

United forever?

Tim Harris examines the Patents County Court and proposals for a unified patents court



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The Patents Court in London has long had an international reputation as a rigorous specialist forum for parties to settle all types of IP disputes. This article reviews two recent notable but quite separate developments: it looks first at the UK's Patents County Court, which was re-launched just over a year ago, and then considers the current proposals for a Unified Patent Court in Europe.

Patents County Court Background

The Patents County Court (PCC) was originally established in 1990, principally to serve the interests of SMEs. It was intended to handle smaller, shorter, less complex and lower value IP actions than the Patents Court of the High Court. However, for various reasons, it was not seen as living up to this intended purpose. Even when using the PCC, relatively costly and complex procedures were the norm.

Consequently, the Intellectual Property Court Users' Committee set up a working group to propose reforms. These were adopted by Jackson LJ in his final report into civil litigation costs, published in January 2010. In particular, it was recommended that the PCC have:

- a streamlined procedure that would differentiate it from the High Court and reduce costs; and
- a limit to the scope of costs recovery making the costs of litigation more predictable.

The recommendations were implemented in The Civil Procedure (Amendment No. 2) Rules 2010 (SI 2010/1953) and the 53rd update to

the CPR. The PCC was re-launched on 1 October 2010 under a dedicated judge, HH Judge Birss QC.

Procedure

Although not unique to the PCC, a key feature is its focus on the principle of a cost-benefit analysis at all stages. It places a very strong emphasis on active case management, proportionality and streamlined procedures to reduce costs when compared to the High Court.

For example, the statement of case is intended to set out concisely both the facts and arguments upon which the party serving it relies, ie it should contain both a party's legal arguments and its evidence. The relevant practice direction then provides that 'where possible, the court will determine the claim solely on the basis of the parties' statements of case and oral submissions'. The default position is no disclosure, witness or expert evidence, further written submissions or skeleton arguments.

Accordingly, the statement of case has critical importance in the PCC alongside the case management conference. Although the court retains broad discretion as to what evidence can be used, it will only allow evidence:

- in relation to 'specific and identified issues'; and
- 'if it is satisfied 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'.

Although amendments are permitted in order to allow the court to adjudicate on the real dispute between the parties, they must also satisfy a strict cost-benefit test. Interim

applications should, wherever possible, be dealt with on paper or by telephone or video conference rather than being in person with oral arguments. Finally, the trial itself should last no longer than two days.

Costs

The PCC's system for the award of litigation costs is also integral to its new regime. Although the general rule in English litigation that the loser pays the winners costs is retained, this recoverability is subject to a strict cap. This is to ensure that parties know their potential liability for litigation costs before commencing an action.

IP litigation is split between an initial liability trial and then, if required, a subsequent quantum inquiry. In the PCC, the cap on costs recovery for the principal liability claim is set at a maximum of £50,000. If there is a subsequent investigation into quantum, the cap for this is £25,000 (both exclude VAT, if applicable). The only exceptions to these caps are if one party has behaved in a manner that constitutes an abuse of process or if the claim concerns revocation of a patent or registered design already certified as valid by a court in earlier proceedings.

Moreover, these total caps are only at the end of a trial: when a dispute begins and then as it progresses, they are far lower. Section 25C of the Costs Practice Direction contains a scale setting out the amounts that can be recovered at each stage of litigation (eg for the particulars of claim, a maximum amount of £6,125 is recoverable).

Damages

To further differentiate the PCC from the High Court, claims are now subject to a limit on damages (or an account of profits) that can be claimed from, which is set at £500,000. A claimant with a higher-value claim can limit its claim to this amount although a defendant will be able to contend that such a case should be transferred to the High Court.

Forum and transfers

There is no 'line in the sand' dividing an action that should be started in the PCC from one that must be brought in the High Court. Apart from the damages limit, each court has the same jurisdiction to hear claims and order remedies. Therefore, the aims and

principles of the two forums should be considered when choosing which is most suitable for a particular claim, and guidelines have been issued to assist this decision. In particular, the size of the parties and their financial resources must be considered: if both are SMEs and can only afford to enforce or defend the relevant IP in the PCC then this is likely to be the appropriate forum. However, if one party is a larger undertaking then other factors such as the complexity and nature of the claim (which will impact the evidence required and length of the trial) should be considered. These factors now need to be considered for every IP dispute: if an action is begun in the PCC but

early success then its procedures could be applied to a broader range of cases in the commercial courts and all practitioners will need to adapt to this style of litigation.

Unified Patent Court

Quite separate from the re-launched PCC have been recent attempts to create in Europe a unitary patent and with it a unified patent litigation system.

Background

The European Patent Convention (EPC) provides a framework under which a 'European' patent application can be made. However, it is still the case

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the defendant contends that the High Court is the appropriate forum then it can apply for a transfer to this venue, and vice versa.

The first year

A number of the PCC's early decisions were concerned with whether it was the appropriate venue for a particular dispute and when a transfer was appropriate. They also contained guidance as to how the CPR and the PCC Guide are to be applied. However, the PCC has now begun to issue an increasing number of substantive decisions. Most of the disputes so far have concerned trade marks and copyright (ironically given the court's current name, although there are plans to re-name it as the Intellectual Property County Court), although there have also been a handful of design and patent cases. So far, the PCC seems to be achieving its aim of providing a relatively cheap, quick forum to resolve simpler, lower value IP disputes.

It will be interesting to see what effect, if any, the PCC has on IP litigation more generally: if parties are able to bring actions with limited costs consequences, will unmeritorious cases proliferate or will large companies be held to ransom by SMEs? Moreover, if the PCC continues to build on its

that, although the European Patent Office (EPO) will examine and decide whether to grant such an application, the resultant patent when granted remains a purely 'unbundled' national right. Consequently, a patent must be enforced separately in each of its designated member states through their national courts and the outcome of such litigation can differ between countries even when the same parties are litigating equivalent 'European' patents. This can be costly in comparison with comparable markets such as the US and does not lead to a harmonised internal market.

A truly unitary 'community patent' has been much discussed but has not, to date, materialised. In 2000, the European Council reopened discussions on the topic and, in parallel with this process, an associated Unified Patent Court (UPC) is envisaged that, as currently proposed, would have exclusive jurisdiction over both the planned unitary patent and also existing European patents (ie patents without unitary effect but granted via an application to the EPO) that designate one or more contracting member states.

Accordingly, in 2007 a draft agreement to create a UPC was published. However, the compatibility

of the proposed UPC with the Treaty on the functioning of the EU was challenged; the Council of the EU requested an opinion from the CJEU to rule on the matter, which was handed down on 8 March 2011 (Opinion 1/09).

The CJEU ruled that the envisaged agreement, to create an international court outside the institutional and judicial framework of the EU with an exclusive jurisdiction (in relation to patents) to interpret and apply EU law, was incompatible with the treaties. The CJEU has primacy to decide on matters of European law but, in the proposals, the UPC had no power to refer questions to the CJEU so

over 'pure' revocation actions and 'declarations of non-infringement' (which an individual can seek to obtain certainty that certain specified acts do not infringe a patent), although its seat is yet to be decided.

- Local/regional divisions: each contracting member state may host a local division; those with an average of more than 100 patent cases a year may have additional local divisions subject to a maximum of three. The national and regional divisions would hear infringement and revocation (where brought as a counterclaim) actions,

the central division shall be that in which the patent was granted.

- Proceedings: infringement proceedings will be begun in either the local division of the member state where an infringement has occurred or is threatened, or where the defendant is domiciled. If a counterclaim is made for revocation of the patent then, after hearing from the parties, the first instance court shall have discretion to:
 - proceed with both the infringement action and revocation counterclaim;
 - proceed with or suspend the infringement action while referring the revocation counterclaim to the central division (if a suspension is chosen, this effectively bifurcates the action as currently occurs in Germany); or
 - with the parties' agreement, refer both parts of the action to the central division.

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divergent interpretations of European law could arise.

The Hungarian presidency published further amended draft agreements to address these concerns, most recently on 26 October 2011. Importantly, the primacy of EU law is expressly recognised and there is now a mechanism for the UPC to seek a preliminary ruling from the CJEU, the decisions of which will be binding on the UPC. Membership will be limited to, but need not necessarily include all, countries that are members of the European Union (the EPC has additional signatories) and the EU will no longer be an economic stakeholder in the UPC, which will be funded by its member state signatories and users.

Current proposals

The key proposals for the UPC at present can be summarised as follows:

- Structure: the UPC will consist of both courts of first instance and a court of appeal. The first instance court will comprise a central division that will operate alongside national and regional (supranational) divisions.
- Central division: the central division will have exclusive jurisdiction

although these may be referred to the central division.

- Panels: all panels of the first instance court will consist of three judges with a multinational composition: in general two permanent judges of the national state in which it sits together with a further judge selected from a central pool, unless that national court oversees fewer than 50 cases per year in which case these ratios are reversed.
- Court of Appeal: the court of appeal is to consist of a number of panels, all with a multinational composition of five judges (three legally qualified and two technically qualified). Its seat is also yet to be decided.
- Language: the language of proceedings before any local or regional division are to be the official language(s) of the relevant member state or another official language of the EPO if so designated by that member state. The parties may also agree to use the language in which the patent was granted, subject to the division's approval. The language of proceedings at

As described above, an action solely for revocation must be brought at the central division, but even if this is pending it is proposed that an infringement action could be initiated in a local division in accordance with the above provisions, although the local division would have discretion whether to proceed.

- Appeal: an unsuccessful party at first instance will have two months from notification of the judgment to lodge an appeal on points of both law and fact, although new facts and evidence will only be permitted if the party concerned could not reasonably have introduced them at first instance. An appeal against a decision to revoke will automatically have suspensive effect, but otherwise an appeal will only have suspensive effect if requested. The language of proceedings before the court of appeal is to be the same as at first instance, although the parties can agree to use the language in which the patent was granted.
- Remedies: it is proposed that the UPC will have the power to impose

a broad range of remedies, both provisional and protective, such as interim injunctions; seizure or delivery up of infringing goods and freezing orders; and final, including permanent, injunctions and damages (appropriate to the prejudice actually suffered as a result of the infringement).

- Costs: reasonable and proportionate legal costs and expenses incurred by the successful party will, as a general rule, be borne by the unsuccessful party.

The future

Adoption of a draft agreement at a political level is being sought during the current Polish presidency (ie before the end of 2011) with a view to signature during the Danish presidency in the first half of 2012. However, a number of issues remain unresolved, from rules of procedure and costs to relatively technical aspects (for example in relation to privilege and contributory infringement). Of particular concern is the current lack

of clarity as to how court fees and other litigation costs will be assessed and imposed on users. The anticipated savings of the UPC are based on eliminating parallel litigation of 'equivalent' national patents. However, many individuals, in

of the UPC's costs and quality. If users are compelled to use an unproven system that is more expensive than at present, access to enforcement of IP will be weakened. Such an undesirable outcome runs counter to recent efforts to ensure SMEs have access to the

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particular SMEs, only litigate a patent in a single country.

As currently proposed, after an initial five-year transitional period, users will be obliged to use the UPC for both the anticipated unitary patent and national unbundled 'European Patents' that have been granted in more than one member state. This is irrespective

court system to resolve IP disputes (for example the PCC in the UK). If increased costs mean that patents aren't enforced then the UPC ironically risks potentially acting as a disincentive to research and development in the EU. Further developments in this area will be monitored closely, and not just by IP practitioners. ■

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