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Neurim and Flynn v Mylan – Who is the real winner?

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Although the case relates to treatments for insomnia, we suspect that the latest episode in the ongoing saga between Neurim and Mylan might result in a few sleepless nights for patent litigators. Somewhat unconventionally, the latest instalment saw Marcus Smith J vary a costs order so as to award costs to the losing party in proceedings before the English Patents Court (the “**UK proceedings**”) as a result of a near simultaneous (and conflicting) decision at the EPO.

On 12 March 2021, Marcus Smith J handed down a formidable 42 page judgment on consequential matters (the “**Consequential Judgment**”, a copy of which can be found [here](#)). This follows his 4 December 2020 judgment in *Neurim Pharmaceuticals (1991) Limited & Flynn Pharma Limited v Generics UK Limited (t/a Mylan) & Mylan UK Healthcare Limited* [2020] EWHC 3270 (Pat) (the “**Judgment**”). A detailed look at the Judgment can also be found [here](#). Readers may also recall Marcus Smith J’s earlier decision in these proceedings to refuse Neurim’s application for a preliminary injunction (as reported [here](#)), which was subsequently upheld by the Court of Appeal (as reported [here](#)). It is fair to say that this case has an unusual fact pattern on many levels.

The factual background

Pursuant to the European Patent Convention, a party who contends that a granted European Patent is invalid may apply for it to be revoked by a national court or by means of opposition in the EPO. These “twin routes” to revocation may be (and very often are) pursued at the same time and this is precisely what had happened in the present case.

Readers are directed to paragraphs 6 to 37 of the Consequential Judgment for a full account of both the UK and EPO proceedings. However, the key points are as follows:

- Following grant, the Patent was opposed by, *inter alia*, The Opposition Division held that the patent was invalid for lack of novelty and Neurim filed an appeal with suspensive effect. Without expedition, the appeal before the TBA was not expected to be heard until early 2022.
- Proceedings were commenced in the English Patents Court to revoke the UK designation of the Patents and expedited to be heard at the first available date after 21 October 2020.
- The parties sought expedition of the EPO appeal before the TBA, which was ultimately set for December 2020. Despite this, neither party applied for an adjournment of the UK trial, and a decision was handed down by Marcus Smith J on 4 December 2020.
- Following some procedural wrangling between the parties, the Form of Order hearing was fixed for 16 December 2020. At this stage, both the parties and the Court were aware that the TBA oral hearing was scheduled to take place imminently. At the Form of Order hearing, Marcus Smith J

made a number of orders relating to various matters such as injunction, delivery up for destruction, permission to appeal and costs (the “**16 December 2020 Orders**”). Those orders were made, but never drawn or sealed.

- At the TBA oral hearing on 17 and 18 December 2020, the TBA indicated that the patent was invalid for lack of sufficiency[1] and Neurim withdrew its appeal. As a result, the earlier decision of the Opposition Division to revoke the Patent became final and the Patent was revoked *ab initio*.
- In light of the outcome of the EPO proceedings, on 30 December 2020, Marcus Smith J made a further order revoking the 16 December 2020 Orders and “holding the ring” until a further hearing on the consequential matters could be heard.

Jurisdiction to vary the 16 December 2020 Orders and the exercise of that jurisdiction

A substantial portion of the Consequentials Judgment is devoted to the question of whether Marcus Smith J had jurisdiction to revisit the 16 December 2020 Orders and, if so, whether that jurisdiction should be exercised. In considering this question, Marcus Smith J considered the case law regarding the stay of proceedings and, in particular, the Court of Appeals judgment in *IPCom v HTC*[2]. In finding that such jurisdiction both existed and should be exercised, Marcus Smith J referred to the “*very special*” facts of the case[3]. In particular, Marcus Smith J referred to:

1. the proximity of time between the 16 December 2020 Orders and the EPO appeal before the TBA;
2. the fact that the 16 December 2020 Orders were not drawn up;
3. that it would be “*grossly unfair*” to Mylan to contend that the 16 December 2020 Orders should not be varied; and
4. that it was at least implicit that the hearing on 16 December 2020 was conducted on the basis that any orders made could and would (if appropriate) be re-visited. In this regard, the Judge appears to have placed particular weight on the fact that orders for delivery up and destruction did not contain a sunset provision (or similar) and clearly needed to be revisited – in his view, it was therefore “*unsustainable*” that the 16 December 2020 Orders were set in stone.

Variation of the 16 December 2020 Orders

Having found that he had jurisdiction to revisit the 16 December 2020 Orders and should exercise it, Marcus Smith J went on to consider whether he should vary them regarding, *inter alia*, costs.

The 16 December 2020 Orders had included a costs order in Neurim’s favour. In deciding to vary this order, Marcus Smith J first considered who was the “winner”. Marcus Smith J acknowledged that, but for the outcome of the EPO proceedings, it was uncontroversial that Neurim was the winner of the UK proceedings. However, in circumstances where success is a “*result in real life*”, Marcus Smith J considered that the effect of the EPO proceedings on the outcome of the UK proceedings was a relevant factor. Adopting this outcome focussed approach, the Judge considered that Mylan to be the winner – the effect of the EPO proceedings was that the patent had been revoked.

Marcus Smith J also considered the parties’ conduct in the UK and EPO proceedings, concluding that neither had caused avoidable costs such that should alter his view that costs should be awarded in favour of Mylan. In this regard, Marcus Smith J gave some thought to the question of adjournment of the trial in the UK proceedings. Although the Judge recognised (and understood)

that both parties may have had reasons for not seeking an adjournment (for example, Mylan would have wanted “*two bites of the revocation cherry*” and Neurim, having failed to obtain an interim injunction, would have wanted a final injunction in place as soon as possible), the Consequentials Judgment certainly suggests that the matter should have been put before the English Patents Court. Interestingly, in considering this question, Marcus Smith J noted that (emphasis added) “*in not seeking to engage with the court on the question of adjournment, each of the parties assumed the risk of costs being wasted and of a costs order being made that followed the outcome of the interaction between the UK and the EPO [p]roceedings, as opposed to the reasoning (whatever it might be) of the UK [p]roceedings*”. In circumstances where patent litigators are perhaps accustomed to the costs order being awarded in favour of the party that was successful in the UK proceedings (irrespective of the outcome of proceedings at EPO or in any other jurisdiction), the Judge’s emphasis on the outcome of the EPO proceedings (as opposed to the reasoning of the UK proceedings) is worthy of note.

For these reasons, Marcus Smith J ultimately awarded Mylan (rather than Neurim) its costs of and arising out the UK proceedings.

An interesting question

Rather intriguingly, the Consequentials Judgment raises (but does not answer) a “*difficult hypothetical question*” regarding what would have happened if the trial of the UK proceedings had gone ahead (as it did) but with the oral hearing before the TBA not taking place until the first quarter of 2022.

On the one hand, one could read Marcus Smith J’s decision in relatively narrow terms. For example, if there had been more of a gap between the making of the 16 December 2020 Orders and the hearing before the TBA such that the costs order had been drawn up and acted upon, Marcus Smith J may well have reached a different conclusion regarding whether or not he had jurisdiction to vary an order.

On the other hand, although Marcus Smith J expressly noted that he did not hear oral argument on this point and that he was “*emphatically not deciding it*”, his judgment does not rule out the possibility that Mylan might have been entitled to recover its costs following a much later TBA hearing. Accordingly, although the fact pattern which led to Marcus Smith J’s decision seems quite unusual – rare indeed will be the Form of Order hearing that falls on the eve of the oral hearing before the TBA – his “*interesting question*” seems to suggest that a similar outcome may be possible in the context of a much more conventional set of facts.

One can speculate on other variations of the fact pattern and what, if any, impact this would have on Marcus Smith J’s decision to vary the costs order. For example, would it have made a difference if Mylan was not a party to the opposition proceedings before the EPO? What if Neurim had been granted a preliminary injunction? Would that have taken the possibility of adjournment off the table and, if so, what difference would that have made?

From a practical perspective, it is clear from the decision that Marcus Smith J considered that the court should have been made aware of the timing of the TBA hearing, despite the expedited trial date having already been set. Although there are legitimate reasons not to seek an adjournment (for example, it is often the case that it is unclear to the parties whether a given TBA hearing would result in a final decision), this decision certainly highlights the importance of keeping the court

informed or risk implicitly accepting otherwise unexpected adverse costs orders.

In the short term, it seems very likely (if not inevitable) that Neurim will attempt to appeal the costs order and we (like many patent litigators in the UK) will be keeping a close eye on any developments in this regard.

[1] As an aside, paragraph 14 of the Consequentials Judgment notes that inventive step and sufficiency were not considered by the Opposition Division as the Patent had been found to be invalid for lack of novelty. Notwithstanding this, sufficiency appears to have been considered by the TBA.

[2] *IPCom GmbH & Co KG v HTC Europe Co Ltd* [2013] EWCA Civ 1496. In this regard, it is perhaps noteworthy that the Judge did not expressly consider the case law relating to damages and, in particular, the Supreme Court's judgment in *Virgin Atlantic Airways Limited v Zodiac Seats UK Limited* [2013] UKSC 46. As readers will no doubt be aware, in *Virgin v Zodiac*, the Supreme Court held that a party can rely on the subsequent revocation of a patent at the EPO to argue that the patentee has suffered no damage (where the damages enquiry has not concluded). Interestingly, paragraph 36 of the Supreme Court's judgment indicates that the same would not necessarily be true where the enquiry has concluded.

[3] Readers are referred to paragraphs 50(1) to (9) of the Consequentials Judgment for a full articulation of Marcus Smith J's reasoning.

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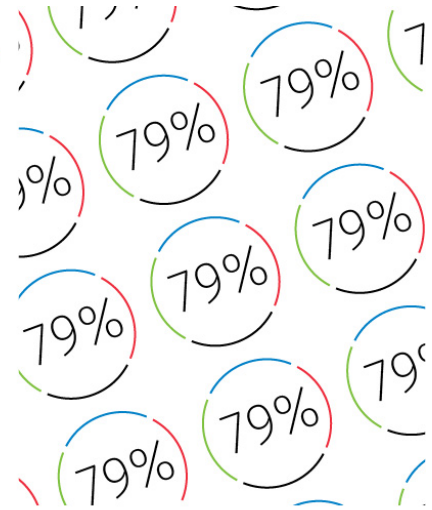
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