

## **IPLA comments on proposed change to IPEC appeal procedure**

### **Intellectual Property Lawyers' Association**

These comments are made on behalf of the Intellectual Property Lawyers' Association ('IPLA'). IPLA is a representative body for law firms in England, Scotland and Wales with substantial practices in Intellectual Property (IP) litigation, and who wish to lobby for improvements in IP law and practice. Around 65 firms are members of IPLA. The vast majority of patent and other IP litigation in the UK is conducted by these member firms. Member firms' clients range from the largest to the smallest and, on behalf of our clients, we have a particular interest in ensuring that the IPEC remains a highly valued tribunal delivering cost-effective justice to clients with lower value IP disputes.

### **Background**

Under the current IPEC guide, the destination of an appeal from the multi-track in the IPEC is either the Court of Appeal or the High Court. Final orders are appealed to the Court of Appeal whereas interim orders are appealed to the High Court (Chancery Division).

### **The proposal**

IPLA understands that it has been proposed, in a draft Statutory Instrument, that all orders of the IPEC multi-track must be appealed to the High Court ('the proposal'). IPLA opposes the proposal. It is important to understand the nature of the IPEC and its users. The IPEC is not a County Court. It is specialist list in the High Court. It has a specialist jurisdiction with a specialist Judge. It is used not only by SMEs but also by MNCs with lower value IP disputes. See, for example, *Unilever PLC v SC Johnson & Sons Inc*<sup>1</sup>. Substantial changes were made to the practices and procedures of the IPEC<sup>2</sup> in October 2010 to improve its utility and credibility. Previously, as it applied the same procedure as the High Court, it had been seen by clients as offering no major cost or speed benefits over the High Court. To put it unkindly, it was perceived as the High Court's poorer cousin. As a result of the 2010 changes, it is now a very busy, successful and well-respected tribunal. IPLA fears that the proposal will harm the credibility and attractiveness of the IPEC to clients.

IPLA opposes the proposal for the following reasons:

### **Perception**

1. The proposal will result in a downgrading of the IPEC's status as a valued forum for determining IP disputes. Although undoubtedly unintentional, the proposal will affect the perception of the IPEC in the eyes of clients. It will be seen as 'low in the pecking order' in terms of its status and ability to deliver high quality judgments. Larger corporations, particularly those MNCs who might otherwise use the IPEC for appropriate claims, will simply go straight to the High Court. The High Court is already heavily overloaded with IP cases, so increasing its burden will be somewhat counterproductive.
2. Support for the impact which this perception might create can be found at the UKIPO. The UKIPO has for many years had jurisdiction to hear patent proceedings but those procedures are rarely used. This is because clients consider them pointless as appeals are to the High Court (Patents Court), so clients may as well start off there.

<sup>1</sup> [2012] EWPC 19

<sup>2</sup> Then, the Patents County Court

### **Delay**

3. IPEC trials are currently being listed 12 months from the CMC. This is already too long for what should be a quick tribunal. In the High Court, the period is even longer. A two-tier appeal process will create even lengthier delays for clients seeking what should be a quick resolution of less complex IP disputes.

### **Costs**

4. IPEC cases benefit from a costs cap - no more than £50,000 is recoverable from the losing party. Appeals are quite rightly immune from the costs cap and clients who wish to appeal understand the risks involved. A two-tier appeal process, one to the High Court and then a further appeal to the Court of Appeal, creates a far higher costs exposure risk such that, in our view, many clients will be put off appealing at all.

### **Impact on international competitiveness**

5. The IPEC is unlike any County Court in that it is potentially a forum for litigation that frequently has to compete with courts in other EU member states, particularly Germany, on price, quality of judgment and time to trial. Under the current regime the IPEC is an attractive forum for such disputes but the proposal potentially undermines all aspects of this if a three-tier system becomes standard. It will make it more difficult for the UK to compete effectively with other member states as a jurisdiction for lower value patent and other IP disputes.

### **Important points of law not being determined at the highest level**

6. The IPEC hears cases which can give rise to legal points of general public importance in the IP field. By way of example, the recent *Sofa Workshop v Sofaworks*<sup>3</sup> case gave rise to important issues of trade mark law. Legal commentators have already suggested this case should be the subject of further guidance from the Court of Appeal<sup>4</sup>. Similarly, *Hollister v Mediks* gave rise to an important ruling by the Court of Appeal relating to an account of profits - previously very rare in IP cases - which perhaps would not have been resolved at all if the proposal had been implemented at that time.
7. It would be very unsatisfactory if these could only be resolved (if at all) by a two-tier appeal process to the Court of Appeal. The increased difficulty and cost of reaching the Court of Appeal via a two-tier process would lessen the chances of such issues being determined authoritatively.

### **Unjustified treatment of the IPEC vis-à-vis the Mercantile Court**

8. At present, the status of the Mercantile Court is the same as the IPEC. However, there is an exception in the draft Statutory Instrument containing the proposal which enables clients to continue to seek appeals from final orders of the Mercantile Court to the Court of Appeal. Distinguishing between the IPEC and Mercantile Court in this way gives the impression that the IPEC is not regarded as being good enough quality to give High Court calibre judgments. It is not understood why a similar exception cannot be made for the IPEC. IPLA believes this would be appropriate. Both the IPEC and Mercantile Court are busy respected specialist courts which are part of the High Court. The IPEC is not a County Court either in practice or on paper. It is unclear to the IPLA why the IPEC has been included with the other County Courts under the proposal.

<sup>3</sup> [2015] EWHC 1773

**The proposal does not achieve its objective**

9. We understand the objective behind the proposal is to reduce the burden on the Court of Appeal. Although IPEC cases can raise important issues of law, very few cases are actually appealed. The costs cap means the IPEC is an attractive forum for SMEs. Those of a smaller size often do not have the funds to pursue an appeal. The IPLA understands that only two appeals from IPEC final orders are currently listed with the Court of Appeal. Therefore, cutting off this direct route from the IPEC will not achieve the proposal's objective by significantly reducing the burden on the Court of Appeal.

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