

The Patents County Court: Change for the better?

The Patents County Court has changed. On 1 October 2010, a simplified and shortened trial process was introduced and a cap imposed on the costs recoverable by the winning party from the losing party. A couple of weeks previously, it was announced that Colin Birss QC, a respected and experienced barrister, had been appointed as the new Patents County Court judge. Currently, some IP owners (particular SMEs) are deterred from litigating to protect their IP rights because of the length and complexity of the trial process and the high costs usually involved. In light of the changes in the Patents County Court, IP owners should look again at their IP protection strategy and assess whether litigation to defend their IP rights is now a realistic option.

What is the Patents County Court?

The Patents County Court (PCC) was established in 1990 to serve the interests of SMEs by providing an affordable forum for intellectual property litigation. The High Court has long had a reputation for dispensing high quality justice in IP disputes but the inevitable consequence is that the parties usually incur significant costs in getting the matter to trial. The PCC was created by Parliament to handle the smaller, less complex and important, lower value actions. It was to provide cheaper, speedier and more informal procedures than the High Court to ensure that SMEs and private individuals were not deterred from innovation by the potential cost of litigation to safeguard their IP rights.

Does it work?

Since its creation, the PCC has been widely criticised for failing to achieve its objectives. There are probably two main reasons for this. First, until the changes on 1 October, the PCC was not in any way differentiated from the High Court. There was no formal threshold defining those cases that should be heard by the PCC and those by the High Court. There was simply an informal understanding amongst practitioners that the PCC was for the simpler, lower value disputes. The PCC had the same jurisdiction, rules and procedures as the High Court. Trials in the PCC and High Court would be managed in exactly the same way with full use of disclosure, witnesses, experts and cross examination. The result was that the procedures in the PCC were inherently costly. The second reason, which follows from the first, is that smaller IP owners were deterred from bringing proceedings because of the risk of having to meet a substantial and unpredictable adverse costs award if unsuccessful.

The changes

Both the Intellectual Property Court Users' Committee (IPCUC) in its report of July 2009 and Lord Justice Jackson's wide-ranging review of civil litigation costs published in early 2010 highlighted concerns that SMEs and individuals were still being denied access to justice in IP disputes because they were effectively priced out of the system. The procedural changes introduced on 1 October are another attempt to reform the PCC to make it the affordable forum for IP litigation it was meant to be.

In essence, the trial process in the PCC has been shortened and simplified. The parties are now subject to strict deadlines for filing their statements of case, which will only be extended for "good reason". The statements of case must contain all of the facts, arguments and evidence on which the parties rely because, in most cases, there will be no actual trial. The judge will make a decision on the papers. Where the interests of justice require there to be a trial it will last no more than two days with no skeleton arguments, witness statements, cross examination or expert evidence unless the court orders this. It will only do so where the value of this material in

terms of resolving the issues in dispute justify the costs involved. There will be no disclosure of documents or experiments in patent cases in the run up to the trial unless the court orders this. The trial will be held, or decision on paper made, within six months of proceedings being issued.

Capped costs

In addition, the costs recoverable by the winning party from the losing party have been capped. Usually, the loser will pay around 70% of the winner's costs. In IP disputes, where the costs of trial can be high, this sum can be substantial and some IP owners are not willing to run this risk. Now the costs recoverable by the winner are capped at £50,000 (£25,000 where the trial is about the level of damages to be paid rather than liability). The court retains discretion to award additional sums where a party has behaved unreasonably. Scaled costs have also been introduced. This means that not only is there a cap on the overall costs recoverable by the winner but smaller caps on the sums that can be recovered for each stage of the action. For example, the maximum sum recoverable for drafting the Particulars of Claim is £6,125 and £15,000 for preparing for and attending trial (if there is one).

Has anything really changed?

Is this good news for IP owners? In short, yes. If the changes are implemented rigorously then litigation in the PCC should become quicker and cheaper. This is particularly welcome given that the PCC can hear all IP disputes from passing off and trade mark infringement to copyright issues. The PCC can also grant injunctions that have effect throughout Europe.

The strategic potential of PCC proceedings should not be overlooked. Cases can be transferred from the High Court to the PCC. A party to proceedings in the High Court could make an application for transfer to defeat a party holding them ransom on costs; that is, a party who has issued proceedings knowing that the pressure on costs is likely to lead to settlement.

Inevitably, some risks remain

IP owners should not, however, rush headlong into issuing proceedings. These changes do not eliminate all costs risks. Those that remain are:

- The possibility of being subject to an adverse costs order for up to £50,000 (still a significant sum for most SMEs);
- Liability for the additional costs of applications or appeals neither of which are not included in the £50,000 cap;
- The court's ability to make an adverse costs order for more than £50,000 where a party has behaved unreasonably. Pre-action conduct is likely to be scrutinised. The parties will be expected to have written clear letters before action and made attempts to settle via mediation or otherwise, all of which can incur significant additional cost;
- The possibility that the case will be transferred to the High Court (by the PCC itself or on request of one of the parties) with the result that the case falls back into the High Court costs regime. In deciding whether to transfer, the court will consider the value and complexity of the claim and whether a party can only afford to litigate in the PCC. Which of these criteria will prevail has yet to be determined. Note that there is no easy escape route for a claimant here as a claimant who 'opts-out' on transfer and discontinues the claim will usually be liable to pay the other side's costs.

- The likelihood of additional costs being incurred in any mini-trial to determine whether the transfer should happen. In certain circumstances, this issue could be hotly contested, for example where a small start up-business, wanting to clear the path for its new product, brings proceedings against a major pharmaceutical company whose patent is vital to its market position.
- The cost of amending the statements of case for use in the High Court if the transfer does go ahead.
- Will the new PCC procedure adversely affect the quality of justice? Can any but the simplest of patent infringement actions realistically be resolved without expert evidence? Will the court have available to it all of the facts and matters needed to reach a fair decision? Only time will tell. .

Conclusions

Undoubtedly, the value of IP rights is significantly diminished if they are not enforced in a cost effective and proportionate manner. The changes in the PCC open the door for smaller IP owners to do this. With their lawyers, they should review now how the PCC fits into their future IP protection strategy.

Further information

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