

## The cost of litigation: Is it worth it?

With globalization, more and more small to medium sized companies (“SMEs”) in developing countries have proven to be worthy opponents to the larger, more established MNCs (“multi-national corporations”). How so? With the spirit of entrepreneurship, these SMEs are now producing similar goods and services at much lower costs than those offered by the MNCs. From garments to hardware for your latest gaming system, developing nations currently harbor skilled minds that can replicate, re-imagine, and redesign the commodities that were previously only available in the developed nations. While this practice brings in revenue and recognition for the local company, it also leads to heavy losses for the MNC that first produced or offered the goods or services. These losses no doubt form the foundation of a time consuming and excruciating legal battle which begs the question – is it worth it?

### The Patent Dispute that was not meant to be

A giant pharmaceutical company (“the pharma company”) from England, renowned for its anti-cancer drug in developed countries, began selling the same drug to developing countries within Southeast Asia. The pharma company had been attentive enough to get the key ingredient of the drug patented but this original product patent eventually expired. Meanwhile, the company successfully patented an enhanced process for manufacturing the drug and that process patent was still in force in some Southeast Asian countries like Indonesia, Singapore, and Malaysia.

The pharma company detected that a local manufacturer in Vietnam was producing and importing an anti-cancer drug into Malaysia at a reduced cost which ultimately affected the pharma company’s sales, profit margins, and growth in Southeast Asia.

While the pharma company owned a process patent in some Southeast Asian countries, it did not own a product patent for the drug in question. Here, it is interesting to note that a process patent would be infringed by a third party who:

- uses that process without the permission of the patent owner; and
- makes, imports, sells, offers to sell, stores or uses the product directly obtained from that process.

Not surprising, the pharma company wanted to take legal action against the Vietnam manufacturer but could only do so in Malaysia where the drug was being imported into and where it had an existing process patent.

## Thinking out loud...

The pharma company faced a few critical stumbling blocks in its legal battle, namely:

1. The pharma company could not take any legal action in Vietnam because:
  - a. it did not own a product patent for the said drug in Southeast Asia (it owned a process patent in some countries, including Malaysia);
  - b. it did not own a process patent in Vietnam where the drug was being manufactured.
2. The pharma company was able to take legal action in Malaysia where the drug was being imported into and where the pharma company owned an existing process patent. However, they did not succeed there because the Malaysian IP Court determined that one of the process steps used by the Vietnam manufacturer was different from the corresponding process step protected by the patent claim owned by the pharma company. Based on this, the Malaysia IP Court held that the imported anti-cancer drug was not infringing because it was not made directly by the same process.

Interestingly, the entire legal battle cost the pharma company a hefty sum of €50,000 whereas the loss incurred due to the sales of the third party's anti-cancer drug in Malaysia was €30,000.

### Is it worth it?

Litigation and costs in court battles might be worth it only if your company has an unlimited budget (which is never going to be the case). That said, if it is clear that an existing IP right in a particular country has been infringed by a third party to the detriment of the IP owner, then by all means, go into battle to protect what is legally yours. But, as in this case, where the company did not have a legal right to go after the manufacturer in Vietnam while in Malaysia, the process patent was apparently not infringed, litigation is just not worth it. It is more cost-effective to settle with the other party.

As more local companies in developing countries becoming competitive, global companies / MNCs should protect their IP rights in Southeast Asia without further delay. With costs being a key factor, choose your legal battles wisely and ask yourself and your legal advisers the crucial question as early as possible - "Is the cost of litigating this worth it?"