

## Come over to Patents County

(Lessons learned from the work of the London Patents County Court)

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This paper is not concerned with substantive questions of intellectual property law. It is concerned entirely with the matter of the legal process and the legal system.

### *Due legal process*

Their legal system is something the English are proud of. They are proud of its roots which can be traced back to the famous Magna Carta, the Great Charter from the 13<sup>th</sup> and 14<sup>th</sup> Centuries. One aspect of the Magna Carta is its emphasis on the due process of the law. In chapter 29 of the version of Magna Carta from 1354, the following passage can be found:

“... no man of what estate or condition that he be, shall be put out of land or tenement, nor taken, nor imprisoned, nor disinherited, nor put to death, without being brought in answer by due process of law. ”

The concept of the “due process of law” included the idea of a lawful judgment by the law of the land and the idea that justice would not be denied or delayed. Chief Justice Coke, the great early 17th century English common lawyer, explained that this passage from Magna Carta was a declaratory statement of the then existing Common law in England.

Of course the US Constitution also contains the notion of the due process of law, in its Fifth Amendment and that derives, at least in part, from Magna Carta.

The purpose of this paper is to consider the due process of litigating intellectual property cases. The English system of litigating IP rights is something English IP lawyers take pride in. We believe it is a good system for arriving at the right answer. But it can be expensive and it can be burdensome on the parties. A particular problem perceived in England has been that the system is suitable for larger multinational organisations to fight out their most important cases but it is not suitable for smaller patentees and enterprises.

*The problem with patent cases*

The problem of the time required, cost and needless complexity of patent cases is an old one. In February 1892 the English Court of Appeal heard an appeal in a patent case (*Ungar v Sugg* (1892) 9 RPC 113). It is worth reading what the Master of the Rolls, Lord Esher said in full:

‘It used to be said that there was something catching in a horse case: that it made the witnesses perjure themselves as a matter of course. It seems to me that there is something catching in a patent case, which is that it makes everybody argue, and ask questions to an interminable extent – a patent case, with no more difficult question to try than any other case, instead of lasting six hours is invariably made to last six days, if not twelve. I am sure there ought to be a remedy for it.

Then we have another thing about these patent cases. Here we have a very good specimen of it. I have looked through some of these shorthand notes and seen questions which were asked by Counsel. Well, I should say that about twelve-fourteenths of the whole of the questions that were asked ought never to have been asked at all; and if the case had been tried before a judge in open court the questions would have been overruled at once by the Judge, either as leading questions, or as immaterial questions or as flagrantly repetition questions. But, however, there being nobody to check Counsel, that is to say a Chief Clerk not exercising the power – perhaps not having it – the thing is allowed to run on and run one, at the expense of the wretched parties, whose dispute had to be settled.

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 one 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.’

In the 1940s a UK Government committee looked into patent litigation (*Patents and Designs Acts, Second Interim Report of the Departmental Committee, 1945-46* [Cmd 6789]). Their report is called the Swan Report. Amongst other things it proposed that there should be two specialist judges with scientific qualifications and experience of patent litigation available to hear patent cases. It also proposed that on appeal from one of them, the other of the two should sit in the Court of Appeal. Not every recommendation of Swan was taken up but since the early 1950s there has always been a patent specialist sitting in the High Court at first instance in London. The first one was Lloyd-Jacob J.

In 1970 another UK Government Committee (the Banks Committee) looked at patent litigation and noted that litigants remained unhappy with the cost and complexity of the cases. The Banks Committee’s recommendations led to a special court being set up as part of the High Court, specifically for patents and registered designs called the Patents Court.

In the late 1980s yet another UK Government Committee (the Oulton Committee) looked at patent litigation. This time the concern was about smaller litigants. The Oulton Committee recommended setting up a Patents County Court to meet the needs of smaller and medium sized enterprises. In England the county courts are for smaller civil cases whereas the High Court is the first instance forum for larger disputes. The Patents County Court was set up to create a forum for smaller patent cases. It opened in October 1990.

#### *The Patents County Court – first two decades*

The Patents County Court had a legal process which was intended to be different from the English High Court and to be more suitable for smaller and medium sized enterprises to enforce and determine their patent rights. In its first ten years of life the Patents County Court did not succeed. This was for various reasons. For its second decade, the processes were changed to make them the same as the process of the High Court. So although the Patents County Court was popular for some parties, it was not

different from the High Court system. All cases in England, regardless of value, were dealt with using the same procedure.

In 2009 there was an attempt to try again with the Patents County Court. The recommendations of the working group were published in the *Final Report on Proposals for Reform of the Patents County Court by the Working Group of the Intellectual Property Users Committee* dated July 31<sup>st</sup>, 2009. The proposals were also endorsed in the *Final Report of the Review of Civil Litigation Costs* by Jackson LJ, December 21, 2009. In October 2010 the recommendations were implemented. A new procedural regime was installed in the Patents County Court. So far it has proved to be popular and the point of this paper is to explain what was done, how it works, and suggest, with all due deference, some ideas which those working in other jurisdictions might find of interest.

#### *A word about names*

Given that the primary purpose of the Patents County Court when it was set up was to deal with, and therefore interpret, patents, there is a certain irony in the fact that the name itself requires interpretation. The name is a synecdoche, a figure of putting part of the whole. In fact the Patents County Court is concerned with all intellectual property rights, including but not limited to patents. Even when it was set up it was intended to handle more than just patents but for at least the last decade or so it has been a court with jurisdiction over all intellectual property rights in England and Wales.

#### *Features of the new procedures in the Patents County Court*

The key elements of the new procedure are these:

1. All steps up to trial are subject to the court's detailed control;
2. There is a mandate for pro-active case management;
3. Trials take one or at the most two days;
4. Trials come on approximately 6 months after the case management conference
5. There is a cap on damages of £500,000; and

6. There is a cap on the recovery of legal costs of no more than £50,000.

*1. All steps up to trial are subject to the court's detailed control*

In normal English High Court intellectual property cases proceed in the following way. A writ (or “claim form”) is issued and the parties exchange written pleadings. The claimant (aka plaintiff) sets out his contentions in Particulars of Claim and the defendant replies in a Defence (Civil Procedure Rules (“CPR”) 1998 Parts 7, 16 and 16). These written pleadings are terse documents. The case then proceeds to a directions hearing before a judge called a case management conference (CPR Part 29 (“CMC”). The judge giving directions will either be a judge who might hear the trial (in patents and registered design cases) or in other IP cases will be a Chancery Master whose role is to give directions to manage the case to trial but will not generally hear the trial. The directions will include a timetable for disclosure (discovery) of documents, exchanging witness statements for witnesses of fact, and exchanging written experts reports. In some patent cases there may also be provision for conducting experiments. The matter will be listed for a trial. The time the trial will take is based on the parties’ estimates.

Judicial control is obviously exercised when the court gives these directions. However as a generalisation the conduct of the case is left up to the parties, despite the fact that powers exist to control evidence (CPR Part 32). In practice if a party wishes to take a step in the proceedings - for example to produce a witness statement from a given witness, generally no control is exercised in advance of that step being taken. Parties are free to produce whatever evidence they regard as relevant. Once produced, it may be shown that the evidence is irrelevant and excluded but that rarely happens in advance. Expert evidence is controlled to some extent (CPR Part 35) such that duplicative expert evidence is generally excluded so that only one expert speaks to a given topic. Disclosure/discovery of documents is subject to some control. For example on an application for disclosure of documents, irrelevant material will not be permitted. However in all High Court cases so called “standard disclosure” is automatically required (CPR Part 31 and see r31.6). In a patent case automatic disclosure of documents is limited to documents falling in a window two years either

side of the priority date, albeit the court can always order disclosure of documents outside the window in a proper case.

In the Patents County Court system as instituted in 2010, the procedure is quite different (CPR Part 63 section V and the associated Practice Direction). The action begins in the same way and written pleadings are exchanged. They are required to be, and generally are, fuller than usual High Court pleadings. The case then comes to a case management conference. Directions are given by the judge.

A key innovation in the procedures takes place at the CMC. At this stage no party has the right to take any further step in the proceedings at all without leave of the court (PD 63 para 29.1). That includes filing any further evidence (fact or expert), seeking disclosure of documents, cross-examining witnesses at trial or anything else. What one might call the default setting as regards any further steps in the case is set to “off”.

Furthermore the rules provide that permission to take any further step will be considered on an issue by issue basis. So disclosure of documents may be ordered (and often is) but it will be limited to documents bearing on a particular issue. Equally cross-examination is very often permitted but it is allowed in relation to specific issues only. Further evidence in the form of witness statements will be permitted but again it is only allowed on an issue by issue basis. The same goes for expert evidence.

One could have abolished cross-examination of witness altogether but it is clear that cross-examination of witnesses can be important. For example, in some patent cases there is a question of a prior use. Witnesses are called to describe an event which is alleged to have taken place and to make an invention available to the public. Cross-examination of these witnesses may be the only way to find out what really happened. To take another example, if the defendant in a copyright case denies copying and alleges that the work was independently created, it is likely that disclosure of documents on that point and cross-examination of the relevant witnesses will be needed. However in a copyright case in which no issue of independent design is

raised, there may be no need for any witness to be cross-examined in order to decide the case.

Similarly, one could imagine abolishing documentary disclosure altogether, but such disclosure can also be important. A patentee may say that a particular prior art reference would have been dismissed by the person skilled in the art and not taken seriously. The notebooks of the scientists working in the patentee's laboratory may tell a different story. They may show that far from being dismissed, the prior art reference was regarded as an important and realistic starting point for further development. However in many cases such disclosure of documents is not necessary. It can certainly generate very substantial costs for little benefit.

Consider the issue of novelty in a patent case. Assuming the prior art is a published patent and no issue of publication arises, there may be no need for evidence on novelty at all. The prior art and the patent can be read and the decision made. There will be no need for factual evidence or disclosure and there may well be no need for experts. Frequently in the Patents County Court directions have now been given in patent cases in which no disclosure or expert evidence is permitted on the question of novelty.

A further key aspect of the rules applicable at the CMC is the cost-benefit test. Permission will only be given for a step if the benefit arising from it is worth the cost. This means and is intended to mean that "mere" relevance is not the only question. The test considers the cost of the evidence - the cost of gathering it and deploying it in court. The test then compares the cost of the evidence with the benefit that evidence would give to resolving the case. The cost-benefit test does not require elaborate evidence about the actual likely cost of a step in litigation since it is usually quite straightforward to gauge how much time, effort and therefore cost, will be involved. If the benefit the evidence will provide is slight and its cost too high, the material will not be permitted. Some steps in litigation can be characterised as capable of producing relevant material but the cost of taking them is out of all proportion to the likely benefit. An example of this is *Temple Island v New English Teas* [2011] EWPC 19 in which a claimant sought to add a further allegation into the

proceedings after they had started. Permission was refused, not on the ground that the allegation was irrelevant, but on the basis that it failed to satisfy the cost-benefit test.

Another matter is the English system for handling experimental evidence. In England if a party wishes to rely on experimental evidence they must conduct the experiment in the presence of witnesses from the other party. It is a regular feature of experimental evidence that when the experiment is performed in that way, the result is often not as favourable as the result obtained from the un-witnessed experiment conducted in private. We considered whether to abolish experimental evidence from the Patents County Court altogether but decided not to. Rather than abolish it, experimental evidence will only be admitted in the Patents County Court if the judge permits it and if it satisfies the cost-benefit analysis. If there are other, less costly ways of proving the point, then expensive experiments will not be necessary.

## *2. There is a mandate for pro-active case management*

The CMC described above takes place at an early stage in the process and is a chance for early intervention and pro-active management of the case by the court, before the parties have committed themselves to spending inordinate amounts of time and money on the proceedings.

The CMC has another facet worth drawing attention to, the requirement placed on the court to identify the issues at that stage (CPR r63.23(1)). This is a necessary part of deciding the questions which arise above since directions are given on an issue by issue basis but it has a free standing function of its own. Reviewing the issues is itself useful. The simple process of asking the parties to state what the issues in the case are, in a context in which a judge will consider the matter and ask questions, regularly bears fruit. Issues which would often not have been clarified until much time and money has been spent, become clarified at the start.

A regular occurrence is that, on reviewing the issues it appears that a point which otherwise would have taken up time in preparing the case turns out to be one on which no further material on any kind needs to be filed. It is the review process at the CMC which serves to identify these kinds of issues and bring them to light. Often a weak argument can be left in the pleadings, with no further material to be filed but no

actual decision taken to strike it out. Rather than confronting the point now and incurring the expense of a fight about it, the matter can be left to trial at no further costs to the parties.

Another aspect of “pro-active” case management arises from the fact that the court is for smaller cases. Parties regularly represent themselves (“litigants in person”). They cannot be expected to know what to do and a degree of pro-active behaviour by the court is necessary and inevitable.

### *3. Trials take one or at the most two days;*

The rules provide that trials will ordinarily take no more than 2 days, the time used for the trial will be tightly controlled by the court and generally each party will be allocated half the time available. The parties estimates are taken into account but are not determinative.

These limits are surprisingly effective. Many cases take only one day. So far no case has required more time to try than was allotted to it despite the fact that most involve some cross-examination. A lot can be done in a day or two if the parties know how much time is allotted to the case.

### *4. Trials come on approximately 6 months after the case management conference*

Part of the point of the procedure is to bring cases to trial expeditiously. Generally trials are listed in the Patents County Court about 6 months in advance of the CMC. This raises a question of resources. The London court is staffed by a single judge but has scope of flexibility by being able to call on deputy judges called Recorders to hear cases when the need arises. These are senior intellectual property lawyers in private practice who sit as part time judges. A number of trials now have been heard by Recorders.

### *5. A cap on damages of £500,000*

An emphasis on proportionality is one of the key ideas underlying these new procedures. The procedures are to be applied to the smaller cases where less is at stake. Thus in this procedure there is a cap on the damages which can be recovered.

It is £500,000 (*Patents County Court Financial Limits Order 2011* (SI 2011/1402) and *Patents County Court Financial Limits Order No 2* (SI 2011/ 2222)) . This provides an indication of the kind of case which is regarded as suitable for the procedure. It is not intended for the large cases. The procedure has been devised to satisfy a need for smaller and medium sized enterprises to get access to justice. It is a streamlined system in which not every point will be pursued to its logical conclusion.

*6. A cap on the recovery of legal costs of no more than £50,000*

In England hitherto the loser of a civil case will generally be required to pay the winner a majority of the winner's legal costs. The risk of such a payment deters many smaller companies from starting a IP case in the first place. In the Patents County Court process, the amount the loser will be ordered to pay is capped at £50,000 (CPR Part 45 Section VII). Subject to some exceptions, the most the loser will have to pay will be that sum. The only important exception is to deal with an abuse of the process. Provided the parties do no abuse the procedure, the cap will remain in place.

This means that litigant embarking on a claim (or defending a claim) in the PCC knows that the highest sum they will be ordered to pay by way of costs if they lose is that sum. This provides a significant level of certainty for litigants. They are not "betting the farm" every time they embark on litigation.

*Lessons from the Patents County Court so far*

The new procedures have been up and running now for about 18 months. Lessons learnt so far can be divided in two groups– positives and negatives.

*Drawbacks:*

1. A specialist court is a necessity in this system. The streamlined system assumes the court is familiar with intellectual property law and practice.
2. When the case comes to be decided, the trial takes no more than two days. Although English judges will always read the papers in advance of a trial, the tighter timetable and the shorter hearing means that the judge has to read the case papers in depth in advance.

3. There has to be a system of transfers in and out of the court. That leads to transfer battles. They are inevitable and have to be kept under control. There have been a few but not many and so far they have not caused a problem.
4. The name and location are surprisingly important. One of the reasons the Patents County Court in its first incarnation in the 1990s was failure was its location. It was in a suburb of North London called Wood Green. It was not readily accessible by anyone. Now it sits in the same building as the High Court and is readily accessible. The name is important too. "Patents" county court puts off smaller copyright litigants. It will be clarified.

*Positive features:*

5. Although it is early days, the system appears to work. It is proving popular. Statistics are hard to gather but it is clear there are more cases coming into the court now than hitherto.
6. Smaller enterprises have a forum in which they can resolve their intellectual property disputes at an affordable costs risk.
7. The Patents County Court system demonstrates that things which traditionally characterise the trial process at common law but which can lead to notorious expense, like oral advocacy, cross-examination of witnesses and the disclosure of relevant documents, do not need to be abolished in order to provide a workable, cost effective intellectual property trial system.

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