

SOUTH AFRICA / JUDGMENT

Merck Sharp Dohme Corporation and Others v Cipla Agrimed (Pty) Ltd (98/101975) [2016] ZAGPPHC 465 (8 April 2016)

[2016] ZAGPPHC 465**COURT**

North Gauteng High Court, Pretoria

BEFORE

W Louw

CASE / FILE NUMBER

98/101975

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Source record**IN THE****COURT OF THE COMMISSIONER OF PATENTS****FOR****THE REPUBLIC OF SOUTH AFRICA****S.A.****PATENT No. 98/10975****DATE:8/4/2016****[1]****REPORTABLE: YES****[2] OF****INTEREST TO OTHER JUDGES: YES****In the matter****between:**

MERCK SHARP DOHME
CORPORATION First
Applicant
MERIAL LIMITED
(MERIAL
LLC) Second
Applicant
MERIAL SOUTH AFRICA
(PTY)
LTD Third
Applicant
and
CIPLA AGRIMED (PTY)
LTD Respondent

JUDGMENT

J W LOUW, J

- [1] The first and second applicants are the co-patentees of South African patent 98/10975. The third applicant is a registered licensee under the patent. On 9 June 2011, the respondent filed an application for the revocation of the patent on the grounds of lack of novelty and inventive step in the light of the disclosure in South African patent 1992/7457 ("the 1992 patent"). On 18 October 2011, the applicants issued summons against the respondent in which they claim a final interdict restraining the respondent from infringing claims 1 to 7, 18 to 23 and 29 of the patent and an inquiry into the damages which they allegedly suffered as a result of the respondent's alleged infringement. In its plea to the applicants' particulars of claim, the respondent admits infringement of the said claims but raises the alleged lack of novelty and inventive step as defences to the action.
- [2] In view thereof that affidavit evidence had already been presented in the revocation application, the parties agreed to stay the infringement action pending the outcome of the revocation application. The respondent's attorney wrote a letter to the applicants' attorney on 2 August 2012 in which the following was said:

"We have discussed this matter with Counsel and it is clear that what we have here is a conditional referral to oral evidence. Specifically, if claim 1 is found not to be anticipated as alleged but is found to be valid, the question of whether or not dependent claims are invalid on the ground of obviousness becomes moot. They would stand with claim 1.

On the other hand if claim 1 is found to be anticipated and invalid then the question of whether or not dependent claims 3, 4, 19, 20 and 21 (plus omnibus claim 29) do or do not cover obvious subject matter must be decided by the court. As is clear in our law, this it can only do on the basis of oral evidence.

In the premises we are advised that the Court will be loath to hear an application for the referral of the matter to oral evidence in circumstances where such a hearing may in fact never become necessary. Only if we are successful in the first issue will the referral become necessary.

We propose that:-

1. the application for the referral to oral evidence stand over until such time as the revocation matter is ripe for hearing;
2. the two applications (revocation and referral to oral evidence) be set down for hearing at the same time;

3. heads of argument be prepared for both matters simultaneously; and
4. no heads of argument be filed by either party at this time.

We will proceed with the preparation for the revocation matter and ensure that we file the main index within the next week.

The revocation and the conditional application would then be heard at the same time.

Please confirm that this procedure is acceptable.”

[3] The applicants' attorney responded the following day as follows:

"Our clients do not accept that the application for revocation should be heard on a piecemeal basis as you have proposed or that a "conditional application" for referral to oral evidence is a legitimate procedure or one that is appropriate in the current circumstances

We do, however, agree that the application for revocation is ripe for hearing and should be set down. Our client will contend at the hearing that it is entitled to the dismissal of the application for revocation in its entirety. We will deal with the "conditional"

application for referral to oral evidence as and when such application is made."

[4] There was therefore no agreement between the parties on the procedure to be followed in the revocation application. In the respondent's

heads of argument in the revocation application, the following was stated:

"Should the above Honourable Court find that the invention was not new, and the patentees thereafter apply for an amendment of the claims of the 1998 patent, then and in that event, application will be made for the matter to be referred for the hearing of oral evidence on the second challenge to the patent, namely that the patent be revoked on the ground of obviousness.

Similarly, if the above Honourable Court finds that the lack of novelty objection to the patent is unfounded, the challenge to the patent will continue on the basis of obviousness, and oral evidence will then be required to resolve the issue.

The present hearing, however, is confined to the issue of anticipation only and no oral evidence is required to decide this question.

.....

In the premises, depending on the nature of any future amendment, the question will either remain one of prior disclosure, or, assuming

that the prior disclosure

objections are satisfied by the amendment, the question will move to inventiveness or obviousness and the evidence of expert witnesses

will then be required to resolve the issue. In this event, Cipla will apply for the matter to be referred to oral evidence and the right to supplement of its papers.

The application for referral to oral evidence is therefore conditional upon events which are yet to occur and will not be brought at this stage."

[5] The applicants did not accept that the respondent was entitled to follow the procedure which it suggested. The following was said in their heads of argument:

"Although, as has been pointed out above the present hearing will be confined to the issue of anticipation only, Cipla does suggest in its heads of argument that, depending on the outcome of the hearing, an application may or may not be made for a reference of the issue of obviousness to the hearing of oral evidence.

As the joint patentees understand Cipla's heads of argument, however, any application which might be made for the reference of the issue of obviousness to the hearing or oral evidence is "conditional upon events which are yet to occur and will not be brought at this stage".

There will thus be no need to have regard, at the present hearing, to an application which might or might not be brought in future. We note, however, that the procedure proposed is incompetent and that Cipla's failure the (sic) advance any argument in relation to obviousness in these proceedings amounts to an abandonment of that attack on the validity of the patent. Any attempt to resurrect that attack at some later undefined time will be opposed, inter alia, on the basis that the question of validity of the patent will be res judicata between the parties and that the attempt to resurrect the attack constitutes an abuse of process (and one which runs contrary to the trite principle that there be finality in litigation)."

[6] The revocation application was heard by Teffo J, sitting as Commissioner of Patents. The application for referral to oral evidence which was foreshadowed in the letter of the respondent's attorney was not moved. Instead, as was indicated in the respondent's heads of argument, the application was not being brought at that stage but, depending on future events, might be brought at a later

stage. It is common cause that the issue of novelty was the only issue which was argued before Teffo J and decided by her.

[7] In a judgment delivered during March 2014, Teffo J granted the respondent's application for revocation of the patent after finding

that all of the claims of the patent were anticipated by the 1992 patent. She thereafter granted the applicants leave to appeal to the Supreme Court of Appeal (SCA). The only issue argued on appeal was the issue of novelty. The appeal was upheld in a judgment delivered on 27 November 2015, replacing the order of Teffo J with an order dismissing the application for revocation of the patent. The court further certified each of the claims of the patent as being valid in terms of section 74 of the Patents Act, 57 of 1978.

[8] The applicants' attorney thereafter, on 3 December 2015, wrote to the respondent's attorney demanding that, in light of the decision of the SCA, the respondent consent to the orders sought in the infringement action. The respondent refused to do so and proceeded to file a notice of intention to amend its plea by introducing a further ground of alleged invalidity based on s 61(1)(d) of the Patents Act (in-utility). This resulted in the bringing by the applicants of the present application. The application was brought on a semi-urgent basis on the ground that the decision of the SCA had effected a significant change in the circumstances relevant to the infringement action from a position in which the applicants were facing a challenge to the validity of the patent in order to succeed in the

infringement action to a position where the respondent no longer had a pleaded defence to the action. The patent will expire in 2018 and it is common cause that the respondent's application to amend its plea will delay the finalisation of the infringement proceedings until after the expiry of the patent. The respondent contests that the matter is urgent, submitting there has been no change in the circumstances as the decision of the SCA had not rendered the issue of the validity of the patent *res judicata* between the parties.

[9] The respondent's contention that the issue of the validity of the patent is not *res judicata* as between the parties depends on whether or not the procedure to be followed in the revocation application as proposed and adopted by the respondent is permissible, i.e. whether the respondent may now proceed to bring an application for the hearing of oral evidence on the issue of obviousness and, if it is permitted to amend its plea, the issue of in-utility.

[10] It is trite that, generally speaking, piecemeal litigation is to be avoided.[1] In *Clipsal Australia Pty Ltd and Others v Gap Distributors (Pty) Ltd and Others*[2], Malan J referred with approval[3] to the following statement by Roper J in the English decision of *Shoe Machinery Company v Cutlan*[4]:

"But a further point is now taken on behalf of the defendants. It is said that they are entitled in this action to retry the question of the validity of the patent because they have discovered fresh materials for impeaching it, fresh alleged anticipations, and are entitled to have the issue of validity retried on the footing of these further materials. In my opinion they are not so entitled. If they were held to be so entitled, I do not see how there could be any finality of the questions in an action between parties such as these. According to this contention the defendant might try his case piecemeal. He might raise such objections as he thought convenient, and when he was defeated he might then raise other points at his leisure, and might in that way try the case piecemeal, and, so far as I can see, extend it over as long a period as he pleased. In my opinion the defendants are not entitled to do that. When the question of the validity of a patent is brought for trial by reason of the defendant's contesting that question, he is bound to put his whole case before the Court; and if he does not do so, then it is his own fault or his misfortune. He cannot be allowed to put part of his case, or to put his case in an incomplete manner. He is bound, when that question is raised, to search and find out all that he intends to rely upon in support of his contention that the patent is invalid. For these reasons it appears to me that the defendants are

not entitled to have this question of validity retried, because, as they say, they have found further material that would have assisted them if they had known of them at the first trial. The plaintiffs are therefore right in their contention, as between these parties the plaintiffs are entitled to say that this patent has been held to be and is valid.”[5]

[11] The respondent did not say that it had discovered new material on which it wished to rely in support of its claim that the patent is invalid. What it indicated is that it intended holding over its claim that the patent was invalid for lack of inventiveness. It thereafter further indicated that it intended to apply for the amendment of its plea to introduce an additional ground of invalidity, namely in-utility. To allow a defendant to do this would in my view be no different in principle than to allow a defendant to have a matter re-tried on the basis of new material having been discovered. Both instances will result in piecemeal litigation. In *Chiron Corporation and Others v Organon Teknika Limited* (No 14[6]), Sir Thomas Bingham said the following in the Court of Appeal:

"The basic principles with which we are concerned are, for the purposes of resolving this application, in my view, straightforward and they are based, in essence, on preventing what may fairly be regarded as an abuse of the court's process. There are, I think, two fundamental rules. One is that once a matter has been the subject of a final judicial decision it cannot ordinarily be re-litigated. This rule rests on the principle that it is not in the interests of the parties, or in the public interest that the same point should be re-litigated over and over again. The second relevant rule is, as I think, that it is the duty of parties to any action, be they plaintiffs or defendants, to bring forward their whole case when the matter is before the court. If a party is reasonably ignorant of matters which found a claim or a defence, then that may provide an exception to the general rule in some circumstances. If a party is, for any reason, unable to present its whole case then there are well-known procedures available. The most obvious is to ask for an adjournment, but alternative courses open are to ask the judge in the first instance to try a preliminary issue which, if resolved in one way, may suffice to dispose of the case or to hear such issues as can be fairly tried and to reserve the remaining issues for later decision. What, in my understanding, is not permissible is for a party with more than one cause of action or more than one ground of defence to advance one of them and then keep the others in reserve for a rainy day."

[12] It seems to me that is exactly what the respondent is attempting to do. The alternative course which the respondent could have followed, but didn't, was to apply for the separation of the issue of anticipation from the issue of obviousness and for the issue of obviousness then to be postponed. It seems fairly obvious that it would have been convenient for the parties and the court if the court had ordered a separation of the issue of novelty and postponed the issue of obviousness. It was possible to decide the issue of novelty on the affidavit evidence before court, whereas the issue of obviousness required oral evidence. If the court had ordered such separation and then found, as it did, that the patent lacked novelty, that would, but for a successful appeal or a subsequent amendment of the claims of the patent, have made an end to the matter, obviating the need for deciding the issue of

obviousness. I need to point out that, had the respondent informed the SCA, which it did not do in its heads of argument, that it intended proceeding with its attack on the validity of the patent on the ground of obviousness in the event of the SCA upholding the applicants' appeal on the issue of validity, the SCA might well have declined to entertain the appeal. The SCA is strongly opposed to the hearing of piecemeal appeals.[7]

[13] Rule 33(4) of the Uniform Rules of Court provides the following:

"If, in any pending action, it appears to the court *mero motu* that there is a question of law or fact which may conveniently be decided either before any evidence is led or separately from any other question, the court may make an order directing the disposal of such question in such manner as it may deem fit and may order that all further proceedings be stayed until such question has been disposed of, and the court shall on the application of any party make such order unless it appears that the questions cannot conveniently be decided separately."

It was submitted by Adv. Puckrin SC, who appeared with Adv. Seale for the respondent, that the respondent could not have applied for a separation as rule 33(4) only applies to actions and not to applications. There is, however, no reason why the court could not, in terms of its inherent power to regulate its own procedure, have made such an order. The hybrid nature of revocation applications in patent matters would have provided sufficient justification for the making such an order. Mr. Puckrin correctly pointed out that courts are often asked to deal separately with parts of an application, e.g. on urgency, jurisdiction or *locus standi* despite the inapplicability of rule 33(4).

[14] Mr. Puckrin further submitted that the court impliedly made a separation order. In my respectful view, the submission is incorrect.

The respondent needed to have applied for a separation order which the applicants would have been entitled to oppose. The court

thereafter, if it was in agreement with the respondent, needed to make a separation order and to postpone the issue of obviousness for the hearing of oral evidence if such hearing later became necessary. It is common cause that no application for separation was made by the respondent and that the respondent simply informed the court that it would follow a piecemeal procedure which, as I have found, is impermissible.

[15] The requirements for an interim interdict are a clear right or, if not clear, is *prima facie* established though open to some doubt; a well-grounded apprehension of irreparable harm if the interim relief is not granted and the applicant is ultimately successful; that the balance of convenience favours the granting of interim relief; and that the applicant has no other satisfactory remedy. In view of the finding of the SCA that the claims of the patent are valid and my finding that the respondent is not entitled to proceed with the piecemeal procedure which it proposed to adopt, the applicants have established that they have a clear right. If a clear right is established, an applicant need not establish the requirement of irreparable harm.[8]

[16] The balance of convenience in my view favours the applicants. The respondent admits that its product, Ivermax Platinum LA, competes

directly with the applicants' product Ivomec Gold which falls within the scope of the claims of the patent. The presence of the

respondent's product on the market of necessity reduces the sales of the applicants' product and deprives the applicants of the exclusive right to exploit the invention of the patent. The applicants accept that having to withdraw Ivermax Platinum LA from the market will occasion prejudice to the respondent, but have tendered to pay any damages which the respondent is able to show it has suffered as a result of the grant of an interim interdict. The respondent, however, claims that it will not be able to quantify its damages because of the presence of other competitors on the market. The applicants' answer to this is that the respondent will relatively easily prove its damages as its product has been on the market for five years and that it will have existing projections for, and will have budgeted for, sales of its product over the next approximately two years of the life of the patent. I agree that it will be easier for the respondent to prove its damages than for the applicants. In *Pfizer Ltd and Another v Cipla Medpro (Pty) Ltd and Others*[9] the court said following: [10]

"The proof of damages is notoriously difficult. The problem lies more in the proof of causation. In my view the proof of damages would be more difficult for the applicants. It would always be very difficult to prove what part of any reduced turnover was caused by the respondents' entry into the market. In an expanding market it may be even more difficult to prove what growth the sales of the applicant would have achieved but for the inroads of the respondents. It seems to me that the respondents would have less of a problem with the proof of damages. Their launching costs are known. What they will lose is a delay in the profits that they would in any event be able to make as from 2007.

It was argued that the respondents would never be able to prove what profits they would have made if an interdict is granted. That is true, but if they claim their damages after the expiry of the patent they would be able to prove actual sales and it would be difficult for the applicants to contend that those sales would not have been achieved if an interdict had not been granted."

[17] As to the availability of an alternative remedy, it was contended by the respondent that the applicants do have the alternative remedy of claiming a reasonable royalty as provided for in s 65(6) of the Patents Act. A claim for payment of a reasonable royalty is an alternative remedy, but it is not necessarily a satisfactory alternative remedy. The applicants have pointed out in their founding affidavit that it will be difficult to establish what a reasonable royalty will be in the circumstances and that, even if a royalty can be established, it is unlikely that it will ever place the applicants in the position they would have been absent the respondent's entry into the market. If a reasonable royalty cannot be agreed between the parties, something which cannot be excluded, the applicants will have to institute proceedings against the respondent to prove what a reasonable royalty will

be in all the circumstances. It will, for example, have to produce evidence of royalties paid in terms of existing licence agreements

which deal with similar products and circumstances, which evidence may not be available to them. If a reasonable royalty can be

established, the applicants will have to police the respondent's sales of its product, something which in itself may produce substantial difficulties. In my view, it cannot be said that a claim for payment of a reasonable royalty is a satisfactory alternative remedy for the applicants in all the circumstances.

[18] In the result, I find that the applicants have satisfied the requirements for the granting of an interim interdict. I accordingly

make the following order:

[a] The respondent is interdicted from infringing claims 1 to 7, 18 to 23 and 29 of South African patent 98/10975 pending the final

determination of the action instituted by the applicants against the respondent on 18 October 2011 under the above case number, provided that the interdict will lapse on the expiry date of the patent if the action has not been finally determined by that date.

[b] The costs of the application are reserved for determination in the action.

Counsel for applicants: Adv. L Bowman SC; Adv. G D Marriott

Instructed by: KischIP,

Pretoria

Counsel for respondent: Adv. C E Puckrin SC; Adv. M Seale

Instructed by: Brian

Bacon Inc., CapeTown

[1] Consolidated News Agencies (Pty) Ltd (in liquidation) v Mobile Telephone Networks (Pty) Ltd and Another 2010(3) SA 382 (SCA) par. [89]; Satawu v Garvis and Others 2011(6) SA 382 (SCA) par. [45]

[2] 2009 BIP 261 (GSJ)

[3] At par. [36]

[4]

(1896) 1 Ch 667 at 672

[5] See also Alcatraz Integrated Intelligence Systems (Pty) Ltd v Integra-Set (Pty) Ltd 2010(6) BI P 94 (CP) par. [16]

[6]

[1996] FSR 701 at 707 - 708

[7] S v Malinde 1990

(1) SA 57 (AD) 67F; Guardian National Insurance Company Ltd v Searle NO 1999

(3) SA 296 (SCA) 3018-D; Minister of Health v New Clicks SA (Pty) Ltd 2006

(2) SA 311 (CC) paras [54] - [58]; Telkom SA Soc. Ltd and Another v Blue label Telecoms Ltd and Others [2015] JOL 33099 (GP) paras [6] - [10]

[8] L F Basho. ff Investments (Pty) Ltd v Cape Town Municipality 1969

(2) SA 256 (C) 267.

[9] 2005 BIP I (CP)

[10] At 11H - 12D

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