



**IN SUMMARY**

- Calls to amend the Patents County Court’s procedural and costs rules are steadily growing
- The PCC is often seen as the poorer cousin to the Patents Court, operating under the same procedural rules but without the resources of the latter
- This feature provides some proposals on how the PCC should be reformed

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# Providing UK patent litigants with a real alternative

## 🌐 *The need for an overhaul of the Patents County Court*

**In last December’s issue of Patent World, Olswang’s Michael Burdon wrote a proposal for reform of the patent system in the UK. In this feature, Dr Gareth Morgan and Richard Price, partners at Taylor Wessing, respond to Burdon’s suggestions and put forward some proposals of their own**

**F**irst of all, does the Patents County Court need an overhaul? The question is controversial, but the answer we believe is that it does.

We accept that it would be a pointless and costly exercise to alter the manner in which cases are administered in the PCC if at present this forum satisfies the needs of its customers, and potential customers. Some hold the view that the tools are currently in place to change the way in which cases are litigated in the PCC without amending its rules of procedure. If that is so, no formal action is required, simply a change in attitude of the judges hearing cases in this forum. However, the calls to amend its procedural and/or costs rules are steadily growing<sup>1</sup>.

**Current choices**

First, some observations about the choices currently open to patent litigants in the UK. One could bring patent revocation proceedings:

*Before the UK Intellectual Property Office*  
The UKIPO has no jurisdiction to hear non-IP related legal issues (e.g. breach of confidence or contract) and only limited jurisdiction to hear infringement claims. Therefore, if either is a part of a litigant’s claim, or is raised by way of counterclaim, the case must be transferred to the High Court. The UKIPO’s fixed costs recovery system means that litigants secure only a tiny fraction of the costs of mounting a serious challenge to a patent’s validity should they prove successful in a UKIPO hearing. Furthermore, UKIPO decisions are appealed first to the High Court (not the Court of Appeal) and so proceedings may eventually become more complex in spite of the best wishes of the parties;

*In the High Court (Patents Court)*  
Cases in the Patents Court are mostly staffed by specialist judges and generally come to trial within 10-18 months of filing.

To run a detailed, contested revocation case in the Patents Court requires significant outlay in legal costs. Although the winner can receive a high proportion of its costs back following trial, its issue-based costs orders penalise parties wishing to run “squeeze” arguments<sup>8</sup> on the construction of a patent. So there is a heavy deduction for running a tactically sound case and utilising what is seen as one of the major advantages of the English Court system over, say the German bifurcated system.

#### *In the Patents County Court*

The same procedural rules as apply in the High Court govern the conduct of patent litigation in the PCC. Why would a litigant use this forum when the complexity of the litigation could be comparable to the High Court and yet the High Court has more specialist patents judges than the PCC? Although some cases in the PCC have been decided on paper without the need for a trial hearing, such cases are rare as they require agreement between the litigating parties on the way in which to proceed (as well as permission of the court).

There is therefore little “middle ground” between the UKIPO and the Patents Court procedure for patent litigants to operate. The PCC is often seen as the poorer cousin to the Patents Court, operating under the same procedural rules but without the resources of the latter. In practice also, in recent years, trial hearings have not been short.

Some say that the answer lies in the Streamlined Procedure<sup>9</sup>. This is an abbreviated process that was introduced in 2003/4 to increase the options available to the court more actively to manage cases in order to reduce costs and dispense justice proportionately. It permits a court to tailor case management to reduce or eliminate disclosure, experiments, fact and expert evidence and/or cross-examination in an effort to achieve its aims.

However, this procedure has a drawback. There is no default procedure applied to patents cases in any court. It requires the litigating parties to make a request to the court for it to apply. Generally, unilateral applications for the procedure to apply are met with suspicion from the other party. It is almost as if there is an assumption that any such application is only made in circumstances where one party considers its case could be assisted by it. For example, a party may be keen that the court does not look too closely at the evidence or a party could be reluctant to provide standard disclosure. There is also no doubt that some

parties will resist applications for the Streamlined Procedure to apply because they view the high cost of a full trial to be a good costs deterrent to discourage the other party from seeing the case out to its conclusion.

Our experience with this procedure is that significant costs can be incurred at the CMC stage in imposing streamlining on a reluctant litigant. It is rare that there is consensus for it to apply to a case at what is sometimes an early stage. So, if only to preserve their options, parties may consider it prudent to argue before the court that an abbreviated procedure would not be appropriate and that it desires standard disclosure and full ability to cross-examine properly to test the other party’s case.

Despite the difficulties sometimes in convincing a court to impose the Streamlined Procedure on parties in patent litigation in the Patents Court, it should remain optional in this court. However, it is our view that making it (or something similar) the default procedure in proceedings in the PCC could provide the long-sought-after alternative to costly “full trial” proceedings. Indeed, it seems a sensible progression to base default PCC proceedings on a much-abbreviated version of the Patents Court procedure but also to have such an abbreviated procedure available as an option in the Patents Court to be used where circumstances dictate it is appropriate. Certainly to do the former would offer a real difference between the two courts. No difference is apparent at present, except in the judicial personnel.

#### **Taylor Wessing’s view**

The view of the Patents Group at Taylor Wessing is that, without a concerted effort to reduce the complexity of the procedure for litigating patents in the PCC, this forum will remain an underused, poor cousin to the Patents Court. In this respect, despite the best efforts of Judge Michael Fysh QC, the current format of the PCC has failed to fulfil the purpose for which it was intended.

In this section we discuss in general the features we would expect a new PCC procedure to possess, move on to comment in more detail on Michael Burdon’s proposal, then set out our conclusions.

Given that we believe that some reform of the PCC is desirable, Michael Burdon’s proposals provide a useful starting point for debate and have much to commend them. We consider that:

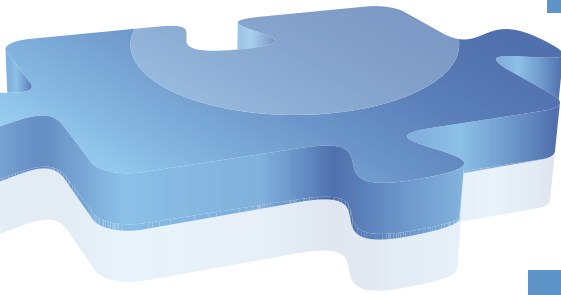
- (a) the court should be subject to a different set of rules to the High Court; the CPR would still apply to practice within the PCC, but only to the extent that such

rules did not conflict with the new PCC procedural rules;

- (b) the PCC rules should be reflected in the default directions issued in the PCC at the CMC stage and parties would need to persuade the court with very good reasons to deviate from these rules;
- (c) finding suitable judges or lawyers who were agreeable to serving the PCC has not been easy in the past. For the future they could be appointed in much the same way as the Appointed Person panel regime works for trademarks. This system has been highly successful and could be replicated within the PCC;
- (d) parties should be able to apply to transfer cases from the PCC to High Court and vice versa. Such applications should be heard, in short order, by a High Court Judge with the presumption being that the proceedings remain in the court in which they were issued. It is recognised that for the first few years of operation such applications could be frequent and High Court Judges would need rapidly to establish the principles that would apply to successful transfer applications;
- (e) the court should be given the discretion to order the transfer of cases of its own volition where it was considered necessary to comply with the overriding objective and/or where it was considered that the case had become too complex or lengthy for the PCC procedure;
- (f) absent the imposition of the rules contained within Michael Burdon’s proposal or those suggestions contained within this paper, the Streamlined Procedure should be made the default directions in the PCC with deviations from these directions only granted in exceptional circumstances;
- (g) bifurcation of infringement and validity cases should be avoided; and
- (h) if the procedure applied in the PCC was an abbreviated one, we do not see any reason why the judge could not deal with all issues argued at trial in the judgment. We are concerned that not doing this would make such judgments too readily susceptible to appeal.

Whether or not an abbreviated procedure in the PCC would address a “long felt want” is still a matter which to us is open to question. We have noticed no clamour from our smaller clients for such a procedure, nor have we encountered situations whereby a client has been prevented from litigating on a patent right for want of funds.

Mr Justice Kitchen noted at a recent IBIL



“Despite the best efforts of Judge Michael Fysh QC, the current format of the PCC has failed to fulfil the purpose for which it was intended”

event that there has been a 200% rise in the number of cases issued in the Patents Court in the last two years. Although an interesting statistic, and perhaps an indicator that relatively high costs\* in English patent cases are not discouraging parties from litigating, it seems to us caution should be used when interpreting such statistics. The number of cases issued in the Patents Court in the previous 10 years had declined steadily year after year. Even now the number is nowhere near that of the mid 1990s. Furthermore, new starts in the PCC have remained, we believe, at a very low level (at least for patent cases). In any event, offering a real alternative to the Patents Court style of patent litigation would increase choice for current court users and enfranchise those parties that consider the current system to be prohibitively expensive.

Therefore, reforming the PCC would be a worthwhile experiment. There is little to be lost; and the chance of a lot to be gained. Without a bona fide lower cost alternative to the Patents Court, we will never know whether or not the current system genuinely deprives patentees or alleged infringers of the right proportionately to litigate their rights in England and Wales.

### Into the detail

As to the detail of Michael Burdon’s proposal, we have the following specific comments :

- (a) We see no reason to restrict either the prior art or the number of validity attacks on the patents in suit. It should be for the party applying to revoke the patent to decide whether or not to complicate the action and risk it falling outside the PCC procedure, or restricting its attack on the patent in order to ensure it comes within the PCC regime. Each case would need to be judged on its merits and setting limits on the number of pieces of prior art would be too simplistic.
- (b) We doubt whether the restriction on the length of evidence is really practical. Rather the key to the PCC procedure would be the need to maintain proceedings at a sufficiently uncomplicated level that the court continued to be satisfied that the action was suitable for the PCC procedure. We agree with the restriction on the

length of cross-examination.


- (c) We suggest the following structure for proceedings at trial:
  - (i) The parties must agree both an Agreed Statement of Facts and also a Technical Primer (if required) to be filed at court along with both parties’ skeleton arguments. Such documents should be filed up to a week prior to trial.
  - (ii) The first hour or so at trial to be spent on a Q&A session for the judge to ask for any assistance necessary on the written opening skeleton arguments.
  - (iii) Evidence is then dealt with. Each party to be given half a day to cross-examine the other party’s witnesses.
  - (iv) Closing by both parties to take place on the second afternoon, based on the opening arguments as modified by any developments during the Q&A session and cross-examination.
- (d) Although a costs cap is essential, we consider that £150,000 is more appropriate.
- (e) The percentage costs recovery does not penalise parties overspending/ outspending their opponents. Under Michael Burdon’s plan, if a party spends £300,000 and is the commercial loser, but wins on a third of the issues, it would still receive £100k back. That cannot be right. Given the relatively low sums involved (certainly sums not worth spending money assessing/taxing), we suggest costs awards should return to the commercial winner getting 100% of its costs, up to a max of £150k.

If costs assessments within the PCC are to remain issue-based we suggest another method to discourage overspending. If a party wins, but outspends its opponent, then its costs recovery should be reduced by the percentage of its overspend, i.e. if it outspends the other party by a factor of 4, any costs award under the PCC rules is reduced by the same factor.

### Conclusions

We agree that the PCC is not performing the function for which it was created. We

further agree that, if it is truly to be an alternative jurisdiction to the Patents Court, it should be attractive to parties with significantly smaller resources than those which use the Patents Court, a mandatory, abbreviated procedure must apply.

We have commented on Michael Burdon’s suggestions for a new PCC procedure and provided, what we hope will be seen as, constructive criticism and suggestions as to how we believe that procedure could be improved upon and/or put to work in practice. It now requires the co-operation of all stakeholders in the PCC to progress this opportunity to create a forum that could meet the needs of patent litigants with limited resources. We suggest that this could be done by next producing an official draft of revised PCC Procedural Rules for further consultation with industry stakeholders and practitioners. 

### Notes

1. In addition to Michael Burdon’s article in *Patent World* (December 2008), see also Chris Ryan’s article on cost-capping in the PCC in *CIPA J*, p499, September 2008.
2. i.e. a “squeeze” on validity and infringement dependent upon the construction of the claims of the patent in suit.
3. See paragraph 10 of the Patents Court Guide, found at [http://www.hmcourts-service.gov.uk/infoabout/patents/crt\\_guide.htm](http://www.hmcourts-service.gov.uk/infoabout/patents/crt_guide.htm) (last accessed 19 January 2009) and its associated Practice Directions.
4. We do consider that it is important when comparing costs with other major patent jurisdictions such as Germany, to compare “apples with apples”. In Germany not only are infringement and validity bifurcated but each patent counts as a separate action to which separate costs (including court costs) are attributable. For example, the recent *Monsanto v Cargill* case concerning three patents, all of which were alleged both infringed and invalid by the litigants, would constitute six separate patent cases in Germany.
5. Where we have not commented on any particular feature it can be assumed we agree with the proposal.