Federal Court of Appeal | Cour d'appel fédérale

**Date: 20150114**

**Docket: A-79-14**

**Citation: 2015 FCA 9**

**CORAM:** **PELLETIER J.A.**
**GAUTHIER J.A.**
**SCOTT J.A.**

**BETWEEN:**

**PHILIP MORRIS PRODUCTS S.A. AND ROTHMANS, BENSON & HEDGES INC.**

**Appellants**

**and**

**MARLBORO CANADA LIMITED AND IMPERIAL TOBACCO CANADA LIMITED**

**Respondents**

Heard at Montréal, Quebec, on January 14, 2015.
Judgment delivered from the Bench at Montréal, Quebec, on January 14, 2015.

REASONS FOR JUDGMENT OF THE COURT BY: GAUTHIER J.A.

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**REASONS FOR JUDGMENT OF THE COURT**
**(Delivered from the Bench at Montréal, Quebec, on January 14, 2015).**

**GAUTHIER J.A.**

[1] Philip Morris Products S.A. and Rothmans, Benson & Hedges Inc. appeal the January 3, 2014, order of Justice de Montigny awarding the respondents $1,069,289.36 in legal costs and disbursements, subject to the potential application of Rule 420 of the *Federal Courts*

*Rules*, SOR/98-106, [the Rules]. After careful consideration, we are not persuaded that Justice de Montigny made an error that could justify our intervention.

[2] The action underlying the decision under appeal is a trademark dispute. On November 8, 2010, Justice de Montigny found for the appellants in relation to the primary issues in dispute (2010 FC 1099), issuing an associated costs decision on September 28, 2011 (2011 FC 1113). On June 29, 2012, this Court reversed the trial decision in part (2012 FCA 201). Among other things, the issue of costs was referred back to Justice de Montigny for determination, producing the decision under appeal. The judge incorporated by reference the reasons supporting his 2011 costs decision into the decision under appeal.

[3] As noted recently by this Court in *Bell Helicopter Textron Canada Limitée v. Eurocopter*, 2013 FCA 220, at paragraphs 7 and 8, in light of the considerable discretion afforded to trial judges in fashioning their costs award, such decisions will not be disturbed on appeal unless based on a wrong principle or plainly wrong.

[4] The appellants argue that Justice de Montigny relied on inapplicable and insufficient considerations in departing from Tariff B. We disagree. Given that a departure from Tariff B is expressly contemplated by Rule 400(4) of the Rules, the judge committed no error in principle by awarding a lump sum in lieu of the Tariff rate. The appellants acknowledged at the hearing that there is, in fact, a judicial trend to grant costs on a lump sum basis whenever possible (see for example the Notice to the Parties and Profession of the Federal Court on costs dated April 30, 2010 and *Consorzio del Prosciutto di Parma c. Maple Leaf Meats Inc.*, 2002 FCA 417, [2003] 2

C.F. 451). In my view, when dealing with sophisticated commercial parties, it is not uncommon for such lump sums to be awarded based on a percentage of the actual costs incurred.

[5] When Justice de Montigny's 2011 costs decision is read together with the decision under appeal, it is evident that the judge considered many of the factors suggested by Rule 400(3) of the Rules in crafting his award, and that each factor considered could indeed be applied to the present case. The judge also explained why he felt that it was appropriate for him to calculate the lump sum as a percentage of actual costs incurred as opposed to costs calculated in accordance with the Tariff. We see no error in his approach in that respect.

[6] The appellants also argue that if a departure from Tariff B was appropriate, the lump sum awarded was excessive in view of prior jurisprudence of this Court on lump sum costs in intellectual property disputes. The cited case law does not set boundaries that limit the costs award the judge was entitled to make under the circumstances of this case. In fact, the judge's award is consistent with the percentage of actual costs requested by the appellants when they made representations in respect of the amount of costs that they should be awarded back in 2011. At that time, presumably, the appellants had examined the case law and were satisfied that they could request about one third of their actual cost. The judge was prepared to grant that percentage (paragraph 39 of the 2011 costs decision). The only reason he reduced it slightly was that appellants failed to explain why their legal fees were so much higher than their opponents'. As the saying goes: what is sauce for the goose is sauce for the gander.

[7] Lastly, the appellants argue that Justice de Montigny erred in ordering that the award may be subject to the potential application of Rule 420. Given that the trial was bifurcated and that the second phase of trial dealing, among other things, with quantum has not yet occurred, it would indeed be premature for this Court (as it was for the judge, see paragraph 13 of his reasons) to deal with the issue of whether the relief awarded is at least as favourable as the terms of the offer to settle. The judge could make his order subject to modifications based on the potential application of Rule 420 once a decision on the monetary remedy has been rendered. In our view, all issues related to the potential application of that rule are open to be argued at the conclusion of the reference.

[8] As discussed at the hearing, to avoid any issue in respect of Rule 422 when a trial is bifurcated, it is best not to refer to the exact content of a settlement offer which may potentially fall within the ambit of Rule 420 in any order or judgment issued before the second phase of the trial is complete.

[9] I propose that the appeal be dismissed with costs in the amount of $8000 all inclusive.

"Johanne Gauthier"

J.A.

**FEDERAL COURT OF APPEAL**

**NAMES OF COUNSEL AND SOLICITORS OF RECORD**

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| **DOCKET:** | A-79-14 |
| **STYLE OF CAUSE:** | PHILIP MORRIS PRODUCTS S.A. AND ROTHMANS, BENSON & HEDGES INC. v. MARLBORO CANADA LIMITED AND IMPERIAL TOBACCO CANADA LIMITED |
| **PLACE OF HEARING:** | Montréal, Quebec |
| **DATE OF HEARING:** | JANUARY 14, 2015 |
| **REASONS FOR JUDGMENT OF THE COURT BY:** | PELLETIER J.A.<br>GAUTHIER J.A.<br>SCOTT J.A. |
| **DELIVERED FROM THE BENCH BY:** | GAUTHIER J.A. |

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