

# Review of Practice before the Patent Tribunal

## Introduction

1. The Gowers Review of Intellectual Property<sup>1</sup> highlighted that patent litigation is extremely expensive in England and Wales with costs of comparable cases in English patent courts up to four times greater than in Germany. The Review suggested several reasons for this. Professional fees in England and Wales are generally higher and patent proceedings more complex, involving disclosure, cross-examination and the use of expert witnesses. The Review noted that high litigation costs fall particularly heavily on SMEs to the extent that they are often dissuaded from bringing or defending cases against larger firms, as they know that larger firms can stretch things out and thereby increase costs.

2. Whilst the above comments may have been directed more towards the courts in the UK, they are none the less relevant to the Intellectual Property Office's patent tribunal which in many ways has a jurisdiction matching that of the courts. Moreover, although costs are normally awarded on the basis of a standard published scale in proceedings before the Office, the overall cost for the parties can be very high. What causes cost is time: time spent by lawyers, patent attorneys', experts and the parties themselves. Because they are highly skilled, lawyers', patent attorneys' and experts' time is expensive.

3. In an effort to address this by allowing greater flexibility for managing cases, the Patents Rules 2007 opened the door to reform of patent litigation before the Office. A Tribunal Practice Notice (TPN 6/2007), published in November 2007, set out how these new flexibilities would be exploited. The TPN introduced a procedure allowing parties to propose a timetable for the proceedings, failing which a hearing officer would give directions after a case management conference. The TPN made clear that the timetable should include at the outset a date for the substantive hearing with a view to completing the proceedings within 12 months from service of the counterstatement. The TPN also signalled much greater recourse to Alternative Dispute Resolution.

4. However, despite this new practice, which is still bedding in, there remains a need to make patent proceedings before the Office more affordable and attractive to SMEs and individuals. Indeed some commentators have stated that the solution to the ills of litigation in the UK is not difficult to identify. If the continental system is so much cheaper, we should perhaps look in that direction for a leaner and cheaper alternative.

## What improvements might be made?

5. The Office has had an enthusiastic response to the current review with numerous ideas and suggestions worthy of serious consideration. Importantly, responses have revealed that flexibility is necessary and that a standard "one size fits all" procedure will not deliver the benefits of lower costs and simpler procedures. A procedure which works well in one set of circumstances may be unsuitable in a different set of circumstances.

---

<sup>1</sup> [http://www.hm-treasury.gov.uk/d/pbr06\\_gowers\\_report\\_755.pdf](http://www.hm-treasury.gov.uk/d/pbr06_gowers_report_755.pdf)

6. Moreover, whilst the Office is not directly constrained by the Civil Procedure Rules and whilst the Patents Rules 2007 provide considerable flexibility for the conduct of patent litigation before the Office<sup>2</sup>, there are some constraints on what can be achieved in the short term. One fundamental constraint arises from the Patents Act 1977 and the right to be heard<sup>3</sup>. Another arises from a provision<sup>4</sup> in the Civil Procedure Rules 1998 which limits appeals from Office decisions to a review (rather than a re-hearing) by the Patents Court. In order that the benefits of this internal review can be achieved quickly, account has been taken of such constraints when assessing the ideas and suggestions received.

7. This document sets out the ideas and suggestions received. Some appear to have greater potential than others to simplify procedures and reduce costs.

### **The most promising ideas**

- One hearing officer appointed at the outset to manage a case from beginning to end;
- Non-appealable, written, preliminary evaluation(s) prior to a hearing;
- Directions on the evidence stages – simultaneous or sequential exchange of evidence;
- Normally no more than 14 days notice of case management conferences / preliminary hearings;
- Summaries of case / skeletons filed no later than 10 days before a hearing;
- Hearings held at any location within the UK when appropriate;
- Hearings held soon after the final evidence round and normally concluded within 2 days;
- Greater use of technology;
- Alternative Dispute Resolution (ADR) promoted more widely.

#### *Appointment of hearing officer*

8. Currently the hearing officer for the substantive hearing is appointed at the outset but sometimes preliminary matters are dealt with by another hearing officer. It is considered that the proceedings would run more efficiently if the same hearing officer were responsible for all aspects of a case whenever possible. Duplication of effort by hearing officers needing to come up to speed would be avoided and the parties would not need to cover the same ground for the benefit of different hearing officers.

#### *Written Preliminary Evaluation(s)*

9. Users have suggested that patent litigation before the Office should build on the success of the Office's Opinions Service, which provides non-binding opinions on questions of novelty, inventive step and infringement. The objective behind the introduction of this Service was to provide a quick, balanced and affordable way for

---

<sup>2</sup> Part 7 Patents Rules 2007

<sup>3</sup> Section 101 Patents Act 1977

<sup>4</sup> CPR 52.11 and 63.17

parties to get an impartial assessment of key issues in a patent dispute. An opinion focuses the parties' minds on those key issues and helps them test the strength of their case, thus better enabling them to negotiate a settlement. There can be no doubt that the Opinions Service is particularly attractive to SMEs because it offers a relatively straightforward written procedure for obtaining an authoritative opinion on a question of validity and/or infringement. However, the current right to be heard precludes adopting a purely written procedure in the form of a binding "opinion" for the resolution of *inter partes* disputes.

10. Experience of the Opinions Service indicates that parties, particularly SMEs, would find it helpful to receive one or more preliminary evaluations during the course of litigation proceedings before the Office (if they have not already received a non-binding opinion addressing the same matters). The introduction of evaluations would be consistent with the general powers<sup>5</sup> available to hearing officers. It would also build on the tribunal's strength as an "expert" tribunal.

11. This development is particularly supported by users who have experience of appearing before the EPO's Boards of Appeal. Many but not all of these Boards issue a preliminary, non-binding opinion to help the parties prepare for the oral proceedings.

12. Like the opinions already issued by the Office, an evaluation would be public and aim to focus the parties' minds on the key issues. It would aim to expose the strength or otherwise of the parties' cases and so lead to more efficient conduct of the proceedings, including the hearing. As with the non-binding, preliminary opinions issued by the EPO Boards of Appeal, this might be achieved simply by highlighting the questions the hearing officer considers important. In some instances the evaluation might go further (as do some preliminary opinions of the Boards of Appeal) and indicate the hearing officer's provisional view of the matter(s) to be decided. However, it is unlikely to be a fully reasoned document in the way the Office's current non-binding opinions are.

14. It has been suggested that a written evaluation produced by a hearing officer could prejudice the eventual outcome of the proceedings. Clearly, any hearing officer should not be prejudiced by an evaluation he has produced or by an earlier opinion produced by an opinions examiner. However, the benefit to the parties of an evaluation, produced by the hearing officer dealing with the case, is that it would inform them of the matters considered important by that hearing officer and so guide them in their subsequent dealings with him. Moreover, in line with the conclusion above, duplication of effort is avoided when the hearing officer dealing with the case also produces the evaluation.

15. If preliminary evaluations were appealable, it is possible that such appeals could provide an undesirable opportunity to complicate proceedings. However, preliminary evaluations would not constitute an appealable decision<sup>6</sup>. In any event, the hearing officer's final decision will ultimately decide the matter and that is appealable.

---

<sup>5</sup> Rule 82 Patents Rules 2007

<sup>6</sup> Section 97 Patents Act 1977

16. In some instances the greatest benefit to the parties would come if an evaluation were done sooner rather than later. When the dispute relates to the validity of a patent based on written prior art, the hearing officer could apply his expert knowledge of the law, for example as it relates to construction, novelty and obviousness, and of the relevant technology to evaluate the case as soon as the counterstatement is filed. Such a preliminary evaluation could highlight at an early stage the need for the patentee to focus the dispute by identifying claims alleged to have independent validity. It could also sideline prior art that has little or nothing to offer. Other disputes which rely heavily on evidence, such as entitlement, could also benefit from a preliminary evaluation once the counterstatement has been filed. An evaluation at this stage would enable the hearing officer to give directions on the issues which need to be proved and so avoid the filing of unnecessary evidence as has happened occasionally in the past. However, sometimes it may not be possible to produce a useful evaluation based solely on the statement and the counterstatement and the hearing officer might then choose to issue an evaluation only after considering the evidence. Equally, the hearing officer might choose to produce an evaluation after receipt of the counterstatement and a further evaluation after the evidence rounds.

#### *Evidence rounds*

17. At present in patent proceedings before the Office the claimant files his evidence first, sometime later the respondent files his evidence, and finally the claimant can file evidence in reply. The periods allowed for filing evidence are determined by the timetable, established after receipt of the counterstatement, and are typically six weeks. Users have suggested that the claimant and respondent should exchange their main evidence simultaneously and that both parties would then have a period in which to exchange (again simultaneously) evidence in reply. This would mirror the Fast Track procedure before the courts where the court can direct the simultaneous exchange of witness statements and experts' reports. It has been said that this procedure forces parties to focus more on what must be proved and so fewer peripheral matters are introduced into the proceedings, which saves both time and money. Having just two evidence rounds also has the benefit of shortening the overall duration of the proceedings.

18. A concern has been raised that filing evidence in chief simultaneously would give the claimant an unfair advantage in that he has the opportunity to prepare his evidence even before launching the litigation. However, the principles of natural justice would be served provided the defendant is given adequate time to prepare his evidence. It seems that this can be achieved, as at present, by inviting the parties to agree a timetable for the conduct of the proceedings. If the parties cannot agree or the hearing officer is unwilling to accept the proposed timetable, a case management conference would be held.

19. Thus, there are advantages to be gained when evidence is exchanged simultaneously but this procedure may not be suitable in all cases. For example, when validity is challenged on the basis of a prior use, the defendant may not be in a position to file evidence until he has seen the evidence against him. In such cases, a sequential exchange of evidence may be more appropriate. This leads to a conclusion that it is not sensible to have a "one size fits all" practice for the evidence stages, and so the hearing officer will need to issue a direction on the evidence

stages after receipt of the counterstatement and if necessary after hearing the parties.

20. Currently the Office carries out an administrative check of all evidence filed and informs the parties of any noted defects, eg missing pages, missing exhibits, unsigned witness statements. These checks and resolving any defects can introduce significant delays. Moreover, they create a considerable administrative burden for the Office and do not sit comfortably with the possibility that the parties may be required to exchange evidence simultaneously. It does not seem unreasonable that the burden of getting things right should rest on the parties and the Office tends to the view that it should no longer routinely carry out its customary checks on evidence. In order to help parties, particularly those unfamiliar with litigation before the Comptroller, the Office could review its published guidance and possibly introduce a check list in order to help parties avoid the most common defects in evidence. The impact this change would have on the smooth running of proceedings before the Office is currently uncertain and so it would need to be reviewed after it has been running for some time to assess the consequences.

#### *Case management (including requests for extensions) and preliminary hearings*

21. Delays often arise as the result of the time taken to arrange case management conferences or preliminary hearings. Often the delay results from the inability of the parties to agree a date or from one or both parties claiming that counsel is not available at short notice. It has been suggested that when a case management conference or preliminary hearing is necessary and the parties cannot immediately settle on a date, the hearing officer should set a date which gives the parties 14 days notice of the hearing. Experience before the courts demonstrates that this would not normally create insurmountable difficulties for parties. It should be expected that even if the parties agree a date, the hearing officer would consider setting an earlier date if the agreed date introduces significant, unjustifiable delay.

22. In general requests for extensions of time are still common and parties could do more to help in furthering the overriding objective<sup>7</sup>. Whilst there can be no hard and fast rules, once a timetable for the proceedings has been set, hearing officers will continue to grant extensions only in exceptional circumstances. When extensions are granted they will be only as long as strictly necessary.

#### *Providing summaries of case or skeleton arguments*

23. At present skeleton arguments are required two days before a hearing and sometimes they are supplied even later than this. Experience has shown that two days often does not allow sufficient time for a hearing officer to prepare for a hearing, particularly if he has other commitments. A consequence is that the parties may need to deal with some matters at greater length than would otherwise be necessary at the hearing.

24. Some users prefer the EPO's practice of requiring the parties to exchange summaries of their case at least one month before the hearing. However, having a skeleton or a summary of a case too early can also introduce inefficiencies if they

---

<sup>7</sup> Rule 74 Patents Rules 2007

have to be considered, for example by legal advisors, when they are received and then again sometime later to get up to speed for a hearing.

25. It seems that a balance, which would allow efficient use of time at a hearing, could be achieved if skeletons or case summaries were supplied no later than ten days prior to the hearing.

#### *Location of hearings*

26. The Office is required to hold proceedings in Scotland if all the parties consent or if the Office considers it appropriate<sup>8</sup>. Users have suggested that it should also be possible to hold hearings anywhere in England, Wales and Northern Ireland, and indeed this has happened occasionally in the past. Thus, where the parties consent and the circumstances justify it, the Office is ready to hold patent hearings at locations other than Newport or London (where currently it has premises).

27. Sometimes, the arrangements necessary to hold a hearing outside Newport or London can be difficult. For example, a venue having the necessary facilities must be found and usually paid for by the Office. Arrangements also have to be made with transcript writers not under contract to the Office. Such difficulties might lead to delays but these could be minimised if the parties were at least willing and able to assist with the identification of a suitable venue.

#### *Timing & duration of hearings*

28. The Office will normally accept a timetable proposed by the parties if the date suggested for the substantive hearing is no later than nine months from receipt of the counterstatement. This is a generous period and allows a window for ADR and two to three months after the final evidence round to prepare for the hearing. Some users have commented that this two to three months period represents dead time and increases costs because legal advisors have to spend time getting back up to speed for the hearing. The suggestion made is that the hearing should take place 2 to 3 weeks after all the evidence is in. It seems that this matter is one where responsibility should sit with the parties and their legal advisors. If the parties wish to propose a timetable which eliminates a lengthy dead period, the Office would be prepared to give it favourable consideration. On the other hand, if one party cannot accept an early hearing date sought by the other party, the matter would need to be resolved by the hearing officer, if necessary, following a case management conference.

29. Users have strongly advocated that hearings should be limited to a maximum of two days in all cases with the parties proposing how this time should be divided between them. The experience of oral proceedings before the EPO Boards of Appeal indicates that this should be feasible in most cases but it would require a greater reliance than now on written procedures, such as written evaluations, joint statements by experts and timely skeletons. If necessary, the hearing officer could hold a pre-hearing review and give directions, for example on the time allocated for cross examination, with the objective of concluding a hearing in 2 days or less.

---

<sup>8</sup> Rule 88 Patents Rules 2007

### *Greater use of technology*

30. The Patents Directorate operates an electronic document management system and with a view to greater efficiency is keen to encourage the filing of documents electronically. Concept House and Harmsworth House also provide state of the art video conference facilities which are available for hearings if parties would prefer this to a conventional telephone hearing. Moreover, the Office is ready to consider new ways of working electronically as the technology develops, for example the provision of electronic bundles for hearings.

### *Promoting Alternative Dispute Resolution (ADR)*

31. The conduct of mediation by the Office is not within the scope of this review but parties are currently encouraged to build mediation into the timetables for disputes where the validity of a patent is not an issue. The exclusion of cases, where validity is an issue, was introduced because the Office considered that it should not knowingly allow an invalid patent to remain on the register. However, in the light of greater experience of ADR, it is clear that parties sometimes do resolve validity disputes in this way and save themselves the expense and stress of litigation. When disputes are resolved by mediation, the outcome is confidential and is most unlikely to result in any findings regarding the patent at the heart of the dispute. Therefore, it is suggested that hearing officers could consider for all types of proceedings whether settlement by ADR might be possible and for those that are; they could actively encourage the parties to consider this option. An unreasonable refusal to mediate, or use other alternative or proportionate dispute-resolution processes (APDR), could be taken into account by a hearing officer when considering an award of costs. The Office's public interest role would be safeguarded if an application for revocation were withdrawn following ADR since the hearing officer would in accordance with current practice come to a view on the validity of the patent in question on the basis of the submissions before him.

#### **Other suggestions**

- Twin track procedure;
- Constitution of the tribunal;
- Option to decline to deal in all proceedings / value limitation on cases heard;
- No disclosure;
- No costs, full costs or "bail";
- Professional representation only;
- "Markman" trials / staging (interim decisions);
- Decisions on the papers only;
- One level of appeal / limits on ability to appeal;
- Full time hearing officers;
- Direct communication between one or other of the parties and the hearing officer
- Oral decisions normally issued at the end of a hearing.

32. During the course of this review various other interesting suggestions were made and considered. However, these other ideas do not seem to contribute to the objective of the review and are unlikely to be pursued further for reasons given below.

#### *Twin track*

33. A suggestion that the Office should develop a twin track procedure based on specified criterion, such as the value of the dispute, has not been pursued at this time. It is considered that the Office should concentrate on establishing a single, flexible procedure which sits between the non-binding Opinions Service and the courts.

#### *Hearings should be before a tribunal of three (rather than one) hearing officers*

34. Some users have indicated that they would have greater confidence in the decisions of the tribunal if it sat as a panel of three hearing officers. However, adoption of this idea would place a considerable strain on Office resources in terms of time spent by its senior people. Whilst it is recognised that the tribunal will only be attractive to users if they have confidence in the outcomes, other users have acknowledged that the track record of hearing officers sitting alone is very good. It is therefore thought that a more promising way of creating confidence in the tribunal would be by actively increasing awareness of its successes at seminars and other events.

#### *Option to decline to deal in all proceedings / value limitation on cases heard*

35. The Patents Act 1977 allows the Office to decline to deal with disputes about entitlement and inventorship, employee compensation and infringement if it appears that the dispute involves matters which would “more properly be determined by the court”. A similar power is available in relation to revocation. Users have suggested that the Office should be able to decline to deal with any matter but the Act does not provide such a wide ranging power.

36. Even where the power exists a hearing officer can only decline to deal if he accepts that the case involves matters which should be determined by the court. Thus, even if both parties request that the Office should decline to deal, the hearing officer would only do so if persuaded that this would be the correct course. To do otherwise would undermine the will of Parliament when the legislation was passed.

37. Over recent years the Office has dealt with some high value cases which some users have suggested would have been more appropriate for the courts. However, the value of a case is no guide to its complexity and for this reason there is no clear justification for introducing a cut off point based solely on the value of a case. Instead hearing officers will continue to consider whether to decline to deal with cases on an individual basis.

#### *No Disclosure*

38. Requests for disclosure in proceeding before the Office are rare and when they do arise they are usually for specific disclosure. Nevertheless there has been a

suggestion that disclosure should not be allowed at all. It is recognised that disclosure in patent cases can increase costs significantly because of the time and effort involved. Moreover, it has only secondary significance in certain types of proceedings, particularly where the matter to be decided is an objective one, as with obviousness. However, a blanket ban which would prevent a hearing officer exercising his discretion in appropriate circumstances would seem a step too far. Therefore, requests for disclosure in relation to the determination of matters where its significance is only secondary normally would not be allowed. Requests for disclosure in relation to other matters would be dealt with in keeping with the overriding objective.

#### *Awards of costs or “bail”*

39. The current system of awarding costs in the light of guidance provided by a standard published scale<sup>9</sup> will continue despite some users advocating that the Office should provide for the full recovery of costs. The objective of this review is to provide a low cost tribunal which meets the needs of SMEs for whom the ability to predict their exposure to costs is important. Changing the system to expose litigants to full costs in all cases would run counter to this objective. Nevertheless, hearing officers will continue to award off-scale costs where the circumstances warrant it.

40. A further suggestion that a multiplier should be applied to the costs, if the decision in question were appealed, has also not been adopted on the basis of predictability in relation to costs. Moreover, in order to be effective the multiplier would have to be high and this would detract from the objective to provide a low cost tribunal.

41. Consideration has also been given to the idea that the claimant should lodge a “bail” which would be returned if the claimant succeeded or be paid to the defendant if the claimant lost. With this system the defendant would never be liable for any costs. This idea has the attraction of simplicity and certainty for litigants but is limited in that it may not be effective to discourage unreasonable behaviour.

#### *Professional representation only*

42. Whilst a requirement that all parties should be represented by professional advisors could lead to proceedings running more smoothly than they might otherwise, there is no doubt that the main cost in many proceedings arises from the costs of instructing patent attorneys, solicitors and counsel. Consistent with the objective of this review, it is considered that parties should be able to dispense with legal advisors if they cannot afford them. It is also believed that the introduction of preliminary evaluations would overcome or reduce some of the past difficulties encountered by litigants in person.

#### *“Markman” trials / staging (interim decisions)*

43. This proposal was based on the practice in the USA of dealing with disputes in stages. For example, a hearing officer might give a decision on claim construction before moving on at a later date to consider obviousness. The justification behind

---

<sup>9</sup> See TPN 4/2007

the proposal is that the parties might settle once they have had a staged decision. On the other hand some users have pointed out that such a system provides scope for appeals at each stage with consequential delays and mounting costs before a final determination. Overall, the potential for delay and increased costs outweighs the possible advantages, which in any event might be provided by the provision of preliminary evaluations.

#### *Decisions on the papers only*

44. Section 101 Patents Act 1977 requires the Office to give any party an opportunity to be heard. Thus, a move to a solely paper based procedure would require amendment of the Act. However, as at present, where all parties consent a hearing officer would give a decision based on the papers before him.

#### *One level of appeal / limits on ability to appeal*

45. The right to appeal is enshrined in section 97 Patents Act 1977 and so any change in this area would require amendment of the Act. Moreover, there is a general recognition that the right to appeal decisions made by the Office enables it to meet its obligations under Article 6 of the European Convention on Human Rights.

#### *Full time hearing officers*

46. Currently hearing officers have other duties and this can lead to conflicting pressures, for example, when writing decisions. It was suggested that this conflict could be resolved by having dedicated hearing officers who do the job full time. One key consideration here is the need to have enough experienced hearing officers to ensure continuity and at present the hearings work load is too low to satisfy this requirement on the basis of full time hearing officers. The present system of sharing the work load between a sufficient numbers of hearing officers is thought to offer the best solution and currently hearing officers are issuing 92% *inter partes* decisions within 2 months and 100% within 4 months. Nevertheless, the position could be reviewed again if the *inter partes* hearings work load increased.

#### *Direct communication between parties and hearing officer*

47. At present it is normal for hearing officers to communicate indirectly with both parties through a case officer prior to a hearing but there is a view that disputes could be handled more effectively if the hearing officer spoke directly with one or other of the parties. Whilst private discussions between a mediator and individual parties are an important aspect of mediation, this is not appropriate in litigation where transparency is paramount. It is felt that the risk of misunderstandings/mixed messages rules out the possibility of a hearing officer speaking to the parties separately. Transparency is thought to be best served by communication through case officers, acting on a hearing officer's instructions, in writing or by telephone and then confirmed in writing.

#### *Oral decisions normally issued at the end of a hearing*

48. It has been suggested that the introduction of preliminary evaluations would enable hearing officers to give a decision at the hearing (as the EPO Boards of

Appeal do), followed by written reasons within 2 months. Some users would welcome this but others have indicated that they would be content to get both the decision and reasons after the hearing provided there is no undue delay. In the past hearing officers have given oral decisions on preliminary matters at a hearing and will continue to do so in appropriate cases. However, hearing officers have indicated that for substantive hearings they prefer to have time to consider and reflect on the submissions made at a hearing before making a decision. Therefore, hearing officers will normally reserve their position at substantive hearings and issue reasoned decisions within two months.