

Response to CJC Costs Consultation of Autumn 2022

Thank you for giving us the opportunity to comment on the Consultation.

Question 4.3 stated:

4.3 Should an extended form of costs capping arrangement be introduced for particular specialist areas (such as patent cases or the Shorter Trials Scheme more generally)? If so, please give details.

A Costs Cap for the STS – Especially for IP Cases in the STS – Would Be Very Welcome

A costs cap for the Shorter Trials Scheme (“STS”) could be a very positive and helpful thing.

I can only really comment on my specialist area (which is Intellectual Property) – but a costs cap for the STS across all areas of IP could be a very helpful and positive thing.

A Brief Note on the Level of the Shorter Trials Scheme Costs Cap

The level of the costs cap for the STS should obviously be different from that in IPEC. (IPEC currently has a £50k costs cap for the liability phase and a £25k costs cap for an inquiry as to damages or account of profits.)

I recognise that the CJC consultation is, at this stage, concerned with the big picture and not the detail. However, as there has been some mooting within the profession of a £500k costs cap for the STS for patent cases, I should outline why I think £500k would be far too large as a costs cap.

- (a) The mooted £500k costs cap is proposed for: costs payable to the other side for a first instance and liability only trial for patent cases.
- (b) Each of those underlined words above means that, for any business that is forecasting the cost of litigation, it will need to add on top of that potential £500k exposure to the other side’s costs:
 - Potential damages
 - Costs that it will pay its own legal team
 - Costs of the quantum phase – e.g. a damages enquiry or account of profits. (Even if this does not go all the way to a fully fought quantum hearing, the quantum phase may still begin and people need to forecast and budget for it. Moreover, having a sensible cap on the quantum phase can help parties to adopt a more proportionate and reasonable approach to litigating quantum.)
 - Costs of an appeal. (Even if an appeal does not happen, people need to forecast and budget for it.)

- (c) Thus, a costs cap of £500k for a first instance liability only trial is something that only a small percentage of businesses can afford, especially when the other expenses are taken into account. A cost cap set as high as £500k therefore puts the benefits of the STS beyond a lot of small and medium sized enterprises (“SMEs”).
- (d) A colleague in Chambers helpfully drew my attention to another interesting feature: IPEC trial length is generally limited to 2 days (exceptionally 3) excluding pre-reading¹. However, the STS trial length is 4 days *including* pre-reading². So a jump from a £50k costs cap in IPEC to a £500k costs cap in STS is a huge jump when seen against the modest difference in trial length.
- (e) Moreover, it is worth keeping in mind that non-patent cases are often cheaper (e.g. the role of expert evidence and experiments is more limited in soft IP) and it would be better to have a single costs cap for all IP cases in the STS.
- (f) For what it is worth, the costs exposure for much of the litigation in the UPC would appear to be cheaper. (Although this shouldn’t be the driving force.)
- (g) The pressure and trend will always be to increase the caps over time – so it is better to start with a lower cap and increase that as necessary.

Therefore, whilst I agree that a costs cap in the STS is something very much to be welcomed, the figure that some in the profession have mooted of £500k is really far too large – there are only a small percentage of businesses who could afford (on top of their own costs and potential damages) litigation that gave them a £500,000 exposure to the other side’s costs for a first instance, liability-only case.

Some Wider Points to Consider Beyond the Level of the STS Costs Cap

Transfer between STS and IPEC

It is obviously important to retain the ability to transfer cases into and out of IPEC and the STS. In particular, the focus in the jurisprudence on access of justice as the key factor in whether to transfer is really important and should be retained.

It is quite common for people to start litigation in the High Court and then place the burden on a poorer, less well-resourced defendant to get a transfer into IPEC. Therefore, it is important to retain the issue of access to justice as a key factor in deciding whether to transfer from STS to IPEC.

SMEs Don’t Necessarily Always Want Fast Litigation

It would be a mistake to assume that a rapid timetable appeals to all SMEs.

Some SMEs issue claims prematurely and then regret having issued proceedings. They sometimes issue rapidly for a number of reasons, e.g.:

- Sometimes they issue proceedings wanting to quickly put pressure on other side or to bring things to a head or

¹ See §3.2 of the IPEC Guide.

² See §2.3 of PD57AB

- Sometimes they don't have the resources to invest in properly bottoming out their case but just want to get some sort of case off the ground. However, once it is off the ground (and contested by the other side) they then realise they need to do more work to get their case in shape or
- Sometimes they want to avoid the provisions in the IP legislation that deal with making threats of infringement.

Similarly, many SMEs can't divert resources to litigation (not just costs, but also the time required for employees to do disclosure and witness statements etc) at the same speed as larger organisations and so a rapid approach to trial can disadvantage them.

Therefore, it is important not to assume that SMEs all want rapid trial dates – many of them, in fact, need litigation that goes at a more manageable pace for poorly resourced and inexperienced litigants.

Damages Cap

Consideration should be given to bringing in a damages cap for the STS.

In IPEC, many litigants don't mind the cheaper "no frills" approach to litigation (that stops them arguing obscure points) if they know that their damages are likely to be limited by the IPEC damages cap. If they knew that the damages were going to be effectively unlimited in the STS, they may resist attempts to streamline the procedure. Therefore, it may be worthwhile considering whether the STS should have not just a costs cap but also a damages cap.

A Wider Point on Costs in Relation to Defendant's Part 36 Offers – Especially Where Cost Caps Apply

The costs provisions for Defendant's Part 36 offers seem really quite unfair to defendants, especially in IP cases and, even more so, where costs caps apply.

In many IP cases significant costs are often incurred very early on in the proceedings. IP cases often require significant costs to be involved even just to get to the stage of pleadings (e.g. searching for prior art in patent cases or defining the nature of an unregistered design). This is especially so in IPEC where the pleadings will often stand as evidence in chief. Moreover, early applications (to take just a few examples – for transfer to/from IPEC, for an interim remedy etc) are common in IP cases.

There is an unfair disparity in the way that Claimant's and Defendant's Part 36 offers work. Regardless of whether the Part 36 offer is a Claimant's Part 36 Offer or a Defendant's Part 36 offer – CPR 36.13 requires that the costs already incurred (including recoverable pre-action costs) will be paid by the Defendant to the Claimant.

Therefore, by the time that the issues are clear in many IP cases, the parties have often incurred significant costs. There is a real disparity between Claimant's and Defendant's Part 36 offers in that – whoever makes the offer – the Defendant always has to pay the Claimant's incurred costs to date. A Defendant making a Part 36 offer will therefore always be liable for significant costs but this is not so for Claimants. Part 36 therefore provides the Claimant with a much more powerful weapon than the Defendant.

Therefore, I would urge the CJC to look at levelling the playing field between Claimant's and Defendant's Part 36 Offers and, even more so, in cost-capped IP cases.

Part 3 – Digital Portals

Re: part 3 – I would simply put in a plea that technological innovations re: digital portals etc should still keep alive the possibility of doing things on a paper-based system. This is especially important for more vulnerable people.

For example, relatively recently I gave some pro bono assistance to an elderly couple who were (unfairly) dragged into litigation as defendants. The claim against them was, thankfully, ultimately struck out. However, it was helpful that they could fill in paper-based forms as it would not have been convenient for them to be forced into use online systems of filing.

Whilst many people will find online digital portals to be helpful it is helpful to retain the back up of paper-based processes.

Final Comments

Thank you for the chance to comment on this consultation. Thank you also to the Working Group's work on this issue. I hope and pray that the outcome of this would make for a better system.

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