

**INTELLECTUAL PROPERTY BAR ASSOCIATION**  
**RESPONSE TO CIVIL JUSTICE COUNCIL**  
**COSTS WORKING GROUP CONSULTATION**

**Introduction**

1. The Intellectual Property Bar Association (IPBA) is the professional association of barristers practising in intellectual property law. Members of the IPBA act on all sides of cases – for large, medium and small clients and for the UK Government.
2. The IPBA takes a neutral position on substantive developments in the law but it is concerned to ensure that there is (a) continuity (b) certainty and (c) access to justice for those who need IP advice and representation.
3. The IPBA represents barristers on the Intellectual Property Court Users Committee (IPCUC).
4. The response to the Civil Justice Council Costs Working Group Consultation (the Consultation) on behalf of the IPBA primarily focusses on the suggestion that a cost capping arrangement for patent cases in the Shorter Trial Scheme (STS) should be introduced as referred to in paragraph 48 of the Consultation and Annex B, Part 4 question 4.3 of the Consultation.

**Summary**

5. In summary, for the reasons set out below, the IPBA would propose the following:
  - (1) That a cost capping pilot be introduced for patent cases in the STS (the Pilot).
  - (2) That the costs cap for the Pilot should be fixed at £500,000.
  - (3) That the Pilot should be commenced as soon as practicable for a period of 3-5 years.
  - (4) That patent and other intellectual property cases in the Patents Court and the Intellectual Property list in the Business and Property Courts of England and Wales which either contain a certification that the value of the claim is in excess of £10,000,000; or are being brought in the STS should not be the subject of costs budgeting as is the current position under the rules.

**Background**

6. Intellectual property law plays an integral role as the bedrock for innovation and trade in all areas of commerce. It has relevance across creative industries in which the UK has traditionally excelled, from vaccines and other pharmaceuticals to fashion, literature and music to choose just a few examples.

7. The English courts in this field are so well-respected, thorough and quick that it is common for litigants, especially in the patent field, to bring their disputes to the UK and then “export” the decision making to other countries. This role may be further enhanced with the advent of the Unified Patents Court (or UPC) in 2023 in which the UK is no longer proposing to take part.
8. Following the UK’s exit from the EU the IP professions have been seeking new opportunities for growth and in particular ways to ensure that the IP courts, which form an integral part of the creative industries’ infrastructure, can be made more competitive and less costly. One such suggestion is the Pilot which aims to assist SMEs and make the UK an even more attractive forum for these kinds of case. We hope that this will be supported by the UK Intellectual Property Office (UKIPO) and the Government in due course.

#### Determination of intellectual property disputes in the Courts of England and Wales

9. Patent and other intellectual property disputes in England and Wales are brought in the Business and Property Courts.
10. Smaller value IP claims (including patents) can be brought in the Intellectual Property Enterprise Court (IPEC). Originally established in 1990 as the Patents County Court it was reformulated as IPEC, a specialist of the list of the High Court, in 2013.
11. The IPEC has two ‘tracks’ (1) the IPEC multi-track; and (2) the IPEC small claims track.
12. In the IPEC multi-track litigants may claim up to £500,000 compensation for infringement of their rights. This cap on compensation may be waived by agreement of the parties. In IPEC costs are awarded on the basis of a schedule of fixed fees for different phases of the proceedings which, subject to limited exceptions, will not exceed £50,000 for the trial of liability which as of October 2022 has been increased to £60,000.
13. The IPEC small claims track is one in which the compensation sought is not more than £10,000. Generally, at the end of the case the losing party will be required to pay little or none of the winning party’s legal costs. The procedure in the small claims track is shorter and less formal than in the multi-track. It cannot be used for claims relating to certain intellectual property rights including patents, registered designs and plant varieties.
14. An independent report commissioned by the UKIPO to evaluate the reforms of the IPEC<sup>1</sup> was published in 2015 (the UKIPO Report) found *inter alia* that:

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<sup>1</sup> [Evaluation of the Reforms of the Intellectual Property Enterprise Court 2010-2013 \(publishing.service.gov.uk\)](https://www.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/471117/evaluation-of-the-reforms-of-the-intellectual-property-enterprise-court-2010-2013.pdf). The press release from the UKIPO and Intellectual Property Minister Baroness Neville-Rolfe on the publication of the report can be found at [Independent review finds IPEC reforms have improved access to justice - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/news/independent-review-finds-ipeec-reforms-have-improved-access-to-justice).

- ‘...the interviewees [judges, solicitors, barristers, patent attorneys, trade mark attorneys] were unanimous in their assessment that the ability of SMEs and individuals (in particular) to gain access to justice has greatly improved – in this regard, it was noted that the reforms have been successful at broadening and increasing access for all types of litigants, from small-scale inventors and SMEs, to mid-range and large-size companies’.
  - ‘... the majority of interviewees – 53% – stated that the decision to cap the costs at a ceiling of £50,000 at the IPEC [multi-track] has proven to be the most important reform with respect to attracting litigants to the court. The reason for this is that post-reform the litigant knows what his or her exposure to costs will be in the event of loss. In other words, the existence of the cap gives litigants confidence that the costs of litigation – either as a claimant or defendant – will not outweigh the benefits.’
  - ‘The [IPEC small claims track] is seen as a useful option particularly for individuals and small enterprises that previously may not have attempted to litigate’ and ‘attracts a different type of claim than the IPEC [multi track], something which demonstrates that the [small claims track] and the [multi track] are not in competition - indeed, the two courts serve complementary purposes, and are attractive venues for SMEs and individuals, as well as larger litigants.’
  - ‘The quantitative analysis [in the report] demonstrates that there has been a substantial increase in case counts for all IP rights at the IPEC following the introduction of the costs cap and the ACM in October 2010, something which is especially evident with respect to IPEC patent and copyright cases.’
15. The quantitative data for patent cases brought in the Patents Court and IPEC over the period 2010 to 2013 contained in the UKIPO Report both showed increases. This would suggest that, as with the IPEC multi track and small claims track, different types of claims were being brought in each and that the Patents Court and IPEC were serving complementary purposes and were not in competition.
  16. In summary, IPEC has been and is working well as an attractive forum for individuals and SMEs as well as larger entities in relation to less complex and lower value claims. Moreover, in large measure, that success is due to the costs cap.
  17. Larger value claims are brought in the Patents Court for claims involving for example patents and registered designs; and in the Chancery Division, Intellectual Property list for other intellectual property claims for example claims involving copyright, registered trade marks and passing off.
  18. The Patents Court regularly considers complex and high value patent disputes where the value of the claim is many millions of pounds and often substantially more. Part I

of CPR Part 63 contains the specific rules applicable to cases brought in the Patents Court and The Patents Court Guide provides specific guidance as to cases brought in that court.

19. Due to the quality of the judiciary and the applicable procedural rules the Patents Court in England and Wales is widely regarded as a leading jurisdiction to bring large scale patent disputes often, as noted above, so as to be able to “export” the judgment to other jurisdictions.
20. In the experience of members of the IPBA the total fees and costs of a Patents Court action are rarely less than £1,000,000. The total costs in a medium size patent dispute will usually be £1,500,000 to £2,000,000 per party. In many cases the costs will be considerably higher. The successful party usually recovers 70% of their total costs but this depends heavily on which issues it has succeeded on.
21. Most patent cases commenced in the Patents Court contain a certification that the value of the claim is in excess of £10,000,000 such that the costs management regime does not apply, though there is a significant minority of medium size patent cases which are not suitable for IPEC but which have a value lower than this threshold. There has been no suggestion from members of the IPBA that the position with regard to costs with respect to such high value claims should be changed.
22. The position is different for medium size patent cases where the IPBA take the view that access to justice for a wider range of litigants, including SMEs, could be improved.
23. On 1 October 2015 the STS pilot was introduced for claims brought in the Business and Property Court in London. That included patent claims which met the qualifying criteria. The aim of the STS procedure was to achieve shorter and earlier trials for business related litigation, at a reasonable and proportionate cost. Streamlined procedures for getting cases to trial were set out in the rules together with a shorter timetable to get to trial. Cases were to be managed by a docketed judge. The maximum length of trial was to be not more than 4 days including the judge’s reading time.
24. The costs budgeting regime does not apply to the STS. Parties file and exchange schedules of costs within 21 days of the conclusion of the trial. Those schedules are required to contain sufficient detail for the judge to be in a position to make a summary assessment following judgment.
25. Both the fact that costs budgeting does not apply and the summary assessment procedure for costs are regarded as real benefits of the STS regime and there is no suggestion that this should be changed. However, the parties have no certainty about the total cost risk of bringing proceedings in the STS and that is regarded by users or potential users of the Patents Court as a considerable downside when considering whether to bring patent claims in the STS.

## IP professions' discussions with respect to the introduction of a costs cap in patent STS cases

26. The IPBA has liaised, over a number of years, with other members of the IP profession and industry with regards to the proposal of a costs cap for patent cases in the STS. It was initially considered at a meeting of IPCUC on 21 November 2019. It was debated at a Town Hall meeting on 10 February 2020 at which considerable support was expressed. Steps were taken to progress the proposal but the pandemic intervened and a number of reforms were put on hold. It is now 2 ½ years since the proposal was originally well supported by the IP profession.
27. Most recently, after the announcement of the Consultation, the UK Intellectual Property Lawyers' Association (IPLA) and IPBA arranged a further Town Hall meeting to take place on 21 September 2022 to discuss the principle and the amount of any costs cap for patent cases in the STS. Invitations were circulated to a number of different IP professional organisations and to the UKIPO.
28. The Town Hall was chaired by Emma Himsworth KC, Chair of the IPBA. Birss LJ spoke about the Consultation at the meeting. Before the particular proposal was opened up for debate, presentations were given by Michael Burdon, a senior patent litigator at Simmons & Simmons and Chairman of the IPLA; and by Danny Keenan, a senior patent lawyer at Unilever and Vice President of the IP Federation. Both spoke in support of the principle and the amount of the costs cap. Mr Keenan explaining the importance of the proposal as an attraction to industry in deciding whether and in which jurisdictions to engage in patent litigation. The event was attended by Master Kaye, a number of deputy judges who sit on cases in the Patents Court, the Intellectual Property List in the Chancery Division and IPEC, and about 50 specialist IP barristers and solicitors.
29. At that meeting there was unanimous support for the proposal to introduce a costs cap for patent cases in the STS and near unanimous support for the amount of that cap to be £500,000 (the very small number who did not agree suggested lower or higher figures). A number of attendees also expressed support for an expansion of the proposal to all cases in the STS in the Patents Court and in the Intellectual Property list in the Chancery Division.
30. The reasons given for the support by the attendees included the importance of commercial certainty for budgeting purposes; and to enhance the competitiveness of the UK patents court in the context of both the national courts in other European jurisdictions (in particular Germany) and the UPC. Many attendees hoped that the proposal could be implemented quickly given the imminent opening of the UPC in 2023.
31. Against this background the IPBA would make the following proposal.

## **Proposal**

### **That a cost capping pilot be introduced for patent cases in the STS (the Pilot) – the principle**

32. The IPBA proposes that a costs cap should be introduced for patent cases in the STS. This proposal is designed to:
- (1) Improve access to the Patents Court, in particular for SMEs with medium size patent cases, by providing greater certainty as to the cost risks; and
  - (2) Ensure that the UK maintains its position as an attractive forum for patent disputes which can be brought in different international jurisdictions and in particular the UPC.
33. As to the first point, as has been established from the experience of introducing a costs cap in IPEC this was, as stated in the UKIPO Report, the ‘most important reform with respect to attracting litigants to the court. The reason for this is that post-reform the litigant knows what his or her exposure to costs will be in the event of loss.’ (emphasis added).
34. Moreover, again as indicated by the experience from IPEC, by introducing a costs cap to patent cases in the STS, litigants are being provided a new option for the significant minority of medium size patent cases that is not currently available to them. This is likely to be a particularly useful option for SMEs who would not otherwise attempt to litigate such a claim and will attract a different type of claim from businesses of all sizes.
35. That is to say the costs cap in patent cases in the STS would serve a complementary purpose to cases brought in IPEC and in the Patents Court outside the STS and would make the STS an attractive venue for patent litigation particularly for SMEs.

### **That the costs cap should be fixed at £500,000**

36. The IPBA proposes that the single total costs cap should be fixed at £500,000. This is for a number of reasons.
37. First, from both anecdotal evidence and the data available from patent cases brought in the STS this would seem to enable the successful party to recover a reasonable proportion of their total costs.
38. Although the IPBA has experienced difficulty in obtaining details of the costs orders made in patent cases in the STS, with the assistance of the IPLA the IPBA have identified five examples:
- (1) In Elkamet Kunststofftechnik GmbH v Saint-Gobain Glass France SA [2016] EWHC 3421 (Pat), the unsuccessful defendant was ordered to pay the claimant £458,000.

- (2) In L'Oréal Société Anonyme v RN Ventures Ltd (Rev 1) [2018] EWHC 173 (Pat), after a summary assessment, the unsuccessful defendant was ordered to pay £558,000, including interest (plus a daily rate of £122.30 between the date of the judgment and the payment). The sum awarded did not reflect the full costs incurred by the claimants, having been reduced as a result of the late registration of a licence.
- (3) In Permavent Ltd & Anor v Makin [2020] EWHC 3495 (Pat), the successful claimant's costs were assessed at £328,279. The total amount claimed in the Claimants' schedule of costs for the action, was £410,621.10, with reserved amounts from an injunction application of £17,827.60.
- (4) In Insulet Corporation v Roche Diabetes Care Ltd [2021] EWHC 2047 (Pat) (a case which was observed to be on the edge of suitability for the STS) Deputy Judge Treacy gave a separate detailed judgment on costs (dated 22.07.2021). The defendant, Roche, was successful overall in the action. Roche's total costs of defending the action were £1.67 million of which £1.2 million were solicitors' fees. Insulet's costs were capped under an agreement with their advisers at £1 million but would otherwise have been between £1.1 – 1.2 million. Ms Treacy considered Roche's costs to be high and only awarded 55% of those costs on a summary assessment. After deductions and offsets for issues on which Roche were not successful, Roche was awarded £714,684.
- (5) In the final Order in Advanced Bionics v Med-El Elektromedizinische dated 23 September 2022 records the Defendant agreeing to pay the successful Claimant the sum of £600,000 in settlement of the costs of the action and counterclaim.

These cases provide support that the figure of £500,000 is appropriate for the costs cap to be applied to patent cases in the STS.

39. It may be that the CJC Costs Working Group will be better able to identify from the electronic records in the Business and Property Courts further costs orders made following trial in patent cases in the STS and this may be something that the Working Group would wish to investigate for the purposes of obtaining access to further relevant data (if any).
40. Second, feedback from (1) industry would suggest that from a commercial perspective £500,000 is the appropriate amount for the costs cap for medium size patent cases; and (2) IP solicitors, in particular members of the IPLA, consider that this is the appropriate level for the costs cap for medium size patent cases.
41. Third, the £500,000 costs cap is at a level that is commensurate with the level of costs awarded to successful litigants in equivalent patent cases in some other European



jurisdictions, for example Germany, and is in line with the proposals for costs in the UPC for medium size claims<sup>2</sup>.

42. Fourth, the application of a costs cap of £500,000 is likely to result in an overall reduction in costs for litigants as it will provide an additional form of commercial discipline to the expenditure on costs of such litigation.
43. As to the concern as to whether parties might regard the £500,000 as a ‘target’ this was not the experience in IPEC as noted in the Summary of Qualitative Findings of the UKIPO Report ‘Regarding the costs cap [then £50,000], the benefit is that litigants know their potential exposure before initiating a claim; in practice, a costs award of less than £40,000 is commonly awarded to the winning party’. The imposition of a cap, rather than fixed stage fees, and the retention of the indemnity principal provides further protection against such an approach.
44. Fifth, the proposed cap is substantially higher than the IPEC costs cap but significantly lower than the amount of costs that is usually awarded in medium size patent actions brought in the Patents Court. Thus, making the STS attractive for medium size patent claims (which if the costs cap was too low would not be the case) whilst at the same time providing a disincentive for speculative claims.
45. The IPBA proposes that the £500,000 costs cap should be a single costs cap. The IPBA does not propose that a schedule of fixed fees should be applied. The reasons for this are as follows:
  - (1) It is the overall cost of litigation which is considered by industry and experienced users of the Court system to be the most important and relevant figure for costs when deciding whether to issue or defend a claim.
  - (2) In medium size patent cases there is sufficient variety in the complexity and value that to prepare a detailed schedule of caps on costs for each phase of the proceedings would be difficult and the application of such multiple caps could lead to injustice.
  - (3) The STS scheme already operates on the basis that there is a summary assessment of costs on the basis of schedules prepared for that purpose which is well regarded by the users of the STS. That summary assessment proceeds in accordance with the standard principles which includes proportionality and the indemnity principle. The costs within the cost cap would be subject to judicial discretion on the basis of information which would provide ample protection for the parties and ensure that there is no injustice. This is all the more the case given that the STS rules envisage that cases are assigned to a docketed judge.

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<sup>2</sup> See the Preparatory Committee for the Unified Patent Court Draft Decision of the Administrative Committees of the Unified Patent Court on the scale of recoverable costs ceilings dated 16 June 2016 at [https://www.unified-patent-court.org/sites/default/files/recoverable\\_costs\\_2016.06.pdf](https://www.unified-patent-court.org/sites/default/files/recoverable_costs_2016.06.pdf)



That the Pilot should be commenced as soon as practicable for a period of 3-5 years

46. The IPBA propose that the Pilot should be commenced as soon as possible and separately from other points that are the subject of the Consultation. This is because:
- (1) There is already a body of qualitative and quantitative data to support the proposal with regard to patent claims in the STS as set out above.
  - (2) It is anticipated that the introduction of such a change should be relatively straightforward to achieve, requiring few changes to the existing procedural rules.
  - (3) The introduction of the costs cap in patent cases in the STS could be used as the ‘test case’ to provide valuable information for the purposes of considering whether the costs cap should be broadened out to other types of case.
  - (4) The competitive position that the Patents Court will be placed in with the expected introduction of the UPC in 2023. A point that was highlighted by members of the IP profession at the Town Hall meeting on 21 September 2022 referred to above.
47. There are two further reasons why the Pilot should be implemented without delay.
48. First, following the departure from the EU, the UK professional services sector must be nimble in responding to developments in the market for such services particularly if growth in this sector is to be achieved. This proposal has already been delayed by a considerable period partly due to the pandemic and, more recently, as a result of having come within the framework of a wider Consultation. Further delay in the implementation of the Pilot is likely to be particularly damaging given that other jurisdictions for bringing patent disputes, including the UPC, are increasingly likely to sell themselves on the basis of a comparative costs advantage. Accordingly, the time is particularly ripe for introduction of this Pilot.
49. Second, the proposal has already been out for informal consultation for a considerable time and has been welcomed by industry and the intellectual property professions alike.

Other matters relating to the Pilot

50. In the light of (a) the views expressed at the Town Hall Meeting on 21 September 2022 referred to above; (b) the experience from IPEC in respect of the costs cap in multi-track claims that is applicable to all types of IP claim; and (c) having regard to the findings in the UKIPO Report the IPBA considers that it would be appropriate for provision to be made to ensure that:
- (1) The Pilot should proceed for patent claims in the STS with a view to providing valuable information as to whether it should be extended to all STS cases in

the Patents Court and the Intellectual Property list in the Chancery Division within the Pilot period; and

- (2) At the end of the Pilot the specific costs cap of £500,000 is reviewed to determine whether it had been and remained the appropriate amount.

### **Other matters on costs budgeting in intellectual property cases**

51. As noted above, costs budgeting does not apply to patent and other intellectual property cases in the Patents Court and the Intellectual Property list in the Business and Property Courts of England and Wales which either contain a certification that the value of the claim is in excess of £10,000,000; or are being brought in the STS. Therefore, many cases are exempt from the regime. For those that are the subject to it, costs budgeting can itself add significantly to the costs of the case and sometimes generate contentious and therefore time consuming and costly disputes at CCMCs. Moreover, the IPBA is not aware of any evidence suggesting that in IP cases it has led to an overall reduction in costs.
52. In the circumstances the IPBA propose that as far as intellectual property cases are concerned there should be no change to the cost budgeting rules as they currently apply to the Patents Court and cases in the Intellectual Property list in the Business and Property Courts of England and Wales.

### **Conclusion**

53. The IPBA would therefore propose:
  - (1) That a cost capping pilot be introduced for patent cases in the STS (the Pilot).
  - (2) That the single total costs cap for the Pilot should be fixed at £500,000.
  - (3) That the Pilot should be commenced as soon as practicable for a period of 3-5 years.
  - (4) That the results from the Pilot should be kept under review with a view to considering whether it should be extended to all STS cases in the Patents Court and the Intellectual Property list in the Business and Property Courts of England and Wales before the end of the Pilot.
  - (5) That at the end of the Pilot the specific costs cap of £500,000 should be reviewed to determine whether it had been and remained appropriate.
  - (6) That patent and other intellectual property cases in the Patents Court and Intellectual Property list in the Business and Property Courts of England and Wales which either contain a certification that the value of the claim is in

excess of £10,000,000; or are being brought in the STS should not be the subject of costs budgeting as is the current position under the rules.

54. The IPBA would be happy to assist with the provision of any further information and/or in the preparation and consideration of any changes to the procedural rules as may be required for the implementation of the proposed Pilot.