

CURBING COSTS OF IP LITIGATION



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We would like to update you on some recent decisions in the Patents County Court (“PCC”) and High Court which shed new light on the PCC costs cap, trial of preliminary issues in the PCC and interim costs award where a Part 36 offer has been made.

Costs cap disapplied where patent validity has been certified

Polymer v D S Smith¹

In *Polymer v D S Smith* the claimant sued for patent infringement and the defendant counterclaimed for invalidity. The patent in issue had previously been granted a certificate of contested validity by the Comptroller, and the question arose as to what, if any, impact this had on the PCC cost cap.

Section 65 of the Patents Act 1977 (“the 1977 Act”) sets out that where a certificate of contested validity has been granted by “the court or the comptroller” following proceedings where the patent was held to be valid or partially valid, then if the validity of the patent is again challenged in subsequent proceedings, the party relying on the validity of the patent is entitled to his costs on an indemnity basis.

CPR 45.41(2) disapplies the cost cap in the PCC where: (a) the court considers that a party has behaved in a manner which amounts to an abuse of the court’s process; or (b) the claim concerns the infringement or revocation of a patent or registered design, the validity of which, has been certified by a court in earlier proceedings.

HHJ Birss QC held that the term “a court” is to be interpreted liberally, i.e. the exclusion in rule 45.41(2)(b) applies where the certificate of contested validity was granted after invalidity proceedings either before a court or the comptroller.

Furthermore the judge went on to hold that, as regards the implication of costs, the exclusion in rule 45.41(2)(b) regarding the costs cap and scale fees applies to the costs of both the patentee and the defendant. The judge did not accept the claimant’s contention that the rule should be interpreted

¹ Richard Davis of Hogarth Chambers appeared for the Claimant.

purposely for the benefit of the patentee who has already succeeded in a previous invalidity challenge to his patent. The judge held that the rule is to be interpreted such that, there is no costs cap on either party. This did not deprive the party having such a certificate of any benefit litigating in the PCC since it would still have the advantage of the PCC's procedural approach. Moreover, as in the High Court, the patentee can recover indemnity costs pursuant to s.65 of the 1997 Act.

It is also worth noting that in giving judgment HHJ Birss QC made clear that his court was not a small claims court and it was appropriate for medium sized business to litigate before it.

Trial of preliminary issues and trial of liability: two costs caps

Destra v Comada²

In this case, the claimant sued for copyright infringement in computer software which had been developed at least in part by the claimant while operating under a contractual relationship with the defendants. The defendants applied to transfer the case from the PCC to the High Court, on the basis that: (1) the case was of very great importance to the defendants, who would have to close down the relevant business if the claimant was successful; and (2) the case was too "substantial and complex" for the PCC.

The relevant factors to be taken into account when considering a transfer from the PCC to the High Court include the size and financial positions of the parties, value of the claim, complexity of issues (both factual and legal) and length of trial.

There were several issues in the case, including subsistence of copyright, the terms of any licence (if relevant), infringement and whether the defendants were acting pursuant to a common design.

The claimant contended that it did not have the financial resources to bring the claim other than in the PCC. The claimant submitted that even if a trial of all issues was too complex for the PCC, the issues of ownership and licensing were not and could be dealt with at a trial of a preliminary issue in the PCC. If the case did not settle thereafter, the court could consider how to deal with the remaining issues.

HHJ Birss QC directed there should be a trial of the preliminary issues of ownership and licensing. In his extempore judgment he said that two costs caps would be available, one for the trial of the preliminary issue and one for any subsequent trial.

² Michael Hicks of Hogarth Chambers appeared for the Claimant.

The Jean Store Limited v Tesco Stores Limited³

This case concerns whether the claimant is entitled to an interim payment where a Part 36 offer has been made by the defendant.

The claimant sued for trade mark infringement in respect of a line of cosmetics. The defendant counterclaimed that the trade mark concerned was invalid because it was devoid of distinctive character. The defendant made a Part 36 offer early in the proceedings. The claimant asked for its costs of, and occasioned by, the claim down to the date when the Part 36 offer expired. The defendant resisted this and submitted that the appropriate time and place for considering orders as to costs is at the end of the quantum exercise when the judge concerned will be in a position to decide definitively whether the Part 36 offer was an effective offer that has or has not been beaten. The content of the Part 36 offer was not made known to the judge at this hearing.

HHJ Pelling QC (sitting as a judge of the High Court) applied the principle set out by Henderson J in *AB v CD*⁴ holding that: *“It is undesirable for a judge to make even a partial costs order if it is in relation to part of the costs of the action generally, as opposed to a freestanding application, where there is a Part 36 offer that is intended to be dispositive of the whole claim has been made, particularly where the Part 36 offer was made at a very early stage in the proceedings...”*

The claimant submitted that it had incurred costs of £30,000 prior to the date of the Part 36 offer, and substantial costs in relation to the counterclaim, and that there was no realistic basis that it will not succeed in recovering at least those elements.

The judge rejected the claimant’s submission, and stated that without knowing the terms of the Part 36 offer and the ultimate outcome of the quantum exercise (in which the claimant may elect between damages or account of profits), he was not in a position to determine those elements of the claimant’s costs. He therefore declined to exercise the discretion to make an interim costs award.

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³ Guy Tritton of Hogarth Chambers appeared on behalf of the Defendant.

⁴ [2011] EWHC 602, para 54