

CANADA / JUDGMENT

Ds-Max Canada Inc. v. Nu Life Inc.

2005 FC 25

COURT
Federal CourtDECIDED
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T-1008-00 Citation: 2005 FC 25 BETWEEN: DS-MAX CANADA INC. Plaintiff and NU-LIFE INC.,
RICHARD T. SHAPERO AND ASSOCIATES INC., ACTIVE CUSTOMS BROKERS LIMITED and
RICHARD T. SHAPERO Defendants REASONS FOR ORDER LAFRENIÈRE P.:

- [1] The Plaintiff discontinued its action for trade infringement on April 28, 2004. The Defendants now move, pursuant to Rules 400 and 402 of the Federal Court Rules, 1998 ("the Rules"), to recover their costs of the action on a solicitor-and-client basis, fixed and payable forthwith. Alternatively, they request that costs be fixed on a party-and-party basis in accordance with the top rates provided by Tariff B of the Rules, or that directions be issued with respect to the assessment of costs.
- [2] The Plaintiff has raised three objections to the relief requested by the Defendants, the second and third of which are related. First, the Plaintiff disagrees that I should be fixing the costs in this matter, arguing that it would be more appropriate to have the question of costs dealt with by an assessment officer. Second, while the Plaintiff does not dispute that the Defendants are entitled to some of their costs, it disagrees that they should be assessed on a solicitor-client basis. Finally, the Plaintiff submits that any costs payable to the Defendants should be assessed according to Column III of Tariff B, and no higher.
- [3] The Defendants responded to the Plaintiff's motion record by seeking to adduce further evidence to show that the Plaintiff's sworn testimony, which was filed in response to the Defendants' motion to explain why the action was discontinued, was deliberately misleading to the Court. However, the additional affidavit sought to be adduced is essentially based on surmise and speculation, or raises new issues that could have been advanced earlier. The Defendants have failed to establish that the additional evidence would serve the interests of justice, or assist the Court in disposing of this motion, and it has therefore been disregarded.
- [4] I propose to deal with the three issues as framed by the Plaintiff, each in turn. Jurisdiction to assess costs

- [5] According to Rule 405, "costs shall be assessed by an assessment officer." Rule 2 defines an "assessment officer" to include a judge or prothonotary, as well as a designated Registry officer. Therefore, under the Rules, a prothonotary has full jurisdiction to assess or fix costs. For the reasons that follow, I am satisfied that I should exercise my discretion not to refer the costs for assessment.
- [6] Contrary to what is asserted by the Plaintiff, referring the issue of costs to a Registry officer at this stage of the proceeding would neither be an expedient, nor an efficient, use of judicial resources. As case manager, I have overseen many of the numerous interlocutory proceedings, in addition to conducting case conferences. I am therefore able to quickly appreciate the issues that were confronted by the parties during the protracted litigation process. A Registry Officer would not be as cognizant of the procedural history of this case, without having to scrutinize each and every recorded entry.
- [7] In light of my intimate knowledge of, and involvement in, this proceeding, I consider it just and appropriate that I determine the costs award. In fact, I would only have referred the matter for assessment if I were satisfied that the assessment process is better suited to effect procedural and substantive justice. The Plaintiff has failed to convince me that such is the case. Solicitor-client costs
- [8] The Defendants claim that the action brought against them was frivolous, vexatious, and an abuse of process. They also claim that the Plaintiff never intended to prosecute the action, and that it was used for collateral purposes unconnected with the litigation. The Defendants maintain as well that the Plaintiff failed to make full and proper disclosure, failed to answer undertakings, and ultimately delayed in discontinuing the proceeding. They submit that an award of costs on a solicitor-client basis is therefore justified on the basis of Rule 400.
- [9] It remains that Rule 400 does not confer an unfettered discretion. Solicitor-client costs are generally awarded "only where there has been reprehensible, scandalous or outrageous conduct on the part of one of the parties": *Minister of National Health & Welfare v. Apotex Inc.* (2000), 9 C.P.R. (4th) 289 at para. 7 (F.C.A.). Moreover, costs as between solicitor and client are exceptional and should generally be awarded only where there has been misconduct connected with the litigation : *Apotex, supra*, at para. 8; see also *Keramchemie (Canada) Ltd. v. Keramchemie GmbH* (1998), 83 C.P.R. (3d) 223 at para. 2 (F.C.A.). The Defendants have failed to establish that an exception should be made.
- [10] To begin with, while the litigation was at times acrimonious and frustrating for the Defendants, no compelling evidence has been adduced that the Plaintiff acted in bad faith, or in an otherwise vexatious or harmful manner toward the Defendants. The speculation by the Defendants as to the reasons why the Plaintiff sustained the action for a period of time after discoveries, before ultimately choosing to discontinue it, is simply insufficient to justify an extraordinary award of costs. The Defendants have not, in my view, established that the Plaintiff's conduct was either reprehensible, scandalous or outrageous.

- [11] Further, I am simply not satisfied that the Plaintiff's action was without merit at the time that it was instituted. The Plaintiff was not required to have a trade mark registration to assert trade mark rights. The discontinuance of the action, as well, is not, in and of itself, an adequate reason to award solicitor-client costs. Discontinuance does not constitute a concession of lack of merits in the underlying proceeding, nor that the party's case was very weak. In any event, absence of merit alone is not grounds for awarding solicitor-client costs : *Seaspan International Ltd. v. Canada*, [2002] F.C.J. no. 1363 at para. 24 (T.D.).
- [12] Parties should be encouraged to discontinue or settle at all steps in a proceeding. Regularly awarding costs that are prohibitive or otherwise punitive in nature, in the absence of egregious behaviour warranting such a measure, is likely to serve to inhibit parties from resolving matters by way of discontinuance or settlement : *McCain Foods Ltd. v. C.M. McLean Ltd.*, [1981] 1 F.C. 534 at 538 (F.C.A.).
- [13] The bringing of a trade mark action is a right every potential plaintiff holds in law. The merits of the action will ultimately be decided before a Court unless, as is the case here, the action is discontinued or settled. In the circumstance where a case is discontinued, the assessment officer, whether it be a Registry officer, a judge or a prothonotary, should not be called upon to try the case. The only time when a plaintiff's action should be tried on its merits is in the context of a full and proper trial where ample opportunity to assess evidence and the parties' arguments exists. Here, this has not occurred.
- [14] As for the Defendants' complaints regarding the conduct of the Plaintiff during discoveries, these very allegations of uncooperative and obstructive behaviour by the Plaintiff have already been the subject of interlocutory motions, upon which the parties had divided success. The Defendants were awarded costs in two Orders dated November 17, 2000, as well as in an Order dated January 25, 2002, and another dated August 12, 2002, totalling \$3,700.00. These costs awards were made in respect of interlocutory motions to amend the Plaintiff's pleadings, and to require the production of all samples of uses of the trade mark DS-MAX by the Plaintiff. Therefore, as the Plaintiff has stated, costs awards have already been made with respect to some of the activities which the Defendants claim have lengthened the duration of the proceedings. A further Order denying the Defendants' motion requesting that the Plaintiff be found in violation of the January 25, 2002 Order was denied. The cost dispositions were meant to sanction the party against whom they were made and are final. They ought not be revisited in the context of the present motion.
- [15] For the above reasons, I conclude that an award of costs on a solicitor-client basis is not justified. Assessment of costs
- [16] As for the proper scale for the assessment of costs, I agree with the Plaintiff that it would be inappropriate to assess the Defendants' costs at anything other than the costs allowable at Column III of Tariff B, albeit at the upper end. Column III level costs are designed to address costs in cases of average complexity : *Porto Seguro v. Belcan*, [2001] F.C.T. 1286 at para. 13. The legal issues in the present action were not any more complex than the average trade

mark case. None of the damages claimed by the Plaintiff were exceptional, and the fact that the Plaintiff's trade mark rights were based on common-law usage, rather than actual registration, did not sufficiently complicate the case so as to make a different level of costs applicable.

[17] The Defendants did not produce a Bill of Costs based on Tariff B of the Rules. I am satisfied, however, based on the statements of account between the Defendants and their solicitors reproduced in the Defendants' motion record, that fees for one counsel should be allowed for the following assessable services (although I am unable to determine the actual number of hours of attendance by Defendants' counsel on examinations for discovery):

2. Preparation and filing of defence 7 units @ \$110 = \$ 770.00
6. Attending at special sitting on October 3, 2003 3 units x 6 hours @ \$110 = \$ 1,980.00
7. Discovery of documents 5 units @ \$110 = \$ 550.00
8. Preparation for an examination 5 units @ \$110 = \$ 550.00
9. Attending on examinations 3 units per hour @ \$110
27. Other miscellaneous services 3 units @ \$110 = \$ 330.00

[18] I am not prepared to grant any costs to the Defendants for the mediation session conducted on November 24, 2003. Parties should be encouraged to resort to less costly and non-confrontational ways to resolve disputes, and generally should not be penalized by an award of costs in the event the mediation fails. Each party should therefore bear their own costs for the dispute resolution conference.

[19] As for the Defendants' claim for disbursements of \$10,767.36, most of the items claimed appear reasonable and to have been paid by the Defendants. In particular, the Plaintiff has not taken issue with the amount claimed for rounds clerk, courier, searches, process server or court reporter expenses. However, in the absence of any evidence in support of the claim for facsimile and photocopy expenses of \$4,810.72, I am not prepared to allow the full amount, which appears excessive. Moreover, the Plaintiff cannot be held liable for the overtime expenses of the Defendants' secretarial staff. In the circumstances, rather than proceed with a minute calculation, I am prepared to grant a lump sum of \$6,000, plus GST, for the Defendants' disbursements.

[20] In light of the divided success of the parties, there will be no costs awarded for this motion. The Defendants shall submit a draft order reflecting a calculation of the counsel fees based on the assessable services set out in paragraph 16 above, and specifying the actual hours of attendance of counsel at examinations for discovery. In the event the parties cannot agree on the terms of this Order, the Defendants shall serve and file written submissions, not exceeding two pages in length, no later than January 25, 2005. The Plaintiff shall serve and file responding submissions not exceeding two pages by February 4, 2005. "Roger R. Lafrenière" Prothonotary Toronto, Ontario January 12, 2005 FEDERAL COURT NAMES OF

COUNSEL AND SOLICITORS OF RECORD DOCKET: T-1008-00 STYLE OF CAUSE: DS-MAX CANADA INC. Plaintiff and NU-LIFE INC., RICHARD T. SHAPERO AND ASSOCIATES INC., ACTIVE CUSTOMS BROKERS LIMITED and RICHARD T. SHAPERO Defendants
CONSIDERED AT TORONTO, ONTARIO PURSUANT TO RULE 369 REASONS FOR ORDER BY: LAFRENIÈRE P. DATED: JANUARY 12, 2005 WRITTEN REPRESENTATIONS BY: Dan Hitchcock FOR THE PLAINTIFF Ranjan Das FOR THE DEFENDANTS SOLICITORS OF RECORD: Berkow, Cohen LLP Toronto, Ontario FOR THE PLAINTIFF Riches, McKenzie & Herbert LLP Toronto, Ontario FOR THE DEFENDANTS FEDERAL COURT Date: 20050112 Docket: T-1008-00 BETWEEN: DS-MAX CANADA INC. Plaintiff and NU-LIFE INC., RICHARD T. SHAPERO AND ASSOCIATES INC., ACTIVE CUSTOMS BROKERS LIMITED and RICHARD T. SHAPERO Defendants REASONS FOR ORDER

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