

INTERLOCUTORY INJUNCTIONS: A SERIOUS QUESTION TO BE TRIED?

AMERICAN CYANAMID CO. v. ETHICON LTD.

The recent decision of the House of Lords in *American Cyanamid Co. v. Ethicon*¹ represents a definitive statement of the principles governing the grant and refusal of interlocutory injunctions in England. It is contended that the judgment of Lord Diplock, which enjoyed the unanimous agreement of the House,² represents a response to a tendency in some comparatively recent cases to alter the principles of administration of the remedy. In Australia the case has provoked considerable disturbance within the profession. The High Court has laid down the relevant law in *Beecham Group Ltd. v. Bristol Laboratories Pty. Ltd.*,³ and it may be doubted exactly to what extent the approach of Lord Diplock diverges from those principles.

In the *Cyanamid Case* the appellants were seeking to restrain the respondents from producing synthetic absorbable surgical sutures in infringement of their patent. Both companies were American-owned, Ethicon Ltd. having for some time occupied the dominant position in the market for absorbable sutures with a product made from "catgut". American Cyanamid Company's new synthetic product had established fifteen percent "market penetration" when Ethicon Ltd. proposed to introduce their own artificial suture. Graham, J., a patent judge, granted an interlocutory injunction to Cyanamid after a hearing that lasted three days. The Court of Appeal^{3a} reversed his decision at the conclusion of a hearing of eight days on the basis that the plaintiffs had not established a *prima facie* case. The House of Lords, baulking at the prospect of hearing an "interlocutory" application for twelve days, and dismayed at the mass of conflicting affidavit evidence, restored the injunction after only three days.

Despite his evidently considerable learning on the question of "poly hydroxyacetic esters",⁴ Lord Diplock would not be drawn into a

¹ [1975] A.C. 396; [1975] 1 All E.R. 504; [1975] 2 W.L.R. 316.

² [1975] A.C. 396 at 410, *per* Viscount Dilhorne, Lord Cross of Chelsea, Lord Salmon, and Lord Edmund-Davies.

³ (1968) 118 C.L.R. 618.

^{3a} Consisting of Russell, Stephenson, L.J.J. and Foster, J.

⁴ His Lordship graduated in Chemistry with first class honours.

consideration of the merits of the case beyond satisfying himself that there was "a serious question to be tried".⁵ The main thrust of his Lordship's judgment was to crush the notion entertained by the Court of Appeal that before any question of the balance of convenience arose, an applicant for interlocutory relief had to prove that he was likely, on the balance of probabilities, to succeed at the final trial. Lord Diplock in a characteristically strict and seemingly logical fashion sought to liberate this form of relief from such rigid rules, and deprecated the imposition of controls to limit the flexibility of the remedy.⁶ This overall intention must be borne in mind in construing his Lordship's judgment.

According to Lord Diplock, the object of this form of relief is "to protect the plaintiff against injury by violation of his right for which he could not adequately be compensated in damages recoverable in the action if the uncertainty were resolved in his favour at the trial".⁷ Both the benefit and the burden of the remedy lie in its expedient essence: cases are decided promptly, pending the final trial, upon incomplete affidavit evidence that "has not been tested by oral cross-examination".^{7a} It is incomplete justice to preclude a plaintiff from temporary relief, and hence risk the destruction or serious impairment of his alleged right, simply on the basis that he has breached a technical and arbitrary rule that he should satisfy the court that he has a greater than fifty percent chance of ultimate success at the trial. Lord Diplock considered that the confusing concept of "*a prima facie* case", rooted as it was in the need to prove a probability of success, has created a dangerous tendency to treat interlocutory proceedings, despite the inadequate and possibly misleading material, as quasi-final trials. Lord Diplock's judgment proceeded in the following steps:

- (a) The purpose of the remedy is to minimise the amount of irreparable damage until justice can be done. To this end the court should not consider the merits of the case beyond satisfying itself that there is a serious question to be tried—then the crucial question is as to the balance of convenience.
- (b) In deciding that question, the governing principle is that the court should first consider whether damages would adequately compensate the plaintiff for his loss, should he gain a permanent injunction after the defendant having been allowed at the interlocutory stage

⁵ [1975] A.C. 396 at 407.

⁶ See *Hubbard v. Vosper* [1972] 2 Q.B. 84 at 96, *per* Lord Denning, M.R.: "The remedy by interlocutory injunction is so useful that it should be kept flexible and discretionary. It must not be made the subject of strict rules".

⁷ [1975] A.C. 396 at 406.

^{7a} It is interesting to note that in fact in England under Order 38 Rule 2(3) the court may on the application of a party require the attendance of the person who has sworn the affidavit. No comment has been made on this aspect of his Lordship's decision by the Court of Appeal in subsequent cases, so it is to be assumed that the court's discretion is not generally exercised in practice.

to continue his damaging activity. If damages would be adequate, and the defendant would be able to pay them, relief should be refused.

- (c) If damages would be inadequate, the court should consider the contrary hypothesis, whether the defendant would be adequately compensated out of the plaintiff's undertaking as to damages,^{7b} should the defendant be enjoined on motion but succeed at the final trial. If so, and the plaintiff would be in a financial position to pay such damages, the court should not on this ground refuse relief.
- (d) Where there is doubt as to the adequacy of the respective money remedies, the court should consider the balance of convenience. The factors constituting this balance and their relative weight will vary from case to case.
- (e) Where such factors are even, the court should maintain the *status quo*, for it is better to delay the introduction of a new enterprise than to disrupt an existing one.
- (f) In most cases the balance will turn on the extent of uncompensatable damages to each party.
- (g) If this factor is evenly weighed, "it may not be improper to take into account in tipping the balance the relative strength of each party's case . . ."⁸ This should only be done when it is clear from the evidence that one party's case is disproportionately stronger —the court should not embark upon a preliminary trial of the action on conflicting affidavits.
- (h) Further, in individual cases there will be special factors for consideration.

In the instant case there was clearly a serious question to be tried, and so it was a question of the balance of convenience. The factor of the *status quo* favoured the plaintiff, for the defendant's product was not yet on the market. A special factor was that to refuse an injunction would mean that the matter would effectively be decided, for the plaintiff would risk alienating the market should he seek a permanent injunction to remove the defendant's product from the market in which it would be no doubt well established by the time of the final trial.

Lord Diplock's test echoes the words of Lord Cottenham, L.C. in the mid-nineteenth century concerning the preservation of property *in statu quo* during the pendency of a suit: "The court will not so interfere, if it thinks that there is no real question between the parties; but seeing that there is a substantial question to be decided, it will preserve

^{7b} The customary undertaking is the price paid for an injunction pending the final trial. What it compensates is the loss to the defendant if the plaintiff should not have been granted an injunction. The exact nature of the damages undertaken by the plaintiff, particularly their measure, has escaped close judicial consideration.

⁸ [1975] A.C. 396 at 409.

the property until such question can be regularly disposed of".⁹ Lord Diplock was anxious to return to such a position in overruling the Court of Appeal. Counsel for the plaintiff had contended that it was not necessary to prove a *prima facie* case when the balance of convenience was so strongly in their favour. In so doing they relied upon *Hubbard v. Vosper*¹⁰ which they said introduced a fluid relationship between the need to establish a probability of success and the balance of convenience. Lord Denning, M.R. had stressed the flexibility of the remedy, and stated that the court must look at the whole case—the strength of the claim and the strength of the defence—"and then decide what is best to be done".¹¹ Megaw, L.J. had stated "There is no firm and invariable criterion which can be laid down on the basis of the prospects of success in the action because frequently one has to consider also the balance of convenience".¹² Again in *Evans Marshall and Co. Ltd. v. Bertola S.A.*¹³ the Court of Appeal had demolished the notion that there was a mathematical rule as to the requisite prospect of success. As Sachs, L.J. stated,¹⁴ generally, a plaintiff should establish "a reasonable *prima facie* case which could lead to success".¹⁵ However, although failure to establish a sufficient prospect of gaining a permanent injunction was "a factor which may normally weigh heavily against granting an interlocutory injunction"¹⁶ this did not as a matter of law preclude its grant. It will be seen that this position does not differ markedly from the Australian practice.

It would seem that Lord Diplock has gone beyond merely reinstating these cases in relegating the factor of the prospects of success to that of a prerequisite to the consideration of the balance of convenience. Yet it must be remembered that Lord Diplock stressed the flexibility of the remedy, and the temptation to treat this single judgment of the House of Lords as a statute should be avoided. The tenor and purpose of the judgment should not be defeated in a search for loopholes in the drafting. This decision would seem calculated to increase the availability of relief, which would go to preserve the *status quo* except in frivolous or vexatious cases, or where there would be particular hardship on the defendant, the law rarely considering the merits. Yet subsequent cases have indicated

⁹ *Great Western Railway Co. v. Birmingham & Oxford Railway Co.* (1848) 41 E.R. 1074 at 1076. See also *Preston v. Luck* (1884) 27 Ch. D. 497 at 506 per Cotton, L.J.: "The court should be satisfied that there is a serious question to be tried at the hearing, and that on the facts before it there is a probability that the plaintiffs are entitled to relief".

¹⁰ [1972] 2 Q.B. 84.

¹¹ *Id.* at 96.

¹² *Id.* at 97. His Lordship gave as an example that a plaintiff who had proven a 75 per cent chance of success would nevertheless be refused relief if the damage he would suffer without the interim injunction would be trivial.

¹³ [1973] 1 All E.R. 992; [1973] 1 W.L.R. 349.

¹⁴ With the agreement of Cairns, L.J. and Edmund-Davies, L.J., as he then was, who approved in particularly glowing terms of his Lordship's "terminal judgment".

¹⁵ [1973] 1 All E.R. 992 at 1007.

¹⁶ *Id.* at 1004.

that this is a doubtful result, for it is human nature to decide which party has the stronger case in a dispute, and this is so *a fortiori* with judges, who are trained so to do. It is surely inconvenient to restrict a defendant's freedom in a case where the evidence is clear and the judge can competently decide on the law—as where the decision turns on the interpretation of a written document.

Dissatisfaction with the *Cyanamid Case* manifested itself in the judgment of Lord Denning, M.R. in *Fellowes v. Fisher*,¹⁷ the first opportunity for the English Court of Appeal to consider the House of Lords' decision. A conveyancing clerk wanted to work close to his home in contravention of a clause in a service agreement he had made with a previous employer. The latter sought to restrain him from so doing; the defendant claimed the clause was too wide, and hence void for restraint of trade. The Court of Appeal upheld the judgment of Donaldson, J. refusing relief. Lord Denning respectfully disliked the *Cyanamid* decision, preferring the earlier House of Lords' case of *J. T. Stratford & Son Ltd. v. Lindley*.¹⁸ There it was common ground between counsel that "[a]n appellant seeking an interlocutory injunction must establish a *prima facie* case of some breach of duty by the respondent to him",¹⁹ and the case was almost completely preoccupied with other issues.²⁰ Further, it had hitherto been judicially ignored with reference to interlocutory injunctions, on which subject Lord Diplock was expressly seeking to clear away previous confusion. Lord Denning did not wish to commit *lèse-majesté*, but surely his contumacy, with respect, in relying upon this weak authority is compounded by his Lordship's own admitted propensity "to step over the trip-wires of previous cases".²¹ "*Prima facie* case" is a nebulous concept—none of their Lordships directed their minds as to exactly what probability should be established—it could be that they would have agreed with Lord Diplock's formulation of "any real prospect of succeeding".²² Nevertheless Lord Denning found the two decisions irreconcilable, and attempted to construe a reference by Lord Diplock to the consideration of special factors in the balance of convenience as meaning that in "individual cases" the earlier authority could be followed and the court could examine the relative strengths of each party's case.²³ Alternatively, the extent of uncompen-

¹⁷ [1976] 1 Q.B. 122; [1975] 2 All E.R. 829; [1975] 3 W.L.R. 184.

¹⁸ [1965] A.C. 269, overruling the majority (Lord Denning, M.R. and Salmon, L.J.) of the Court of Appeal, *ibid.*

¹⁹ [1965] A.C. 269 at 338, *per* Lord Upjohn.

²⁰ As to which, see (1971) 6 Syd. L.R. 423.

²¹ *Hill v. C. A. Parsons & Co. Ltd.* [1972] Ch. 305 at 316 *per* Lord Denning, M.R.

²² [1975] A.C. 396 at 408.

²³ This construction has been universally condemned: A. Gore, "Interlocutory Injunctions—A Final Judgment?" (1975) 38 M.L.R. 672 at 676; P. Elias, "Pickets and Interlocutory Injunctions" (1975) 34 C.L.J. 191 at 192; P. Wallington, "Injunctions and the 'Right to Demonstrate'" (1976) 35 C.L.J. 82 at 86.

satable disadvantages was even, and so the court could consider the merits of the action.

This conflict of approaches stems from a basic conceptual dispute as to the object of interlocutory relief. Lord Diplock stressed, as had their Lordships in *Stratford v. Lindley*,²⁴ that the aim was to avoid trying the question on inadequate and conflicting evidence, but rather to minimise the total of irreparable damage in attempting to maintain the *status quo*. Lord Denning took up criticisms of this approach which had been made in the *Law Quarterly Review*²⁵ and the *New Law Journal*.²⁶ The essence was that the "*prima facie case*" doctrine provided litigants with "a cheap and speedy means of testing the strengths of the parties' respective cases".²⁷ Lord Denning reckoned²⁸ that ninety-nine per cent of cases did not go beyond the interlocutory stage. Critics²⁹ have warned that the higher courts will be overburdened if the *Cyanamid* approach is followed. Lord Denning contended that for a plaintiff to stop a defendant from doing something, he must prove a good chance of winning at the final trial. Lord Diplock was not inclined to encourage litigants to seek "rough and ready" justice at the interlocutory stage. For a judge to decide on generally untested and often conflicting evidence which party the law would more probably than not favour would inevitably be to embarrass the judge who finally heard the issue. The traditional object was "to keep things *in statu quo*"³⁰ until full and mature consideration could be given to the issues. It is submitted that Lord Diplock's mind was directed to difficult cases—for where the facts are clear and the dispute is a matter of law, the court may by consent of the parties treat the application on motion as the final trial of the action,³¹ and consider the merits.

The majority of the Court of Appeal followed *Cyanamid* in better spirit, but were hopeful that the House would give them further guidance. Thus they found that there was a serious question to be tried, but that the balance of convenience was against the plaintiff. Browne, L.J. stressed Lord Diplock's emphasis on flexibility and discretion and had difficulty in not taking "some account as a factor"³² in the balance of convenience the relative strengths of the parties' cases. Sir John Pennyquick followed Lord Diplock's approach carefully, but found "certain difficulties",³³

²⁴ [1965] A.C. 269 at 326 *per Viscount Radcliffe*; at 331 *per Lord Pearce*; at 336-37 *per Lord Upjohn*; at 340 *per Lord Donovan*.

²⁵ P. Prescott (1975) 91 *L.Q.R.* 168.

²⁶ A. Wilson, "Granting an Interlocutory Injunction" [1975] *New L.J.* 302.

²⁷ 91 *L.Q.R.* at 169.

²⁸ [1976] 1 Q.B. 122 at 129, 133.

²⁹ *Supra* nn. 23, 25 and 26.

³⁰ *Preston v. Luck* (1884) 27 Ch. D. 497 at 505 *per Cotton, L.J. Cf. Jones v. Pacaya Rubber & Produce Co.* [1911] 1 K.B. 455 at 457 *per Buckley, L.J.*

³¹ P. H. Pettit, *Equity and the Law of Trusts* (3rd ed., 1974), p. 400.

³² [1976] 1 Q.B. 122 at 138, his Lordship's emphasis.

³³ *Id.* at 141.

particularly that the prospects of success were apparently only relevant "as a last resort when the balance of convenience is otherwise even".³⁴ His Lordship contended that sometimes the matter could be competently decided at the interlocutory stage, as, for example, the construction of a written document, and that the merits must be considered in a case calling for immediate decisive action—for example, in a case of trespass, or regarding the internal affairs of a company. It is to be doubted that Lord Diplock would disagree with these contentions.

American Cyanamid was again considered by the Court of Appeal in *Hubbard v. Pitt*.³⁵ Property developers sought to prevent the "Islington Tenants' Campaign" picketing their premises. The majority followed the *Cyanamid Case* without hesitation and granted an injunction. Lord Denning, M.R., dissenting vigorously in defence of the freedom to demonstrate,³⁶ was unrepentant and contended that Lord Diplock's approach would mean granting an injunction in "most cases".³⁷ However, according to his Lordship, this was an "individual" case in which "special factors" dictated that a *prima facie* case must be made out. This dissentient interpretation of Lord Diplock's words was expressly disputed by the majority to whom it was "clear beyond peradventure"³⁸ that Lord Diplock was referring to special factors affecting the balance of convenience, not enabling the court to disregard general principles. Stamp, L.J. reserved his opinion as to the applicability of *Cyanamid* "where there is no relevant conflict of evidence and no difficult question of law".³⁹

Graham, J., whose judgment was restored in the *Cyanamid Case*, unhesitatingly⁴⁰ adopted Lord Diplock's approach in *Catnic Components Ltd. v. Hill & Smith Ltd.*⁴¹ His Lordship refrained from deciding the question on the evidence before him beyond satisfying himself there was a serious question to be tried. He then considered the adequacy of damages (including the ability of the respective parties to pay them) and the balance of convenience (the disruption of an existing business being a weighty factor) in deciding to grant an injunction to preserve the *status quo*. T. A. Blanco-White, Q.C. as Commissioner hearing another case⁴² instituted by the same plaintiffs in respect of the same article,

³⁴ *Ibid.*

³⁵ [1976] 1 Q.B. 142; [1975] 3 All E.R. 1.

³⁶ Cf. 35 C.L.J., *supra* n. 23 at 109-110: "the granting of interlocutory injunctions without a proper examination of the merits of the parties' cases is likely to lead to restrictions on civil liberties". See also 34 C.L.J. 191.

³⁷ [1976] 1 Q.B. 142 at 178.

³⁸ *Id.* at 185 *per* Stamp, L.J.; cf. Orr, L.J. at 188.

³⁹ *Id.* at 185.

⁴⁰ See also *Kwik Lok Corporation v. W.B.W. Engineers Ltd.* [1975] F.S.R. 237, Russell and Stamp, L.J.J. welcoming and enthusiastically following the authoritative decision of the House of Lords. In *Foseco International v. Fordath* [1975] F.S.R. 507, Foster, J. applied *American Cyanamid* and granted relief. This decision was reversed by the Court of Appeal: yet unreported, cf. [1976] 4 C.L. (April).

⁴¹ [1975] F.S.R. 529.

⁴² *Catnic Components Ltd. v. Clarksteel Ltd.* [1975] F.S.R. 529.

noted in discussing the balance of convenience that the *Cyanamid Case* was one of a "special situation of a powerful defendant, almost a monopolist in the field, and a plaintiff using the patent to break into the monopoly".⁴³

American Cyanamid was distinguished by the Court of Appeal in *Bryanston Finance Ltd. v. de Vries (No. 2)*.⁴⁴ The Company concerned sought to enjoin the defendant, who held sixty-two shares out of a total issued of seven and one-half millions, against the presentation of a petition for the winding up of that Company. The Court refused relief, holding after a lengthy consideration of the merits that the plaintiffs had not established *prima facie* that such presentation would be an abuse of process. Sir John Pennywick accepted, as did the whole Court, that *Cyanamid* was intended to be of wide application. However, those principles were intended to apply only where the relief sought was interim, whereas the particular facts here precluded a temporary result—"the only issue in the action has been determined once and for all on the motion".⁴⁵ Where the interlocutory hearing is in effect the final trial of the action, the court must resort to the old "*prima facie* case" test and consider the relative strengths of each party's case. This, it is submitted, is a valid and sensible point of distinction. Lord Diplock was concerned to avoid prejudging matters at the interim stage, whereas on the facts of this case the grant or refusal of "interlocutory" relief would be in effect the final judgment.⁴⁶

Buckley, L.J., and more particularly Stephenson, L.J., seemed to go further, stating that the *Cyanamid Case* could also be distinguished because this was not "an application for an interlocutory injunction to restrain a defendant from doing acts alleged to be in violation of the plaintiff's legal right",⁴⁷ but rather an attempt to restrain the exercise of a legal right. Buckley, L.J. refused relief because the company had not "established *prima facie* that it has the legal right which it is attempting to protect pending the trial".⁴⁸ But this is to ignore the concluding words of Lord Diplock omitted from the above quotation that the decision whether to grant an interlocutory injunction "has to be taken at a time when *ex hypothesi* the existence of the right or the violation of it, is uncertain . . .".⁴⁹ Further, it is submitted that to require the proof of a stronger probability of success when the exercise of legal rights

⁴³ *Id.* at 536-37.

⁴⁴ [1976] 1 All E.R. 25.

⁴⁵ *Id.* at 38. As Stephenson, L.J. put it at 37, "it is finally decided at this stage and there is nothing left to try".

⁴⁶ His Lordship found this mode of application "clumsy and inapposite" (at 39). Perhaps the parties should have made the hearing on motion the trial of the action by consent, *supra* n. 31.

⁴⁷ [1976] 1 All E.R. 25 at 34 *per* Buckley, L.J., and at 37 *per* Stephenson, L.J. quoting Lord Diplock [1975] A.C. 396 at 406.

⁴⁸ [1976] 1 All E.R. 25 at 36.

⁴⁹ [1975] A.C. 396 at 406.

rather than their infringement is sought to be restrained is analogous to the heresy quashed in *Hubbard v. Vosper*,⁵⁰ which case was expressly approved by Lord Diplock in these terms: "The suggested distinction between what the plaintiff must establish as respects his right and what he must show as respects its violation did not long survive".⁵¹

In another Court of Appeal decision, *Standex International Ltd. v. Blades*,⁵² Buckley, L.J. implicitly followed the *Cyanamid Case* in granting interim relief to restrain the breach of restrictive covenants relating to confidential information in a service agreement. His Lordship found that the plaintiffs had "an arguable case"⁵³ and then considered the balance of convenience, being particularly influenced by the facts that the use of trade secrets by anyone else could "do lasting damage to the plaintiffs' business",⁵⁴ that their trade was an expanding one, and that the defendants would be unlikely to be able to pay substantial damages. Scarman, L.J. agreed in similar terms.⁵⁵

American Cyanamid was again followed in the two most recent Court of Appeal decisions, unfortunately as yet only reported in *The Times*. Interlocutory relief was refused in both, which seems to indicate that Lord Denning's prediction as to the easy availability of such relief was misfounded. In *Potters-Ballotini Ltd. v. Weston-Baker*⁵⁶ the infringement of covenants in service agreements restraining competition and the use of know-how on termination was sought to be enjoined. Refusing relief, the Master of the Rolls apparently adopted Lord Diplock's approach, holding that although the plaintiffs had raised serious questions of law and fact, the balance of convenience was against them because the effect of an injunction on the defendants would be "disastrous". Scarman, L.J. concurring found that although the plaintiffs had proven a "*prima facie* case" on the affidavits it would be "catastrophic" to put the defendants out of business. If this were done, the defendants would be unlikely to be able to pay damages. Sir John Pennycuick agreed, contending that the recoverability of compensation was not conclusive as to the balance of convenience. In *Camellia Tanker Ltd. S.A. v International Transport Workers Federation*⁵⁷ the plaintiffs sought to restrain the defendants giving orders to prevent a dockbound tanker leaving port until certain demands were met. Megaw, L.J. found that there was no material before the court to establish "a good arguable case" or a "real prospect of succeeding". His Lordship was particularly

⁵⁰ [1972] 2 Q.B. 84.

⁵¹ [1975] A.C. 396 at 407.

⁵² [1976] 2 F.S.R. 114.

⁵³ *Id.* at 122.

⁵⁴ *Ibid.*

⁵⁵ An interlocutory injunction was granted by the Court of Appeal to enforce a covenant restraining competition for one year after the termination of a licence in *Office Overload v. Gunn* (1976) 120 S.J. 147. *American Cyanamid* was apparently distinguished.

⁵⁶ *The Times*, February 28, 1976.

⁵⁷ *The Times*, February 18, 1976.

reluctant to grant an interlocutory injunction because, in the circumstances of the case, such relief "might effectively decide the action". James and Geoffrey Lane, L.J.J. concurred.

It seems thus to be now well established in England^{57a} that a plaintiff in interlocutory proceedings need only prove on the affidavits that there is a serious question to be tried before the court will go on to consider the balance of convenience. Such balance will turn largely on the extent of uncompensatable disadvantages to each party, and only when these are even will the court consider the relative strengths of the parties' cases. However, the court may look more closely at the merits where the grant of relief would finally decide the matter, and possibly where there is no dispute as to the evidence and there is a clear issue of law. Lord Diplock's approach attempts thus to prevent litigants using interlocutory proceedings to settle their disputes finally at that stage, albeit speedily and cheaply, without a thorough investigation of the merits.

The Australian Position

The law on interlocutory injunctions was laid down for Australian courts by the High Court in the patent action; *Beecham Group Ltd. v. Bristol Laboratories Ltd.*⁵⁸ The plaintiff claimed that its patent rights over a semi-synthetic penicillin preparation called Ampicillin were infringed by the defendant's introduction of a preparation called Hetacillin. The evidence established that though Hetacillin was composed of a different chemical structure, apparently when utilized it broke down to form Ampicillin. The defendant argued this evidence did not *ipso facto* constitute infringement. The factual circumstances of the appeal were thus directly analogous to the situation considered by the House of Lords in *Cyanamid*.

The High Court emphasized at the outset the purely discretionary nature of any award of relief, the jurisdiction being to make all such orders as are necessary to achieve complete justice in the cause.⁵⁹ The court then laid down in unequivocal terms the two principal inquiries that must be undertaken in all applications for relief. The first is to establish whether the plaintiff has made out a *prima facie* case, which it defines in the classical formulation, "that if the evidence remains as it is there is a probability that at the trial of the action the plaintiff will be held entitled to relief".⁶⁰ Standing out of context this appears the very requirement the House of Lords acted to overrule. The source of deception is to be found however in the definition of "probability".

^{57a} For an amusing summary of the current English position, cf. [1976] *New L.J.* 561. Note, however, that where the uncompensatable damages are even and there are disputes as to facts, the counsel of prudence is to preserve the *status quo*—which would generally involve granting an interlocutory injunction.

⁵⁸ (1968) 118 C.L.R. 618.

⁵⁹ *Id.* at 622. A joint judgment was delivered by Kitto, Taylor, Menzies, Owen, JJ.

⁶⁰ *Ibid.*

The High Court, even a decade ago, was fully alert to the perilous ambiguity lurking in this notion, and, in a vital statement delivered *arguendo*, Kitto, J. determined that the expression must be defined in these terms:

When it is said that the plaintiff must show a probability of success, that does not mean that he must show that it is more probable than not that he will succeed. It is enough that he show a sufficient likelihood of success to justify in the circumstances the preservation of property.⁶¹

Rather than undertake the radical surgery of Lord Diplock and attempt to eradicate the expression from the law, the High Court, perhaps at the risk of compounding confusion, but certainly at least avoiding disorientation, redefined the notion of probability to a requirement of substantially less than a fifty per cent likelihood of success. It may be that for all purposes the term "probability of success" represents a term of art with a meaning unique to this area of the law. The vital question reduces itself thus for Australian courts: is there a degree of probability of success which will satisfy the Diplock test but not that expounded in *Beecham's Case*? It must be asserted that the *Beecham* test is more stringent, even if only marginally so.

The High Court recognised and emphasized the same presumption that so occupied Lord Diplock, namely that the court is in no position to resolve the issues between the parties; nor to "undertake a preliminary trial, and give or withhold interlocutory relief upon a forecast as to the ultimate result of the case".⁶² Lord Diplock's view was that in many cases it is so difficult to determine when a *prima facie* case has been adduced, that the very attempt may prejudice determination at the hearing. The object of the court on an interlocutory application is, in his view, to preserve the parties from the burden of any disproportionate disadvantage. This was to be achieved by examining the second major requirement cited by the High Court, the state of the balance of convenience. The High Court cites the authority of James, L.J. to explain what it considers must be the true object presumed by the court, "where the Court, not forming an opinion very strongly either one way or the other whether there is an infringement or not, but considering it as a fairly open question to be determined at the hearing . . . the court has to keep things *in statu quo* until the final decision of the question".⁶³ These words could well paraphrase Lord Diplock's view. However, the court goes on to indicate a substantially broader view as to this presumption, namely that the plaintiff in this action had shown "so substantial a probability of succeeding in the action that it

⁶¹ *Id.* at 620.

⁶² *Id.* at 622.

⁶³ (1968) 118 C.L.R. 618 at 623.

is entitled to have the *status quo* preserved".⁶⁴ This raises at one level a fundamental difference as to the presumed object of interlocutory relief between the two judicial bodies and the resolution is indicated in their respective interpretation of "preserving the *status quo*". The manifest presumption behind the High Court's use of this term is in favour of preserving property rights where they can be sufficiently evidenced; the presumption behind Lord Diplock's view is that apparently threatened rights should be protected unless the balance of convenience is against this—to justify relief the plaintiff need do no more than establish an arguable case.

The authorities in the High Court's opinion were unequivocal. The Court had already previously in *Heavener v. Loomes*⁶⁵ approved the statement of Cotton, L.J. in *Preston v. Luck*⁶⁶ that the object of the court is to keep the *status quo* where there is evidence of a serious question to be tried. This formulation very closely parallels that expressed by Buckley, L.J. in *Jones v. Pacaya Rubber and Produce Co.*⁶⁷ upon which Lord Diplock relied for his view that only a minimal probability of success is required. At the same time, however, he argues for very restricted circumstances when the *status quo* should be maintained.

The High Court also relied on the consideration of the N.S.W. Full Court in *De Mestre v. A. D. Hunter*.⁶⁸ After examining *Preston v. Luck* and *Heavener v. Loomes* that court concluded that, "the phrase 'a *prima facie* case' does not mean that the court must be satisfied on the evidence before it that the plaintiff would, if no other evidence were tendered, succeed. It means that . . . there is a probability that the plaintiff will succeed".⁶⁹ However, the court recognised that in different circumstances where differing rights were claimed the degree of probability would vary and courts must be flexible in the practices they adopt. Having cited this passage, however, which the High Court in *Beecham* adopted virtually *in toto* the N.S.W. Full Court juxtaposed the view of Lord Cottenham, cited above,⁷⁰ to the effect that the court will preserve the *status quo* where there is a substantial question to be decided. This was approved without the slightest recognition of inconsistency. It is apparent from these passages that the Full Court actually embraced the essence of two approaches today considered so divergent. The resolution of these apparently inconsistent attitudes to the preservation of the *status quo* is found in the presumption expressly stated by the High Court in *Beecham*. The court enunciated that the claim of differing rights may demand from the court the application of differing standards of probability of success. "How strong the probability needs to be depends, no doubt, upon the nature of the rights he asserts

⁶⁴ 118 C.L.R. 618 at 625.

⁶⁵ (1924) 34 C.L.R. 306.

⁶⁶ (1884) 27 Ch. D. 497 at 505.

⁶⁷ [1911] 1 K.B. 455 at 457. Cited by Lord Diplock [1975] A.C. 396 at 407.

⁶⁸ (1952) 77 W.N. (N.S.W.) 143.

⁶⁹ *Id.* at 145.

⁷⁰ *Supra* n. 9.

and the practical consequences likely to flow from the order he seeks".⁷¹ Thus, if merely pecuniary interests are involved, "some" probability of success is enough. Whatever the phrase "*prima facie* case" signifies, in the High Court's view its meaning is as varied as the rights sought to be protected.

When the High Court speaks of "preserving the *status quo*", the expression must be understood in the context of its use. The term is not a merely ephemeral concept defying definition or used simply as verbal deference to antique authority. It refers to rights sought to be preserved and because these rights differ, there can be considerable variations in the ramifications to litigants when courts purport to preserve the *status quo*. One might cite as an example of this variation the difference between the "static" rights to have shares preserved against forfeiture as in *Jones v. Pacaya Rubber*,⁷² or to have company voting rights protected as in *De Mestre v. A. D. Hunter*,⁷³ and *Ashburton Oil N.L. v. Alpha Minerals N.L.*⁷⁴ on the one hand, and the "dynamic" right to the preservation of a patent monopoly, with its attendant right to profits, on the other. Particularly as to these patent rights, the High Court demands a strong case be presented establishing the right before it will act to preserve a *status quo* so potentially beneficial to the plaintiff and thus detrimental to the defendant. The strict requirements are laid out in the *Beecham* judgment.⁷⁵ This can be compared with the view adopted by Lord Diplock, which revolutionised patent practice by stating that all patents should be considered "*prima facie valid*" merely from the fact of their grant.⁷⁶ He also expressly states that "the grant of interlocutory injunctions in actions for infringement of patents is governed by the same principles as in other actions".⁷⁷ In his view the potential for injustice and confusion caused by the prejudging of issues at the interlocutory level could only be compounded by courts applying divergent tests of probability. Indeed, it was to eschew the temptations for courts to accept hearsay evidence and take other liberties with the issues as suggested in *De Mestre v. A. D. Hunter*,⁷⁸ that the House of Lords sought to establish a uniform standard of probability applicable to all cases. Necessarily Lord Diplock was forced to adopt a low standard that all recognisable rights could be covered. By prescribing such a low standard of probability his Lordship sought to rely on the considerations of convenience, the individual factors unique to every case, to achieve equitable results. On this basis the "preservation of the *status quo*"

⁷¹ (1968) 118 C.L.R. 618 at 622.

⁷² [1911] 1 K.B. 455.

⁷³ (1952) 77 W.N. (N.S.W.) 143.

⁷⁴ (1971) 123 C.L.R. 614.

⁷⁵ (1968) 118 C.L.R. 618 at 624.

⁷⁶ Lord Diplock's opinion has been the subject of severe criticism, notably in [1975] *New L.J.* at 303: "it is notorious that the Patent Office examination is at best a leaky sieve" and also in 91 *L.Q.R.* at 170.

⁷⁷ [1975] A.C. 396 at 406.

⁷⁸ (1952) 77 W.N. (N.S.W.) 143 at 145-46.

represents in England a situation of balanced disadvantages between the parties. By so doing, however, Lord Diplock has established a clear conflict between the law in the two countries at least in the area of patent rights.

In the result the High Court in *Beecham* determined that a strong *prima facie* case had been established and moved on to consider the second inquiry, the balance of convenience. The Court approved a statement by Brett, J.A. virtually identical to that expounded by Lord Diplock.⁷⁹ This statement recognized that until the hearing, any determination as to relief represents a potential hardship to one or other of the parties; but that in certain circumstances the hardship can calculatedly be minimised. This would be demonstrably so where the defendant conducts an old and established trade, whereas to restrain the launching of a new product or process appears less likely to cause irreparable damage.

The Court resolved that on the immediate evidence, in no meaningful sense could matters be said to be *in statu quo* if the defendant were left free to pursue its course, merely keeping an account of profits. Consequently as in the English appeal relief was granted.

Subsequent appeals to the High Court have shown the advantages inherent in the Australian approach to interlocutory relief, despite the confusion engendered by the *Cyanamid* decision. The *Beecham* principles were applied by the High Court in *Ashburton Oil N.L. v. Alpha Minerals N.L.*⁸⁰ to rights to retain the majority shareholding in a company, which the appellants claimed was being eroded by the invalid and *mala fide* issue of company stock by the respondent directors. In examining the evidence constituting a *prima facie* case, the Court was careful to emphasize that any opinions expressed on the evidence must be taken as provisional views only and in no way intended to influence any judge coming to the action; nevertheless the court decided that there was a very strong inference of *mala fides* and abuse of the directors' fiduciary power, before they inquired into the balance of convenience. It is submitted that no English court would require any less "*prima facie*" evidence and that on this level the substantive differences between the two countries are minimal. However, the dangers of confusion inherent in the Australian approach especially since *Cyanamid*⁸¹ were demonstrated by the N.S.W. Court of Appeal in *Winthrop Investments Limited v. Winns Ltd.*⁸² Glass, J.A. (in dissent) applied the *Beecham* principles and held that the plaintiff had not shown "a sufficient likelihood of success in the proceedings to justify the preservation of the *status quo*".⁸³

⁷⁹ In *Plimpton v. Spiller* (1876) 4 Ch. D. 286 at 292.

⁸⁰ (1971) 123 C.L.R. 614.

⁸¹ In contrast to the wide criticism it received in English periodicals, *Cyanamid* was welcomed with lyrical praise in a note in (1975) 49 A.L.J. 255.

⁸² [1975] 2 N.S.W.L.R. 666.

⁸³ *Id.* at 673.

Mahoney, J.A. however seems to have considered that the *Cyanamid Case* has rendered the establishment of a likelihood of success no longer relevant. Such a statement is, with respect, a misapprehension as to the state of the law in Australia, and as to the effect of the *Cyanamid* decision. It is with Lord Diplock's authority that the plaintiff must establish a "real prospect of success". His Honour perceived that a "relevant prospect of success"⁸⁴ had been adduced and continued the injunction.

In many cases in Australia, "a serious question to be tried" will be sufficient to establish a *prima facie* case; in others it will not. The most recent example of the latter, was the judgment of Stephen, J. sitting alone in the patent jurisdiction of the High Court on a motion for interlocutory relief in *Firth Industries v. Polyglas Engineering Ltd.*⁸⁵ In considering the current state of the authorities his Honour determined that "much of what was said in the *Beecham Case* relates to principles applicable only where there exists a substantial issue to be tried as to validity of a patent".⁸⁶ When his Honour carefully suggested that the practice may now be otherwise in the United Kingdom following the decision in *Cyanamid*, he was referring to patent cases, not necessarily the general principles of interlocutory relief. Having determined that the plaintiff must make out a strong case on the question of validity, not merely relying on the grant of the patent, Stephen, J. refused relief.

The conclusion today seems inescapable that at least in the area of patents, the law on interlocutory injunctions in Australia and the United Kingdom has diverged. As to the other areas of application it must be conceded that there is a difference at least in presumption as to the granting of relief. The *prima facie* case that must be established in England is no more than a serious question to be tried and the real question, the balance of convenience, will turn largely on the question of sufficiency of damages. In Australia in all cases a probability of success must be established at the outset. What degree of likelihood will actually constitute a probability will vary with the circumstances of the case and the nature of the right asserted. Australian judges have been disinclined to grant relief lightly. It is submitted that the Australian position is to be preferred for its greater flexibility. On the *Beecham* approach the balance of convenience can be weighed against the probability of success, a consideration available to the English judiciary only when the balance of convenience is evenly weighed.

In New South Wales the position is even more flexible. Supreme Court procedure permits a party to require the attestation of a person for cross-examination on his affidavit, and in default of appearance such

⁸⁴ *Id.* at 709.

⁸⁵ (1975) 6 A.L.R. 212. Since this article was written, Wells, J. has decided *Total Exploration Australia Pty. Ltd. v. Delhi International Oil Corporation* (S.C. of S.A., 25/2/76, unreported); the propositions asserted herein accord with those accepted by his Honour.

⁸⁶ *Id.* at 213.

affidavit may not be used unless leave is given by the court.⁸⁷ In the yet unreported case of *Regional Landholdings Ltd. v. Moscow Narodny Bank Ltd.* (20/8/1976) Helsham, J. refused interlocutory relief on the ground that the plaintiffs had not established a *prima facie* case. Cross-examination on the affidavits had taken place, and being satisfied that the evidence before him put the plaintiffs in the most favourable position they could ever hope to achieve, his Honour considered the plaintiffs' case "with considerable thoroughness". Thus despite Lord Diplock's objections it is often true that a court is able to make accurate determinations on the legal issues in interlocutory proceedings. Where such determinations favour a defendant, then he should not pending the final hearing be enjoined and thus suffer having his freedom of action impinged upon merely because he could be adequately compensated in damages. It may be that to overemphasize the balance of convenience is to abandon applicants for relief to the incalculable discrimination of the courts between various elusive factors of convenience. The notion of a "*prima facie* case" is by no means an insurmountable hurdle for prospective plaintiffs. Rather, it functions as a versatile instrument to vet weak and pre-emptive claims, and thus preserves interlocutory relief as both a flexible and equitable remedy.

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⁸⁷ Supreme Court Rules 1970, Part 38, r. 9. The relevant High Court Rule of Court, Order 39, r. 1, is substantially the same as the English rule; cf. n. 7a.