



JUDICIARY OF
ENGLAND AND WALES

MR JUSTICE ARNOLD

**INTELLECTUAL PROPERTY LITIGATION: IMPLEMENTATION OF THE JACKSON
REPORT'S RECOMMENDATIONS**

SEVENTEENTH LECTURE IN THE IMPLEMENTATION PROGRAMME

AIPPI UK

12 FEBRUARY 2013

1. Introduction

1.1 As is well known, in November 2008 the then Master of the Rolls asked Lord Justice Jackson to carry out a review of civil litigation costs and to produce a report setting out recommendations with supporting evidence by 31 December 2009. His terms of reference included a requirement to “Establish the effect case management procedures have on costs and consider whether changes in process or procedure could bring about more proportionate costs”.

1.2 As well as considering general issues affecting civil litigation, Lord Justice Jackson dealt with some specific types of litigation, including intellectual property litigation. This was addressed in Chapter 29 of the Preliminary Report published in May 2009 and Chapter 24 of the Final Report published in December 2009. Six of the 109 recommendations in the Final Report concerned IP litigation.

1.3 Some of the Final Report’s recommendations required primary legislation to implement them. This is contained in Part 2 of the Legal Aid, Sentencing and Punishment of Offenders Act 2012, which received royal assent on 1 May 2012. Some of the provisions of Part 2 were brought partially or wholly into force on 19 January 2013 by article 2 of the Legal Aid, Sentencing and Punishment of Offenders Act 2012 (Commencement No 5 and Saving Provision) Order 2013, SI 2013/77. It is intended that the remaining provisions will be brought into force on 1 April 2013.

1.4 Other recommendations in the Final Report did not require primary legislation, but only changes to the Civil Procedure Rules or to practice. Many of these changes will come into effect at the same time as the changes which did require primary legislation, but some have already been implemented.

1.5 This lecture forms part of a programme of lectures inaugurated by Lord Justice Jackson in September 2011 in which he and other judges have explained individual aspects of the implementation process. In this lecture I will explain what has already been done to implement the Final Report's recommendations with regard to IP litigation and what remains to be done.

1.6 It is important to bear in mind that, in the case of IP litigation, implementation of the Final Report's recommendations has proceeded in parallel with a number of other, separate initiatives to consider and/or implement other changes to IP law, procedure and practice. These include, in particular, the report by Professor Hargreaves entitled *Digital Opportunity: A Review of Intellectual Property and Growth* published in May 2011.

2. Recommendation 34: Consideration to be given to amendment of the Patents Court Guide to include further guidance with regard to case management

2.1 The background to this recommendation is set out in paragraphs 2.5 and 2.6 of Chapter 24 of the Final Report. The Patents Court was a pioneer of active judicial case management in the 1990s, and continues to pride itself upon this aspect of its procedures, but there is no room for complacency. During the Review, various suggestions were made for more robust case management. Lord Justice Jackson recommended that the Intellectual Property Court Users' Committee should consider amending the Patents Court Guide to include further guidance with regard to case management.

2.2 A new edition of the Patents Court Guide was issued with the authority of the Chancellor of the High Court in December 2012. Section 7 of the Guide deals with active case management. Paragraph 7.5 now contains an expanded list of 10 specific matters that the parties should consider. These include whether there is a need for an oral hearing or whether a decision can be taken on the paper and the need for and scope of oral testimony from factual or expert witnesses. In relation to the latter parties are reminded that the court may confine cross-examination to particular issues and to time limits. Section 8 of the Guide deals with admissions and emphasises the need for parties to narrow the issues between them.

3. Recommendation 35: Implementation of the IPCUC Working Group's proposals for reform of the Patents County Court

3.1 The Patents County Court was established in 1990 to provide an alternative forum to the Patents Court which would enable patents and designs cases to be litigated at lower cost. In its first ten years it was not a success. In its second ten years its jurisdiction was expanded to cover trade marks and it was more successful, but it was still unable to provide access to justice for small and medium-sized enterprises in IP litigation.

3.2 In paragraphs 5.8-5.11 of Chapter 29 in the Preliminary Report Lord Justice Jackson expressed provisional support for proposals for reform of the PCC which I had made in a lecture to the Midlands Intellectual Property Society on 26 February 2009,¹ and noted with approval that the IPCUC had agreed to set up a Working Group to prepare detailed recommendations in time for submission to Phase 2 of the Costs Review.

3.3 The IPCUC Working Group duly published a Consultation Document on 15 June 2009 and a Report on 31 July 2009 in which it recommended a reform package with three core elements:

- (1) to change the procedure in the PCC to a simpler and cheaper one which was more paper-based and involved strong judicial control over disclosure, written and oral evidence and experiments;
- (2) to restrict costs recovery by means of a system of scale costs modelled on that used by the Intellectual Property Office and a costs cap; and
- (3) to impose a limit on the financial remedies recoverable in the PCC, together with revised guidance on transfers, in order more clearly to differentiate the jurisdiction of the PCC from that of the Patents Court.

3.4 Lord Justice Jackson considered the Working Group's proposals and other submissions in paragraphs 3.1-3.7 of the Final Report, and recommended that they be implemented.

3.5 The main procedural reforms and the new costs rules proposed by the Working Group, including a costs cap of £50,000 for determining liability and £25,000 for determining damages or profits, were duly implemented by amendments to the Civil Procedure Rules which came into force on 1 October 2010.² I have given a number of talks explaining these changes, including at IPO seminars on 27 September 2010 and 22 November 2011. Furthermore, there is now a body of case law which shows how the new rules work in practice.³

3.6 Following a consultation by the IPO in October 2010, the Working Group's recommendation for a £500,000 cap on damages/profits recoverable in claims in the Patents County Court was implemented by the Patents County Court (Financial Limits) Order 2011, SI 2011/1402, which came into force on 14 June 2011 and the Patents County Court (Financial Limits) (No 2) Order 2011, SI 2011/2222, which came into force on 1 October 2011.

3.7 The indications so far are that these reforms have been a considerable success. Whereas the number of cases issued in the PCC in both 2009 and 2010 was 102, in 2011 the figure was 157 and 2012 it was 202. Thus the caseload of the court

¹ Published in [2010] CIPA 32-37.

² See CPR rr. 63.17-63.26, Practice Direction 63 paras. 27.1-31.2, Practice Direction 30 paras. 9.1 and 9.2, rr. 45.41-43 and Costs Practice Direction Section 25C.

³ See in particular *ALK-Abello Ltd v Meridian Medical Technologies* [2010] EWPC 14, [2011] FSR 13; *Westwood v Knight* [2010] EWPC 16; *Westwood v Knight (No 2)* [2011] EWPC 8; *Westwood v Knight (No 3)* [2011] EWPC 11, [2011] FSR 37; and *Temple Island Collection Ltd v New English Teas Ltd* [2011] EWPC 19.

has roughly doubled in two years. There is no evidence that significant numbers of cases have been bought in the PCC rather than the High Court, although it seems likely that some have been. Rather, it appears that cases are being litigated which would not otherwise have been litigated at all. Furthermore, anecdotal evidence suggests that the new procedures and rules have been generally well received. The IPO is presently inviting tenders for a research project to investigate the impact of the reforms in more detail.

3.8 The following aspects of the Working Group's proposals remain to be implemented, because they require primary legislation:

- (1) changing the name of the PCC to one which better describes its function;
- (2) repealing section 289(1) of the Copyright, Designs and Patents Act 1988 (which restricts the High Court's ordinary power to transfer cases under section 41 of the County Courts Act 1984);
- (3) extending the "special jurisdiction" of the PCC to embrace all intellectual property claims (thus eliminating the jurisdictional boundaries which affect the PCC's ability to deal with some kinds of claim⁴); and
- (4) re-constituting the court on a free-standing basis.

3.9 The necessary primary legislation to achieve all of these things is contained in clause 16(5) and Schedule 9 of the Crime and Courts Bill. The Bill has been passed by the House of Lords and is currently in its Committee Stage in the House of Commons. Clause 16(5) and Schedule 9 make amendments to a considerable number of Acts which are consequential upon the creation of the single County Court by clause 16(1). Paragraphs 21, 27, 30 and 49 of Schedule 9 will repeal sections 287-289 and 291 of the 1988 Act and other statutory references to the PCC in the Registered Designs Act 1949, the Patents Act 1977 and the Tribunals, Courts and Enforcement Act 2007. In addition, it is intended that various statutory instruments which refer to the PCC will be repealed or amended.⁵

3.10 This will enable the PCC to be re-constituted as a specialist list within the Chancery Division, following the model of the London Mercantile Court which is a specialist list within the Commercial Court.⁶ That will be achieved by means of amendments to CPR Part 63 and Practice Direction 63, and other provisions of the CPR, which it is intended will come into force on the same date as the statutory repeals. The re-constituted court will be renamed, probably as the Intellectual Property Enterprise Court, and its jurisdiction will embrace all intellectual property

⁴ See e.g. *National Guild of Removers & Storers Ltd v Silveria* [2010] EWPC 15, [2011] FSR 9; *Suh v Ryu* [2012] EWPC 20, [2012] FSR 31; and *Ningbo Wentai Sports Equipment Co Ltd v Wang* [2012] EWPC 51.

⁵ The following SIs will need to be repealed: the Patents County Court (Designation and Jurisdiction) Order 1994, SI 1994/1609; the Patents County Court (Financial Limits) Order 2011, SI 2011/1402; and the Patents County Court (Financial Limits) (No 2) Order 2011, SI 2011/2222. The following provisions will need to be amended: article 2(7A) of the High Court and County Jurisdiction Order 1991, SI 1991/724; regulation 3(2)(b) of the County Court Remedies Regulations 1992, SI 1991/1222; regulation 2(1)(a)(ii) of the Community Designs (Designation of Community Designs Courts) Regulations 2005, SI 2005/696; and regulation 12(1)(a)(ii) of the Community Trade Mark Regulations 2006, SI 2006/1027.

⁶ See CPR r. 59.1(3)(a) and Practice Direction 59 para. 1.2(2).

claims. The target date for implementation of these changes is 1 October 2013. The opportunity will also be taken to correct a few minor glitches which have come to light in the rule changes which were made in October 2010.

3.11 I would note in passing that the combined effect of paragraphs 21 and 49 is that, when section 143 of the 2007 Act as amended by the Bill is brought into force, appeals from the IPO in registered designs cases will go to the High Court in place of the Registered Designs Appeal Tribunal. The IPO has recently consulted on a proposal that there should be an alternative route of appeal to an Appointed Person, as under section 76 of the Trade Marks Act 1994 in trade mark cases, as part of the Consultation on the Reform of the UK Designs Legal Framework (July 2012) which it undertook following the Hargreaves Report. It also asked whether appeals to the court should be heard by the Patents Court or the (re-constituted) PCC. Its summary of the responses to the Consultation (December 2012) indicates that there was considerable support for the proposal for appeals to an Appointed Person to be permitted, but a more mixed response to the question of which court should hear appeals. Directing appeals to the Patents Court would have the advantage of consistency with the trade mark appeal route.

4. Recommendation 36: Patents County Court Guide to give guidance as to statements of case

4.1 The background to this recommendation is set out in paragraph 3.10 of Chapter 24 of the Final Report. Lord Justice Jackson supported the recommendation of the IPCUC Working Group that the Patents County Court Guide should contain guidance as to how to prepare statements of case for use under the reformed procedure, illustrated by model pleadings.

4.2 A new edition of the Patents County Court Guide was issued with the authority of the Chancellor of the High Court in December 2012. Section 2.4 paragraph (c) of the Guide gives guidance with regard to statements of case. The Guide does not contain model statements of case. Example statements of case have been prepared by the Chartered Institute of Patent Attorneys, and ways are being explored to make these more widely available.

5. Recommendation 37: Introduction of small claims and fast tracks in the PCC

5.1 The background to this recommendation is set out in paragraphs 4.1-4.6 of the Chapter 24 of the Final Report. CPR r. 63.1(3) allocates all IP claims to the multi-track.⁷ Lord Justice Jackson found that there was evidence of an unmet need for a procedure for dealing with very low value IP disputes. Accordingly he recommended that there should be a small claims track in the PCC for IP claims with a monetary

⁷ It was suggested in obiter dicta in *Sullivan v Bristol Film Studios Ltd* [2012] EWCA Civ 570, [2012] EMLR 27 at [33]-[36] and [44] that a copyright case could nevertheless be re-allocated to the small claims track, but the point was not argued and there were arguments to the contrary even before the PCC small claims track was introduced.

value of less than £5,000 and a fast track for IP claims with a monetary value of between £5,000 and £25,000.

5.2 This matter was subsequently considered by the Hargreaves Review, which in Chapter 8 recommended the introduction of a small claims track in the PCC (but not a fast track). That proposal was then the subject of a Call for Evidence by the IPO in January 2012.

5.3 The PCC small claims track was implemented by amendments to CPR Part 63 and PD63 which came into force on 1 October 2012.⁸ These make the small claims track available for IP claims covered by CPR r. 63.13, but not CPR r. 63.2 (i.e. not patent, registered design or plant variety right claims), which have a monetary value of no more than £5,000. To a large extent, the normal small claims procedure set out in CPR Part 27 applies to such claims. The principal modifications are that: (a) claims are allocated to the small claims track without any judicial decision where the parties agree to that (CPR r. 63.27(1)) and (b) no interim injunction is available (CPR r. 63.27(4)).

5.4 HMCTS has published a Guide to the Patents County Court Small Claims Track to assist users.

5.5 Since 1 October 2012 23 claims have been issued in the small claims track in the PCC. It is early days, but so far it seems clear that there is indeed a demand for this procedure.

6. Recommendation 38: Availability of judges to hear small claims and fast track cases in the PCC

6.1 Lord Justice Jackson recommended that one or more district judges, deputy district judges or recorders with specialist patent experience should be available to sit in the PCC to deal with small claims and fast track cases.

6.2 In the event, PCC small claims track cases are being dealt with by three District Judges who sit in the Royal Courts of Justice hearing insolvency cases and who have some intellectual property experience and by two deputy district judges with specialist IP expertise.

7. Recommendation 39: Consultation with regard to an IP pre-action protocol or further guidance in the Guides

7.1 The background to this recommendation is set out in paragraphs 5.1-5.3 of Chapter 24 of the Final Report. Lord Justice Jackson noted the concern expressed by practitioners about the groundless threats provisions contained in section 26 of the 1949 Act, section 70 of the 1977 Act, section 253 of the 1988 Act and section 21 of the 1994 Act, but said that changes to the substantive law were outside his terms of

⁸ See CPR rr. 63.27 and 63.28 and Practice Direction 63 paras. 32.1-32.3.

reference. He nevertheless recommended that consideration be given to either promulgating a pre-action protocol for IP claims or including guidance as to pre-action conduct in the Patents Court and Patents County Court Guides.

7.2 In July 2011 the Law Commission published its Eleventh Programme of Law Reform, which included a review of the statutory provisions with regard to groundless threats. The Commission is currently at work on this review, and intends to publish a consultation paper later this month. The Commission aims to publish its final report with recommendations by the end of March 2014.

7.3 If the Commission recommends abolition or reform of the threats provisions, then this may make it significantly easier to introduce a pre-action protocol or guidance as to pre-action conduct. Accordingly, it seems sensible to await the outcome of the Commission's review before pursuing recommendation 39.