

**COMMERCIAL LITIGATION ASSOCIATION OF IRELAND**

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**SUBMISSION TO  
REVIEW OF THE  
ADMINISTRATION OF CIVIL JUSTICE**

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**AREAS (a), (e) & (b)**

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**PROPOSAL FOR  
AN INTELLECTUAL PROPERTY & TECHNOLOGY COURT**

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## **The Nature of the Proposal**

1. This submission is concerned with a proposal which it is believed will improve procedure and practices, remove obsolete rules, achieve more effective and less costly outcomes for court users and will address defects in the law of discovery within areas (a), (e) and (b) of the work of the Review Group.
2. It is proposed that there be a specific list of the High Court in which cases involving intellectual property will be conducted, and in which cases involving high technology may be conducted if the court views it as appropriate. The proposal, if adopted, can be implemented through amendments to the Rules of the Superior Courts providing for a number of specialised rules in addition to rules of the type provided for by Order 63A<sup>1</sup>, Order 63C<sup>2</sup> and SI 254 of 2016<sup>3</sup>. The proposal would involve the utilisation of the existing resources of the High Court.
3. The detail of what is proposed is set out in **Annex I**.

4. This document is a summary of a more detailed proposal document which was submitted to the President of the High Court on 25 April 2017 and which is now being taken up with the Attorney General and the IDA with a view to the development of more detailed proposed rule changes and wider consultation.

## **Group Making this Proposal**

5. In its submission of January 2014 to the Minister for Jobs, Enterprise and Innovation in respect of whether to establish an Irish seat of the Court of First Instance of the Unified Patent Court, the Bar Council proposed that a list of the High Court be designated as a “Technology Court” for the conduct of intellectual property claims wherein a panel of judges would sit.<sup>4</sup>
6. On 23 June, 2016, the Commercial Litigation Association of Ireland agreed to the establishment, under its aegis, of a group of solicitors and barristers with practical experience of the conduct of this type of litigation with a view to assessing the desirability of the establishment of such a court and, if appropriate, progressing that proposal.
7. The group is convinced that the establishment of a division of the High Court for the conduct of intellectual property and technology proceedings is not only highly desirable, but is a matter of greatly heightened concern to Ireland in the light of the decision of the UK to leave the EU, and warrants consideration as soon as possible. The members of the group are listed in **Annex II**.

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<sup>1</sup> Commercial Proceedings.

<sup>2</sup> Chancery & Non-Jury Actions.

<sup>3</sup> Conduct of Trials.

<sup>4</sup> It should be stressed that the designated Judges of such a division as proposed here would of course sit in the other divisions of the High Court when not dealing with matters before the proposed Court.

### **This Impetus for this Initiative**

8. Ireland is a major location for industries dependent upon intellectual property and high technology: the IDA states that currently:-

- 9 of the top 10 global pharmaceutical companies (operating 40 FDA-approved plants in Ireland);
- 13 of the top 15 medical technology companies (Ireland having the highest number of medtech personnel per capita in Europe);
- all of the top 10 global internet-based companies; and
- 9 of the top 10 global software companies;

have chosen to establish operations in Ireland.

9. There will inevitably be IP & technology disputes which may have very grave significance for the Irish operations of multinationals operating in Ireland, and for domestic enterprises, and those employed by them.

### **Building on the Judicial Reputation & IP Expertise that Ireland Already Has**

10. Ireland has a legal system which possesses judges, barristers, solicitors<sup>5</sup>and patent & trade mark attorneys with expertise and experience in all aspects of intellectual property and technology litigation. Critically, the Irish judiciary is, in addition to its expertise and experience, recognised abroad as being of the highest integrity. The American Chamber of Commerce Ireland stated in a ministerial submission of 2 January 2014 to the Minister for Jobs, Enterprise & Innovation that:-

*"[i]t is recognised that Ireland's judiciary and lawyers enjoy an international reputation as having a keen understanding of the importance of IP and the commercial drivers of businesses operating in high-tech sectors."*

### **Why Irish Venue for IP Proceedings is Not Preferred by Businesses with a Choice of Venue**

11. Nonetheless, it is the experience of the group making this proposal that clients are not convinced that the Irish courts are able to consistently provide an effective and cost-efficient forum such that they are willing to consider Ireland as their first port-of-call for English language proceedings. Indeed, it appears that almost all the major patent judgments of the Irish courts of recent years have post-dated UK judgments in related proceedings, even where Ireland was the manufacturing location.

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<sup>5</sup> In a submission of 25 June 2013 to the Government, the Law Society of Ireland stated at paragraph 2.3 that: "*an informal survey of the IP activity of just 8 firms in Ireland, between 2007-2012, also indicates that up to 47 contentious patent cases per year arise, albeit that the vast majority do not end up in court.*"

12. The reasons for this are a combination of some or all of the following factors, the importance of which varies from case to case:-

- access to the Commercial List is not automatic, creating an additional layer of uncertainty as to the manner in which complex cases will be managed;
- the delay and cost of the discovery process, in particular delay and cost associated with making extensive discovery;
- the lack of certainty as to whether the judge will have sufficient reading time to prepare for the trial and/or any case management conferences;
- the very considerable delay that can be associated with appeals of decisions of the High Court, including in respect of judgments on interlocutory applications, such as applications for discovery.

13. The absence of any specialised court means that the rationale for registering and maintaining patent and other registered rights covering Ireland is undermined; and research and development is affected by the difficulties involved in challenging invalid patents and other registered rights, and defending groundless threats of infringement of rights.

### **Proposed Specialised Rules for the IP & Technology Court**

14. The key features of what is proposed are:-

- the creation of an IP and Technology list of the High Court in which IP proceedings will be listed, and into which proceedings involving technological issues may be admitted by the court;
- empowering the court to order a “*streamlined*” procedure at a case management conference convened after the close of pleadings, where the court determines that no discovery is necessary, and that the evidence can be properly taken on affidavit subject to cross-examination on identified topics;
- a general updating of Order 94 of the Rules of the Superior Courts, which now refers exclusively to repealed legislation, including by making provision for such matters as Product and Process Descriptions in patent infringement cases in lieu of discovery; and
- specialised discovery rules.

15. There are a number of ways to ensure that discovery is ordered only where it is necessary to resolve the actual technical issues in dispute and it is proportionate. What is proposed in Annex I in this regard are a number of potentially cumulative procedural options. They are believed to be consistent with the approach set forth in the CLAI Discussion Document in respect of the Possible Reform of the Discovery Rules, subject to certain adaptations that would be applicable to cases in the proposed list.

## **Significance of the UK's Decision to Exit the EU**

16. Whilst to date the specialised IP courts in London have, in particular, offered a venue for the resolution of IP disputes involving major corporations based in Ireland, those courts will no longer be able to hand down judgments of an EU member state court applying EU law once the UK leaves the Union. There will then be no specialised IP court in the EU for the hearing of these disputes in English language adversarial proceedings in the manner of the common law.

17. A summary of the present features of the specialised IP courts of England & Wales are contained in Annex II.

## **Uncertainty in respect of Ireland's UPC Seat and the UK's Central Division**

18. The Unified Patent Court (UPC) is likely to come into operation in 2018, but without Ireland's involvement pending a referendum to facilitate the State's ratification.

19. The establishment of an Irish division of the UPC has been seen by important interested parties, including IDA Ireland, the American Chamber of Commerce Ireland and IBEC, as providing an opportunity for Ireland to significantly improve the facilities available in terms of a specialised court, with the possibility of an enhanced level of patent litigation being heard in Ireland due to the jurisdictional rules of that Court.

20. The IDA's submission to the Government in respect of an Irish seat of the UPC concluded that:-

*"A successful local division of the UPC in Ireland would be an advantage for IDA client companies and for IDA winning new business in knowledge intensive industries."*

21. Given the very considerable uncertainty surrounding the functioning of the UPC post-Brexit, Ireland needs to ensure that its national court for the resolution of IP & technology disputes can offer the same improved facilities so that there is an effective and coherent response – in Ireland - to the needs of industry, both domestic and foreign.

22. Whilst the UK will very shortly ratify the Unified Patent Court Agreement,<sup>6</sup> the UK's participation in the UPC - and thus its hosting of the Life Sciences Central Division of the Court - after Brexit is dependent upon fresh agreement being reached with the EU member states.<sup>7</sup> Importantly, the life sciences sector (in particular the pharmaceutical industry, and increasingly the medical devices industry) has been by far the leading utiliser of Irish legal services and the Irish courts in the patents field.

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<sup>6</sup> The relevant statutory instrument is understood to now only be awaiting approval by the Privy Council, anticipated in February 2018.

<sup>7</sup> The Treaty, for instance, requires recognition of the supremacy of EU law and the ultimate jurisdiction of the Court of Justice of the EU.

## **Offering a Specialised Court Complements Existing Policy**

23. The establishment of a specialised court of course complements Ireland's existing policy in respect of Foreign Direct Investment, and without its establishment Ireland cannot maximise – in the legal services sphere - the benefit which it seeks to derive from Foreign Direct Investment and investment in Research and Development.

24. Arguments made by the American Chamber of Commerce Ireland in its submission of 2 January 2014 to the Minister appear to confirm that the provision of a specialist court in Ireland would enhance Ireland's attractiveness to foreign direct investment:-

*"The ease of pursuing litigation in a local court may well provide reassurance to key decision makers in respect of locating such [mobile FDI and particularly R&D] investment. Indeed Ireland's Commercial Court has distinguished itself in handling patent litigation and could be regarded as providing a capacity for a nascent local court of the UPC."*

## **Our Major R&D Competitors, the UK and the Netherlands, Offer a Specialised Court**

25. Ireland's major competitors for R&D are the UK and the Netherlands,<sup>8</sup> both of which offer specialised IP courts. The EU-commissioned report of Prof Dietmar Harhoff, *Economic Cost Benefit Analysis of a Unified and Integrated European Patent Litigation System*, 26 February 2009, opined (at page 12) that:-

*"specialised litigation systems are favourable, since they allow for relatively fast court proceedings and for low error rates in first instances [inter alia]."*

26. Specifically in so far as patent litigation is concerned, the UK, Netherlands, France and Germany make up the "big four" venues in Europe. Over the eight year period covered in the Discussion Paper 2013-072 "*Patent Litigation in Europe*" prepared by Cremers et al it is identified that, of the four, the UK had the lowest number of patent cases, the next most popular venues being the Netherlands and then France. For example, in 2008 the UK figure was 37 cases,<sup>9</sup> whilst it was 38 in the Netherlands, 87 in France and the total for Germany ran into hundreds.

27. The example of the Netherlands is very important: it is a relatively small country (16.7 million population) next to a neighbouring jurisdiction, Germany, where the vast majority of patent litigation in the EU is conducted. Nonetheless, and despite its lower percentage (relative to Ireland) of industrial activity based upon patent-intensive industries, the Netherlands has a vibrant market in the provision of intellectual property services.<sup>10</sup>

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<sup>8</sup> See the report commissioned by the Department of Jobs, Enterprise and Innovation from the Technopolis Group, entitled "*Enhancing Intellectual Property Activities in the Firm Base in Ireland*", of June 2015.

<sup>9</sup> See also a like estimate in the LSE working paper 12/2012 "*Patent Litigation in the UK*".

<sup>10</sup> The Law Society submission in respect of the UPC noted that Ireland had a contribution to its GDP from patent intensive industries of 18.8%, whilst an employment rate originating from those industries of 8.5%. The Netherlands had a 9.2% figure for its GDP derived from patent intensive industries, whilst an employment rate of 7.7% from those industries.

## **Significance of a Specialised Court for Irish Business**

28. The establishment of a specialised court is a critical step in addressing the needs of smaller Irish businesses in this area. The Technopolis Report, above, stated (at page 60) that small firms and SMEs and even larger firms in Ireland reported a lack of confidence in being able to enforce IP rights as a serious barrier.

29. The possibility of applying to the Court for the proposed “streamlined” procedure, without discovery and with limited oral testimony, will allow experience to be gained as to whether a capped-cost model (as in the Intellectual Property Enterprise Court in London) is feasible and desirable in Ireland.

## **The Impact on Judicial Resources**

30. Given the volume of intellectual property litigation before the High Court there does not appear to be a clear basis upon which it can be predicted that the establishment of such a court would constitute a significant burden on existing judicial resources; whilst on the other hand even a small increase in the volume of intellectual property disputes being heard in Ireland as opposed to, for instance, the UK will result in more jobs in Ireland and significantly more revenue for the State. If the establishment of the Irish seat of the UPC requires additional resources in terms of physical facilities, these can be shared with the proposed domestic specialised court.

## **Direct Revenue Gain from Enhanced Legal Services in this Field**

31. There is significant demand for the resolution, in accordance with EU law, of IP disputes, in particular patent disputes, affecting products distributed in the EU in English-language proceedings conducted under our adversarial system, with (critically) the opportunity for cross-examination of expert witnesses.

32. The existence of that distinct demand<sup>11</sup> is despite the fact that the cost of the resolution of patent disputes in common law systems results will therefore be significantly higher than in civil systems of trial.<sup>12</sup>

33. Given that the VAT payable on legal services in Ireland is at the rate of 23%, and that fees payable in respect of the provision of legal services in Ireland are paid to individuals and partnerships which do not benefit from the reduced Corporation Tax rate, it is likely that the State will benefit from the hearing of even one substantial intellectual property action in this State in a six figure amount. The LSE in its Working Paper 12/2012 of December 2012 “*Patent Litigation in the UK*” (Helmers and McDonagh) on a tentative basis estimated that most cases in the UK Patents Court involved total costs “amounting to a sum between £1m and £6m”.

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<sup>11</sup> As referenced in WIPO magazine, *IP Litigation Costs Special Edition* of February 2010, “The UK – Can a High-Cost Country Change Its Ways?”.

<sup>12</sup> Page 31 of Professor Harhoff’s Report, above, cites the average costs as between “the big four” venues of substantial patent litigation at €399,115 per party, but excluding costs other than representation, such as securing evidence.

34. This is a benefit to the Irish Central Fund which will otherwise flow to Ireland's competitors, at present the most likely beneficiary being the UK Exchequer, and which will also redound in more Irish jobs.

**Annexes Overleaf**

**Total Word Count: 4967**

**ANNEX I:**

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**OUTLINE OF RULES OF AN INTELLECTUAL PROPERTY & TECHNOLOGY COURT**

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**IP & Technology Proceedings**

1. An Order defining “intellectual property proceedings” and “technology proceedings” as capturing:-
  - (a) Any proceedings under the Patents Act, 1992 [as per Order 63A, Rule 1(d) [definition of commercial proceedings];
  - (b) proceedings under the Trade Marks Act 1996, the Copyright and Related Rights Acts, 2000 or the Industrial Designs Act, 2001 [as per subparagraph (e) of Rule 1 of Order 63A];
  - (c) proceedings for passing off [per subparagraph (f) of Order 63A, Rule 1];
  - (d) proceedings under EU Regulations in respect of Community Trade Marks and Designs, Supplementary Protection Certificates, Plant Varieties and Geographical Designations [currently not provided for in Rule 1 of Order 63A explicitly];
  - (e) proceedings in respect of breach of commercial confidential information;
  - (f) proceedings concerned with the licensing of rights protected by any of the above laws;
  - (g) any other proceedings which are sufficiently concerned with rights protected under the above laws as to warrant submission into the list of the court;
  - (h) proceedings which involves issues of technical complexity in any field of industry.
2. The Order might provide that proceedings shall be heard in the IP and Technology Court list where those proceedings fall within subparagraphs (a) to (f) above, and that in respect of proceedings falling with subparagraphs (g) and (h), those proceedings shall only be heard in the IP and Technology Court List if admitted upon application prior to the close of pleadings by either of the parties.

3. The Order might provide the Court with the power to make directions of the form envisaged by Order 63C, rules 4 and 5, and the balance of the Order might contain rules in accordance with Order 63C (subject to the additional provisions set out below).

#### **Reformulation of Order 94**

4. Other than the updating of the contents of Order 94 so that the provisions reflect the provisions of the current Irish and EU legislation, the following substantive rule changes appear highly desirable:-
  - (a) the inclusion by the Court, in certifying the readiness for hearing of the matter, of an estimate for the amount of time that might be required by the trial judge for the consideration of documentation in advance of the hearing, and a power to direct that the parties indicate a desirable order of reading;
  - (b) the establishment of an agenda for simplifying proofs and minimising discovery to what is necessary by reference, in particular, to the precise technical issues in dispute by the inclusion of rules facilitating:
    - (i) the results of experiments to form the basis of notices to admit facts in patent cases (notices of experiments);
    - (ii) the provision of a Product or Process Description in patent infringement cases in lieu (or restriction) of discovery in respect of the features of the alleged infringing product or process;
    - (iii) again in patent cases, the provision of a schedule containing information in respect of the commercial success of a patented product or process where the patentee relies on commercial success to defend the inventiveness of the patent in suit, addressing such matters as the product which is alleged to be covered by the claims of the patent, sales, etc.;
  - (c) the power to make orders addressing confidentiality concerns, for instance as to by whom discovery documentation might be inspected;
  - (d) the critical additional provisions in respect of case management and discovery addressed below.

## **Additional Provisions in respect of Case Management and Discovery**

5. Provision should be made permitting application to be made to a case management conference, to be convened at the instance of the court or the parties, after the closing of the pleadings for:-
  - (a) an order determining that there are no issues in the proceedings in respect of which the making of discovery or the carrying out of experiments or inspections is warranted; and/or
  - (b) an order determining that the trial be heard on affidavit in whole or part, subject, if appropriate, to cross-examination of identified witnesses in respect of topics to be identified by the court;

or any variant of the above.
6. Central to the functioning of the specialised court are provisions in respect of case management and discovery which serve to ensure in particular that discovery only takes place when, and to the extent that, it is strictly probative and proportionate, such being assessed by reference to the detail of the precise factual issues in dispute. In our view there are a number of different methods by which this objective can be achieved, and the purpose of the following is to set out the sorts of provisions which can be made to achieve this objective rather than to seek to be prescriptive at this point.
7. An overarching provision might expressly specify that, on the hearing of an application for discovery of documentation, discovery shall not be ordered if the court is not satisfied that the benefit of discovery of the documentation, in respect of which discovery is sought, in terms of its value in justly resolving the issues in dispute in the proceedings, is likely to justify the cost of producing the documentation and dealing with it.
8. Reflecting this overarching position, provision might be made for the court to be explicitly given extensive powers to make discovery orders which are precisely tailored to the technical areas of dispute, by way of providing that on an application for discovery the court may also make:-

- (a) an order that a party disclose only the documents which adversely affect its own case, and/or documents which adversely affect or support the other party's case;
  - (b) an order for discovery of specific, individual, documents only;
  - (c) an order directing the provision of further information, whether by way of Replies to Particulars, Replies to Interrogatories, the delivery of précis of intended evidence or the filing of an affidavit or otherwise as appropriate; and/or
  - (d) an order adjourning the application, in whole or in part, in particular until after the delivery of a first round of expert précis of evidence, or the provision of further information in some other fashion, thereby allowing the technical issues in dispute to be more precisely identified.
9. Again reflecting the overarching provision, a further option is to explicitly require that the affidavit grounding the application for discovery identify precise technical disputes of fact, by reference to the intended evidence, rather than merely identifying the topics (e.g. obviousness in a patent dispute) where dispute arises, as is the case at present.
10. Provision might be made that, save where the court directs otherwise, the obligation to make discovery requires the conduct of a reasonable search for the documentation in question. What is a reasonable search would be assessed having regard to the number of documents involved, how, on what media and by whom they are held and controlled, the nature and complexity of the proceedings, the ease and expense of retrieval and the likely significance of the documents. This would be strictly subject to any decision not to search for any particular type of document (or not to search for documents in any particular locations or sources, or for any particular time periods), on the ground that it would not be reasonable to do so, being expressly disclosed in the affidavit as to documents, and the basis of that decision being averred to.
11. In a similar vein, provision might be made allowing the court to tailor the manner in which discovery is made to the issue in dispute, by empowering the court to give any appropriate directions to the manner in which the affidavit as to documents is to be prepared and generally as to the manner in which discovery of documentation is to be made, including as to:

- (a) what searches are to be undertaken, of where, and for what, in respect of which time periods and by whom, and the extent of any search for electronic documents;
  - (b) dispensing with the preparation of list of documents, save those in respect of which there is an objection to production;
  - (c) the format in which documentation is to be discovered and whether the documentation is to be individually identified;
  - (d) any direction in respect of documentation that once existed but no longer exists;
  - (e) whether discovery of documentation should take place in stages;
  - (f) any limitations in respect of the inspection of documentation which is the subject matter of discovery, or as to redaction of documentation, or such other restrictions or limitations as may be appropriate having regard to the confidentiality of information contained therein.
12. Finally, a further option is to require that there be a gateway provision by which leave must be obtained for the bringing of a discovery application through satisfying the court, at a case management conference, convened at the instance of the court or the parties after the close of the pleadings, that there are issues truly in dispute which may warrant, in principle, the making of a discovery order.

**ANNEX II:**

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**MEMBERSHIP OF CLAI IP & TECHNOLOGY COURT GROUP**

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**Barristers**

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**ANNEX III:**

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**NOTE ON**

**STRUCTURE OF IP COURTS & TECHNOLOGY COURTS IN THE UK**

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**Patents High Court**

This court has jurisdiction over all IP claims.

In respect of disclosure of documents standard disclosure (which is the form of disclosure order most commonly made) requires only disclosure, upon a reasonable search, of documentation upon which a party relies, and documents which are adverse to the party's own case, or are adverse to or in support of the other party's case (i.e. not a *Peruvian Guano* test).

Documentation in respect of the infringement of a patent need not be disclosed by an alleged infringer if it has supplied a Product or Process Description giving all technical details; with documents in respect of validity issues in patent proceedings being confined to those created in a four year window, being two years before and two years after the priority date. Documents in respect of commercial success are also exempt from standard disclosure.

The procedure for disclosure involves, prior to the first case management conference, the filing of a sworn disclosure report describing briefly what documents may exist that may be relevant to the issues, their location, storage, and the likely cost of searching and disclosing the documentation. An Electronics Documents Questionnaire (effectively addressing these matters in a standard form detailed manner in respect of electronic documentation) may be exchanged.

The parties must then communicate in an effort to agree disclosure.

At the case management conference the court will decide, having regard to the overriding objective (i.e. a proportionality, cost/benefit analysis) and the necessity for just disposal of the case whether to order:-

- (a) no disclosure order;

- (b) an order that a party disclose the documents on which it relies and request specific disclosure from the other party;
- (c) an order directing disclosure by each party on an issue by issue basis;
- (d) an order that each party disclose documentation relevant on a *Peruvian Guano* test;
- (e) an order that each party give standard disclosure; or
- (f) any other appropriate order.

The court may give directions as to the manner of disclosure (e.g. as to the nature of the searches and the making of disclosure in stages).

There is a practice direction in respect of disclosure of electronic documents containing additional provisions.

There is a streamlined procedure dispensing with disclosure and experiments and with directed cross-examination, with a trial in one day, which may be ordered by the court. The Patents Court Guide provides for this by stating at paragraph 7.6 that “[a]ny party may at any time apply to the court for a streamlined procedure in which:

- (a) *all factual and expert evidence is in writing;*
- (b) *there is no requirement to give disclosure of documents;*
- (c) *there are no experiments;*
- (d) *cross-examination is only permitted on any topic or topics where it is necessary and is confined to those topics;*
- or for any variant on the above.”*

#### **Intellectual Property Enterprise Court (formerly the Patents County Court)**

IPEC is a division of the High Court and deals with less complex claims up to £500,000 (CPR 63.17A) with a cap of £50,000 costs for a liability hearing and £25,000 for an assessment, with scale costs for each procedural step (CPR 45). The duration of the trial is set by the court and is usually two days.

There is no standard disclosure. Specific disclosure is ordered at a case management conference in relation to specific and identified issues and if the court is satisfied that the benefit of further

material in the terms of its value in resolving the issues appears likely to justify the costs of producing and dealing with it (CPR 63.29).

There is a small claim track for claims under £10,000.

It is understood that in practice the critical determinant as to whether a claim can proceed in the IPEC is whether the case can be disposed of within two days.