



JUDICIARY OF  
ENGLAND AND WALES

**Intellectual  
Property Court  
Users'  
Committee**

**Working Group's  
Consultation  
on  
Proposals for Reform of the  
Patents County Court**

**June 2009**



**Intellectual Property Court Users' Committee**

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**15 June 2009**

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## **The Working Group**

At a meeting of the Intellectual Property Court Users' Committee on 28 April 2009, the Committee discussed the long-standing concerns about the high cost of intellectual property litigation in the United Kingdom, particularly for small and medium sized-enterprises, and how these concerns might be addressed by reform of the Patents County Court. Lord Justice Jackson, who is presently conducting a Review of Civil Litigation Costs, was invited to attend the meeting as an observer. At the meeting the Committee agreed to set up a Working Group to formulate proposals for reform of the Patents County Court in time for submission to Lord Justice Jackson as part of Phase 2 of his Review. The members of the Working Group are as follows:

Mr Justice Kitchin

Mr Justice Floyd

Mr Justice Arnold

HH Judge Fysh QC

Richard Miller QC (for the IP Bar Association)

Alan Johnson (secretary to the Patents County Court Users' Committee)

Philip Westmacott (secretary to the Intellectual Property Court Users' Committee)

Alasdair Poore (for the Chartered Institute of Patent Attorneys)

Philip Harris (for the Institute of Trade Mark Attorneys)

Tony Rollins (for the IP Federation)

## **How to comment**

We invite comments on our proposals for reform of the Patents County Court from all interested parties. Since Lord Justice Jackson has requested that the Working Group submit its proposals to him by 31 July 2009, we must ask for comments on or before **3 July 2009** in order that we can consider them before producing our final proposals. Our principal proposals are in **bold** type.

Please send your comments to:

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or by email to:

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## **Executive summary**

The Patents County Court (“PCC”) was created by Parliament to serve the interests of small- and medium-sized enterprises (“SMEs”) by providing an affordable forum for intellectual property litigation. The PCC has not succeeded in providing this, however. There are two main reasons for this. The first is the fear of having to meet a substantial, and unpredictable, adverse costs award if unsuccessful. The second is that the procedure of the PCC is itself costly, because it is identical to that of the High Court. Changes both to the costs regime and to the procedure of the PCC are therefore needed.

As regards costs, we propose that the regime be altered so as to restrict costs recovery to a scale basis except where the conduct of a party has been unreasonable.

On procedure, we propose that procedural rules should be made specifically for the PCC which are tailor-made to enable affordable litigation of intellectual property disputes by SMEs.

The main procedural changes would be:

- to require parties primarily to present their cases by sequential written arguments;
- to impose robust case management;
- to permit or require disclosure, experiments, factual evidence, expert evidence and cross-examination only where a cost-benefit test is satisfied;
- to limit trials to one or at most two days.

We also propose that the PCC should be clearly differentiated from the High Court.

## **Background**

### The background to the creation of the PCC

For a great number of years prior to the creation of the PCC, dissatisfaction was expressed with the expense of patent litigation. In *Ungar v Sugg* (1892) 9 RPC 113 at 116-117 Lord Esher MR famously said:

"Well, then, the moment there is a patent case one can see it before the case is opened, or called in the list. How can we see it? We can see it by a pile of books as high as this [holding up the papers] invariably, one set for each Counsel, one set for each Judge, of course, and by the voluminous shorthand notes: we know 'Here is a patent case.'

Now, what is the result of all this? Why, that a man had better have his patent infringed, or have anything happen to him in this world, short of losing all his family by influenza, than have a dispute about a patent. His patent is swallowed up, and he is ruined. Whose fault is it? It is really not the fault of the law; it is the fault of the mode of conducting the law in a patent case. That is what causes all this mischief."

Thus Lord Esher was clearly of the view that the problem was one of procedure.

The matter was considered at various times over the next 90 years without significant amendment to the way in which patent actions were tried. The dissatisfaction remained, however, and in 1983 Dr (later Sir) Robin Nicholson, the then Chief Scientific Advisor in the Cabinet Office, was asked to examine whether the existing system of intellectual property rights was well suited to encouraging innovation. His report was published at the end of that year as a Green Paper entitled *Intellectual Property Rights and Innovation*. Dr Nicholson pointed out that the effect of the complexity and expense of patent litigation was to cause most firms to settle actions out of court or to deter them from even attempting to pursue infringers. He acknowledged that the expense of litigation was a general problem. In 1986 the Government published a White Paper entitled *Intellectual Property and Innovation*. Paragraph 4.4 of the White Paper acknowledged that:

"The 1983 Green Paper pointed out that the effect of the complexity and expense of patent litigation is to cause most firms to settle actions out of court or to deter them from even attempting to pursue infringers. The difficulties are clearly more severe for small firms."

In consequence, the Government proposed to require all proceedings in which the validity of a patent could be in issue, including infringement proceedings to be commenced before the Comptroller of Patents. The Comptroller would be given the power to grant any relief which was available from the Court, including injunctions. The Comptroller would have power to transfer proceedings to the Court where all parties agreed or be considered that the proceedings would more properly be determined by the Court, but appeals

from the Comptroller would be at the discretion of the Comptroller or the Court. In addition, the Government proposed [at §4.12]:

“To replace the present adversarial system which applies in actions before the Comptroller by a more inquisitorial system making extensive use of written evidence and allowing the Comptroller to control, shorten and simplify the proceedings and the issues to be considered.”

The White Paper proposals attracted strong opposition from certain quarters. As a result, the Permanent Secretary to the Lord Chancellor, Sir Derek Oulton QC, and the Comptroller convened a meeting of interested parties in October 1986 to discuss the White Paper proposals and alternative ways of meeting the Government’s objectives. This led to the establishment of a Committee chaired by Sir Derek, which reported in November 1987 and proposed the establishment of a Patents County Court.

### The Oulton Committee’s proposals

The Oulton Committee’s proposals included the following features:

- (1) Initially, there should be one such court in London with jurisdiction over the whole of England and Wales, but provision should be made for courts to be designated in other cities.
- (2) There should be a full-time judge “who must not only be experienced in patent litigation and able to command the respect of practitioners but also able to take charge of the Court in its formative period and foster a progressive development of its procedures ... The judge should be bold and imaginative and prepared to make firm orders, particularly at pre-trial stage.” The Committee acknowledged that “it could be more than usually difficult to find the right candidate”.
- (3) The PCC should have jurisdiction to deal with patents, registered designs and the unregistered design right proposed in the White Paper together with ancillary matters.
- (4) Except in certain limited circumstances, there should be a limit of £100,000 on the amount of damages or profits that the PCC could award which could be varied or removed by statutory instrument. In this connection the Committee observed that “it is important in establishing a new court that it should not, in its early stages when it is developing its practices, be over-burdened by large cases, cases of great financial consequence, or cases involving new, fundamental questions of law.”
- (5) The PCC should have a discretion to transfer cases to the Patents Court, and vice versa, in accordance with specified criteria including “the ability of the parties to meet the costs of any proceedings in the Patents Court”.
- (6) The plaintiff’s statement of case should be required to set out all facts and matters on which the plaintiff relied as establishing the acts of infringement and the reasons why each claim alleged to be infringed was infringed including the construction of those claims. Similarly, the defendant’s defence should set out all matters relied upon by the

defendant to resist the claim for infringement and any counterclaim should set out all details relied on to attack the validity of the patent. Passages in the prior art which anticipated should be identified and obviousness treated in detail. Similarly the plaintiff's reply should set out why any particular attack on his patent was unjustified. The Committee acknowledged that this would front-load the costs of litigation, but believed that overall there would be a worthwhile saving.

- (7) There should be a pre-trial review after the close of pleadings.
- (8) Discovery should be limited to specific issues.
- (9) There should be a presumption against the Court ordering the inspection of experiments.
- (10) Evidence should be written and the examination in chief and cross-examination of witness should be greatly shortened.
- (11) There should be no limit on the costs recoverable by the successful party, but the judge should exercise his discretion to award costs having regard to the parties' conduct.
- (12) Registered patent agents should have rights of audience and representation. The Committee considered that making it possible for a patent attorney to conduct a case before the PCC without having to involve solicitors and counsel would be "a significant contribution to the reduction of the cost of patent litigation".

### The creation of the PCC

The Oulton Committee's proposals were substantially, but not fully, implemented in sections 287-292 of the Copyright, Designs and Patents Act 1988, the Patents County Court (Designation and Jurisdiction) Order 1990 and Order 48A of the County Court Rules. The PCC came into being in 1990.

### Expansion of the PCC's jurisdiction

Although the "special jurisdiction" originally conferred on the PCC by section 287 of the 1988 Act was limited to patents, designs and ancillary matters, in recent years the PCC has been given jurisdiction over both UK registered trade marks and Community trade marks by the County Courts Act 1984 section 15(1) (as amended), the High Court and County Court Jurisdiction Order 1991 article 2(7A), (7B) (as amended) and the Community Trade Marks Regulations 2006 regulation 12. The PCC has always had, as part of its ordinary jurisdiction, jurisdiction over copyright and related rights, and over claims for breach of confidence and passing off. Indeed, under paragraph 18 of the Practice Direction to Part 63 of the Civil Procedure Rules, the PCC is now one of only a limited number of county courts to which intellectual property cases other than patents and design claims are allocated. It follows that the PCC is now an intellectual property county court, and not just a patents county court. For this reason, it would be helpful if it were to be re-named the Intellectual Property County Court.

### Problems with the PCC

Regrettably, a series of factors conspired against the success of the PCC. Notable among these are:

- One significant feature of the Oulton Committee's proposal was not implemented. Section 288 of the 1988 Act made provision for the imposition of a financial limit on the PCC, but no financial limit was ever imposed;
- Partly as a result of the absence of a financial limit, partly because of the provisions dealing with transfer and partly as a result of forum shopping, there were battles over transfer between the PCC and the Patents Court, particularly in the early days after the appointment of each Judge, which were time-consuming and costly;
- The requirement in CCR O.48A r.4 to set out "all facts, matters and arguments" in the initial pleadings led to front-loading of costs, but without the benefit of savings later in the proceedings, as the traditional requirement remained to prove the case by evidence which could be tested by disclosure and cross-examination;
- Costs were assessed on the High Court scale prior to the CPR, and the costs orders and the amounts spent by litigants are routinely little different from those in the High Court, particularly in patent cases;
- Case management by the first Judge of the PCC was not sufficiently robust, and his decisions even on case management issues were regularly overturned by the Court of Appeal;
- By the time the present Judge, His Honour Judge Fysh QC was appointed, the Woolf reforms had removed the procedural distinctions between CCR O.48A and RSC O.104 (which applied to patent cases in the High Court), leaving little scope for using the enhanced case management powers under the CPR to reduce costs.

Since the advent of the CPR, there has been a lack of a clear, or arguably any, distinction between the Patents Court and the PCC. Moreover, there has been relatively little use of the PCC by SMEs, particularly in patent and trade mark cases. Much of the PCC's current workload consists of copyright, passing off and breach of confidence claims transferred from other county courts.

#### Recent proposals for reform

In recent years, there have again been a number of reports and papers in which the high costs of IP litigation, particularly for SMEs, has been raised as an issue and proposals for reform made. These include the following:

- The Gowers Review of Intellectual Property reported in December 2006. Paragraph 6.30 of the Review pointed out that the benefits of the fast track system established under the CPR did not apply to IP cases, that litigation in the PCC was almost as expensive and complex as High Court litigation and that high costs were a barrier to all potential litigants, but particularly SMEs. Recommendation 54 was that the Department of Constitutional Affairs (now the Ministry of Justice) should review the issues raised in relation to IP cases and the fast track and bring forward any proposals for change by the end of 2007.

- The DCA issued a Consultation Paper in April 2007. The DCA rejected the proposal that the fast track could be adapted to accommodate IP cases. The DCA invited views on whether IP claims could be dealt with in some other more efficient and cost-effective way. A range of suggestions were made in response to this.
- Over the last year a number of proposals for affordable IP litigation have been made by Michael Burdon of Olswang, the Chartered Institute of Patent Attorneys and Mr Justice Arnold, among others.
- More recently, the Review of Civil Litigation Costs headed by Lord Justice Jackson has considered the costs of business disputes involving SMEs, and in particular IP litigation. This subject is dealt with in Chapter 29 paragraphs 5.1-6.2 of Lord Justice Jackson's Preliminary Report, where Lord Justice Jackson welcomed the setting up of the present Working Group to formulate proposals for reform of the PCC.

### The need for reform

We are convinced that at present SMEs are denied access to justice in IP cases because they are priced out of the system. If litigation were made affordable, many more IP claims would be brought and defended.

To give some "flavour" for the potential demand which is unmet, one only has to consider the workload of the European Patent Office's Opposition Division. The significant limitations of EPO opposition proceedings are well known (notably their very long duration, with the possibility of referrals back to first instance following appeals), yet it is still used in great numbers. (About 5% of granted EPs are subject to opposition, i.e. several thousand new oppositions per year.) Were it possible to invalidate patents in the UK as painlessly (in terms of costs) as in the EPO, but in a shorter time period, then many UK-originated disputes might be resolved in the UK instead of in Munich. If only a few per cent of cases moved from Munich to London, dozens of additional cases would be heard in the PCC every year for that reason alone, that is, ignoring the potential for infringement disputes. Since there is currently no low cost forum for resolution of domestic infringement disputes, it is fair to assume that demand for resolution of such disputes must be at least as great as for resolution of validity disputes.

To this one should add the unmet demand for a forum to resolve trade mark, copyright and designs disputes where the parties cannot afford the costs of High Court litigation. The UK Intellectual Property Office and the Office for Harmonisation in the Internal Market's Opposition and Cancellation Divisions process considerable numbers of trade mark and design disputes each year. Again, some of these disputes could be dealt with in the PCC if costs were not prohibitive. Furthermore, many infringement claims are simply not litigated for costs reasons.

### The international dimension

In addition to these purely domestic considerations, it is important to note that there are a number of international factors which are relevant.

First, the UK is obliged to comply with the Agreement on Trade-Related Aspects of Intellectual Property Rights, which is Annex 1C of the Agreement Establishing the World Trade Organization (“TRIPS”), and to implement European Parliament and Council Directive 2004/48/EC on the enforcement of intellectual property rights (the “Enforcement Directive”). Relevant provisions are set out below:

#### **TRIPS Article 41**

1. Members shall ensure that enforcement procedures as specified in this Part are available under their law so as to permit effective action against any act of infringement of intellectual property rights covered by this Agreement, including expeditious remedies to prevent infringements and remedies which constitute a deterrent to further infringements. These procedures shall be applied in such a manner as to avoid the creation of barriers to legitimate trade and to provide for safeguards against their abuse.
2. Procedures concerning the enforcement of intellectual property rights shall be fair and equitable. They shall not be unnecessarily complicated or costly, or entail unreasonable time-limits or unwarranted delays.

#### **Enforcement Directive Article 3**

1. Member States shall provide for the measures, procedures and remedies necessary to ensure the enforcement of the intellectual property rights covered by this Directive. Those measures, procedures and remedies shall be fair and equitable and shall not be unnecessarily complicated or costly, or entail unreasonable time-limits or unwarranted delays.
2. Those measures, procedures and remedies shall also be effective, proportionate and dissuasive and shall be applied in such a manner as to avoid the creation of barriers to legitimate trade and to provide for safeguards against their abuse.

Both of these instruments *oblige* the UK to have effective protection for intellectual property. The current system arguably is defective in as far as it fails to provide cost-effective procedures for smaller IP disputes and access to justice for SMEs.

Secondly, for over 30 years the EPO has had jurisdiction to revoke European Patents designating the UK. Practitioners and patentees alike are well used to this system and, as noted above, it is a forum which is much used. The acceptance of, and familiarity with, this system indicates that in the field of patents any “dogma” that the traditional way of conducting litigation must be preserved has long since been abandoned by the many UK litigants who choose to use the EPO system. The same applies to OHIM in the fields of trade marks and designs.

Thirdly, there is in progress a major push toward the creation of a pan-European Patents Court. The European Commission's aim is to have an agreement in place by the end of 2009 and it predicts that a Court will be up and running by 2017. It must be recognised, therefore, that in the medium to long term, the UK will have to accept a major change in its method of litigating European Patents designating the UK. The present version of the draft Rules of Procedure for the new Court provides for a much more continental system of litigation. Whilst this draft has yet to be agreed by the UK, and the draft Rules of Procedure are not yet public, it is clear that the procedures in the new Court are highly likely to vary significantly from existing High Court and PCC procedures, being a hybrid of European and Anglo-Saxon styles. In order to reach agreement, the UK will have to accept a significant shift from its traditional adversarial litigation system.

In view of these last two points, there can be no reason to shy away from reform of the PCC. Indeed, to the extent that our proposals bring the PCC more into line with continental or EPO styles of litigating, this can only be a positive development which will prepare the ground for the inevitable future reforms.

#### The way forward

We believe that it is therefore time to re-assess the role of the PCC and to return to the principle established by Parliament that it is a "special jurisdiction" which should have its own distinct procedures. Only in this way will SMEs be able to have access to justice in IP cases. Moreover, larger enterprises have numerous smaller disputes which are never litigated. In both cases, the issue is primarily that the turnover in the particular product in issue does not justify the costs of proceedings, and most significantly the potential exposure to a substantial, and unpredictable, adverse costs award after trial.

As Lord Justice Jackson has already observed in his Preliminary Report, "one size does not fit all" in litigation. This is certainly true in the field of IP litigation where costs can be extremely high. IP litigation must not be the preserve of the richest corporations. A system which is radically different from that currently existing must be introduced if IP litigation is to be affordable to all litigants. The PCC is the natural forum for cheaper IP litigation: it is after all the forum which was created by Parliament specifically for this purpose. But to achieve this, the PCC must have different procedures to the High Court. New rules are required to give effect to the will of Parliament.

The new rules should have three core elements: first, an inherently cheaper procedure; secondly, limited and predictable costs recovery; and thirdly, proper differentiation from the High Court.

## **Our proposals**

### **The objectives**

**The primary objective of any changes to the PCC should be to make it accessible to SMEs.**

The factors which are most important to SMEs are:

- That the costs of bringing or defending a claim should be predictable, and reasonable, so that they can afford to pay their own lawyers;
- That there is *certainty* that, if they are unsuccessful, the adverse costs award which follows will not be so financially crippling as to dissuade the would-be claimant from bringing a justifiable case or the defendant from defending himself;
- That a larger adversary cannot gain a significant advantage by outspending them;
- That, as a result of the first two factors, obtaining legal expenses insurance to fund IP litigation, including adverse costs awards, becomes a realistic possibility, as is the case in Germany.

The quality of justice available is undoubtedly important, but is generally regarded as secondary to these costs factors. In particular, it is clear that SMEs would prefer to trade certainty that they would not be faced with a huge costs bill if unsuccessful, for restrictions on their ability to recover substantially all of their own costs if successful. In general terms, SMEs do not care about procedure, provided that it is efficient and not open to abuse.

In consequence, a principal feature of a revised PCC must be a different regime for the award of costs against an unsuccessful party than currently exists. Furthermore, the PCC's procedures must be adapted so as to keep parties' own costs under reasonable control to the extent that the prospect of limited costs recovery does not itself operate as a discipline on expenditure.

In order to achieve these objectives, it will be important to differentiate the PCC from the High Court, particularly in patent cases. Previous experience shows that parties must be given strong incentives to choose the correct forum, and that the courts must have the requisite powers to prevent forum shopping. It is inevitable that some cases will need to be transferred from one court to another, but this should not be allowed to lead to costly battles over transfer.

### **Keeping costs under control: procedures and case management**

#### *Pleadings*

**One cornerstone of the present proposals is that the parties should be obliged to set out their cases in full in writing at the outset.**

Not only is this the logical development of the modern “cards on the table” approach to litigation, but also it is essential to put the court in the position where it knows enough about the case and the issues to exercise robust case management. It is true that, as recorded above, the requirement to plead all facts, matters and arguments in CCR O.48A r. 4 proved to be counter-productive; but this is because it was super-imposed on the traditional English procedure. By contrast, our proposal is that, so far as possible, the initial pleadings should supplant the traditional English procedure. This is a move to a more continental style of procedure such as that utilised in courts of countries such as Germany and The Netherlands and in the EPO.

So far as the content of the pleadings is concerned, this should follow the format (with adaptations where necessary) currently under discussion for the proposed European Patents Court. Thus in the case of a claim for patent infringement, the patentee’s Particulars of Claim would set out: the parties; the patent and its status; a concise explanation of the relevant technology; the attributes of the person skilled in the art and his common general knowledge to the extent necessary to interpret the claims; the facts relied on to establish infringement (in particular, one or more examples of alleged infringements specifying the date and place of each and other facts such as facts regarding the defendant’s knowledge where relevant); the claims alleged to be infringed; the patentee’s interpretation of those claims and any other arguments of law; and the remedies sought. In short, everything necessary to show concisely why the patentee says that the patent has been infringed.

The defendant’s Defence should set out: any disagreement concerning the relevant technology, the skilled person or the common general knowledge; a description of the product or process alleged to infringe unless the defendant accepts the patentee’s description; the defendant’s interpretation of the claims and any other arguments of law. In short, everything necessary to show concisely why the defendant says that the patent has not been infringed. If the defendant challenges the validity of the patent, his Counterclaim should set out: the prior art relied on, attaching copies and translations, and explaining when and how it was made available to the public; any challenge to priority; any common general knowledge relied on in support of the allegations; the claims alleged to be invalid; the defendant’s interpretation of those claims (if not set out in the Defence) and any other arguments of law; reasons for any contentions of lack of novelty or inventive step etc; and the remedies sought. In short, everything necessary to show concisely why the defendant says that the patent is invalid.

In such a case the patentee’s reply should set out: whether publication of the prior art is accepted or challenged; which claims are said to be independently valid (if appropriate, over which prior art); any disagreement as to common general knowledge; reasons why the claims are said to be novel or inventive etc. In short, everything necessary to show concisely why the patentee says that the patent is not invalid as alleged. If amendment is sought, the proposed amendments and the basis for them should be set out.

A similar format would be adopted *mutatis mutandis* where the claimant seeks revocation of a patent or where the claim concerns another IP right.

The pleadings should continue to include statements of truth, thereby enabling them to stand as evidence as under the CPR.

It is clear that under this procedure the defendant should have sufficient time to prepare his pleading bearing in mind that the claimant may have spent some time preparing his. How long the defendant requires will depend on whether he has had prior notice of the claim. We propose that, where the claimant certifies that it has complied with the general pre-action protocol, 6 weeks should be allowed for a defence (including any counterclaim). Where the claimant does not certify this, 10 weeks should be allowed. Either way, the claimant should have 4 weeks for a reply (including any defence to counterclaim). These periods should only be extendable by order of the Court and for good reasons.

Parties would be allowed to amend their pleadings at any subsequent stage, provided that it did not jeopardise the trial date.

#### *Main Case Management Conference*

The main CMC should take place approximately 2-4 weeks after completion of the above pleadings so that the Judge can make informed decisions as to the future conduct of the case. At the main CMC the Judge will identify the issues and decide whether to order any of the following: specific disclosure; experiments; further factual evidence; expert evidence; cross-examination; and further written arguments (collectively, "further material"). There will be no standard disclosure, nor will there will be any automatic entitlement to adduce further factual or expert evidence or to cross-examine.

**The Judge shall only permit or require disclosure, experiments, further factual evidence, expert evidence and/or cross-examination directed to specific, identified issues and where satisfied that the further material satisfies a cost-benefit test, namely that the benefit of the further material in terms of its value in resolving those issues appears likely to justify the cost of producing and dealing with it. Wherever possible, the case will go forward to trial solely on the basis of the pleadings. Parties will be able to agree to a decision on the papers if they do not want a trial.**

Where further material is permitted or required, the Judge will set a tight timetable for it. The Judge may order further material to be produced by exchange or sequentially as appropriate.

The trial date should be fixed at the main CMC. The date should be fixed rather than floating, since floating dates are inconvenient for litigants and add a surprising amount to the costs of litigation.

The parties should be encouraged to mediate at the main CMC. In the event that the parties agree to mediation, the timetable and trial date should be adjusted accordingly.

### *Applications*

**Other than at the main CMC, applications should be made and responded to in writing. The Judge should only hold hearings of applications where necessary. Hearings should be held by telephone unless it appears likely that a hearing in person would be as cheap or cheaper.**

The parties should be encouraged to make any application to transfer the case to the High Court, or to stay the claim, at the latest at the main CMC. Later applications to transfer or stay should be discouraged. Ordinary applications for directions should be made at the main CMC wherever possible.

The costs of applications should be dealt with at the conclusion of the case, save where the Judge considers that a party has behaved unreasonably so as to justify an immediate costs order.

### *Trial*

**The trial itself should typically be scheduled to occupy between 1 and 2 days' of court time.** So far as possible, the time at trial should be divided equally between the parties. The timetable at trial will be set by the Judge. Any cross-examination will be strictly controlled.

### *Organisation of the Judge's diary*

**The procedure we envisage will make it necessary for the Judge (or Judges) in the PCC to have control over their own diary so that they can allocate trial dates and accommodate CMCs and other hearings at short notice.**

### Recovery of costs

**Another cornerstone of our proposals is that the recovery of costs in the PCC be governed primarily by scale fees.**

These would be modelled on the UK IPO's scale fees system, but on a somewhat more generous basis. Thus a party would be entitled to a given amount for filing a pleading, a given amount for attending the main CMC, a given amount for filing evidence if required, a given amount for attending the trial and so on. Different scales should apply to patent cases on the one hand, and other IP cases on the other hand. We propose that the maximum total fees (including disbursements) recoverable after a fully contested action for patent infringement and validity should be no more than £50,000. In other IP cases the maximum total recoverable should be £25,000. The use of scale fees will have the additional advantage of dispensing with the need for the parties to spend time and money on preparing costs schedules and generally arguing over costs.

It is important that the PCC should have power to award costs on an off-scale basis in exceptional cases where it considers that any party has behaved

unreasonably, and in particular in a manner which amounts to an abuse of the Court's procedures.

### Differentiation between the PCC and the High Court

**The third cornerstone of in our proposals is to differentiate the PCC from the High Court. This is important to ensure that the PCC is reserved for cases that require, and are suitable for, the low cost procedure we propose.**

This will be achieved in three ways. Two have already been outlined above, namely the different procedure and the different costs recovery rules proposed for the PCC.

**The third way is that a limit on the financial remedies available in the PCC should be imposed under section 288 of the 1988 Act. To begin with, we propose a limit of £250,000.** This can be increased later if considered appropriate. We recognise that in many cases the claimant wants an injunction rather than damages or an account of profits, but nevertheless we consider that a financial limit of this order will be of some assistance in deciding which cases are appropriate for the CMC.

Claimants with higher value claims will be entitled to limit their claims to £250,000; but defendants will be able to contend that such cases should nevertheless be transferred to the High Court.

### Transfers

We hope that the different procedure, different costs recovery rules and financial limit we propose for the PCC will mean that in most cases the parties will select the appropriate forum for their dispute. It is to be anticipated, however, that in some cases a party will try to bring a case before the PCC that is not appropriate for it. There may also be cases where a party wants a case brought by another party in the High Court to be transferred to the PCC. This prospect makes it important that the courts should have powers to transfer cases where appropriate.

At present the High Court's ordinary power to transfer cases from the county court to the High Court under section 41 of the County Courts Act 1984 is removed with regard to cases within the PCC's special jurisdiction by section 289(1) of the 1988 Act. This is now particularly anomalous since the High Court can order that a trade mark case proceeding in the PCC be transferred to the High Court, but not a patent case. Furthermore, experience has shown that this restriction encourages forum shopping and makes it more difficult to ensure the correct distribution of business between the two courts.

**Accordingly, section 289(1) of the 1988 Act should be repealed.** Both the PCC and the High Court should have the usual power under section 41 of the 1984 Act to transfer cases from the PCC to the High Court. The High Court should retain its power to transfer cases from the High Court to the PCC.

**In deciding whether to transfer a case to, or away from, the PCC, the primary criterion should be whether the case is one which an SME requires the forum to be the PCC in order to achieve access to justice. The secondary criterion should be that of proportionality. In considering proportionality, the value of the claim (including the value of an injunction) and the complexity of the issues will be relevant, but not determinative, factors.**

Questions over transfer should not be permitted to develop into lengthy and costly disputes. They should be determined quickly and with the minimum of formality.

## **Legislation required**

The only primary legislation required to implement these proposals is the repeal of section 289(1) of the 1988 Act. Although not strictly necessary, the opportunity could conveniently be taken to re-name the PCC and to broaden the special jurisdiction.

Secondary legislation will be required as follows:

*Invoking section 288* (limiting financial remedies in cases before the PCC) – this requires an Order in Council.

*Changing the procedure and cost recovery rules* – it would seem likely that all of the other changes proposed could be dealt with by changes to CPR Part 63 and PD63. It would probably be simplest to split each of CPR Part 63 and PD63 into two, one dealing with the High Court and one dealing with the PCC.

## **Potential difficulties**

We have considered the following potential difficulties with these proposals.

### **“Balkanisation”**

The present philosophy underpinning the CPR is to have a uniform procedure in all courts, and thus our proposals may be resisted as amounting to “balkanisation”. We would suggest that the reality is that there are already different procedures in different courts to deal with specialist areas. CPR Part 63 is an example of this, and there are many others. Our proposals are simply an extension of this, and one that reflects the will of Parliament in the 1988 Act.

### **Restrictions on evidence and cross-examination**

Since the pleadings will stand as evidence, as under the CPR, parties will not be debarred from putting evidence before the Court. Nor will they be debarred from adducing further evidence where this is justified. The same applies to cross-examination. Courts already have the power under the present system to limit cross-examination. When this was introduced, it was not thought to cause any constitutional or human rights issues. Dispensing with it altogether is a further step, but little different in principle. In general, Article 6 of the European Convention on Human Rights does not appear to be an issue since our proposed procedure is similar to that employed in many continental systems.

### **Limiting costs recovery**

This should not be problematic. Three points may be made. First, as Lord Justice Jackson has pointed out in his Preliminary Report, there are already many types of civil litigation in which there is no, or limited, costs recovery. Secondly, the scheme of scale fees already operates in the IPO and has done for many years without complaint. Thirdly, the principle of both TRIPS and the Enforcement Directive positively prescribes access to justice and this in turn positively requires adaptations being made to the UK’s costs regime.

One counter-argument is that what we propose is contrary to Article 14 of the Enforcement Directive, which provides:

Member States shall ensure that reasonable and proportionate legal costs and other expenses incurred by the successful party shall, as a general rule, be borne by the unsuccessful party, unless equity does not allow this.

Our view, however, is that scale fees of the order we propose, up to maximum of £25,000 or £50,000 depending on the type of case, would be “reasonable and proportionate” for cases of the kind we envisage being brought in the PCC, in which parties advance their cases primarily through the pleadings and the trial is limited to 1-2 days.

### Forum shopping and transfer battles

Neither forum shopping nor transfer battles can be entirely avoided. We believe that our proposals will give parties a strong incentive only to choose the PCC for appropriate cases, however. Furthermore, if they attempt to bring inappropriate cases before the PCC, we believe that our proposals will provide the courts with stronger powers to combat this and to reduce the cost of any transfer application. There will remain some difficult cases, such as claims by an SME against a larger defendant, particularly if the claim is not very valuable but has some complexity (SMEs can bring high value claims in the High Court financed by conditional fee agreements). We regard this as unavoidable and acceptable.



