Federal Court Cour fédérale

Date: 20210324

Docket No.: T-767-18

Citation: 2021 FC 250

Ottawa, Ontario March 24, 2021

PRESENT: The Honourable Justice Annis

BETWEEN:

NUWAVE INDUSTRIES INC.

Applicant

and

TRENNEN INDUSTRIES LTD.

Respondent

ORDER AND REASONS

UPON MOTION of the Applicant made pursuant to rule 210 of the *Federal Courts Rules*, SOR/98-106 for an order declaring that their patent number 2,757,675 is valid and was infringed upon, and awarding damages to the amount of $234,506 in lost profits and $5,000 in costs;

AND UPON CONSIDERING that this is a patent case wherein the patent at issue relates to a device relying on a rotatable ultra-high-pressure water-jet to cut the multiple layers of a wellbore casing from the inside in the process of reclaiming abandoned oil and gas wells, otherwise requiring the wellbore to be excavated, cut from the exterior with torches, jackhammer or sledge hammer for removal to then have the area reclaimed filled;

AND UPON CONSIDERING that it is alleged that the Respondent's device operates equally in the same manner as the patented device, used for the same purpose and inferentially identical from a mechanical perspective;

AND UPON CONSIDERING that the underlying patent action commenced by statement of claim filed on April 25, 2018, defended on June 15, 2018, and subject to an exchange of affidavits of documents on October 10, 2018; that the defence was subsequently struck by this Court on October 28, 2019, for failure to select a corporate representative on its behalf to be examined for discovery, as was previously ordered by this Court on September 5, 2019;

AND UPON CONSIDERING that a motion for default judgment was dismissed on August 28, 2020, without prejudice to the Applicant's ability to reapply for default judgment, with the following concerns:

1. The Court found that the affidavit evidence from the inventor was insufficient to support the claims construction and invalidity arguments and that an expert report was necessary;
2. The evidence in regard to the accounting of profits failed to address the question of whether a non-infringing alternative existed in terms of the cutting torch method of cutting and capping; and
3. The evidence on the quantum of profit failed to fully explain whether the items claimed though the Respondent's invoices involved work on wells using the Respondent's device.

AND UPON READING AND CONSIDERING the present motion record of the Applicant for default judgment, accompanied by two affidavits of one of the three inventors of the patented device, in addition to an expert report by Michael T. Rees, professional engineer;

AND UPON FINDING that Mr. Rees qualifies as an expert in downhole tools used in the oil and gas industry, with twelve years of work experience on the subject matter; that he is qualified to opine on the person skilled in the art, the construction of the claims and the Respondent's device's infringement; and further that he is qualified to give such evidence as produced to this Court;

AND UPON NOTING that the patentee, on a motion for default judgment as presented, has the onus to "lead evidence, establishing, on a balance of probabilities, the claims set out in its statement of claim and its entitlement to the relief that it is seeking" (*Teavana Corporation v Teayama Inc*, 2014 FC 372 at para 4);

AND UPON FINDING that the Applicant has a valid and subsisting patent in that the Applicant is the assignee and owner of the Canadian patent number 2,757,675 issued on September 18, 2012, by virtue of which the Applicant was granted exclusive right, privilege and liberty to make, use and sell for usage for twenty years the invention claimed in claims 1 through 18 of the patent; and further that the patent will be taken as valid in the circumstances, in the absence of any evidence adduced to the contrary, pursuant to section 43 of the *Patent Act*, RSC 1985, c -4;

WHEREIN the technology described in the patent number 2,757,675 relates to the process of reclaiming abandoned oil and gas wells; that the patented device relies on a rotatable ultra-high-pressure water-jet to cut the multiple layers of the wellbore casing from the inside;

AND UPON CONSIDERING that the first step in the infringement analysis is to construe the claim, with the assistance of a skilled reader, on what the inventor considered to be the essential elements of the patent, as described in *Bauer Hockey Corp v Easton Sports Canada Inc*, 2010 FC 361 at para 110;

AND IN CONSIDERING the expert report describes the person skilled in the art as follows:

> [T]he skilled person to which the Patent is addressed would be one with 3 to 5 years' experience in the oil and gas field, including dealing with the cutting and/or dismantling of well bores or lines. The killed person may be an engineer with some experience in the oil and gas industry as relates to downhole processes. Alternatively, the skilled person may be someone with less formal education, but with more practical experience such as field personnel.
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> [T]he skilled person [would be expected] to be familiar with cut and cap techniques and the various methods used to cut casings oil and gas wells. The skilled person would also be familiar with the various hazards associated with cutting and capping casings on wells.

AND that the expert report further indicates that the majority of the terms used in the patent reflect ordinary language;

AND UPON CONSIDERING that claim 1 of the patent at issue is an independent claim that claims an ultra-high-pressure (UHP) cutting device for insertion into a wellbore for cutting from within, comprising of the following

1. a UHP hose connector for connection with a UHP hose in communication with a fluid source;
2. a rotatable UHP tube with a top end in fluid communication with the UHP hose connector and a bottom end opposite the top end;
3. a rotating means in operational communication with the UHP tube for rotating the UHP tube during operation of the cutting device; and
4. a cutter hear in fluid communication with the bottom end of the UHP tube, the cutter hear comprising:
5. a UHP elbow for changing the direction of UHP fluid flow from a direction substantially parallel with the wellbore to a direction toward the inner surface of the wellbore;
6. an abrasive to be mixed with the UHP fluid; and

7. a focus tube for directing the mixture of UHP fluid and abrasive out of the cutter head and toward the inner surface of the wellbore to be cut.

AND IN ACCEPTING the expert report's finding that the above noted elements appear in the Respondent's device, thus resulting in an infringement of the patent at issue;

AND UPON CONSIDERING that a patentee is entitled to compensation for infringement based on an accounting of profits made by the patent infringer under the differential profit approach, endorsed by this Court in *Monsanto Canada Inc v Rivett*, 2009 FC 317 at para 29;

AND UPON BEING SATISFIED that there's a causal connection between the profits evidenced by the Respondent's invoices and the infringement, insofar as the invoices were previously generated by the Respondent in its affidavit of documents wherein the Respondent noted that it constituted the relevant materials and it excluded invoices "clearly for work performed without use of any cutting tool"; and that the invoices were further sifted through and invoices not directly tied to the use of the patented device, in addition to amounts associated with provision of equipment and site cleanup, were effectively removed from consideration; and in the absence of direct evidence from the Respondent supplementing the Court's reasons;

AND UPON ACCEPTING that the gross profits made by the infringer as result of the infringement, based on the above invoices, amounts to $670,018.75, to which the Applicant affiant conservatively estimates, based on industry experience and the period of the use of the patented device, a profit margin for a company like that of the Respondent's would be 35%, totalling $234,506.00;

AND UPON FINDING that a non-infringing option that the infringer could have used affecting the profits calculation was not established, per the principles in *Apotex Inc v Merck & Co, Inc*, 2015 FCA 171 at para 73; in that the burden laid with the Respondent and the latter did

not advance such an argument in the struck pleadings; and irrespectively, the method consisting of cutting with a torch is not a non-infringing alternative in that: it constitutes a different process that is not a viable alternative or true substitute to the patented device; and the method is considered unsafe where oil and gas fumes are present and it further involves significant excavation, which results in longer timelines and augmented costs;

THE COURT CONCLUDES that the patented device number 2,757, 675 is valid and has been infringed upon by the Respondent; and that the Applicant is entitled to damages for loss of profits in the amount of $234,506.00, as well as $5,000 in costs.

ORDER AND REASONS in T-767-18

THIS COURT THEREFORE ORDERS that the motion for default judgment against the Respondent is granted and:

1. Declares that the patent number 2,757,675 is valid;
2. Declares that the above-noted patent has been infringed by the Respondent;
3. Orders $234,506.00 in damages; and
4. Orders that costs in the amount of $5,000 be payable to the Applicant.

"Peter Annis"
Judge

FEDERAL COURT

SOLICITORS OF RECORD

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APPEARANCES:

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