

INTERLOCUTORY INJUNCTIONS IN IP DISPUTES

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INTRODUCTION

Given that applicants in IP disputes are often equally or more concerned about ceasing infringing conduct than they are about quantum interlocutory injunctions can be an important tool in litigation. Although technically temporary in effect they can be of such influence so as to 'make or break' a case. It is often the case that the matter resolves after the interlocutory questions have been answered.

Therefore the decision on whether or not to seek an interlocutory injunction is an important one that ought to be considered when looking at the objectives of the litigation as a whole, not just the short term needs of the applicant.

This paper focuses on the making of such a decision in light of recent case law. It looks at the risks and benefits of seeking interlocutory injunctions and the other options available to potential applicants.

LEGAL PRINCIPLES AND EVIDENCE REQUIRED

It is now settled that an applicant seeking an interlocutory injunction in an intellectual property matter needs to satisfy a two part test, namely:¹

- (1). Is there a prima facie case?; and
- (2). Does the balance of convenience favour the applicant?

The parts of this test are interrelated and cannot be viewed in isolation. For example, if there is a very strong prima facie case of infringement a higher inconvenience to the respondent will be acceptable to the court.²

¹ *Samsung Electronics Co Ltd v Apple Inc* [2011] FCAFC 156 at [57]; *Glaxo Smith Kline Australia Pty Ltd v Reckitt Benckiser Healthcare (UK) Ltd* [2013] FCAFC 102 at [81]; both of which applied *Australian Broadcasting Corporation v O'Neil* [2006] HCA 46 at [65]; See also Davison, Monotti and Wiseman's discussion of the correct test and *American Cyanamid Co v Ethicon Ltd* [1975] AC 396 application of the 'serious question to be tried' test in Davison, Monotti and Wiseman, *Australian Intellectual Property Law* (2nd ed. 2012) at page 641

Following *Samsung Electronics Co Ltd v. Apple Inc*³ and *Glaxo Smith Kline Australia Pty Ltd v. Reckitt Benckiser Healthcare (UK) Ltd*⁴ the relevant principles in applying the test include:

(a). The power to grant interlocutory relief is limited by the purpose for which it is conferred and it is relevant to take into account the specific statutory context in which interlocutory injunctive relief is sought.

(b). Where the merits and the question of balance of convenience are fairly evenly balanced, there will be no injustice in requiring the party seeking interlocutory injunctive relief to demonstrate good prospects of success before imposing almost certain prejudice on the other side.

(c). Where the injunction is sought in respect of private rights, it is necessary to identify the legal or equitable rights which are to be determined at the trial and in respect of which the final relief is sought.

(d). In an application for an interlocutory injunctive relief based on an infringement allegation, an assessment needs to be made of the strength of the probability of that claim succeeding at trial so as to preserve the status quo.

(e). The strength of the probability of ultimate success by the applicant at trial depends upon the nature of the rights asserted and the practical consequences likely to flow from the grant of the injunction which is sought. The extent of the strength required will vary from case to case.

(f). Whether or not the applicant will suffer irreparable injury or harm for which damages will not be adequate compensation is one of the matters to be addressed in the court's consideration of the balance of convenience and justice rather than as a distinct and antecedent consideration.

(g). The court should assess and compare the prejudice and hardship likely to be suffered by the respondent, third persons and the public generally if an injunction is

² See comments in *Glaxo Smith Kline Australia Pty Ltd v. Reckitt Benckiser Healthcare (UK) Ltd* [2013] FCAFC 102 at [81]

³ *Samsung Electronics Co Ltd v Apple Inc* [2011] FCAFC 156 at [44] to [74]

⁴ *Glaxo Smith Kline Australia Pty Ltd v. Reckitt Benckiser Healthcare (UK) Ltd* [2013] FCAFC 102 at [81]

granted, with that which is likely to be suffered by the applicant if no injunction is granted.

Evidence

The hearsay rule does not apply to evidence in an interlocutory proceeding provided that the party who adduces it also adduces evidence of its source.⁵ This important exception can allow for the prompt and efficient collection of evidence for urgent matters. It can also allow for the introduction of evidence held to be generally reliable, but technically hearsay and inadmissible at final hearing.

For example, many IP disputes, particular copyright and trade mark disputes, rely upon evidence obtained from online sources. However given the nature of the internet web pages can change or disappear over time. Hence unless a witness has captured screen shots of such web pages the only evidence available may be via an internet archiving service, such as the Wayback Machine located at www.archive.org. Evidence obtained by such means has been held to be “generally reliable” by the Australian Trade Marks Office⁶ and it has also been relied upon in domain name dispute arbitrations⁷, but at least one Federal Court judge has ruled it hearsay.⁸ Therefore the present position appears to be that such evidence may be provided in an interlocutory proceeding provided evidence of the source is also provided.

However practitioners should be wary that both the above advantages can quickly become disadvantages if misused. Prompt and efficient of evidence does not include lazy and rushed preparation. Given that many intellectual property injunction applications will involve significant interruption to the respondents business the applicant’s evidence will often need to be significant. As discussed further below, this can be a consideration when looking at the costs, risks and benefits of the applicant’s options.

STRATEGIC CONSIDERATIONS – WHEN TO APPLY FOR AN INJUNCTION / OTHER OPTIONS

⁵ s.75 of *The Evidence Act 1995* (Cth); s.75 of *The Evidence Act 2008* (Vic); s.75 of *The Evidence Act 1995* (NSW)

⁶ *CSL Limited v. Capital Securitisation (Holdings) Pty Ltd* [2010] ATMO 42

⁷ See for example *PFD Food Services Pty Ltd v. Terence Bergagna LEADR – auDRP11/06*

⁸ See Flick J’s decision in *E&J Gallo Winery v. Lion Nathan Australia Pty Ltd* [2008] FCA 934 at paragraph 124 to 130 (undisturbed on this issue on appeals to the Full Federal Court and High Court)

Prompt resolution / Balance of convenience

The biggest advantage of obtaining an interlocutory injunction in an intellectual property matter is that it can quickly cease the infringing conduct. Once temporarily ceased then in many cases this can in practical effect resolve the matter. For example, in a trade mark matter if a party is ordered to cease using a trade mark in relation to goods for the duration of a trial this may to such an interruption to trade that the practical solution for the respondent is to simply rebrand.

However this advantage is a double edged sword. The severe inconvenience that is often apparent for alleged infringers in intellectual property matters can weigh heavily when the court considers the balance of convenience.

For example in the recent decision of *Warner-Lambert Co LLC and Others v. Apotex Pty Ltd* Griffith J. at first instance noted in refusing to grant an interlocutory injunction in relation to alleged patent infringement that the respondent would suffer significant losses that would be difficult to quantify if the injunction was granted given it was just commencing trade in the product. However the applicant's loss could be easily quantified if it was successful at final hearing.⁹

Therefore in many intellectual property cases it may be difficult to sway the balance unless you establish a strong case for the applicant. This is quite a simple concept. It is not saying the first limb of the above test requires more than establishing a "prima facie case". Rather the point is that if the inconvenience to the respondent is great, then likewise the establishment of the applicant's ultimate case ought to also be great.

Influence on final result

Developing a strong case for the applicant at the interlocutory stage can also be important in influencing the final result of the matter. Although the parties ought to clearly understand that an interlocutory injunction involves separate questions to those at final hearing, reasons for the judge's decision in relation to the injunction will inevitably consider the apparent strength of the case at that time. This may clearly affect the party's decision to resolve the matter.

⁹ *Warner-Lambert Co LLC and Others v. Apotex Pty Ltd* (2014) 106 IPR 59 at 81 – Note that his honour's decision was ultimately overturned by the full court in *Warner-Lambert Co LLC and Others v. Apotex Pty Ltd* (2014) 106 IPR 218 however there was no established error in this particular point on balance of convenience.

Further it cannot be ignored that following the recent full court decision in *Glaxo Smith Kline Australia Pty Ltd v Reckitt Benckiser Healthcare (UK) Ltd*¹⁰ it is settled that the judge hearing the interlocutory injunction may be the judge hearing the final hearing. Such a fact alone does not create apprehended bias. Nevertheless judges are human and the interlocutory injunction may be the first time they hear substantive arguments in relation to the matter that they ultimately decide upon after the final hearing. The influential effect of the interlocutory proceeding therefore cannot be dismissed entirely.

Costs

Given the likely time required to properly prepare an interlocutory injunction application the professional costs can be significant. Disbursement costs may also be significant. For example in *Warner-Lambert Co LLC and Others v. Apotex Pty Ltd*¹¹ a number of experts were called on the issue of the balance of convenience and how the sale of pharmaceutical products generally occurred in the marketplace. Such evidence could be seen as particularly relevant if the allegedly infringing product is yet to enter the market place and therefore educated guesswork may assist the court in predicting the effect of its proposed sale or restriction thereof.

The accelerated accumulation of costs may therefore be a deterring factor for an applicant, however if the applicant's case is strong it can also force a respondent into an early settlement.

Timing

Another factor to consider in deciding whether or not to seek an interlocutory injunction is timing. If the applicant has allowed an infringement to continue for a number of months without acting it may be difficult to convince the court that the balance of convenience favours the granting of an injunction. For example in the recent trade mark infringement case of *Snack Foods Limited v Premier 1st Pty Ltd*¹² Foster J refused to grant an interlocutory injunction when the applicants delayed in taking action. His honour also noted that "[t]he applicants could have pressed for an early final hearing" but "decided to pursue interlocutory relief" instead.¹³

¹⁰ *Glaxo Smith Kline Australia Pty Ltd v Reckitt Benckiser Healthcare (UK) Ltd* [2013] FCAFC 150

¹¹ *Warner-Lambert Co LLC and Others v. Apotex Pty Ltd* (2014) 106 IPR 218

¹² *Snack Foods Limited v Premier 1st Pty Ltd* [2013] FCA 135; His honour did find at paragraph 29 that the applicant had established a prima facie case but failed on the balance of convenience

¹³ *Snack Foods Limited v Premier 1st Pty Ltd* [2013] FCA 135

Other options

This last point made by Foster J emphasises the importance of considering other options for applicants. These may include pressing for an early hearing or issuing in accordance with the Federal Court Fast Track Directions.

Federal Court Fast Track Directions

The Federal Court Fast Track Directions are set out in Practice Note CM8. They are available for all intellectual property rights matters apart from patents.¹⁴

As the name suggests, they set forth a flexible procedure aimed at bringing a matter to trial in a fast and efficient manner. Section 6.1 of the directions states:

“An initial directions hearing (the ‘Scheduling Conference’) will be set down not less than 45 days from the date of the filing of the application. In urgent cases the Scheduling Conference may be set down earlier and the times specified in paragraph 4.7 modified accordingly”.¹⁵

Although it is possible to seek an interlocutory injunction in an intellectual property matter proceeding under the Fast Track Directions, the above section may alleviate the need in many cases.

Federal Circuit Court

The Federal Circuit Court is aimed at dealing with simpler shorter matters in the federal jurisdiction and relieving the work load of the Federal Court.¹⁶ Its jurisdiction in intellectual property matters was significantly increased by the 2013 Raising the Bar amendments.¹⁷

Its practices and procedures typically lead to cases coming to trial relatively promptly and hence it may also be an option for seeking a quick final result.

One disadvantage perceived by some counsel with issuing certain intellectual property matters in the Federal Circuit Court is whether it has had the time and case load to develop

¹⁴ Federal Court of Australia Practice Note CM8 s.2.1(v)

¹⁵ Federal Court of Australia Practice Note CM8 s.6.1

¹⁶ <http://www.federalcircuitcourt.gov.au/html/introduction.html> (visited on 26/2/2014)

¹⁷ Note: it does not have jurisdiction in relation to Patents.

expertise. For example, 90% of the courts workload remains to be in relation to family law.¹⁸ However in my opinion the court and its members ought to be shown respect and there is no reason to doubt the ability of the court to embrace its new powers, especially when guided by competent lawyers.

¹⁸ <http://www.federalcircuitcourt.gov.au/html/introduction.html> (visited on 26/2/2014)