

More honour'd in the breach than the observance

Kluwer Patent Blog
July 16, 2014

Brian Cordery (Bristows)

Please refer to this post as: Brian Cordery, 'More honour'd in the breach than the observance', Kluwer Patent Blog, July 16, 2014, <http://patentblog.kluweriplaw.com/2014/07/16/more-honourd-in-the-breach-than-the-observance/>

In a decision dated 11th July 2014, the English Patents Court (Arnold J.) has again refused to stay proceedings to revoke an EP(UK) whilst opposition proceedings are on-going at the EPO. The decisive factor in this decision seems again to have been the lengthy duration of the EPO proceedings. However, the undertakings offered by the patentee were such that it is considered that it will be a rare occasion when English proceedings are stayed despite the Court of Appeal guidelines indicating that this should be the default option.

The facts before the Court were quite simple: Pharmacia is the owner of a patent for sustained release dosage forms of pramipexole, a drug used in the treatment of Parkinson's disease and restless leg syndrome. The patent was granted in 2013 and, absent earlier revocation, will expire in 2023. Actavis, as it commonly does, issued proceedings in the English Court seeking to revoke the patent. The proceedings were commenced in April 2014 and when the case came before the Court for directions, Pharmacia applied for a stay of the proceedings pending the outcome of the EPO Opposition Proceedings, the 9 month window for which closed in June 2014. There were two opponents at the EPO – Actavis and a law firm acting for a third party.

In considering whether to grant a stay, Arnold J referred to the guidelines given by the Court of Appeal in **IPCom v HTC** in late 2013 following the observations of the Supreme Court in **Virgin v Premium** earlier that year. These **IPCom** Guidelines, which empower the Court with a very wide discretion in order to further the balance of justice, suggest that a stay should be the default option, but that commercial certainty may favour allowing the UK proceedings to continue. In the same judgment that the Guidelines were set forth, Floyd LJ expressed dissatisfaction at the lengthy duration of the EPO Opposition proceedings: "A procedure which allows disputes over patent rights to take in excess of a decade cannot meet the needs of industry, particularly in rapidly moving areas of technology."

The evidence before Arnold J was that the UK proceedings would be decided at first instance within 12 months and on appeal within two years. On the other hand, the EPO proceedings would be likely to take over five years to resolve without expedition and probably at least three years with expedition. For its part, Pharmacia offered undertakings: (a) to seek expedition of the EPO proceedings; (b) not to seek an injunction against Actavis or its customers until the determination of the EPO proceedings; and (c) only to seek damages of 1% of Actavis' net sales until the end of the EPO proceedings. Despite the undertaking not to seek an injunction during the period of the opposition and the evidence that the damages payable to Pharmacia if the patent were held valid and infringed would be modest compared to the costs of the UK proceedings, the Judge refused a stay. Although Arnold J considered the issues were "finely balanced", he held that the key reason for his decision was that the EPO opposition proceedings had only just begun and that commercial certainty for the parties as regards the UK would be achieved much more quickly if the stay was refused. Arnold J also took into account the possibility that the UK decision may provoke a settlement and also the public interest – both factors identified in the **IPCom** Guidelines.

A postscript to the judgment reveals that there may yet be a twist in the tale. Arnold J noted that after he had released his judgment in draft to the parties, Pharmacia offered two additional undertakings in return for a stay: (i) not to seek an injunction in the UK against Actavis and its customers for the life of the patent and (ii) only to seek damages of 1% of Actavis' net sales in the UK during the life of the patent. The Judge indicated that he would hear further arguments on this issue, suggesting that he is interested in at least hearing how Actavis would respond to these additional undertakings.

The author awaits the outcome of the further argument with interest. It is plainly undesirable to have litigation in parallel concerning the validity of an EP(UK) but, whilst the EPO procedures are so strung out, this seems unavoidable. Thus, whilst the "default position" is a stay, it seems that the default position will rarely be adopted.