IN THE HIGH COURT OF JUSTICE HC 01C04025

CHANCERY DIVISION

PATENTS COURT

Royal Courts of Justice

Tuesday, 23rd October 2001.

Before:

MR. JUSTICE JACOB

SMITHKLINE BEECHAM

-v-

GENERICS UK LTD.

(Tape Transcript of the Official Court Recording by Marten Walsh Cherer Ltd., Midway House, 27/29 Cursitor Street, London, EC4A 1LT. Telephone No: 020-7405 5010. Fax No: 020-7405 5026)

MR. A. WAUGH QC and MR. J. TURNER (instructed by Messrs. Simmons & Simmons) appeared on behalf of the Claimant.

MR. R. ARNOLD QC and MR. P. ACLAND (instructed by Messrs. S.J. Berwin) appeared on behalf of the Defendant.

PROCEEDINGS

MR. JUSTICE JACOB: This is an application for an interim injunction to restrain infringement of Patent No. 2,297,550. Both parties are well-known customers of this court. SmithKline Beecham are the patentees and Generics UK, who now form a part of Merck, are the defendants.

Generics intend to launch a product called paroxetine. It is a pharmaceutical which is used for a number of indications, principally the treatment of depression. All the indications have not yet been fully researched: the patentees are researching two further possible indications now.

The patent is not simply for paroxetine as such. It is for a particular form of the hydrochloride salt. The patentees sell something called paroxetine hydrochloride hemihydrate. The crystals contain one molecule of water for every two molecules of the active ingredient, paroxetine hydrochloride. This patent is, therefore, not necessarily a dominating patent in the same way as a patent for the product as such.

As early as 1997 the defendants were considering entering the market for this drug. They seemed, even then, to have done some research in relation to the patent position. They made their preparations for entering the market by way of obtaining market authorisation without, in any way, informing the patentees. They were not, of course,

obliged so to do. It only became fully apparent to the patentees that Generics were going to launch in the United Kingdom in about August of this year. Prior to then there were indications that there might be preparations but nothing firm. As soon as it became clear, the patentees sued after a little preliminary correspondence. It is common ground that the trial will take place in March next year. I am, therefore, concerned with the period between now and next March.

The patentees' commercial product sold by them under the trade mark Seroxat is very important to them. It forms a very substantial part of their sales and is their current top selling drug. Not surprisingly, they fear the entry into the market of the defendants: indeed, they fear not only of the defendants but other generic companies.

In the ordinary course of a typical case, one has simply the patentee versus the proposed generic supplier. However, this case is complicated by the fact that the patentees have recently entered into a supply agreement with a well-known generic supplier called Norton. The patentees intend to make available the product in generic form to Norton. Norton, in turn, will be free to sell to others.

Mr. Arnold, for the defendants, says, perhaps with some force, that the patentees would never enter into an agreement like that if they thought their patent position was

impregnable. On the other hand, there are other possible motives for entering into this agreement. As I have indicated, the patentees' protection is not unlimited in relation to this product; that is to say, in relation to the active ingredient. There are other forms of it which, apparently, is or may become available which could not conceivably be touched by this patent.

Whatever the position, the fact is that the patentees have entered into a supply agreement with Norton and Norton will be able to sell, at a price of their own choosing, paroxetine hydrochloride hemihydrate made by the patentees under its generic name.

The patentees say that, notwithstanding that, in the next six months, if they are not granted an injunction, they are likely to suffer unquantifiable and irreparable damage. The defendants say that if they are injuncted they, too, will suffer unquantifiable and irreparable damage. Moreover, say the defendants, the patent is either invalid or they do not infringe or both.

Mr. Arnold was not in a position to submit that his arguments in relation to either validity or infringement were so strong that it could not be said the patentees did not have an arguable case. He suggested that, none the less, there was so much doubt on the patentee's claim that I should take that into account notwithstanding the claim.

The decision in American Cyanamid made it plain that the court should not enter into a balancing exercise as to who was to win or more likely to win.

I have always, myself, found the decision in Cyanamid, if generalised, to cause difficulties. Hoffmann J. once spoke of "the balance of the risk of injustice" to one party or the other. To ignore the balance of who was likely to win in assessing the balance of risk has always seemed to me to be a strange thing to do in principle. It is not a course which is followed in most jurisdictions around the world with which I am familiar; for instance, Germany, France, Holland and the United States.

Of course, if the case is one in which an assessment of the likelihood of prospects of success is, itself, going to be long, protracted and involved, then one is really saying that one cannot make a proper assessment of risk in that regard. Such was the case in American Cyanamid itself where the argument in the Court of Appeal alone took eight days.

In principle, the Cyanamid rules make particular sense when one cannot reasonably assess the prospects of success of either side. There may come a time when the extension of the Cyanamid principle to cases where the court can make a reasonable assessment of the prospects of success should be re-examined by the House of Lords. That is not this case.

I have come to the clear conclusion that I am quite

unable to decide the relative strengths of the parties' contentions. Take the issue of infringement. The question is essentially whether or not there is more or less than 2 per cent of bound propan-2-ol in the product. The argument concentrated on claim 3 only. The claimants have done experiments on finished tablets at two different degrees of vacuum and say it is well within the 2 per cent; 0.4 per cent or 0.7 per cent. The defendants say they have got some reliable data -- although I do not have any of it first hand -- some from the manufacturers and some from experiments done by their sister company in Australia suggesting the figure is going to be more than 2 per cent. I cannot resolve it one way or the other.

There is a similar argument about the D.S.C. peak. The defendants say the peak is much closer to the prior art and therefore seek to put the claimants into a squeeze. Again, I do not have the details of the experiments. I cannot be sure one way or the other. There is nothing to tip the balance of probability one way or the other.

As to the attack on validity, the principal attack is anticipation by a priority document called 407. The defendants say that if you conduct the procedure described in 407 you fall within the claim. They have not actually conducted an experiment themselves. They ask me to infer it. The patentees say not so and, indeed, have put in some from a

Mr. Wall saying that attempts were made over a number of years to try to emulate what was done in 407 so as to produce what was described in 407. They say 407 is not an enabling disclosure.

I really cannot decide one way or the other on the information I have. So I think this is a classic Cyanamid case.

I turn, therefore, to the first question: Are damages an adequate remedy to the claimants? I think manifestly not. They, at present, are the only suppliers. They have a price. The only difficulty they find in the market is importation by way of parallel imports from sister companies within Europe. Necessarily, those "competing" supplies have a floor price because the sales are by the patentees abroad. There is a bit of a dispute as to what that floor price is, which I cannot resolve, but for present purposes I do not think it matters what it is.

The current situation is not such that there is or is shown to be likely to be a downward spiral in prices of the kind that happens really rather quickly when a product goes off patent. Shortly, Norton are likely to enter the United Kingdom market too, selling the product they buy from the patentees. Mr. Arnold suggests that the entry of Norton is likely to product a downward spiral.

There is nothing to stop Norton selling at a lower or

ever lower price. However, in my judgment, commercial considerations make it unlikely that they will do that. Consider the position of the Norton Marketing Manager. He buys from the patentees, who, incidentally, make a turn at that moment. He then has to decide his selling price. There is no point in his being higher than the price of the parallel importers. He has got to go equal to or below that price. Should he go equal to, or below, or much below? The answer, to my mind, is self-evident. He is to go close to/equal to. He has no other competitor to worry about, other than the patentee whose price is higher anyway. All he has to do is just to beat parallel importers who themselves cannot go any lower because they cannot buy the product any cheaper on the continent. There is no incentive to take the price down and down. Of course, if he went lower he might increase his market share slightly. He will not make any more money.

What, then, if the defendants enter the market too? I think, again, it is self-evident. There will be price competition between the parallel importers who cannot go any lower, Norton who can go as low as they like, and the defendants. The price will be chased down. The effect of that chasing down may well be to force the patentees to lower their prices too. Mr. Arnold says the patentees do not say they definitely will lower their price, but it is evident

that a collapse in prices may have that effect: they either lower their price or just simply lose their market. The potential effect of the entry into the market of the defendants will be to cause a price spiral.

Mr. Arnold has offered to pay any damages in the event that the patentees win the action on the basis of a one-for-one sale by him on what otherwise would be sold by the patentee. That will not in any way compensate the patentees for loss of market share which, probably, they will be unable to recover from.

I must also consider the effect on Norton. They are free to enter the generic market with product other than that bought from the patentees. The evidence indicates that they were close to doing it, one way or another, with a product within the patent or without -- I am not quite sure. If the price is chased down, Norton might switch from the patentees to someone else.

There is also this further complicating factor which Mr. Arnold attacked vigorously, that other generic companies, seeing what has happened, may increase the speed with which they reach the market. Mr. Arnold pointed out that the evidence as to the readiness of other patentees was vague and uncertain. He submitted it did not show that any other generic company was likely to reach the market by March next year. The evidence in reply indicated one such company in a

confidential document. The position actually is, probably, that neither side knows exactly the position of all the various potential drug generic suppliers and where they have got to -- if anywhere -- with product marketing authorisation applications. One can simply say this: that this product is one of the most attractive in the current state of the pharmaceutical market. It seems unlikely that anybody would be holding back too far. I am told there are no less than four suppliers in the world in a position to supply the product. It seems inconceivable that none of the quite numerous companies prepared to supply the United Kingdom with generic product have made no steps towards obtaining market authorisation.

In the result, if no injunction is granted, the patentees will very probably suffer price loss and loss of market share. Undoubtedly, the amounts involved will be very substantial sums indeed. Quite what they would be would be impossible to calculate.

I turn to the position of the defendants. They say that they are very probably ahead of most of the other generic companies -- they are even ahead of Norton -- and if they lose the opportunity which being ahead gives them and if (assuming they win the patent action) they go in then that opportunity will really have been lost. How can one quantify the value of that opportunity?

The patentees say it is not as difficult as suggested because there will be past experiences of the defendants coming into the market first which could serve as some sort of guide. The matter is not, perhaps, as simple as that. Thus, though this is a minor point there is a somewhat competitive product which is due to come off patent in January. More significantly is that the position of Norton will be firmly established by trial so it will not be quite the same as simply comparing other cases where the defendants were first on the market. The position of other generic companies may well also have changed by then.

Therefore, I am driven to the conclusion that the defendants' damages are also unquantifiable. The only thing I think I can say with some certainty is that the order of damage to the claimant is likely to be a good deal greater than that to the defendants. The claimants say that their on-going research into other indications is threatened and, certainly, if the profitability goes out of the product that is likely to happen. I cannot say positively it will be significantly threatened but it is probably possibly by a long way between now and publishing.

The actual financial effects are likely to be much greater on the claimant than on the defendant. On the other hand, the defendant is a smaller company so the relative figures as to the effect on the company are not the only

determinative thing. I bear in mind that the defendant is essentially a generic company with a large range of products. This one will be an important one. I also bear in mind that the defendant appears to have made some estimate of what they would sell in the year 2002 although the document itself has not surfaced in evidence.

As between the two, I will put it this way, the claimant's damage is more unquantifiable than that of the defendant's but both are unquantifiable. There are degress of unquantifiability, just as there are degrees of infinity.

I turn to another factor which, to my mind, indicates that the injunction should be granted. It is this. The defendants have known for a long time about this patent. You would have to be very naive in the pharmaceutical industry to think that the patentee, with a product as important as this, would not, if it had anything other than a frivolous chance of success, take action. So the defendants knew, when they set out upon this project in 1997 that if the patentees would cause trouble they would.

The defendants could, so soon as they settled upon the product they were intending to sell, have caused the litigation to start. They could have done a number of things: First, they could have launched a petition for the revocation of the patent and started a claim for a declaration of non-infringement. Or, since there are certain

difficulties with the latter (for example onus of proof goes the other way round), they could simply have said to the patentees, "We intend (we are not saying when but it is a settled intention) to launch our product within the next five years. If you intend to sue us, sue us now". If they had taken such a course, having settled upon the product they intended to sell, the whole of this dispute would have been got out of the way before their date of intended launch.

Mr. Arnold says, "That is quite unfair. It puts the burden upon the defendant. Why should there be any such burden to start litigation when they are firmly of the opinion they do not infringe and" -- as a back-up opinion -- "the patent is no good?" The answer, to my mind, is self-evident. They knew perfectly well the issue of infringement was likely to arise. If they wanted to be sure of their position they could and would have made sure that all their experimental data was properly in place and vouched for by an independent scientist. And they would have presented the evidence to the patentees.

This is not a case where they could say, on the material they had, it was certain not to fall within the claims. They had materials they could point to from their supplier and from the experiments conducted by their sister company in Australia which suggested that was so. They did not, in fact, have details of the experiments themselves --

no notebooks, no examples of the samples that were tested or anything of the kind. The commercial position was that they did not take the steps necessary to show exactly what the product they were intending to sell was.

As for the validity of the patent, their case is that if you conduct what is described in 407 you will fall within the claims of this patent. Nothing would be simpler than to do just that and to show that was so. At the moment the case is constructed by way of inference and is no more than a possible case.

I see no question of principle involved here of any sort. It is purely commercial common sense. If there may be an obstacle in your way, clear it out. To my mind, this is a case where the retention of the status quo is a rational thing to do. It was something that could have been avoided by the defendants; they chose not to do it.

Other matters are prayed in aid by the defendants which I will mention just briefly. They say they have taken a lot of orders. They did so in the full knowledge of this patent action. I doubt, as they suggest, that they will lose much face with their customers -- they can and will blame the patentees or this Court. Whether they do lose face or not, it was a course which they invited.

Accordingly, I grant the injunction sought. I will hear submissions as to directions for trial.

MR. WAUGH: My Lord, yes. The form of the injunction is something that is at tab 10 of bundle 1. The one thing that has not been inserted in here is an order providing for the costs of the application. May I deal with that first.

Certainly it was our understanding that the defendants, on serving a schedule of costs, would have asked for their costs in any event and I do the same. My Lord, on an interlocutory I know the practice in the past was usually claimant's costs in cause if you get the interlocutory injunction. But there is a discrete step in the action which either party can take on a view on as to whether or not, if there is a hearing, will the court grant the injunction.

Against that it is said some of the preparation for the interlocutory is of use to the preparation for trial. But that is essentially not the case here because this really has turned on the balance of convenience and that really makes it a very discrete issue apart from the question of the trial itself. My Lord, apart from my Lord's judgment, there is actually relatively little that has been gone into vis-a-vis the merits that would actually offset, because of this, the costs of the action as a whole. For those reasons, it is our intention to ask for costs, summarily assessed as I understand it. We would ask for our costs in any event and also the reasonable ----

MR. JUSTICE JACOB: You are only asking for summary assessment?

MR. WAUGH: No.

MR. ARNOLD: My Lord, can I deal with that?

MR. WAUGH: I am sorry, my Lord, yes, we have served a schedule of costs.

MR. ARNOLD: Could I direct my Lord's attention to the White Book Volume 1 page 810, paragraph 44.7.4. It is the last paragraph there: "Where an interim injunction is granted the court will normally reserve the costs of the application until the determination of the substantive issue. Desquenne et Giral UK Ltd. v. Richardson, 23 November 1999 C.A. (unreported)". It is described as unreported there. It has subsequently been reported in Fleet Street Reports. "The court's hands are not tied however and if special factors are present a different order may be made. Picnic at Ascot Inc. v. Derigs, 9 February 2000, Neuberger J. (unreported)". In that case what had happened was that the defendants had consented to the injunction but they delayed in doing so and so they were made to pay some but not all costs on account of their delay.

MR. JUSTICE JACOB: What does Desquenne say? Have we got it here?

MR. ARNOLD: I have not brought it with me because it simply says precisely what is in the White Book, namely that the normal course is to reserve the costs. What had happened in that case was that it was a claim to enforce a restricted covenant

against an ex-employee. There was an interim injunction application which was successful. The claimant asked for its costs in any event and was granted them by Burton J.

There was an appeal by the defendant. The Court of Appeal reversed the order on costs and reserved them to trial and it is said the reason why was because the judge had granted an injunction on the footing that the merits were arguable either way and that the balance of convenience favoured the grant of an injunction. They held that in circumstances where it was done on a balance of convenience there was no winner or loser because you did not know the winner or loser until the merits had been gone into and that, accordingly, the right course -- it was Morritt L.J. (as he was then, now the Vice Chancellor) who gave the leading judgment -- was to reserve the costs.

MR. JUSTICE JACOB: It is not terribly rational that, is it? Never mind; if that is what they decided, I had better do it. But it is not very rational because if the defendant had raised a whole kerfuffle about the balance of convenience which never matters so far as trial is concerned, why should he not pay for raising the kerfuffle?

MR. ARNOLD: I think the answer to that is that if, at the end of the day ----

MR. JUSTICE JACOB: He should not have been injuncted -- it is a sort of rough justice -- in the first place.

MR. ARNOLD: Quite, if the defendant wins at the end of the day. I think the point about reserving costs is the court can then take a view. If it turns out that we do not infringe and the patent is invalid for the reasons we have submitted ----

MR. JUSTICE JACOB: And you have still created all the kerfuffle about when Norton is entering the market and so on and so forth, all of which is neither here nor there to those issues.

MR. ARNOLD: But if we win we were justified in doing so; we were justified in attempting to resist the injunction in circumstances where, in fact, we are not infringing. Again, you cannot assume that we are going to lose at trial. On the contrary ----

MR. JUSTICE JACOB: No, I do not assume that. I am assuming you are going to win at trial.

MR. ARNOLD: Indeed.

MR. JUSTICE JACOB: The question is whether, even though you win at trial, you should be paid for the costs of an issue -- the balance of convenience -- upon which you fought and lost.

MR. ARNOLD: Of course, your Lordship has had before you evidence on the merits as well. One of the problems for the courts is dividing up the costs between costs on the merits ----

MR. JUSTICE JACOB: You could do that by saying, "Right, there is not a lot on the merits here so you get 90 per cent".

MR. ARNOLD: My Lord, you say that but the claimants have done

experiments and, as I understand it, their claim for costs includes the costs of their experiments. I have two witness statements here and they are of roughly equal length and roughly ----

MR. JUSTICE JACOB: You could knock a bit off for that but that is not the same thing as going for the Norton side of things for which you made a fuss and lost.

MR. ARNOLD: Yes, but in terms of costs ----

MR. JUSTICE JACOB: You may say to me ----

MR. ARNOLD: ---- it was mainly a question of argument so far as Norton was concerned because my clients still have not seen that agreement. In terms of costs on the evidence .... Anyway, I am coming back to the point of principle which the Court of Appeal have said in that case, that the right course is normally to reserve the costs because you do not know who is going to win and who is going to lose.

MR. JUSTICE JACOB: There is an even more general point; you can never break it up into the issues like I did ----

MR. ARNOLD: Indeed.

MR. JUSTICE JACOB: You simply say, "The defendant wins". Why reserve their costs and not make them in cause in the case?

MR. ARNOLD: It gives the trial judge maximum flexibility I think is the answer, but I would not resist costs in cause, if my Lord is minded to take that course.

MR. JUSTICE JACOB: The old-fashioned Queen's Bench order.

MR. ARNOLD: Indeed.

MR. WAUGH: My Lord, one thing I would have to refresh my memory on is on what basis they overturn the old practice of claimant's costs in cause or defendant's costs in cause on an interlocutory. One of the difficulties that I have ----

MR. JUSTICE JACOB: I never understood those rules either.

MR. ARNOLD: I think I can answer my learned friend which is they treat it as being completely up for grabs anew because of the CPR. It was the first interim injunction case on costs to reach the Court of Appeal ----

MR. JUSTICE JACOB: It is a bit unfortunate that we have not got it here, is it not?

MR. WAUGH: I think we would have to have it before my Lord.

MR. ARNOLD: I can give my Lord the reference. I am sure you have got it here. It is 2001 Fleet Street's January issue. It is the first case and Neuberger J.'s is the second. I am sorry, I did not bring it along simply because I thought the White Book was good enough. The statement of principle is what is stated in the White Book.

MR. JUSTICE JACOB: "(1) Where an injunction was granted or continued on the basis of the balance of convenience in order to hold the ring until the dispute between the parties could properly be decided at trial, it was inconsistent to say that there were successful or unsuccessful parties for the purposes of the rules relating to costs." (Pause) Have a

look at it, Mr. Waugh. (Same handed)

MR. WAUGH: Yes, but while that is coming up, my Lord ----

MR. JUSTICE JACOB: You might just withdraw your application after looking at this.

MR. WAUGH: My Lord, I am still trying to work out what cunning plan my learned friend would have had to have asked for his costs in any event having served me with a costs schedule.

MR. JUSTICE JACOB: I think he would have probably told his solicitors it will not work!

MR. WAUGH: My Lord, I will have a look at that, but obviously in terms of special factors there is this to factor in. I was not here at the first outing before my Lord but my learned friend Mr. Turner came back and certainly gave me the news that my Lord had given a clear indication that my Lord could not see that merits should be a part or are unlikely to form a part of the substantive application. As it happens, my Lord, what has happened is that we ended up in a position that is plainly foreseeable that the merits ----

MR. JUSTICE JACOB: Put the merits outside. We are talking about the costs of other than the merits; all right?

MR. WAUGH: Yes. So this is as to the other matters. (Pause) Yes; there you go.

MR. JUSTICE JACOB: Costs reserved!

MR. WAUGH: I have to say that to say it is inconsistent whether it should be unsuccessful or successful as long as it is in

compliance with the rules either new or old ----

MR. JUSTICE JACOB: There you go; indeed more so. There it is, Mr. Waugh. But for that authority I would have a lot of sympathy with saying the costs of the balance of convenience arguments ought to go to the winner in any event. That seems to me a much more rational basis but I am not in charge of the Court of Appeal.

MR. WAUGH: Not yet! I will pass on, my Lord. Costs reserved; which brings us on to directions for the trial in March.

MR. JUSTICE JACOB: Yes, March. What are we going to do with the other people? Are we going to ignore the other people and see if they want to join in, if not they can just hang about?

MR. WAUGH: We did try, at lunch time, to speak to counsel on the other side but we will try again and see what ----

MR. JUSTICE JACOB: I am going to proceed on the basis between you two and that is that. They have not been in a tearing hurry so they can just stay on one side for the moment.

MR. WAUGH: Yes.

MR. ARNOLD: Yes. I would be content with that. Obviously, it is up to them to decide what they want to do.

MR. JUSTICE JACOB: It always gets more complicated.

MR. ARNOLD: Yes, quite. On the question of directions might I suggest ----

MR. JUSTICE JACOB: I always used to feel happy as a plaintiff if there were several defendants because they always used to

fall over each other.

MR. ARNOLD: It often happens in the EPO, yes. My Lord, on the question of directions the parties have been talking about directions and the proposals are fairly advanced. Can I suggest that the juniors speak and try and agree the directions.

MR. JUSTICE JACOB: All right.

MR. ARNOLD: I would have thought that ought to be possible.

MR. JUSTICE JACOB: The only concern I have is these experiments. I suspect there might be counter-experiments and all the rest of it.

MR. ARNOLD: Yes. Obviously, the timetable of the experiments needs to be dealt with.

MR. JUSTICE JACOB: They have done some experiments already. He is going to say it is a waste of time doing it on tablets having sampled the stuff.

MR. ARNOLD: Yes. We will obviously need to think about that.

MR. WAUGH: One direction I am told that makes it possible to get movement in the Listing Office is to have an order of a trial date not before 1st March for the first available date. I am told with that order you can go ----

MR. JUSTICE JACOB: We will put that in then, shall we?

MR. ARNOLD: I am sorry, I did not catch that last bit.

MR. JUSTICE JACOB: I am making a trial date not before 1st March for the first available day on or thereafter.

MR. ARNOLD: I am glad my Lord has made that order, the reason being -- can I explain? -- that, as I mentioned earlier this morning, we have been given to understand that while 19th March (I think it is) is convenient for my learned friend and a trial date is notionally available then, Listing are indicating that they would prefer the later date ----

MR. JUSTICE JACOB: Yes. They like to keep things flexible. It does not really matter ----

MR. ARNOLD: So far as my clients are concerned, there is the problem that neither I nor Mr. Acland are available for that date. That may be something my clients will have to live with. There are other counsel who are. But it does mean that the question of which particular trial date we go for does need to ----

MR. JUSTICE JACOB: I will make an order of the kind indicated but then you are to make investigations through the usual channels ----

MR. ARNOLD: That will be done straightaway.

MR. JUSTICE JACOB: ---- to try and get a date that is available. The 19th March will not be popular with the judges either. It is near the end of term, is it not?

MR. ARNOLD: I think that is why Listing are indicating it is difficult for them because although, in theory, the trial can be accommodated then because it is the end of term they are worried about overruns and things like that. That is my

understanding at present. My Lord, in summary I suggest that we try and fix it through the usual channels forthwith and come back if there is any problem and, likewise, we shall try and agree the directions. Once we know the trial date, I am sure that can be done.

MR. JUSTICE JACOB: Is that all right, Mr. Waugh?

MR. WAUGH: Yes, indeed.

MR. ARNOLD: My Lord, two further points while I am on my feet. First of all, the form of the injunction asked for is highly peculiar. Can I suggest ----

MR. JUSTICE JACOB: I have not looked at that yet.

MR. ARNOLD: ---- we simply continue our undertaking.

MR. WAUGH: The problem I perceived with the undertaking was that it was not to sell. I did see some ambiguity coming into the evidence as to when the defendants thought they were selling because they were telling us in correspondence they were not launching their product but they were taking orders. It should be, at the very least, "disposing of or offering to dispose of".

MR. ARNOLD: I would be content with that. We just keep it to "offering to dispose or disposing of" our product ----

MR. WAUGH: And importing as well.

MR. ARNOLD: ---- in the same way as in ----

MR. JUSTICE JACOB: There is no harm if they import it, is there?

MR. ARNOLD: Quite. If we cannot sell it there is no reason why

we should not import it. Indeed, I specifically want to be importing it so as to be ready if we win at trial.

MR. JUSTICE JACOB: Lorry loads are arriving in Potters Bar!

MR. ARNOLD: To be clear, what I am proposing is the interlocutory undertaking that has already been given modified so as to read "disposing of or offering to dispose of".

MR. WAUGH: Also, I think, using. I do not know what acts can be done, for example, as with so many cases in the past you can do various things with this product, for example, for regulatory purposes and the like. Obviously, if they simply stockpile it that is one thing but if they do anything with it it seems to me "disposing of or offering to dispose of or using in the United Kingdom".

MR. ARNOLD: Using would prevent me from doing experiments with it.

MR. WAUGH: No, you can do experiments. Monsanto v. Stauffer expressly said even with that you can do it.

MR. ARNOLD: I would resist "using" my Lord because I do not want an argument later ----

MR. JUSTICE JACOB: We are not concerned with using, we are concerned with launching this product on the market. That is what I was asked to stop and that is what I am stopping.

MR. ARNOLD: My Lord, I am obliged. I believe that deals with the form of the injunction.

I therefore have an application for permission to appeal and, so far as that is concerned, what I would say for present purposes is this. First, one of the important factors your Lordship relied upon in arriving at your Lordship's decision was that your Lordship took the view that the defendants could, effectively, have brought the litigation forward. My submission remains, as it was to your Lordship, that that is contrary to principle because it is placing the burden upon the defendant. In my submission, that is a fit matter for the Court of Appeal to consider because that question of principle really does need a definitive answer. I would put that very much at the forefront.

But, in addition to that -- that is not the only point I would seek to rely upon, first, your Lordship has held that the price spiral that the patentees would suffer between now and March is due to the price competition between G/UK and Norton. My submission is that is illegitimate because ----

MR. JUSTICE JACOB: It cannot be limited to that. But you say it is illegitimate. I understand the submission. You say because then they have created Norton.

MR. ARNOLD: Exactly.

MR. JUSTICE JACOB: I understand the submission.

MR. ARNOLD: That, again, is a point of principle for the Court of Appeal. The other factor I would ask my Lord to consider

in terms of permission to appeal is that your Lordship has treated damage to the claimant as being greater than damage to the defendant when there are really no figures that enables one to say either way. Once it is unquantifiable the scale of the damage is guesswork, particularly given, as your Lordship did rightly say, that we have a large claimant and a relatively small defendant.

My Lord, those are three particular points I would pray in aid in support of the application for permission to appeal.

MR. JUSTICE JACOB: No. It is subject to discretion but I will fill out the usual form.

MR. WAUGH: Does your Lordship refuse that?

MR. JUSTICE JACOB: Yes.

MR. WAUGH: Can we just have a liberty to apply to come back on these directions in the light ----

MR. JUSTICE JACOB: Yes, of course.

MR. WAUGH: We will work in the original order about the documents, CPR 31.2.

MR. JUSTICE JACOB: All right?

MR. WAUGH: Thank you very much, my Lord.

MR. JUSTICE JACOB: Thank you both very much.
