

Federal Court



Cour fédérale

Date: 20240304

Docket: T-451-20

Citation: 2024 FC 286

Ottawa, Ontario, March 4, 2024

PRESENT: Madam Justice Pallotta

BETWEEN:

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

**Plaintiffs/
Defendants by Counterclaim**

and

NCS MULTISTAGE INC.

**Defendant/
Plaintiff by Counterclaim**

PUBLIC ORDER AND REASONS
(Identical to the Confidential Order and Reasons issued
on February 21, 2024)

I. **Introduction**

[1] The plaintiffs and defendants by counterclaim (Kobold) bring this motion under Rule 51 of the *Federal Courts Rules*, SOR/98-106 [*Rules*]. Kobold appeals the July 18, 2023 order

(Order) of Associate Judge Milczynski (CMJ) that dismissed its motion for an order compelling the defendant and plaintiff by counterclaim (NCS) to provide a further and better affidavit of documents and Schedule 1 productions.

[2] For the reasons below, the motion is granted.

II. **Background**

A. *The action*

[3] The parties to the action are in the business of providing equipment and services to the oil and gas industry for hydraulic fracturing, commonly referred to as fracking. Kobold's statement of claim alleges that NCS has infringed and induced others to infringe Canadian Patent No. 2,919,561, titled *Tension Release Packer for a Bottomhole Assembly* (561 Patent).

[4] A bottomhole assembly (BHA) is a tool that can be mounted on coiled tubing and used to perform certain functions downhole in order to produce oil and gas from a well. The BHAs at issue in this action include a sealing element or "packer". When the BHA is in the desired position and the packer is set, the packer seals off part of the well. Fracking fluid pumped into the well cannot pass any further downhole. This creates a pressure differential, with high pressure on the uphole side of the packer and low pressure on the downhole side.

[5] The 561 Patent claims methods and tools for completing a wellbore. The asserted claims include a claim element that relates to how pressure on either side of a packer is equalized after

desired functions have been performed. As will be discussed further below, an issue in dispute relates to how a packer is “unset” and whether pressure is equalized in a manner that falls within one or more asserted claims of the 561 Patent.

[6] In 2021, NCS brought a motion for summary judgment seeking to have the action resolved based on a non-infringement defence of prior use pursuant to section 56 of the *Patent Act*, RSC 1985, c P-4 [*Patent Act*]. NCS’s motion presented the first occasion for the Court to interpret section 56 of the *Patent Act* after amendments to the section came into effect in December 2018.

[7] NCS’s summary judgment motion was granted in part. In a decision publicly reported as *Kobold v NCS Multistage Inc*, 2021 FC 1437, Justice Zinn granted summary judgment on: (i) the proper interpretation of subsections 56(1), (6), and (9) of the *Patent Act*; (ii) the non-availability of subsections 56(6) and (9) as a defence to Kobold’s allegations of infringement against NCS; (iii) the interpretation of the 561 Patent; and (iv) Kobold’s infringement claim against NCS’s “Mongoose” BHA tool, which was dismissed based on Kobold’s admission that NCS’s continued manufacture and use of the tool was caught by section 56. In all other respects, NCS’s motion was dismissed. In particular, Justice Zinn found that there was insufficient evidence before the Court to make a determination on infringement and that NCS’s section 56(1) defence for other BHAs was a matter requiring a trial.

[8] Following Justice Zinn’s decision, Justice Manson clarified which NCS BHA tools remain in issue for trial: *Kobold Corporation v NCS Multistage Inc*, 2023 FC 11. Justice

Manson found that Justice Zinn dismissed Kobold's infringement claims against the 2012 and 2018 versions of the Mongoose BHA tool. He found Kobold can continue to pursue its claims with respect to NCS's Shift Frac Close 2 (SFC 2) and Shift Frac Close 3/Innovus (SFC 3/Innovus) BHA tools. Justice Manson ordered that Kobold's second amended statement of claim be accepted for filing. Kobold's second amended statement of claim alleges that the manufacture, use, and sale of NCS's SFC 2 and SFC 3/Innovus BHA tools infringe the 561 Patent.

[9] NCS then filed an amended statement of defence. NCS's amended pleading includes a section 56 defence based on prior use of the Mongoose BHA and "original" Shift Frac Close (SFC) BHA. In reply, Kobold alleges NCS is precluded from raising a section 56 defence based on prior use of any tool other than the 2012 Mongoose BHA, the only tool NCS raised as the basis for its section 56 defence on summary judgment.

[10] The action is bifurcated and will proceed with separate rounds of discovery and separate trials on liability issues and quantification issues, as those issues are defined in the May 29, 2023 bifurcation order.

B. *The motion before the CMJ*

[11] In the underlying motion, Kobold sought to compel NCS to provide a further and better affidavit of documents and Schedule 1 productions. Specifically, Kobold sought production of two categories of documents:

1) Category One Documents: Studies conducted by NCS characterizing downhole pressure and tool movement during the use of their packers and associated documentation including:

- i. underlying gauge data including pressure and string weight data associated with the above studies;
- ii. to the extent the studies refer to specific jobs or wells, field reports, completion reports, daily service reports, etc. associated with the above studies; and,
- iii. photos, notes, or other documents that may be associated with the above studies.

2) Category Two Documents: Customer standard operating procedures (SOPs) published after August 2, 2016.

[12] According to the Order, the determinative issue on the motion was whether the information contained in the Category One Documents and Category Two Documents is relevant to the issues in the action. The CMJ found it is not.

III. **Issues and Standard of Review**

[13] The issue on this motion is whether Kobold has established a reviewable error that warrants setting aside the Order, and if so, whether NCS should be compelled to produce any of the documents Kobold requested. Kobold divides its argument into three parts:

- A. Did the CMJ err by finding that NCS is not relying on the Category One Documents?
- B. Did the CMJ err by misunderstanding the evidence before her about whether the Category One Documents contain relevant information?
- C. Did the CMJ err by failing to address the only ground of relevance that Kobold argued for the Category Two Documents?

[14] The parties agree that the standard of review on an appeal of a discretionary order of an associate judge is palpable and overriding error for questions of fact and questions of mixed fact and law, and correctness for questions of law and questions of mixed fact and law where there is an extricable legal principle at issue: *Housen v Nikolaisen*, 2002 SCC 33 [*Housen*].

[15] The Federal Court of Appeal has stated that “palpable” means an error that is obvious and significant, and “overriding” means an error that determinately affects the outcome of the case: *Mahjoub v Canada (Citizenship and Immigration)*, 2017 FCA 157 at paras 56-75. It is a highly deferential standard of review: *Mahjoub* at para 61. As stated in *Mahjoub*:

[61] Palpable and overriding error is a highly deferential standard of review: *Benhaim v. St. Germain*, 2016 SCC 48, [2016] 2 S.C.R. 352 at para. 38; *H.L. v. Canada (Attorney General)*, 2005 SCC 25, [2005] 1 S.C.R. 401. When arguing palpable and

overriding error, it is not enough to pull at leaves and branches and leave the tree standing. The entire tree must fall. See *Canada v. South Yukon Forest Corporation*, 2012 FCA 165, 431 N.R. 286 at para. 46, cited with approval by the Supreme Court in *St. Germain*, above.

[62] “Palpable” means an error that is obvious. Many things can qualify as “palpable.” Examples include obvious illogic in the reasons (such as factual findings that cannot sit together), findings made without any admissible evidence or evidence received in accordance with the doctrine of judicial notice, findings based on improper inferences or logical error, and the failure to make findings due to a complete or near-complete disregard of evidence.

[63] But even if an error is palpable, the judgment below does not necessarily fall. The error must also be overriding.

[64] “Overriding” means an error that affects the outcome of the case. It may be that a particular fact should not have been found because there is no evidence to support it. If this palpably wrong fact is excluded but the outcome stands without it, the error is not “overriding.” The judgment of the first-instance court remains in place.

[65] There may also be situations where a palpable error by itself is not overriding but when seen together with other palpable errors, the outcome of the case can no longer be left to stand. So to speak, the tree is felled not by one decisive chop but by several telling ones.

IV. Analysis

A. *Did the CMJ err by finding that NCS is not relying on the Category One Documents?*

(1) The parties’ arguments

[16] Kobold relies on Rule 222(2), which states a document is relevant and consequently must be listed in a party’s affidavit of documents if (1) the party intends to rely on it, or (2) the document tends to adversely affect the party’s case or to support another party’s case. Kobold

contends the CMJ erred in respect of the first basis under Rule 222(2) by accepting NCS's assertion that it will not be relying on Category One Documents, when NCS's assertion was unsupported and contrary to the record. Kobold states NCS: (i) has already relied on pressure charts in the summary judgment motion; (ii) previously conceded the requested documents are relevant and only objected to the scope of the request on the basis of proportionality, and then reversed its position to dispute relevance; (iii) is in fact relying on pressure charts to defend Kobold's allegations of infringement, because pressure charts are the underlying basis for the evidence of an NCS witness that equalization occurs "instantaneously" with NCS's BHA tools; and (iv) recently produced Category One Documents that NCS previously said it would not be relying on.

[17] Kobold submits the CMJ erred by accepting NCS's bald assertion that it will not rely on the requested documents without engaging with the issue. On the motion, Kobold had raised the issue of NCS's non-infringement defence and made submissions about how NCS will rely on information in the documents to support its non-infringement defence at trial. Kobold submits the failure to engage with an issue is an error of law: *Martin v Hurst*, 2023 ONSC 2606 at paras 44-49 (Div Ct); *Boreen v Mosaic Esterhazy Holdings ULC*, 2020 SKCA 132 at paras 75-76 (concurring reasons); *Telsec Developments Ltd v Abstak Holdings Inc.*, 2020 ABCA 40 at paras 73-76.

[18] In any event, Kobold contends the CMJ's finding also constitutes a palpable and overriding error because NCS did rely on the documents in the summary judgment motion and it will rely on them at trial.

[19] NCS submits the CMJ made no error about whether NCS will rely on the pressure charts and Kobold is attempting to “manufacture” an error on this appeal.

[20] NCS states the CMJ committed no error of law. The CMJ was not asked to make and did not make a finding about what NCS will rely on at trial—that is a strategic litigation decision for NCS to make. The CMJ found the pressure charts do not advance Kobold’s case and, if anything, they would only be helpful to NCS’s case. Consequently, the *Rules* allow NCS to decide whether or not to produce the documents. NCS understands the consequences of a decision not to produce documents and submits the complete answer to Kobold’s argument is that NCS is aware of its obligations under the *Rules*.

[21] NCS submits Kobold’s argument that the CMJ relied on a bald assertion is of no moment. It is not sufficient for Kobold to allege that the CMJ failed to consider evidence or a factor in her assessment of relevance simply because they were not mentioned in her reasons. Absent proof that the CMJ forgot, ignored, or misapprehended the evidence, the Court must presume she considered all of it: *Manitoba v Canada*, 2015 FCA 57 at para 26. NCS submits the CMJ stated the correct legal test for relevance, and this is a strong indication that she applied the correct test absent some clear sign that she varied her approach: *Housen* at para 40.

[22] NCS submits the standard of review is palpable and overriding error, and there is no such error in the CMJ’s finding that NCS had “already produced approximately 30 of the pressure charts that establish what is sought, is not there – no information about when equalization takes place in relation to the creation of the annular passageway – except that equalization is virtually

instantaneous.” Kobold will have the benefit of discovery on the produced pressure charts and there are no additional pressure charts NCS intends to rely on at trial. Parties may rely on a representative sample in support of a position where production of the entire document set would be onerous: *Scientific Games Inc v Pollard Banknote Limited*, 136 FTR 281, 76 CPR (3d) 22 (FC).

(2) Analysis

[23] I disagree with Kobold that the CMJ failed to grapple with an issue. The issue was whether the documents Kobold requested are relevant. The CMJ addressed that issue. While the CMJ’s reasons do not refer to Kobold’s arguments about whether NCS is, in fact, relying on Category One Documents without producing them, I am not satisfied the omission means the CMJ disregarded Kobold’s arguments so as to constitute an error of law. Furthermore, Kobold has not pointed to any error in the CMJ’s articulation of the test for relevance, and it has not identified an extricable error of law in the CMJ’s application of the test to the facts. I find Kobold has not met its burden to establish the CMJ erred in law by stating NCS will not be relying on Category One Documents at trial.

[24] I acknowledge that NCS relied on pressure charts in the summary judgment motion and that NCS decided to produce some Category One Documents after the CMJ made her Order. I also acknowledge that on summary trial NCS relied on witness statements that the equalization step occurs “instantaneously” with NCS’s BHA tools, and those statements were based at least in part on an examination of data and documents that NCS has not produced in the action. However, I am not satisfied that the CMJ committed a palpable and overriding error of law or

mixed fact and law by repeating NCS's statement that it will not be relying on the documents at trial. The CMJ was not tasked with deciding what evidence, arguments, or documents NCS may rely on at trial and she made no findings that NCS will be able to rely on the evidence it adduced in the summary trial motion to support its defence at trial. If NCS attempts to adduce fact or expert witness evidence based on data or documents that were not properly produced in accordance with NCS's discovery obligations, it will be for the trial judge to decide whether to admit the evidence. I agree with NCS that its obligations under the *Rules* and the consequences of a decision not to produce documents is a complete answer to Kobold's argument that the CMJ erred by accepting NCS's bald assertion of what it will rely on.

[25] Kobold also points out that NCS previously conceded that the requested documents are relevant. NCS's original responding written representations objected only to the scope of the request on the basis of proportionality and, in revised written representations, NCS reversed its position to dispute relevance.

[26] Having compared NCS's original and revised written submissions in response to Kobold's motion, I agree that NCS reversed its position; however, in my view little turns on the reversal. The determinative issue on this motion is whether the CMJ erred in finding that the requested documents do not contain relevant information, and if they do, it is information that would only be helpful to NCS's case.

B. *Did the CMJ err by misunderstanding the evidence before her about whether the Category One Documents contain relevant information?*

(1) The parties' arguments

[27] Kobold submits the CMJ erred by finding that the pressure charts and other Category One Documents are not relevant under the test set out by the Federal Court of Appeal in *Bell Helicopter Textron Canada Limitée v Eurocopter*, 2010 FCA 142 (at paragraph 10) [*Bell Helicopter*]. In particular, Kobold submits the CMJ made a palpable and overriding error in failing to find that the documents might reasonably be supposed to contain information which may directly or indirectly enable Kobold to advance its own case or damage NCS's case, or which might fairly lead Kobold to a train of inquiry that could have either of these consequences.

[28] Kobold argues that a key question on infringement is the relative timing of two events—pressure equalization and the formation of an annular passageway around the packer. An issue for determination at trial is whether, for the BHAs at issue, pressure has equalized before an annular passageway forms around the packer. Kobold submits the CMJ's findings miss this point. NCS improperly framed the issue as one of absolute timing—that is, whether equalization is fast or slow—and Kobold contends this led the CMJ to err by concluding that the pressure charts show equalization occurs instantaneously or almost instantaneously and there are no documents showing “slow equalization”. According to Kobold, this is the wrong question.

[29] Kobold submits the pressure charts can be analyzed to draw conclusions about the timing of both relevant events and the CMJ erred in concluding that the Category One Documents do

not contain information about whether pressure was equalized before or after an annular passageway formed. Kobold submits the error is particularly problematic because the CMJ drew her conclusions based on pressure charts that were generated using the SFC BHA, which is not one of the allegedly infringing BHA tools. The CMJ did not have any pressure charts before her that were generated from jobs that used the allegedly infringing SFC 2 and SFC 3/Innovus BHAs. Kobold states the question of whether pressure equalization is complete before an annular passageway is formed is a matter for the trial judge, who will make the determination with the assistance of expert evidence explaining what conclusions can be drawn from Category One Documents.

[30] Apart from the pressure charts, Kobold states the other Category One Documents contain information about the tools that were used on a job and the events at various stages of a job, which is relevant information that will enable it to advance its infringement case. Kobold points out that NCS requested the same types of documents from Kobold, NCS initially took the position that Category One Documents should be produced subject to proportionality, and NCS relies on similar documents for the Mongoose BHA in support of its section 56 defence—all of which indicates they are relevant documents.

[31] Kobold disputes that NCS has discretion to decide whether or not to produce the Category One Documents on the basis they would only assist NCS, and states NCS's reliance on *Eli Lilly Canada Inc v Novopharm Limited*, 2007 FC 1195, aff'd 2008 FC 281, aff'd 2008 FCA 287 [*Eli Lilly*] is misplaced. In *Eli Lilly*, Associate Judge Tabib ordered the production of

underlying clinical trial data but refused to order employee communications about conclusions to be drawn from the data. She wrote:

[30] As mentioned above, the only fact in issue to which post-2001 internal comments or communications might relate is the objective existence or non-existence of the advantages disclosed or claimed in the patent. This is clearly a matter of objective scientific fact, to be established by expert evidence on the basis of the data which Lilly has or will disclose. What Lilly or its employees think or believe as to the conclusions to be drawn from the data is irrelevant and cannot advance Novopharm's case unless Lilly has made on the issues corporate statements amounting to admissions. As the documents sought by Novopharm in this category are internal communications between employees, they cannot reasonably be supposed to include corporate statements.

[32] Kobold argues NCS is attempting to do the reverse in this case. NCS wishes to rely on conclusions made by its employees, without providing the underlying data or information on which those conclusions are based.

[33] NCS submits Kobold mischaracterizes the Order and makes unfounded allegations that the CMJ misunderstood Kobold's argument or was led into error. NCS states the language of the Order shows that the CMJ understood what Kobold contends to be the proper framing of the issue, that being whether equalization is complete before or after an annular passageway is formed. NCS argues there is "absolutely no difference" between Kobold's enunciation of the issue and the language the CMJ used in her reasons—that if the equalization valve equalizes pressure before the annular passageway is formed there is no infringement because, in that case, it is not the annular passageway that equalizes pressure. Moreover, the Category One Documents were not ordered to be produced because "they do not contain information about a longer time for equalization to occur in relation to the creation of the annular passageway",

which is contrary to Kobold's unsupported assertions that the pressure charts contain data that can be analyzed to draw conclusions about the timing of both events. NCS states Kobold's position is "counsel's argument", unsupported by evidence. NCS states Kobold could have adduced expert evidence on the motion and, by failing to do so, it is the author of its own misfortune.

[34] NCS submits that Kobold's motion was a "fishing expedition". The CMJ properly dismissed the request for further production on the basis that it amounted to a "hope that something might be there that might lead to some train of inquiry" without basis or foundation.

(2) Analysis

[35] I agree with Kobold that the CMJ erred by concluding that the Category One Documents do not meet the test for relevance. In my view, the Order demonstrates a palpable error in that factual findings were made based on improper inferences or logical error and/or factual findings were made that do not fit the evidence. In my view, the error was overriding because the decision does not stand without it—the erroneous findings relate to the determinative issue on the motion and they are the only findings supporting the ultimate result.

[36] Kobold is correct that a key dispute on infringement relates to whether pressure on either side of the packer is equalized before an annular passageway is formed. On the motion for summary judgment, Justice Zinn stated that the evidence was unclear as to whether NCS's BHAs infringe the 561 Patent and he noted it was "unclear whether equalization would already be complete prior to the annular passageway being formed". Kobold's latest amended pleading

specifically alleges, among other things, that the flow of fluid in the annular passageway between the allegedly infringing tools and the wellbore assists to equalize pressure above and below the packer. For packers having an equalization valve, Kobold pleads that an annular passageway is formed before equalization is complete.

[37] The CMJ noted the parties did not appear to dispute that the Category One Documents show equalization occurred quickly or almost instantaneously, then stated that Kobold “nonetheless” sought production of studies and pressure charts on downhole equalization and movement. She found the Category One Documents do not contain information about a “longer time for equalization to occur in relation to the creation of an annular passageway” and also found there are no documents or information that show there is “slow equalization”. In my view, these statements suggest the CMJ misunderstood the issue. The question for infringement is not whether equalization occurs slowly or quickly, nor is it simply a comparison of which mechanism for equalizing pressure—equalization valve or annular passageway—is faster.

[38] Relevance is based on the issues and facts as framed in the pleadings: *ViiV Healthcare Company v Gilead Sciences Canada, Inc*, 2019 FC 1579 at para 43; *Novopharm Ltd v Eli Lilly Canada Inc*, 2008 FCA 287 at para 56. As noted above, Kobold’s latest pleading asserts that the flow of fluid in the annular passageway between the allegedly infringing tools and the wellbore assists to equalize pressure above and below the packer, and for packers having an equalization valve, an annular passageway is formed before equalization is complete.

[39] Furthermore, Justice Zinn’s decision in the summary judgment motion notes the evidence of Kobold’s expert that a device falling within the 561 Patent claims could include an equalization valve to “further increase the speed at which equalization occurs”. Kobold’s expert’s opinion was that equalization using both an equalization valve and the methods disclosed in the 561 Patent would reduce the time it takes for equalization to occur—in other words, speed it up, not slow it down. Justice Zinn did not have the evidence to decide infringement summarily, and it remains an issue in dispute between the parties. For trial, one element of the infringement analysis will be whether an annular passageway contributes to pressure equalization for NCS’s BHA tools that are at issue.

[40] NCS notes that the annular passageway must be formed in an infringing manner—that is, the annular passageway must be formed as a result of pulling the elastomeric packer element into tension. That may be so, but it will be for the trial judge to decide which claim elements are essential elements, and whether the allegedly infringing methods and NCS tools embody all essential claim elements. A relevant document is one that “tends to adversely affect the party’s case or to support another party’s case”: Rule 222(2); see also *Bell Helicopter* at para 10. It is not necessary for a document to be determinative of infringement, or relevant to all aspects of an infringement analysis, to qualify as one that tends to adversely affect a party’s case or support another party’s case.

[41] I agree with Kobold that the CMJ erred in finding that pressure charts provide “no information about when equalization takes place in relation to the creation of the annular passageway”. The CMJ believed that “the case will be made out or not made out by way of

expert opinion and reports, further raising doubt about the utility or relevance of data sought that were generated in the field”. However, the records and data generated for the tools at issue while they are being used in the field, including pressure measurements taken above and below the packer element and charts plotting those pressure measurements over time, provide a factual basis for expert opinion. Indeed, it was precisely such records and data that formed the factual basis for the NCS employee’s conclusion that, for all of the NCS tools that are at issue in the action, equalization occurs within a few seconds of the equalization valve being opened. The underlying records and data are clearly relevant to the issues in dispute and should be produced.

[42] I also agree with Kobold that the CMJ erred by basing her findings solely on pressure charts for the SFC BHA, which is not an allegedly infringing tool. Kobold is entitled to Category One Documents for all the tools in issue—those that Kobold has put in issue as allegedly infringing tools and those that NCS has put in issue as part of its section 56 defence. Justice Zinn’s articulation of the test under section 56 compares pre-claim date and post-claim date acts:

[112] The process to be followed in considering a defence under subsection 56(1) is as follows.

[113] First, one must determine whether the acts being performed before and after the claim date are identical (other than wholly non-functional changes, such as colour). If they are, then there is no need to consider infringement, as subsection 56(1) would always provide a defence to any potential infringement.

[114] Second, if the acts are not identical, one must determine whether the acts infringe the patent, and if they do, which claims. If the post-claim acts do not infringe the patent, then there is no “otherwise infringing acts” and therefore no need to rely on subsection 56(1). If the pre-claim acts do not infringe the patent, subsection 56(1) cannot apply. If the post-claim date acts infringe a particular claim of the patent that the pre-claim date acts do not, subsection 56(1) cannot apply.

[115] Finally, if the pre- and post-claim date acts are not identical but only infringe the same claims, then one must determine whether the changes relate to the inventive concept of the patent. If they do not, then subsection 56(1) will provide a defence.

[116] Only in the clearest of cases, where the acts before the claim date are identical to those after the claim date, is there no need to construe the claims of the patent or conduct an infringement analysis...

[43] The requested documents are relevant to the allegations of infringement raised by Kobold and the defences to infringement raised by NCS. Consequently, the CMJ erred in dismissing the request for further production on the basis that it amounted to “a hope that something might be there that might lead to some train of inquiry”.

[44] I find there is no merit in NCS’s argument that it searched for “studies” characterizing downhole pressure and found there were no documented studies. NCS’s argument that it found only one formal, written study that is irrelevant rests on semantics. It ignores the reason Kobold referred to “studies”, which was because that was the word NCS’s witness used to describe observations he made based on pressure charts and other reports. The reference to “studies” was not ambiguous. Kobold was asking for the kind of documents that the witness referred to, and that formed the basis for his observations and conclusions.

[45] I am not persuaded that Kobold was required to adduce expert evidence demonstrating that the pressure charts and other Category One Documents are relevant. Associate Judge Ring rejected a similar argument by NCS on an earlier motion for production, noting that NCS did not refer to any jurisprudence establishing such a requirement, and NCS has not referred the Court to any supporting jurisprudence on this motion. Furthermore, NCS’s own witness drew

conclusions based on the documents in question. This, in my view, is sufficient to demonstrate their relevance.

[46] Finally, NCS argues that Kobold's request was not proportionate and this was another reason the CMJ dismissed the motion. I disagree. The CMJ did not dismiss the motion on the basis that Kobold's request was disproportionate.

[47] That said, I agree that production should be proportionate. Before it changed its position on the motion below, NCS had argued that producing Category One Documents for three stages per tool would be proportionate. Kobold states that producing Category One Documents for three wells per tool would be proportionate. In my view, NCS should produce at least a representative sample of Category One Documents for each tool that is at issue, but I have insufficient information to be more specific. The parties would be well advised to attempt to reach an agreement on what would constitute a proportionate production. If they are unable to agree, even after exploring the matter on discovery, a further motion may be necessary.

C. *Did the CMJ err by failing to address the only ground of relevance that Kobold argued for the Category Two Documents?*

(1) The parties' arguments

[48] Kobold submits that, on the underlying motion, it asserted that the Category Two Documents are relevant to its allegations of inducing infringement. The CMJ concluded that the documents are not relevant because they do not contain information about how equalization takes place. Kobold submits the CMJ failed to engage with the only ground of relevance it

advanced, namely, that the Category Two Documents are relevant to allegations that NCS induced its customers to infringe the 561 Patent.

[49] NCS argues that Kobold has not explained how the Category Two Documents are relevant to inducing infringement. NCS submits the CMJ had the benefit of reviewing a representative customer SOP document. NCS submits the CMJ made no reviewable error in determining that such documents cannot establish the timing of equalization or the formation of an annular passageway, which is required to establish infringement, and do not contain instructions that would impact the timing of equalization.

(2) Analysis

[50] I agree with Kobold's submissions. In my view, the CMJ committed a palpable and overriding error by finding that the Category Two Documents are not relevant. The CMJ noted that the Category Two Documents provide "how to" instructions or procedures to customers on how to operate the equipment, but found the documents are not relevant because "[t]here is nothing in the customer SOPs about how equalization takes place". In my view, there are at least two issues with this finding: (i) it is based solely on a review of instructions for the SFC BHA, which is not alleged to infringe; and (ii) instructions on how to operate the equipment in question do not need to describe how equalization takes place in order to be relevant to Kobold's pleading that NCS had induced infringement, the ground of relevance that Kobold argued on the motion.

[51] In my view, SOPs that NCS provided to its customers are relevant to Kobold's allegations that NCS induced its customers to infringe the 561 Patent. NCS should produce at

least a representative sample of SOPs provided to customers for the tools at issue. It does not appear that it would be onerous to produce SOPs; however, like the Category One Documents, any dispute about what would constitute proportionate production may need to be decided on a subsequent motion.

V. **Conclusion**

[52] For the reasons above, Kobold's Rule 51 motion is granted. The Category One Documents and Category Two Documents are relevant. NCS shall provide a further and better affidavit of documents and Schedule 1 productions, and produce at least a representative sample of Category One Documents and Category Two Documents for each of the NCS tools that are at issue.

[53] If the parties cannot agree on costs, Kobold shall serve and file written submissions within 15 days of this decision and NCS shall serve and file written submissions within 15 days of receiving Kobold's submissions. Each party's submissions shall be five pages or less, not including any draft bill of costs or list of authorities.

ORDER in T-451-20

THIS COURT ORDERS that:

1. The motion is granted and the CMJ's July 18, 2023 order is set aside.
2. NCS shall provide a further and better affidavit of documents and Schedule 1 productions in accordance with this Court's reasons.
3. In the event that the parties cannot agree on costs, costs remain to be determined following written submissions delivered in accordance with this Court's reasons.

"Christine M. Pallotta"

Judge

FEDERAL COURT
SOLICITORS OF RECORD

DOCKET: T-451-20

STYLE OF CAUSE: KOBOLD CORPORATION, KOBOLD
COMPLETIONS INC., AND 2039974 ALBERTA LTD.
v. NCS MULTISTAGE INC.

PLACE OF HEARING: HELD BY WAY OF VIDEOCONFERENCE

DATE OF HEARING: NOVEMBER 2, 2023

ORDER AND REASONS: PALLOTTA J.

**CONFIDENTIAL ORDER
AND REASONS ISSUED:** FEBRUARY 21, 2024

**PUBLIC ORDER AND
REASONS ISSUED:** MARCH 4, 2024

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