

Winston Team Revokes Hess's \$225 Million Lawsuit

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Winston & Strawn secured a total victory on behalf of Schlumberger Technology Corporation, halting Hess Corporation's attempt to revoke acceptance of multiple subsurface safety valves used in offshore oil and gas wells. In the long-fought litigation, Hess sought more than \$225 million in purported damages from Schlumberger. After a 10-day bench trial in Houston in February, U.S. District Judge Sim Lake issued his decision last week, denying Hess's motion for judgment. The court found that Hess was not entitled to recover any damages from Schlumberger and was required to pay a portion of Schlumberger's costs and attorneys' fees.

Hess purchased four safety valves from Schlumberger for use in Hess's deepwater oil wells in the Gulf of Mexico. Hess's valves failed after each had been operating for over a year. Hess sued in 2016, claiming Schlumberger breached the parties' contract by failing to provide safety valves that complied with American Petroleum Institute (API) specifications. Hess sought to revoke acceptance of the valves and recover its alleged costs to retrieve and replace the valves, and other damages.

Winston persuaded Judge Lake to reject Hess's arguments and find for Schlumberger threefold: first, that Hess failed to establish that the safety valves did not conform to API standards; second, that the purported API violations did not cause the safety valves to fail or otherwise substantially impair their value – rather, it was Hess's poor operation of the valves; and third, Hess's operations substantially changed the valves' condition, making them ineligible for revocation. Judge Lake credited evidence Winston presented that other customers using the same valves had substantially lower failure rates, whereas all valves operated by Hess failed. Accordingly, the court found that Hess was not entitled to any damages.

The Winston team consisted of Partners Denise Scofield, Rich McCarty, Of Counsels Brandon Duke, and Associates Katy Preston, Kyle Terao, and Spencer Churchill. The team was also assisted by paralegal Nita Moore and practice coordinator Ann Berkowitz.

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