Neutral Citation Number: [2020] EWHC 601 (Ch)

Claim Number: CH-2020-000062/ CH-2020-000065

IN THE HIGH COURT OF JUSTICE
BUSINESS AND PROPERTY COURTS
OF ENGLAND AND WALES
INTELLECTUAL PROPERTY LISTS (ChD)
PATENTS COURT

The Rolls Building
7 Rolls Building
Fetter Lane
London, EC4A 1NL

Date: 11 March 2020

Before:
RECORDER DOUGLAS CAMPBELL QC
(sitting as a Judge of the Patents Court)

- -

Between:

Claim Number: CH-2020-000062

MASTER DATA CENTER, INC. **Appellant**

- and -

THE COMPTROLLER GENERAL OF PATENTS **Respondent**

And Between:

Claim Number: CH-2020-000065

GENENTECH, INC. **Appellant**

- and -

THE COMPTROLLER GENERAL OF PATENTS **Respondent**

- -

- -

MISS CHARLOTTE MAY QC (instructed by **Fieldfisher LLP**) appeared for **MASTER DATA CENTER, INC.**

MR. ANDREW LYKIARDOPOULOS QC (instructed by **Marks & Clerk Law LLP)** appeared for **GENENTECH, INC.**

MR. MICHAEL SILVERLEAF QC (instructed by **Government Legal Department)** appeared for the **Comptroller General of Patents**

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Approved Judgment

Digital Transcription by Marten Walsh Cherer Ltd.,
2nd Floor, Quality House, 6-9 Quality Court, Chancery Lane, London WC2A 1HP.
Telephone No: 020 7067 2900. Fax No: 020 7831 6864 DX 410 LDE
Email: info@martenwalshcherer.com
Web: www.martenwalshcherer.com

RECORDER DOUGLAS CAMPBELL QC:

COSTS

1. I now have to deal with an application made by the UKIPO by its application notice dated 28 February 2020, seeking an order that the recoverable costs of both these appeals would be limited to £30,000 pursuant to CPR 52.19. The application is resisted by Master Data. Genentech's position was that it was willing to agree if Master Data did, but Master Data has not done so; however, this application has not been actively resisted by Genentech.

2. In the judgment I have just handed down, I dismissed both these appeals. I therefore made enquiries via my clerk as to whether this application was pursued and it is due to the possibility of a further appeal. I therefore give judgment on it now.

3. I have read the witness statement of Mr Dennis Waller of the Government Legal Department on the part of the UKIPO dated 28 February 2020, and the third witness statement of Mr. Knight, of Master Data's solicitors, dated 6 March 2020, plus the exhibits to both of these statements. I have also read the written submissions filed.

4. I shall apply the test set out in CPR part 52.19:

> "(1) Subject to rule 52.19A, in any proceedings in which costs recovery is normally limited or excluded at first instance, an appeal court may make an order that the recoverable costs of an appeal will be limited to the extent which the court specifies.
>
> (2) In making such an order the court will have regard to—
>
> (a) the means of both parties;
>
> (b) all the circumstances of the case; and
>
> (c) the need to facilitate access to justice.
>
> (3) If the appeal raises an issue of principle or practice upon which substantial sums may turn, it may not be appropriate to make an order under paragraph (1).
>
> (4) An application for such an order must be made as soon as practicable and will be determined without a hearing unless the court orders otherwise."

5. The first question is whether the proceedings in the UKIPO were proceedings in which costs recovery is normally limited or excluded. I am satisfied that they were. These were appeals from an *ex parte* decision in the UKIPO and paragraph 17 of the TPN 2/2000 provides that costs are not awarded in such proceedings. I do not see it is necessary for me to consider at this stage

whether the costs of the *ex parte* proceedings are themselves recoverable on appeal and I shall not do so.

6. My conclusion on 52.19(1) means I have a discretion whether to make such an order, which is to be exercised in accordance with the three factors set out in 52.19(2).

7. As regards the means of both parties, Master Data and the UKIPO both have substantial funds which can be used for litigation. Mr. Knight points out that in 2018 and 2019 the UKIPO generated a fee income close to £100 million and had a retained surplus of about £6.6 million and £1.9 million respectively.

8. Next I have to have regard to all the circumstances of the case. I consider these include the following.

9. First, the UKIPO is a public body and the Comptroller has a public duty to administer the patent system. It is not as open to the Comptroller as it would be to a private litigant to pick and choose which appeals he wants to fight. The present appeals raise important points of public principle.

10. Secondly, I accept that Master Data did not have much choice about whether to fight this appeal either. For instance, it was not open to Master Data to choose alternatives to litigation, such as mediation or arbitration. Moreover, the SPC remains due to expire in less than a month and I was told that the appeal had to be heard before then. On that basis the appeal is urgent.

11. Thirdly, it is submitted that refusing a costs capping order would inevitably expose the public purse to large costs liabilities. It is true that this could be addressed to some extent during the process of assessment, but I accept that even a properly assessed sum might still be substantial. I also accept that this potential liability might have a chilling effect and thereby deter the Comptroller from bringing meritorious appeals which are in the public interest, but which also bring a large financial exposure.

12. The facts of the present case establish this. I am told the Comptroller's costs will not exceed £30,000 and his costs schedule for today actually comes out at less than £15,000. Master Data's costs at first instance, up to the date of the final letter, were around £64,000 (see Knight 3 para 13) and Master Data's costs of the appeal up to the date of the hearing amount to £108,000 (see Knight 3 at para 14). In total Master Data expects to incur over £172,000 worth of costs.

13. That potentially chilling effect upon the Comptroller is also an important point to bear in mind when considering the need to facilitate access to justice, the third factor under (2).

14. Conversely, it does not seem to me that there are any particular issues about access to justice from the point of view of Master Data. It is true that the UKIPO application was first mentioned in correspondence quite recently, on 26 February, but even when it was mentioned the possibility of such an order being granted did not deter Master Data. Indeed Master Data have indicated

they wish to make a further appeal in any event. They gave that indication before knowing whether the costs capping application would succeed.

15. I now turn to 52.19(3). As Master Data point out, this point is independent of those under 52.19(2). I accept, and the UKIPO did not dispute, that the appeal raises an issue of principle or practice. It is less clear to me that substantial sums may turn on this, not least because of Mr. Knight's earlier evidence that third parties were some way off entering the market. I do not believe Mr. Waller accepted this in his paragraph 22 either, as Master Data submits, since I read that evidence as a reference to Genentech's position.

16. Furthermore, I was told during the hearing that the present circumstances are likely to be rare. I agree, since most SPC owners will probably pay the modest sum due for the maximum term available. Hence it is not clear whether substantial sums may turn upon this point in other cases either.

17. These factors point in different ways but, in my judgment, the points I made about the UKIPO's status as a public body and the implications thereof, including its access to justice, outweigh those factors favouring refusing of a costs capping order. I shall make such an order.

18. The next question is therefore: in what amount, and in what terms? I agree with Master Data that an order which leaves it unclear how the figure is to be split between the two appeals is unsatisfactory and that a separate order should be made for each appeal. I also bear in mind that, whilst the appellants adopted each others' arguments, they ran largely separate appeals and they are distinct legal entities.

19. So far as quantum is concerned, I have been presented with figures for costs set out above. I was also shown orders made in four previous appeals of a similar nature, which I am told were made by consent. In two cases the costs were limited to £30,000, whereas in the others, including one by Arnold J (as he then was), the figure was £20,000. There was only one appellant in each of these cases.

20. I agree that the cap sought is much less than the costs that Master Data has incurred to date. However, there is nothing unusual about that in the context of costs capping orders. I also agree that the benchmark provided by the Comptroller's own costs has to be treated with some caution, since the Comptroller is able to get access to high quality advice at significantly lower rates than those available to commercial entities. Hence it is not necessarily a good guide to the fees a private litigant might expect to pay. However, it does at least provide a guide to the level at which it might be appropriate to cap costs given the circumstances of this appeal. The purpose of the exercise is to cap the recoverable costs, rather than to underwrite the litigation choices made by the party resisting such an order.

21. Taking all these factors into account, it seems to me I should cap the recoverable costs on both appeals at £25,000 each. I did consider whether to restrict Genentech to a lesser sum, given that Genentech did not actively participate in the application and did not adduce any evidence, but in the end I

considered it would be unfair on Genentech to do. If I did, I would be penalising Genentech for being constructive. That is the order I therefore make.

PERMISSION TO APPEAL

22. I now have to consider applications made for permission to appeal made by both Master Data and Genentech. I have read the grounds of appeal supplied by both sides.

23. The first issue is what test I should apply. These appeals were made under section 97(3) of the Patents Act. It was established in *Smith International Inc v Specialised Petroleum Services Group Limited* [2005] EWCA Civ 1357 by the Court of Appeal that the second appeal provisions, under which was then part 52.13 and is now part 52.7, do not apply to appeals made under section 97(3).

24. All parties before me accepted that the correct test I should apply was that set out in 52.6:

> "(1) Except where rule 52.7 applies, permission to appeal may be given only where—
>
> (a) the court considers that the appeal would have a real prospect of success; or
>
> (b) there is some other compelling reason for the appeal to be heard."

Both limbs (a) and (b) were relied upon.

25. I appreciate that for both appeals the subject matter does involve matters of law, and that it is important to the parties, and is said by them to be urgent. It does, as I already found in my judgment on costs capping, raise an important point of principle, although I also said that it may not arise in many cases.

26. However, as against that, I have reached the same conclusion as the hearing officer for substantially the same reasons and we have both relied on the Court of Appeal's decision in *Tulane*. These are both weighty factors.

27. One other factor was prayed in aid, which was the potential for delay if I refuse permission to appeal, such that an application has to be made to the Court of Appeal for such permission. That has to be set against the fact that there would need to be an application to the Court of Appeal for expedition of the appeal in any event. Like the Comptroller I regard the submission that the Court of Appeal will not realise the urgency if presented with an application for expedition and permission is unrealistic.

28. Due to the combination of factors I have just mentioned, namely reaching the same conclusions as the hearing officer for substantially the same reasons and both relying on *Tulane*, coupled with my dismissal of the fact about delay, I will refuse Master Data's application for permission.

29. I originally gave the same reasons for refusing Genentech's application for permission. Counsel for Genentech immediately and properly reminded me that *Tulane* considered a different argument to that raised in his first ground of appeal. I accept this: see my earlier judgment ([2020] EWHC 572 (Pat) at [52]). However even upon reconsidering, I still consider that I am reaching the same conclusion as the hearing officer for substantially the same reasons, and that such reasons were in the case of this ground of appeal clear. I therefore refuse permission. I would not have given Genentech permission in relation to its second and third grounds of appeal in any event.

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