Date: 20070118

Docket: T-2295-03

Citation: 2007 FC 50

Toronto, Ontario, January 18, 2007

PRESENT: The Honourable Mr. Justice O'Keefe

BETWEEN:

ABBOTT LABORATORIES and
ABBOTT LABORATORIES LIMITED

Applicants

and

THE MINISTER OF HEALTH and
PHARMASCIENCE INC.

Respondents

REASONS FOR ORDER AND ORDER

O'KEEFE J.

[1] This is a motion by the Applicants (Abbott) for an order pursuant to Rule 403 of the *Federal Court Rules, 1998*, SOR/98-106, as amended, awarding Abbott costs in the form of a lump sum to be fixed by the Court.

[2] My decision on the merits of this motion contained the following in the order:

> Abbott shall have its costs of the application.

[3] My decision on the merits was based on the doctrine of *res judicata*.

[4] The main application was for an order prohibiting the issuance of a notice of compliance to Pharmascience Inc. until after the expiry of seven Canadian patents (the Abbott patents).

[5] Issue estoppel related to the validity of the ‘732 patent which was also the subject of a previous notice of allegation, involving the same parties (Pharmascience I). Justice Gibson of this Court ruled that the ‘732 patent was valid in Pharmascience I.

[6] My *res judicata* decision was based on issue estoppel which is a branch of *res judicata*.

Issue

[7] Should Abbott be awarded a lump sum amount for costs which amount is to be set by the Court?

[8] Should a lump sum amount be set for costs in this case?

Pharmascience submitted that Rule 403 would not allow me to grant a lump sum for costs as I had already granted Abbott its costs in my order. I do not agree, as Rule 403(2) states that a motion, pursuant to Rule 403(1) may be brought “whether or not the judgment included an order concerning costs”. The majority decision of the Federal Court of Appeal in *Consorzio del Prosciutto di Parma* v. *Maple Leaf Meats Inc.*, [2003] 2 F.C. 451 (F.C.A.), at paragraph 4, stated

that a motion under Rule 403 is a motion asking the Court to give directions to an assessment officer in the form of an order directing the assessment officer to assess the party's costs at a lump sum amount fixed by the Court. Accordingly, I conclude that I have jurisdiction to set a lump sum amount for costs in this case.

[9] Jurisdiction to award a lump sum amount

The Federal Court of Appeal in *Consorzio* above stated that one advantage of a lump sum award is the saving in costs to the parties that would have otherwise resulted from the taxation of costs. The jurisdiction to award a lump sum amount for costs is contained in Rule 400(4). I am of the view that a lump sum award for costs is appropriate due to the amount of time and consequently, the costs that would have been incurred in carrying out an assessment by an assessment officer.

[10] In coming to the conclusion that a lump sum of costs should be awarded, I have considered Pharmascience's argument that the matter should be referred to an assessment officer to assess the amount of the costs. I rejected this argument because I believe that a lump sum can be set by the Court so as to avoid the extra costs of an assessment by an assessment officer.

[11] What should the amount of the lump sum award be in this case?

Abbott submitted that the following factors contained in Rule 400(3) should be considered when fixing the amount of costs:

400. (1) The Court shall have full discretionary power over the amount and allocation of costs and the determination of by whom they are to be paid.	400. (1) La Cour a le pouvoir discrétionnaire de déterminer le montant des dépens, de les répartir et de désigner les personnes qui doivent les payer.
. . .	. . .

(3) In exercising its discretion under subsection (1), the Court may consider	(3) Dans l’exercice de son pouvoir discrétionnaire en application du paragraphe (1), la Cour peut tenir compte de l’un ou l’autre des facteurs suivants:
(a) the result of the proceeding;	a) le résultat de l’instance;
(b) the amounts claimed and the amounts recovered;	b) les sommes réclamées et les sommes recouvrées;
(c) the importance and complexity of the issues;	c) l’importance et la complexité des questions en litige;
. . .	. . .
(g) the amount of work;	g) la charge de travail;
. . .	. . .
(i) any conduct of a party that tended to shorten or unnecessarily lengthen the duration of the proceeding;	i) la conduite d’une partie qui a eu pour effet d’abréger ou de prolonger inutilement la durée de l’instance;
. . .	. . .
(k) whether any step in the proceeding was	k) la question de savoir si une mesure prise au cours de l’instance, selon le cas:
(i) improper, vexatious or unnecessary, or	(i) était inappropriée, vexatoire ou inutile,
(ii) taken through negligence, mistake or excessive caution;	(ii) a été entreprise de manière négligente, par erreur ou avec trop de circonspection;
. . .	. . .
(o) any other matter that it considers relevant.	o) toute autre question qu’elle juge pertinente.

[12] When fixing the amount of costs awarded, there are certain principles that are applicable. Although it is not the norm, the Court has discretion to award increased costs. When the Court does not make a specific order as to the type of costs to be awarded, then the default position is Column III of Tariff B.

[13] In *Consorzio* above, Justice Rothstein stated the following at paragraphs 9 and 10:

> However, the objective is to award an appropriate contribution towards solicitor-client costs, not rigid adherence to column III of the table to Tariff B which is, itself, arbitrary. Subsection 400(1) makes it clear that the first principle in the adjudication of costs is that the Court has "full discretionary power" as to the amount of costs. In exercising its discretion, the Court may fix the costs by reference to Tariff B or may depart from it. Column III of Tariff B is a default provision. It is only when the Court does not make a specific order otherwise that costs will be assessed in accordance with column III of Tariff B.
>
> The Court, therefore, does have discretion to depart from the Tariff, especially where it considers an award of costs according to the Tariff to be unsatisfactory. Further, the amount of solicitor-and-client costs, while not determinative of an appropriate party-and-party contribution, may be taken into account when the Court considers it appropriate to do so. Discretion should be prudently exercised. However, it must be borne in mind that the award of costs is a matter of judgment as to what is appropriate and not an accounting exercise.

[14] Also in *Consorzio* above, Justice Rothstein stated the following at paragraphs 5, 6, 7 and 8:

> The respondent has submitted that 12 issues were raised on appeal and each required a full response. The issues involved complex questions of fact, including having to deal with expert evidence and survey methodology. The argument in the appeal lasted close to a whole day.

> I am satisfied in the circumstances of this case, that the respondent should be awarded increased costs. This is an intellectual property matter involving sophisticated clients. Where, as here, numerous issues are raised on appeal and the issues involve complex facts and expert evidence, the amount of work required of respondent's counsel justifies increased costs. To the argument that the complexity of this case was no greater than that of most intellectual property cases that come before this Court, I would say that such cases frequently present complex facts and give rise to difficult issues.
>
> The increased costs to be awarded are party-and-party costs. They do not indemnify the successful party for its solicitor-client costs and they are not intended to punish the unsuccessful party for inappropriate conduct.
>
> An award of party-and-party costs is not an exercise in exact science. It is only an estimate of the amount the Court considers appropriate as a contribution towards the successful party's solicitor-client costs (or, in unusual circumstances, the unsuccessful party's solicitor-and-client costs). Under rule 407, where the parties do not seek increased costs, costs will be assessed in accordance with column III of the table to Tariff B. Even where increased costs are sought, the Court, in its discretion, may find that costs according to column III provide appropriate party-and-party compensation.

[15] The solicitor and client costs in this case amount to approximately $986,000. According to Abbott’s submissions, the Column III award would be $407,000 and its Column V award would be approximately $466,000. Pharmascience’s submissions included a proposed Column III award of $168,556.07 and a Column IV award of $176,818.07. In reaching the amount for disbursements, Pharmascience allowed Abbott 70% of its disbursements.

[16] In its submissions before me, Abbott submitted that it should receive a lump sum award somewhere between the Column III award of $407,000 and a solicitor and client award of $986,000. Specifically, Abbott urged that a lump sum amount of $769,603 be awarded for costs.

[17] Pharmascience submitted that Abbott's award for costs should be reduced because Abbott did not plead *res judicata* in its application. However, as I noted in my reasons, Abbott addressed the *res judicata* issue in its memorandum of fact and law and Pharmascience replied to the argument in its memorandum of fact and law. As well, both parties argued the issue before me. Consequently, I do not agree that this fact should cause the cost award to be lower.

[18] Pharmascience also stated that there should be an impact on the amount of the costs because Abbott should have applied to have *res judicata* (issue estoppel) determined prior to the main hearing or it could have applied pursuant to Rule 107 for a separate determination of whether issue estoppel applied in this application. I am not satisfied given the time parameters when issue estoppel became available, that the approach used by Abbott should result in costs consequences for it.

[19] Pharmascience also urged upon me that Abbott should have cost savings because the same experts had been used in other similar applications. I cannot conclude from the evidence before me that the amount charged for the experts in this application related to any file other than the files at issue in this application.

[20] Abbott submitted that what occurred in the application was an abuse of process and that consequently, it should receive a higher cost award. I would note that my decision with respect to the '732 patent was based on issue estoppel and not abuse of process.

[21] In the application for judicial review, the parties filed many pages of material. The case involved seven patents and there were three expert witnesses for each side. The judicial review

hearing required four days of hearing time. Although the decision was based on the issue of *res judicata* (issue estoppel), many other issues were presented and argued. As already noted, the solicitor and client costs amounted to $986,000.

[22] There is no doubt that the Court has full discretion to depart from Schedule B. That discretion must be used prudently. Solicitor and client fees may be taken into account where appropriate but Tariff B should also always be considered (see *Astrazeneca Canada Inc.* v. *Apotex Inc.* (2004), 34 C.P.R. (4th) 477 (F.C.)).

[23] I have considered the factors of Rule 400(3) which were put forward by the applicant, namely, Rule 400(3)(a), (b), (c), (g), (i) and (k).

[24] Rule 400(3)(a) The Result

In this case, Abbott has been successful in having the prohibition order issued.

[25] Rule 400(3)(b) Amount Claimed

Because the order prohibited the Minister from issuing a notice of compliance until 2017, the amount of money involved for both parties was in the hundreds of millions of dollars.

[26] Rule 400(3)(c) Importance and Complexity

The case was important to both parties as it dealt with market exclusivity until 2017. The case was more complex than normal because of the extent and amount of scientific evidence that was filed.

[27] Rule 400(3)(g)

A review of the time entries and the filed materials shows that a great amount of work was required to prepare and complete the file.

[28] Rule 400(3)(i) and (k) Conduct of a Party and Unnecessary Steps

Although the decision was based on *res judicata* (issue estoppel) in relation to the '732 patent, there were still issues to be argued with respect to the other patents.

[29] Having considered all of the relevant factors, I would award a lump sum amount of $515,000 for party and party costs, including the costs of this motion and any applicable GST.

[30] The Applicants claimed post-judgement interest on all costs awarded with the interest to run from the date of my decision which was March 16, 2006. The Respondents stated that interest should run 30 days from the date of the decision. In line with the jurisprudence of the Federal Court of Appeal in *CCH Canadian Ltd. V. Law Society of Upper Canada* [2004] FCA 278, I would award interest on the costs owed from March 16, 2006.

ORDER

THIS COURT ORDERS that:

1. Abbott be awarded a lump sum of $515,000 for party and party costs, including the cost of this motion and applicable GST.

2. The Applicants will have interest on the costs owed from March 16, 2006.

"John A. O'Keefe"
Judge

FEDERAL COURT

NAMES OF COUNSEL AND SOLICITORS OF RECORD

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