Date: 20081119

Docket: T-1236-01

Citation: 2008 FC 1271

Ottawa, Ontario, November 19, 2008

PRESENT: The Honourable Mr. Justice Mandamin

BETWEEN:

WEATHERFORD ARTIFICIAL LIFT SYSTEMS CANADA LTD. WEATHERFORD CANADA PARTNERSHIP, EDWARD GRENKE AND GRENCO INDUSTRIES LTD.

Plaintiffs

and

CORLAC INC., NATIONAL-OIL WELL CANADA LTD. and NATIONAL OIL WELL INCORPORATED

Defendants

REASONS FOR JUDGMENT AND JUDGMENT

[1] The Defendants sought an Order granting them leave to amend their Statement of Defence and Counterclaim to seek a declaration that stuffing box models purchased from a third party, SAI Hydraulics Ltd., and sold by the Defendant National-Oil Well Canada Ltd. do not infringe a patent held by the Plaintiffs.

[2] By Order dated June 9, 2008, Prothonotary Lafrenière denied leave to amend the Statement of Defence and Counterclaim as sought by the Defendants. The Defendants appeal the Prothonotary's Order to this Court.

BACKGROUND

[3] The device known in oilfield parlance as a stuffing box is an assembly for restraining oil leakage in rotary oil well pumps. In a consolidated action, filed on May 8, 2007, the Plaintiffs allege, among other things, that the Defendants made, constructed, used, offered for sale, and sold drive systems which included rotating stuffing boxes that are claimed and described in Canadian Letters Patent No. 2,095,937 (the '937 Patent) held by the Plaintiffs. The original Statement of Claim for infringement in this action dates back to July 6, 2001.

[4] The Plaintiffs' claimed for a declaration that the '937 Patent is valid and that the Defendants have infringed the Plaintiffs' Patent. The Defendants, in their Statement of Defence and Counterclaim, allege the '937 Patent is invalid and counterclaimed for a declaration of invalidity.

[5] Examinations for discovery were held prior to and subsequent to consolidation. By Orders of Associate Chief Justice Lutfy, dated January 21, 2003, and November 2, 2004, the action has been under the case management supervision of Justice Hugessen with the assistance of Prothonotary Lafrenière. On May 8, 2008, Justice Hugessen issued a direction specifying the trial in this matter would be held for a period of five weeks beginning in the spring of 2009. The trial is scheduled to commence April 20, 2009.

[6] During the course of Examinations for Discovery a question came up about SAI Hydraulics Canada stuffing boxes (SAI Stuffing Boxes) that were being purchased and resold by the Defendant National Oil Well Canada Ltd. The SAI Stuffing Boxes became the subject of more focussed examinations for discovery by both the Plaintiffs and Defendants. The Plaintiffs took the position that the SAI Stuffing Boxes were not included within the scope of the Statement of Claim.

[7] On April 22, 2008, the Defendants served a copy of the proposed Amended Statement of Defence and Counterclaim on the Plaintiffs and asked the Plaintiffs to either consent to service and filing of the proposed Amended Statement of Defence or admit the SAI Stuffing Boxes did not infringe the '937 Patent. The Plaintiffs declined to agree to either option.

[8] On May 5, 2008, the Defendants filed a Notice of Motion for leave to serve and file an Amended Statement of Defence and Counterclaim that included a request for a declaration that the SAI Stuffing Boxes sold by the Defendant National Oil Well Canada Ltd. do not infringe the claims of the '937 Patent. The proposed amendments were:

a. Statement of Defence: 17A. As to paragraph 35 of the Claim, the Defendants deny the Plaintiffs' allegations of infringement. In particular, National Oilwell Canada Ltd. is purchasing certain pressurized stuffing boxes from a third party, SAI Hydraulics Canada Inc., ("SAI Stuffing Boxes") and the Defendants specifically deny that the SAI Stuffing Boxes infringe the claims of the '937 Patent.

b. Counterclaim: 26. (b): A declaration that the SAI Stuffing Boxes do not infringe any of the claims of the '937 Patent.

THE DECISION UNDER APPEAL

[9] On June 9, 2008, Prothonotary Lafrenière issued an Order dismissing the Defendants' application for leave to serve and file the Amended Statement of Defence and Counterclaim.

[10] The Prothonotary, after noting the written and oral submissions of the parties, wrote:

> "And upon confirmation by Counsel for the Plaintiffs that certain stuffing box models were purchased from SAI Hydraulic Ltd. and sold by National-Oil Well Canada Ltd. are not part of this action that no relief is being sought relating to these stuffing boxes as part of the upcoming trial."

[11] The Prothonotary dismissed the Defendant's Notice of Motion for an Order granting leave to serve and file an amended Statement of Defence and Counterclaim.

The Issues

[12] I consider the issues in this appeal to be as follows:

a. What is the appropriate standard of review of the Prothonotary's decision?

b. Considering the standard of review, should paragraph 2 of the June 9th Order be set aside and leave be granted to the Defendants to serve and file the proposed Amended Defence and Counterclaim?

The Standard of Review

[13] In *Canada v. Aqua-Gem Investment Ltd.*, [1993] F.C.J. No. 103, Justice MacQuigan set out the proposition that

> "discretionary orders of prothonotaries ought not to be disturbed on appeal to a judge unless:

> (a) they are clearly wrong, in the sense that the exercise of discretion by the prothonotary was based on a wrong principle or upon a misapprehension of the facts, or
> (b) where they raise questions vital to the final issue of the case."

Justice MacQuigan went on to decide that where the prothonotary has made an error of law a judge ought to exercise his discretion *de novo*.

[14] The standard of review was further considered in *Merck & Co. v. Apotex Inc.*, 2003 FCA 488, where the test was reformulated by, where Justice Robert Décary for the Federal Court of Appeal stated:

> …the test should be slightly reformulated to read: discretionary orders of prothonotaries ought not to be disturbed unless (a) the questions raised are vital to the final issue of the case, or (b) the orders are clearly wrong as based upon wrong principle or misapprehension of the facts.

[15] If the question raised is vital to the final issue of the case, the reviewing judge should engage in a non-deferential *de novo* standard of review.

ANALYSIS

[16] The Defendants submitted that the Prothonotary erred by permitting the Plaintiffs to limit the scope of the action notwithstanding the Plaintiff's claim in paragraph 35 which states:

> 35. The full extent and nature of the acts of infringement of the '937 Patent by National-Oilwell and Corlac is unknown to the Plaintiffs, but is known to National Oilwell and Corlac. The Plaintiffis claim relief in respect of all acts of infringement committed by National-Oilwell and Corlac.

[17] The Defendants submitted that they were seeking to clarify the scope of the action and ensure all allegedly infringing products were included, specifically the SAI Stuffing Boxes. They submit that the Prothonotary, by denying their application to amend, decided on an issue vital to the final issue of the case. The Defendants submit this Court must review the application to amend on a *de novo basis.*

[18] The Defendants rely on the case in *Merck & Co. v. Apotex Inc.*, [1999] F.C.J. No. 2022 (CA) (*Merck)*, for the principle that the general language of infringement in a statement of claim does not limit a claim to enumerated products.

[19] I do not see that paragraph 35 of the Statement of Claim supports the Defendants' interpretation. Paragraph 35 immediately follows a listing of particulars of the alleged infringement. A fair reading of the paragraph leaves open an interpretation that paragraph 35 is a saving paragraph in respect of particulars alleged in the Plaintiffs' pleadings instead of an interpretation that paragraph 35 is a claim concerning new unknown products.

[20] Further, a statement of claim based solely on paragraph 35 without an allegation of material facts necessary to show a cause of action for infringement would be deficient. Paragraph 35 in itself cannot serve as a valid claim in that it is devoid of any material facts linking the claims to infringement activities relating to the SAI Stuffing Boxes. *Harrison v. Sterling Lumber Co.*, 2008 FC 220, at paras. 20 – 23.

[21] The Defendants also argue that the doctrine of *res judicata* requires that they are required to bring forward their whole case. If they do not, they assert they may be subject to a second action by the Plaintiffs in respect of the SAI Stuffing Boxes.

[22] The Defendants' submission with respect to the doctrine of *res judicata* is that it protects defendants from having to defend themselves from a second round of litigation. *Res judicata*, however, works in the Defendants' favour and not to their disadvantage, since it is the Plaintiffs who are restricted from re-litigating their claim should they fail to advance a related claim that they should have. *Merck* at para. 13.

[23] The exclusion of the Defendants' counterclaim for a declaration of non-infringement arises as a result of a court order, namely the Prothonotary's Order of June 9th. The factors identified in *Merck*, lack of diligence, negligence, inadvertence, or accident, are not applicable in this circumstance. In my opinion, the Defendants did not fail to exercise diligence or negligence such as to give rise to an issue of *res judicata* should they exercise their right to seek a declaration of non-infringement.

[24] Moreover, the Defendants would not be restricted from raising a counterclaim for non-infringement should they be sued by the Plaintiffs in a subsequent action for infringement of the '937 Patent with respect to the SAI stuffing boxes since the right to seek a declaration derives from a legislative basis, section 60(2) of the *Patent Act*. I do not see that the doctrine of *res judicata* would preclude the Defendants from exercising a statutory right to seek a declaration of non-

infringement in the course of any future defence for a device that was not the subject of prior litigation.

[25] Given the foregoing, I do not consider that the Prothonotary decided on an issue of vital importance to the final issue in this case. As a result, I consider the Prothonotary's Order to be discretionary in nature.

[26] The role of a case management judge was discussed by Justice Rothstein for the Federal Court of Appeal in *Sawridge Band v. Canada*, 2001 FCA 338 , at para. 11. He stated:

> "We would take this opportunity to state the position of this Court on appeals from orders of case management judges. Case management judges must be given latitude to manage cases. This Court will interfere only in the clearest case of a misuse of judicial discretion."

[27] Justice Gibson in *Microfibres Inc. v. Annabel Canada Inc*., 2001 FCT 1336, considered the role of Prothonotary to be of similar importance. He stated:

> "I conclude that Mr. Justice Rothstein's comments should apply by analogy to discretionary decisions of prothonotaries made in the course of case management in complex matters such as this. Case management prothonotaries must be given latitude to manage cases in the same manner in which case management judges are entitled to such latitude.
>
> . . . Case Management prothonotaries, like case management judges are familiar with the proceedings that they are managing to a degree that a trial judge, sitting on appeal from a prothonotary's discretionary decision in such a context, usually cannot be."

[28] In my view, the Prothonotary was exercising his discretion in making a case management decision when he decided against the Defendants' application for leave to serve and file the Amended Statement of Defence and Counterclaim. He was familiar with the course of the proceedings and the procedural complexities involved in the action. He was doing so in a

consolidated action that had been before the Court for six years and that had been ordered to proceed to trial on a certain date.

[29] I cannot conclude that the Prothonotary clearly erred by deciding on a wrong principle or upon a misapprehension of the facts when he made his Order.

[30] The Defendants' appeal of the Prothonotary's Order of June 9, 2007 is dismissed.

JUDGMENT

THIS COURT ORDERS that:

1. The Defendants' appeal of paragraph 2 of the Prothonotary's Order of June 9, 2007 is dismissed;

2. Costs shall be in the cause.

"Leonard S. Mandamin"
Judge

FEDERAL COURT

SOLICITORS OF RECORD

DOCKET:	T-1236-01
STYLE OF CAUSE:	Edward Grenke and Grenco Industries Ltd. v. Corlac Inc.
PLACE OF HEARING:	Toronto, Ontario
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APPEARANCES:

Mr. Joshua Spicer	FOR THE PLAINTIFFS, WEATHERFORD ARTIFICIAL LIFT SYSTEMS CANADA LTD. and WEATHERFORD CANADA PARTNERSHIP
No one appearing	N/A representing Plaintiff Grenco Industries Ltd.
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