

Federal Court



Cour fédérale

Date: 20200828

Docket: T-556-19

Citation: 2020 FC 865

Toronto, Ontario, August 28, 2020

PRESENT: Justice A.D. Little

BETWEEN:

TATUYOU, LLC

Applicant

and

H2OCEAN INC.

Respondent

ORDER AND REASONS

[1] This motion arises in a patent case. The plaintiff TatuYou, LLC (“TatuYou”) seeks default judgment against the defendants under Rule 210 of the *Federal Courts Rules* (SOR/98-106).

[2] For the reasons that follow, I conclude that the motion must be dismissed.

I. **Events Leading to this Motion**

[3] On April 2, 2019, TatuYou filed a statement of claim alleging that H2Ocean, Inc. infringed a patent owned by TatuYou for a “transparent breathable polyurethane film for tattoo aftercare and method”. TatuYou claimed that the defendant infringed the patent by selling a transparent adhesive dressing called a “D-Lize Pro” in Canada.

[4] TatuYou took steps to serve its statement of claim on the defendant in Florida, USA. It then learned that the defendant had converted to a Florida limited liability company. TatuYou amended its statement to claim to add H2Ocean, LLC as a defendant. After an oral Direction from the Court, the plaintiff took steps to serve the amended statement of claim on the two defendants, again in Florida.

[5] The defendants have not filed a statement of defence.

II. **The Motion for Default Judgment and the Supporting Affidavit.**

[6] TatuYou commenced this motion for default judgment, *ex parte* and in writing under Rule 369 as it was entitled to do under subrule 210(2). TatuYou seeks the following specific relief:

- a declaration that it is the owner of Canadian Patent No. 2,739,837;
- a declaration that the defendants infringed that patent by offering for sale and selling in Canada transparent adhesive dressings called “D-Lize Pro” that include all the elements of certain specified claims in the patent;

- an order enjoining the defendants and their directors, officers, employees, agents, subsidiaries and anyone acting under the control of or in concert with the defendants from infringing any claim of the patent and from manufacturing, selling, delivering, exposing for sale or possessing for the purposes of any of the foregoing any product or material that infringes any claim of the patent;
- an order that all of the defendants and their directors, officers, etc., forthwith under oath destroy any product or material in its possession or control that infringes any claim in the patent;
- nominal damages of \$20,000;
- costs; and
- a dismissal of the action in all other respects.

[7] TatuYou's motion was supported by an affidavit from the plaintiff's CEO, who lives in San Jose, California. She swore the affidavit before a lawyer in Ontario by video conference from San Jose.

[8] In her nine-paragraph affidavit in support of default judgment, the CEO testified:

- TatuYou has its principal office or place of business in Hastings, Minnesota. It designs, manufactures, and sells innovative tattoo aftercare products to tattoo businesses across North America, including in Canada.
- TatuYou is the owner of Canadian Patent No. 2,739,837. The title and procedural history of that patent is briefly set out.

- TatuYou’s signature product is “TatuDerm”, which is “an embodiment of the patent”.
- According to paragraph 5, “[i]n or around July 2018, TatuYou discovered that [the defendants] had been selling a tattoo aftercare product called D-Lize Pro ... throughout North America, including in Canada, since at least December 25, 2017”. The affidavit attaches as an exhibit a copy of the product page of D-Lize Pro on the defendants’ website as pictured on December 25, 2017, “where customers in Canada can purchase D-Lize Pro”. This exhibit depicts an image of what appears to be a container of 1 roll of D-Lize Pro for \$40.00. The printout displays an “add to cart” button.
- In paragraph 6, the affidavit advises that D-Lize Pro is substantially similar to TatuDerm and includes “all of the elements” of three claims in the patent, which patent claims are then set out.
- Paragraph 7 advises that the defendants have never sought, or received, a license or consent from TatuYou to use the subject matter of the patent.
- Paragraph 8 states that as a result of the defendants’ “sales of the infringing D-Lize Pro Product in Canada, TatuYou has suffered damages”, in particular, “lost sales of its TatuDerm product in Canada”. According to paragraph 8, “TatuYou has also suffered a loss of market share and damage to its goodwill in Canada as a result of sales of the infringing D-Lize Pro product in Canada”.
- Paragraph 9 states that the affidavit is made to support the motion and for no other or improper purpose.

III. The Legal Requirements for Default Judgment

[9] On a motion for default judgment in this Court, all of the allegations in the statement of claim are to be taken as denied. The plaintiff bears the onus and must lead evidence that establishes, on a balance of probabilities, the claims set out in its statement of claim and its entitlement to the relief it requests: *BBC Chartering Carriers GMBH & CO. KG v Openhydro Technology Canada Limited*, 2018 FC 1098 (McDonald, J.), at para 15; *Canada (Citizenship and Immigration) v Rubuga*, 2015 FC 1073, at para 77 (Gleason, J.); *Teavana Corp. v Teayama Inc.*, 2014 FC 372, at para 4 (Bédard, J.); *Aquasmart Technologies Inc. v Klassen*, 2011 FC 212 (Shore, J.), at para 45; *Louis Vuitton Malletier S.A. v Yang*, 2007 FC 1179 (Snider, J.), at para 4.

[10] This standard is different from the requirements for default judgment under the rules in some provincial superior courts in Canada: see e.g. Rule 3.36 of the *Alberta Rules of Court*, Alta Reg 124/2010 (a defendant noted in default is deemed to have admitted the facts alleged in the statement of claim; *Alberta Treasury Branches v. Weatherlok Canada Ltd.*, 2011 ABCA 314 (Côté, JA), at paras. 20-23); and subrules 19.02, 19.05 and 19.06 of the *Ontario Rules of Civil Procedure*, R.R.O. 1990, Reg 194 (a defendant noted in default is deemed to admit the truth of all allegations of fact made in the statement of claim; the court inquires into “whether the deemed factual admissions resulting from the default support a judgment on liability as well as damages” and applies the civil standard of proof: *Duncan v. Buckles*, 2020 ONSC 3219 (Favreau, J.), at paras 35-36).

[11] In the Federal Court, Justice Dawson has held that default judgment is not automatic. It is a discretionary order: *Johnson v. Royal Canadian Mounted Police*, 2002 FCT 917, at para 20.

[12] To determine whether the plaintiff has met its burden on this motion, I am guided by the principles established in *FH v McDougall*, 2008 SCC 53, [2008] 3 SCR 41. In *McDougall*, the Supreme Court held that there is only one civil standard of proof in Canada: the balance of probabilities. Speaking for a unanimous Court, Justice Rothstein stated that in all civil cases, the “evidence must be scrutinized with care by the trial judge”, that “evidence must always be sufficiently clear, convincing and cogent to satisfy the balance of probabilities test” and that there is no objective standard to measure the “sufficiency” of evidence: *McDougall*, at paras 45 and 46. The Supreme Court recently reiterated this standard in *Canada (Attorney General) v Fairmont Hotels Inc.*, 2016 SCC 56, [2016] 2 SCR 720, at paras 35-36, and in *Nelson (City) v Mowatt*, 2017 SCC 8, [2017] 1 SCR 138, at para 40.

[13] The requirement of “sufficiently clear, convincing and cogent” evidence to meet the balance of probabilities standard has been recognized by this Court in patent matters: *Bombardier Recreational Products Inc. v. Arctic Cat Inc.*, 2017 FC 207 (Roy, J.), at para 368, rev’d in part on other grounds 2018 FCA 172, leave to appeal dismissed, SCC File No. 38416 (May 16, 2019); *Bombardier Recreational Products Inc. v. Arctic Cat, Inc.*, 2020 FC 691 (Roy, J.), at para 40. It has also been applied in other contexts, including on a motion to set aside default judgment: *Benchmuel v. Gags N Giggles*, 2017 FC 720 (Gascon, J.), at para 35.

[14] I have been unable to locate a default judgment case decided by this Court in which the principles from *McDougall* have been expressly applied. However, one can see the principles in *McDougall* in default judgment cases. Justice Bédard declined to give effect to certain submissions of the moving party in *Teavana Corporation* due to concerns about insufficient evidence, “bald assertions”, no “convincing” evidence or no evidence at all (at paras 24-26, 30 and 36). In addition, it is clear from the reasons of Justice Snider in *Louis Vuitton Malletier S.A.* (decided before *McDougall*) that judgment was only granted on the basis of significant direct evidence and careful review by the Court (see e.g. paras 9-11, 30, 35 (“[i]n spite of careful and detailed analysis by the affiants, I have some difficulties with the calculations”), 38 and following).

[15] Having said that, I remain mindful that a plaintiff’s burden is to prove a claim on a balance of probabilities, not a higher standard.

IV. **The Evidence is Not Sufficient or Satisfactory to Grant Judgment on this Motion**

[16] In my opinion, the evidence on this motion is insufficient to support judgment for the relief requested, owing to both the nature and quality of the evidence. The plaintiff has not enabled the Court to carry out the necessary task of construing the patent claims, a step that is required before patent validity and infringement can be adjudicated. In addition, the plaintiff has not adduced sufficiently clear, convincing and cogent factual evidence to discharge its burden of proof on a balance of probabilities, as *McDougall* requires. I will explain.

[17] The first step in a patent infringement analysis is to construe the claims in the patent. Patent claims construction is antecedent to both validity and infringement issues: *Free World Trust v Electro Santé Inc.* 2000 SCC 66, [2000] 2 SCR 1024, at para 19; *Whirlpool Corp. v Camco Inc.* 2000 SCC 67, [2000] 2 SCR 1067, at para 43; *Pfizer Canada Inc. v Canada (Minister of Health)*, 2005 FC 1725 (Hughes, J.), at para 48; *Bauer Hockey Ltd v Sport Maska Inc.*, 2020 FC 624 (Grammond, J.), at para 31. The Court takes a purposive construction of the claims in the patent. One objective is the identification by the Court of the particular words or phrases in the claims that describe what the inventor considered the “essential elements” of the invention: *Whirlpool*, at paras 45 and 48.

[18] Claims construction is a question of law: *Whirlpool*, at paras 61 and 74; *Bombardier Recreational Products Inc. v Arctic Cat, Inc.*, 2018 FCA 172 (Gauthier, J.A.), at para 16. The Court construes the patent claim with the assistance of and through the eyes of a person ordinarily skilled in the art. Expert evidence is usually submitted to assist or enable the Court to construe the patent in a knowledgeable way: *Whirlpool*, at para 57; *Pfizer*, at para 34; *Bauer*, at para 62.

[19] On the record in this motion, there is no evidence from a person claiming to be “skilled in the art” of construing these patent claims. The Court is unable to construe the scope of the claims in the patent in this case without such assistance. Without a proper construction of the claims in the patent, we cannot proceed to consider the validity or infringement of the patent.

[20] Turning to the supporting affidavit and the *McDougall* standard, first, in my view there is insufficient evidence on this motion related to the alleged infringement. The evidence is limited to two conclusory statements in the supporting affidavit. One is that the supposedly infringing product is “substantially similar” to the plaintiff’s product. The other is that the D-Lize Pro product “includes all of the elements” of three claims made in the patent. Unfortunately, we are not told how the affiant (who does not profess to be a person ordinarily skilled in the art) is able to make either statement or what exactly they mean. For example, in what ways are the two products “substantially similar”? Did the affiant buy a sample of the defendants’ products and compare them? What did she do to compare them – was it a visual comparison, or were tests done? The patent claim includes reference to an air permeable transparent polyurethane film – were steps taken to determine what the allegedly infringing product is made of, or whether it has a film that is air permeable? While it can be fairly assumed that the CEO of a company knows something about a competitor’s product, there is no explanation about what “substantially similar” means in relation to the two products, and no explanation in the evidence about how the three claims in the patent relate to any specific characteristics of the allegedly infringing product. The evidence on these points is threadbare. It is little more than an assertion.

[21] To be sure, the evidence on this motion does not disclose what the allegedly infringing product even looks like, which might ground a conclusion that the products are substantially similar in appearance. The defendants’ product is not described in the supporting affidavit, although we know it is a “tattoo aftercare product”. The affidavit attaches an exhibit of one page from the defendants’ website, which is an image of the outside packaging of a product labelled

“D-Lize Pro”. The label says it contains a roll. That is most of what we know about the contents inside, apart from a few other phrases on the label.

[22] A second aspect of the evidence also is not sufficient to meet the balance of probabilities standard described in *McDougall*. The affidavit states that in July 2018, the plaintiff discovered that the defendants “had been selling” the allegedly infringing product throughout North America, including in Canada, since at least as early as six months earlier on December 25, 2017. The affidavit does not explain how the affiant in San Jose, California knows that the defendants’ product was in fact sold in Canada (particularly in the months before the plaintiff discovered the product on the defendants’ website). The affiant referred to the product page on the defendants’ .com website “where customers in Canada can purchase D-Lize Pro”. However, there is no suggestion that anyone has *actually* purchased or attempted to purchase the product from the defendants’ website using a computer in Canada. The affidavit states that the plaintiff designs, manufactures and sells its products to businesses throughout North America, including in Canada, yet there is no evidence of any actual purchase, or attempt to purchase, an allegedly infringing product in Canada. It is not self-evident that a .com website of an American company permits sales to customers in Canada, although obviously many multinational companies do so.

[23] From the affidavit and the exhibited product page on the defendants’ website, one may conclude that the product was *offered* for sale on a .com website and that (presumably) Canadians could have viewed that website. But one cannot conclude that any products *could in fact* have been *purchased* by Canadian businesses or consumers, nor that any quantity of allegedly infringing products *was in fact sold* in Canada, from the evidence on this motion.

[24] Third, and in part as a consequence, it is difficult to give much (if any) weight to the statements in paragraph 8 of the CEO's affidavit that, as a result of sales of the allegedly infringing D-Lize Pro in Canada, TatuYou has suffered damages, "lost sales of its TatuDerm product in Canada", or experienced a "loss of market share" and "damage to its goodwill in Canada". These are high-level assertions that one might include in a statement of claim, but they do not constitute sufficient evidence on which to grant a remedy. I come to this conclusion recognizing the Court's ability to award nominal damages in circumstances that arise in some intellectual property matters in the absence of the customary proof of quantified losses or damages: see e.g. *Kwan Lam v. Chanel S. de R.L.*, 2016 FCA 111 (Gleason, JA) at para 17; *Teavana Corporation*, at para 41.

V. **Conclusion and Disposition**

[25] Plaintiffs who seek default judgment from the Court under the *Federal Courts Rules* must prove all the elements of their claims on a balance of probabilities with sufficiently clear, convincing and cogent evidence, in order to obtain the relief they seek. The Court is not required to issue a judgment, even when the defendant is in default and is not present to cross-examine or oppose the motion, on the basis of statements made in an affidavit that are facially insufficient to meet the balance of probabilities.

[26] On the meagre evidence in the current record, I am not satisfied that there is a sufficient evidentiary basis to grant default judgment for the relief requested by the plaintiff.

[27] Accordingly, the motion for default judgment is dismissed. Under subrule 210(4)(c), the action will proceed forward to a trial. There will be no order as to costs.

ORDER in T-556-19

THE COURT ORDERS AS FOLLOWS:

1. The plaintiff's motion for default judgment is dismissed.
2. The action will proceed forward to a trial under subrule 210(4)(c).
3. No order as to costs of this motion.

“Andrew D. Little”

Judge