



PLEADING PATENT INFRINGEMENT IN CANADA: LESSONS AND ADVICE FROM THE FEDERAL COURT

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When suing a party for infringing a patent, what must be alleged in the statement of claim? *Bertelsen v. Automated Tank Manufacturing Inc.* 2011 FC 1219 answers this question. In so doing, Justice O'Keefe of the Federal Court of Canada upholds a long line of case law and reminds litigants of the danger of insufficiently pleading their case.

This case is of obvious importance to patent litigators, but its teachings apply to litigations of all stripes before the Federal Court. It may also be of interest to patent agents and practitioners, who will better understand what is required of them when one of their litigator colleagues asks for assistance in preparing an action for infringement.

The Facts

Larry Bertelsen, the plaintiff, filed suit in the Federal Court via a statement of claim on August 4, 2010. Bertelsen alleged that the defendant, Automated Tank Manufacturing Inc., infringed Canadian patent No. 2,479,412. The '412 patent contains only two claims, both of which are independent. Claim 1 is directed to a method of fabricating a tall multi-stage work piece, and claim 2 is directed to a fabrication station for a multi-stage work piece.

Bertelsen's statement of claim was subsequently amended three times. The last of these amendments occurred with the permission of a Prothonotary. It is the decision of the Prothonotary to which Automated Tank objects, and that is the subject of this appeal before the Federal Court. Automated Tank also asks that certain essential paragraphs of the statement of claim (i.e. those alleging infringement of the '412 patent's two claims) be struck without permission to amend and that Bertelsen's action be dismissed.

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The *Federal Court Rules* require that all “actions” brought before the Federal Court (which differ from “applications” or “appeals”) are to be introduced by filing a statement of claim. The statement of claim must follow a precise format, and must begin with a listing of the relief sought followed by consecutively numbered paragraphs that set out each allegation of material fact relied on to substantiate the claim.

This appeal turns on the interpretation of Rule 174 of the *Federal Court Rules*, which governs the pleading of material facts in any statement of claim:

174. Every pleading shall contain a concise statement of the material facts on which the party relies, but shall not include evidence by which those facts are to be proved.

The Federal Court Judgement

Justice O’Keefe began his analysis by addressing the applicable standard when reviewing decisions of the Prothonotary. The Federal Court had already addressed this question in *Harrison v Sterling Lumber Co* 2008 FC 220, [2008] FCJ No 270, and Justice O’Keefe adopted its reasons. Justice O’Keefe held that the *de novo* standard applies to this appeal (i.e. the Federal Court owes no deference to the decision of the Prothonotary and can substitute its own opinion) because the present case deals with “the striking of the operative parts of the statement of claim.”

The “operative parts” to which Justice O’Keefe refers are paragraphs 9 to 13, and 15 of the thrice-amended statement of claim. Paragraphs 9 and 10 allege infringement of the method and product claims, respectively. If these paragraphs were to be struck, the statement of claim would no longer contain allegations of infringement and would thus be dismissed. This explains Justice O’Keefe’s holding that “this is a matter that is vital to the final issue in the case.”

Justice O’Keefe then looked at the issue of whether paragraphs 9 and 10 contained the necessary facts to make out an allegation of patent infringement, or whether they were impermissibly speculative. Automated Tank argued that Bertelsen simply repeated the words of the claims to prove infringement. Paragraphs 9 and 10 read as follows:

9. The Defendant has since a date that is unknown to the Plaintiff but that is as [sic] least as early as October, 2008 at Kitscoty, Alberta, utilized equipment and manufactured, constructed, made and repaired oilfield storage tanks in manner that utilizes a method:

providing a vertical shaft extending below ground at a permanent fabrication facility;

suspending an elevator platform in the shaft by cables, the elevator platform being raised and lowered in the shaft by winches which control a length of the cables to lower the elevator platform and raise the elevator platform in the shaft;

providing at least one above ground work station at the upper end of the shaft;
placing a work piece on a motor driven rotating turntable on the elevator platform;
activating the motor driven rotating turntable to rotate the turntable as required during fabrication to permit workers access to an entire circumference of the work piece without moving from the at least one above ground work station;
lowering the elevator platform as each stage of the work piece is completed in order to maintain a desired working height for workers at the at least one above ground work station; and
raising the elevator platform and removing the work piece from the elevator platform when fabrication is complete.

10. The Defendant has, since a date that is unknown to the Plaintiff but that is as [sic] least as early as September 12, 2007, constructed or used a fabrication station for a tall multi-stage work piece including the manufacture, construction, making and repair of oilfield storage tanks, at 4601-49 Avenue, Kitscoty, Alberta or other locations unknown to the Plaintiff that includes:

a vertical shaft extending below ground;
an elevator platform suspended by cables in the shaft, winches being provided to control a length of the cables to lower the elevator platform and list [sic] the elevator platform in the shaft;

The constituent elements of paragraphs 9 and 10 are identical to claims 1 and 2, respectively.

Justice O'Keefe looked to the authorities regarding the sufficiency of patent infringement pleadings. He cited *Dow Chemical Co v Kayson Plastics & Chemicals Ltd* (1996), 47 CPR 1, where it was decided that patent infringement pleadings must contain the following:

- (a) facts by virtue of which the law recognizes a defined right as belonging to the plaintiff, and
- (b) facts that constitute an encroachment by the defendant on that defined right of the plaintiff.

Justice O'Keefe cited with approval the first Prothonotary in this file, who originally rejected the amendment proposed by Bertelsen but authorised him to apply for leave to amend:

A plaintiff must describe with particularity the right to which he claims to be entitled and which he alleges has been infringed by the defendant. This is particularly important in patent infringement actions, which are generally complex and technical in nature. The allegations proposed by the Plaintiff relating to infringement by the Defendant simply refer back to

the claims in the patent at issue. Such general allegations are insufficient and cannot be allowed.

As was stated by Mr. Justice Jackett in *Precision Metalsmiths Inc. v. Cercast Inc.* (1966), 49 C.P.R. 234 (Ex. Ct.) at page 242-243: “It is not a compliance with the requirement that the material facts be alleged merely to state the conclusions that the Court will be asked to draw...” The Defendant is entitled to know with precision what exactly it has done that is alleged to have infringed the rights of the Plaintiff. Being substantially in agreement with the written submissions filed on behalf of the Defendant, I conclude that the essential elements of a cause of action for patent infringement have not been pleaded at paragraphs 2, 6 and 7 of the Amended Amended Statement of Claim.

Justice O’Keefe dismissed paragraphs 9 and 10 of the Statement of Claim, holding that they are “in essence a restatement of the claims of the ‘412 Patent”. They therefore do not plead the facts upon which a claim for infringement can be based, and are deficient. The Prothonotary thus erred in allowing the proposed amendments, and Justice O’Keefe struck paragraphs 9 to 13, and 15 without leave to amend. He then dismissed Bertelsen’s action for infringement with costs awarded to Automated Tank.

Conclusion

This decision will no doubt serve as a cautionary reminder to patent litigators that they cannot blithely allege infringement by repeating verbatim the elements of the infringed claims. The plaintiff must set out the specific infringing facts that the defendant is alleged to have done.

Failure to do so can have severe consequences, as illustrated in the present case. The Court will not hesitate to dismiss an improperly plead infringement action, with costs.

Is this the end of this affair? Probably. Although counsel for Bertelsen appealed to the Federal Court of Appeal on October 20, 2011, the Court docket indicates that they filed a letter on November 22, 2011 advising that they will be discontinuing the appeal, and that they await the signed consent of opposing counsel.



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