

Response to the Consultation on Consolidated Pre-Action Protocol

**City of London Law Society
Intellectual Property Lawyer's Association**

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City of London Law Society (CLLS)

The Intellectual Property Law Committee of the City of London Law Society represents the interests of City solicitors and their clients in this area of law. Its membership is made up of representatives of member firms who practise solely or mainly in the Intellectual Property field and who have very considerable expertise in the protection and enforcement of IP rights around the world. Its membership includes partners from firms such as Ashurst, Allen & Overy, Bird & Bird, Linklaters and Slaughter and May.

The IPLA

The Intellectual Property Lawyer's Association (previously known as the Patent Solicitors' Association) was formed in November 1982 to act as a centralised body for law firms in England and Wales with Intellectual Property (IP) practices who wish to lobby for improvements to IP law. Over 50 firms are members of the IPLA and the vast majority of general advice, transactional work (licensing, financing, corporate transactions) and enforcement with respect to all IP rights in England is conducted by these member firms. Many of our member firms also seek to register trade marks and designs (UK and EU), but not usually patents, for their clients.

The international nature of IP means that member firms are also familiar with laws and procedures in many other countries, especially the main European jurisdictions as well as the United States of America. Member firms act for a wide range of clients, from major multi-national groups of companies to SMEs and technology start-up companies, as well as universities and private inventors and investors. Accordingly member firms have a significant experience of how existing IP systems work and knowledge of the views of a wide range of clients who may individually only have limited experience of IP.

We have confined our comments to (1) an explanation of our general support for the idea of a consolidated pre-action protocol and (2) identifying key areas where additional changes may be required.

General comments

It is not clear whether the Consolidated Pre-Action Protocol is intended to apply only in those situations in which there is currently a pre-action protocol, or in respect of all claims in England and Wales, whether or not such a pre-action protocol currently exists. IPLA assumes that the intention is that all such claims should be subject to the new protocol.

1 Is a Consolidated Protocol thought to be beneficial?

The IPLA strongly endorses the intention of the pre-action protocol system, to ensure that before proceedings are commenced, all reasonable steps are taken to avoid the necessity for litigation and to support the efficient management of proceedings where litigation cannot be avoided.

1A If so, what do you consider to be the benefits?

The IPLA agrees with the earlier view that parties in all types of dispute should follow the basic principles of a pre-action protocol, that they act reasonably in exchanging information and documents at an early stage and generally seek to settle the dispute without recourse to litigation. If this can be achieved by means of a single pre-action protocol, the IPLA would be happy to support it. However, for the reasons set out below our members have (based on their experience) reservations as to whether the proposed Protocol is too prescriptive and may simply add to cost and cause difficulties without much (if any) benefit. We set out certain key areas where The Protocol requires further thought so as to avoid that result.

1B If not, please say why.

The IPLA is concerned, as was raised in earlier consultation in relation to a General Pre-Action Protocol, about how such a protocol would deal with actions in which an emergency injunction was to be sought at a very early stage or where there were "bona fide" reasons for issuing proceedings first

so as to secure the jurisdiction of the English Court. It is also concerned about how it would ensure that, in IP actions, the prospective claimant did not inadvertently become exposed to a statutory threats action as provided in IP legislation. It is in these areas particularly that the IPLA believes further work is needed on the draft, before the IPLA can support the idea that the new proposed Consolidated Pre-Action Protocol should apply to IP-related actions.

General concerns

At present, the draft does not adequately address the situation where an emergency, or indeed any, injunction is needed. It is common practice in such a case for the Claimant either to start proceedings with no prior communication with the potential Defendant, or for the initial communication to seek undertakings in lieu of an injunction, to be given within a very short period of time. Should such undertakings not be received, the Claimant will start proceedings and simultaneously seek an interim injunction, often within a matter of days. The suggestion that the Claimant should instead engage in correspondence with the Defendant over a protracted period, or risk being penalised, is impractical and not in the interests of justice.

Increasingly in commercial (including IP) cases involving parties from more than one country, issues arise as to the most suitable forum to hear the dispute and, not surprisingly, different Courts (both within and outside the EU) are frequently preferred by opposing parties. This leads to parties issuing proceedings first and negotiating afterwards. Whilst this may not be something to be encouraged, it would be harmful to British interests to insist on lengthy pre-action correspondence in such circumstances as that would naturally alert others and allow them to take jurisdiction elsewhere. Unless and until all Courts throughout the world adopt this kind of protocol, it is inappropriate for it to be imposed in circumstances where the perceived benefits of securing jurisdiction outweigh the benefits of such a protocol.

IP-specific concerns

In many IP cases, the injunction is more important than any other relief. Where damages are claimed, it is usually impossible to estimate the extent of those damages, since they will be calculated by reference to the number of infringing acts committed by the Defendant, which the Claimant does not usually know and the Defendant rightly wants to keep confidential. Quantum issues are usually left to a later stage, once liability has been established, for this very reason. It is therefore not possible, before an action starts, for the Claimant to quantify the damages at all, nor to inform the Defendant what those damages might be. It should not be required to do so.

Threats actions

It is a peculiarity of most types of IP right that a Claimant who makes unjustified allegations of IP infringement can be sued for an injunction and damages arising out of those threats. IP Claimants (and their solicitors) cannot therefore always be as free and frank as they might wish in pre-action correspondence, for fear of each facing such a claim. The pre-action protocol would have to be drafted in such a way that these concerns can be addressed.

2 Consistency of style and content

2B The IPLA believes it is better to have general guidance rather than full precedents

3 Redundant material in existing protocols

No comment – not applicable to IP

4 Sanctions for non-compliance

4C Sanctions should not be in the protocol.

IPLA believes that sanctions for non-compliance should be within the general discretion of the court, and should take into account the damage suffered by the other party as a result of such non-compliance, as well as the reasons for that non-compliance.

5A Should the protocol be simplified to improve the cost/benefit ratio?

IPLA believes that there is a danger that the pre-action steps could become a mini-hearing by correspondence, before proceedings are commenced, with little benefit to either side and no arbiter to resolve disputes. It is often the case that the parties have a good understanding of each other's case, without the need, effectively, for pleadings by correspondence. The protocol runs the risk of being too formulaic, and does not give sufficient flexibility to allow the parties to adapt to their own particular case. For example, many sophisticated litigants know the strength of each other's case, without the need for it to be spelled out by the opponent. This is not to say that each side should not put forward its broad case before litigation starts, rather than engage in simple allegation and denial.

There is also the related issue of costs and who should pay for the likely increased costs of complying with any protocol, which costs could be considerable (especially if experts are instructed). In cases where, despite the protocol having been complied with, litigation proceeds, the costs of complying with the protocol should be recognised as a legitimate element of recoverable costs, subject to the overriding discretion of the Court. In IP cases it is often the case that Defendants, on receipt of a warning letter, will give undertakings not to infringe in the future but refuse to pay anything for costs or damages, relying on Claimants not wanting to incur the costs of litigation to recover costs and possibly some damages (although, as explained above, the likely quantum of damages is not known in advance). If the protocol is something with which the parties must comply, there should be a presumption that the reasonable costs of so complying should be, prima facie, recoverable, but again subject to the Court's discretion.

6 Other areas of litigation to have subject specific requirements

We believe IP cases have such requirements, particularly forum shopping and as set out under 1B (threats actions) above.

7 Any other comments?

None.

27 April 2007