

Federal Court



Cour fédérale

Date: 20230105

Docket: T-451-20

Citation: 2023 FC 11

Ottawa, Ontario, January 5, 2023

PRESENT: The Honourable Mr. Justice Manson

BETWEEN:

**KOBOLD CORPORATION,
KOBOLD COMPLETIONS INC., and
2039974 ALBERTA LTD.**

Plaintiffs

and

NCS MULTISTAGE INC.

Defendant

JUDGMENT AND REASONS

I. Introduction

[1] This is a motion brought by the Defendant/Plaintiff by counterclaim, NCS Multistage Inc. ["NCS"], under Rule 51 of the *Federal Courts Rules*, SOR/98-106 [the "*Rules*"] appealing an Order of Associate Judge Ring [the "*Order*"].

[2] The Order allows the Plaintiffs/Defendants by counterclaim, Kobold Corporation, Kobold Completions Inc., and 2039974 Alberta Ltd. [collectively “Kobold”], to amend their Statement of Claim to continue to include patent infringement allegations against an NCS product called the “Mongoose”. NCS objects to the Amended Statement of Claim because NCS believes all of Kobold’s infringement claims with respect to the Mongoose are barred by Justice Zinn’s earlier summary judgment decision within this same file (*Kobold Corporation v NCS Multistage Inc*, 2021 FC 1437 [*Kobold 2021*]).

II. Background

[3] NCS and Kobold are competitors in the oilfield services industry. Both are involved directly or indirectly in fracking operations.

[4] Kobold started this litigation against NCS through its Statement of Claim dated April 6, 2020. Kobold is the owner of Canadian Patent No. 2,919,561 [the “561 Patent”]. The Statement of Claim alleged that NCS has infringed the 561 Patent by using it in its bottomhole assembly [“BHA”] tools. BHA tools are used to prepare a well for production.

[5] Kobold alleged that NCS has infringed the 561 Patent through its use in four of its BHA tools: the Mongoose, Shift Frac Close [“SFC”], Shift Frac Close 2 [“SFC 2”], and Shift Frac Close 3/Innovus [“SFC 3” or “Innovus”].

[6] There are two iterations of the Mongoose; one based on a 2012 drawing [the “2012 Mongoose”] and the other based on a 2018 drawing [the “2018 Mongoose”].

[7] On February 3, 2021, NCS brought a summary judgment motion. NCS sought to have Kobold's claims dismissed based on its defence of prior use pursuant to section 56 of the *Patent Act*, RSC 1985, c P-4.

[8] On December 17, 2021, Justice Zinn granted summary judgment to NCS with respect to its prior use of "the Mongoose". Paragraph 4 of the Order in *Kobold 2021* grants summary judgment "with respect to the claims relating to its Mongoose device". The decision stemmed from admissions made by Kobold during the hearing that NCS could continue to manufacture and use the Mongoose.

[9] Based on Justice Zinn's decision on July 5, 2022, Kobold brought a motion to amend its Statement of Claim. NCS contested the amendments as, under its view, the amendments continue to allege infringement of the 561 Patent through the use of the Mongoose. NCS objects to the following amendments relevant to this motion:

16. At least as early as August 2017, NCS directly or through entities it controls, designed, manufactured, used, offered for rent or lease, rented or leased, offered for sale and/or sold a Bottom Hole Assembly completion tool for deployment in a wellbore ("BHA")....

18. NCS' ~~completion tool~~ has BHAs have been marketed and advertised as the "Mongoose BHA Tool", the "SFC2 BHA", and/or the "Innovus BHA"...

24. By making, using and selling the NCS ~~completion tool~~ BHAs including the NCS Packers, NCS infringes the claims of the 561 Patent.

[10] NCS also claims that, in the proposed amendments, Kobold mischaracterized Justice Zinn's holding in *Kobold 2021*:

15.1 On December 17, 2021, Justice Zinn issued a decision on the summary judgment motion filed by NCS: Kobold Corporation v. NCS Multistage Inc., 2021 FC 1437. As part of that decision, Justice Zinn construed the claims of the 561 Patent and accepted the plaintiff's admission with respect to the 2012 Mongoose Blue Bullet Packer identified in NCS Production 0099 CEO.

[11] On motion to amend the Statement of Claim, NCS argued that Justice Zinn's summary judgment decision forecloses any claims with respect to both the 2012 Mongoose and the 2018 Mongoose; however, Kobold's above amendments continue to improperly pursue claims related to the 2018 Mongoose.

[12] In an order dated October 6, 2022, Associate Judge Ring rejected NCS's arguments and granted leave to Kobold to amend its Statement of Claim as proposed.

[13] NCS appeals the Order of Associate Judge Ring, and seeks the following relief:

- i. An order setting aside the Order of Associate Judge Ring dated October 6, 2022 denying Kobold's request to amend the Statement of Claim in T-451-20 indicated in Schedule A to Kobold's notice of motion in the underlying motion; and
- ii. costs.

III. Decision Under Review

[14] In the Order, Associate Judge Ring rejected NCS's objections to Kobold's Amended Statement of Claim and allowed Kobold to amend the Statement of Claim as proposed.

[15] Associate Judge Ring interpreted Justice Zinn's decision in *Kobold 2021* as granting summary judgment only with respect to the 2012 Mongoose and not the 2018 Mongoose. In doing so, Associate Judge Ring made the following observations:

- i. The Court's finding regarding the Mongoose was predicated on Kobold's admission. Justice Zinn characterized the admission as relating to the "2012 Mongoose" (*Kobold 2021* at para 31).
- ii. In a relevant excerpt of the trial transcript, counsel for Kobold took Justice Zinn to drawings of the 2012 Mongoose, and stated on the record, "so this is the Mongoose 2012. This is the tool that we say, okay, you can keep doing this".

IV. Standard of Review

[16] The applicable standard of review to the appeal of the decision of an Associate Judge are the appellate standards outlined in *Housen v Nikolaisen*, 2002 SCC 33 (*Hospira Healthcare Corporation v Kennedy Institute of Rheumatology*, 2016 FCA 215 at para 28). For questions of law and mixed fact and law where there is an extricable question of law, the standard is

correctness. Otherwise, for questions of fact or mixed fact and law the standard of appeal will be overriding and palpable error.

[17] The interpretation of a Court order is a question of law (*Fontaine v Canada (Attorney General)*, 2020 ONCA 688 at para 20). Accordingly, the standard of review for Associate Judge Ring's interpretation of *Kobold 2021* is correctness.

V. Issues

[18] Did Justice Zinn's decision to grant summary judgment with respect to the Mongoose device include the 2012 Mongoose and the 2018 Mongoose?

VI. Analysis

[19] After reviewing the relevant excerpts from the trial transcripts as well as the Reasons for Judgment, I find that Justice Zinn's decision to grant summary judgment to NCS with respect to the Mongoose in *Kobold 2021* applies to both the 2012 Mongoose and the 2018 Mongoose.

[20] The following outlines the relevant portion of Kobold's concession at the summary judgment hearing:

[Counsel for Kobold]: The base position I would say in terms of what NCS can or can't do, is we say the 2012 Mongoose they can keep doing that. There's no contest here that they have to stop doing it. That is, in fact, the same act, the same commercial product, as it were. What NCS cannot do -

[Justice Zinn]: Can I just stop you for a minute? You broke up. Just momentarily, can you go back to what you say they can continue to do?

[Counsel for Kobold]: They can do the 2012 Mongoose.

[Justice Zinn]: Mongoose, okay.

...

[Counsel for Kobold]: I always get a little anxious in these cases with branding, because it's easy to switch names. But that tool that's, I'll show you the tool - it's depicted in one of these pictures. They can keep doing that. There's no contest here that they can't. I'm not arguing about that. What we say they can't do is expand into new commercial products, so they cannot expand into SFC2, they cannot expand into Innovus. That is outside the scope of the protection of 56.

[Counsel for Kobold]: We'll skip over compendium tab 17 and 18, and we're going to go to 19,21 which is a drawing. And just let me know when you have it Justice Zinn.

[Justice Zinn]: I have it.

[Counsel for Kobold]: So this is the Mongoose 2012. This is the tool that we say, okay, you can keep doing this. I'm not objecting to that. So if you need to see that on the record, there it is. Tab 20 is the 2018 version. It looks pretty much to be the same tool to me. Again, that tool, I don't have a problem with, I'm not arguing. And this is kind of where, you know, I try to help you sort of understand where I think the lines are in the case.

[Emphasis added]

[21] When the transcripts are read as a whole and in context, they reveal that Kobold conceded that NCS could use both the 2012 Mongoose and the 2018 Mongoose, as shown in Tab 20 of the materials before Justice Zinn.

[22] While Justice Zinn refers to the "2012 Mongoose" in his decision, this too must be read in context. When the decision is read in whole and in light of the submissions of the parties

during the summary judgment hearing, there was no distinction made by Kobold between the 2012 Mongoose and the 2018 Mongoose.

[23] Moreover, Kobold does not dispute this motion on its substance; it disputes it only on semantics. Kobold concedes that the admissions during the hearing of the summary judgment motion related to both the 2012 and 2018 drawings shown to Justice Zinn. However, Kobold submits that certain of NCS's other devices such as the SFC 2 and SFC 3/Innovus are also sometimes branded under the "Mongoose" name and is wary of being barred from pursuing its claims pertaining to those devices.

[24] There can be no dispute that Kobold can continue to pursue its claims with respect to the, SFC 2 and SFC 3/Innovus BHA tools. Justice Zinn did not grant summary judgment to NCS with respect to these devices and found that determining whether NCS could rely on prior use under section 56 as a defence is a matter requiring trial (*Kobold 2021* at paras 143-159). Accordingly, whether certain devices used by NCS are consistent or not with the 2012 or 2018 drawings of the Mongoose is a question to be determined at trial, not on this motion.

[25] The motion is granted with respect to the amendment relating to the Mongoose device only.

[26] At the hearing, I encouraged counsel for the parties to come to an agreed resolution of their disputes concerning the pleadings, given the protracted history of countless contested motions concerning pleadings over the past two and a half years. The parties consequently

agreed to a Second Amended Statement of Claim as attached as Annex A hereto, forwarded to the Court on December 29, 2022.

[27] The Second Amended Statement of Claim has been accepted for filing with the understanding the parties can now proceed to discovery. Costs will be in the cause.

JUDGMENT in T-451-20

THIS COURT'S JUDGMENT is that:

1. The motion is granted with respect to the amendment relating to the Mongoose device only, as reflected in the reasons for judgment.
2. The Second Amended Statement of Claim attached as Annex A is hereby accepted for filing.
3. The Defendant shall have two weeks from the date of this decision to file and serve an Amended Statement of Defence.
4. Costs are in the cause.

"Michael D. Manson"

Judge

ANNEX A

Court File No. T-451 -20

FEDERAL COURT

BETWEEN

KOBOLD CORPORATION,
KOBOLD COMPLETIONS INC., and
2039974 ALBERTA LTD.

Plaintiffs

and

NCS MULTISTAGE INC.

Defendant

SECOND AMENDED STATEMENT OF CLAIM

TO THE DEFENDANT:

A LEGAL PROCEEDING HAS BEEN COMMENCED AGAINST YOU by the plaintiffs. The claim made against you is set out in the following pages.

IF YOU WISH TO DEFEND THIS PROCEEDING, you or a solicitor acting for you are required to prepare a statement of defence in Form 171B prescribed by the *Federal Courts Rules*, serve it on the plaintiffs' solicitor or, where the plaintiffs do not have a solicitor, serve it on the plaintiffs, and file it, with proof of service, at a local office of this Court, WITHIN 30 DAYS after this statement of claim is served on you, if you are served within Canada.

If you are served in the United States of America, the period for serving and filing your statement of defence is forty days. If you are served outside Canada and the United States of America, the period for serving and filing your statement of defence is sixty days.

Copies of the *Federal Courts Rules*, information concerning the local offices of the Court and other necessary information may be obtained on request to the Administrator of this Court at Ottawa (telephone: 613-992-4238) or at any local office.

IF YOU FAIL TO DEFEND THIS PROCEEDING, judgment may be given against you in your absence and without further notice to you.

October 11, 2022
December , 2022.

Issued by: _____

Address of Local Office: 180 Queen Street West, Suite 200
Toronto, Ontario, M5V 3L6

To: **SEASTONE IP LLP**
440 – 2nd Ave SW, Suite 2380,
Calgary AB T2P 5E9

1. The plaintiffs, Kobold Corporation, Kobold Completions Inc., and 2039974 Alberta Ltd. (together, "**Kobold**"), claim against the defendant, NCS Multistage Inc. ("NCS"):
 - (a) a declaration that Canadian Patent No. 2,919,561 (the "**561 Patent**") and in particular claims 1-29 of the 561 Patent are valid and have been infringed by NCS or its predecessors or successors in title;
 - (b) a permanent injunction restraining NCS, together with its officers, directors, servants, agents, successors, and all those over whom they exercise control, directly or indirectly, from designing, manufacturing, making, using, operating, exporting, selling, or offering for sale the products described herein, and from otherwise infringing the 561 Patent, and from inducing infringement of the 561 Patent by others;
 - (c) indirect and direct damages or, alternatively, an accounting of profits made by NCS, as a result of their infringement of the 561 Patent, as Kobold may elect after discovery, in which the amount claimed, exclusive of interest and costs, exceeds \$50,000;
 - (d) an Order for delivery-up to Kobold or the destruction under oath, as Kobold may direct, of all infringing products and all parts, components, attachments, drawings, specifications, moulds, and tooling thereof and any other thing in the possession, custody or control of NCS, which infringe or which are designed to enable others to infringe the 561 Patent, or as may offend the injunctions sought;
 - (e) reasonable compensation for damage sustained by Kobold pursuant to subsection 55(2) of the *Patent Act*;
 - (f) punitive and exemplary damages;
 - (g) pre-judgment and post judgment interest;
 - (h) costs of this action including all applicable taxes on a solicitor and his own client basis, together with all reasonable expenses, costs and disbursements, or on such other basis deemed appropriate by this Honourable Court; and
 - (i) such further and other relief as this Honourable Court may deem just.

The Parties

2. Kobold Corporation is an Alberta corporation having a place of business at #10, 1220 - 59 Avenue SE, Calgary AB T2H 2M4. Kobold Corporation is a successor to Kobold Services Inc., which was previously also an Alberta corporation.
3. Kobold Corporation has two wholly-owned subsidiaries, Kobold Completions Inc. and 2039974 Alberta Ltd. (“**974 Alberta Ltd.**”), both also Alberta corporations, both having a place of business at #20, 1220 - 59 Avenue SE, Calgary AB T2H 2M4. Kobold’s two wholly-owned subsidiaries were formed during a reorganization carried out in May 2017.
4. Kobold is a small private oilfield services company based in Calgary. It specializes in multi-stage well completion systems and components, providing safe and cost-effective technology for hydraulic fracture stimulation. Kobold employs over 60 employees and several contractors, directly or indirectly involving them in the business of fracking operations. Among other things, Kobold supplies a completion tool for use in isolating and stimulating a wellbore during a fracturing operation. As part of its completion tool, Kobold uses a tension packer to alternately seal the wellbore and to equalize pressure on either side of the packer.
5. NCS, the defendant, is an Alberta corporation having a place of business at #800, 840 - 7 Avenue SW, Calgary AB T2P 2G2. NCS is in the business of providing engineered products and support services, including fracking sleeves, for oil and natural gas well completions.

The 561 Patent

6. The 561 Patent was filed on February 2, 2016, published on August 2, 2016, issued on February 25, 2020, and claims priority to US Provisional Patent Application No. 62/110,994, filed February 2, 2015. The 561 Patent is titled “Tension Release Packer for a Bottomhole Assembly”. The inventors of the 561 Patent are Per Angman and Mark Andreychuk. A copy of the 561 Patent is set out as Schedule A to this Statement of Claim.
7. Originally, the 561 Patent was assigned to Kobold Corporation by the inventors. After issuance, the 561 Patent was assigned to 974 Alberta Ltd. At all material times, the right to make, use, and sell the invention described and claimed in the 561 Patent was licenced to Kobold Completions Inc. by Kobold Corporation or 974 Alberta Ltd. as the case may be.
8. Claim 1 of the 561 Patent describes a method for completing a wellbore comprising:

- (a) running a completion tool, having a releasable packer therein, into the wellbore, the releasable packer having
 - (i) an annular elastomeric sealing element;
 - (ii) an anchor for anchoring the sealing element in the wellbore; and
 - (iii) a mandrel and a housing, the mandrel being axially and telescopically moveable within the housing, the elastomeric sealing element being positioned circumferentially about the mandrel and connected at least at a pull end thereof;
 - (b) locating the sealing element below a zone of interest in the wellbore;
 - (c) axially compressing the elastomeric sealing element into sealing engagement with the wellbore and actuating the anchor by moving the mandrel axially toward the housing;
 - (d) treating the zone of interest above the compressed elastomeric sealing element, creating a pressure differential across the sealing element, and thereafter;
 - (e) applying axial tension to the pull end of the elastomeric sealing element for radially retracting at least the pull end thereof by moving the mandrel axially away from the housing for forming an annular passageway between the elastomeric sealing element and the wellbore, allowing pressure thereabove to equalize with pressure therebelow, for releasing the packer from sealing engagement with the wellbore.
9. Claims 2-8 of the 561 Patent depend from claim 1 and describe additional embodiments of the method described in claim 1.
10. Claim 9 of the 561 Patent describes a method of equalizing pressure above and below a compressible, annular sealing element of a packer, the packer having a mandrel and a housing; the mandrel being axially and telescopically moveable within the housing; the annular sealing element being positioned circumferentially about the mandrel; and a pull end being secured thereto, set within a wellbore for sealing therebelow, comprising:

- (a) applying axial tension to the pull end of the annular sealing element for radially retracting at least the pull end by moving the mandrel axially away from the housing for forming an annular passageway between the annular sealing element and the wellbore, releasing the annular sealing element from sealing therein,

wherein pressure above and below the elastomeric sealing element is equalized through the annular passageway.

- 11. Claims 10 and 11 of the 561 Patent depend from claim 9 and describe additional embodiments of the method described in claim 9.
- 12. Claim 12 of the 561 Patent describes a method for protecting a compressible, annular sealing element of a packer in a tool, the packer having a mandrel and a housing; the mandrel being axially and telescopically moveable within the housing; the annular sealing element being positioned circumferentially about the mandrel; and a pull end being secured thereto, set within a wellbore and having a pressure differential thereacross, prior to moving the tool within the wellbore, comprising:
 - (a) applying axial tension to the pull end of the annular sealing element by moving the mandrel and pull end axially away from the housing for release from the wellbore for radially retracting at least the pull end for forming an annular passageway between the annular sealing element and the wellbore for equalizing pressure above and below the annular sealing element; and thereafter moving the tool in the wellbore.
- 13. Claims 13 and 14 of the 561 Patent depend from claim 12 and describe additional embodiments of the method described in claim 12.
- 14. Claim 15 of the 561 Patent describes a pressure equalization tool for use in a wellbore comprising:
 - (a) a tubular housing having a bore therethrough;
 - (b) a mandrel fit to the bore of the housing and being telescopically and axially moveable therein;
 - (c) an elastomeric, annular packer element fit concentrically about the mandrel and connected at a pull end thereto; and
 - (d) an anchor for anchoring the housing in the wellbore,

- (e) wherein when the mandrel and annular packer element are moved axially toward the housing, the anchor is set and the annular packer element is compressed therebetween into sealing engagement with the wellbore for sealing an annulus between the mandrel and the wellbore; and
 - (f) wherein when the mandrel and annular packer element are pulled axially away from the housing, the annular packer element is pulled axially into tension for radially retracting at least the pull end for release from sealing engagement with the wellbore, forming a fluid passageway in the annulus for fluid communication past the annular packer element for equalizing pressure thereacross.
15. Claims 16-29 of the 561 Patent depend on claim 15 and describe further embodiments of the apparatus described in claim 15.

NCS' Activities

16. At least as early as August 2017, NCS directly or through entities it controls, designed, manufactured, used, offered for rent or lease, rented or leased, offered for sale and/or sold a Bottom Hole Assembly for deployment in a wellbore (“BHA”). The NCS BHAs are modular and may be described as a completion tool, and are made up of a number of subassemblies (or tools) which include a packer subassembly. NCS’ packer subassemblies are pressure equalization tools (“NCS Packers”). NCS’ “Shift-Frac-Close 2” (“SFC2”) Packer and “Innovus” Packer (also referred to as SFC3 or SFC3.1 Packer) are pressure equalization tools.

17. NCS Packers have a mandrel and a housing that are run into a wellbore and are axially moveable therein. The Packers have at least the following components listed in order from uphole to downhole when run into a wellbore: a mandrel having a ring, an annular sealing element bonded at an uphole end to the ring, a cone, and a housing having slips. When the mandrel is pushed in a downhole direction in the wellbore: (1) the cone is moved axially towards the housing and engages the slips, which in turn are pushed radially outward and anchor to the wellbore surface, and (2) the annular sealing element is compressed axially between the ring and the anchored cone, sealingly engaging the surface of the wellbore. When the mandrel is pulled axially in an uphole direction, the ring is pulled uphole, the annular sealing element is also pulled into tension and released from the surface of the wellbore, equalizing pressure across the annular sealing element. The cone is likewise moved axially away from the slips and housing, which disengage the slips from the wellbore surface.
- 17.1. When NCS' BHAs are pulled into tension, the sealing element is disengaged from the wall of the well, creating an annular passageway on the outside of the sealing element for fluid to flow past the sealing element in the annulus between the tool and the wellbore. The flow of fluid in the annular passageway assists with the equalization of pressure above and below the sealing element. Pulling the sealing element into tension also protects the element and minimizes damage associated with axial movement of the tool before pressure is equalized and the element is radially retracted. At least these features improve the performance of NCS' Packers compared to previous packers without the ability to pull the sealing element into tension to release the sealing element.
- 17.2 The NCS Packers connect the sealing element to the mandrel so that when the mandrel is pulled the sealing element is also pulled, thus forming an annular passageway that equalizes pressure. When the NCS Packer is used in conjunction with an equalization valve, the annular passageway is formed prior to equalization being complete and assists with equalization. Additionally, when the mandrel is pushed axially toward the housing, the sealing element is also pushed, causing the sealing element to be compressed and to seal the annulus between the mandrel and the wellbore. In some NCS Packers, including in certain assemblies of the Innovus packer, the pull end of the elastomeric element is both connected and secured to the mandrel.

17.3 Additionally, in circumstances where an equalization valve is unable to be opened due to an accumulation of sand, the Packer is differentially stuck, or for another reason, NCS can pull axially on the sealing element to disengage it from the wall of the well, creating an annular passageway on the outside of the sealing element for fluid to flow through. This allows for the well to equalize above and below the sealing element and protects the sealing element from being damaged. NCS benefits from the stand-by utility of the 561 Patent in this manner.

18. NCS' BHAs have been marketed and advertised as the "SFC2 BHA", and/or the "Innovus BHA". The NCS BHAs are commonly used to isolate and stimulate a wellbore during a fracturing operation. It is They are also used to shift frac sleeves installed in the wellbore.

19. The NCS Packers are pressure equalization tools that may be aptly described as comprising:

- (a) a tubular housing having a bore therethrough;
- (b) a mandrel fit to the bore of the housing and being telescopically and axially moveable therein;
- (c) an elastomeric, annular packer element fit concentrically about the mandrel and connected at a pull end thereto; and
- (d) an anchor for anchoring the housing in the wellbore,
- (e) wherein when the mandrel and annular packer element are moved axially toward the housing, the anchor is set and the annular packer element is compressed therebetween into sealing engagement with the wellbore for sealing an annulus between the mandrel and the wellbore; and
- (f) wherein when the mandrel and annular packer element are pulled axially away from the housing, the annular packer element is pulled axially into tension for radially retracting at least the pull end for release from sealing engagement with the wellbore, forming a fluid passageway in the annulus for fluid communication past the annular packer element for equalizing pressure thereacross

all according to the invention of claim 15 of the 561 Patent.

20. The NCS Packers are also aptly described by claims 16-29 of the 561 Patent.

21. When the NCS BHAs are used as part of NCS' fracturing services, a method to complete a wellbore is employed using at least the following steps:
- (a) running a completion tool, having a releasable packer therein, into the wellbore, the releasable packer having
 - (i) an annular elastomeric sealing element;
 - (ii) an anchor for anchoring the sealing element in the wellbore; and
 - (iii) a mandrel and a housing, the mandrel being axially and telescopically moveable within the housing, the elastomeric sealing element being positioned circumferentially about the mandrel and connected at least at a pull end thereof;
 - (b) locating the sealing element below a zone of interest in the wellbore;
 - (c) axially compressing the elastomeric sealing element into sealing engagement with the wellbore and actuating the anchor by moving the mandrel axially toward the housing;
 - (d) treating the zone of interest above the compressed elastomeric sealing element, creating a pressure differential across the sealing element, and thereafter;
 - (e) applying axial tension to the pull end of the elastomeric sealing element for radially retracting at least the pull end thereof by moving the mandrel axially away from the housing for forming an annular passageway between the elastomeric sealing element and the wellbore, allowing pressure thereabove to equalize with pressure therebelow, for releasing the packer from sealing engagement with the wellbore

all according to the invention of independent claims 1, 9, and 12 of the 561 Patent.

22. NCS likewise uses the method to equalize the pressure above and below a compressible, annular sealing element of a packer of claim 9 and the method of protecting a compressible, annular sealing element of a packer in a tool of claim 12. Where the pull end of the NCS Packer's sealing element is secured to the mandrel, the method practiced by NCS falls within independent claims 1, 9, and 12 (and the claims depending from them). Where the pull end of the sealing element is not secured to the mandrel, the method practiced by NCS falls within independent claim 1 (and the claims depending from it), but not independent claims 9 and 12 (or the claims depending from them).
23. In addition, the methods of claims 2-8, 10-11, and 13-14 of the 561 Patent are also employed when the NCS BHAs are used as part of NCS' fracturing services.

NCS infringes the asserted claims of the 561 Patent

24. By making, using and selling the NCS BHAs including the NCS Packers, NCS infringes the claims of the 561 Patent. Kobold does not presently have knowledge of the full particulars of all of the infringing activities of NCS, but all such activities are known to NCS and Kobold claims relief in respect of all infringing activities.
25. NCS has described the NCS BHA's as a Frac-Isolation Tool or a Frac-Isolation Assembly and has used the NCS Packers as part of a number of products and services. Several different names have been used by NCS to identify the products and services that involve the NCS BHAs and Packers, including: SpotFrac, Spotfrac straddle system, Spotfrac half straddle system, Spotfrac Half straddle, Spotfrac Full straddle, Spotfrac Full straddle and Hydraulic holddown, Shift Frac Close 2, Innovus, and Instafrac. Kobold claims a remedy with respect to all infringing activities regardless of the internal or external name or designation given to the particular product or service.
26. NCS, itself or through entities it controls, offers its fracturing services, including its Multistage and Multicycle services, for sale to its customers. NCS has conducted these services and has thereby directly infringed claims 1 to 14 of the 561 Patent.

27. In addition, NCS provides instructions or operating procedures to its customers and third parties, such as coiled tubing operators, on how to use the NCS BHAs and Packers during a fracturing operation. Further, NCS provides instructions on how to use the NCS BHAs and Packers and provides onsite assistance during a fracturing operation and will troubleshoot any problems that arise. NCS' customers and third parties, such as coiled tubing operators, follow and rely upon NCS' assistance when using the NCS BHAs and Packers, thereby infringing the asserted claims of the 561 Patent. Such infringement would not occur without NCS' influence. NCS is aware that its actions cause customers and other third parties to infringe the claims of the 561 Patent.
28. NCS has embarked on a campaign of scorched-earth litigation against Kobold, bringing multiple actions against Kobold in different jurisdictions, abusing its dominant market position and patent thicket to try to drive Kobold out of the market. These include Federal Court File No. T-1420-18 and Court of Queen's Bench of Alberta Court File No 1801-03794. Within the last two years alone, NCS has attempted (unsuccessfully) to have an interlocutory injunction issued against Kobold and has commenced an action against Kobold that now involves 8 different patents.
29. The infringing activities of NCS have been without the authorization and licence of Kobold. As a result of NCS' wrongful actions, Kobold has suffered and will continue to suffer damage and loss, including lost sales of Kobold's products and services, and NCS has made and will continue to make unlawful profit.
30. NCS' conduct has been malicious, high-handed, and oppressive, and any award of damages or accounting of profits would be inadequate to achieve the objective of retribution, deterrence, and denunciation of such conduct.
31. Kobold has also suffered and will continue to suffer irreparable harm as a result of NCS' wrongful actions. NCS will continue its wrongful acts as pleaded herein unless restrained by this Honourable Court.

Reply to NCS' Section 56(1) defence

32. On December 17, 2021, Justice Zinn issued a decision on the summary judgment motion filed by NCS: *Kobold Corporation v. NCS Multistage Inc.*, 2021 FC 1437. On summary judgment, Kobold admitted that NCS can continue to use the 2012 Mongoose Packer, and that the 2018 Mongoose Packer is identical to the 2012 Mongoose Packer. As they are identical there was no need for Justice Zinn to consider infringement of the 2012 or 2018 Mongoose Packers.
33. Justice Zinn found that this was not the case with respect to NCS' other Packers, including the SFC2 and Innovus Packers: "This is not a case in which there have been no changes in the defendant's actions and therefore an infringement analysis is necessary to determine which acts must be compared" (paragraph 151).
34. NCS has pled in its Statement of Defence that the Mongoose device does not infringe the 561 Patent and made written and oral submissions during the summary judgment motion to that effect. Kobold puts NCS to the burden of proving that the Mongoose infringes the 561 Patent in order to benefit from the section 56(1) defence with respect to other Packers and BHAs claimed. Notwithstanding this, the mandrel and the pull end of the sealing element on the Mongoose Packer are "connected" not "secured". In that regard, the Mongoose Packer does not infringe claims 9 and 12 of the 561 Patent.
35. Justice Zinn held that any change relating to the inventive concept or the infringing aspect on the impugned device denies it the benefit of a prior user defence, even if the pre- and post-claim date acts "infringe the same claim of the patent" (paragraph 106) or if "those modifications infringe the inventive concept in the same manner" (paragraph 111).
36. The SFC2 and Innovus Packers are not identical to the 2012 Mongoose Packer. NCS has made changes to the infringing aspects of the NCS Packers, including changes that relate to the inventive concept of the '561 Patent. Justice Zinn stated in paragraph 154: "The additional set screw on the Innovus BHA and the addition of a split ring on the SFC 2 BHA both relate to the connection between the mandrel and the sealing element, which is part of the inventive concept of the '561 Patent". The use of a "scaloped" elastomeric sealing element with the NCS Packers is a change that relates to the inventive concept of the 561 Patent. Further, some versions of the Innovus Packer include a "lock ring" above the sealing element which relates to the connection between the mandrel and the sealing element. At least these changes prevent NCS from relying on its prior use of the Mongoose BHA to avoid infringement of these devices.

37. Kobold reserves the right to further amend its reply, in its Reply and Defence to Counterclaim in response to subsequent amendments NCS may make to its Statement of Defence and Counterclaim.

Venue

38. Kobold proposes that the trial of this action be held at the City of Calgary, in the Province of Alberta.

Dated April 6, 2020.

Dated October 11, 2022

Dated December __, 2022

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