Interlocutory Injunctions and Irreparable Harm

September 21, 2018

By Daniel Bereskin

Interlocutory or interim injunctions are attractive to plaintiffs because the grant of an injunction often ends the litigation, at much less cost than a full-blown trial. Pharma cases are no exception. That said, such injunctions are not easy to obtain, and when granted there is a risk of damages to the defendant should the case proceed to trial and the defendant is found not to have infringed.

One important requirement for obtaining such relief is proof of irreparable harm. The issue to which this note is addressed is whether irreparable harm should be presumed if the Court is of the view that the plaintiff is likely to succeed at trial. In the author's view, such a presumption generally is not in the public interest. Instead, Courts should require evidence of likely irreparable harm unless there are exceptional circumstances to the contrary.

For the UK and other commonwealth countries including Canada, the usual starting point is the 1975 judgment of Lord Diplock in American Cyanamid v Ethicon. That case involved absorbable synthetic sutures that were covered by a patent owned by American Cyanamid. Ethicon introduced into the UK market, synthetic sutures intended to compete directly with those of American Cyanamid. Graham, J. granted an interlocutory injunction, which was vacated by the Court of Appeal. On appeal to the House of Lords, the decision of Graham J. was restored.

The reasons given by Lord Diplock were intended to serve as guidelines for the future grant of interlocutory injunctions. They are summarized as follows: (1) there is a serious question to be tried, (2) the plaintiff will suffer irreparable harm if the interlocutory injunction is denied, and (3) the balance of convenience favours the plaintiff. These guidelines in general apply to both trade marks and patents, but there are differences, as indicated below.

The requirement of a 'serious question to be tried' is a low threshold. It is generally considered sufficient if the plaintiff has a possibility of success at trial, rather than a probability of success. It appears that Lord Diplock's guidelines were intended for those cases where it is neither possible nor practical for the Court at an interlocutory stage of the action to make a proper assessment of the plaintiff's chances of success at trial, which is why proof of liability was set low, and proof of irreparable harm and balance of convenience were set high.

In the UK, the relative strength of the respective parties' positions has become a factor, notwithstanding the low threshold test envisaged by Lord Diplock. In Series 5 Software Ltd. v Clarke, Justice Laddie stated that 'Lord Diplock did not intend ... to exclude consideration of the strength of the cases in most applications for interlocutory relief.' This implies a 'sliding scale' approach, i.e. the level of required proof of irreparable harm is an inverse function of the perceived strength of the plaintiff's case. Even so, interim injunctions in trade mark cases remain difficult to obtain in the UK, Canada and other commonwealth countries.

Interestingly, interim injunctions in the UK may more readily be obtained in pharma patent cases than trade mark cases unless the defendant has taken steps to 'clear the way' of any blocking patents prior to entering the market: see SmithKline Beecham v Apotex and cases that follow. That said, much depends on the relevant facts. In Cephalon v Orchid, an interim injunction was refused essentially based on Cephalon's failure to prove irreparable harm. In Canada, interlocutory injunctive relief in patent cases remains problematic, see Tearlab Corporation v I-Med Pharma Inc., where the Canadian Federal Court of Appeal affirmed a trial judgment refusing an interlocutory injunction in a pharma patent case.

US case law has developed along different lines. Historically, irreparable harm has been presumed once the Court is satisfied the plaintiff is likely to succeed. This has changed as a result of two United States Supreme Court cases: eBay
Inc. v MercExchange and Winter v Natural Resources Defense Council, Inc. According to the Winter case, in order to obtain a preliminary injunction, a plaintiff 'must establish that he is likely to succeed on the merits, that he is likely to suffer irreparable harm in the absence of preliminary relief, that the balance of equities tips in his favor, and that an injunction is in the public interest.'

Although eBay and Winter are important cases that indicate the present state of US law, it remains unclear whether it is appropriate for US Courts to apply a ‘sliding scale’ approach as mentioned above. In the author’s view, the fact that an interlocutory injunction is an extraordinary remedy that can affect the public interest as well as the interests of rival traders, means that irreparable harm generally should not be presumed.

There appears to be divergent views among the Federal circuits in the US as to the applicability of a sliding scale test. As a result, in 2017 the Board of Directors of the INTA passed a resolution proposing that the Lanham Act should be amended to provide that ‘when a claimant seeks injunctive relief under Section 34 of the Act, a rebuttable presumption of irreparable harm shall apply where there has been a finding of liability, or in the case of a motion for a preliminary injunction, a finding of probable success on the merits of the claim’. This means that the burden of proof then shifts to the defendant to disprove irreparable harm.

In the author’s view, this approach may encourage trade mark bullying, and may be inconsistent with the public interest in freedom of competition and freedom of expression. Proving ‘probable success’ is not the same thing as proving liability for infringement or unfair competition, and could lead to cases where injunctions are issued without proof of any likely harm to the trade mark owner.

All that said, we do live in the real world, and in cases where the defendant’s conduct is considered to be clearly wrong, perhaps even borderline outrageous, the Court may well decide that to apply too strict an approach to irreparable harm could put the Court in the position of siding with a wrongdoer. This was well expressed in Ludlow Music Inc. v Canint Music Corp. 1967 CarswellNat 19, a copyright decision of Jackett, P. of the then Exchequer Court of Canada, now the Federal Court of Canada. 'In effect, as it seems to me, it is a proper exercise of judicial discretion to protect property rights against encroachment that has no apparent justification, and, in particular, to protect copyright against what appears to be piracy.'

This article was first published in Law Lore & Practice, September 2018 edition, a PTMG publication.