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IP monitor

To the winner go the spoils: Federal Court deviates from tariff to award fair and reasonable costs

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Intellectual property

After dismissing interim and interlocutory injunction motions, the Federal Court awarded costs to the successful defendant at a quantum higher than stipulated in Column III of Tariff B of the *Federal Courts Rules.* The tariff was "woefully inadequate" in the circumstances.

In *The Regents of the University of California et al v I-Med Pharma Inc,* Justice Manson of the Federal Court dismissed the plaintiffs' interim injunction motion[1] and interlocutory injunction motion[2] for failing to demonstrate irreparable harm. Our IP Monitor discussing the judgment refusing the interlocutory injunction can be found here.

The court awarded approximately $140,000 in costs to the successful defendant. This was much higher than the amount stipulated in Column III of Tariff B. The judge determined costs stipulated by the tariff were "woefully inadequate in this case," for they covered only about 10% of the defendant's actual incurred fees.

Litigation history

The plaintiff and moving party, TearLab Corporation, is an exclusive licensee of Canadian Patent No. 2,494,540 (the **'540 Patent**), which is owned by the other plaintiff in this case, the Regents of the University of California (**University**). The '540 Patent generally relates to diagnostic devices, systems, and methods for measuring the osmolarity of tears, said to be useful for diagnosing and treating dry eye disease.

TearLab filed an interlocutory injunction motion to prevent the defendant I-MED Pharma Inc. from selling its ophthalmic medical device pending determination at trial of patent infringement and validity. TearLab further filed a motion for an interim injunction to prevent I-MED from selling its device before the interlocutory injunction motion was heard. The Federal Court dismissed both injunction motions.

I-MED moved for, and was awarded, $100,000 as security for costs through discovery as neither TearLab nor the University is ordinarily resident in Canada.

The parties' positions

TearLab argued that costs should be awarded pursuant to the middle of Column III of Tariff B of the *Federal Courts Rules* as the issues in both injunction motions were not complex. In the alternative, if the court were to award a lump

sum, TearLab argued that fees for I-MED's expert should be reasonably capped and I-MED's disbursements should be assessed for reasonableness.

I-MED argued that costs should be awarded at two-thirds of its actual legal fees for two reasons. First, I-MED was successful in dismissing both injunction motions. Second, the quantum of costs stipulated by Column III of Tariff B would only reimburse I-MED for about 10% of its actual fees incurred for the injunction motions and its motion for security for costs.

I-MED further sought to be reimbursed for all of its disbursements, which it submitted was reasonable, given its reliance on a single expert and reasonable use of counsel leading to the injunction hearings.

The court's analysis

Justice Manson acknowledged that TearLab's injunction motions were reasonably brought, that there was a serious issue at play in both motions, and that there was some overlap in preparation for and arguments made with respect to expert and fact evidence used in both motions.

However, in awarding costs to I-MED at a quantum higher than stipulated in Column III of Tariff B, Justice Manson recognized the fundamental purposes that modern costs rules should foster, which include: (i) to partially indemnify successful litigants for the costs of litigation; (ii) to encourage settlement; and (iii) to discourage and sanction inappropriate behaviour. Further, a costs award should reflect what the court views as a fair and reasonable amount that should be paid by the unsuccessful party.

Upon consideration of I-MED's actual fees incurred to successfully defend both injunction motions, and the factors set out in subsection 400(3) of the *Federal Courts Rules*, Justice Manson concluded that the quantum of costs stipulated by Column III of Tariff B was woefully inadequate.

Justice Manson further held that I-MED was entitled to reasonable disbursements. He noted that I-MED's disbursements were generally reasonable, but made some discounts for the overlap involved in the two injunction motions, and a lack of evidence on the dates and length of stay for travel expenses and the hourly rate of I-MED's expert.

Justice Manson ultimately awarded a lump sum to I-MED, which covered approximately 40% of the defendant's actual fees and approximately 60% of the defendant's disbursements.

This decision is another example of the Federal Court's willingness to deviate from the tariff when doing so will be fair and reasonable.[3]

Link to decisions:

Interim motion judgment: 2016 FC 350

Interlocutory motion judgment: 2016 FC 606

Judgment regarding costs: Costs judgment

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Footnotes

[1] 2016 FC 350.

[2] 2016 FC 606.

[3] In *The Dow Chemical Company v Nova Chemical Corporation*, 2016 FC 91, Justice O'Keefe deviated from the tariffs and awarded the plaintiffs of a successful patent infringement proceeding a lump-sum award of 30% of the plaintiffs' legal fees. Following the tariffs would have restricted the costs award to only 11% of the plaintiffs' legal fees. Our IP Monitor relating to this judgment can be found here.

For more information, please contact your IP professional at Norton Rose Fulbright Canada LLP.

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