

EIP

Cross undertaking for damages negated by extra-national infringement

In this case the patentee Servier had obtained an injunction against the defendant Apotex for the sale of a generic copy of the drug Perindopril Erbumine. Perindopril Erbumine was covered by a European patent (UK) granted in February 2004. The injunction was granted in August 2006 pending trial in the UK and contained a cross-undertaking by Servier for any losses sustained by the defendant due to the injunction.

In both the initial trial, in July 2007, and the subsequent appeal in May 2008 Servier's patent was held to be infringed, but invalid.

However, to complicate matters, the Perindopril Erbumine imported into the UK had been manufactured by the defendant in Canada from where it had been exported. In a decision in June 2009, the Canadian Federal Court of Appeal had held this manufacture to be an infringement of a valid Canadian patent held by Servier.

Since the cross undertaking specified that: "If the Court later finds that this order has caused loss to the Defendants ... and decides that the Defendants should be compensated for that loss, the Claimants will comply with any Order the Court may make", the Court was asked to determine if damages were to be awarded in view of the public policy point that Apotex could not recover damages for being prevented from selling a material whose manufacture would have been unlawful because it infringed a valid foreign patent.

Arnold J found that, although Apotex's UK business in importing and selling the product was not in itself unlawful, it relied on the illegal (patent infringing) act of manufacturing

the product in, and exporting it from, Canada, This was sufficient for the award of damages to be barred by the doctrine of *ex turpi causa non oritur actio* (“from a dishonourable cause an action does not arise”).

In making this ruling, Arnold J noted that the unlawfulness does not necessarily require dishonest or criminal acts, but must be sufficiently serious for the *ex turpi causa* rule to be engaged, something that would depend on the circumstances of the case.

Arnold J ruled that the illegality was sufficiently serious in this case, since:

- Apotex's illegal act (infringement of the Canadian Patent) was not induced by Servier; nor was Apotex misled by Servier in any way;
- Apotex was aware of all the material facts; in particular, Apotex was aware that making Perindopril Erbumine would infringe the Canadian Patent if valid;
- Apotex committed the infringing acts intentionally, and while it was noted that Apotex had respectable arguments that the Canadian Patent was invalid, Apotex had decided to take the commercial risk that the patent would be held valid and infringed; and
- There was a precise symmetry between Apotex's claim for compensation under the cross-undertaking and the illegality upon which Servier relied; that is, Apotex had to rely upon its own illegality to a substantial extent to establish the loss claimed.

Whilst this decision was dependant on the facts at hand, which will vary between cases, this nevertheless demonstrates the importance of considering all relevant jurisdictions when assessing patent enforcement in relation to international trade.