abbott* at paras 20-21; *Guest Tek* at para 64; *Peerless Ltd v Aspen Custom Trailers Inc, 2010 FC 618 at para* 37; *MK Plastics Corporation v Plasticair Inc*, 2007 FC 1029 at paras 34-37). Having considered the aforementioned facts and case law, I do not find that sufficient justification was provided by Pharmascience for me to disallow or reduce the costs for Janssen's expert related services beyond the percentages already imposed by the Court in the Public Judgment and Reasons dated August 23, 2022 (at para 178 i.), except for the fees related to experts who did not testify at the trial. Therefore, I have determined that the expert related expenses for Dr. Ereshefsky, Dr. Chue, and Dr. Gobburu, shall remain at the indemnification levels (percentages) determined by the Court (Dr. Ereshefsky (75%); Dr. Chue (75%); Dr. Gobburu (0%)).

(a) *Expert related services (experts who did not testify at the trial)*

[24] I am in agreement with Pharmascience's argument that the costs for experts who did not testify at trial should be disallowed, which is consistent with the Court's position on this issue

(Public Judgment and Reasons dated August 23, 2022, at para 178 ii.). As I noted earlier in these Reasons (at para 8) Janssen has removed some witness costs totalling $876.18, which were highlighted at exhibit MM of the Nahorniak Affidavit, but I also find that the costs associated with Janssen's vetting of potential experts should also be deducted. Janssen had the discretion to vet as many experts as it chose to, but I only find it reasonable for the experts that were selected to provide services for these proceedings to be eligible for reimbursement by Pharmascience (*Consorzio* at paras 7-8; *Sanofi-Aventis at* para 17; *Hoffman-La Roche Limited v Apotex Inc*, 2013 FC 1265 at paras 37-46). In addition to the 9.5 entries removed by Janssen, I found an additional 23 entries for the vetting of potential experts, which should be deducted (Nahorniak Affidavit at exhibit MM; Mutchler Affidavit #1 at exhibit A). These additional deductions total $3,198.58, which is 25% of the total amount. Therefore, a cumulative total of $4,074.76 will be deducted from Janssen's overall costs total.

(3) Expert publications

[25] Pharmascience has questioned Janssen's inclusion of costs related to retrieving expert publications for its own experts and has requested a deduction of $8,672.98. Pharmascience has submitted that the publications were not plead as prior art or filed as trial exhibits and questioned why the experts did not supply their own articles to Janssen. Pharmascience also noted that a similar situation occurred in file T-353-18 (Pharmascience's Submissions at paras 98-100; *Teva #2* at para 23). In reply, Janssen noted that Pharmascience cross-examined Dr. Chue regarding statements made within his publications, therefore, the purchases were reasonable (Janssen's Reply para 42).

[26] I have reviewed the Court's Public Judgment and Reasons dated August 23, 2022, and it did not reveal that the Court had raised any concerns regarding the unnecessary purchase of expert publications for these particular files. I have considered the parties' positions and I find it reasonable that Janssen ordered its experts' published journal articles from official sources for trial preparation and strategy (Janssen's Submissions at para 39; Mutchler Affidavit #1 at exhibits K and L). In the absence of a Court direction or decision precluding Janssen from indemnification for the purchase of its expert publications, or alternatively, any unknown case law from Pharmascience to support the disallowance of costs for publications not plead or filed as exhibits, I find that Janssen is entitled to its costs. This having been found, I also find that although the publications may have been purchased for these particular files, they can become part of the law firm's library for future research, if needed. I therefore find that these publications can partially be considered office overhead for future use. Hence, I have determined that it is reasonable to allow 75% of Janssen's expenses for expert publications for a total of $6,504.74. The remaining balance of $2,168.24 will be deducted from Janssen's overall costs total.

(4) Travel

[27] Pharmascience has submitted that Janssen has claimed excessive travel expenses for its experts, similar to the Court's finding in *Teva #2* at paragraph 23. Pharmascience has questioned the necessity of the experts' travel when videoconferencing was an option, and the class of travel selected (business class vs. economy class) (Pharmascience's Submissions at paras 102-108; *Bayer AG v Novopharm Ltd*, 2009 FC 1230 [*Bayer*] at para 72). In reply, Janssen countered that Dr. Chue travelled from/to international locations because of other scheduled business and that

travel case law supports booking business class flights for international flights over six hours in duration (Janssen's Reply at paras 43-44; *Bayer* at para 72).

[28] I reviewed the court record and did not find any Court decisions or directions that precluded the parties from having in-person meetings with their respective experts. I find that in the absence of a Court decision or direction mandating that videoconferencing or teleconferencing should be utilized, that it was reasonable for Janssen to meet in-person with its respective experts (*Bayer* at paras 72-73; *Rothmans* at para 12; *Leo Pharma Inc v Teva Canada Limited*, 2016 FC 107, at para 38: *Twentieth Century-Fox Film Corp v Canada*, [1987] FCJ No 380). Given the importance of the testimonies of Dr. Ereshefsky and Dr. Chue, I find it acceptable that they travelled to Toronto, Ontario to meet with counsel, instead of possibly having multiple counsel travel to meet with them.

[29] I have taken note that Dr. Chue works in Canada and that his trip to Toronto coincided with an international trip, which increased the amount of his travel expenses. Janssen did not provide an explanation as to why Dr. Chue arrived from, and departed to, different locations in Europe. It is noted though, that Dr. Chue only travelled once to Toronto, in comparison to Dr. Ereshefsky who travelled twice. This all being noted, I do find that the experts' travel meet the requirements for business travel from international locations but I find that the lack of specification regarding Dr. Chue's travel to be problematic (*Bayer* at para 73; *Novopharm Limited v Eli Lilly and Company*, 2010 FC 1154 at para 9). I have determined that Dr. Ereshefsky's and Dr. Chue's travel was necessary, but in the absence of more fulsome submissions regarding the specifics of Dr. Chue's travel, I do not find that full indemnification

has been satisfactorily supported for this particular claim. Therefore, Dr. Ereshefsky's travel expenses will be allowed as claimed, and Dr. Chue's travel expenses will be reduced by an additional 25% ($2,564.41) from Janssen's claimed disbursement, which will be deducted from Janssen's overall costs total.

D. *Preparing witness evidence*

[30] Pharmascience has submitted that Janssen spent an excessive amount of time preparing the evidence for its three fact witnesses who had already testified in a related proceeding (T-353-18). Pharmascience has submitted that "[t]he inventors' story and their fact evidence should not have changed between this proceeding and Teva Paliperidone and should not have required more than 350 hours to prepare." Pharmascience has requested that Janssen's fees be reduced by 80% based on the duplication of work and the lack of explanation that the hours claimed were necessary (Pharmascience's Submissions at paras 70-76). In reply, Janssen submitted, "[g]iven that over two years had elapsed since the Teva Paliperidone proceeding it was reasonable that each fact witness affidavit from that proceeding had to be reviewed closely to determine if any statements needed further clarification or elaboration, and each witnesses [sic] had to be prepared once again for a different trial." Janssen also submitted that Pharmascience selected an arbitrary percentage of 80% and requested that no reductions be made (Janssen's Reply at para 32).

[31] Similar to my earlier assessment regarding Janssen's expert related services (these Reasons at paras 21-23), I find it difficult to negate the necessity of the services related to Janssen's fact witnesses without a clear indication from the Court that there were issues with how these services were delivered and/or presented to the Court, similar to the Court's

determination in *Teva #2*. Pharmascience raised the issue of recycled fact evidence for these particular files in its costs documents, which were for the Court's consideration and the Court did not highlight any concerns in the corresponding Public Judgment and Reasons dated August 23, 2022 (at paras 177 vi, 178, and p 64). My review of the Public Judgment and Reasons revealed that the Court found all of Janssen's fact witnesses (Dr. Vermeulen; Dr. Gopal; and Dr. Samtani) to be credible and their evidence was not found to be unnecessary or superfluous by the Court (at paras 60, 63, 67, 178). Although there are some interrelated issues between these files and file T-353-18, I find that Janssen's explanation that the two-year gap between the proceedings required a new review of the witnesses' evidence for a different trial to be a reasonable explanation. Therefore, further to my consideration of the aforementioned facts, and having taken note that the Court had "carefully considered the parties' written representations and relevant case law, and the nature of the evidence tendered by the witnesses at trial, as well as the conduct of the witnesses during the trial" and did not highlight any concerns, I have determined that it is reasonable to allow Janssen's claims for its fact witnesses as requested (Public Judgment and Reasons dated August 23, 2022, at para 178).

E. *Docket entries*

[32] Pharmascience has questioned the consistency of Janssen's approach in reducing the minutes of meetings that should not be claimed and has requested a reduction of $1,754.30 from these fees (Pharmascience's Submissions at para 78-80; Nahorniak Affidavit at exhibit QQ). In reply, Janssen has acknowledged that some of its docket entries should have had additional reductions related to the summary trial totalling $1,031.59 (Janssen's Reply at para 33; Mutchler Affidavit #2 at exhibit F). I have considered the parties' proposed deductions and I am satisfied

that Janssen has conducted an additional review of its docket entries, which has taken into consideration the issues raised by Pharmascience. I have therefore determined that Janssen's additional deductions totalling $1,031.59 are approved, with the remaining claims being allowed as requested.

F. *Discovery preparations*

[33] Pharmascience has requested that Janssen's fees be reduced by an additional 5% for conducting discovery in a disproportional manner on issues that were irrelevant to the invalidity trial. Pharmascience has submitted that Janssen's invoices lack details regarding the discovery process, which the Court had raised concerns about at a refusals motion heard on September 29, 2021 (Pharmascience's Submissions at paras 81-85). In reply, Janssen countered that it was prudent for counsel "to ask any and all questions on infringement"; that its docket entries clearly laid out the activities performed; and that Pharmascience did not specify which docket entries lacked sufficient details (Janssen's Reply at paras 35-36).

[34] I have read the excerpts from the transcript of hearing from the refusals motion heard on September 29, 2021, and I have taken note that the Court and Janssen's counsel had back-and-forth conversations regarding some of Janssen's questions (Pharmascience's Submissions at para 84; Nahorniak Affidavit at exhibit V). I have also read the Court's two Orders dated November 1, 2021, rendered in relation to the parties' respective refusals motions heard on September 29 and October 5, 2021, and I did not find that the Court highlighted any particular concerns with Janssen's conduct during the refusals motions or about the discovery process as a whole. Additionally, no costs were awarded to either party, which can sometimes be used by the Court

to show displeasure with a party's conduct (*Glaxo Group Ltd v Novopharm Ltd*, [1999] FCJ No 1595 at para 31). Also, in the Court's Public Judgment and Reasons dated August 23, 2022, rendered in relation to the trial hearing, I did not find that the Court raised any significant issues in relation to the discovery process for these files (at paras 75-76).

[35] Further to my consideration of the aforementioned facts, I have determined that Janssen's discovery services were necessary for its assembling of information for the litigation of these intellectual property proceedings. I am in agreement with Janssen that it was difficult to determine what specific services Pharmascience wanted reduced and/or disallowed and why a 5% reduction was proposed. Nor was any case law provided to support Pharmascience's proposals. Hence, Janssen's discovery fees will be allowed as requested.

G. *Pleadings for file T-558-22*

[36] Pharmascience has submitted that Janssen's costs for the preparation of pleadings for file T-558-22 are excessive, as the pleadings are identical with file T-1441-20, and cited *Alcon Canada Inc v Cobalt Pharmaceuticals*, 2014 FC 525 [*Alcon*] at paragraph 27, in support of this argument. Pharmascience has suggested that the top range of Column IV of Tariff B could be used as a benchmark for assessing the costs for file T-558-22, and in particular for the Statement of Claim filed on March 14, 2022 (Pharmascience's Submissions at paras 87-90). In reply, Janssen rebutted that Pharmascience served a separate Notice of Allegation, which necessitated Janssen starting a new action proceeding (T-558-22). Janssen submitted that Pharmascience made similar submissions before the Court, and that "[t]he Assessment Officer has no

jurisdiction to vary or vacate the order of the Trial Judge, who already determined that costs are not to be awarded under Tariff B" (Janssen's Reply at paras 37-39).

[37] Concerning Pharmascience's suggestion that Tariff B could be utilized as a benchmark for determining the costs for file T-558-22, I am in agreement with Janssen that doing this would be counter to the Court's Public Judgment and Reasons dated August 23, 2022, which awarded a lump sum amount to Janssen for these intellectual property proceedings without reference to assessing the costs in accordance with Tariff B (*Pelletier v Canada (Attorney General)*, 2006 FCA 418 at para 7; *Allergan Inc v Sandoz Canada Inc*, 2021 FC 186 at paras 22-23 and 27-28).

[38] My review of the court records for files T-1441-20 and T-558-22 revealed that although these two files had some streamlined procedural steps and were heard together, they were not joined or consolidated, which permits costs to be claimed for both files (Order dated March 30, 2022; *Novopharm Ltd v AstraZeneca AB*, 2006 FC 678 at para 18; *Simpson Strong-Tie Co v Peak Innovations Inc*, 2012 FC 63 at para 6). I have considered Pharmascience's position and I cannot assume that because the pleadings for files T-1441-20 and T-558-22 are similar, if not the same, it means that Janssen did a lesser amount of work than claimed and/or did not apportion its claims to reflect the amount of work performed in relation to each file. My review of Janssen's list of costs filed on January 13, 2023, shows that the costs claimed specifically for file T-558-22 represent approximately 2.6% of the cumulative fees for both files, which I do not find to be an excessive percentage. This being noted, I have reviewed the claims submitted for file T-558-22, and I do find the fees pertaining to the Statement of Claim to be excessive, as the majority of the text is identical to the Statement of Claim for file T-1441-20. While I do not find that these

similarities negate costs being allowed for file T-558-22, I am in agreement with Pharmascience and the Court's position held in *Alcon* that a deduction is warranted regarding the drafting, reviewing, and revising of the Statement of Claim. Having considered the aforementioned facts, I have determined that $2,975.50 will be deducted from Janssen's fees for the pleadings for file T-558-22, which is 25% of the total amount. The remaining costs pertaining to file T-558-22 will be allowed as claimed.

H. *Renting of a conference room*

[39] Janssen has requested reimbursement for the rental of a conference room during the trial hearing in July 2022. Janssen submitted that counsel used the conference room for lunch breaks, as eating in the courthouse was restricted at that particular time because of the COVID-19 pandemic. Janssen noted that the Court has allowed the rental of conference rooms in other proceedings (Janssen's Submissions at para 35; Mutchler Affidavit at para 24; and *Fournier Pharma Inc v Canada (Minister of Health)*, 2008 FC 929 at para 32). In response, Pharmascience requested that Janssen's costs not be allowed due to an absence of evidence to support why a conference room was required when Janssen's counsel's office was within walking distance (10 minutes) from the courthouse and cited *Bayer* at paragraphs 74-76, in support of this argument (Pharmascience's Submissions at paras 109-110). In reply, Janssen reiterated the eating restrictions in the courthouse breakout rooms at the time of the trial. Janssen disputed that the walking distance to counsel's office (at least 20 minutes), which would have significantly reduced counsel's trial preparation time. Janssen also disputed the relevancy of the *Bayer* decision, noting that Janssen's counsel required the nearby conference room to eat lunch in during short breaks and not for performing work (Janssen's Reply at para 45).

[40] Further to my consideration of the parties' positions and cited cases, my review of Janssen's costs documents and the court record did not reveal that the issue of the courthouse eating restriction was raised with the Court, so that alternative arrangements could have possibly been made, such as longer lunch breaks, or exemptions for eating onsite. I am in agreement with Pharmascience's position that Janssen's rental of a nearby conference room was not reasonable. The renting of a conference room was done at the discretion of Janssen's counsel and no evidence was provided to show that alternative arrangements were sought from the Court to avoid incurring these costs. Janssen's counsel's office is in the downtown core and is in close proximity to the Toronto courthouse, so I find that this was an option available to counsel. If walking was not preferable, public transit, taxis or ridesharing options were all available to counsel, as was eating in nearby eating establishments as I have taken note that Janssen's counsel's meals were catered (Mutchler Affidavit #1 at exhibit F). There was no evidence provided by Janssen to show that other options were explored before the conference room was rented. Having considered the aforementioned facts, I have determined that in the absence of more fulsome submissions from Janssen and/or evidence on the court record showing that alternative arrangements were sought from the Court first that this disbursement is disallowed. Therefore, $1,800.00 will be deducted from Janssen's overall costs total.

I. *Costs associated with Dr. Gobburu*

[41] At paragraph 178 of the Court's Public Judgment and Reasons dated August 23, 2022, Janssen was not awarded any costs in relation to the expert services of Dr. Gobburu. Instead, costs were awarded to Pharmascience for all reasonable costs thrown away because Dr. Gobburu was not called as a witness at the trial by Janssen. Pharmascience has submitted costs totalling

$48,157.08, to be deducted from Janssen's assessed costs. Janssen has not contested the costs claimed by Pharmascience (Janssen's Reply at para 46). I have reviewed Pharmascience's fees and disbursements and I did not find that any of the claims submitted required my intervention, as I found the claims to be reasonable and justifiable expenditures. Therefore, Pharmascience's claims are allowed as submitted totalling $48,157.08, which will be set-off against the costs owed to Janssen (subsection 408(2) of the FCR).

J. *Uncontested fees and disbursements*

[42] I have reviewed Janssen's uncontested fees and disbursements and I did not find that any of these claims required my intervention, as I found the claims to be reasonable and justifiable expenditures for the litigation of these particular intellectual property proceedings (*Teva #2* at para 10; *Nova* at para 20). Claims were verifiable with the court record and the Court's Public Judgment and Reasons dated August 23, 2022, and the requirements found at subsection 1(4) of Tariff B regarding evidence of disbursements were adhered to.

[43] My review of the factors listed under subsection 400(3) of the FCR, such as "(a) the result of the proceeding;" "(b) the amounts claimed and the amounts recovered;" "(c) the importance and complexity of the issues;" and "(g) the amount of work;" found that Janssen was the successful party in the action proceedings; the amounts claimed and to be recovered are reasonable for intellectual property proceedings; the issues argued were of significant importance and complexity; and Janssen performed a substantial amount of work to litigate these intellectual property proceedings. Therefore, I have determined that based on my review of the factors listed

under subsection 400(3) of the FCR, Janssen's uncontested fees and disbursements can be allowed as claimed.

IV. Total assessed costs

[44] The fees and disbursements allowed total $702,927.99. This amount takes into account the set-off of Pharmascience's costs totalling $48,157.08.

V. Conclusion

[45] For the above reasons, the Plaintiffs', Janssen Inc. and Janssen Pharmaceutica N.V., costs are assessed and allowed in the total amount of $702,927.99, with post-judgment interest of 2.5% calculated from the date of the Court's Judgment and Reasons (August 23, 2022). These costs are payable by the Defendant, Pharmascience Inc. to the Plaintiffs, Janssen Inc. and Janssen Pharmaceutica N.V.

[46] A Certificate of Assessment will also be issued.

"Garnet Morgan"
Assessment Officer

Toronto, Ontario
November 2, 2023

FEDERAL COURT

SOLICITORS OF RECORD

DOCKET:	T-1441-20 & T-558-22
STYLE OF CAUSE:	JANSSEN INC. and JANSSEN PHARMACEUTICA N.V. v. PHARMASCIENCE INC.

MATTER CONSIDERED AT TORONTO, ONTARIO WITHOUT PERSONAL APPEARANCE OF THE PARTIES

CONFIDENTIAL REASONS FOR ASSESSMENT BY:	GARNET MORGAN, Assessment Officer
DATED:	NOVEMBER 2, 2023

WRITTEN SUBMISSIONS BY:

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