

# ARNOLD & PORTER (UK) LLP

ADVISORY

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## New Opportunities for Cost Effective Patent Litigation in The United Kingdom

On 5 October 2010, a new judge took office at the Patents County Court in England and Wales (PCC). This followed implementation of a number of reforms seeking to make UK IP litigation in the PCC more affordable. These reforms are significant, and present a credible alternative to High Court patent litigation, not only for small and medium enterprises, but for all clients looking to control costs. This advisory sets out the key changes and discusses how the reformed Court provides an option for companies contemplating patent litigation in Europe that will not always be suitable but should not be ignored.

### Patent Litigation in Europe

Once granted, a European Patent (EP) takes effect as a bundle of national patents. Centralized opposition proceedings may be brought in the European Patent Organisation (EPO) within nine months of the grant which, if successful, result in the revocation or limitation of all of the national patents. However, infringement claims can only be determined for each territory by national courts (which can normally consider validity, but only of their national patents). Cross-border injunctions are now rarely granted.<sup>1</sup> Proposals to create a centralized European Patents Court to try validity and infringement cases have been on the table for many years, but remain a long way from implementation.

It is seldom viable to bring actions in each and every jurisdiction where infringing acts occur. Therefore, a strategic approach needs to be taken in respect of patent litigation in Europe. Forum-shopping is commonplace.

Commercial factors can be key to these decisions: actions may be brought in major markets, place of manufacture, or distribution hubs. In addition, procedural issues can be very important in deciding where to litigate. These include timing (when can an action be started, when will it be resolved, are preliminary measures available); evidence (seizure of evidence from or disclosure of evidence by the other side, balance between written and oral evidence, extent of cross-examination); chances of success (predictability, perceived pro- or anti-patent bias); extra-territorial value (what persuasive value a judgment may have in other jurisdictions); and cost.

<sup>1</sup> Primarily as a result of *Roche v Primus* (Case C-539/03), and *GAT v LuK* (Case C-4/03), both 13 July 2006.

### Contacts



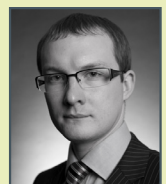
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## Patent Litigation in England and Wales

Patent litigation in the United Kingdom can take place in England and Wales, in Scotland or in Northern Ireland, although in practice the vast majority occurs in England and Wales. The High Court in England and Wales is respected for its critical and forensic analysis of both patent validity and infringement. High Court judgments have strong persuasive value in other jurisdictions, there are detailed requirements for evidence, and the system is relatively quick. However, this comes at a price and the High Court can be more expensive than other jurisdictions (although a reasonable proportion of actual legal costs are recoverable by a successful party, reducing their net costs).

The PCC was originally established in 1990 as the "junior" patents court, to handle "smaller, shorter, less complex, less important, lower value actions"<sup>2</sup>. However, burdened with the same procedural rules as the High Court, the PCC did not always provide the more efficient (and cheaper) service that had been anticipated. In recent years few litigants have chosen to use this route.

## The Reforms

The PCC has now been reformed, seeking to provide a more streamlined, cost-effective alternative to the High Court while maintaining the valued technical analysis which attracts litigants to the United Kingdom. Several procedural reforms came into effect on 1 October 2010<sup>3</sup>, whilst other proposals are being considered but have not yet been implemented.

The most critical change is that recovery of costs is now capped. The maximum total sum recoverable is £50,000 (or £25,000 for an inquiry as to damages or account of profits), with additional caps for each stage in the process, save where a party behaves in a manner which amounts to an abuse of the Court's process. There is no cap on the level of damages the PCC may award, although introduction of a cap has been mooted.

Other important procedural changes include the following:

- Before issuing a claim, a claimant is required to set out

the details of the matter in a letter to the defendant, allowing a reasonable period for a full response.<sup>4</sup> If the claimant fails to do so, the defendant is given an extra four weeks to file its defence and the claimant can be penalised on costs.

- The parties must set out their cases in writing at the outset in concise but complete statements of case. These statements are the primary basis on which the dispute proceeds to trial.
- The Judge will identify the issues on the basis of the statements of case at a Case Management Conference (CMC) and will then decide whether, on a cost-benefit analysis, to order specific disclosure, experiments, further factual evidence, expert evidence, cross-examination, and/or further written arguments. There is no automatic disclosure of relevant documents.
- Any application to transfer the case to the High Court must be made at the CMC. When considering such an application, the Court must have regard to (i) whether a party can only afford to bring or defend the claim in the PCC; and (ii) to the appropriateness of the PCC as the forum for the claim.<sup>5</sup>
- Any subsequent applications should ordinarily be made, responded to and dealt with in writing.
- The case will be determined on the papers (with the consent of the parties) or at a trial which should last, at most, two days. Cross-examination will be strictly controlled.
- A new Intellectual Property County Court Guide is expected to be published in the near future to reflect the new procedures and assist litigants by providing, for example, model pleadings.

A proposal to extend the jurisdiction of the PCC to include all forms of IP (rather than just patents and designs as currently) requires primary legislation and therefore has not, as yet, been implemented. A proposal to cap the level of damages recoverable in a PCC claim to a maximum of £500,000 has also not yet been implemented, secondary legislation being required. It is unclear at present whether either of these proposals will be adopted in the immediate future.

<sup>2</sup> Per Sir Thomas Bingham MR in *Chaplin Patents Holdings Co Inc v Group Lotus plc* (*The Times*, 12 January 1994).

<sup>3</sup> Reforms have been implemented by amending the Civil Procedure Rules (CPR). The new rules covering costs can be found in CPR Part 45 and its practice direction. The amended PCC procedures are found in CPR Part 63 and its practice direction and, in relation to transfer of proceedings, in the practice direction to CPR Part 30.

<sup>4</sup> In accordance with the CPR Practice Direction on Pre-Action Conduct.

<sup>5</sup> The same criteria apply where a party applies to transfer a claim commenced in the High Court to the PCC.

## What do the Reforms Mean for Litigants?

The new PCC judge, His Honour Judge Colin Birss QC, takes office after a career as a highly respected barrister, having appeared regularly in major patent disputes in the English Courts and before the European Patent Office.<sup>6</sup> He will, no doubt, look to stamp his mark on the new Court and procedures very swiftly.

The first key change is that litigants no longer face the risk of a substantial, and unpredictable, adverse costs awards if they lose. Although this also restricts recovery of costs if the case is successful, many litigants will prefer the increased certainty. Litigants remain free to spend above the capped limits, but the need to do so has been reduced by the procedural limitations and the overspend would be irrecoverable.

The second key change is the shift of emphasis toward front-loading the proceedings. Parties are encouraged to make genuine attempts to avoid Court proceedings. Where they cannot do so, they are required to set out their cases at an early stage, rather than relying heavily on later disclosure of factual and expert evidence and skeleton arguments as is the norm in patent cases in the High Court. This “cards on the table” approach may encourage earlier consideration and settlement of cases, and may encourage litigants to file in the PCC in order to speed up proceedings in other jurisdictions.

The streamlined processes will inevitably yield costs benefits, although parties will be more restricted in building and presenting their case. The first case management decisions will give a good indication of how willing the PCC will be to order disclosure/experiments/expert witness evidence, although great flexibility should not be expected. The Judge will be likely to take robust and decisive steps to ensure that proceedings do not get slowed by unnecessary procedural disputes.

An important question is to what extent cases will be transferred between the PCC and the High Court. The financial standing of the parties is a key criterion to be considered. There will be scope for dispute where one of the parties is a small or medium enterprise (or otherwise in a financially weak position) and the other party wishes

to have its case heard in the High Court. Equally, the PCC may look to transfer the case to the High Court where the parties have significant financial means (regardless of whether the parties are content with the PCC), to avoid the PCC becoming blocked with larger cases. However, it is to be expected that the new judge will deal with these issues early on and, it is hoped, the attractiveness of the PCC will lead to its expansion rather than significant numbers of cases being transferred to the High Court.

## Conclusion

The reforms to the PCC are of significant interest to anyone considering their global IP strategy. Litigants may now take advantage of the forensic analysis of the English Courts without taking on the costs risks associated with claims in the High Court. Provided that the procedural changes work as envisaged, the new PCC adds a practical and affordable option to patent litigation strategies in Europe.

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*We hope that you have found this advisory helpful. If you have additional questions, please contact your Arnold & Porter attorney or:*

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<sup>6</sup> [http://www.3newsquare.co.uk/html/colin\\_birss.htm](http://www.3newsquare.co.uk/html/colin_birss.htm)