

Counting the cost

While the United Kingdom has a reputation for being one of the more expensive jurisdictions in which to bring litigation, several recent developments have increased competitiveness on cost

Litigation in the United Kingdom can be costly and time consuming. Many IP disputes are therefore resolved by settlement. However, where a dispute cannot be resolved amicably, one or both parties may consider that the dispute warrants court intervention.

By the early 1990s it had become evident that the civil court procedure in the United Kingdom would benefit from wholesale reform. The then-master of the rolls, Lord Woolf, was asked to undertake a detailed review of the civil litigation procedure in place at the time. Following the so-called 'Woolf Reforms', a new civil litigation procedure was introduced in 1999 – the Civil Procedure Rules (CPR). One of the more significant changes introduced by the CPR is that litigants are encouraged to settle disputes before issuing proceedings. The court can penalise a litigant that behaves unreasonably, in particular through costs in any subsequent legal proceeding. The court also has broad powers to manage proceedings, including setting the timetable.

The CPR consists of binding rules, as well as guidelines that provide further guidance on how the rules should be applied. These guidelines are called 'practice directions'.

Some types of claim – for example, personal injury claims – have bespoke, court-approved pre-action protocols which encourage the parties to provide certain information to each other and to behave in a certain fashion before issuing proceedings. This is intended to encourage settlement. Although a pre-action protocol for IP disputes was proposed, it was not adopted. IP disputes are therefore subject to the General Practice Direction – Pre-action Conduct.

Compliance with the practice direction on pre-action conduct is not mandatory, as it is only a guideline and there may be circumstances where it would be

inappropriate to follow the practice direction, such as where a party is seeking an urgent or *ex parte* injunction. Nonetheless, it can form a useful tool in encouraging parties to explore fully the possibilities for resolving a dispute before proceedings are issued. In addition, the court has broad discretion to penalise parties if it considers that they have not complied with the practice direction. Among other things, the practice direction describes broadly what a letter before action should contain and provides guidance for the potential defendant on the information that should be provided in response to a letter before action.

The value of the practice direction to disputes conducted between sophisticated legal practitioners may be questionable, but it is undoubtedly useful when dealing with a less sophisticated potential defendant or an overly aggressive potential claimant.

The practice direction has caused controversy in trademark infringement proceedings, as it appears to conflict with Section 21 of the Trademarks Act 1994. Section 21 enables a party that is adversely affected by an unjustified threat of trademark infringement proceedings to obtain an injunction against further threats, damages and costs. There are exceptions within Section 21 – for example, no action can be brought in relation to a threat of infringement proceedings made in relation to the supply of services only.

Section 21 of the act has, on occasion, discouraged trademark owners from setting out details of the alleged infringement to the defendant before issuing proceedings, as the trademark owner may fear that the potential defendant may seek to gain a strategic advantage and sue first for unjustified threats. For legal practitioners that send a letter before action alleging infringement of

registered trademarks, one particular concern is that the recipient, or some other party adversely affected by the threat of proceedings, will have the option to sue the trademark owner or the party making the threat – namely, the trademark owner's legal advisers. Proceedings under Section 21 are rare and in almost all cases the benefits of communicating with the alleged infringer before issuing proceedings far outweigh the potential risks of proceedings being issued under Section 21 of the act. Section 21 does not apply to threats of legal proceedings relating to unregistered rights (passing off). It is a defence to claim under Section 21 if the trademark owner can prove that the threat of infringement proceedings was justified – namely, that the alleged infringing use was infringing.

Although trademark owners should be mindful of Section 21, it is usual to send a letter before action before issuing proceedings. Depending on the nature of the case, a letter before action may yield the desired result – for example, the alleged infringer may give undertakings to cease its infringing actions and compensate the rights holder. However, on occasion the rights holder is left with no choice but to litigate.

Before deciding to issue proceedings, the claimant should consider all factors involved in pursuing the proceedings, including the time, cost and potential public relations risks. In the case of owners of well-known consumer brands, it can be particularly damaging from a publicity point of view to be perceived as overly aggressive.

The claimant will need to select the suitable court in which to file proceedings. For UK rights and Community trademarks, proceedings can be filed in the Patents County Court or the High Court (Chancery Division). Since October 1 2010 there have been new rules for proceedings in the

Patents County Court, governed by CPR Rule 63, that aim to reduce costs in more straightforward disputes. Proceedings before the court will generally be decided predominately 'on the papers', with no or very limited disclosure, no cross-examination and hearings lasting no longer than two days. The court will therefore not be appropriate for more complex cases, which should be filed in the High Court.

Parties to trademark infringement proceedings are generally represented by a trademark attorney or a solicitor. Many solicitors and some trademark attorneys have rights of audience and can undertake court advocacy. More traditionally, a specialist court advocate (ie, a barrister) forms part of the team representing a party in trademark infringement proceedings. There are a number of experienced IP barristers who specialise in arguing cases before the High Court and Patents County Court. The judges who decide IP cases are generally selected from senior IP barristers.

The distinction between barristers and solicitors may appear peculiar to those whose legal systems do not distinguish between lawyers who specialise in court advocacy and those who do not. However, even in countries where no distinction is made, it is usual to have an experienced court advocate on the team representing a party in more complex legal proceedings.

In cases where the infringement is causing the claimant immediate and serious harm, the claimant may wish to apply for an interim injunction. Such an application can be filed at any time, although the prospect of the court granting the injunction is reduced if the claimant delays application.

The case of *American Cyanamid v Ethicon Ltd* ([1975] UKHL 1) established that an applicant for an interim injunction must satisfy the court that there is an arguable case, and that the claimant will suffer an unquantifiable loss if the infringing act is allowed to continue until conclusion of a trial on the merits. Significant damage to a brand's reputation is one type of unquantifiable loss – the brand owner cannot be financially compensated for this damage. The court will also consider the 'balance of convenience' – namely, whether the inconvenience to the defendant if the injunction were granted would outweigh the benefit to the claimant. All the facts of the case will be considered in this balancing exercise, and where they appear to be equal, the court will try to preserve the status quo. It is very difficult to obtain an interim injunction, as it is extremely onerous on the party facing the injunction and the claimant



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must usually show some kind of irreparable harm. It is essential for claimants seeking an interim injunction to act quickly. A delay in action will automatically favour the defendant in the balance of convenience test.

It is generally difficult to obtain interim injunctions in UK trademark infringement proceedings; instead, the claimant may seek a 'speedy trial', which can take place in as little as three months after the order for a speedy trial is given.

The most common forms of evidence in IP litigation are documentary evidence and witness evidence. In certain circumstances, the parties may also rely on expert testimony, although the court's permission is needed for expert evidence to be adduced. Survey evidence is often used in trademark litigation, but has had a mixed reception from judges.

Documentary evidence is exchanged during the process of disclosure. Under CPR Part 31, a party is obliged to disclose to the opposition any documents on which it relies, as well as those documents that adversely affect or support another party's case. This includes emails and notes of meetings, as well as standard documents. The duty of disclosure is limited to those documents that are or have been in the party's control. It is an ongoing duty during the proceedings and it is possible for one side to make an application for specific disclosure of certain documents if it does not believe that everything relevant has been disclosed.

UK legal proceedings do not have depositions, and interrogatories are rare. The most common remedies sought are an injunction to prevent the infringer from further infringement, the destruction or delivery of the infringing items, and damages or account of profits. It is also useful to request a public statement from the opposition or publication of the result of the case, to deter third parties from infringing the claimant's rights. The successful party can also seek costs.

The United Kingdom has historically had a reputation for being one of the more expensive jurisdictions in which to bring a litigation. However, the revised Patent County Court and a greater emphasis on limiting costs mean that the United Kingdom now rivals other European countries in terms of costs for more straightforward claims. In cases that warrant a more detailed examination of evidence, the disclosure requirements and the ability to cross-examine witnesses give proceedings before the High Court an advantage over other jurisdictions where these procedures are unavailable. [WTR](#)