



INTELLECTUAL PROPERTY

Taming the costs tiger - Court control of IP litigation costs

We have heard a great deal about the cost of litigating cases. A recent report on behalf of the UK Government Department for Constitutional Affairs headlined in the Law Society Gazette referred to “legal costs inflation” and stated that disproportionate costs were being incurred in litigation. Intellectual Property litigation is no exception to this view and patent cases have, in particular, gained a reputation for being excessively expensive. It is said that the cost of litigating intellectual property cases puts off rights holders from enforcing their rights and this is not just a UK issue. The EU internal market commissioner has recently launched a Europe-wide consultation on the back of the proposed community patent seeking views on various issues, including patent litigation. In Canada, the Federal Court Rules were revised in 1998 in order to try and bring them up to date. Concerns about lack of management of litigation costs were cited at the time as being one reason for the change.

However, litigants are not powerless, because they can influence the situation. They have a choice over who should represent them and should ensure that their representative is both cost aware and experienced enough to understand how the relevant court will approach the issue of litigation costs. In the UK, costs follow the event. The loser pays the winner's costs, so a litigator needs to be concerned about an adverse costs order against him if he loses, as well as what proportion of his own costs he is likely to recover from the other party, if he wins.

The authors have seen direct evidence of other English law firms racking up substantial and in their view exorbitant costs. There has been a view expressed however that UK courts do not take this issue seriously enough. Until now, that is. The English Court of Appeal has recently stepped into the costs arena in a patent case but bizarrely, the case has barely been reported or commented upon. That is remarkable given what the case said about costs in patent litigation. Those firms who have repeatedly overcharged their clients need now beware. The stony silence in law firms, failing to comment on a case, does not reduce its precedent value, or its effect on the recovery of costs in patent litigation. The clear message now is: overchargers beware.

In the case of *The Burnden Group plc -v- Ultraframe (UK) Limited* (2005) EWCA Civ 867, Burnden took proceedings to revoke an Ultraframe patent and to assert its own patent against Ultraframe products that it considered infringed its patent. HHJ Fysh QC in the Patents County Court (PCC) concluded in July 2004 that the Ultraframe patent was invalid and revoked it. He also determined that whilst the Burnden patent was infringed by the Ultraframe products, it too was invalid. Burnden appealed against the finding of invalidity against its patent and Ultraframe cross-appealed on the issue of infringement of its products.

The appeal was heard in June 2005 and lasted for less than a day and a half, just like many other patent appeals in the UK. The Court of Appeal decided that the Burnden patent was indeed invalid and therefore it did not need to deal with the issue of infringement. It then came to consider the issue of costs.

To support an application for a summary assessment of costs and an interim award, Ultraframe put in a schedule of costs amounting to £230,800 plus VAT. For the same appeal, Burnden's costs amounted to £58,000 plus VAT. The Court was therefore faced with two widely differing levels of costs in the same appeal.

When the Court came to consider Ultraframe's application for costs, Lord Justice Jacob delivered a verbal ruling on the issue. This is what he said:

The next question relates to an interim payment. It is common ground between the parties that there should be an assessment of the costs of the appeal, but the respondents ask for an interim payment of their costs. The amount they want, however, is quite an extraordinary sum for an appeal which took a day and a bit to hear. The exact sum sought is £230,800 not including VAT.

If one were not immersed in a culture that bills of this sort are appropriate, one would say that was outrageous. All that was required for the appeal to be argued, is (1) that the papers below be gathered together and put together in proper files for the Court of Appeal and (2) that the same counsel be got together to argue the appeal.

It is suggested that it is appropriate to have this vast sum because there were not only the in-house solicitors acting but also an independent firm of solicitors. That appears to be a massive amount of duplication. Moreover, if one



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looks at the bill one sees hours and hours and hours done on something called "Attendance on Documents"; 42 hours for a senior solicitor. Either that time was spent, in which case he was going too slowly, or it was not. I do not include a further day put in by a partner (8 hours).

The plain fact is that parties to patent actions must realise that they are the parties to the same sort of rules as other people; that the size of the team should be proportionate to the job involved; that the more people you put on the team the more likely you are going to increase costs by one member of a team talking to another member of a team or to two members of the team.

We are not here to assess the costs, that is going to be a matter for the costs judge. All we can say is that he should look at the bill with a strongly critical eye.

We are asked to assess the costs of the interim account on the basis that it should be of the order of the amount likely to be finally awarded by the costs judge. Bearing in mind proportionality, and what was involved, the figure which I have come to is £50,000. That is the sort of figure which a one day, or one and a bit day, patent appeal ought to cost."

Lord Justice Jacob's comments deserve careful attention. His approach is a good example of a Court taking its costs responsibilities seriously and not leaving the issue entirely to a costs Judge for later assessment. There are clearly some lessons to be learnt from this by parties who are contemplating litigating intellectual property cases both in the UK Court of Appeal and generally. Here are some of them:

- Intellectual property cases are subject to the same rules of proportionality and reasonableness as any other kind of case and should not be any more expensive than any other kind of case.
- Duplication of multiple fee-earners should be avoided.
- £50,000 is a useful yardstick around which parties seeking to litigate in the Court of Appeal can base their assessment of the likely costs of an appeal in an average mechanical patent case taking just under a year to come to court and lasting between one and two days.
- A trial Judge asked to assess costs for an interim award may put down a marker as to what he thinks is the level of costs that a costs Judge should bear in mind on a subsequent detailed assessment (as the Court of Appeal did in this case).

While the case does not bear directly on the question of how costs at first instance are to be scrutinised, it is difficult to see why any of the lessons learnt above cannot and should not apply in the lower courts. In fact, the *Burnden –v- Ultraframe* case itself at first instance, where the case had proceeded in the PCC and had involved a four day trial, took about seven months from the issuing of proceedings to the commencement of the trial. After the Judgment, there was another disparity in the cost schedules presented by Ultraframe and Burnden. Ultraframe's schedule was about two and a half times Burnden's schedule. When HHJ Fysh heard the applications for interim costs orders, he awarded Ultraframe £150,000 against a schedule claiming £720,000. Despite having to make that decision without the benefit of the Court of Appeal's guidance in the case, Judge Fysh's award has clearly now been shown to have been the right decision and indeed it is hard to see how this guidance could be ignored in any argument for more.

Costs are an issue in other jurisdictions as well. In Canada, for example, litigation costs are dealt with in the same basic way as in England. The general rule is that the costs of the proceedings are awarded to the successful party. However the Federal Court Rules do provide the Courts with full discretionary power over the amount and allocation of the costs and the determination of who is to pay them. In principle therefore Canadian Courts also take a close interest in the conduct of the parties and there is no reason why the kind of approach adopted by Lord Justice Jacob should not be of interest to Canadian intellectual property litigants and their lawyers.

An example of a recent intellectual property Judgment where costs were actively considered in Canada is that of Justice Hughes of the Federal Court of Canada in *Pfizer Canada Inc. v. Canada (Minister of Health)*, (Dec. 20, 2005) 2005 FC 1725 (F.C.) On delivering his Judgment on Pfizer's application in this patent case, the Judge was asked by the parties to reserve the issue of costs until after the Judgment had been released and considered by them. The Judge agreed to reserve the issue, but he asked Counsel to provide written submissions on costs guided by the following factors that he would bear in mind in assessing costs:



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1. Pfizer had been successful and, in the normal course, it would be entitled to its costs;
2. Pfizer's costs should be reduced by one-quarter due to the dismissal of its claim of pleading inadequacy. This was stated to be a form of costs penalty to discourage such pleading by others in the future;
3. The proceedings had been, as almost all NOC proceedings, hard fought and had required good skills. They were not, however, exceptional and the high end of Column III costs standard could be appropriate;
4. Pfizer's expert Mr Beijnen should be allowed his fees and disbursements. However, the Court was concerned with escalating expert fees in general and suggested that such fees should not exceed those allowed for lead counsel in preparing for and arguing the case;
5. Pfizer had three counsel gowned, whereas the other party, Mayne, had one. Pfizer's case could have been argued by one counsel only.
6. Cross-examinations were conducted overseas. Modest, not extravagant, disbursements should be allowed.

In conclusion, costs risks must be managed. They can be managed by insurance policies, as such cover is becoming increasingly available. However the best form of management is for litigants to understand how the relevant court regards litigation costs and control them accordingly, or make sure that their lawyers do so. One thing is for certain. Courts are becoming increasingly involved and practitioners and their clients will ignore that at their peril.

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