COURT OF APPEAL FOR ONTARIO

CITATION: Apotex Inc. v. Eli Lilly Canada Inc., 2022 ONCA 587
DATE: 20220816
DOCKET: C69320

Strathy C.J.O., Roberts and Sossin JJ.A.

BETWEEN

Apotex Inc. and Apotex Pharmachem Inc.

Plaintiffs
(Appellants)

and

Eli Lilly Canada Inc., Eli Lilly and Company, Eli Lilly and Company Limited and Eli Lilly SA

Defendants
(Respondents)

Harry Radomski, Andrew Brodkin, Nando De Luca and Jerry Topolski, for the appellants

Marc Richard, Alexander Gloor and Rebecca Johnston, for the respondents

Heard: February 17, 2022 by video conference

On appeal from the order of Justice Paul B. Schabas of the Superior Court of Justice dated March 8, 2021, with reasons reported at 2021 ONSC 1588, and from the costs order dated April 27, 2021, with reasons reported at 2021 ONSC 3111.

L.B. Roberts J.A.:

Overview

[1] This appeal involves another chapter in the protracted series of patent registration disputes between the parties. The appellants (collectively “Apotex”)

and the respondents (collectively “Eli Lilly”) are world-renowned pharmaceutical manufacturers. As a general business model, Eli Lilly is an innovator drug company and Apotex manufactures generic versions of innovator drugs. They are longstanding and fierce competitors in the very lucrative pharmaceutical market. As always is the case in their litigious encounters, the monetary stakes and costs expended are extremely high.

[2] In 1998, Eli Lilly patented a drug called Olanzapine. Due to Eli Lilly commencing and pursuing proceedings in the Federal Court of Canada, for several years Apotex was unable to bring to market the generic version of Olanzapine under its own label. In 2011, as a result of Novopharm Limited’s separate proceedings against Apotex, Eli Lilly’s patent over Olanzapine was declared invalid.

[3] The central issue on this appeal is whether the invalidation in 2011 of Eli Lilly’s 1998 pharmaceutical patent registration for Olanzapine gives rise to a claim by Apotex for damages from its generic pharmaceutical being kept out of the market from June 28, 2006 to October 9, 2009. Apotex’s claims for damages under the *Statute of Monopolies*, R.S.O. 1897, Ch. 323, the *Trademarks Act*, R.S.C., 1985, c. T-13, and the common law tort of civil conspiracy all arise from the finding that Eli Lilly’s patent was invalid and void *ab initio*.

[4] Eli Lilly maintains the position advanced on its motion for summary judgment, which was accepted by the motion judge in dismissing Apotex’s action, that Apotex

is seeking relief for alleged harm beyond what is permitted by the *Patent Act*, R.S.C., 1985, c. P-4, and the *Patented Medicines (Notice of Compliance) Regulations*, SOR/93-133 (“PM(NOC) Regulations”). Eli Lilly submits that the motion judge’s conclusions were correct and should not be disturbed. Specifically, the *Patent Act* and its Regulations are a complete code governing the issuance and use of patents, including available remedies when patents have been infringed and when they have been found to be invalid. Any damage caused to Apotex was due to the operation of the PM(NOC) Regulations when Eli Lilly was acting lawfully, pursuant to a patent issued in accordance with the *Patent Act*, and not any actions by Eli Lilly. They argue that the appeal should be dismissed.

[5] Apotex seeks in any event leave to appeal from the $700,000 partial indemnity costs order granted in Eli Lilly’s favour.

[6] For the reasons that follow, I would dismiss Apotex’s appeal from the dismissal of its claim for damages and from the costs order.

Background

(i) Patent Regulatory Regime

[7] Before I set out the specific factual background, it is helpful to briefly explain the patent regulatory context in which the relevant events giving rise to these

proceedings took place and which informs the issues on this appeal. I refer to only those regulatory provisions[1] that are particularly relevant to the issues on appeal.

[8] Patent law is "wholly statutory" with "no inherent common law right to a patent", with the result being that "[a]n inventor gets his patent according to the terms of the *Patent Act*, no more and no less": *Apotex v. Sanofi-Sythelabo Canada Inc.*, 2008 SCC 61, [2008] 3 S.C.R. 265, at para. 12; *Commissioner of Patents v. Farbwerke Hoechst Aktiengesellschaft Vormals Meister Lucius & Bruning*, [1964] S.C.R. 49, at p. 57.

[9] Patents are granted under s. 27 of the *Patent Act* as an approved new invention for a specific term. In the case of Eli Lilly's patent, the term was for 20 years from the filing date in accordance with s. 44. Section 43(2) provides that "[a]fter the patent is issued, it shall, in the absence of any evidence to the contrary, be valid and avail the patentee and the legal representatives of the patentee for the term mentioned [in this case] in section 44". An "early working" exception under s. 55.2(1) of the *Patent Act* allows a generic drug company to develop copycat drugs before the expiry of a patent. See: *AstraZeneca Canada Inc. v. Canada (Minister of Health)*, 2006 SCC 49, at para. 15.

[10] The PM(NOC) Regulations were enacted pursuant to s. 55.2(4) of the *Patent Act* to prevent patent infringements by persons who take advantage of the "early

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[1] As the motion judge noted, there have been amendments to the PM(NOC) Regulations since these matters were adjudicated. My general description of the regime is not affected by those amendments.

working" exception set out in s. 52.2(2). The regulatory scheme under the PM(NOC) Regulations creates a Patent Registry within the Ministry of Health ("MOH") in which an innovator drug company may list its patents. See: *AstraZeneca*, at paras. 15-17.

[11] Once a competitor's patent is listed on the Patent Registry, a company may only bring a generic version of the drug to market before the expiration of the patent if that patent is declared invalid. A patent or any claim in a patent may be declared invalid or void by the Federal Court at the request of the Attorney General of Canada or any "interested person", including a generic drug company: *Patent Act*, s. 60(1). Under s. 5 of the PM(NOC) Regulations, a generic drug company may also allege that a patent is invalid by filing a submission for a notice of compliance ("NOC") containing the allegation and serving a notice of allegation ("NOA") on the patent holder.

[12] The NOA generally triggers the commencement of a proceeding by the patent holder to the Federal Court under the provisions of s. 6 of the PM(NOC) Regulations to prohibit the issuance of an NOC to the generic drug company (the "prohibition proceeding"). The mere initiation by the patent holder of its prohibition proceeding freezes ministerial action for 24 months under s. 7 of the PM(NOC) Regulations, unless the prohibition proceeding instigated by the patent holder is earlier disposed of, which apparently is rare. See: *AstraZeneca*, at para. 17.

[13] If the allegations of patent invalidity are found to be unjustified and the patent holder is successful in the prohibition proceeding, the issuance of the generic drug company's NOC is prohibited until the occurrence of the latest of the events listed under s. 7(1) of the PM(NOC) Regulations, including the expiration of the patent.

[14] If a patent, or part of a patent, is declared invalid or void, s. 62 of the *Patent Act* provides that it shall be held "to have been void and of no effect, unless the judgment is reversed on appeal". Section 8 of the PM(NOC) Regulations allows a generic drug company to apply for compensation from the patent holder for loss caused by the statutory stay in the event that a patent holder fails in the prohibition proceeding.

[15] The *Food and Drugs Act*, R.S.C., 1985, c. F-27 governs the safety, efficacy, and approval of drugs for marketing in Canada. A drug cannot be marketed unless and until the MOH issues an NOC under s. C.08.004 of the *Food and Drug Regulations*, C.R.C., c. 870. Innovator drug companies must submit a New Drug Submission in support of their request for an NOC. Generic drug companies may submit an Abbreviated New Drug Submission ("ANDS") to the MOH where they seek an NOC for a drug that is the pharmaceutical equivalent of a previously approved drug.

(ii) Eli Lilly's Patent for Olanzapine

[16] Turning to the specific facts of this case, Eli Lilly filed an application for a patent on the drug Olanzapine in 1991. The drug was approved for sale in Canada, and

in 1998 a patent was granted under Patent Number 2041113 (the “113 Patent”). Eli Lilly filed a Form IV pursuant to the PM(NOC) Regulations. The 113 Patent was therefore listed on the Patent Register maintained by the Ontario MOH. The listing prohibited the MOH from issuing an NOC to a generic drug copying Olanzapine until Eli Lilly’s patent expired in 2011.

[17] In 2004, Apotex filed an ANDS with the Department of Health because it wished for approval of its generic drug. In 2004 and 2005, Apotex served two NOAs on Eli Lilly alleging that the 113 Patent was invalid, according to the procedure set out in the PM(NOC) Regulations. Eli Lilly commenced a prohibition proceeding in the Federal Court seeking orders declaring that Apotex’s allegations of invalidity were unjustified.

[18] The MOH approved Apotex’s generic drug on June 28, 2006. However, the PM(NOC) Regulations prevented Apotex from bringing its generic drug to market unless and until the Federal Court proceedings launched by Eli Lilly were determined in Apotex’s favour.

[19] Apotex was unsuccessful at both the Federal Court and the Federal Court of Appeal. In the Federal Court, on April 27, 2007, Gauthier J. (as she then was) rejected Apotex’s invalidity allegations and issued an order prohibiting the issuance of Apotex’s NOC. Apotex’s appeal from the April 27, 2007 judgment was dismissed by the Federal Court of Appeal on February 4, 2008.

[20] Meanwhile, another generic drug manufacturer, Novopharm Limited, sought to challenge Eli Lilly's 113 Patent in the Federal Court (the "Novopharm Proceedings"). In his first decision dated October 5, 2009, O'Reilly J. of the Federal Court declared the 113 Patent to be invalid. The Federal Court of Appeal overturned this decision in part, remitted it back to O'Reilly J. for further consideration on July 21, 2010.

[21] In response to the success of the Novopharm Proceedings, Apotex brought a motion for reconsideration of the April 27, 2007 judgment based on the October 5, 2009 declaration of invalidity of Eli Lilly's patent. Its motion was dismissed by Gauthier J. on September 24, 2010 and its appeal was dismissed by the Federal Court of Appeal on December 4, 2013. The Supreme Court denied leave to appeal on April 24, 2014.

[22] On November 10, 2011, O'Reilly J. again found the 113 Patent to be invalid and allowed Novopharm to take its generic drug to market. O'Reilly J. subsequently awarded damages to Novopharm, which had since become Teva Canada Limited, under s. 8 of the PM(NOC) Regulations for the time Eli Lilly spent preventing Novopharm's generic drug from going to market.

[23] On April 24, 2011, the 113 Patent had in any event expired. Nonetheless, Apotex filed the November 2011 Federal Court decision with the Patent Office on November 5, 2013.

(iii) Apotex's Action

[24] On November 7, 2013, Apotex commenced the present action. Apotex alleged that the November 2011 Federal Court decision voided Eli Lilly's 113 Patent *ab initio* and *in rem*. Apotex claimed treble damages under the *Statute of Monopolies*, 21 Jac. 1, c. 3, disgorgement of Eli Lilly's profits, damages for false or misleading claims under s. 7 of the *Trademarks Act*, and damages for the common law tort of civil conspiracy. While not particularized in Apotex's statement of claim, Apotex estimated during the discovery process that its damages claim, if successful, could exceed one billion dollars. The motion judge in this proceeding noted the same.

[25] In response to Apotex's action, Eli Lilly brought a motion for summary judgment in 2020. It argued that Apotex's claim was statute-barred under the *Limitations Act*, 2002, S.O. 2002, c. 24, Sched. B. In any event, it had not caused any of the damages alleged by Apotex, and Apotex's damages were not recoverable outside s. 8 of the PM(NOC) Regulations.

(iv) Motion Judge's Reasons

[26] The motion judge found that Apotex's action was not statute-barred. He followed *Apotex Inc. v. Schering Corporation*, 2018 ONCA 890, 143 O.R. (3d) 321, in which this court found that a declaration of invalidity was an essential element to a claim under the *Statutes of Monopolies*. The motion judge concluded that the declaration of invalidity of the 113 Patent was not discoverable until the November

10, 2011 Federal Court decision and, therefore, that Apotex's claim should not be dismissed under the *Limitations Act*.

[27] The motion judge nevertheless allowed Eli Lilly's motion for summary judgment and dismissed Apotex's action because he found that Apotex's claims had no possibility of success and that Apotex had not suffered any damages caused by Eli Lilly.

[28] The motion judge noted that the *Patent Act* allows "any interested person" to have a patent declared void but does not provide for an award of damages against a patent holder. He reasoned that Parliament promulgated the PM(NOC) Regulations to allow generic drug manufacturers to begin working on copycat drugs before the patent expires. In addition, as Apotex did here, the Regulations permit generic drug manufacturers to challenge the validity of the patent on which they based their generic drug and, if successful, to receive a limited award of damages for the time where their patent was prevented from going to market. The motion judge noted that attempts to expand relief, including disgorgement of an innovator's profits under unjust enrichment claims, have failed before other courts.

[29] The motion judge determined that any damages suffered by Apotex resulted from the legitimate operation of the patent law regime in which the parties participated. He found that the *Patent Act* and the PM(NOC) Regulations provide a complete code governing the issuance and use of patents, including available

remedies when patents have been infringed and when they have been found to be invalid.

[30] The motion judge rejected Apotex's claim under the *Statute of Monopolies* because the *Statute* expressly exempted patents of new invention, like Eli Lilly's 113 Patent, from its application.

[31] He also rejected Apotex's claim under s. 7(a) of the *Trademarks Act*, that Eli Lilly made actionable misrepresentations that it had a valid patent. For Apotex's claim under the *Trademarks Act* to be successful, Eli Lilly would have had to have made false or misleading statements. However, the motion judge found that Eli Lilly did nothing but list the 113 Patent, which had been validly granted according to governing law, on the Patent Register. There was nothing untrue or false in Eli Lilly's act of listing the 113 Patent.

[32] Nor did the motion judge accept Apotex's conspiracy claim. He found that Apotex led no evidence of a conspiracy to monopolize the sale and manufacture of Olanzapine. Apotex had relied only on Eli Lilly's patent registration, which was permitted under the *Patent Act*, and did not lead evidence about any unlawful act which might ground a conspiracy claim.

[33] The motion judge therefore determined that there was no genuine issue requiring a trial and granted summary judgment to Eli Lilly, dismissing Apotex's action.

[34] Finally, following two days of costs submissions, the motion judge awarded partial indemnity costs to Eli Lilly in the all-inclusive amount of $700,000.

Issues and Analysis

[35] Apotex submits the motion judge made several reversible errors. I will deal with each of these arguments in turn. As I will explain, I would not accede to any of them.

(i) Did the motion judge err in finding the *Patent Act* and its Regulations formed a complete code?

[36] Apotex argues that the motion judge erred in law by concluding that the *Patent Act* and its Regulations formed an exhaustive code that precluded the application of other statutes, law, and Apotex's causes of action related to patents. In illustration of its argument that patent law is not governed entirely by the *Patent Act*, Apotex highlights various common law remedies including injunctive and creditors' relief remedies. Apotex also highlights statutory causes of action, including under the *Competition Act*, R.S.C., 1985, c. C-34 and the *Trademarks Act*, that are exercised outside the purview of the *Patent Act* and its Regulations.

[37] I am not persuaded by these submissions. When read in the context of the entirety of his reasons, it is clear that the motion judge spoke of the *Patent Act* and its Regulations being "a complete code" for the purposes of determining whether damages were available to Apotex outside of the patent regulatory scheme in

which Apotex had voluntarily participated and the operation of which Apotex claimed caused its damages.

[38] Moreover, the motion judge was dealing with the narrow issue of whether Apotex's claims constituted an attempt to relitigate issues already determined within the patent regulatory scheme. He was not determining that the *Patent Act* and its Regulations precluded other statutory or common law causes of action.

[39] Section 8 of the PM(NOC) Regulations provides a single remedy for generic manufacturers that successfully challenge a patent registration. As the April 27, 2007 order determined, Apotex did not meet the requirements for a s. 8 compensation claim. Apotex is not entitled to remedies beyond s. 8 of the PM(NOC) Regulations. Apotex chose to engage the PM(NOC) Regulations because of the benefits that the regime provides to generic manufacturers. Having unsuccessfully challenged Eli Lilly's patent registration and unsuccessfully pursued a remedy under the PM(NOC) Regulations, it is not open to Apotex to effectively seek the same relief under the auspices of other statutory and common law claims.

(ii) Did the motion judge err in finding that Apotex's damages are not recoverable because they arose by operation of law?

[40] Apotex submits that the motion judge's reasoning is incorrect that Apotex's damages were not recoverable because they arose by operation of law. In addition to its earlier argument that the *Patent Act* and its Regulations do not form a complete code, Apotex contends that the motion judge erred because he failed to

recognize that Apotex was seeking to advance causes of action under the *Statute of Monopolies*, *Trademarks Act*, and for the common law tort of conspiracy that were independent from causes of action under the *Patent Act* and its Regulations. Apotex argues that the motion judge also failed to give effect to the invalidation *ab initio* of Eli Lilly's 113 Patent and to Eli Lilly's invalid actions in trying to "prop up" its voided monopoly.

[41] I do not agree that the motion judge erred. Apotex's claim against Eli Lilly arises from an alleged harm that was caused by the operation of the statutory regime under the *Patent Act* and the PM(NOC) Regulations. Specifically, Apotex's delay in bringing its drug to market was caused by the statutory stay mechanism provided for under the PM(NOC) Regulations and the April 27, 2007 order (reiterated in the September 24, 2010 reconsideration decision) that determined Apotex was not entitled to early market access or compensation under s. 8.

[42] Eli Lilly is not liable for actions that it was authorized by law to take and for harms that were caused by the operation of the patent regime that Apotex invoked. Absent abuse of process, which was not alleged or found here, Eli Lilly was entitled to pursue the legal process provided for under the PM(NOC) Regulations.

[43] The motion judge's conclusion on this issue is supported by this court's decision in *Harris v. GlaxoSmithKline*, 2010 ONCA 872, 106 O.R. (3d) 661. In *Harris*, this court rejected the argument that the respondent in that case had committed an abuse of process by misusing the patent prohibition proceedings.

This court concluded at para. 48 that even if the respondent had acted with bad intentions in bringing the NOC proceedings, “there can be no liability when the defendant merely employs regular legal process to its proper conclusion”. Here, like in *Harris*, Eli Lilly was simply pursuing the legal avenues which were validly open to them under the *Patent Act* and its Regulations. The motion judge made no error in this determination.

(iii) Did the motion judge err in rejecting Apotex’s claim under the *Statute of Monopolies*?

[44] Apotex argues that the motion judge erred in concluding that Eli Lilly’s invalid patent was a patent for a new invention that is not prohibited by the *Statute of Monopolies*. According to Apotex, the *Statute of Monopolies* only exempts valid patents. They argue that the 113 Patent was never a valid patent because it was *void ab initio*, and therefore it is not exempted. As a result, the motion judge erred in rejecting Apotex’s claim on that basis. The motion judge also erred in relying on *Peck v. Hindes* (1898), 15 R.P.C. 113 (Q.B.D.), to dismiss Apotex’s claims.

[45] I see no error in the motion judge’s conclusions on this issue.

[46] Monopolies flowing from patents for new inventions are explicitly excluded from liability under s. 5 of the *Statute of Monopolies*. There is no question that at the time Eli Lilly’s 113 Patent was granted, it was a patent for a new invention.

[47] The *Statute* does not distinguish between valid and subsequently invalidated patents. As the motion judge noted, correctly in my view, this is in keeping with the

historical purpose behind the English *Statute of Monopolies*, first enacted in 1624, upon which the Ontario Statute is based. Parliament passed the *Statute of Monopolies* in an attempt to limit abuses by the Crown in granting "letters patent", not "patents of invention". The *Statute* was passed in response to the Crown granting letters patent to operate or regulate industries, or to have others act as agents of the Crown in operating monopolies for trade and industry, independent of merit or invention.

[48] The motion judge's reliance on *Peck v. Hindes*, a decision of the Queen's Bench division of the English High Court of Justice, was not misplaced. As the motion judge noted, the holding in *Peck v. Hindes* that the *Statute of Monopolies* "applies in its terms to invalid and improper exercises of the Royal Prerogative, and not to Letters Patent which were perfectly legitimate and protected by law", is consistent with the motion judge's reasoning that there was nothing illegitimate or unlawful in the granting of Eli Lilly's 113 Patent.

(iv) Did the motion judge err in concluding that Apotex's *Trademark Act* claims were not available?

[49] Apotex submits that the motion judge erred in concluding that the Form IV misrepresentations upon which Apotex had relied were not actionable because the 113 Patent was "presumptively valid" pursuant to s. 43(2) of the *Patent Act* when Eli Lilly filled it out. Apotex argues that Eli Lilly had made misrepresentations that it

held a valid patent when it completed Form IV, which allowed for the 113 Patent to be listed on the Patent Register.

[50] I disagree. The motion judge had determined that there was no misrepresentation on Form IV, where Apotex simply identified the name of drug, proper dosage form, brand name, that the drug is for human use, that it is taken orally, and other therapeutic uses. The form also included the patent number, the filing date, the date the patent was granted, the expiry date, and a certification that all the information divulged is correct.

[51] Eli Lilly's listing that it owned the validly registered 113 Patent at that time, and the information it provided in support of that listing, was not a misrepresentation. Apotex led no evidence to indicate that there was a misrepresentation, other than arguing it had relied on Eli Lilly's representations on Form IV – which the motion judge found contained "nothing untrue or false in any material respect". There was no error in the motion judge's factual determination that there was no evidence of any misrepresentation on Form IV.

(v) Did the motion judge err in rejecting Apotex's claim based on civil conspiracy?

[52] Apotex submits that the motion judge erred in dismissing its conspiracy claim on the basis that the only evidence that Apotex had filed to support its claim was that regarding the collective conduct of Eli Lilly in setting up and enforcing its monopoly in the marketplace. This included procuring the 113 Patent and listing it

on the Patent Register, actions that the motion judge held Eli Lilly had the right to do. It was not open to the motion judge to hold that Eli Lilly had a right to do what it did when its patent was *void ab initio*. Apotex submits that *Harris* is of no assistance because it excepts “unlawful acts”.

[53] Apotex has failed to show that the motion judge erred in his factual finding that there was no evidence to support the claim for conspiracy. Again, as earlier stated, there was nothing unlawful in Eli Lilly applying for and then protecting a validly registered patent under the *Patent Act* and its Regulations, notwithstanding that the 113 Patent was later invalidated. Apotex relies on nothing else to support its claim for conspiracy.

(vi) Did the motion judge err in awarding $700,000 for Eli Lilly’s partial indemnity costs?

[54] Apotex does not dispute that Eli Lilly is entitled to its reasonable partial indemnity costs as the successful party. However, it argues that the motion judge’s $700,000 partial indemnity costs award was excessive, exorbitant, and well beyond what Apotex could have reasonably expected to pay in the present circumstances. Apotex submits that the motion judge failed to scrutinize critically Eli Lilly’s claim for costs. $150,000 is the figure that Apotex suggests would be reasonable, fair and proportionate.

[55] Eli Lilly responds that its fees were reasonable and found support in the evidence. The costs award was the product of the motion judge’s reasonable

exercise of his discretion and contains no error in principle. Apotex‘s submission that the fees awarded were beyond its reasonable expectations is belied by its failure to disclose its own costs and by the scale of the action and significance of the monetary sums at stake.

[56] In my view, Apotex’s costs appeal turns on the very deferential standard of review that is required of an appellate court. As Apotex acknowledges, the motion judge’s costs award is highly discretionary and entitled to significant appellate deference. The standard of review of a judge’s costs award is well settled. A court will not set aside a costs order on appeal absent an error in principle or unless the costs award is plainly wrong: *Hamilton v. Open Window Bakery Ltd.*, 2004 SCC 9, [2004] 1 S.C.R. 303, at para. 27.

[57] For the reasons that follow, I am not persuaded that Apotex has succeeded in crossing that high threshold to warrant appellate intervention in the particular circumstances of this case. As recognized by the motion judge, this case was an outlier. It does not stand as a precedent for future cases but is tethered to the fact-driven analysis that the motion judge was in the best position to undertake following his determination of the motion for summary judgment and two days of costs submissions.

[58] That said, Apotex’s submissions raise important issues concerning costs awards and provide an opportunity for this court to reiterate the guiding principles that should be followed on costs assessments. I start with a review of those guiding

principles and then turn to consider them in relation to the motion judge's costs assessment in the present case.

(a) General Principles

[59] The relevant principles to be applied in a court's exercise of its discretion to award costs under s. 131 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43 are well established. They include the myriad factors enumerated in rule 57.01(1) of the *Rules of Civil Procedure*, such as: the result achieved, the amounts claimed and recovered, the complexity and importance of the issues in the proceeding, as well as "any other matter relevant to the question of costs". This is not a mechanical exercise or a rubber stamp.

[60] A proper costs assessment requires a court to undertake a critical examination of the relevant factors as applied to the costs claimed and then "step back and consider the result produced and question whether, in all the circumstances, the result is fair and reasonable": *Restoule v. Canada (Attorney General)*, 2021 ONCA 779, 466 D.L.R. (4th) 2, at para. 356, citing *Boucher v. Public Accountants Council (Ontario)* (2004), 71 O.R. (3d) 291 (C.A.), at para. 24. However, as this court recently reiterated in *Restoule*, at para. 357, referencing *Murano v. Bank of Montreal* (1998), 163 D.L.R. (4th) 21 (Ont. C.A.), at para. 100, "this overall sense of what is reasonable 'cannot be a properly informed one before the parts are critically examined'".

[61] The overarching objective is to fix an amount of costs that is objectively reasonable, fair, and proportionate for the unsuccessful party to pay in the circumstances of the case, rather than to fix an amount based on the actual costs incurred by the successful litigant: *Boucher*, at para. 26.

[62] While the reasonable expectation of the parties concerning the amount of a costs award is a relevant factor that informs the determination of what is fair and reasonable, it is not the only, determinative factor and cannot be allowed to overwhelm the analysis of what is objectively reasonable in the circumstances of the case. To hold otherwise would result in the means of the parties artificially inflating costs with the concomitant chilling effect on access to justice for less wealthy parties. As this court cautioned in *Boucher*, at para. 37:

> The failure to refer, in assessing costs, to the overriding principle of reasonableness, can produce a result that is contrary to the fundamental objective of access to justice. The costs system is incorporated into the *Rules of Civil Procedure*, which exist to facilitate access to justice. There are obviously cases where the prospect of an award of costs against the losing party will operate as a reality check for the litigant and assist in discouraging frivolous or unnecessary litigation. However, in my view, the chilling effect of a costs award of the magnitude of the award in this case generally exceeds any fair and reasonable expectation of the parties.

[63] Although each costs assessment is a fact-driven exercise related to a particular case, consistency with comparable awards in like cases is desirable and the reasonableness of costs that represent an outlier must be objectively and carefully scrutinized, taking into account the chilling effect on litigation that this kind

of award could have: *Boucher*, at para. 37; *Berry v. Scotia Capital Inc*., 2010 ONSC 5489, 21 O.A.C. 229 (Div. Ct.), at para. 36.

[64] That said, the amount of the costs award by itself does not mean that the award is unreasonable or reflect an error in principle. As the Divisional Court noted in *Andersen v. St. Jude Medical, Inc.* (2006), 264 D.L.R. (4th) 557 (Ont. Div. Ct.), at para. 22 “[a]ppellate intervention based solely on quantum is problematic because there is no meaningful way to determine when a number is too high”. Again, the question is, as *Boucher* instructs, whether the costs are reasonable, fair, and proportionate for the losing party to pay in the particular circumstances of the case or whether the magnitude of the costs “generally exceeds any fair and reasonable expectation of the parties”.

[65] Costs that are reasonable, fair, and proportionate for a party to pay in the circumstances of the case should reflect what is reasonably predictable and warranted for the type of activity undertaken in the circumstances of the case, rather than the amount of time that a party’s lawyer is willing or permitted to expend. The party required to pay the successful party’s costs “must not be faced with an award that does not reasonably reflect the amount of time and effort that was warranted by the proceedings”: *Gratton-Masuy Environmental Technologies Inc. v. Building Materials Evaluation Commission* (2003), 170 O.A.C. 388 (Div. Ct.), at para. 17. As this court instructed in *Moon v. Sher* (2004), 246 D.L.R. (4th) 440 (Ont. C.A.), at para. 33:

> If a lawyer wants to spend four weeks in preparing for a motion when one week would be reasonable, this may be an issue between the client and his or her lawyer. However, the client, in whose favour a costs award is made, should not expect the court in fixing costs to require the losing party to pay for over-preparation, nor should the losing party reasonably expect to have to do so. [Emphasis added.]

[66] The party seeking costs bears the burden of proving them to be reasonable, fair, and proportionate. The absence of dockets is not an automatic bar to proving or receiving an award of costs: *Leonard v. Zychowicz*, 2022 ONCA 212, at para. 33. However, absent dockets, a description of the activities for which fees and disbursements are claimed must be sufficient to permit for the kind of close scrutiny that the court is required to undertake. The material provided for the assessment must allow the court to come to a conclusion as to the amount of time reasonably required by the party seeking costs to deal with all aspects of the proceedings for which costs are claimed, including whether there was over-lawyering or unnecessary duplication of legal work: *Restoule*, at para. 355. Bald statements do not assist the court with this task but give rise to the kind of mechanical calculation of hours times rates that this court cautioned against in *Boucher*, at para. 26, and in *McNaughton Automotive Limited v. Co-operators General Insurance Co.*, 2009 ONCA 598, 255 O.A.C. 362, at para. 17.

(b) Motion Judge's Costs Award

[67] With these general principles in mind, I turn to the motion judge's costs assessment. In my view, Apotex has failed to meet its burden on appeal to show that the motion judge erred in principle or that his costs award was "plainly wrong".

[68] As his citation to this court's summary of the relevant principles in *Davies v. Clarington (Municipality) et al.*, 2009 ONCA 722, 312 D.L.R. (4th) 278, at para. 52, demonstrates, the motion judge was clearly alive to the correct approach to be applied on a costs assessment, as follows:

> As can be seen, the overriding principle is reasonableness. If the judge fails to consider the reasonableness of the costs award, then the result can be contrary to the fundamental objective of access to justice. Rather than engage in a purely mathematical exercise, the judge awarding costs should reflect on what the court views as a reasonable amount that should be paid by the unsuccessful party rather than any exact measure of the actual costs of the successful litigant. In *Boucher*, this court emphasized the importance of fixing costs in an amount that is fair and reasonable for the unsuccessful party to pay in the particular proceeding, at para. 37, where Armstrong J.A. said "[t]he failure to refer, in assessing costs, to the overriding principle of reasonableness, can produce a result that is contrary to the fundamental objective of access to justice".

[69] The motion judge's reasons demonstrate that he correctly applied these guiding principles in a fair and balanced way and grounded their application in the particular circumstances of the case before him. He rejected Eli Lilly's submission that costs should be awarded on a substantial indemnity basis, concluding that "in

the unique circumstances of this case I am not satisfied that Apotex's conduct rises to a level that can be called "reprehensible, scandalous, or outrageous" such that an elevated award is warranted". He considered the enormous amount at stake that could possibly have reached a billion dollars, as well as the novelty and the tremendous importance of the issues raised and the outcome of the motion to the parties, which therefore required enormous efforts by the parties. At the same time, he acknowledged that "one must not simply engage in a mathematical exercise of multiplying hours by rates" and that "the lack of a detailed breakdown of time and the involvement of so many timekeepers warrant some downward adjustment". Eli Lilly claimed partial indemnity fees of $730,897.35 (60% of Eli Lilly's actual costs of $1,218,162.26) plus disbursements of $18,018.21, for a total of $748,915.56. The motion judge reduced them to $700,000, inclusive of disbursements and applicable taxes.

[70] The motion judge put the $700,000 costs award in proportion to other cases and recognized that this award was an outlier. As he stated, "this award is larger than awards in many other summary judgment cases, and in cases which have involved much longer hearings". However, he found that the unique circumstances of the case before him warranted the award. He rejected Apotex's proposed figure of $150,000 because, "the figure suggested by Apotex bears no relationship to the fees actually incurred and ignores 'the importance of fixing costs in an amount that

is fair and reasonable for the unsuccessful party to pay in the particular proceeding'" [emphasis added in the original].

[71] In assessing what was reasonable, fair, and proportionate for the losing party to pay in the particular circumstances of this case, the motion judge properly considered the relevant factor of the reasonable expectations of the parties. He also noted that Apotex had not revealed the costs it had incurred and inferred from this that its legal fees were similar to those incurred by Eli Lilly. While the lack of disclosure of Apotex's costs is not dispositive of the issue of reasonableness, the amount of its own costs is nevertheless a relevant factor that informs the reasonableness of the parties' expectations as to the amount the losing party could reasonably be expected to pay.

[72] Specifically, the motion judge observed that "[t]his action involves two large and well-resourced pharmaceutical companies" who "litigate frequently, often against each other" and "know it will be expensive". The motion judge concluded that "[p]ut simply, both parties spent huge sums of money on this litigation and should therefore expect to pay large amounts in costs when unsuccessful" and that "[i]n high-stakes litigation between two very well-resourced companies, Apotex would reasonably expect Lilly to have incurred the fees which it did, and Apotex should, accordingly, pay a large amount in costs".

[73] I do not read the motion judge's reasons on this issue as departing from the overriding principle of reasonableness or allowing the "well-resourced" financial

abilities of the parties to overwhelm his analysis. Rather, his reasons were part of the overall specific context of the case and in response to Apotex's main argument on costs that Eli Lilly's costs were outrageous and not within Apotex's reasonable expectations.

[74] Referencing *British Columbia (Minister of Forests) v. Okanagan Indian Band*, [2003] 3 S.C.R. 371, at paras. 25-26, the motion judge was well aware that costs can be employed "as a tool in the furtherance of the efficient and orderly administration of justice" to modify litigants' behaviour. Indeed, rather than granting the parties licence to incur costs indiscriminately and excessively in their ongoing patent disputes, the motion judge viewed the unusually high costs award as a deterrent, concluding that the costs award "may have some of the effect on these parties that they are intended to have on other, less well-resourced, litigants. This includes a significant measure of indemnification, deterring claims which have a limited chance of success, and ensuring that litigation in our publicly-funded courts is 'conducted in an efficient and just manner,' which may further access to justice."

(c) Conclusion

[75] In my view, Apotex has failed to show that in the circumstances of this case appellate intervention was warranted. The motion judge was not required to undertake a forensic audit of Eli Lilly's claimed costs. That was not his task. He did the best he could with the inadequate materials that Eli Lilly placed before him.

[76] While Eli Lilly was not obligated to provide its dockets, its costs outline, and written submissions contained unhelpful bald descriptions of the activities undertaken. One particular example from Eli Lilly's costs outline serves to illustrate this point. Eli Lilly claims $45,611.05 in partial indemnity fees for the time expended between 2013 and 2020 by 11 different lawyers, law clerks, and law students in "Miscellaneous" activities that comprise "(a) General case strategy not otherwise captured; (b) File administration fees not included as general overhead and not otherwise captured." No other description of the activities is given. Absent any other explanation, how is the court equipped to assess the reasonableness of these costs? This kind of presentation leads to the risk of reducing a costs assessment to a mechanical calculation of hours and hourly rates and is not the recommended way to proceed.

[77] Although I may not have awarded the amount of costs assessed here, particularly because of the inadequacy of Eli Lilly's written costs submissions, that is not the test. I was not in the motion judge's privileged position of hearing the motion for summary judgment and the costs submissions at first instance. We have not been provided with everything that was before the motion judge. As required, the motion judge stepped back and considered the reasonableness of the costs claimed in the circumstances of this case, taking into account any chilling effect that a large award might have on access to justice.

[78] I see no basis to interfere.

Disposition

[79] I would dismiss Apotex's appeal from the dismissal of its action and the costs award.

[80] If the parties cannot agree on the disposition of the costs of the appeal, they should make brief written submissions of no more than two pages, plus a costs outline, within seven days of the release of these reasons.

Released: August 16, 2022 "G.R.S."

"L.B. Roberts J.A."
"I agree. G.R. Strathy C.J.O."
"I agree. Sossin J.A."