# Court of Queen's Bench of Alberta

**Citation: Aram Systems Ltd. v. NovAtel Inc., 2010 ABQB 152**

**Date:** 20100301
**Docket:** 0601 08106
**Registry:** Calgary



Between:

**Aram Systems Ltd.**

Plaintiff

- and -

**NovAtel Inc. and Patrick C. Fenton**

Defendants

- and -

**Aram Systems Ltd., Norman David Heidebrecht and Donald G. Chamberlain**

Defendants by Counterclaim

---

**Costs Memorandum**
**of the**
**Honourable Mr. Justice A.D. Macleod**

---

[1] This case has been a significant part of the Calgary litigation landscape since its commencement in July 2006. Considering the number of interlocutory steps taken and the complexity, it is remarkable that the case has completed its journey through all available courts in this country in three and one-half years. The trial was heard before me during the fall of 2007 and the decision was rendered in July 2008. The decision of the Court of Appeal was issued in July 2009 and I was advised that the Supreme Court of Canada denied leave to appeal at the end of January 2010. Prior to the trial, there were a number of interlocutory decisions, one of which went to the Court of Appeal. This decision relates to costs up to and including judgment from this Court and, of course, this application.

[2] A review of the case law in this Province reveals that the award of costs is in the discretion of the trial judge provided that discretion is exercised "judicially". Deference is given

to the trial judge because he has been present throughout the trial and is in the best position to decide the matter. He is in the best position to resolve the tension inherent in litigation. On the one hand, if a party is successful and the litigation has been conducted reasonably, it is unfair to require the successful party to bear any costs. On the other hand, requiring the unsuccessful party to bear all the costs will adversely affect access to justice because to assert rights unsuccessfully would be prohibitively expensive.

[3] To their great credit, counsel in this matter settled many of the issues. It bears repeating that, considering the fierce tenor of this litigation and the enormous stakes involved, counsel for both sides have conducted themselves with great integrity and skill. While the allegations were serious and sometimes nasty, counsel conducted themselves honourably and courteously throughout and I was generally impressed with the entire conduct of the trial and the way in which the evidence was presented.

[4] NovAtel and Fenton were successful throughout and Aram's claim was dismissed. As I determined that NovAtel had suffered no damages because it had successfully defended the attack on its patents, no judgment issued with respect to the counterclaim.

[5] The following issues remain to be resolved:

1. How should Aram's success in a number of pre-trial motions be treated and how should that treatment affect the ultimate costs awarded to NovAtel?

2. The issue of limitations occupied much of the litigation and NovAtel was only partially successful on that issue. How should that affect the award of costs?

3. The expert fee of one of the United States legal experts, David Quinlan, exceeds $150,000.00 U.S. and Aram objects to paying all of this because it relates in part to issues outside of the litigation. How should his charges be treated?

4. NovAtel retained U.S. patent counsel who assisted and indeed sat in on much of the trial. How should that disbursement be treated?

5. There is a disbursement for a computerized legal research. How should that be treated?

6. NovAtel has sought recovery for responding to Notices prepared by Aram. Are those costs recoverable?

7. There were a number of scheduling conferences before me. How should they be treated?

8. Is there any basis for awarding NovAtel costs over and above the applicable Schedule C column beyond the 2X multiplier due to the unaccepted settlement offer and the further 1.267 multiplier to account for inflation?



**Interlocutory Applications**

[6] Aram was successful in interlocutory applications before Clark J. and Bensler J. They were unsuccessful in an interlocutory motion brought by NovAtel before Romaine J. for summary judgment based on a limitation defence. The Court of Appeal, however, allowed the appeal and determined that the matter should not have been decided summarily. Ultimately, therefore, Aram was also successful on that interlocutory motion.

[7] The *Alberta Rules of Court* state at rule 607:

> 607. Notwithstanding the final determination of the action, the costs of any interlocutory proceedings in that action whether *ex parte* or otherwise, shall, unless otherwise ordered, be paid forthwith by the party who was unsuccessful on the interlocutory proceeding.

[8] In none of these interlocutory matters did the Court specify who was to pay and it is my view that, unless there is a good reason to deny those costs, Aram should receive the costs of the above-noted applications. The parties have agreed that if Aram is entitled to these costs they should be awarded on the basis of item 15 of Schedule C.

[9] However, NovAtel takes the view that an award of costs constitutes equitable relief and Aram ought to be denied that relief because of its conduct. Novatel notes that I decided that Aram's pre-litigation conduct would have otherwise dis-entitled it to any remedy for breach of confidence.

[10] To be sure, an award of costs is discretionary. However, before dis-entitling a party to costs because of pre-litigation behaviour, the court ought to proceed carefully. See *Walsh v. Mobil Oil Canada*, 2008 ABCA 268, 440 A.R. 199 at para. 112. I am not satisfied that I should dis-entitle Aram from receiving its costs for the interlocutory proceedings in which it was successful. Aram is entitled to its costs for the pre-trial motions where it was successful and these will be deducted from NovAtel's ultimate award.

**Limitations Issue**

[11] Aram pointed out that much of the argument and much of the evidence related to the issue of limitations and their effect on both causes of action. The general rule is that costs are awarded in favour of the successful party. This is particularly so when the litigation has been conducted reasonably, as I have said I believe it was. A party is expected to raise all of the arguments and issues which a reasonable party in its position would raise. In my view, this was

done. Limitations issues were raised because they were reasonable defences and much time was spent arguing them because they were not easy issues. Aram was successful on one limitations issue and NovAtel was successful on the other. The issues were legitimate. Aram has received its costs for the interlocutory application where it was successful. On the overall litigation, NovAtel was successful and, where the costs relate to issues reasonably raised, NovAtel shall receive its costs. This includes the costs of litigating the limitations issues.



**Expert fees of David Quinlan**

[12] Mr. Quinlan is undoubtedly well qualified but Aram complains that much of his services were utilized in early motions by NovAtel to seek summary judgment, to stay this action and to oppose Aram's successful motion to strike paragraphs of the Statement of Defence.

[13] The interplay between this litigation and the U.S. patent process was complicated and was properly the subject of expert assistance up and until this Court's judgment that all issues would be decided in the litigation. But given that I have awarded Aram costs of the interlocutory applications, it would rather defeat the purpose to award NovAtel its expert fees for those applications. Also, there were aspects of the expert report filed by Mr. Quinlan which related to issues that had been previously decided by this court. Taking everything into account, I set the recoverable fees attributable to Mr. Quinlan rather arbitrarily at the sum of $100,000.00 U.S.

**Fees of U.S. Patent Counsel**

[14] NovAtel concedes that the case law does not permit awarding costs for tasks that are really part of the responsibility of counsel conducting the litigation. However, their counsel say that NovAtel relied extensively on U.S. patent counsel to prosecute the patent that was in issue. U.S. patent counsel assisted in identifying experts, briefing those experts and attending at trial during cross-examination of Aram's experts. They were imperative to providing a full and complete defence.

[15] Aram, on the other hand, states that an award such as the one claimed is without legal precedent in Alberta. Counsel rely on our Court of Appeal's decision in *Sidorsky v. CFCN Communications Ltd.*, 1998 ABCA 127, 216 A.R. 151 at para. 4 where the Court said:

> Disbursements should not be used as a means, even unintentionally, of distorting the cost scheme by allowing, as a disbursement, fees for work normally considered part of the cost of litigation to which Schedule C applies. Taken to the extreme, preparation for trial could be subcontracted to another firm and reimbursement of that firm's account sought as a disbursement.

[16] Aram also relies on the comments of McMahon J. in *Murphy Oil Canada Ltd. v. Predator Corp.*, 2005 ABQB 134, 379 A.R. 389. He said at paragraph 43:

> It may very well have been appropriate for the Plaintiffs to hire outside counsel and to rely on in-house counsel. That does not, however, mean that such costs are recoverable. It is quite possible that the work done by those lawyers, was work that is generally intended to be undertaken by the lead law firm hired by the party. If that is the case, then those amounts are already contemplated and included in schedule C.

[17] There are many competing interests at play here. On the one hand, a successful litigant who reasonably retains an expert appears to be entitled to some recovery under Rule 600. On the other hand, if that expert is retained to do counsel's job, that is not recoverable. Moreover, disbursements ought not to be allowed to distort the overall scheme of balancing the right of a successful party to costs and the interests of access to justice. NovAtel seeks to recover one-half of these fees. Aram says they should be entitled to nothing.

[18] Taking everything into account and recognizing that lead counsel for NovAtel could not reasonably have been expected to conduct this litigation with respect to U.S. patent law without some assistance from U.S. patent attorneys, I have determined, again somewhat arbitrarily, that NovAtel should be able to recover twenty-five per cent of the $169,000.00 U.S. paid by NovAtel to U.S. patent counsel. Therefore, I allow the sum of $42,250 U.S. for this item.

**Computerized Legal Research**

[19] NovAtel concedes that computer research fees are not normally allowed in the Bill of Costs. However, they argue that in this case, given the issues of U.S. and other foreign law, the disbursement is warranted. They seek the disbursement of $18,570.14. Aram does not argue the reasonableness of the disbursement. Rather, it points out that the weight of authority in Alberta is that electronic research costs are not an allowable disbursement because they are akin to legal research or other work of the lawyer and so are already contemplated by Schedule C. This approach was confirmed by our Court of Appeal in *Strandquist v. Coneco Equipment*, 2000 ABCA 138 at para.7:

> Most courts do not allow a fee for [computer-assisted research] without special circumstances, largely because it is a substitute for lawyers' work and so in theory already covered by the other fee items in Schedule C, such as "preparation for appeal".

[20] In some of the older cases, computer-assisted research was treated as an alternative to hard-copy legal research and it was held that counsel should be responsible for the cost of choosing this alternative. In *Sidorsky v. CFCN,* (1995) 27 Alta. L.R. (3d) at 296 (Q.B.) McMahon J. stated:

> Effectively, this claim represents a portion of the cost of legal research and should therefore be considered a part of the fees taxed and recovered. Whether counsel chooses to have the research undertaken manually or electronically is a matter of

> counsel's own choice depending on questions of economics, technology available and arrangements with the client. It is not a matter for taxation as a disbursement.

[21] More recently, there has been a recognition that the use of computers has become a necessary part of legal practice; nevertheless, the door to allowing computer research costs as a disbursement has remained closed. In *Milsom v. Corporate Computers Inc.*, 2003 ABQB 609, [2003] 9 W.W.R. 269, Veit J. held as follows at para. 36:

> There is no doubt that the searching of electronic databases uncovers many more authorities than can be traced from book form compendia of case law and that electronic searches generally have the capacity to note up any decisions uncovered and that electronic searching is much quicker than hard copy, library, searching. However, all of those factors reduce and improve a lawyer's research obligation; electronic data searching, either personally or through a researcher, does not increase costs, it reduces them. The general rule applies here.

[22] In one of the more literary comments on the subject, Watson J. (as he then was) had this to say in *Phillip (Next friend of) v. Whitecourt General Hospital*, 2005 ABQB 174 at paras. 104 and 105:

> As to the computer research aspect of this particular matter, I am persuaded by the Defendants that in fact the computer search process, and so forth, is intended really to actually reduce the amount of legal time that is spent and is part of the fee process.
>
> To some extent, it is like some of the other issues that have been raised. Nowadays, law firms simply have to have computers. They have to function on computers, just like they have to have heat in the offices. There may have been a time when Bob Cratchit had to get his own coal or something, but nowadays the law firms have to just sort of absorb all those sorts of things. As a consequence, I would disqualify computer research as a claim in this instance.

[23] With great respect to those decisions made at an earlier time, I think that the view of computerized legal research as a mere alternative is no longer consonant with the reality of current legal practice. Such research is now expected of counsel, both by their clients, who look to counsel to put forth the best possible case, and by the courts, who rely upon counsel to present the most relevant authorities. Indeed, it might be argued that a lawyer who chooses to forgo computerized legal research is negligent in doing so. This is particularly so given that many law firms and indeed governments are now cancelling hard copy subscriptions to legal resources in favour of the electronic versions. The practice of law has evolved to the point where computerized legal research is no longer a matter of choice.

[24] In response to Justice Watson's reference to Bob Cratchit's coal, I would point out that the disbursement claimed in these cases is for access to the legal databases and is based upon the

time spent doing research for the particular client on the particular matter. There is no suggestion that the disbursement is meant to reimburse the law firm for the cost of computers as capital assets. In my view, disbursements for electronic legal research are similar to disbursements for photocopying; it is the *copies*, not the *copiers*, that are being paid for.

[25] Nevertheless, I am bound by the weight of authority and must therefore refuse to allow the disbursement. Perhaps the time has come for our Court of Appeal to revisit this issue, but in light of the existing authority, I am not in a position to do so.



**Notices**

[26] Notices to Admit are covered by item 4 and often result in reduction of trial time or a better definition of the issues. If they are used properly, they are an appropriate item for recovery of costs by the successful party.

[27] Aram says that only the serving party should receive costs for serving a Notice to Admit facts. I do not read item 4 that way. The Notices to Admit in this case were rather involved and required NovAtel to respond carefully. I would therefore award NovAtel one item for the Notices to Admit facts.

[28] There were also Notices relating to the evidence of Dr. Fattouche, Mr. Ohtsuke, Ms. Klaus and Mr. Purves. Dr. Fattouche was called at the insistence of NovAtel and Aram says that it agreed not to have the other three witnesses called on behalf of NovAtel.

[29] Taking everything into account, including the Court's goal of encouraging counsel to cooperate with one another, I am prepared to allow one other item under item 4 relating to the four witnesses.

**Scheduling Conferences**

[30] I agree that the scheduling conferences before me were rather perfunctory and I would reduce item 4 for all the scheduling conferences to $500.00 each, subject to the issue of the multiplier.

**Application re Quinlan's Evidence**

[31] For costs purposes, I would treat this as part of the trial.

**Enhanced Costs**

[32] NovAtel, relying on the authority of *Marathon Canada Limited. v. Enron Canada Corp.* (2008), 100 Alta. L.R. (4th) 356 (Q.B.) and the cases cited therein, argued for enhanced costs for pleadings, trial preparation, discovery, written argument, and also for triple column 5. It emphasized the complexity of the litigation, the large element of foreign law and the allegations against NovAtel and Fenton that they had misappropriated Aram's intellectual property.

[33] On the other hand, Aram states that the litigation was not that complex or that it was made complex by the Defendants in arguing limitations, etc. It compared the case to others cited by NovAtel and argued that in this case there was not as much discovery as in others, the trial was not as long and there were fewer counsel involved. Aram asserts that no increased costs should be awarded for pre-litigation conduct. With respect to the allegations against Fenton, Aram takes the position that there should be no costs consequences as he has been vindicated and the trial record indicating that has been filed with the relevant patent authorities.

[34] I agree with the comments of McMahon J. in *Marathon v. Enron* at para. 30:

> There is general judicial recognition that Schedule C, now ten years old, is a guide only and is seldom a fitting guide for complex and protracted civil litigation.

[35] All cases are unique and this one is no exception. It dealt with issues of patent derivation and breach of confidence in a complex commercial setting. Much of the evidence was technical. Both the legal issues and the technical issues were very interesting and very complex. The fact that the case was expedited does not detract from its complexity. Moreover, the stakes in this case were very high.

[36] While I was critical of certain pre-litigation conduct attributable to Aram, I see this primarily as litigation which was extremely hard-fought given the stakes. I have accepted that Mr. Heidebrecht felt that he had come up with the genesis of an idea which ultimately led to a patent. Based upon his evidence and that of others, Aram concluded that it had the basis of an allegation of patent derivation and/or breach of confidence. Management made a commercial gamble and they lost. Accordingly, while I do not believe that the award of costs should be punitive in nature, enhanced costs are clearly justified here.

[37] Therefore, I will allow the following increases.

**Pleadings**

[38] I increase the tariff item from $3,500.00 to $20,000.00.

**Document Discovery**

[39] I increase that item to $10,000.00.

**Trial Preparation**

[40] I set that amount at $50,000.00

**Written Argument**

[41] I set this amount at $25,000.00.

**Remaining Items**

[42] Aram complains that because of an offer of settlement which it did not "best" at trial, an award of three times column 5 would result in NovAtel recovering first and second counsel fees six times the tariff item, which it believes exceeds full indemnity. One factor I do consider, therefore, is the risk that the successful party will receive more than full indemnity. The actual numbers are not before me but Aram has provided sample numbers which would see the Defendant receiving something close to $600,000.00 for the trial, preparation, pleadings, discovery and written argument.

[43] I have already substantially increased the tariff items relating to pleadings, discovery, trial preparation and written argument. I think that NovAtel is adequately compensated as a successful litigant if it receives, for the remaining items, fees calculated on the basis of double column 5.

**This Application**

[44] I award costs of this application to NovAtel in the amount of $5,000.00.

Heard on the 17th and 21st days of December, 2009.
**Dated** at the City of Calgary, Alberta this 1st day of March, 2010.

**A.D. Macleod**
**J.C.Q.B.A.**

**Appearances:**

D. Doak Horne/Shaun Cody
Gowling Lafleur Henderson LLP
for the Plaintiff

Timothy Ellam/Kara Smyth
McCarthy Tetrault LLP
for the Defendants