Date: 20070723

Docket: T-14-05

Citation: 2007 FC 767

BETWEEN:

BIOVAIL CORPORATION
(d.b.a. BIOVAIL PHARMACEUTICALS CANADA);
BIOVAIL LABORATORIES INC. and
GLAXOSMITHKLINE INC.

Applicants

and

THE MINISTER OF NATIONAL HEALTH
AND WELFARE and SANDOZ CANADA INC.

Respondents

ASSESSMENT OF COSTS - REASONS

Charles E. Stinson
Assessment Officer

[1] This application for an order prohibiting the Minister of National Health and Welfare (the Minister) from issuing a notice of compliance to the Respondent, Sandoz Canada Inc. (the Respondent), permitting sale of the latter's new drug until after the expiry of Canadian Patent numbers 2,142,320 (the '320 Patent) and 2,168,364 (the '364 Patent) was dismissed with costs. The Minister entered an appearance but, as is the usual practice, did not participate in the hearing of the judicial review or this assessment of costs.

I. Objection to Written Disposition of the Assessment of Costs

[2] The Applicants objected to the approval of the Respondent's request for written disposition of this assessment of its costs on the basis that only oral cross-examination can expose the unreasonableness of the amount claimed for one of the Respondent's experts, Dr. Metin Celik. Specifically, the Applicants have brought three similar proceedings against other generic pharmaceutical companies. All respondents asserted non-infringement, an attack on the validity of the '320 Patent being only a secondary argument. In two of those proceedings (the Novopharm matters) and relative to the issue of validity of the '320 Patent, the respondents raised the same 92 pieces of prior art as the Respondent here. Dr. Celik's evidence here essentially duplicated the evidence he gave earlier in the Novopharm matters. In all three matters, the hearing judge did not find it necessary to address the allegations of invalidity. The protective orders covering the expert evidence in all three matters prevent the Applicants from demonstrating the excessiveness of the amount claimed for Dr. Celik as his work here duplicated his previous work on the Novopharm matters. Oral cross-examination of the Respondent's experts and of the affiant who swore the affidavit (the Katz affidavit) in support of the bill of costs is necessary to expose the excessiveness of the amounts claimed and the insufficiency of the evidence of their accounts.

[3] The Respondent argued further to *Rolls-Royce plc v. Fitzwilliam*, [2004] F.C.J. No. 626 (A.O.) at para [5], that the Applicants had the right to cross-examine on the Katz affidavit, but having failed to do so, have effectively waived their right of objection. The costs should be assessed in the circumstances of the litigation addressing the Respondent here and not by reference to the

Novopharm matters. The record discloses admissions by the Applicants on two occasions that the evidence here differed from that in the Novopharm matters.

II. Assessment

[4] If Rule 83 addressing the right to cross-examine the deponent of an affidavit relating to a motion or application is not deemed broad enough to embrace the interlocutory process of an assessment of costs, Rule 408(1) providing for assessment officers to direct productions and the manner of conduct is routinely evoked to permit such cross-examinations consistent with process elsewhere in the Rules. This would apply to the Katz affidavit. I doubt that Rule 408(1) permits me to interfere with a litigant's choice of affiant in support of its bill of costs or to require that a given individual, i.e. Dr. Celik, appear before me to give oral evidence. Rule 408(1) permits me to direct oral or written assessments or a combination of both. In particular, it would permit Dr. Celik to appear before me to give oral evidence if the Respondent could justify that. However, with regard to the requirement for special circumstances in Rules 316 and 371 for oral testimony on a judicial review and on a motion respectively, that would be a rare and exceptional occurrence. Direct access via oral examination before the assessment officer to an expert from the trial is not generally necessary to expose problems with said expert's account: see *Halford v. Seed Hawk Inc.*, [2006] F.C.J. No. 629 (A.O.) [*Halford*]. I have agreed below that the Applicants have exposed problems with the proof. I am sure that I can recognize a reasonable dollar amount of costs for this matter regardless of variations in the extent of proof.

III. Maximum Column III units ($120.00 per unit) claimed for counsel fee items 2 (respondent's record / available range = 4 to 7 units); 4 (preparation for motion for protective order / available range = 2 to 4 units); 8 (claimed five times for discrete preparations for cross-examination of five affiants / available range = 2 to 5 units) and 9 (claimed five times for appearance on each cross-examination / available range = 0 to 3 units per hour); 13(a) and (b) (preparation for first and second days of the hearing respectively / available range = 2 to 5 and 2 to 3 units respectively); 14(a) (attendance at the hearing / available range = 2 to 3 units per hour) and 26 (assessment of costs / available range = 2 to 6 units)

A. *The Respondent's Position*

[5] The Respondent argued further to Rules 409 and 400(3)(c) (importance and complexity) and (g) (amount of work) that it had to address numerous and complex legal issues such as sufficiency of a notice of allegation, proper tests for patent infringement and obviousness, judicial comity, principles of claims construction, burden of proof and invalidity of patents. The Court in *AB Hassle v. Genpharm*, [2004] F.C.J. No. 1087 (F.C.), a similar proceeding, noted the considerable work required and awarded maximum Column III costs. Although there was no formal finding of voluminous work in *Eli Lilly Canada v. Novopharm Ltd.*, [2006] F.C.J. No. 1002 (F.C.), the Court still awarded maximum Column III costs. Counsel for the Respondent had to supervise its experts in preparing their own reports and responding to the Applicants' experts. The prior art documents and expert reports numbered thousands of pages. In the face of documentation to the contrary, the Applicants put the Respondent's experts to extra work by raising an unfounded assertion concerning formulation of the latter's product. The Respondent's counsel prepared the motion record materials addressed by the item 4 claim. The record indicates that the $166,232.87 (counsel fees and disbursements) calculated at maximum Column III rates is less than 35% of the actual cost ($493,786.02).

B. *The Applicants' Position*

[6] The Applicants argued that the evidence supporting counsel fees is insufficient, essentially consisting of the printout of recorded entries from the record. This is information publicly available and not indicative of the actual time taken for each task, as opposed to the law firm's time docket entries referred to in the Katz affidavit but not produced. Given that only correspondence between counsel was advanced in support, but not time docket entries, the inference should be that the work associated with item 4, a motion in writing and on consent, was likely minimal. The table advanced in the Respondent's submissions summarizing time spent on the cross-examination of affiants is an inadequate substitute for the law firm's time docket entries which might have assisted in confirming the actual time associated with items 8 and 9.

[7] The brevity of the Court's decision indicates that the issues were simple, i.e. only two brief paragraphs each to construe the '320 Patent and the '364 Patent. As well, the Court noted that the opposing experts agreed on several key points leaving only one area of disagreement. As the Court's decision considered and rejected the Respondent's submission on judicial comity, the Respondent cannot now raise it as a factor indicating complexity. Thus, minimal allowances for items 13 and 14 are warranted.

C. *Assessment*

[8] I concluded at para. [7] in *Starlight v. Canada*, [2001] F.C.J. No. 1376 (A.O.) that the same point in the ranges throughout the Tariff need not be used as each item for the services of counsel is discrete and must be considered in its own circumstances. As well, broad distinctions may be

required between an upper versus lower allowance from available ranges. The protective order featured numerous provisions to ensure maximum coverage, none of which however would have been difficult to conceive: I allow the mid-range value of 3 units for item 4.

[9] The exact amount of time taken for a task does not always equate to the reasonably necessary time for a task. The absence of the law firm's dockets is not necessarily a problem but it does make evaluation somewhat less precise. As well, time taken is not necessarily the sole factor for setting costs: see, for example, several other possible factors in Rule 400(3). I think that the core issues in this litigation were not novel nor the most difficult to address. However, the underlying materials were detailed and required careful attention. I allow 6 units for item 2.

[10] The cross-examinations of the experts were also key in this matter. I allow item 8 at 4 units for each of the Respondent's experts, Dr. Celik and Dieter Baun. The Respondent's third expert, Dr. Jeffrey Gazzara, was prepared for a somewhat narrow issue and the actual cross-examination lasted only 0.4 hours by teleconference. I allow item 8 at 3 units for him. I allow item 8 at the maximum 5 units for each of the Applicants' two experts. I allow item 9 at 2 units per hour for each of the Respondent's three experts and at 3 units per hour for each of the Applicants' two experts. I think that the demands on counsel concerning cross-examination of the opposing experts were somewhat greater. Again, for item 13, I think that the preparation for hearing was the key task: I allow items 13(a) and (b) at the maximum claimed. As I have in the past when I think that the available choices of 2 or 3 units per hour for item 14(a) do not adequately reflect the appropriate

allowance, I apportion the 13 hours for hearing as follows: 7 hours and 6 hours at 3 units and 2 units per hour respectively. I allow item 26 at 5 units.

IV. Double costs (counsel fees) per Rules 419 and 420(2)(b) given that the Applicants failed to obtain judgment subsequent to the Respondent's settlement offer.

A. *The Respondent's Position*

[11] The terms of the Respondent's settlement offer (letter dated January 27, 2005 to expire on February 20, 2005) were that the Applicants discontinue this litigation, pay Column IV costs (Column III being the default Column unless the Court orders otherwise per Rule 407) and not assert against the Respondent any additional patents for the subject drug. The underlying rationale was that the result in the Novopharm matters significantly strengthened the Respondent's position relative to the '320 Patent. As well, it was readily apparent that formulation allegations asserted against the Respondent's drug relative to the '364 Patent would fail and that market considerations indicated discontinuance would be prudent. The Applicants rejected this settlement offer the next day by simply stating that they intended to appeal the decision in the Novopharm matters.
The Respondent's evidence was that as of the date of the settlement offer no assessable counsel fees had been incurred but that approximately $3,000.00 for experts had been.

[12] The Respondent argued that the Court may consider an offer to settle further to Rule 400(3)(e) whether or not said offer falls within the parameters of Rule 420: see *Kirgan Holdings S.A. v. "Panamax Leader" (The)* (2003), 227 F.T.R. 200 (F.C.). The Respondent's offer contained a requisite element of compromise because acceptance would have precluded payment of

costs, all of which were incurred subsequently: see *Stewart v. Canada (Attorney General)*, [2003] F.C.J. No. 947 (A.O.) [*Stewart*]. The implicit understanding in the second part of the settlement offer – that the Respondent would discontinue its action for expungement – also met the threshold for compromise: see *ITV Technologies Inc. v. WIC Television Ltd.*, [2005] F.C.J. No. 934 (F.C.). Absent an element of compromise (which is denied here) the Court can award increased costs: see *Baker Petrolite Corp. v. Canwell Enviro-Industries Ltd.*, [2002] F.C.J. No. 1710 (F.C.A.). That the settlement offer would eventually have expired was irrelevant because the Applicants formally rejected it the next day. Double costs were awarded in *Stewart* above notwithstanding expiry circumstances.

B. *The Applicants' Position*

[13] The Applicants argued further to *Canadian Olympic Assn. v. Olymel, Société en Commandite* (2001), 8 C.P.R. (4th) 429 (F.C.) that Rule 420 is intended to encourage the termination of litigation as an alternative to the longer and more expensive process of a trial, but not to allow manipulation for double costs by essentially, as here, calling for capitulation. The Respondent's offer, calling for the Applicants to abandon their case, permit immediate release of the Respondent's product and pay higher than the costs eventually awarded, did not contain the requisite element of compromise. The simple mention, in the settlement offer, of certain patents in no way implied that the Respondent would not subsequently challenge their validity. The Applicants' immediate rejection of the settlement offer reinforces their position that it was simply a request for capitulation.

C. *Assessment*

[14] Subsections 4 and 5.1(1) of the *Federal Courts Act* defining the Federal Court, and Rule 2 of the *Federal Courts Rules* defining an assessment officer, mean that the terms "Court" (as used in Rule 400(1) setting jurisdiction to award costs) and "assessment officer" refer to separate and distinct entities. Therefore, if the submissions relied on the premise that I have discretion within the meaning of Rule 400(1) concerning entitlement, such consideration was irrelevant in my disposition below.

[15] An amendment to Rule 420, SOR/2005-340, s. 1, which took effect on November 15, 2005, several months after the effective dates of the settlement offer, added subsection (3) providing that Rule 420(2)(b) does not apply unless the settlement offer is made at least 14 days before the hearing (it was) and "is not withdrawn and does not expire before the commencement of the hearing." This subsection was not raised before me. The Respondent did not give notice that the offer remained open should the Applicants change their mind. As well, they did not extend the date of expiry which was well before the commencement of the hearing. Thus, even if the rejection did not immediately render it withdrawn or expired it would have expired within the meaning of Rule 420(3)(b) thereby precluding entitlement to double costs. However, the wording of the current Rule is so much more restrictive (it clearly disqualifies this settlement offer from triggering double costs) than the former Rule 420(2)(b) (which imposed only the condition that a settlement offer not be revoked) that I presume it is conceded that the settlement offer here must be evaluated against former Rule 420(2)(b). In *Astrazeneca AB v. Novopharm Ltd.*, [2004] F.C.J. No. 1196 (A.O.) at

paras. [33] and [34], I concluded that expiration of a settlement offer does not carry the additional meaning of revocation.

[16] The jurisprudence is clear on the Court's jurisdiction to temper the effect of Rule 420 doubling by some intermediate result – jurisdiction not available to me. The large amount of money at stake in marketing pharmaceuticals was invoked by both sides: the Respondent to reinforce its claim to higher Column III fees and the Applicants to assert that partial indemnity costs ($166,232.87) or even full indemnity / solicitor-client costs ($493,786.02) were insignificant relative to market share dollars at stake, in turn effectively making the settlement offer devoid of compromise and a call for capitulation. I do not think for an instant that the potential amount of extra costs, i.e. about $17,000.00, was any incentive for the Applicants to discontinue. That is, I doubt that the avoidance of such extra costs would be the overriding criterion for litigants in such circumstances to the absolute exclusion of their interests in the protection of their patents and access to high market share. I will not add analysis additional to that already in *Astrazeneca* above and in *Culhane v. ATP Aero Training Products Inc.*, [2004] F.C.J. No. 1836 (A.O.) on whether an element of compromise can ever be a factor in the face of entrenched positions. I do not think that, short of capitulation by the Respondent on all issues other than costs perhaps, the Applicants would have considered settlement. As I doubt that the Court could have asserted jurisdiction over patents not the subject of this litigation (addressed in the second part of the offer requiring the Applicants to not assert additional patents relative to the Respondent's drug), I will only consider the first part of the settlement offer requiring discontinuance and payment of costs. I think it an aggressive presumption that the Court might have awarded Column IV costs. The Applicants refused an unrevoked

settlement offer and failed to obtain a judgment leaving them in a worse position than if they had accepted the offer, i.e. liable for costs however minimal they may be characterized relative to market share at stake and whose potential amount I do not think was a disincentive for the Applicants. The Respondent's offer was clear and unequivocal and barely meets the threshold for doubling of costs – a result which I think inappropriate in the circumstances here but which I am bound to apply. I exclude item 26 from doubling for reasons explained in the jurisprudence cited earlier in this paragraph.

V. Disbursements for experts Dr. Metin Celik ($127,937.12 / US$375 per hour); Dieter Baun ($7,124.50 /$150 per hour) and Dr. Jeffrey Gazzara ($1,063.34 / US$125 per hour).

A. *The Respondent's Position*

[17] The Respondent noted that the expert reports of Dr. Celik and Mr. Baun were particularly lengthy and that all experts underwent cross-examination. Dr. Celik reviewed the prior art, advised counsel on technical matters, including their experts, in the Applicants' materials, prepared expert evidence on formulation and provided crucial instructions and monitoring of Dr. Gazzara's independent testing. Mr. Baun's particular experience in formulation was used to reply to the Applicants' experts. He also reviewed the prior art but in less detail. Dr. Gazzara addressed pH testing on dilute hydrochloric acid relative to issues for the '364 Patent.

[18] The Respondent argued that this matter, involving complex patent issues resolved on written expert evidence, meets the test in *Rothmans, Benson & Hedges Inc. v. Imperial Tobacco Ltd.* (1994), 50 C.P.R. (3d) 59 (F.C.T.D.) [*Rothmans*], that costs are allowable for experts demonstrably

relevant to and supportive of the case. *Allied Signal Inc. v. Dupont Canada Inc.* (1998), 81 C.P.R. (3d) 129 (T.O.) [*Allied*] set out a three-part test, i.e. the disbursement for an expert must be prudent and reasonable in the circumstances existing at the time it was incurred, the terms of engagement must not constitute a blank cheque and the extent of reliance on the expert by the trial judge should be a factor. The Court in *Kirkbi AG v. Ritvik Holdings Inc.*, [2002] F.C.J. No. 1474 (F.C.T.D.), held that the costs, even if substantial, of an expert whose testimony was determinative of the issues should be considered in the context of how much was at stake for both sides.

[19] Success by the Applicants here would have shut the Respondent out of the lucrative Canadian market for at least eight years, a factor meeting the first part of the *Allied* test above. The qualifications, experience and reasonable hourly rates of all three experts in drug formulation easily meet the second part. The hearing judge's considerable reliance on their expertise meets the third part of the test, i.e. his implicit reliance on them concerning an essential element of the '320 Patent and his explicit reliance on them as opposed to the Applicants' experts concerning formulation and infringement issues relative to the '364 Patent.

[20] The Respondent argued that its supporting evidence for these disbursements clearly meets the test in Tariff B1(4) requiring reasonableness and an affidavit establishing that they were paid or are payable. As well, *Sarasin Consultadoria e Servicios LDA v. Roox's Inc.*, [2005] F.C.J. No. 907 (A.O.), holds that the absence of exhaustive proof should not preclude recovery if it is apparent that real costs were incurred. In response to the Applicants' assertion that Dr. Celik's work on validity of the '320 Patent was unnecessary because the hearing judge did not address validity, the Respondent

argued further to *Rothmans* above that costs should not be assessed in hindsight, but rather with regard to the circumstances existing at the time they were incurred. Here, the Respondent asserted that its product did not infringe the '320 Patent, and even if did, said patent was invalid. The hearing judge's finding of non-infringement made the validity issue moot, but *Mon-Oil Ltd. v. Canada*, [1993] F.C.J. No. 1447 (T.O.), held that counsel would be remiss in not preparing for such issues. Contrary to the Applicants' assertion that the hearing judge's use of a single paragraph to sum up the Respondent's expert evidence indicated little reliance on it, he spent several paragraphs weighing and making findings of fact based on said evidence. The brevity of the reasons does not necessarily indicate simplicity of issues: see *Bayer AG v. Apotex Inc.*, [2002] F.C.J. No. 1693 (A.O.) [*Bayer*].

[21] Dr. Celik did not falsify time entries or recycle them from the Novopharm matters. The supervising lawyer forwarded the publicly available expert affidavit of Dr. Paul Maes from the Novopharm matters to him for evaluation because it was anticipated that the Applicants would lead similar evidence in this proceeding. The Applicants' position in this assessment of costs on the inadequacy of Dr. Celik's credentials and experience should be rejected because it is identical to that considered and rejected by the hearing judge here. The Court in the Novopharm matters also expressly qualified him as an expert. The Applicants' submission below misstated the finding in *Aerlinte Eireann Teoranta v. Canada*, [1993] F.C.J. No. 1462 (F.C.T.D.) [*Aerlinte*]. The Court there found that preparation of an expert report is part of preparation to give evidence and that an expert's costs of meeting with counsel and reviewing patents, prior art and adverse expert reports are assessable.

B. *The Applicants' Position*

[22] The Applicants asserted that the Respondent's proof is insufficient, i.e. failure to adduce further to Tariff A3(4) as an alternative to the $100.00 limit in A3(2), evidence of any signed agreement with Dr. Celik for his expert services. The amount of $127,937.12, being 87% and 78% respectively of the totals for disbursements and the bill of costs, is exorbitant. There is no evidence that his first three invoices were ever paid. As there is evidence that his fourth invoice, i.e. US$24,824.27 was paid, as opposed to the first three, the inference should be that the latter have not been paid. The absence of an engagement agreement for his work makes it impossible to discern the parameters of his work. Similar concerns apply to Mr. Baun and Dr. Gazzara.

[23] The Applicants argued that Dr. Celik's account fails all three parts of the *Allied* test above and instead falls squarely within its finding in para. [77] that exorbitant and unreasonable costs charged by experts, however essential their supervising lawyers may consider their potential evidence, must not be passed on to the losing litigant. Although costs were permissible for preliminary work to determine the correct approach for a specific case, they are not for an expert educating himself in a field with which he is not familiar: see *Halford* above at para. [82]. Dr. Celik had never worked with buproprion hydrochloride and had only limited experience as a Ph.D student with sustained release formulations. The presence in his invoices of "travel time" to libraries confirms that he had been working primarily in recent years as an expert witness in proceedings such as here as opposed to work in an academic setting. The full extent of his lack of expertise in chemistry, biology and pharmacology, admitted on cross-examination here and in the Novopharm matters, cannot be gauged because their transcripts are sealed by protective orders. However, the

exorbitant time (43.99 hours) charged in his invoices for review of literature with which an expert qualified in the field should have been familiar, i.e. 1.5 hours for "Organic Chemistry (Book) – General knowledge that I needed to know/remember as it applies to my affidavit", illustrates this lack of expertise.

[24] Dr. Celik, as an expert for this matter and the Novopharm matters, examined the same 92 pieces of prior art. All but one patent were common to both matters. Yet, he charged exorbitant time (79.83 hours) to review these same materials several times over. The evidence discloses 55.08 hours for work such as discussions with counsel of the subject patents falling outside the Court's parameters, i.e. directly preparing to give evidence and giving evidence, expressed in *Aerlinte* above. Only the costs for a single preparation of an affidavit as opposed to multiple and repetitive drafts may be claimed: see *Canadian National Railway Co. v. Industrial Estates Ltd.*, [1987] F.C.J. No. 665 (T.O.). The record indicates that not only had he done this work already for the Novopharm matters, he repeated some of it several times here. The record discloses inflated charges of 23 hours to prepare for and attend on his cross-examination lasting less than 3 hours plus 6.92 and 8.33 hours respectively for repeated reviews of the 19 and 18 page affidavits of the Applicants' two experts. Dr. Celik made false or recycled time entries, i.e. 1.5 hours to review the affidavit of Dr. Maes, which was not used here, from the Novopharm matters. Further to *Northeast Marine Services Ltd. v. Atlantic Pilotage Authority*, [1994] F.C.J. No. 1294 (T.O.), invoices lacking precise information should be reduced accordingly. His vague invoices here omit dates for work allegedly completed, instead setting out overlapping date ranges out of chronological order for repetitive work.

[25] The Court in *Apotex Inc. v. Syntex Pharmaceuticals International Ltd.*, [1999] F.C.J. No. 1465 (F.C.T.D.), held that losing parties are not liable for the costs of additional or unnecessary experts. Here, Dr. Celik was hired just after Mr. Baun despite being less qualified, more expensive and giving essentially the same evidence. The hearing judge hardly relied on the Respondent's three experts referring to them only as a group and never individually by name. He used only one paragraph for each patent to summarize their evidence meaning that only Mr. Baun's evidence was necessary. As the hearing judge found issues of validity irrelevant, Dr. Celik's work was largely irrelevant because it mostly addressed the prior art which he had already reviewed in the Novopharm matters.

C. *Assessment*

[26] My view, often expressed further to my approach in *Carlile v. The Queen* (1997), 97 D.T.C. 5284 (T.O.) and the sentiment of Lord Justice Russell in *Re Eastwood (deceased)* (1974), 3 All.E.R. 603 at 608, that assessment of costs is "rough justice, in the sense of being compounded of much sensible approximation", is that discretion may be applied to sort out a reasonable result for costs equitable for both sides. I think that my view is reinforced by the editorial comments (see: The Honourable James J. Carthy, W.A. Derry Millar & Jeffrey G. Gowan, *Ontario Annual Practice 2005-2006* (Aurora, Ont: Canada Law Book, 2005)) for Rules 57 and 58 to the effect that an assessment of costs is more of an art form than an application of rules and principles as a function of the general weight and feel of the file and issues, and of the judgment and experience of the assessment officer faced with the difficult task of balancing the effect of what could be several subjective and objective factors.

[27] In *Almecon Industries Ltd. v. Anchortek Ltd.*, [2003] F.C.J. No. 1649 (A.O.) at para. [31], I found certain comments in the evidence, although self-serving, nonetheless to be pragmatic and sensible concerning the reality of a myriad of essential disbursements for which the costs of proof might or would exceed their amount. However, that is not to suggest that litigants can get by without any evidence by relying on the discretion and experience of the assessment officer. The proof here was less than absolute, i.e. claims by Dr. Celik for January – May 2005 for preparation and teleconferences or for May 26 – 27, 2005 for post-meeting activities without identifying participants and purpose. The evidence does not specify that his travel to Toronto on May 23-25, 2005, was to meet with supervising counsel concerning case preparation, including his report, but that likely was the purpose. The 6 hours claimed for January – May 2005 (preparation for teleconferences and teleconferences) likely addressed matters relevant for said meeting – a prudent approach to maximize the best use of that time. The lack of details makes it difficult to confirm whether the most efficient approach was indeed used or that there were no errors in instructions, as for example occurred in *Halford* above, requiring remedial work. A paucity of evidence for the circumstances underlying each expenditure makes it difficult for the respondent on the assessment of costs and the assessment officer to be satisfied that each expenditure was incurred as a function of reasonable necessity. The less that evidence is available the more that the assessing party is bound up in the assessment officer's discretion, the exercise of which should be conservative, with a view to a sense of austerity which should pervade costs to preclude prejudice to the payer of costs. However, real expenditures are needed to advance litigation: a result of zero dollars at assessment would be absurd.

[28] Counsel for the Applicants submitted a decision, *Janssen-Ortho Inc. v. Novopharm Ltd.*, [2006] F.C.J. No. 1684 (F.C.) [*Jansenn-Ortho*] that came to his attention after he had filed his reply materials. The Court there took into account that certain work for that proceeding was identical to that done for previous and similar proceedings. The Court there, after precluding costs for non-appearing experts, expressed concern for mounting and extravagant charges by experts and capped experts' charges for days in Court whether testifying or not at the lesser of the fees actually charged or those daily fees of senior counsel and capped preparation at one-half of such senior counsel's fee. The Respondent replied by pointing to my finding in para. [29] of *Merck & Co. v. Apotex Inc.*, [2002] F.C.J. No. 1116 (A.O.) [*Merck*] and arguing that what was found reasonable in the circumstances of *Jannsen-Ortho* above should not determine what is reasonable in the circumstances here. I agree with the Respondent subject to the caveat that I am bound by jurisprudence on legislative intent.

[29] I have assessed the accounts of the Respondent's three experts consistent with my approach in *Merck* above, affirmed by [2002] F.C.J. No. 1357 (F.C.T.D.) and *Bayer* above. I considered there some of the jurisprudence advanced here: I will not add more analysis given that reference here was made to *Halford* above in which I analyzed expert accounts in some detail. Experts may provide technical assistance, in addition to the work for their own reports and their oral evidence, in areas of case preparation beyond the capacity of supervising counsel. However, such work, potentially recoverable on a full indemnity basis as a function of reasonable necessity, should not stray into areas for which supervising counsel bear sole responsibility. That is, Tariff limitations could be circumvented because the assessable costs for counsel are limited to partial indemnity. I think that

little, if any, such work properly attributable to counsel occurred here. Dr. Celik's accounts may not specify exact dates for different types of work, but the date ranges provided contain many, but not all, entries with clear information on what technical work he had performed. Paragraphs 14, 15 and 16 of the Katz affidavit do set out in general terms the instructions for the experts' work, but not in so much detail for Dr. Celik, for example, to permit confirmation that there were not any flawed instructions from supervising counsel resulting in unnecessary costs as occurred in *Halford* above at paras. [76] and [82].

[30] Although I share the Applicants' concern for both repetitive work in this matter and duplication of work from the Novopharm matters, supervising counsel could not presume that Dr. Celik's work in the Novopharm matters might be transplanted to this matter, with enormous market share at stake, subject only to minor tweaks. Indeed, at paras. [7] and [8] the hearing judge accepted the Applicants' position that the Court had to make its own findings of fact here and rejected the Respondent's position on judicial comity, i.e. to simply adopt the decision in the Novopharm matters. Although that suggests substantive case preparation was required particular to this matter, I think that previous work for the Novopharm matters should have made the work here somewhat more straightforward. That is, para. [40] of the decision in the Novopharm matters reported as *Biovail Pharmaceuticals Inc. v. Canada (Minister of National Health and Welfare)*, [2005] F.C.J. No. 7 (F.C.) [*Biovail*] and para. [23] of the decision here each addressed the '320 Patent and each made a similar finding concerning a sustained release agent. However, these two decisions also dealt with other issues not common to each. I am not convinced that the Applicants

should bear all or some of his costs for educating himself and for the numerous reviews of materials.

[31] With all due respect to the third part of the *Allied* test above, i.e. assessing the reliance of the trial judge on the expert's testimony, judges have varied writing styles and do not always set out discrete and explicit statements of their exact use, or not, of experts. For example, the trial judge at para. [20] in *Biovail* above identified Dr. Celik by name and qualified him as an expert in the "development and formulation of pharmaceutical products" without asserting that his expertise had limitations. I find it of interest, relative to the Applicants' discounting of Dr. Celik's experience as a Ph.D. student, that the trial judge in *Biovail* above commented in para. [54] about the testimony of Dr. Kathryn Uhrich (she was an expert for the Applicants in *Biovail* above and for the Applicants here) that he did not "hold it against her that she was only a freshman in college at the time." He had previously rejected a submission that she was too young to be qualified as an expert. His decision discusses the relevance of given experts by name. By contrast, the hearing judge's decision here does not devote space to analyzing the qualifications of the experts or expressing the relevance of each. However, his decision does rely on the experts as a whole without expressing strong preferences for one or another. That is simply his style and I certainly would not conclude that he did not rely on the experts in making his findings. Thus, I think that the three-part test in *Allied* above is a useful tool but I find that applying it without regard to the circumstances particular to the subject litigation would distort the assessment process. Although experts assist the trial judge in making findings, it is the trial judge alone who is charged with making such findings and he may do so without regard to the experts from either side if he so chooses. However, supervising counsel

would be negligent in not engaging such technical expertise reasonably necessary, as here, in his or her professional judgment. I do not think that the term "irrelevant" used by the Applicants to describe the hearing judge's disposition of the matter of validity captures what was meant. Rather, the Respondent had asserted a defence with two parts. If the hearing judge did not accept the first part, i.e. non-infringement, then the Respondent would assert the second part, i.e. invalidity. That the hearing judge accepted the defence of non-infringement and stated that he therefore did not need to decide invalidity does not mean that case preparation of the second part of the defence was not prudent and reasonably necessary.

[32] I sympathize somewhat with litigants such as the Respondent here who must try and make sense of a variety of expenditures after they had been incurred often without having added notations for future use as justification on an assessment of costs. Thus, they find themselves in the awkward position, as the Respondent here, of arguing on one hand in support of Dr. Celik's account that the Applicants had made at least two admissions that the evidence here differed from that in the Novopharm matters and, on the other hand, also in support of Dr. Celik's account that he did not falsify time entries because he was simply performing work assigned here by supervising counsel, i.e. reviewing an expert report from the Novopharm matters anticipated by supervising counsel to be used here. Some of his invoices do contain several entries with some detail as to tasks performed, i.e. the entry for 4 hours in invoice no. 00730 about review of volume 1 of prior art with particular emphasis on four patents that he thought would be crucial, thereby indicating specific focus for that task and letting the Applicants understand the basis for the charge. Whether the Applicants might argue that it is supervising counsel that should set the parameters for him, i.e. as to which patents to

examine, is another question. As the assessment officer, I am grateful for the candour in some entries, i.e. the entry for 1.5 hours to read an organic chemistry book to gain "General knowledge that I needed to know/remember as it applies to my affidavit", but I do not think it appropriate for the losing party to pay for such work by an expert, described in para. [20] of *Biovail* above as having a "long and steady involvement" in this field, for what I see as elemental knowledge ordinarily resident in a qualified expert.

[33] The Applicants asserted inflated charges, i.e. 23 hours preparation by Dr. Celik for his cross-examination ultimately lasting less than three hours. I do not think that there is a universal ratio to apply in such matters as supervising counsel should be able to anticipate the strategy of opposing counsel, but not always with certainty. His invoice broke down the 23 hours as 4 hours (transit time reduced from actual 17 hours), 10 hours (reduced from actual 16 hours for intense study at his hotel), 6 hours (meeting with supervising counsel) and 3 hours (cross-examination). He had already documented a considerable amount of preparation time for his report apart from the general technical case preparation assigned to him. People's working styles do vary and Dr. Celik may have thrived on a schedule apparently involving a driving trip followed immediately by several hours of preparation and continued the next day with a meeting added to the mix. I do not think that the Applicants should bear all of these hours, notwithstanding his voluntary reductions already.
He claims about $465.00 for mileage (1036 miles round-trip @ $0.40 per mile), tolls and parking which, apart from consideration of charges for his time in transit, might approximate airfare and ground transportation (in fact, the airfare and ground transportation charges, apart from charges for

a flight change, for another trip exceeded this by about $400.00: a trip for which he apparently booked the rack rate of $249.00 for a downtown Toronto hotel).

[34] I agree with the Respondent that establishment of liability to pay is sufficient for assessment, subject however to the caveat that such amounts must be returned if said liability is not subsequently discharged (further to the principle that a litigant shall not profit by costs). It is irrelevant that Dr. Celik's bill may constitute a considerable percentage of the overall charges if his technical assistance was essential (which I find that it was) - unless his charges are demonstrably exorbitant. As I have found in the past, work to assist supervising counsel in case preparation is assessable if it does not displace the latter's direct professional responsibility for which indemnity is only partial. Striking that balance is sometimes not easy for supervising counsel. The hearing was in April 2006. Dr. Celik's final invoice dates to July 29, 2005, indicating that supervising counsel correctly resisted the temptation for extra briefing once Dr. Celik's work had been finalized, or simply did not advance such extra charges if indeed incurred. I think that $104,000.00 was a reasonable expenditure in the circumstances, which I allow for Dr. Celik inclusive of disbursements and taxes. I allow the disbursements of $1,063.34 and $7,124.50 as claimed respectively for Dr. Gazzara and Mr. Baun.

VI. Disbursements for court reporters ($3,226.00); law society levy ($50.00); legal research ($614.78); long distance ($63.43); mail and courier ($530.66); notary public ($75.00); US patent and trade mark office ($3.83); external and internal photocopies ($4,973.74 and $450.79 respectively); obtaining prior art ($154.50); service and filing ($1,156.65) and bank draft handling charges ($12.00)

A. *The Respondent's and the Applicants' Positions*

[35] The Respondent noted that its law firm's internal photocopy rate of $0.15 per page is considerably less than rates approved in other matters. The geographical distances between solicitors, clients and witnesses justifies the long distance and courier charges: see *Smith v. The Queen* [1985], 85 D.T.C. 5200 (F.C.T.D.). Computer research is recoverable if reasonably necessary: see *Boots v. Mohawk Council of Akwesasne*, [2000] F.C.J. No. 312 (A.O.)

[36] The Applicants noted that there are underlying invoices totalling only $463.68 of the $530.66 claimed for mail and couriers. There is no evidence to support the $450.79 claimed for internal photocopies and no way to verify their necessity given the lack of opportunity to cross-examine on the Katz affidavit. As the account number on the external photocopying receipts has been redacted, it is impossible to discern if they all relate to this matter. For this and the other disbursements there is no evidence of actual payment.

B. *Assessment*

[37] I have already dealt with access to the Katz affidavit above. My comments in *Canadian Union of Public Employees, Inc. v. Air Canada*, [1999] F.C.J. No. 464 (A.O.) on photocopies, coupled with the parameters in paras. [26] and [27] above, reflect my considerations for disbursements in striking the appropriate balance between the right of a successful litigant to be indemnified for its reasonably necessary costs and the right of an unsuccessful litigant to be shielded from excessive or unnecessary costs. I allow a reduced total of $4,900.00 for photocopies.
My decision in *Englander v. Telus Communications Inc.*, [2004] F.C.J. No. 440 (A.O.), confirms

that I routinely allow costs for online computer research. However, that process includes consideration of whether all, none or only part of the research was reasonably necessary, irrelevant or simply in the nature of cautionary or secondary authorities, keeping in mind the professional obligation of counsel both to the client for diligent representation and to the Court for as much assistance as reasonably possible on all aspects of the law potentially affecting final adjudication on the substantive issues of the litigation. I allow a reduced amount of $475.00 for legal research. The remaining disbursements are allowed as presented as I find them reasonable and consistent with my approach in *Halford* above. Although the requisite information would be buried in the law firm's records, the categories of disbursements to which GST claimed at $863.33 relate is not readily apparent from the bill of costs itself. As this amount would apply to less than 10% of the claimed disbursements, I leave it undisturbed.

[38] The Respondent's bill of costs, presented at $182,992.87, is assessed and allowed at $152,906.24.

"Charles E. Stinson"
Assessment Officer

FEDERAL COURT

SOLICITORS OF RECORD

DOCKET:	T-14-05
STYLE OF CAUSE:	BIOVAIL CORPORATION et al. v. THE MINISTER OF HEALTH AND WELFARE et al.

ASSESSMENT OF COSTS IN WRITING WITHOUT PERSONAL APPEARANCE OF THE PARTIES

REASONS FOR ASSESSMENT OF COSTS:	CHARLES E. STINSON
DATED:	July 23, 2007

APPEARANCES:

Mr. Douglas N. Deeth Ms. Heather E.A. Watts	FOR THE APPLICANTS
Mr. Edward Hore Mr. Kevin Zive	FOR THE RESPONDENT, Sandoz Canada Inc.
n/a	FOR THE RESPONDENT, The Minister of National Health and Welfare

SOLICITORS OF RECORD:

Deeth Williams Wall LLP Toronto, ON	FOR THE APPLICANTS
Hazzard & Hore Toronto, ON	FOR THE RESPONDENT, Sandoz Canada Inc.
John H. Sims, Q.C. Deputy Attorney General of Canada	FOR THE RESPONDENT, The Minister of National Health and Welfare