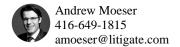
Intellectual Property 1



January 13, 2022

Partial Summary Judgment Narrows Patent Infringement Case

The recent patent infringement case of *Kobold Corporation v NCS Multistage Inc* is interesting for two reasons: (1) it shows how a summary judgment motion can advance a case even if certain issues require a full trial; and (2) it is the first time a court has interpreted the defence of prior use since the 2018 amendments to section 56 of the *Patent Act*. This post considers the use of summary adjudication. Click here to read our companion post which considers the substance of the prior use defence.

Facts

The plaintiff (Kobold) and the defendant (NCS) both provide equipment to the oil and gas industry for hydraulic fracturing, also known as fracking. In the underlying action, Kobold alleged that four of NCS's proprietary tools used in fracking infringe Canadian Patent No. 2,919,561 (the "561 Patent").

In this motion, NCS sought summary judgment on all claims on the basis of a prior use defence pursuant to section 56 of the *Patent Act*. The parties appeared to agree that NCS had used one of its tools (known as the "Mongoose") since prior to the claim date of the 561 Patent. NCS alleged that all four of its tools used the same component (known as the "Blue Bullet"), such that it was entitled to rely on a prior use defence for all four tools. More specifically, NCS sought to rely on:

- Subsection 56(1), which provides a prior use defence for a person who commits the "same act" before and after the claim date; and
- Subsections 56(6) and 56(9), which extend the prior use defence to third parties who acquire an article, or use a service, that is substantially the same as the one used before the claim date.

NCS's moving evidence consisted of a fact affidavit describing its tools and the alleged prior use. Kobold's responding evidence included expert opinion, interpreting the claims and alleging infringement. NCS's request for leave to file its own expert evidence in reply was rejected (see 2021 FC 742).

How the Motion Was Framed

NCS argued that, win or lose, the motion would simplify the



Intellectual Property 2

underlying action: (1) if successful, the action would be resolved; or (2) if unsuccessful, then the defence of prior use need not be considered at trial.

Interestingly, the Court chose a third outcome, finding that some aspects of the case could be resolved on the motion, but that other aspects of the case, including aspects of the prior use defence, required a full trial.

Issues Amenable to Summary Judgment

The Court found that certain issues could be resolved on the motion.

First, the interpretation of section 56 of the *Patent Act* was suitable for summary judgment because it was a discrete question of law that could be resolved without reference to any of the factual issues at play.

Second, it was appropriate to construe the asserted claims of the 561 Patent because there was expert evidence to assist the Court.

Third, the Court granted partial summary judgment in favour of the defendant by dismissing the infringement allegations relating to NCS's Mongoose tool. This finding relied on an apparent admission by Kobold that the Mongoose tool fell within the scope of the prior use defence.

Fourth, the Court granted partial summary judgment in favour of Kobold, by striking NCS's defences pursuant to subsections 56(6) and 56(9). In brief, the Court found that NCS had failed to lead any evidence that it was a third party purchasing articles or services from others. Rather, the Court concluded that NCS directly used the allegedly infringing tools, such that its prior use defence (if any) must be found under subsection 56(1). This is an example of summary judgment "blowback" – *i.e.*, where the Court finds that there is no issue requiring a trial but that it can decide the issue in favour of the responding party, even in the absence of a cross-motion.

Issues Requiring a Trial

The Court found that the remainder of the infringement allegations (*i.e.*, those relating to NCS's other three tools) and the prior use defence relating to the same were issues that required a full trial. In brief, there was insufficient evidence relating to how similar the other three tools were to the Mongoose tool, and what relevance (if any) such differences had to aspects of the asserted claims.

Commentary

This case is a helpful reminder that summary judgment motions do not necessarily have binary outcomes, in which the motion



Intellectual Property 3

is either entirely successful (thereby ending the case) or dismissed entirely (thereby punting all issues to trial and resulting in a waste of time and money). Rather, a court may also dispose of certain issues but leave a narrowed set of issues for trial. In the right circumstances, such a mixed outcome is consistent with both the powers of the court under Rule 215(3) and common sense.

This decision also stands as a reminder to parties considering summary judgment motions to put their "best foot forward". This motion, though non-dispositive, did produce an early claim construction, somewhat akin to a US *Markman* hearing. However, as noted above, the Court ultimately construed the claims based on the expert evidence from only one of the parties. NCS initially took the position that the defence of prior use did not require claims construction. When Kobold's responding evidence included expert opinion, NCS sought leave to file reply expert evidence, but Justice Zinn denied the reply on the basis that NCS ought to have known that section 56 would require the claims to be construed (see 2021 FC 742). Accordingly, parties should carefully consider what evidence might be relevant to any issue raised by a summary judgment motion, since the motion might turn out to be the only opportunity a party has to establish its position. This consideration is particularly important when raising novel or unsettled legal issues, such as the new section 56 of the Patent Act.

