

Date: 20071206

Docket: A-607-06

Citation: 2007 FCA 384

**CORAM: NADON J.A.
SHARLOW J.A.
RYER J.A.**

BETWEEN:

NOVOPHARM LIMITED

Appellant

and

**SANOFI-AVENTIS CANADA INC.,
SANOFI-AVENTIS DEUTSCHLAND GmbH and
THE MINISTER OF HEALTH**

Respondents

Dealt with in writing without appearance of parties.

Order delivered at Ottawa, Ontario, on December 6, 2007.

REASONS FOR ORDER BY:

NADON J.A.

CONCURRED IN BY:

**SHARLOW J.A.
RYER J.A.**

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REASONS FOR ORDER

NADON J.A.

[1] On April 24, 2007, we heard an appeal from a decision of the Federal Court, *Sanofi-Aventis Canada Inc. v. Novopharm Ltd.*, 2006 FC 1547, dated December 21, 2006 dismissing the motion of the appellant (“Novopharm”) under paragraph 6(5)(b) of the *Patented Medicines (Notice of Compliance) Regulations*, SOR/93-133 (the “NOC Regulations”).

[2] By its motion, Novopharm sought the dismissal of the application of the respondents (“Sanofi-Aventis”) for an Order prohibiting the Minister of Health (the “Minister”) from issuing a

Notice of Compliance (“NOC”) to Novopharm until after the expiry of Canadian Patent Nos. 2,023,089 (the “089 patent”), 2,055,948 (the “948 patent”), 2,382,549 (the “549 patent”) and 2,382,387 (the “387 patent”).

[3] Because Novopharm’s Notice of Allegation (“NOA”) was directed at the four aforementioned patents, Sanofi-Aventis sought an order of prohibition from the Federal Court until the expiry of those patents. However, during the course of its arguments before the Federal Court on the motion to dismiss, Novopharm advised the Court that it was abandoning its allegations in respect of the 549 and 387 patents.

[4] As I have just indicated, Novopharm’s motion was brought under paragraph 6(5)(b) of the NOC Regulations, which allows the Federal Court to dismiss a prohibition application which is “redundant, scandalous, frivolous or vexatious, or is otherwise an abuse of process”. Thus, the question before the Federal Court was whether Sanofi-Aventis’ application could be so characterized in relation to the 089 and the 948 patent. The Federal Court found that it could not.

[5] This Court disagreed and concluded that the prohibition application would inevitably fail. On April 27, 2007 (2007 FCA 167), we allowed Novopharm’s appeal with costs in this Court and in the Federal Court, we set aside the Order of the Federal Court and we dismissed Sanofi-Aventis’ application for an order of prohibition. More particularly, we concluded that the case was governed by our decisions in *Pharmascience Inc. v. Sanofi-Aventis Canada Inc.*, 2006 FCA 299, leave to appeal to the Supreme Court of Canada refused, 2007 SCCA 362 (Q.L.) and in *Sanofi-Aventis*

Canada Inc. v. Apotex Inc., 2006 FCA 357, leave to appeal to the Supreme Court of Canada refused, 2007 SCCA 5 (Q.L.), which stand for the proposition “that an allegation of non-infringement of a claim for the use of the medicine is justified if the generic manufacturer is seeking a NOC only for a use that is not within the new use claim and the evidence fails to establish that the generic drug producer will infringe the new use claim by inducing others to prescribe or use the generic product for that new use” (paragraph 9 of our Reasons).

[6] On June 7, 2007, we dismissed a motion brought by the respondent Minister, for reconsideration of our Judgment dated April 27, 2007. In making that Order, we made it clear that the appeal “... was argued on the basis that the only patents in issue in the appeal were Canadian patents 2,023,089 and 2,055,948” and that “the status of the other two patents [the 549 and the 387 patents] was not addressed in argument in the appeal or in the judgment of this Court”. With respect to costs on the Minister’s motion, we ordered that as between Novopharm and Sanofi-Aventis, the costs were to be borne by Novopharm.

[7] As a result of its successful appeal, Novopharm now brings before us a motion for increased costs under Rule 403 of the *Federal Court Rules*. In the alternative, it seeks an order directing the Assessment Officer to tax its costs, in the appeal and in the proceedings before the Federal Court, at the high end of Column IV of Tariff B, to include:

- (a) two counsel for the appearance on motions;
- (b) counsel fee, for at least three counsel, for the preparation of affidavit evidence calculated at 10 units per counsel per affidavit;
- (c) two counsel for preparation and attendance at cross-examinations, where two counsel were present;
- (d) travel time and disbursements for two counsel attending cross-examinations; and

(e) two counsel for the preparation of the Notice of Appeal, the Memorandum of Fact and Law and appearance at the hearing of the appeal.

[8] I begin my discussion by referring to this Court's decision in *Consorzio Del Prosciutto Di Parma v. Maple Leaf Meats*, [2002] F.C.J. No. 1504 (Q.L.). In that case, the respondent sought increased costs pursuant to Rule 403. In disposing of the motion, Rothstein J.A. (as he then was), writing for the majority, enunciated the principles applicable to a motion for increased costs. At paragraphs 6 to 11 of his Reasons, he stated:

[6] 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 respondents' 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.**

[7] The increased costs to be awarded are party-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.

[8] **An award of party-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-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-party compensation.**

[9] **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. Rule 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.

[10] 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-client costs, while not determinative of an appropriate party-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.

[11] I think this approach is consistent in today's context with the observations of Nadon J. (as he then was) in *Hamilton Marine and Engineering Ltd. v. CSC Group Inc.* (1995), 99 F.T.R. 285 at paragraph 22:

I indicated to counsel during the hearing that there was no doubt that, in most cases, the fees provided in Tariff B were not sufficient to fully compensate a successful party. I also indicated to counsel during the hearing that, in my view, the Tariff necessarily had to remain the rule and that an increase of tariff fee was the exception. By that I mean that the discretion given to the Court to increase the tariff amounts pursuant to rule 344(1) and (6) of the Federal Court Rules was not to be exercised lightly. Put another way, the fact that the successful party's legal costs were far superior to the amounts to which that party was entitled under the Tariff, was not in itself a factor for allowing an increase in those fees.

[Emphasis added]

[9] As Rothstein J.A. correctly points out, the Court has full discretion in respect of the amount and the allocation of costs. In exercising that discretion, the Court may consider those factors which are set out at Rule 400(3). Among those factors are, *inter alia*, the result of the proceedings, the amounts claimed and the amounts recovered, the importance and complexity of the issues, the apportionment of liability, the conduct of the parties and whether steps taken in the proceedings were improper, vexatious or unnecessary.

[10] Further, Rule 400(4) provides that the Court may fix costs by reference to Tariff B and may award a lump sum in lieu of, or in addition to, any assessed costs. Finally, under Rule 400(6), the Court may, *inter alia*, award costs on a solicitor and client basis.

NOVOPHARM'S POSITION

[11] Specifically, Novopharm seeks an order for costs on a solicitor and client basis in the sum of \$359,196.16 plus disbursements in the sum of \$64,696.08, or a lump sum payment for a lesser amount, or, in the alternative, directions to the Assessment Officer to tax its costs at the high end of Column IV of Tariff B. With its motion, Novopharm submitted a Bill of Costs under the high end of Column IV which claims disbursements in the sum of \$64,696.08 and fees in the amount of \$59,097.12.

[12] Novopharm argues that in the light of our decisions in *Pharmascience, supra*, and *Sanofi-Aventis Canada, supra*, and the fact that Sanofi-Aventis brought no evidence to show that it was seeking approval to market its product for any of the “new uses” claimed in the 089 and 948 patents, and that it brought no evidence to show that Novopharm would induce others to use its product for any of the “new uses”, its application for an order of prohibition was doomed from the outset. Thus, in those circumstances, Novopharm says that it is clear that Sanofi-Aventis used the NOC Regulations for the sole purpose of delaying the market entry of its product and that, as a result, it was forced to spend a considerable sum of money to defend Sanofi-Aventis' application.

[13] Consequently, Novopharm argues that this Court should discourage patentees from behaving in the way that Sanofi-Aventis did and that it should be fully compensated for its expenses in defending these proceedings. It submits that to do otherwise would be unfair. In the alternative, it submits that it should at least be compensated at the high end of Column IV of Tariff B.

SANOFI-AVENTIS' POSITION

[14] Sanofi-Aventis opposes Novopharm's application and puts forward an entirely different perspective on the events which led to our decision.

[15] With respect to solicitor and client costs, Sanofi-Aventis submits that until April 19, 2007, i.e. when the Supreme Court of Canada refused to grant leave in *Pharmascience, supra*, and in *Sanofi-Aventis, supra* (8 days before our decision of April 27, 2007), the jurisprudence on the issue before this Court was unsettled. It further submits that, in any event, its conduct was not such as to attract solicitor and client costs.

[16] With respect to the appropriate Column of the Tariff, Sanofi-Aventis argues that there is no reason in this case to depart from the usual rule that costs should be awarded at the mid-range of Column IV. Sanofi-Aventis then focuses its attention on Novopharm's Bill of Costs, in regard to which it submits that a number of items therefrom should either be discounted or assessed at a lower amount than that requested. For example, it submits that travel fees for counsel's attendance at cross-examinations are not generally awarded, absent compelling circumstances not present here. It also submits that although second counsel's attendance at cross-examinations may be justified, they

are not justified in the present matter. Finally, it submits that as there are no particulars regarding the experts' bills, i.e. hours or time cost rates, the costs sought in regard thereto should not be allowed.

[17] Sanofi-Aventis concludes by saying that we should direct the Assessing Officer to tax Novopharm's costs at the mid range of Column IV of Tariff B in relation only to the 089 and 948 patents which were the subject of both the decision below and our decision on appeal.

[18] In making its submission that it is entitled to solicitor-client costs, Novopharm argues that, in any event, this Court should make a lump sum award in its favour and that the starting point thereof should be the amount of solicitor-client costs.

[19] In reply to Novopharm's submission, Sanofi-Aventis submits that this Court should decline to make such an order. First, it says that a lump sum should not be awarded where the Bill of Costs and, in particular, the disbursements are contentious. Second, it says that since Novopharm withdrew its allegations with respect to two [the 549 and 387 patents] of the four patents initially raised in its Notice of Allegation, each party should bear its costs in relation to these patents. Third, Sanofi-Aventis says that it was awarded costs on the Minister's unsuccessful reconsideration motion (our Order of June 7, 2007). Finally, it submits that Novopharm's evidence with regard to its disbursements is incomplete and insufficient.

[20] I have carefully considered both sides' arguments and have come to the following conclusions. First, I agree with Sanofi-Aventis that costs on a solicitor-client basis are not justified

in the present matter. In my view, it cannot be said that in commencing its application for prohibition, Sanofi-Aventis' application was doomed, considering that leave applications to the Supreme Court were pending in both *Pharmascience* and *Sanofi-Aventis*.

[21] However, I am of the view that an award of increased costs is justified in the present matter. Novopharm succeeded on its appeal and, as a result, we dismissed Sanofi-Aventis' prohibition application because it stood no chance of succeeding. There can be no doubt that considerable effort was required by counsel for Novopharm with respect to the preparation of the Notice of Allegation and the Response to the prohibition application. By the time we heard the appeal on April 24, 2007, all that had to be done in preparation for the hearing on the merits, which had been set down for June 25, 2007, had been done. Nine affidavits were filed by both Novopharm (1,106 pages of evidence) and by Sanofi-Aventis (671 pages of evidence). Needless to say, lengthy cross-examinations of the deponents of the affidavits followed and were conducted between January 11 and February 19, 2007.

[22] As Rothstein J.A. made clear in his Reasons in *Conorzio Del Prosciutto Di Parma, supra*, determining party-party costs can never be an exercise in exact science and, as a result, the Court must determine on a case by case basis what is the proper award. As I indicated earlier, Novopharm is claiming disbursements totalling \$64,696.08, of which \$42,191.07 represents the fees paid to six experts. I also note that counsel invoiced Novopharm for legal fees and disbursements totalling \$423,892.24, of which \$359,196.16 represents counsel's fees.

DISPOSITION

[23] Considering the result of the proceedings, the importance and complexity of the issues, and the amount of work, I conclude that in the circumstances of this case, an appropriate award of party-party costs is a sum of \$189,696.08, inclusive of fees, disbursements, GST and the costs of this motion. I would therefore direct the Assessment Officer to assess Novopharm's costs accordingly.

“M. Nadon”

J.A.

“I agree.

Karen Sharlow J.A.”

“I agree.

C. Michael Ryer J.A.”

FEDERAL COURT OF APPEAL

NAMES OF COUNSEL AND SOLICITORS OF RECORD

DOCKET: A-607-06

STYLE OF CAUSE: NOVOPHARM LTD. v. SANOFI-
AVENTIS CANADA INC. et al.

MOTION DEALT WITH IN WRITING WITHOUT APPEARANCE OF PARTIES

REASONS FOR ORDER BY: NADON J.A.

CONCURRED IN BY: SHARLOW J.A.
RYER J.A.

DATED: December 6, 2007

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