

Neutral Citation Number: [2016] EWHC 189 (IPEC)

Case No: IP-2014-000093

IN THE HIGH COURT OF JUSTICE

**CHANCERY DIVISION**

**INTELLECTUAL PROPERTY ENTERPRISE COURT**

Royal Courts of Justice

Strand, London, WC2A 2LL

Date: 05/02/2016

**Before** :

HIS HONOUR JUDGE HACON

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**Between :**

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|  | 1. **GLOBAL FLOOD DEFENCE SYSTEMS LIMITED**
2. **UK FLOOD BARRIERS LIMITED**
 | Claimants |
|  | **- and -** |  |
|  | 1. **JOHAN VAN DEN NOORT BEHEER BV**
2. **JOHANN HEINRICH REINDERT VAN DEN NOORT**
3. **FLOOD CONTROL INTERNATIONAL LIMITED**
 | Defendants |

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**Michael Hicks** (instructed by **Shakespeare Martineau**) for the **Claimants**

**Tom Alkin** (instructed by **DTM Legal LLP**) for the **Defendants**

Hearing date: 1 February 2016

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Approved Judgment

I direct that pursuant to CPR PD 39A para 6.1 no official shorthand note shall be taken of this Judgment and that copies of this version as handed down may be treated as authentic.

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HIS HONOUR JUDGE HACON

**Judge Hacon :**

1. On 1 February 2016 I handed down judgment following the trial of three issues. In the first of them the claimants alleged that the defendants had made groundless threats of patent infringement. Because of the way the case had developed, if the claimant did not establish its allegation of unjustified threats this part of the case had to be adjourned to be heard at a later date. The second and third issues concerned the claimants’ claim for misrepresentation and the defendants’ counterclaim for minimum royalties due under a patent licence agreement.
2. The proceedings against the third defendant were settled before the trial, so here, as in the earlier judgment, ‘the defendants’ means just the first two.
3. I held that the claim in relation to threats should be adjourned, the claim for misrepresentation failed and the counterclaim for outstanding royalties succeeded. One of the matters to be resolved after the judgment was handed down was costs. I now give reasons for my decision on costs.
4. The defendants sought their costs in relation to misrepresentation and royalties due, subject to the costs caps which apply in this court. The claimants submitted that an order for costs could not be made until judgment had been given in the threats allegation.
5. The material paragraphs of CPR 45.31 provide:

*45.31 (1) Subject to rule 45.32, the court will not order a party to pay total costs of more than –*

*(a) £50,000 on the final determination of a claim in relation to liability; and*

*(b) £25,000 on an inquiry as to damages or account of profits.*

*(2) The amounts in paragraph (1) apply after the court has applied the provision on set off in accordance with rule 44.12(a).*

*(3) The maximum amount of scale costs that the court will award for each stage of the claim is set out in Practice Direction 45.*

1. Rule 45.32 concerns costs of an application where a party has behaved unreasonably, which does not arise here. The reference to rule 44.12(a) contains a typographical error: it should be rule 44.12(1)(a), which provides that where a party entitled to costs is also liable to pay costs to the other side, the court may set off one against the other and direct that the balance be paid.
2. In the normal course at the end of a trial in the IPEC, the court will decide which party is the overall winner. The winner may have lost in relation to some issues. That does not necessarily mean that the winner’s costs will be subject to a discount or that there will be a set-off, but in appropriate cases this will be done. Each of the stage costs incurred by the winner will be subjected to summary assessment and then, if appropriate, a discount or a set-off will be applied to each of the assessed costs. The total of all the assessed stage costs after discount or set-off will be awarded, subject to the £50,000 overall cap. See *BOS GmbH & Co KG v Cobra UK Automotive Products Division Ltd* [2012] EWPCC 44, at [23]-[24].
3. Mr Hicks, who appeared for the claimants, said that until after the trial of the threats allegation it was not possible to say which was the overall winning party or whether the court should apply a discount or set-off to that party’s costs. The assessment of costs had to be adjourned.
4. Mr Alkin, who appeared for the defendants, argued that this was the wrong approach. He relied on what His Honour Judge Birss QC said in *Destra Software Limited v Comada (UK) LLP* [2012] EWPCC Civ 39. This was an application by the defendants to transfer the case from the Patents Count Court (PCC) to the High Court. The case was about copyright in software. Judge Birss identified seven issues that would have to be decided at trial, one of which was a central argument advanced by the defendants: they said that there was a necessary implication in all the circumstances that they owned the copyrights in issue or had an implied licence under them. The judge decided that the best way forward was to try the ownership/licence issue as a preliminary point in the PCC and review matters thereafter. Towards the end of the judgment he said this:

“What happens to the costs cap in a preliminary issue case? It seems to me the position is clear. This will be a trial and the PCC stages that apply to and include a trial will apply. I realise that that means that if the rest of the case goes forward in the PCC one could end up with two costs caps on one issue of liability. That seems to me to be inevitable as a result of ordering preliminary issues and needs to be taken into account. If that is the right way for this case to go then, in my judgment, that is the correct way to approach the costs cap.”

1. Mr Alkin argued that there was no relevant distinction between the proposal in *Destra* – that two overall costs caps would be applied where the court ordered the hearing of a trial on a preliminary point – and the present case in which one of the issues had been adjourned to be heard in a separate trial. Here the defendants were the winners in relation to the issues which had been decided so the costs caps could be applied in a summary assessment of the defendants’ costs right away.
2. Judge Birss’s observations in *Destra* were clearly *obiter* – costs were not in issue. Mr Hicks, who appeared for the claimant in that case, said he recalled no detailed argument about the costs capping provisions in the PCC. I asked Mr Hicks what had happened afterwards. He told me that the preliminary point was heard in the PCC, the claimant lost, leaving it with no grounds on which to pursue the rest of the relief it had been seeking. The action went no further.
3. The question of whether I should adjourn the assessment of costs turns on the correct meaning of the word ‘claim’ in CPR 45.31(1)(a). It could mean the proceedings as a whole, i.e. everything in dispute under one claim number, or something less than that – I have already used the word in a narrower sense in this judgment. CPR 45.42(2) expressly requires that, where it arises, a set-off must be applied before the overall cap of £50,000 is to be taken into account. (Following *BOS*, the same applies to the stage caps.) Therefore if ‘claim’ means the proceedings as a whole, costs cannot be assessed until all issues in the entire proceedings have been decided.
4. Mr Alkin proposed a different construction. He said ‘claim’ in CPR 45.31(1)(a) means all of the claims that have been the subject of a final determination by the court. This is not a self-evident meaning. It would also have the consequence that there would be separate costs caps for separate parts of a single set of proceedings if a preliminary point was heard, or part of the proceedings adjourned to a separate trial, or if there were an application for summary judgment in respect of part of the proceedings. In other words, the parties would each begin the proceedings with the safeguard that, if it all ended badly, their liability in costs to the other side would not rise above £50,000. They would then discover that because of how the case had developed procedurally their liability would be twice or more than what they had bargained for. It could even provide some parties with an incentive to argue for preliminary points or summary judgment in relation to one or more of the issues in order to put financial pressure on the opposing party. This does not seem to me to be in accordance with the overall intention of how the IPEC should work.
5. Mr Hicks directed my attention to *Liversidge v Owen Mumford Limited* [2012] EWPCC Civ 40; [2013] F.S.R. 38. This judgment was delivered by Judge Birss some months after *Destra* and was expressly concerned with costs, there apparently having been full argument from counsel. Judge Birss addressed the construction of the word ‘claim’ in CPR 45.42(1)(a):

“[13] Ms May’s submission is that the rule refers to the final determination of “a claim” and that the answer to this problem can be found in the manner in which the [CP](http://login.westlaw.co.uk/maf/wluk/app/document?src=doc&linktype=ref&context=18&crumb-action=replace&docguid=I71F54A60E42311DAA7CF8F68F6EE57AB)R uses the word “claim”. It is true that in some places in the [CPR](http://login.westlaw.co.uk/maf/wluk/app/document?src=doc&linktype=ref&context=18&crumb-action=replace&docguid=I71F54A60E42311DAA7CF8F68F6EE57AB) the word claim is used to refer to different claims in a single proceeding which was started by a single claim form, with a “claim” against one defendant and a separate “claim” against another defendant. But the expression is also used in a similar way to refer to separate claims brought against the same defendant. If Ms May’s submission were right then a claimant with two claims against a single defendant would be entitled to two cost caps. I do not believe that is correct and I reject this submission. Moreover if one took a formalistic approach to the rule then a normal case for infringement of a registered right like a registered design or patent, which consists of a claim for infringement and a counterclaim for revocation, could be regarded as two claims for the purposes of the rule. I do not think that is right. In my judgment the claim referred to in [r.45.42(1)](http://login.westlaw.co.uk/maf/wluk/app/document?src=doc&linktype=ref&context=18&crumb-action=replace&docguid=I43012E10A9C011DFAFD3883483C84CE7) means a single set of proceedings.

…

[19] I conclude that [r.45.42(1)](http://login.westlaw.co.uk/maf/wluk/app/document?src=doc&linktype=ref&context=18&crumb-action=replace&docguid=I43012E10A9C011DFAFD3883483C84CE7) protects the paying party and means that the court cannot award total costs of more than £50,000 in the Patents County Court.”

1. I respectfully agree. It follows that I cannot assess costs in this claim until all the issues, including the threats allegation, have been resolved. The assessment of costs is adjourned.
2. I leave the last word to Judge Birss. In *Henderson v All Around The World Recordings Limited* [2013] EWPCC 19; [2013] F.S.R. 42 the successful claimant sought to have the costs cap lifted in her favour. Judge Birss declined to do so and said this:

“[40] … I believe what is really happening in this case is an example of a psychological phenomenon I have become familiar with in the PCC. When the risk was in the future, the claimant wished to litigate in the Patents County Court to protect herself against the risk of an adverse costs award. That is why proceedings were brought and pursued in this court with this costs regime. The impact of the PCC cap on the claimant’s actual costs if she won was predictable. If the claimant had lost, the costs cap would have been strongly relied on. The claimant was able to enforce her intellectual property rights in this case because of the predictability of the costs cap remaining in place. She was relying on it. Now that the claimant has won, the uncertainty has evaporated. The balance of risk and reward is now entirely different. In today’s circumstances it now seems to the claimant quite unfair that the cap prevents her from recovering a higher share of her costs. But that is because the position after judgment is very different.”