Federal Court  Cour fédérale

Date: 20251201

Docket: T-2606-23

Citation: 2025 FC 1916

Ottawa, Ontario, December 1, 2025

PRESENT: The Honourable Mr. Justice Fothergill

BETWEEN:

IMPULSE DOWNHOLE SOLUTIONS LTD.
IMPULSE DOWNHOLE TOOLS LTD.

Plaintiffs/
Defendants by Counterclaim

and

CHALLENGER DOWNHOLE TOOLS INC.

Defendant/
Plaintiff by Counterclaim

JUDGMENT AND REASONS

[1] Challenger Downhole Tools Inc [Defendant] appeals an Order of Associate Judge Catherine Coughlan, issued in her capacity as Case Management Judge [CMJ]. The CMJ dismissed the Defendant's motion for an order compelling Impulse Downhole Solutions Ltd and Impulse Downhole Tools Ltd [Plaintiffs] to answer questions that were refused during examination for discovery.

[2] The Plaintiffs are the owner and licensee of Canadian Patent 2,872,736, titled Flow Controlling Downhole Tool [736 Patent], and Canadian Patent 2,994,473, titled Lateral Drilling Method [473 Patent]. The Plaintiffs market the "Acti-Pulse" and "Power-Pulse" tools in competition with tools marketed by the Defendant.

[3] In their Amended Statement of Claim, the Plaintiffs seek, *inter alia*, declarations that the Defendant has infringed the 736 Patent and 473 Patent. The Plaintiffs request damages or, in the alternative, an accounting of the Defendant's profits. The Plaintiffs have yet to elect between damages and an accounting of profits.

[4] The examination for discovery of the Plaintiffs' representative included the following question:

> Provide drawings that show the structure of both the Acti-Pulse and the Power-Pulse tools, or other such documents, to demonstrate whether or not the products fall within the claim of the patents.

[5] The Plaintiffs refused to answer. On July 7, 2025, the CMJ dismissed the Defendant's motion to compel the Plaintiffs to answer the question.

[6] The sole issue raised by this appeal is whether the CMJ correctly determined that the question refused by the Plaintiffs was irrelevant to the issues raised in the civil action.

[7] A discretionary order of an associate judge is subject to appeal in accordance with the standards articulated by the Supreme Court of Canada in *Housen v Nikolaisen*, 2002 SCC 33

(*Hospira Healthcare Corporation v Kennedy Institute of Rheumatology*, 2016 FCA 215 [*Hospira*] at para 2). Questions of law are reviewed against the standard of correctness, and findings of fact or mixed fact and law may be revisited only where there is palpable and overriding error (*Hospira* at paras 66, 79).

[8] The CMJ's reasons for dismissing the Defendant's motion were given orally, and neither party has provided a transcript of the hearing before the CMJ. According to the Defendant's written representations on appeal, the CMJ "indicated that the law does not require a patentee to engage in the sale of the patented tool to claim damages for lost sales of that tool".

[9] The parties agree that the CMJ's reasons raise an extricable question of law, and the CMJ's Order is therefore reviewable against the standard of correctness.

[10] Subsection 55(1) of the *Patent Act*, RSC, 1985, c P-4, provides as follows:

Liability for patent infringement	**Contrefaçon et recours**
55(1) A person who infringes a patent is liable to the patentee and to all persons claiming under the patentee for all damage sustained by the patentee or by any such person, after the grant of the patent, by reason of the infringement.	**55(1)** Quiconque contrefait un brevet est responsable envers le breveté et toute personne se réclamant de celui-ci du dommage que cette contrefaçon leur a fait subir après l'octroi du brevet.

[11] The language of this provision makes clear that the patentee may recover "all damage" flowing from an infringement. This is not limited to lost sales of products that fall within the

claims of the patent. If Parliament had intended to limit recovery in this manner, it would have done so explicitly.

[12] In *Apotex Inc v Eli Lilly and Company*, 2018 FCA 217, the Federal Court of Appeal (*per* Gauthier JA) held that claims for damages arising from patent infringement require determination of the following question: “But for the infringing product being on the market, what would the patentee’s position have been?” (at para 94, citing *Clements v Clements*, 2012 SCC 32). This confirms that damages may be recovered for lost sales of products regardless of whether or not they fall within the claims of the patent.

[13] Counsel for the Plaintiffs provided the following example: if a competitor’s sale of an infringing product has the effect of destroying the patentee’s business entirely, the patentee may sue for recovery of all consequent losses. I agree.

[14] In *Arysta Lifescience North America, LLC v Agracity Crop & Nutrition Ltd*, 2019 FC 530, Justice William Pentney cited *Fox on the Canadian Law of Patents*, 5th ed (Carswell, 2013) (loose-leaf) at s 14:28 for the following proposition (at para 67):

> The plaintiff may recover damages for lost sales of a product as a result of competing sales of a product made by a patented machine as process even if the plaintiff does not use such a process. If, for example, the plaintiff has patents on two alternative processes for making a product one of which it uses and the other of which the infringer used, if the products made by the infringing process have caused loss of sales of the plaintiff's product, the plaintiff should recover damages for such loss, on the basic principle that it is the loss flowing from the wrongful act.

[15] The Defendant relies on Justice Judith Snider's decision in *Jay-Lor International Inc v Penta Farm Systems Ltd*, 2007 FC 358 [*Jay-Lor*] at paragraphs 118 and 119:

> The onus rests on the plaintiff to establish the amount of loss. That is, the plaintiff bears the burden of demonstrating that it would have made the sales of its patented product had the infringing product not been on the market.
>
> Where the patentee actually engages in the sale of its patented product and does not normally license use of its invention, it is entitled to the profits on the sales it would have made but for the presence of the infringing product in the market. For those sales made by the infringer that the patentee would not have made, the patentee is entitled to a reasonable royalty.
>
> [Emphasis added]

[16] In *Jay-Lor*, all of the plaintiff's products that were said to compete with the defendant's infringing products were within the scope of the patent in issue. Accordingly, the question of whether a patentee may recover damages for lost sales in respect of products that fall outside the claims of the patent was not before the Court.

[17] Furthermore, Justice Snider's analysis included the following statement of general principles (*Jay-Lor* at para 123):

> In sum, since the Plaintiffs have elected damages, the following general principles apply:
>
> - An award of damages seeks to compensate the plaintiff for any losses suffered by the plaintiff as a result of the infringement.
>
> […]

- In assessing the award, the plaintiff is entitled to the profits on the sales it would have made but for the presence of the infringing product in the market.

[18] The Defendant also relies on *Nova Chemicals Corp v Dow Chemicals Co*, 2022 SCC 43 (*per* Côté JA, dissenting, but not on this point) at paragraph 101:

> Damages may be awarded by a court for any monetary loss suffered by the patentee as a result of the patent infringement. The infringer is liable to the patentee for "all damage sustained […] after the grant of the patent, by reason of the infringement". Damages are compensatory and can include the following: lost profits on direct sales of the patented product; lost profits on sales of related goods or services; lost profits due to the depression of prices; lost profits due to increased costs; and lost profits on royalties from licensing agreements.
>
> [Citations omitted]

[19] There is nothing in Justice Côté's account of the law that limits a patentee's recovery to lost sales of products that are themselves subject to the patent, as evidenced by paragraph 102 of her decision:

> The purpose of damages in the context of a patent infringement is the same as it is for other torts: to compensate the wronged party for the wrongdoing. Damages are therefore a loss-based remedy aimed at making up the plaintiff's loss. This remedy places the patentee in the position it would have been in but for the infringement.

[20] Jurisprudence regarding damages for sales of "convoyed products" does not assist the Defendant. Convoyed products do not fall within the claims of a patent, but are commonly sold together with the patented product. The justification for assessing damages on convoyed sales is

premised on the causal connection between the patentee's loss and infringement of the patent. Put another way, this is an example of restoration of the patentee to its position in the "but for" world (*Dnow Canada ULC v Grenke Estate*, 2020 FCA 61 at paras 143-144, citing *Beloit Canada Ltd v Valmet-Dominion Inc (CA)*, 1997 CanLII 6342 (FCA), [1997] 3 FC 497 at 551).

[21] Depending on the facts of the case, it may be difficult for a patentee to prove lost sales of products that do not fall within the scope of the patent. A successful plaintiff may (in most cases) elect an accounting of the defendant's profits instead.

[22] It is not for the Defendant or this Court to dictate the Plaintiffs' litigation strategy. If the Plaintiffs object to disclosing whether the "Acti-Pulse" and "Power-Pulse" tools fall within the claims of the 736 Patent and 473 Patent, that is their prerogative.

[23] The appeal is therefore dismissed.

[24] By agreement of the parties, costs will be awarded to the successful party in accordance with Column III of Tariff B, payable forthwith and in any event of the cause.

JUDGMENT

THIS COURT'S JUDGMENT is that:

1. The appeal is dismissed.

2. Costs are awarded to the Plaintiffs in accordance with Column III of Tariff B, payable forthwith and in any event of the cause.

"Simon Fothergill"
Judge

FEDERAL COURT

SOLICITORS OF RECORD

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STYLE OF CAUSE:	IMPULSE DOWNHOLE SOLUTIONS LTD. AND IMPULSE DOWNHOLE TOOLS LTD. v CHALLENGER DOWNHOLE TOOLS INC.
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APPEARANCES:

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