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The third of three recent decisions from the House of Lords was rendered in 2005 bringing about a new test for novelty. Software patents also came under review.

**Patentability and validity**

**Test for novelty of patents reconsidered by House of Lords**

In October 2005 the House of Lords handed down its decision in *Synthon BV v Smithkline Beecham plc*, allowing Synthon’s appeal, and restoring the trial judge’s finding of invalidity for lack of novelty. Of significant interest are the House of Lords’ considerations of the legal requirements for the test of novelty. In particular, the House of Lords determined that there are two requirements for anticipation: a “prior disclosure” and “enablement”. Whilst these concepts have previously been considered together in the concept of an “enabling disclosure”, the House of Lords stated that it is important that the two concepts be kept distinct.

Paroxetine is a compound used to treat depression and related disorders. It has for some time been marketed in the form of its hydrochloride hemihydrate salt under the name Paxil or Seroxat. These proceedings arose out of the more or less simultaneous discovery in about 1997 by the claimant Synthon BV, a Dutch pharmaceutical company, and Smithkline Beecham plc (Beecham), a UK pharmaceutical company, that a different paroxetine salt, paroxetine methanesulfonate (PMS), has properties which make it more suitable for pharmaceutical use. The disputed patent covered a crystalline form of PMS. Synthon challenged this patent in 2001 as being anticipated by its own, unpublished application.

Both Synthon and Beecham discovered this invention at a similar time. Synthon filed an application under the Patent Cooperation Treaty in 1997 for a broad class of compounds, including PMS, and described how to make PMS in crystalline form. Beecham filed a UK priority application in 1998, before Synthon’s application was published, claiming a particular form of crystalline PMS (by reference to its IR and XRD peaks). Beecham’s UK patent, deriving from its priority application, was published in 2000.

Synthon submitted that Beecham’s invention was not new, and that its own application disclosed the same invention as patented by Beecham, and that the ordinary skilled man was able to produce the invention based on the disclosed information and his general knowledge. Synthon convinced the High Court, which in 2002 declared Beecham’s patent invalid. But in 2003 the Court of Appeal overturned the ruling, which Synthon in turn appealed to the House of Lords.
Synthon accepted that the crystalline form of PMS had not been “made available to the public” before the priority date and therefore did not rely on Section 2(2) of the Patents Act 1977 (the Act). They relied on Section 2(3), claiming that it was deemed to be part of the state of art by virtue of having been disclosed in Synthon’s patent application.

The two issues were whether:
- Synthon’s application disclosed the invention which had been claimed in the patent (the disclosure issue)
- an ordinary skilled man would be able to perform the disclosed invention if he attempted to do so by using the disclosed matter and common general knowledge (the enablement issue).

Allowing the appeal, Lord Hoffmann stated that disclosure and enablement are distinct concepts, each with its own function and rules and criticised the Court of Appeal for intermingling the two concepts.

Lord Hoffmann said that the matter relied upon as prior art must disclose subject matter which, if performed, would necessarily result in an infringement of the patent. Infringement must not merely be a possible or even likely consequence of performing the invention disclosed – it must be necessarily entailed. It will usually be apparent to someone who is aware of both the prior art and the patent that it will do so. But patent infringement does not require that one should be aware that one is infringing (Merrell Dow v Norton). Whenever subject matter described in the prior disclosure is capable of being performed and is such that, if performed, it must inevitably result in the patent being infringed, the disclosure condition is satisfied. Lord Hoffmann stated that “[t]he flag has been planted, even though the author or maker of the prior art was not aware that he was doing so”.

Lord Hoffmann continued to say that it is this requirement that performance of an invention disclosed in the prior art must necessarily infringe the patent which distinguishes novelty from obviousness. The Synthon application was deemed to form part of the state of the art for the purposes of novelty (section 2(3)) but not for the purpose of obviousness (section 3). The application disclosed an invention which, if performed, would infringe Beecham’s patent. The subject matter described in the patent was crystalline PMS and a skilled person who performed that invention would inevitably infringe it, even though he might on reading the patent believe he would not. There is only one crystalline form of PMS and any crystals would invariably have the characteristics described in the patent. The IR and XRD peaks identified were therefore superfluous.

Lord Hoffmann said that “enablement” means that the ordinary skilled person would be able to perform the invention which satisfies the requirement of disclosure. This requirement applies whether the disclosure is in matter which forms part of the state of the art by virtue of section 2(2) or, as in this case, section 2(3). In this case, the disclosure in the application was PMS and there was no dispute that it would have enabled the skilled person to make PMS. The pertinent issue was factual and related to whether the skilled person would have been able to crystallise the PMS. Synthon specified in their main example a solvent that proved unsuitable for crystallisation. Despite this the judge at first instance found that the skilled man would have tried one of the other solvents mentioned in the application or which formed part of his common general knowledge and would have been able to make PMS crystals within a reasonable time. Lord Hoffmann said this was a finding of fact by a very experienced judge with which an appellate court should be reluctant to interfere. On that basis, he held that the Synthon patent application did satisfy the enablement test and, as a result, the Beecham patent was invalid.

The case is noteworthy for a number of reasons:
- “Enabling disclosures”: whereas previously, it has been common practice to refer to the concept of “enabling disclosures”, in future it will be necessary to deal with the concepts of “disclosure” and “enablement” separately. Lord Hoffmann stressed that it is very important to keep these concepts distinct and that this will
result in less confusion regarding the law of anticipation going forward.

• “Disclosure”: previously it has been common to consider that there are two forms of anticipatory disclosure – a disclosure of the patented invention itself and a disclosure of an invention which, if performed, would necessarily infringe the patented invention. Lord Hoffmann has clarified that, in fact, these are aspects of a single principle, namely that the anticipation requires prior disclosure of subject matter which, when performed, must necessarily infringe the patented invention.

• “Enablement”: Lord Hoffmann has confirmed that, as at the EPO, the test of enablement is the same whether it is being considered for the purpose of anticipation or insufficiency – a point on which the Court of Appeal did not comment.

• The role of the skilled reader and reliance on common general knowledge is different in respect of “disclosure” and “enablement”. In the case of disclosure the skilled reader will rely upon common general knowledge to assist in their construction of the disclosure (along the lines of that discussed by the House of Lords in Kirin-Amgen). In the case of enablement, the common general knowledge will be used by the skilled reader to assess whether he is able to work the invention.

• Trial and error experimentation will only be possible at the “enablement” stage. The trials that may be conducted will be a question of fact involving consideration of the application of standards, the problem in hand, the assistance provided by the disclosure itself and the extent of common general knowledge.

**Statutory exclusions from patentability under review**

According to section 1(2) of the Act, the following are not inventions:

• A discovery, scientific theory or mathematical method.

• A literary, dramatic, musical or artistic work or any other aesthetic creation whatsoever.

• A scheme, rule or method for performing a mental act, playing a game or doing business, or a program for a computer.

• The presentation of information.

Some of these exclusions have been questioned over the years, perhaps none more so than the prohibition against patenting “a program for a computer”. Indeed, this specific exclusion has been criticised as not giving a true reflection of the current position on the patentability of software programs in the UK. A series of cases in the UK have considered computer software to be patentable (in particular, the decisions in Merrill Lynch [1989] RPC 561 (CA), Fujitsu [1996] RPC 511 and [1997] RPC 608 (CA) and Gale [1991] RPC 305).

The current position in the UK is that software which shows a technological effect, and has the capability of being applied in industry, will be treated as patentable subject matter.

The Halliburton decision

Halliburton Energy Services Inc (Halliburton) owned two patents for the design and use of drill bits for drilling in rock in the oil industry, using complex computer simulations and design programs. Both patents related to software programs that used data obtained from the analysis of the performance of different types of drill bits used at different angles and forces, together with other variables involved in the drilling of rock.

Halliburton brought proceedings against Smith International (North Sea) Ltd (Smith) for infringement of its two patents, and Smith counterclaimed for revocation on the grounds that, amongst other things, the patents were invalid for insufficiency and that they were directed to unpatentable subject matter, namely a computer program or a method for performing a mental act.
On the topic of exclusions from patentability, Pumfrey J held that whilst a computer software program that merely produces a design but does not result in a physical object would be excluded under section 1(2) of the Act, previous case law has established that computer software programs are patentable to the extent that they produce a technical effect. Although Halliburton’s patents covered unpatentable subject matter, Pumfrey J envisioned “that this defect could be cured by amendment” of the patent applications. If the claims had been sufficiently linked to the industrial activity, the invention would have been restricted to the use of the relevant physical object and therefore would have been considered patentable subject matter.

The CFPH decision

The two patent applications in issue in this case related to computer-networked interactive wagering on the outcomes of events. The patent applications were rejected by the UK Patent Office (UKPO) on the basis that the relevant inventions were concerned merely with providing an improved transactional process over a computer network, and therefore fell within the business method exclusion of s1(2) of the Act. The UKPO also determined that the invention did not provide a technical contribution – which was required to make an otherwise excluded invention patentable – as the inventions in both applications merely represented non-technical changes to a business method in order to overcome technical problems.

The applicant appealed the UKPO’s decision, submitting that the claimed inventions were patentable since they solved technical problems by technical means.

Mr Prescott QC dismissed the applicant’s appeal. The judgment notably opened with the statement that this case was about the question “[w]hat is an invention?”, and then went on to find that the relevant inventions were not patentable on the basis that they were business methods.

Mr Prescott QC analysed the approaches adopted by the UKPO and the European Patent Office (EPO) regarding exclusions from patentability, and noted that “the difference between the two approaches is that the EPO filters out excluded subject-matter at the stage of considering obviousness – at the last stage – while the [UKPO] does so at the first stage (when considering excluded subject-matter).”

Mr Prescott QC held that the EPO was correct no longer to apply the technical contribution test. The first step should be to identify what was the advance in the art which was said to be new and non-obvious and susceptible of industrial application, and the second step was to determine whether it was new and non-obvious and susceptible of industrial application under the description of an invention, in the sense of Art. 52 of the European Patent Convention 1973.

The Crawford decision

Following the decisions in Halliburton and CFPH, the Patents Court presided over Crawford v The Comptroller General of Patents. In this case, the appellant, Crawford, appealed against a decision that his patent application was excluded from patentability under sections 1(2)(c) and 1(2)(d) of the Act. Crawford’s invention related to a display system for buses, consisting of two separate indicators, so as to facilitate the arrival of buses at regular intervals (rather than in clusters). The Comptroller had found that the invention was no more than a method of doing business or the presentation of information, and that it did not make the technical contribution required to make an otherwise excluded invention patentable.

Mr Justice Kitchen observed that in the Fujitsu case the Court of Appeal “explained the correct approach to be applied in determining whether or not an invention relates to excluded subject matter”. He quoted from Fujitsu, stating “it is and always has been a principle of patent law that mere discoveries or ideas are not patentable, but those discoveries and ideas which have a technical aspect, or make a technical contribution, are”.

Mr Justice Kitchen upheld the findings of the Comptroller, affirming that Crawford’s application was excluded from patentability under sections 1(2)(c) and 1(2)(d) of the Act. This conclusion was reached on the basis that the authorities (including
“an inventive contribution cannot reside in excluded subject matter”
(Shopalotto, Pumfrey J)

Halliburton, CFPH and Fujitsu) all provide that “an inventor must make a contribution to the art (that is to say the invention must be new and not obvious), and that contribution must be of a technical nature (susceptible of industrial application and not within one of the areas excluded by Art. 52(2))”. The Patents Court therefore dismissed Crawford’s appeal.

The Shopalotto decision
The Patents Court also had cause to consider these issues in Shopalotto.com Limited v The Comptroller General of Patents. The patent application in question centred on a computer apparatus configured to provide a lottery playable via the internet. The applicant, Shopalotto.com Limited (Shopalotto), argued that the application was a claim to a game conceptually no different from a board game, and that it was therefore entitled to the benefit of a note of Official Ruling. The Comptroller held that the relevant invention was excluded from patentability under s.1(2)(d) of the Act.

The Comptroller’s decision was upheld by Pumfrey J on appeal, with the court confirming that the Act is to be interpreted in light of the provisions of the European Patent Convention 1973. The court affirmed that the real question when assessing whether a claim relating to software has technical effect (thereby preventing exclusion under Art. 52(2)(c) and Art. 52(2)(d)), is whether there is enough technical effect over and above that to be expected from the mere loading of a program into a computer. According to Pumfrey J, one should employ the following analysis:

First, determine what the inventor has contributed to the art over and above a computer operating in a new way as a matter of substance and, second, determine whether this contribution lies in excluded matter or, on the contrary, whether it consists in a technical contribution or effect.

On the facts, the claim was not founded in any contribution to the art outside the provision of various web pages to any person suitably equipped to view the pages provided by the server. Observing that “an inventive contribution cannot reside in excluded subject matter”, Pumfrey J affirmed that the Comptroller had correctly decided that Shopalotto’s application was excluded.

UKPO position and decisions
A week after the decisions in Halliburton and CFPH, the UKPO issued a notice, publicising a change in the way that patent applications will be examined for patentability. The new, 2-step procedure (as set out in CFPH) is to:

• identify what is the advance in the state of the art that is said to be new and non-obvious (and susceptible of industrial application)
• determine whether it is both new and non-obvious (and susceptible of industrial application) under the description of an “invention”.

It is interesting to note, however, that the new approach is not universally supported in all respects within the UKPO. In Fair, Isaac and Company Inc., BL O/392/05 the UKPO Hearing Officer observed that the decisions in Halliburton, CFPH, Crawford and Shopalotto are consistent with the decision in Fujitsu, on the basis that they all prescribe that an invention is not patentable if the relevant advance or contribution lay in excluded subject matter. In contrast, the Hearing Officer in the case of Overture Services Inc., BL O/331/05 could not identify a ready reconciliation between those judgements.

Conclusion
The UK position in relation to the patentability of software (and certain other excluded subject matter) remains in some respects unclear. The 2005 decisions in Halliburton, CFPH, Crawford and Shopalotto demonstrate that the crucial issue in deciding whether an invention falls within the category of “excluded matter” of s.1(2) of the Act is not simply whether the invention is, for example, a computer software program or business method, but whether the invention can be said to amount to a “technical effect” which contributes as a matter of substance to the prior art. A very general rule of thumb is that a method which only produces information is less likely to be patentable, whilst one that results in a physical object...
is more likely to have a technical effect and hence be eligible for patent protection.

If the only part of an invention that is new and which has a technical effect is a business method or program for a computer (or some other form of excluded matter), the invention will be excluded from patent protection in the UK. However, provided that the part which is new and innovative has a technical effect, the invention will likely be patentable.

Whilst the approaches of the UKPO and EPO are in some respects more in line following the CFPH approach, in others it appears differences remain. The EPO Board of Appeal has confirmed that “[a]n invention may…contain a mixture of technical and non-technical features and still be considered to have a “technical character”’’ (see T26/86 Koch & Sterzel & T769/92, Sohei). The EPO Board of Appeal is of the view that when an invention consists of a mixture of technical and non-technical features and has technical character as a whole, the assessment of the requirement of inventive step should take into account all the features which contribute to the technical character whereas features making no such contribution cannot support the presence of inventive step” (T641/00, Comvik and T531/03, Catalina Marketing). Following CFPH, however, it is unclear whether the UKPO and Court would allow non-technical features to contribute to the presence of an inventive step.

Full description of creative step and prior art required for sufficiency

An important principle of patent law is that the patentee must disclose sufficient information so that relevant members of the public are able to practice the invention once the monopoly expires. Article 83 of the European Patent Convention (EPC) requires that a European patent application “must disclose the invention in a manner sufficiently clear and complete for it to be carried out by a person skilled in the art”. The corresponding provision of UK law is contained in section 14(3) of the Act.

In the Halliburton case (see above), Halliburton brought proceedings against Smith for patent infringement. Smith in turn applied for Halliburton’s patents to be revoked, arguing (amongst other things) that the patents were insufficient. Thus, Halliburton was compelled to establish that their patents could be replicated with reference only to the specification and claims contained in the patents, by a person skilled in the art.

In his 84 page judgement in Halliburton, Pumfrey J stressed that those involved in the preparation of patent applications must ensure that the disclosures give a full description of the creative step, and prior art where relied upon. In relation to the claims in the Halliburton patents, Pumfrey J stated that “it was a striking fact” that this had not been the case, as there was no clear description that explained the techniques required to construct certain aspects of the physical object.

In relation to prior art, Halliburton had relied upon disclosures contained in other patents, as well as disclosures which would form part of the common general knowledge. Pumfrey J found against Halliburton on both issues. For the prior art contained in other patents, Pumfrey J held that some of the disclosures were not correctly incorporated by reference and therefore Halliburton could not rely upon them. In relation to the disclosures Halliburton claimed were part of the common general knowledge, Pumfrey J stated that in relation to certain aspects there was no convincing demonstration of any common general knowledge, and the patent applications were consequentially insufficient.

Following the House of Lords decision in Kirin-Amgen (see below) it is important to provide the Court with the “context” of the invention, where possible in the specification itself. Where an invention emanates from scientific research, it is important to ensure that research is properly incorporated into the specification and the common general knowledge properly characterised.
“Obvious to Try” Test – Hurdle Raised

An assessment of obviousness often entails consideration of whether a particular course of action or research avenue was “obvious to try”. The doctrine is considered to derive from Diplock LJ’s comments in Johns Manville Corporation’s Patent. A line of authority from this case (including Brugger v Medic-Aid and Hallen v Brabantia) suggested that there only needed to be a “reasonable expectation of success” for a step to be an obvious one following this approach, although the likelihood of success would be assessed on a case-by-case basis. There appears to have been a raising of the barrier by the Court of Appeal in Saint-Gobain v Fusion last year.

The case concerned the validity of a patent to an invention consisting of using a zinc/aluminium alloy in place of zinc to prevent corrosion of buried pipes. The only issue in the case was that of obviousness. The defendants sought to run an “obvious to try” case citing Johns Manville Corporation’s Patent. The patentee countered that in this case there was simply no likelihood of success – one just did not know what would happen if one tried. After reviewing the expert evidence Jacob LJ dismissed the attack on inventive step since the evidence did not suggest any confidence in the result of any notional test:

“None of this to my mind remotely makes the idea of using Zn/Al alloy for pipes obvious – as something which is simply self-evident to the unimaginative man skilled in the art. The mere possible inclusion of something within a research programme on the basis you will find out more and something might turn up is not enough. If it were otherwise there would be few inventions that were patentable. The only research which would be worthwhile (because of the prospect of protection) would be in areas totally devoid of prospect. The “obvious to try” test really only works where it is more-or-less self-evident that what is being tested ought to work.”

A similar view (although to a different ultimate effect) was expressed by Pumfrey J in Mayne Pharma v Teva. In particular, the Judge refused to speculate on which of two courses of action might be followed by a skilled person where both were “open-ended”. The Saint Gobain “obvious to try” test was also quoted and applied last year in Schering-Plough v Norbrook Laboratories. The case looked at the test in the context of “class effects” of pharmaceutical products and provided interesting commentary also on the delicate balance to be struck in asserting obviousness of such effects on the one hand and insufficiency of the patent claim on the other.

“...

The “obvious to try” test really only works where it is more-or-less self-evident that what is being tested ought to work.”

(Saint Gobain, Jacob LJ)
The House of Lords decision in *Kirin-Amgen* continues to shape the patent landscape on the issue of construction – though Jacob LJ’s restatement of the Amgen principles seems the more often quoted.

**Construction, infringement and remedies**

The essential test is establishing what the person skilled in the art would have understood the patentee to be using the language of the claim to mean, bearing in mind the context in which the words were used…

**Amgen approach to “purposive construction” applied**

The House of Lords decision in *Kirin-Amgen v Hoechst Marion Roussel* in 2004 provided a comprehensive review of the UK Court’s approach to construction of patents. The essential test of establishing what the person skilled in the art would have understood the patentee to be using the language of the claim to mean, bearing in mind the context in which the words were used, has been developed into a “practical working guide” by Jacob LJ in *Technip* (see facing page) and restated in 2005 in *Mayne Pharma v Pharmacia*. A good example of the application of these approaches was seen last year in the case of *E-Data Corporation v Getty Images*.

The patent-in-suit in *E-Data v Getty Images* concerned a system for reproducing information in “material objects at a point-of-sale location”. The method and apparatus claimed enabled articles (such as CDs) embodying information (such as sound recordings) to be manufactured on demand at the place where they are sold under the control of the “owner” of the information – i.e. the copyright holder or his licensee. The defendants supplied digital copies of images from libraries accessible over the internet via their websites. Customers who wished to reproduce these images entered into a license agreement whereupon they could download digital copies of the images on to their computers and thereafter reproduce them as required. The defendants thus characterised their business as selling licences to reproduce images rather than selling “material objects” as claimed.

The key issues in the case, both as regards infringement and validity of the patent-in-suit, depended on a true construction of the claims, as is common in patent litigation. The case provides a useful summary of the principles of construction and their application to a number of terms including: “material object”; “information manufacturing machine”; “point of sale location”; “reproduction code”; “authorisation code”; “catalogue code”; and “storing”. After reviewing the decision of Lord Hoffmann in *Kirin-Amgen*, the Judge set out the applicable principles derived from *Technip* and *Mayne Pharma v Pharmacia* (see inset box). It is interesting to note that in some cases the general overarching...
The principle set out in Amgen is applied, in others the more detailed guidelines in Technip/Mayne Pharma are applied. The result ultimately should be the same.

E-Data claimed that the invention embraced a system in which the “information manufacturing machine” itself could be used to make further unauthorised copies with the information after the authorised copies. The defendants, on the other hand, said that such a system was outside the scope of the invention and that the invention required the information manufacturing machine not to be used to make further copies unless there had been a further request for reproduction and a corresponding authorisation code. The defendant’s interpretation was preferred, not least since it provided “a coherent explanation for the function and inter-relationship of the various features of the claims”. The term “information manufacturing machine” could not be understood literally since the machine did not “manufacture information”. Rather the machine reproduced information in a “material object” with the owner’s permission. The defendant’s use did not give rise to a “material object”.

The defendant’s interpretation was preferred, not least since it provided “a coherent explanation for the function and inter-relationship of the various features of the claims”.

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**Practical Working Guide to Construction – the Technip/Mayne Pharma Principles**

(a) The first, overarching principle, is that contained in Art. 69 itself.

(b) Art. 69 says that the extent of protection is determined by the terms of the claims. It goes on to say that the description and drawings shall be used to interpret the claims. In short the claims are to be construed in context.

(c) It follows that the claims are to be construed purposively – the inventor’s purpose being ascertained from the description and drawings.

(d) It further follows that the claims must not be construed as if they stood alone – the drawings and description only being used to resolve any ambiguity. Purpose is vital to the construction of claims.

(f) Nonetheless purpose is not the be-all and end-all. One is still at the end of the day concerned with the meaning of the language used. Hence the other extreme of the protocol – a mere guideline – is also ruled out by Art. 69 itself. It is the terms of the claims which delineate the patentee’s territory.

(g) It follows that if the patentee has included what is obviously a deliberate limitation in his claims, it must have a meaning. One cannot disregard obviously intentional elements.

(h) It also follows that where a patentee has used a word or phrase which, acontextually, might have a particular meaning (narrow or wide) it does not necessarily have that meaning in context.

(i) It further follows that there is no general “doctrine of equivalents”.

(j) On the other hand purposive construction can lead to the conclusion that a technically trivial or minor difference between an element of a claim and the corresponding element of the alleged infringement nonetheless falls within the meaning of the element when read purposively. This is not because there is a doctrine of equivalents: it is because that is the fair way to read the claim in context.

(k) Finally purposive construction leads one to eschew what Lord Diplock in Catnic called (at p 243): “the kind of meticulous verbal analysis which lawyers are too often tempted by their training to indulge”.

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Further significant issues concerned construction of the claimed term “point of sale location”. The defendants accepted that this did not need to be a shop, but could be, for example, a railway station, an office or even (in principle) in someone’s home. The defendant submitted, however, that it could only be a location where “material objects” embodying information were sold and purchased. The patentee contended that a “point of sale location” could be any location where a consumer can purchase a material object or where there are means to make such a material object himself – for example using a CD re-write function.
on a home computer. Once again, the defendant’s construction was preferred since the patentee’s construction effectively excluded the requirement for a “point of sale location” as a limitation on the claims – any location remote from the control computer could be a point of sale location. If this was what the inventor intended, it would have been easy for him to draft the patent that way and unnecessary for him to include a definition of “point of sale location”.

For the above reasons, the patent was found not to be infringed. Further, in light of the construction given, the patent was in any event found to be invalid as lacking novelty and obvious over cited prior art.

The case will be of interest to both patent lawyers and the IT community. It represents a further example of a case where a patent directed to the sale of physical products was unable to be enforced in respect of activities carried out over the internet.

Entitlement proceedings require an allegation of wrongdoing

Section 7(1) of the Act prescribes that any person may apply for a patent, either alone or jointly with another. Section 8 of the Act relates to the determination of questions about entitlement of patents.

The Court of Appeal considered these provisions of the Act in the case Markem Corporation v Zipher Ltd. Markem Corporation (Markem) manufactured machinery that was used to print “best before dates” onto empty food packages before they were filled, using a “thermal printing” method. Throughout 1999 and 2000 key personnel resigned from Markem and joined the defendant company, Zipher Ltd (Zipher). Upon joining Zipher those key personnel invented a new application (incorporating a twin-motor) that solved specific problems with the relevant thermal printing machinery. They proceeded to apply for two patents to cover their new machine and Markem subsequently brought their claim for entitlement to the patents, or at least to part of the patents.

Markem alleged that the new inventions had been based on discussions that some of the key personnel had been party to whilst still employed at Markem. These discussions were recorded in a memorandum and set out plans for possible improvements to the thermal printing machinery. Specifically, they recorded suggestions that a twin motor be installed in the machine.

At the trial the ex-employees denied having been present during any discussions about improvements to the machine whilst employed by Markem, or had only vague recollections of the memorandum. There were no formal allegations that the witnesses were lying or that they had breached any agreement of confidence owed to Markem by patenting their inventions.

The trial judge found that some parts of the patents were jointly owned by Markem and Zipher and imposed a complex plan of cross-licensing between the two companies for exploitation of the patents. Zipher appealed to the Court of Appeal, and Markem cross-appealed. Markem brought an action for breach of confidence against Zipher after the trial judgment was given.

The issues before the Court of Appeal were as follows:

- Does s.7 of the Act create an automatic entitlement claim under s.8?
- Did the trial judge’s finding that the evidence of the ex-employees of Markem was to be disbelieved amount to procedural unfairness?
- Did the bringing of a separate action of breach of confidence against the individual ex-employees after the trial judgment amount to an abuse of process?

The Court of Appeal granted Zipher’s appeal and dismissed Markem’s cross-appeal. Jacob L.J. held that s.7 of the Act does not create an automatic right to claim entitlement under s.8. Markem’s claim to entitlement should have been based on an enactment or rule of law – such as breach of contract or breach of confidence.
that Zipher had done anything wrong so it failed to fulfil the criteria for s.8. Whether or not Markem was entitled to apply for a patent pursuant to s. 7 was irrelevant to whether or not they could claim an entitlement under s. 8 to an application by Zipher - the mere fact that Markem could have patented the new improved machine themselves if they so decided did not give rise to an entitlement claim under s.8.

The Court of Appeal held that the trial judge had unfairly decided that the witnesses were being untruthful when they were cross-examined on their recollections of both the memorandum and other proposals to improve the thermal printing machinery. Procedural fairness to the parties and witnesses required that if their evidence was to be disbelieved they had to be given a fair opportunity to deal with the allegation (applying Browne v Dunn), such that if there was a question of untruthfulness the witnesses should have been cross-examined and given adequate opportunity to establish their cases before the court.

Jacob L.J. found that Markem had been able to bring the action for breach of confidence at the same time as their claim for entitlement. By bringing separate actions they were effectively keeping an action “in reserve” until after the judgment in the entitlement claim. By striking this claim out as an abuse of process at the same time as allowing Zipher’s appeal, Jacob L.J. commented that Markem “only had themselves to blame” for finding themselves deprived of the opportunity to claim damages.

Therefore, s.7 of the Act does not in itself create a right to claim entitlement under s.8 of the Act. The Court of Appeal confirmed that it is not enough for a claimant to establish a claim for entitlement under s.8 on the simple fact that a new patent has been registered by former employees. There must be an allegation of wrongdoing or some breach of legal obligations by the defendant. Such allegations must be made at the same time as the claim for entitlement. The case also highlights that it is dangerous to assume that another claim, for which one is already in possession of evidence, can be kept as a “fall back” until judgment in the first action is rendered.

Interim payments should not exceed a reasonable proportion of the likely award

Part 25(1) of the Civil Procedure Rules provides that the court may grant a number of interim remedies. In particular, CPR 25.7(1)(b) provides that the court may make an order for an interim payment when the claimant has obtained judgment against the defendant for damages to be assessed or for a sum of money (other than costs) to be assessed. The courts have clarified the circumstances in which interim payments will be awarded in several patent infringement cases throughout 2005.

In Ultraframe (UK) Ltd v Eurocell Building Plastics Ltd the claimant, Ultraframe (UK) Ltd (Ultraframe), applied to the Patents Court for a preliminary payment by the defendant, Eurocell Building Plastics Ltd (Eurocell), in respect of damages caused by Eurocell’s infringement of Ultraframe’s patent. This inquiry into damages came as a result of the Court of Appeal awarding damages (to be assessed) to Ultraframe in infringement proceedings relating to Ultraframe’s patent for the structure of panels for conservatory roofs and the methods of fixing them together.

Ultraframe claimed damages under various heads. The heads of damage were in dispute between the parties – many of the heads were denied by Eurocell, and the parties’ accountants reached quite disparate figures using different methods for calculation of loss. Eurocell contended that should they successfully appeal the infringement finding, it would be difficult to reclaim any interim damages paid to Ultraframe given that that money was urgently needed by Ultraframe to pay its dividends.

Granting the application, Pumfrey J in the High Court noted that the only factor he was obliged to take into account when making an order for an interim payment was that “the award should not exceed a reasonable proportion of the likely amount...
of the final judgment”. He referred to the decision in *Chiron Corporation v Murex* (Chiron), saying that it “provides valuable guidance as to the just manner of exercising a discretion as broad as this one”. Pumfrey J held that, in accordance with Chiron, interim payment procedures are generally not suitable when “factual issues are complicated, or where difficult points of law arise”. However, he determined that on the facts it was possible to calculate an interim award by reference to the “irreducible minimum” value of the claim “without venturing too far into the disputed area of fact or law”.

Taking into account the figures for loss of sales, and appropriate reductions on account of various uncertainties, it was concluded that £800,000 constituted a reasonable figure for an interim payment. However, both Ultraframe and the holding company that was to receive the dividends were ordered to provide a cross-undertaking in respect of any necessary repayment (with a corresponding guarantee), in order to protect Eurocell’s position in the event of its successfully appealing the infringement action.

The Court of Appeal also considered the issue of interim payments in its decision in *Mayne Pharma Pty Ltd v Pharmacia Italia SPA* (considered above and below also).

Pharmacia Italia SPA (Pharmacia) applied for an order for delivery up of goods and an interim payment of costs following a ruling that its patent had been infringed by the respondent, Mayne Pharma Pty Ltd (Mayne).

In correspondence, Pharmacia had given unhelpful responses which had failed to clarify its position on the ultimate issue in the litigation. After the judgment of the appellate court had been made public (but before the order had been made), Mayne had removed products from the jurisdiction which it had imported after its success at first instance. Pharmacia contended that it was entitled to an order for delivery up because Mayne had taken advantage of a gap in time between the appellate court giving judgment and making its order to dispose of the goods, and that it was entitled to an interim payment of costs. Mayne argued that Pharmacia was liable for 30% of its total costs, such proportion being attributable to Pharmacia’s lack of cooperation in relation to the term of art issue.

The Court of Appeal rejected Pharmacia’s application for an order for delivery up, on the basis that there could be no case for delivery up of material which may have only had a temporary presence in the country. It noted that an order for delivery up was nothing more than a way of making sure that the injunction was obeyed. Pharmacia had known that it was Mayne’s intention to import the products and there was no reason why Mayne should not have carried forward that intention having won at first instance.

On the issue of costs, the Court of Appeal held that Mayne was (in principle) entitled to those costs which had been incurred as a result of Pharmacia’s failure to make its position clear. It was held that the costs on account of Pharmacia’s obfuscation could legitimately be estimated to be 15% of Pharmacia’s overall costs. Pharmacia was awarded an interim payment of £200,000 – which was deemed to be a realistic figure on the facts of the case – despite the fact that its total costs were approximately £560,000.

### Adding a party to an injunction

The Practice Direction to CPR Part 25 was revised in March 2005, and it now provides (at paragraph 5.5(1)) that any order for an injunction, unless the court orders otherwise, “must contain an undertaking by the applicant to the court to pay any damages which the respondent(s) (or any other party served with or notified of the order) sustain which the court considers the applicant should pay” (emphasis added). This provision is intended to ensure that a defendant who is ultimately successful at trial is compensated for any damage caused by the grant of an interim injunction in a claimant’s favour. Prior to the March 2005 amendments, the scope of this cross-undertaking had been narrower.

The standard practice, at least until last year, was that such undertakings did not
extend any benefits to any parties who were not defendants in the proceedings. However, the decision in *Smithkline Beecham PLC v Apotex Europe Limited* explores the grounds which exist for adding parties to injunctions.

By way of background, Smithkline Beecham PLC (Smithkline) was the patentee in respect of a process for the formulation of the active ingredient in a blockbuster psychiatric drug. The defendants, Apotex Europe Limited and others (Apotex), informed Smithkline that they intended to launch a product in the UK containing that same active ingredient. Apotex's ingredient was manufactured by two of its related companies in Canada (the Canadian companies).

Apotex instituted proceedings against Smithkline seeking revocation of its patented process, and Smithkline responded by launching infringement proceedings. The Canadian companies that manufactured the allegedly infringing ingredient were not parties to either the revocation or the infringement proceedings. Two interim injunctions were awarded in favour of Smithkline against Apotex, and Smithkline provided cross-undertakings in damages in respect of those injunctions.

Smithkline's patent was ultimately held to be valid, but not infringed. Consequently the cross-undertakings became enforceable against Smithkline.

Just before the main interim injunctions were discharged, Apotex sought to join the Canadian companies to the action in which the interim injunctions had been granted. The purpose of this application was to give the Canadian companies the benefit of Smithkline's cross-undertaking in damages, with retrospective effect, in order to cover the losses that the Canadian companies had suffered. Apotex claimed that the cross-undertakings should be amended under the “slip rule” to make them conform with CPR Part 25’s Practice Direction (as they were originally drafted, they related solely to the named defendants and did not extend to a “party served with or notified of the order”, as required by the practice direction). Apotex explained that the exclusion of the Canadian companies from the original injunction had been due to an oversight on counsel's part: that neither side had asked for such wording at the time the injunctions had been made, although they should have done so.

Lewison J dismissed Apotex's applications to join the Canadian companies as defendants and to amend the cross-undertakings under the slip rule. Commenting on the slip rule, Lewison J concluded that it allows the court to correct an accidental error or omission. Whilst forgetting to ask for an order which one had intended to ask for could be described as an accidental error, the same could not be said of a case where it had not occurred to anyone that a particular form of relief might be available.

It was held that whilst it is implicit in any application for an injunction that a cross-undertaking will be given, the court cannot simply impose a cross-undertaking on a party unwilling to give it. On the facts it was impossible to say whether Smithkline would have agreed to the wider form of cross-undertaking if it had been sought when the injunctions were granted, and to amend the cross-undertaking would change it substantially and was therefore outside the scope of the slip rule.

Lewison J further noted that the Practice Direction to CPR Part 25 does not clarify why the standard cross-undertaking was to be expanded to include “any other party”, and commented on the ambiguity regarding whether it refers merely to another party to the litigation or not. However, without deciding the issue, Lewison J assumed that the Practice Direction provides that a non-party to litigation is entitled to the benefit of a cross-undertaking, unless the judge orders otherwise.

At the time the injunctions in this case were ordered, the former practice directions – which were narrower in their ambit – were in effect. Further, when considering the scope of the slip rule, the form of the undertaking did not entail any accidental error, as it was deliberately given in that form. On these bases, Lewison J dismissed Apotex's application.

“...whilst it is implicit in any application for an injunction that a cross-undertaking will be given, the court cannot simply impose a cross-undertaking on a party unwilling to give it.”
With more active case-management from the Courts following the introduction of the CPR and streamlined procedure, parties need to themselves be prepared from the early stages of litigation to seize the benefits of these procedural changes.

Procedure and evidence

Amend early or not at all

A number of cases that came before the English courts in 2005 highlighted the importance of timely patent amendments.

The decision in Secretary of State for Education and Skills v Frontline Technology Ltd aptly illustrates the point. Following a determination that certain claims of a patent held by Frontline Technology Ltd (Frontline) were invalid on grounds of obviousness and lack of inventive step due to a prior use, it was ordered that the patent be revoked unless the specification was amended under s.75 of the Act. Frontline subsequently applied to amend the specification of its European patent for a student data collection system. However, rather than simply deleting the claims found to be invalid, Frontline sought to rewrite certain claims and put forward a new combination of features arguably broader than the subject of its valid claim, Claim 7, which related to the manner in which the broad inventive concept was to be implemented.

The Secretary of State applied to strike out Frontline’s application (or for summary judgment dismissing the same), submitting that the application was an abuse of the court’s process and contained added matter contrary to s.76(3)(a) of the Act. Frontline countered that the court should allow a patentee an opportunity to meet an invalidity finding in accordance with s.72(4) of the Act given that (unlike proceedings at the EPO) no procedure is available in the UK whereby “the patentee has the opportunity in opposition proceedings to put forward auxiliary claims by way of a fall back position in the event that the existing claims are held to be invalid”.

In granting the Secretary of State’s application, the High Court stated that if the proposed amendments to certain claims were to be raised at all they should have been raised at least by the time when Frontline was fully aware of the facts relating to the prior use. Mr David Young QC (sitting as a deputy High Court judge) noted that:

“It is incumbent on a patentee to put before the court what it alleges to be its inventive concept or concepts…over the prior art and in what manner it alleges it
differentiates those concepts from the cited prior art. If claims under attack do not adequately reflect the true position the patentee should seek to amend them accordingly prior to the trial so that the court could deal with all the issues fairly and expeditiously without recourse to what...would amount to a substantial further trial.

Mr David Young QC found for the Secretary of State, concluding that “as a matter of discretion and/or as an abuse of process” Frontline should not be able to make the desired amendments, and further, that the proposed amendments would be contrary to s.76(3) of the Act in that they related to the creation of added matter. On the facts there were no special circumstances to justify allowing Frontline a further opportunity to seek to substantiate a different claimed combination.

This principle was also explored by the Court of Appeal in Nikken Kosakusho Works v Pioneer Trading Company. In this case the appellant patentee, Nikken Kosakusho Works (Nikken) appealed against a decision that it would not be permitted to amend its claim, following a ruling that its patent for a milling chuck was invalid. Nikken’s application had been dismissed on the basis that Nikken could have raised the amendment before trial, and that its post-trial attempt to amend had therefore been too late.

Nikken’s appeal was dismissed, in light of the principle of general law set out in Henderson v Henderson and the “overriding objective” of the Civil Procedure Rules. It was held that a party should bring forward his/her whole claim so as to avoid uncertainty and costs, and the type of post-trial amendment that Nikken had sought should not be allowed if it would involve a second trial on validity. As there was no special rule in patent cases that permitted a patentee to amend its pleaded claim after judgment, the judge at first instance had been correct to dismiss Nikken’s application to amend.

The following points are therefore useful to bear in mind:

- The Act contemplates that a patent specification may be amended in order to cure a partial invalidity in accordance with the findings of a judgment on validity (see sections 72(4) and 75). However, these sections do not give a patentee carte blanche to reformulate its claims.
- Any amendment “ought to be raised before the trial so that all issues can be dealt with at that time and not left to be dealt with in a further fresh trial” (Frontline).
- Parties should not seek “to argue a second time around that which they could, and should, have argued the first time round” (Nikken).

Preparing patents with skill and knowledge – a practical approach

The courts have confirmed that amendments to patent specifications must be framed with skill and knowledge. However, this requirement is not intended to impose onerous obligations upon patent attorneys.

The central issue in Unilin Beheer BV v Berry Floors NV was whether the patent in dispute was framed with reasonable skill and knowledge. During prosecution, Unilin Beheer BV (Unilin) became aware of prior art which made it necessary for it to amend its patent for a floor covering and to reduce the scope of the main claim. Unilin then sued Berry Floors NV and others (Berry) for patent infringement. Berry counterclaimed for revocation, citing a new piece of prior art. In September 2003 the trial judge held that Unilin’s patent was partially valid and infringed, thereby entitling Unilin to claim damages for past infringement and costs. The Court of Appeal affirmed the trial judge’s decision, and the question of damages and costs was remitted to the High Court.

When Unilin sought damages for Berry’s past infringement and costs, the defendants contended that s.63(2) of the Act precluded such payment. Section 63(2) of the Act provides that in any proceedings where a patent is found to be only partially valid, the court shall not grant relief except

“Parties should not seek “to argue a second time around that which they could, and should, have argued the first time round”

(Mann J in Nikken Kosakusho Works v Pioneer Trading Company).
where it is proven that the specification for the patent was framed in good faith and with reasonable skill and knowledge, and the relevant proceedings were brought in good faith. Specifically, Berry argued that Unilin had failed properly to amend the description of its patent so that it conformed to the amended claim, and that accordingly the specification was not framed with reasonable skill and knowledge.

Mr David Young QC, sitting as a deputy High Court Judge, held that despite the fact that there were two passages in the specification referring to certain floor materials which should have been removed at the time of amendment, the failure to delete them did not represent a want of reasonable skill and knowledge such that s.63(2) of the Act would preclude Unilin obtaining the damages it sought. Berry appealed Mr David Young QC’s decision.

The Court of Appeal dismissed Berry’s appeal. It was held that exercising reasonable skill and knowledge does not extend to irrelevant matter, even if such irrelevant matter has been included in the patent negligently. However, Jacob LJ cautioned:

“That is not to say that it is safe or sensible not to do a careful job of bringing a description into conformity with an amended claim. Failure to do so may well cause real difficulties in deciding on the meaning of the claim, which…is to be interpreted using the description and drawings. If that were so in a particular case, and the passages causing the difficulty were left in through negligence, then there would be a lack of relevant reasonable skill and knowledge.

On the facts, it was found that the offending passages in the patent specification could not mislead a skilled reader – the claims were clear despite the passages in dispute – and as those passages carried no importance whatsoever s.63(2) was not engaged. Jacob LJ described this case as one where there was “no nexus between the reasons for the amendment and the alleged lack of reasonable skill and knowledge and where the patent with the alleged faults [was] not in any way misleading”.

It therefore appears that s63(2) should be construed so as to deprive a patentee of damages only where the patentee has done something which might mislead another person. Any alleged poor draftsmanship is likely to be irrelevant for the purposes of s.63(2) where it has no bearing upon a third party’s reliance upon the patent. As Mummery LJ noted in the course of argument, “reasonable skill and knowledge does not require an irrelevant degree of perfection”. This result is a sensible and practical one, as there is no policy reason for depriving patentees of damages merely on account of some irrelevant harmless material in their patent specifications.

In praise of the streamlined procedure

Patent litigation is often perceived as being consonant with high legal costs, lengthy delays and commercial uncertainty. In 2003 significant progress was made to remedy these problems, with the introduction of a new, flexible streamlined procedure for claims. Although the streamlined procedure was largely aimed at better managing small patent disputes in the Patents County Court, a variety of recent cases demonstrate that it has gained favour in the Patents Court.

The streamlined procedure differs in a number of important respects from the standard procedure. For example, evidence must be submitted in writing, cross-examination is strictly limited and disclosure of documents is generally not required. This makes it ideal for cases which do not depend on challenges to expert evidence or resolving complex factual disputes that may be better settled by a review of documentation and/or cross-examination.

Similarly, experiments are generally not permitted. Particularly in pharmaceutical disputes, cases can get waylaid with experiments and counter-experiments which often take place overseas and can involve substantial delays. Cases which do not involve complicated scientific or technical issues are therefore also often ideally suited to the streamlined procedure.
Given that time-consuming issues such as disclosure and cross-examination are dispensed with, trials are generally limited to one day. This is expected to reduce the time it takes to reach trial from approximately 12 months to approximately 6 months – a major boost for claimants with relatively straightforward and low-value claims. Importantly, the courts have the power to impose the streamlined system even where neither party has applied for it, or to impose parts of it and not others.

The Court of Appeal gave its judgment in *Mayne Pharma Pty Ltd v Pharmacia Italia SPA* in February 2005 (see above also). Pharmacia Italia SPA (Pharmacia) is the proprietor of a patent for an injectable, ready-to-use anti-cancer drug. Mayne Pharma Pty Ltd (Mayne) commenced proceedings for revocation and Pharmacia counterclaimed for patent infringement. The court at first instance held that Mayne’s product did not infringe Pharmacia’s patent, and Pharmacia appealed to the Court of Appeal.

This case represented the Court of Appeal’s first attempt to apply the principles of construction enunciated in *Kirin-Amgen* (see above), and is significant from a procedural perspective because it took only nine months from the issue of the claim for the dispute to progress through both the High Court and the Court of Appeal. The parties’ employment of the streamlined procedure was applauded by the court. As the dispute ultimately turned upon the construction of a particular phrase in one claim of the patent, the streamlined procedure proved particularly appropriate.

Mr Justice Laddie also endorsed the merits of the streamlined procedure, stating in *RIM v Inpro* (June 2005) that where one party asks for the streamlined procedure, the court should proceed on the basis that it is appropriate unless there is a convincing reason to the contrary. However, Mr Justice Laddie’s decision to utilise the streamlined procedure has faced some criticism on the facts of that case.

Mr Justice Pumfrey also emphasised the virtues of the streamlined procedure in the case of *Canady v Erbe Elektromedizin GmbH*. The claimant, Canady, was the proprietor of a patent for an argon beam coagulation device for use in endoscopic surgery, and commenced infringement proceedings against four defendants. The first and second defendants, in addition to denying infringement, counterclaimed that the patent was invalid and should be revoked. However, the third and fourth defendants (having a different commercial objective) applied for a split trial and an order that the issue of infringement be heard under the streamlined procedure, leaving the invalidity proceedings to be determined at a later stage. They submitted that if the patent was not infringed, there was no need for the third and fourth defendants to spend time and money trying to invalidate it.

The order requested by the third and fourth defendants was granted, on the basis that the issue of infringement largely fell to be determined upon the construction of the term “handle” (as used throughout the patent), and could thus be dealt with expeditiously under the streamlined procedure.

The increasing popularity of the streamlined procedure indicates that the UK Patents Court provides a forum for patent litigation that compares very favourably to the Courts of many continental European countries. Indeed, Mr Justice Pumfrey observed in *Canady v Erbe* that:

> Those of the profession who admire the German way of doing things will be able to compare a streamlined trial of the issue of infringement with the manner in which the same issue would be disposed of...in Dusseldorf and draw what one can only hope will be helpful comparisons.

Therefore, the growing popularity of the streamlined procedure with judges of the UK Patents Court is good news for litigants, as it is likely to lead to significant savings in terms of time, effort and legal costs, and hence result in the prompt resolution of patent disputes.

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*(Canady v Erbe, Pumfrey J)*
The importance of acting promptly – stays of proceedings pending determination by the EPO

The decision in Hunt Technology Ltd v Don & Low Limited illustrates how a delay in instituting UK proceedings may prejudice a litigant's interests. In this case the court granted an application for a stay of UK revocation proceedings pending the outcome of an appeal in opposition proceedings in the EPO.

In November 2000 Hunt Technology Ltd (Hunt) commenced opposition proceedings in the EPO immediately after a patent was granted to Don & Low Limited (Don & Low). In mid-2004 the Opposition Division of the EPO upheld the validity of that patent. Hunt commenced revocation proceedings in the UK Patents Court in October 2004 and a week later appealed the EPO decision. Don & Low applied for a stay of the English proceedings pending the outcome of the EPO appeal.

Hunt resisted the stay, arguing that there were commercial reasons why it was very important to clarify the matter of validity, and further contended that the English proceedings should in fact be expedited. Don & Low countered that the court should order a stay in order to avoid duplication with the EPO appeal, and further, that Hunt had never attempted to accelerate the EPO opposition proceedings – on the contrary, on two occasions Hunt had sought an adjournment. Don & Low also noted that Hunt's now-apparent urgency only appeared to come about due to the dismissal of its opposition in the EPO.

Mr Justice Laddie heard the case. Reviewing the authorities, he quoted Aldous J in Kimberly-Clark Inc v Proctor & Gamble Limited, noting “[i]t is not sensible for a court in this country to allow proceedings to be heard in this country which duplicate those in the EPO unless justice requires that to happen”. Mr Justice Laddie further noted that a result in the EPO opposition proceedings was expected at approximately the same time as judgment in the UK proceedings, if the UK proceedings were not expedited in accordance with Hunt's request.

It was ultimately held that in view of undertakings Don & Low was willing to give (which included not bringing or threatening patent infringement action against Hunt during the stay nor seeking any financial relief for the period of the stay), there was a (slight) balance in favour of ordering a stay. The qualification to this position was that if Hunt obtained evidence that Don & Low was using the existence of the patent to cause it commercial harm it would have a sympathetic hearing of an application to lift the stay.

Noting that this was one of the most difficult applications for a stay that he had heard, Laddie J stated that the deciding factor was the Claimant's four year delay in commencing the UK revocation proceedings. This delay was clearly on account of Hunt wishing to wait for the result of the EPO opposition proceedings (which was ultimately unfavourable).

UK businesses should consider bringing a revocation action in the UK concurrently with EPO opposition proceedings in circumstances where the existence of a newly granted European patent could cause interested UK businesses commercial harm. The temptation to simply rely upon EPO opposition proceedings in order to eliminate any granted patent application is obvious – the correctness of the grant of the patent application can be challenged centrally in the EPO and opposition proceedings are less expensive than litigation. However, this strategy carries significant risks. In particular, EPO opposition proceedings typically run for several years (4-8 years is not unusual), during which time a business may be damaged by the mere existence of relevant national patents. Finally, it should be pointed out
that a patent which is upheld by the EPO may nevertheless be held invalid in the UK, and hence revoked. Whilst such inconsistencies are not desirable, they are perhaps inevitable owing to the structure of the European patents system, in which patent applications are granted centrally and then enforced on a national basis.

Anyone can seek revocation for any reason

Our UK Patents Review 2002 reviewed the decision in Cairnstores v Aktiebolaget Hassle. In that case, the court clarified that a party need not have an interest in a patent’s invalidation to revoke it under s.72 of the Act. The Court of Appeal recently confirmed this position in its decision in Nokia Corporation v InterDigital Technology Corporation, holding that any person may apply to revoke a patent, irrespective of their motivations.

By way of background, InterDigital was the owner of a large number of patents which it maintained were essential to the practice of GSM standards for digital mobile telephones. Nokia took a licence from InterDigital to develop its 2G and 2.5G services. The licence was structured such that after the initial payment no further royalty was payable unless certain conditions were satisfied. Meanwhile, InterDigital settled an infringement claim it had brought against Ericsson, one of the terms of the settlement being that Ericsson would also take a licence from InterDigital.

InterDigital claimed that the grant of the Ericsson licence triggered a further royalty payment from Nokia. Nokia disagreed and the dispute went to a US arbitration.

Nokia brought separate proceedings in England for the revocation of three InterDigital patents, which it regarded as representative of InterDigital’s patent portfolio, primarily because the arbitrators had indicated that the general validity and strength of InterDigital’s patent portfolio would be relevant to their considerations.

In support of the English proceedings, Nokia made an application in the US under the 28 USC 1782 statutory procedure, by which US courts can be asked to give assistance to foreign and international tribunals. Pursuant to this application, Nokia sought disclosure of documents from Ericsson on the basis that, following its extended litigation against InterDigital, Ericsson would have information in its possession relating to the scope and validity of US patents equivalent to those at issue in the UK.

InterDigital applied to the English court for a variety of heads of relief, including a stay of proceedings until the conclusion of the arbitration. The High Court refused InterDigital’s application for relief, and InterDigital then appealed.

Dismissing InterDigital’s appeal, the Court of Appeal acknowledged that Nokia’s motive in bringing the revocation proceedings was simply to influence the arbitration (as Nokia itself freely admitted). However, this was no reason to grant a stay of the revocation proceedings. The Act states that “any person” may apply for revocation, and as such it does not matter what in fact motivates the party bringing the action. Lord Justice Jacob said:

“The Courts of England and Wales are open to anyone who wishes to attack the validity of a patent, just as they are open to anyone who wants to enforce one. It is just as important that bad patents are knocked out as that good ones are upheld.”

It was concluded that this was a properly constituted action which could not be said to be an abuse of process, and in these circumstances, the primary duty of the court was to bring the proceedings on for trial as quickly as circumstances permitted and not to stay them.

(Nokia v InterDigital, Jacob LJ)
The ‘Liechtenstein Loophole’ concerning the effect of a marketing authorisation for a medicinal product being granted in Switzerland in connection with an application for an SPC was at last clarified by the ECJ last year.

Supplementary Protection Certificates

Supplementary Protection Certificates – the Swiss position clarified

In 2005 the European Court of Justice (ECJ) was asked to determine whether a first marketing authorisation granted in Switzerland was sufficient to amount to a first marketing authorisation within the EEA, on account of a particular customs agreement between Switzerland and Liechtenstein. The importance of this referral (from the UK and Luxembourg) lay in the fact that if the Swiss authorisation was deemed to constitute the first marketing authorisation in the EEA, the extended monopolies afforded patentees pursuant to Supplementary Protection Certificates (SPCs) would, in many cases, be significantly reduced.

Pharmaceutical companies rely heavily upon effective patent protection for their products. Even after a patent has been granted, it can take many years to develop and commercialise a product. Pharmaceutical companies often find that more than half of the 20-year term of protection granted by a patent can be consumed in development and obtaining regulatory approval, leaving them only a few years in which to recoup their huge investment in a product.

This problem has been recognised in a variety of jurisdictions, and in Europe resulted in the introduction of SPCs, which extend the duration of protection for medicinal (and certain other) products for a period of up to five years. This additional period of protection is intended to compensate the patent owner for the significant investment (of time and resources) required to develop a commercial product and obtain a marketing authorisation.

In order to meet the requirements for grant of an SPC, certain conditions need to be met (in accordance with Article 3 of Council Regulation (EEC) 1768/92 (the Regulation)). In brief, the product must be protected by a basic patent in force, a valid marketing authorisation must be in place and must be the first authorisation to place the product on the market. Further, the product must not already be the subject of an SPC. The duration of an SPC is defined by reference to the “date of the first authorisation to place the product on the market in the Community” (Article 13 of the Regulation).
Although Switzerland is not an EEA member state, it has a customs union agreement with Liechtenstein (which is in the EEA) under which Swiss marketing authorisations are automatically recognised in Liechtenstein. It has previously been unclear whether a marketing authorisation in Switzerland could constitute the “first authorisation” for the purposes of calculating the term of an SPC. Given that the grant of a Swiss marketing authorisation often takes place before the rest of the EEA, if the date of the Swiss grant is considered to be the “first authorisation” within the EEA, this may result in a dramatic reduction in the duration of an SPC. At a time when the proprietor’s monopoly is about to end, sales of products are often at their highest.

This question was addressed by the ECJ in 2005 in two cases on reference from the UK and Luxembourg. In Novartis AG and others v Comptroller-General of Patents (consolidated with Ministrie de l’Economie v Millenium), Novartis had applied for an SPC for a product for which Swiss marketing authorisation had already been granted several months prior to authorisation in any EEA country. The UK Patent Office treated the Swiss authorisation, because of its applicability to Liechtenstein, as the relevant “first authorisation”, and thus granted a shorter term of SPC than would have been the case had the first EEA authorisation been considered as the first relevant authorisation. Novartis challenged this decision and the High Court made a reference to the ECJ on the interpretation of the Regulation.

The ECJ held that a Swiss marketing authorisation could constitute the first authorisation of a product within the EEA. In such circumstances the date of commencement for an SPC is to be calculated by reference to the Swiss authorisation date, as opposed to subsequent authorisation within the EEA. The ECJ stated that this interpretation was consistent with the purpose of the Regulation, which stipulates that the owner of a patent and SPC should not enjoy more than 15 years exclusivity from the time that the medicinal product obtains its first marketing authorisation within the EEA.

The potential implications of these decisions could be significant for pharmaceutical companies. In the case of Ministrie de l’Economie v Millenium the duration of the SPC was reduced by almost two and a half years. These implications may be minimised, however, as a result of subsequent legislative changes in Switzerland. In particular, as a result of these decisions the Swiss government has amended its legislation to provide that a marketing authorisation granted in Switzerland will only become effective in Liechtenstein after 12 months of the Swiss grant. It was hoped that this would bring the timing of the effect of a Swiss marketing approval in Liechtenstein into line with the granting of equivalent marketing authorisations in Member States of the EEA. Temporary holding legislation to this effect was introduced immediately following the ECJ decision. Further legislation, to the same effect, is currently proceeding through the Swiss Parliament.
**Reported case analysis**

This is an analysis of reported cases, which can be found on the following websites: [www.baili.org](http://www.baili.org) and [www.westlaw.co.uk](http://www.westlaw.co.uk)

The following analysis of how Counsel and Judges compared is based only on these reported cases. Other cases may have been reported elsewhere. The successful party is indicated in bold.

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