IPLA INTELLECTUAL PROPERTY LAWYERS' ASSOCIATION

Response to DCA Consultation (procedure and costs)

DCA CONSULTATION CP 8/07 ON "CASE TRACK LIMITS AND THE CLAIMS PROCESS FOR PERSONAL INJURY CLAIMS"

INTELLECTUAL PROPERTY ISSUES

JOINT RESPONSE ON BEHALF OF THE INTELLECTUAL PROPERTY LAWYERS' ASSOCIATION AND THE CITY OF LONDON LAW SOCIETY IP COMMITTEE

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RESPONSE TO DCA CONSULTATION PAPER CP8/07 ON "CASE TRACK LIMITS AND THE CLAIMS PROCESS FOR PERSONAL INJURY CLAIMS"

The following submission is made on behalf of the Intellectual Property Lawyers' Association ("IPLA") and the City of London Law Society IP Committee ("CLLSI") in relation to the questions below.

IPLA acts as a representative body for law firms in England and Wales with intellectual property practices who wish to lobby for improvements to IP law. Over 50 firms are members of IPLA, and the vast majority of litigation and transactional work relating to intellectual property rights in England and Wales is conducted by these member firms. Because of the international nature of IP, member firms are also familiar with how things operate in many other countries across Europe and in the United States of America. Members act for a wide range of clients, from major multinational groups of companies to SMEs and technology start-up companies, as well as universities and private inventors and investors. As a group, IPLA probably has unparalleled experience of how existing IP systems work in practice in the UK.

CLLSI is the intellectual property committee of the City of London Law Society. The City of London Law Society acts as the local law society of the City of London. It represents the professional interests of City solicitors, who make up 15% of the profession in England and Wales, by commenting on matters of law and practice and by making representations on the issues and challenges facing the profession and their clients. It organises itself into committees, around legal topics. The intellectual property committee is made up of representatives of members' firms who practise solely or mainly in the intellectual property field and who have extensive experience in litigating IP rights and in transactions involving the exploitation of IP rights. In this submission we address the following three questions in the consultation paper relating to intellectual property:

Question 6: Are there any measures that would make the handling of intellectual property claims more efficient and effective? If so please tell us what those measures are.

Question 7: If the difficulty of dealing with intellectual property cases is not the court process, what are the difficulties and how could they be resolved?

Question 8: You may consider that different measures would be appropriate for different kinds of intellectual property - for instance because patent cases involve questions of technology. If you have a response directed to a particular kind of intellectual property only, please say so.

GENERALLY

Overall there is no need to make changes in the procedure for dealing with IP cases. In summary, flexible procedures to make the resolution of IP cases efficient and effective and enable cases to be heard as quickly and inexpensively as possible already exist. Streamlined procedures are not used in all cases but there are reasons for this and these are explained below.

PATENT CASES

Patent cases can be highly complex from a technical standpoint and often concern very large sums of money. There is a need for highly specialised expert evidence and often experimental evidence. Disclosure (discovery) can also be substantial. Patent cases, however do vary in scale. At the top end, where the stakes are high and the evidence extremely complex, there may well be a need for experimental evidence, substantial expert evidence and for detailed crossexamination. It has been recognised, however, that these procedures are not essential for every case and it has been said that the smaller to medium sized cases are disproportionately expensive to fight.

So, cases vary in their complexity and importance, and whilst a modified procedure may work well in one case it will not be appropriate in another. Decisions on the appropriate procedure need to be taken at an early stage. In some cases it is readily apparent what procedure should be adopted; in others this can only be ascertained by detailed enquiry into the issues. It should be noted that, although in some cases, the parties can agree on the procedure to be adopted, in many cases they cannot - one way of dealing with a case may be

considered unfair by the other. Accordingly, if the burdens of patent litigation for SMEs are to be reduced, there will need to be a greater investment in judicial time in enquiring into the issues in a case at an early stage. This may not always be effective since the issues may not be clearly known and understood by the parties themselves at the commencement of the litigation. Also it will itself inevitably lead to additional costs at an early stage which may or may not save costs later.

The issues that arise in relation to small to medium size cases have long been recognised. However, there is no need for substantial further engineering with the procedure in these cases, since the means to achieve the objectives specified in the questions are already there. These are explained below.

The Patents County Court

This Court was established in 1990 with a view to dealing with smaller patent and registered design cases efficiently and cost-effectively. It later started dealing with other small IP disputes as well. Rights of audience are more flexible - parties can be represented by patent agents on their own without solicitors or counsel, if that is what the client wishes, and the court has on one occasion at least allowed a lay person to represent a relative in court. The procedure generally is intended to be more flexible than the High Court and the trials short. The hearings also tend to be more informal. There is no specified restriction on the value or complexity of cases the Patents County Court can hear, nor on the levels of damages it can award. A case may be transferred from the Patents County Court to the High Court and vice versa, but generally the Patents County Court will hear smaller and simpler cases.

Streamlined Procedure

Both the Patents Court (of the High Court) and Patents County Court now require parties to consider the use of a streamlined procedure in appropriate cases. Disclosure of documents can be limited or dispensed with altogether and there may be no experimental evidence and no crossexamination. It is possible for a case to be decided entirely on the documents without the need for an oral hearing. The aim is for the trial (which should be very short) to take place within six months of the streamlining order.

The Comptroller of Patents and the Intellectual Property Office (IPO)

There is also provision under s61 Patents Act 1977 for the Comptroller of Patents to hear infringement disputes, which gives litigants the option of less formal proceedings than in a court. The Comptroller also has the power to deal with revocation of patents under s72.

In addition, opinions on validity and infringement of patents can be obtained from the IPO under s74A Patents Act 1977 and this facility has been quite well used.

The procedures mentioned above permit an approach to be adopted in patent cases which is proportionate to the requirements of the case in hand. Some cases can still be very expensive indeed but there is a limit to what can be done about this in view of the technical complexity and the significant sums of money at stake.

Comparisons were drawn in the Gowers Report between the expense of patent proceedings in the UK and elsewhere, particularly Germany. In carrying out such an exercise it is important, however, to compare like with like. For example it is often not appreciated that the trial of an infringement action in Germany in the local court considers infringement alone and the question of validity can only be touched upon to a very limited extent. Validity of the patent has to be referred to the Federal Patents Court in separate proceedings. In the UK both infringement and validity are dealt with together. It is usually the issue of validity which is the major expense.

In fact in terms of speed to trial and the rigour of the investigation of the issues the UK courts are second to none. The flexibility of the UK procedure and the willingness of the judges to order speedy trials, means that patent cases can be heard within six months if necessary and sometimes even less. The fact that the UK procedure provides a specialist jurisdiction and a rigorous examination of the issues not available in other jurisdictions is still considered in industry to be of significant value. A favourable UK decision can effectively decide the matter across Europe and limit the need for a multiplicity of trials.

OTHER IP CASES

Our response so far has focused on patent litigation. What determines the expense of any IP litigation is the complexity of the facts and legal issues. Generally patent cases are more factually complex. Other IP cases are not necessarily inexpensive - some trade mark and passing off cases can cost as much as some patent cases, for example where they involve identifying and gathering large amounts of factual evidence relating to deception and confusion in the marketplace - but they usually tend to involve fewer complex factual issues than patent cases.

There is already provision for cases involving trade marks, copyright and other IP to be dealt with in the Patents County Court and a number of provincial county courts. Therefore, litigants have a choice of local

venues with a less formal and expensive procedure than the High Court.

In any case, even if there is no formal streamlined procedure available, the court has the power to manage the case actively and must seek to give effect to the overriding objective of dealing with the case justly (CPR 1.1). For example, the court can dispose of issues at an early stage and dispense with, or limit, various procedural matters such as disclosure. Cases can even be disposed of without the need for attendance at court (see, for example, the notes on the court's management powers in the Chancery Guide). Limitations of these sorts are used in appropriate cases.

One point is that there is currently no procedure for non-binding opinions to be obtained from the IPO in IP infringement cases other than patent cases. There is, however, a procedure for obtaining an opinion in a trade mark opposition in the Trade Mark Registry and this could, for example, be adapted for trade mark litigation.

SPLIT TRIALS

Because IP rights are monopolistic, the importance of an IP claim to a claimant is usually linked to the prospects of obtaining an injunction and it is rare in non-patent cases for the claimant's main motivation for the litigation to be based on expected damages. This is reflected in the fact IP cases are invariably heard by the court on a split-trial basis, determining liability first and damages separately. This is clearly appropriate, and already goes some way to reducing potentially unnecessary disclosure in relation to damages in the early stages. (Having said that, in some smaller counterfeiting cases an early estimate of the scale of the alleged infringement may lead to an early settlement.)

ADR

Under the existing procedure the parties are expected to consider the possibility of ADR and the Patents County Court in particular is trying to encourage mediation of disputes. This, we hope, will be developed. Informal arbitration or mediation may be appropriate in simpler cases where no injunction is sought and this might be encouraged. Of course, in some cases parties do not wish to use ADR and cannot be compelled to do so.

CONCLUSION

In the vast majority of IP cases the existing procedures are adequate, since they permit the flexibility to deal with a case in a manner proportionate to its complexity and importance.

In smaller and less complex cases there may be some room for encouraging these to be disposed of in a more informal way, eg by mediation or arbitration, or with the assistance of third party opinions.

3 August 2007