Date: 20091002

Docket: T-1965-05

Citation: 2009 FC 1003

BETWEEN:

SANOFI-AVENTIS CANADA INC.

Applicant

and

NOVOPHARM LIMITED and THE MINISTER OF HEALTH

Respondents

and

SCHERING CORPORATION

Respondent/Patentee

ASSESSMENT OF COSTS – REASONS FOR DECISION AND DECISION

Bruce Preston
Assessment Officer

[1] At issue in the matter before me are two preliminary questions:

1. A ruling as to whether Schering Corporation (Schering) was jointly and severally responsible for the costs awarded to Novopharm.
2. Having regard to the decision by Sanofi to appeal my decision on question 1 above, how should the assessment of costs proceed.

Background

[2] On May 8, 2006 the Court, Milczynski P., dismissed the motion of the Respondent Novopharm Limited (Novopharm) for an order dismissing the application (NOC) pursuant to subsection 6(5) (b) of the *Patented Medicines (Notice of Compliance) Regulations* SOR/93-133 (NOC Regulations). On September 25, 2006 the Court, Tremblay-Lamer J. granted Novopharm's appeal of the order of May 8, 2006, dismissing the NOC application as an abuse of process, the whole with costs. By way of judgment dated April 23, 2007, the Federal Court of Appeal dismissed Sanofi-Aventis Canada Inc.'s (Sanofi), appeal of the order of September 25, 2006, with costs.

[3] Further to submissions of the parties, on January 18, 2008 the Federal Court of Appeal ordered that "costs will be awarded in favour of Novopharm Limited against Sanofi-Aventis Canada Inc. and Schering Corporation to be assessed by the Assessment Officer at the middle of column III in Tariff B for one counsel and one junior counsel for the preparation and attendance at the hearing of the appeal".

[4] Further to the motion of Novopharm filed December 7, 2007, on January 22, 2008 the Court, Tremblay-Lamer J. directed "that costs of this proceeding should be assessed at:

i) at the high end of column IV, Tariff B;
ii) including disbursements for expert witness fees;
iii) for one senior counsel and one junior counsel at the hearing of each motion;
iv) for two counsel preparing respondent's evidence; and
v) the costs of this motion."

[5] The hearing of the assessment of costs was scheduled to commence on September 17, 2009 in Toronto. At the commencement of the hearing counsel were asked if it would be helpful to allow some time for them to discuss the issues on assessment prior to commencing the assessment. Counsel for all parties felt this would be helpful. Upon resuming, counsel indicated that the parties had proceeded as far as possible without a ruling as to question 1 above. Counsel made submissions as to the liability of Schering and an oral decision was rendered finding that Schering was not jointly and severally liable for the costs of Novopharm.

[6] Faced with the above decision the parties attempted to resolve outstanding issues. When it became apparent that this was not possible due to the possible appeal by Sanofi, I was asked to make a finding as to how the assessment should proceed. After submissions from counsel an oral decision was rendered adjourning the assessment pending decision on any appeal.

[7] The following are my reasons for decision and decision relating to questions 1 and 2 above.

Liability of Schering

[8] On the liability of Schering, counsel for Novopharm indicated that they had no substantive submissions to make other than to submit that Novopharm was the successful Respondent entitled to costs and that Schering made submissions at the hearing of the motion and subsequent appeals.

[9] Counsel for Sanofi acknowledged that the order dismissing the application and the direction as to costs do not specifically grant costs against Schering. It was further acknowledged that

Schering as Respondent/Patentee is not an Applicant but is required to be added as a Respondent pursuant to section 6 (4) of the NOC Regulations. It was submitted that the Respondent/Patentee has interests in the proceeding not necessarily identical to the applicant's and is fully entitled to represent its independent interest in the proceeding. In support of this argument Sanofi referred to *Sepracor Inc. v. Schering-Plough Canada Inc*., 2008 FCA 230. Sanofi submitted that Schering participated by filing Motion Records and made submissions at the hearings. As further evidence of Schering's participation it was submitted that Madam Justice Trembay-Lamer commented on Schering's submissions throughout her Reasons. It was further submitted that the direction of the Court of Appeal as to costs dated January 18, 2008, awarding costs against both Sanofi and Schering is determinative of the issue.

[10] Sanofi submitted that costs are assessed between opposing parties and acknowledged that although Schering is not an opposing party it was active in the process. It was submitted that logically costs should be against both Sanofi and Schering otherwise Schering would not be responsible for the work Novopharm was caused to perform by Schering's participation.

[11] The final submission of Sanofi was that there was no specific direction indicating that Schering was not jointly and severally liable for costs and that Novopharm clearly asked both the Federal Court and Federal Court of Appeal for costs against both Sanofi and Schering.

[12] Counsel for Schering submitted that no costs have been awarded against Schering. The NOC application was brought by Sanofi and the only party who could have commenced the

application was Sanofi. It was submitted that Schering owns the patent and pursuant to Section 6 (4) of the NOC Regulations the owner shall be made a party to the application: Schering had no choice in the matter. Schering submitted that it would not allow the patent to be disparaged through the NOC process and that in *Sepracor* (supra at Para. 26) the Court found the patentee has a right to file evidence. It was further submitted that, as patentee, Schering has no rights under the NOC regulations, only an obligation to be a party. Schering submitted that the benefits or liabilities of the process go to the parties not the patentee and that costs follow the event.

[13] Schering submitted that the dismissal of the application by Madam Justice Tremblay-Lamer was with cost and acknowledged that the Court may order an unsuccessful defendant to pay the costs of a successful defendant but that there is no such order here. It was submitted that the order on this file is essentially the same as the order of Madam Justice MacTavish in Aventis *Pharma Inc v. Apotex* 2005 FC 1283 (T-1742-03) and that, in the assessment on that file, Sanofi did not pursue costs from Schering. Further Schering submitted that the fact that the Court of Appeal awarded costs against Schering does not create the same liability here. They are separate proceedings and the decision of the Court of Appeal cannot be read into the decision of Madam Justice Tremblay-Lamer. Furthermore, it would be inconsistent to read in a provision that does not appear on the face of the order.

[14] In the alternative Schering submitted that costs follow the application and if there is liability that liability is to be decided by the Court based on the role of the parties in the process. Schering is not 50% liable as it did not take 50% of the role: it did not cause Novopharm 50 % of the work

performed. Schering submitted that, in any event, the order, on its face, does not award costs against Schering and the direction as to costs, in not mentioning either Sanofi or Schering, does not vary the order.

[15] By way of reply Novopharm submitted that Schering's submissions ignore the actions taken by Schering, the four Schering affidavits to which Novopharm had to respond, and that Novopharm should be compensated in whole for that work.

[16] Sanofi agreed with the reply submission of Novopharm and submitted that Sanofi should not be responsible for the work done by Novopharm as a result of Schering's participation. It was submitted that Sanofi and Schering collaborated as parties. Schering was not a passive participant but an active participant, which created a certain amount of work for Novopharm. It was submitted that if Sanofi had been successful Schering would have had something to gain. Since Sanofi was not successful, Schering should be liable for their share of the costs. It was further submitted that in T-1742-03 the issue of liability did not arise before Madam Justice MacTavish and was therefore not addressed. Sanofi's final submission was that although the Court of Appeal is a different proceeding than the one in issue here, the same circumstances apply.

[17] By way of rebuttal Schering submitted that they chose to actively participate. It was submitted that although the Minister of Health (The Minister) does not always actively participate in these proceedings, they do on occasion, and in any event, the Minister is always a party to the proceeding and copies of documents are provided to them, creating costs for which they are not held

liable. Schering submitted that the Order of Madam Justice Tremblay-Lamer is dispositive of the matter and that the order does not mention Schering. It was submitted that the Order of the Court of Appeal clearly awards costs against Sanofi and Schering and they are "on the hook" to pay costs. In the absence of a similarly specific order there is no cost liability in the Federal Court.

[18] I will commence by addressing this last point first. The situation with which I am faced appears to be unique to NOC applications due to the nature of the proceeding before the Court and the provisions of the NOC Regulations. In the present case it is clear that Schering is a named respondent pursuant to Section 6(4) of the NOC Regulations. Similarly, my reading of Section 6(1) of the NOC Regulations, together with Rule 303(1) of the Federal Courts Rules, necessitates naming the Minister as a Respondent. This finding is supported in *Pfizer Canada Inc. v. Canada (Minister of Health)* 2007 FC 169. In this particular case, as both the patentee and the Minister are respondents as a result of a provision found in the regulations, in the absence of an explicit exercise of discretion by the Court awarding costs against one or the other, the approach taken with respect to the assessment of costs should be consistent for both. It is interesting to note that none of the parties made submissions arguing that the Minister was liable for costs even though the Minister is party to the proceeding and copies of documents were provided to the Minister.

[19] Having read the Reasons for Order and Order of Madam Justice Tremblay-Lamer dated September 25, 2006 it is clear that Schering was an active participant in the Appeal of the Order of Madam Prothonotary Milczynski. At paragraphs 28, 30, 32 and 33 references are made to Sanofi and Schering. Despite these references, the order grants the appeal and dismisses the application, the

whole with costs. The order makes no mention of an award of costs against any party specifically and there is not an explicit award of costs against or Schering.

[20] Further, I have reviewed Novopharm's Amended Notice of Motion for Directions filed December 7, 2007 and the materials filed in support. The motion was for:

1. an order fixing the costs of this proceeding at $85,982.73 payable jointly and severally by the Applicant, Sanofi- Aventis Canada Inc. and the Respondent/Patentee, Schering Corporation forthwith;
2. in the alternative, direction, pursuant to Rule 403, for the assessment officer, that the costs of this proceeding be assessed at the high end of Column IV, Tariff B;
3. the costs of this motion; and
4. such further and other relief as this Honourable Court seems just

[21] It is noted that there is no request for costs against the Minister and the only mention of Schering being jointly and severally responsible for costs is found in paragraph 1 of the prayer for relief, seeking an order fixing costs. I find it interesting that in their alternative relief and in their submissions Novopharm did not request a direction that the costs be payable jointly and severally by the Applicant, Sanofi- Aventis Canada Inc. and the Respondent/Patentee, Schering Corporation.

[22] Further, having reviewed Sanofi's material filed December 17, 2007 in response to the motion, I can find no submission suggesting that Schering be held jointly and severally liable for the

costs of Novopharm. On the other hand, Schering at paragraph 2 of its written submissions filed December 20, 2007 submits:

> Novopharm is seeking costs in the amount of $85,982.73, payable jointly and severally by Schering and Sanofi-Avenis Canada Inc ("Sanofi"). However, Novopharm has not recognized that Schering did not commence the within Application but was in fact a party required by statute. Novopharm has not indicated why any costs should be attributed to Schering nor how such costs should be allocated. As such, it is respectfully submitted that no costs should be payable by the Respondent/Patentee Schering.

[23] A review of the direction of Madam Justice Tremblay-Lamer, concerning costs, dated January 22, 2008 reveals that there is no mention of an award of costs against Schering and no direction that Sanofi and Schering are jointly and severally responsible for the costs of Novopharm.

[24] I agree with counsel for Schering concerning the order of Madam Justice MacTavish in T-1742-03. Having reviewed that decision, I find the determination of the Court with respect to costs is substantially the same as the determination in this file; the application was dismissed with costs. In addition, having reviewed the Reasons for Assessment on T-1742-03, 2009 FC 51, there is no mention of submissions that costs should be jointly and severally paid. In fact the decision is silent concerning that issue.

[25] I cannot agree with Sanofi that the decision in Court of Appeal is determinative of the issue. Schering has submitted that absent a similar direction in the Federal Court, Schering has no liability for costs. In Canada *(Minister of Citizenship and Immigration) v. Oberlander*; 2008 FC 497 Justice Hugessen of the Federal Court held; "following the revocation decision by the Governor in Council,

Mr. Oberlander brought judicial review proceedings which were dismissed by a judge of this Court but later allowed by the Federal Court of Appeal "with costs here and below" and I am now asked to fix the amount of such costs". In the present case, without an award of costs "both here and below", the Court of Appeal decision concerning costs is not determinative of the issue in the Federal Court. If this were the case, there would not have been a need for the motion for directions and the resulting directions given by the Federal Court.

[26] As a general rule, costs should follow the event: *Aird v. Country PartyVillageProperty (Mainland) Ltd.*[2004] F.C.J. No. 1153. In this proceeding, the event is the granting of the appeal and the dismissal of the application, the whole with costs. As it is the application of Sanofi which was dismissed it follows that the award of costs was against Sanofi. I can find no exercise of discretion by the Court awarding costs against the Minister or Schering in either the decision of September 25, 2006 or the Direction of January 22, 2008. Further, there is no provision similar to that found in the Court of Appeal decision awarding costs jointly and severally against Sanofi and Schering.

[27] It has been held that an Assessment Officer is not a member of the Court and that absent an exercise of discretion by the Court, an assessment officer has no jurisdiction to allow costs not previously awarded; *Balisky v. Canada,* [2004] F.C.J. No.536.. As the Court did not exercise its discretion to award costs against the Minister or Schering or jointly and severally against Sanofi and Schering, I am unable to allow any costs against Schering.

How to Proceed

[28] Counsel for Novopharm submitted their desire to have the assessment resolved at the hearing. Two ways of moving forward were suggested; 1) there is an agreement between Sanofi and Novopharm as to the quantum of damages, the problem being, if Sanofi appeals the decision concerning Schering's liability for costs and is successful, Schering may seek to contest the settlement concerning the quantum of damages; or 2) proceed with the assessment as there is a requirement for a decision as to the quantum of costs.

[29] Counsel for Sanofi submitted that should they be successful on any appeal the question remains, would Schering agree to the quantum that was agreed upon in the absence of Schering? It was submitted that Sanofi was prepared to go ahead with the assessment, but with the presence of Schering. Sanofi also submitted that the assessment could be adjourned.

[30] Counsel for Schering submitted that the Court has determined that Schering is not liable for costs; therefore Schering should not be forced to proceed with the assessment and make submissions. It is premature. It was submitted that the fairest way to proceed is to wait until after any appeal and decide the quantum if Sanofi is successful.

[31] By way of rebuttal counsel for Novopharm submitted that had the decision been different or had I reserved my decision, Schering would have had to make submissions as to costs. That however is not the situation here.

[32] Faced with my decision determining that Schering is not liable for costs, I am reluctant to require counsel for Schering to argue the assessment of costs at this time. They may be making submissions that, in the end, are not necessary.

[33] Given the circumstances of this particular file and the uncertainty as to the decision on any appeal, I agree with counsel for Sanofi that this assessment of costs should be adjourned pending a decision on any appeal.

Decision

[34] For the above reasons, I consider Schering not liable for any costs awarded to Novopharm. The assessment of costs is adjourned pending decision on any appeal. This assessment may be resumed, upon request from counsel, on a date to be fixed.

"Bruce Preston"
Assessment Officer

Toronto, Ontario
October 2, 2009

FEDERAL COURT

SOLICITORS OF RECORD

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