Federal Court Cour fédérale

Date: 20240221

Docket: T-862-21

Citation: 2024 FC 280

Edmonton, Alberta, February 21, 2024

PRESENT: Madam Associate Judge Catherine A. Coughlan

BETWEEN:

DRAINVAC INTERNATIONAL 2006 INC.
O/A DRAINVAC CENTRAL VACUUMS

Plaintiff

and

VACUUM SPECIALISTS (1985) LTD.
O/A VACUUM SPECIALISTS

Defendant

ORDER AND REASONS

I. Overview

[1] The Defendant, Vacuum Specialists (1985) Ltd., brings a motion for costs arising from the striking of the Plaintiff's action on July 14, 2023. In a Notice of Motion dated September 15, 2023, the Defendant sought costs totalling $67,342.50. In an updated motion, filed on January 17, 2024, the Defendant seeks a total costs award of $86,546.60.

[2] The January 17, 2024 quantum represents an elevated costs award on the basis that the case was complex and the conduct of Plaintiff's counsel increased costs unnecessarily. Further, the Defendant seeks a significant proportion of the costs as against counsel personally pursuant to Rule 404 of the *Federal Courts Rules*, SOR/98-106 [*Rules*].

II. Background

[3] This motion for costs arises in unusual and unfortunate circumstances that require some background for context.

[4] The underlying action was commenced on May 27, 2021. The Plaintiff alleged that the Defendant had misused a trademark belonging to the Plaintiff and had infringed the Plaintiff's copyright in product photographs. The Defendant denied the allegations in a Statement of Defence filed September 21, 2021.

[5] On October 22, 2021, I was assigned by the Chief Justice to case manage the action.

[6] On December 9, 2021, I convened a case management conference with counsel for the parties and set a timetable for next steps in the proceeding. On the same day, I issued an Order memorializing the timetable. The Order required, among other matters, that the parties provide the Court with a further status update by April 29, 2022.

[7] When the parties failed to provide the status update, I issued a Direction dated May 31, 2022, requiring the parties to attend a case management conference. However, in a letter

dated June 1, 2022, then-counsel for the Plaintiff wrote to the Court, on consent of the Defendant, setting out a proposed timetable for next steps in the action. With respect to a further case management conference, the parties took the view that the "proposed joint timetable will enable the efficient handling of subsequent litigation steps." The joint timetable provided for mutual obligations and deadlines and was incorporated in an Order dated June 6, 2022. I did not convene a case management conference.

[8] It is common ground that the parties failed to take any of the steps required by the June 6, 2022 Order.

[9] On December 20, 2022, the Plaintiff filed a Notice of Change of Solicitor.

[10] On April 13, 2023, I issued a Direction instructing the Plaintiff to confer with the Defendant and provide the Court with a status update and a timetable for the taking of next steps by May 11, 2023. The Plaintiff did not respond to the Direction.

[11] On June 12, 2023, I issued an Order requiring the Plaintiff to show cause by written submissions to be served and filed by June 26, 2023 why the action should not be dismissed for failure to comply with the April 13, 2023 Direction, and for delay. Again, the Plaintiff did not respond.

[12] Instead, on July 14, 2023, Defendant's counsel sent a lengthy letter to the Court chronicling the history of delay in this proceeding and urging the Court to dismiss the action for delay subject to the Defendant's right to claim costs.

[13] On July 17, 2023, I issued an Order, *proprio motu*, dismissing the action, concluding that in light of the substantial period of inactivity on the file and in the absence of any explanation from the Plaintiff to account for the delay, the Plaintiff had abandoned its intention to proceed with the action. The dismissal Order issued without prejudice to the Defendant's right to bring a motion for costs.

[14] On July 14, 2023, Defendant's counsel sent a letter to the Court Registry seeking directions on how to address "costs thrown away". At that time, the Defendant's draft Bill of Costs sought costs between $31,506.30 and $37,624.50.

[15] On August 24, 2023, the Plaintiff filed a motion pursuant to Rules 167, 385(2) and 399 seeking to have the Court set aside the July 17, 2023 dismissal Order.

[16] On December 11, 2023, I heard the Plaintiff's motion and dismissed it in oral reasons the same day. I concluded that having issued my Order, I was *functus officio* and the proper recourse was a Rule 51 appeal. Resort to Rules 385 and 167 was unavailable in the circumstances of the proceeding.

[17] With respect the Plaintiff's reliance on Rule 399(1)(b), I concluded that relief under that rule only permits an order setting aside an earlier dismissal of a proceeding in the narrowest of circumstances: *Bergman v Canada (Minister of Citizenship and Immigration*), 2006 FC 1082 at para 7. I found that the circumstances before me did not meet the narrow application of Rule 399(1)(b).

[18] Indeed, I noted that the Plaintiff's failure to respond to the Court's Order and Direction was not an isolated incident; rather, it was consistent with a pattern of delay in the proceeding. I concluded that, based on the evidence before me, counsel for the Plaintiff believed he had the Plaintiff's instructions to close the file. Thus, neither the Plaintiff nor its counsel intended to respond to the Court's Direction or Order because they were satisfied the litigation was at an end.

[19] Ultimately, I concluded that it was only when the Plaintiff or its counsel received the Defendant's Bill of Costs that they chose to move to set aside the Order of dismissal.

III. Parties' Positions on Costs

A. *Defendant*

[20] The Defendant breaks down its costs claim in terms of periods. From the commencement of the action until May 4, 2022 ("pre May 4, 2022 costs"), the Defendant's initial claim was for $40,405.50, representing 60% of the Defendant's actual costs in that period. From May 4, 2022 until September 15, 2023 ("post May 4, 2022 costs"), the Defendant's initial claim was a further $22,358.50, representing 100% of their actual costs during this period.

[21] In its updated motion record, the Defendant now seeks a total award of $86,546.60, broken down as follows: $26,990.10 representing 60% of the Defendant's pre May 4, 2022 costs and $59,556.50 representing 100% of the Defendant's post May 4, 2022 costs.

[22] With respect to the post May 4, 2022 costs, the Defendant refers to those as "costs thrown away" and seeks the full $59,556.50 against counsel, personally.

[23] Further, the Defendant seeks a lump sum award arguing that lump sum awards are appropriate in intellectual property disputes and an award under Tariff B would be insufficient compensation in view of the circumstances and context of the proceeding.

[24] While the Defendant filed lengthy submissions and advanced a number of arguments supporting their costs position, I will attempt to summarize succinctly its arguments.

[25] First, it argues that the underlying action was a complex intellectual property matter and any forward movement in the action is solely attributable to the Defendant. For example, the Defendant asserts that the action raised numerous issues and sought a variety of relief including multiple declarations, orders, interlocutory and permanent injunctions, damages and exemplary damages. Despite the complexity of the action, the Defendant notes that the Plaintiff produced only 39 documents as compared to the 539 produced by the Defendant. In this, the Defendant says the effort was one-sided.

[26] Second, following the change in counsel in December 2022, there was virtually no communication from the Plaintiff's new counsel. The Defendant asserts that former counsel failed to move the litigation forward but new counsel's failure to cooperate necessitated the Defendant taking measures well outside of what is expected of an ordinary litigant. As set out in the affidavit of Julie Parna filed in support of its motion, the Defendant points to multiple instances where counsel for the Plaintiff failed to respond to the Defendant's inquires and correspondence. This, the Defendant says, constituted a "blatant and unapologetic disregard" for both the Defendant's and the Court's resources.

[27] Third, the Defendant says the failure of the Plaintiff's new counsel to respond or take any action prolonged the action warranting an order of costs thrown away. Such an award, the Defendant asserts, flows not from any misconduct by the Plaintiff but simply the entitlement to any and all costs uselessly incurred by the Plaintiff's actions.

[28] The Defendant argues that costs thrown away are calculated from May 4, 2022, when the Plaintiff's new counsel took over the file. The Defendant argues that new counsel:

i. Refused to properly familiarize himself with the matter, which created delay and extra burden on the Defendant;
ii. Refused to communicate with the Defendant, causing both parties to fall delinquent of several Court deadlines;
iii. Neglected to communicate the Plaintiff's intent to abandon in a timely manner, incurring additional expenses; and
iv. Put forward a "series of implausible statements and arguments" during the motion to dismiss the Order dated July 17, 2023.

[29] Fourth, the Defendant asserts that the motion to set aside the dismissal Order was improperly brought and caused further delay and unnecessary costs. The Defendant says that the pattern of delay during the litigation continued long after the action was dismissed.

B. ***Plaintiff***

[30] The Plaintiff argues that the proceeding was not complex and the Defendant took an overly excessive approach to document production.

[31] The Plaintiff acknowledges that the motion to set aside the dismissal Order may have been taken in error, but was simply the Plaintiff putting its best foot forward; it should not be penalized for doing so. In any case, the Defendant actually benefitted from the Plaintiff's failure to set the dismissal Order aside.

[32] The Plaintiff argues that the amounts claimed as costs are "clearly exaggerated" and not supported by any evidence. In the result, the Court should defer to Column IV of Tariff B and order an assessment pursuant to Rule 400(5) of the *Rules*.

C. ***Plaintiff's Counsel (Counsel)***

[33] Counsel argues that his conduct does not meet the threshold under Rule 404 to trigger his professional liability. He argues that the Defendant failed to address this at all in both its written and oral argument. Moreover, he argues that the bar is high and while conceding that his conduct was "understandably detrimental," it constituted an error in judgment and not gross neglect.

[34] Further, Counsel argues that the suggestion that he should be personally responsible for 100% of the costs of the motion to set aside the dismissal Order is unwarranted. He notes that by the time the motion to set aside was scheduled, he was represented by his own counsel and the

costs occasioned with bringing the motion cannot be imputed to him as misconduct under Rule 404.

[35] Counsel also points out that the purpose of a costs award is to indemnify the opposing party not to punish the other party. In any case, he argues that if the Court is inclined to make an award against him, an award of 100% is unprecedented. As to the quantum requested by the Defendant, Counsel shares the Plaintiff's view that no evidence has been led as to the Defendant's actual costs and an appropriate costs award should be limited to a Column IV or V award. At the oral hearing, Counsel suggested that Column III of Tariff B is appropriate.

IV. Discussion

[36] Rule 400 provides that the Court has full discretionary power over the amount and allocation of costs as well as the determination of by whom they are to be paid. This discretion is guided by the factors set out in Rule 400(3) or any other factors the Court considers relevant. Generally, in awarding costs, the Court must bear in mind the three-fold objective of providing compensation, promoting settlement and deterring abusive behaviour: *Air Canada v Thibodeau*, 2007 FCA 115.

[37] Against these general principles, I will consider the Defendant's request for costs.

A. *Are costs against Counsel supportable and appropriate?*

[38] In *Young v Young*, [1993] 4 SCR 3, the Supreme Court of Canada concluded that "[a]ny member of the legal profession might be subject to a compensatory order for costs if it is shown

that repetitive and irrelevant material, and excessive motions and applications, characterized the proceedings in which [they] were involved, and that the lawyer acted in bad faith in encouraging this abuse and delay." However, the Court went to say that courts must be extremely cautious in awarding costs personally against a lawyer. A lawyer should not be placed in a situation where his or her fear of an adverse order of costs may conflict with the fundamental duties of counsel.

[39] In *Quebec (Attorney General) v Lacombe*, 2010 SCC 38, the Supreme Court of Canada stated that the threshold for exercising the courts' discretion to award costs against a lawyer personally is a high one. It can only be justified on an exceptional basis where the lawyer's acts have seriously undermined the authority of the court or seriously interfered with the administration of justice. This high threshold is met where a court has before it an unfounded frivolous, dilatory or vexatious proceeding that denotes a serious abuse of the judicial system by the lawyer, or dishonest or malicious misconduct on his or her part that is deliberate.

[40] The definition of a party's conduct as "reprehensible, scandalous or outrageous" is a high bar to meet. This Court has found that lack of communication or no longer responding to inquiries from opposing parties does not meet the threshold: *Lululemon Athletica Canada Inc v Campbell*, 2022 FC 194 at para 69; *Papequash v Brass*, 2018 FC 977 at para 7.

[41] In my view, Counsel's conduct, while admittedly detrimental and unbecoming, does not begin to meet the high threshold required for a Rule 404 award against him. Accordingly, I decline to make such an award.

B. ***Does the Court have sufficient evidence of fees actually incurred to award the lump sum costs?***

[42] In *Nova Chemicals Corporation v Dow Chemical Company*, 2017 FCA 25 at para 18, the Federal Court of Appeal clearly held that:

> When a party seeks a lump sum award based on a percentage of actual legal fees above the amounts provided for in the Tariff, as a matter of good practice the party should provide both a Bill of Costs and evidence demonstrating the fees actually incurred. As well, a sufficient description of the services provided in exchange for the fees should be given to establish that it is appropriate that the party be compensated for those services. What is required is sufficient evidence of the nature and extent of the services provided so that a party can make an informed decision whether to settle the fees or contest and that the Court can be satisfied that the actual fees incurred and the percentage awarded are reasonable in the context of the litigation.

[43] Additionally, in *Janssen Inc v Teva Canada Ltd*, 2022 FC 269 at para 9, this Court concluded that the burden is on the moving party "to provide evidence as to what work was performed, what that work involved, that it relates to this action, and that it was reasonable."

[44] Here, the Defendant seeks a lump sum award without proving the specific costs incurred. The Bill of Costs attached to the motion record provides scant information. Notably, it does not include a description of the services provided for the fees. Further, and perhaps more troubling, the amount of fees claimed between the September motion record and the January motion record cannot be reconciled. There is no doubt that additional work was required as a result of the motion to set aside the dismissal Order but the increase of over $20,000.00 is not properly explained.

[45] Further, the Defendant does not address the absence of proper evidentiary support for the costs claimed, but argues that an award of a lump sum amount would follow "the trend amongst intellectual property cases." While that might be true, lump sum awards in those intellectual property cases involve a detailed Bill of Costs, evidence, and descriptions of the services provided. Nothing of the sort has been provided to this Court.

C. ***Is the Defendant entitled to "costs thrown away" in this proceeding?***

[46] The phrase "costs thrown away" is defined by the Ontario Superior Court as "a party's costs for trial preparation which have been wasted and will have to be re-done as a result of the adjournment of the trial": *Caldwell v Caldwell*, 2015 ONSC 7715 (CanLII) at para 8. In *Teva Canada Limited v Pfizer Canada Inc*, 2017 FC 610 at para 6, Justice Zinn accepted this definition but held that Ontario courts' jurisprudence did not apply to this Court. Rather, he held that the test for awarding costs thrown away derives from *Blackmore v Canada*, 2011 FCA 335 at para 3, where the Federal Court of Appeal held that conduct must be "reprehensible, scandalous or outrageous" to merit consideration of a full indemnity award.

[47] In *Abdelrazik v Canada*, 2019 FC 769, Madam Justice St-Louis awarded a lump sum of 30% of the plaintiff's actual legal fees. She held that the circumstances in that case, where a trial was adjourned, did not warrant the need to "chastise or punish reprehensible conduct and to save harmless an innocent litigant from the otherwise unnecessary expense of litigation."

[48] The threshold for awarding elevated costs is high. While there is no clearly defined test or criteria to justify such awards, the Federal Court of Appeal has awarded elevated costs where the

dispute involves “sophisticated, commercial parties” and where the case is totally devoid of merit: *Sport Maska Inc v Bauer Hockey Ltd*, 2019 FCA 204 at paras 51-52.

[49] In all of the circumstances of this case, I am not persuaded that costs thrown away or what are essentially solicitor and his own client costs are warranted.

D. ***What costs is the Defendant entitled to?***

[50] There is no doubt that the Defendant is entitled to costs. There is evidence before the Court to support the Defendant’s position that its efforts on the file far exceeded those of the Plaintiff’s from the very start of the file. It remains, however, that this was a case managed proceeding and it was open to the Defendant to have requested a case management conference at any time that the action appeared to be floundering. The Defendant did not take that course of action. Indeed, it is clear that the Defendant took no steps to address the Court’s Direction and Order until after the deadlines had passed, and only to encourage the Court to dismiss the action without prejudice to the Defendant’s right to claim costs.

[51] Further, I cannot ignore the fact that the Court’s action in dismissing the action, *proprio motu*, resulted in something of a windfall for the Defendant. Any steps that the Defendant took to respond to the motion to set aside the dismissal Order was to preserve the dismissal — an excellent result for the Defendant for which it was not required to take any action or incur any expense.

[52] In these circumstances, I am persuaded that the Defendant is entitled to costs at the high point of Column IV of Tariff B.

ORDER in T-862-21

THIS COURT ORDERS that:

1. The Defendant's motion is allowed in part.

2. The Defendant shall have costs fixed at the mid point of Column IV of Tariff B, including its costs for the within motion.

"Catherine A. Coughlan"
Associate Judge

FEDERAL COURT

SOLICITORS OF RECORD

DOCKET:	T-862-21
STYLE OF CAUSE:	DRAINVAC INTERNATIONAL 2006 INC. O/A DRAINVAC CENTRAL VACUUMS v VACUUM SPECIALISTS (1985) LTD. O/A VACUUM SPECIALISTS
PLACE OF HEARING:	HELD BY VIDEOCONFERENCE
DATE OF HEARING:	JANUARY 23, 2024
ORDER AND REASONS:	COUGHLAN A.J.
DATED:	FEBRUARY 21, 2024

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