



Neutral Citation Number: [2020] EWHC 2120 (Ch)

Case No: HC-2013-000089

**IN THE HIGH COURT OF JUSTICE**  
**BUSINESS AND PROPERTY COURTS OF ENGLAND AND WALES**  
**INTELLECTUAL PROPERTY LIST (ChD)**

The Rolls Building  
Fetter Lane  
London EC4A 1NL

Date: 29/07/2020

Before:

**SIR ALASTAIR NORRIS**

**MERCK KGaA**

**Claimant**

- and -

- (1) **MERCK SHARP & DOHME CORP**  
(2) **MERCK & CO INC**  
(3) **MERCK SHARP & DOHME LIMITED**  
(4) **INTERVET UK LIMITED**  
(5) **INTERVET INTERNATIONAL BV**

**Defendants**

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**Benet Brandreth QC** (instructed by **Bird & Bird LLP**) for the **Claimant**  
**Geoffrey Hobbs QC and Guy Hollingworth** (instructed by **Linklaters LLP**) for the  
**Defendants**

Written Submissions: 9-19 June 2020.

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## **Approved Judgment**

I direct that pursuant to CPR PD 39A para 6.1 no official shorthand note shall be taken of this Judgment and that copies of this version as handed down may be treated as authentic.

This Judgment was handed down by circulation to the parties' representatives by email and by release to Bailii. It was not handed down in court due to the present COVID19/coronavirus pandemic. The deemed time for hand-down is 2.00pm on 29 July 2020.

**Sir Alastair Norris:**

1. This judgment deals with issues as to the form of order arising out of my judgment on the remitted issues. I will use the defined terms previously adopted. I express my thanks for the degree of agreement reached by the parties.
2. The task in hand is to formulate the relief that ought to be granted by an English Court to enforce obligations arising under a contract governed by German law. It is important to have this context in mind. It is helpfully summarised in paragraphs [123]-[125] of the appeal judgment.
3. The first issue is as to the form of the declaration. Both sides are agreed that the declaration should contain a general characterisation of the breaches which have actually occurred (leaving a reader of the Order to turn to the relevant judgments for detail). They differ as to the terms of the characterisation. Merck Global proposes that the breaches be characterised as

“...use of the word “Merck” as a contraction of its corporate name or as a trade or business name in any third-party communication.”

Merck US proposes that the breaches be characterised as

“.. use of the word “Merck” alone as a contraction of its corporate name or as a trade or business name when furthering or promoting its business activities to third parties.”

In so doing Merck US bases itself tightly upon language used in paragraph [139] of the appeal judgment where the Court of Appeal was summarising the *object* of clause 7 of the 1970 Agreement. But it is to be observed that when summarising the *breaches* of clause 7 of the 1970 Agreement the Court of Appeal (in paragraph [200] of the appeal judgment) regarded the use of the word “Merck” as part of the address of a website or as part of an email address or as part of a corporate name lacking a geographical identifier as all constituting breaches of clause 7 of the 1970 Agreement, even though the word “Merck” did not appear “alone”.

4. The description of the breaches which have actually occurred which I think would most assist a reader of the Order and which signposts the findings in my judgments (as illuminated by the appeal judgment) is:-

“Use of the word “Merck” as a contraction of its corporate name or as a trade or business name (either alone or in combination with other words in formulations not permitted by or without the distinguishing identifiers required by the Agreement) when furthering or promoting its business to third parties”.

The breaches established were all in the context of attempts to further or promote the business of Merck US by diluting the value of Merck Global’s rights to use the “Merck” name in the rest of the world other than the Permitted Territories. That is the case even where “Merck” was used as an entity name. I cannot recall any third-party communication that did not occur in that context.

5. The second issue is as to the form of the injunction, where the position of the respective parties is replicated. Merck Global submits that the injunction should restrain a breach of clause 7 of the Agreement:-

“... by the use within the United Kingdom of (a) the trade mark “Merck” and/or (b) the word “Merck” as a contraction of its corporate name or as a trade or business name in any third-party communication...”.

Merck US submits that the injunction should restrain a breach of clause 7 of the Agreement:-

“...by using within the United Kingdom (a) the trademark “Merck” and/or (b) the word “Merck” alone as a contraction of its corporate name or as a trade or business name when furthering or promoting business to third parties”.

6. The difference between these formulations is this: the form preferred by Merck Global prohibits the occurrence of an event (“the use”) whilst the form preferred by Merck US prohibits an activity (“using”). Merck US submits that by referring to the event the Order imposes liability for the occurrence of the event, irrespective of the existence of instrumentality or causation with regard to the occurrence of the event. But that is not so. If the actions of Merck US were not instrumental or causative there could be no breach by it of clause 7 of the Agreement. But that instrumentality or causative act may involve the use by MSD (through the “msd-uk.com” or “msd-animal-health.com” portals) of access to Merck US websites through an architecture created by Merck US or where access is permitted by Merck US. Paragraph [70] of the appeal judgment contains a summary: and it should be clear that such is use in breach of clause 7.
7. Whereas the declaration is focused upon historic acts the injunction looks to the future, and seeks to provide a party who is obliged to support the purpose of the Agreement and to desist from activities which might endanger its achievement with clear guidance as to what may not be done. In my judgment that is achieved by an order in this form:-

“The First Defendant shall not in the United Kingdom (whether acting by its directors, officers, employees, agents, or otherwise howsoever) breach clause 7 of the 1970 Agreement by the use within the United Kingdom of (a) the trade mark “Merck” and/or (b) the word “Merck” as a contraction of its corporate name or as a trade or business name (either alone or in combination with “other words in formulations not permitted by or without the distinguishing signifiers required by the Agreement) when furthering or promoting its business to third parties.”

I have some sympathy with the submission made on behalf of Merck Global that because (i) Merck US has in the past had a policy of pushing the boundaries of their entitlements under Agreement and (ii) the Agreement itself addresses simply “use” not “use in promoting business” I should prefer the Merck Global suggestion of referring to “any third-party communication”. But I have not been persuaded to adopt it (i) because the established breaches (including the use of “Merck” as an entity

name) all occurred in the context of furthering or promoting business; (ii) whilst it may be suspected that Merck US will seek to exploit the “Merck” name in the UK in contexts other than the furthering or promoting of its business there is no satisfactory evidence of an actual intention to do so; and (iii) I trust that having been reminded of his obligation under German law to support the purpose of the Agreement and to desist from activities which might endanger its achievement there will be a reconsideration of past policy.

8. The third issue relates to the terms of the “carve out” addressed in paragraph 4(b) of the Order. The preferred formulation of Merck Global is that it should not be a breach for Merck US to establish and maintain any “MSD-branded” UK-specific websites with links to a website at the domain “merck.com”. The submission of Merck Global is that this reflects the current arrangements. The preferred formulation of Merck US is that it shall not be a breach for Merck US to establish and maintain any “MSD-branded” UK-specific website with links to a “Merck-branded” website. The submission Merck US is based on the language used in paragraph 134 of the judgment on the Remitted Issues, and on the language used in early templates the Order and affords additional flexibility over the current arrangements. I here prefer the formulation of Merck Global. The form of relief should reflect the rationale underlying the carve-out. The domain “merck.com” requires special treatment because (until disrupted Merck US) a state of “equilibrium” existed, created by long tolerance of a departure from the literal terms of Agreement. There is no need to create a “carveout” for future departures and for the elimination of the confusion they will cause.
9. The fourth issue relates to the terms of the “carve out” addressed in paragraph 4(g) of the Order. This preserves the ability of Merck US to comply with the Fair Disclosure obligations under US securities legislation. The evidence explains that compliance is achieved by putting financial information (including that relating to MSD) at a subdomain called “investors.merck.com” and providing a link. The formulation preferred by Merck Global ensures that this can continue. The formulation preferred by Merck US seeks to substitute for a reference to the existing subdomain a reference to the “merck.com domain” in order to preserve the possibility for reasons of necessity or efficiency of altering the architecture. Although the injunction is forward-looking, I do not think it should address speculative possibilities. Ensuring that the present arrangement is not prohibited by the injunction is all that is required.
10. The fifth issue relates to the costs of the counterclaim. After trial I awarded these to Merck Global, having considered the extent of the revocations made (and in particular the outcome of the dispute over the correct specification relating to pharmaceutical substances and preparations). Merck Global says that following the determination of the Remitted Issues I should maintain that order. Merck US submits that on the contrary I should award it the costs of the counterclaim because it is to be regarded as the successful party for the purposes of “the general rule”.
11. “The general rule” applies if the Court decides to make an order about costs. So, there is always that prior question. I have seriously considered whether I should make no order as to costs. The reality is that this was a dispute between two pharmaceutical giants about the use of the name “Merck”. The outcome of the counterclaim had no significant bearing upon the resolution of that dispute: even in relation to the one issue that was argued at trial and was the subject of the appeal (“pharmaceutical substances

and preparations”) it was accepted by Merck US that the outcome would have no material effect upon the claim for breach of contract or the claim for infringement. As the trial judge it seemed to me that the counterclaim consisted of tactical pinpricks which (absent the claim for breach of the 1970 Agreement) were unlikely ever to have seen the light of day. The vast schedules and counter-schedules received very scant attention at trial. But simply to say “this was an irrelevant sideshow” would not respect the assessment of the Court of Appeal that, even if the counterclaim had no material effect upon the real dispute, it was an important issue for the parties more generally. I will therefore make an order about costs. (I should add as a footnote that if Merck US was intending in its written submissions to suggest that the counterclaim was brought for the public good and not for the private advantage of Merck US then that is not a submission I would accept).

12. It is, I think, most sensible to treat the costs of the counterclaim as a whole, rather than to seek to make separate orders relating to the trial and to the hearing of the Remitted Issues. Work will have been done on the true specification of “pharmaceutical substances and preparations” during both periods. It is also right to approach the matter afresh (for the costs order after trial reflected the outcome as it then was of the dispute over pharmaceutical substances and preparations).
13. I accept the submission of Merck US that it is to be regarded as the successful party. It achieved partial revocation of the registered marks over and above what had been offered by Merck Global; in particular it achieved considerable (if not complete success) on the remitted issue as to the scope of the specification of pharmaceutical substances and preparations. So, the general rule presumptively applies. But I must consider all the circumstances of the case including (i) conduct of Merck US and (ii) the extent to which Merck Global (although the overall loser) was successful on some issues (and Merck US unsuccessful).
14. As to conduct:-
  - (a) the claim of Merck US that the registrations should be revoked in their entirety was unsustainable and (given the skills and expertise available to it) must have been known to be so by Merck US;
  - (b) the denial that Merck Global’s Marks had any reputation in the UK (abandoned at trial) was not sustainable;
  - (c) the precision with which the claim to partial revocation was made was unsatisfactory, and led to Merck Global adducing 671 paragraphs of evidence supported by 467 exhibits in 20 lever arch files (which it will, of course, have to justify on assessment);
  - (d) the admission of the validity of some registrations on 24 November 2014 and 14 April 2015 was belated and also imposed on Merck Global unnecessary costs burdens.
15. As to success on issues, looking at the claim for revocation as a whole, Merck Global saw off a very significant part of the challenges to its specifications; this involved the

assembling of a considerable volume of evidence specifically directed at each such specification. Of course, a successful claimant by counterclaim cannot expect to win every issue and is not simply on that account to be deprived of costs: Merck US's lack of complete success on the "pharmaceutical substances and preparations" issue is just such a case. But the degree of failure overall was significant and the costs to which Merck Global was put relating to those issues were considerable (for it bore the burden of proving use). Merck Global should not have to bear the costs of Merck US's unsuccessful claims and ought to have some recompense for the unnecessary costs it has had to incur.

16. In my judgment if Merck US were to receive 50% of its costs of the counterclaim that would meet the justice of the case. It reflects its success in achieving revocations beyond what was offered. It reflects its ultimate success on the one revocation issue that was truly argued, was obviously the most significant (relating to the Class 5 specification, and its consequential effect upon another class) and was one of the Remitted Issues. It reflects its conduct in not making a focussed revocation attacks (no-one was seriously interested in pigments and dyes for non-scientific use or in industrial adhesives), its belated admissions (and effective discontinuance) both in relation to individual classes and to reputation, and its lack of success in many of the matters it insisted remain in play.
17. The next issue, the size of the interim payment. It is accepted that Merck Global is entitled to its costs of the claim. It is agreed that the maximum net sum claimable by Merck Global in prosecuting the claim and in defending the counterclaim (taking the latest updated bill of costs and deducting a payment on account already made) is £3,980,227 odd. Insofar as Merck Global is not awarded its costs of defending the counterclaim this figure would have to be reduced. It is agreed that any costs awarded to Merck US in respect of the counterclaim fall to be set off against this maximum net sum claimable as so reduced. It is agreed that an appropriate interim award would be 75% of the that residual sum. What is necessary is to ascertain the size of the sum to be set off and the amount of the reduction for irrecoverable costs.
18. Merck US has not prepared a separate bill of costs in respect of the counterclaim. It is therefore necessary to seek to make a sensible apportionment of its total costs of defending the claim and of advancing the counterclaim. Merck US says that this should be £908,211. It reaches this figure by counting the number of paragraphs in the skeleton arguments of the parties and the number of paragraphs in my judgments dealing with the counterclaim, calculating what proportion of the whole that is, and attributing that proportion of the whole costs to the counterclaim.
19. I do not think that this is a sensible approach. The paragraphs in a judgment dealing with an issue are simply not a reliable guide to the costs incurred by a party in putting before the Court its case on that issue. What might be sensible is to consider in general terms what was practically required to be done to put that case before the Court. In the case of Merck US it was (i) to consider the evidence which Merck Global thought it necessary to adduce to answer the far ranging challenge by Merck US (ii) to respond to that evidence with a single short witness statement (iii) to prepare argument upon the issues (including the preparation of schedules) in which regard the contents of Merck US's skeleton argument do provide some guidance to the attributable portion of Counsels' fees. I would be very surprised if the costs of doing that exceeded 10% of the total costs of Merck US: its evidence and its argument

focused on the Agreement (which is what the case was about) and upon infringement. That was manifest in the oral argument at trial.

20. On the other hand I can well see that (because of the burden cast upon Merck Global by the nature and form of the counterclaim) for the purpose of assessing a reasonable sum to award as interim costs 20% of its total costs might be attributed to its defence of the counterclaim.
21. Accordingly, the sum at which I arrive for the interim costs award is £2,370,500. That is rounded figure which is 75% of (i) £3,980,227 x 80% less (ii) 50% of (£4,688,861 x 10%).
22. The final matter is whether permission to appeal should be granted to the Defendants in respect of the holdings of infringement and the relief granted. Counsel for Merck US have prepared a schedule setting out (with citation of further authority) why the conclusions I have reached are not to be accepted. These contain a reprise of the arguments advanced before the Court of Appeal and before me at the hearing of the Remitted Issues. Beyond the fairly brutal observation that I have adopted an over-abbreviated and under-analytical encapsulation of the unitary question whether Merck US has used the sign “Merck” in the course of trade in relation to relevant goods it is difficult to pin down what error of law I am said to have made. It seems to be accepted that I have correctly understood the relevant principles and have sought to apply them. Clearly Merck US dislikes the outcome of that process and would wish for a different evaluation of the facts (save where I held in favour of Merck US). But I cannot see that my evaluation was unprincipled or obviously wrong. I think it should be for the Court of Appeal itself to decide whether it wishes to take on a re-evaluation. I refuse permission to appeal.