

Neutral Citation Number: [2012] EWPC C 34  
IN THE PATENTS COUNTY COURT

Rolls Building  
7 Rolls Buildings  
London EC4A 1NL

Date: 20/9/2012

**Before :**

**HIS HONOUR JUDGE BIRSS QC**

-----  
**Between :**

**GIMEX INTERNATIONAL GROUPE IMPORT  
EXPORT**

**Claimant**

**- and -**

**(1) THE CHILL BAG COMPANY LIMITED**

**(2) KIKI'S IMPORT & EXPORT LIMITED**

**(3) DAVID SAMUEL TURNER**

**(4) COLIN DAVID BRAND**

**(5) DAVID FREDERICK BRAND**

**Defendants**

-----  
-----

**Hugo Cuddigan** (instructed by **Collyer Bristow**) for the **Claimant**  
The **First, Second and Third Defendants** did not appear and were not represented  
**Matthew Kime** (instructed by **Ormrods**) for the **Fourth and Fifth Defendants**

Hearing dates: 20th July 2012

-----  
Judgment

## **HIS HONOUR JUDGE BIRSS QC :**

1. In this action the Claimant Gimex contends that the defendants are liable for infringement of Community Registered Design No. 616057-0001 as a result of sales of a product called the Chill Bag. The first and second defendant companies dealt in the Chill Bag. The third, fourth and fifth defendants did not themselves deal in the Chillbag but Gimex contends they are personally liable for the acts of the companies. The defendants all denied that the Chill Bag was an infringement and contended that the design was invalid. The personal defendants also denied individual liability for the acts of the companies.
2. In my judgment handed down on 20<sup>th</sup> July 2012 [2012] EWPC 31 I decided that the registered design was valid and that the Chill Bag product was an infringement. As I explained in that judgment, in effect it was a preliminary issue in that the questions of personal liability were hived off at the CMC to be decided upon later. I gave directions for an enquiry as to damages caused by the infringements and for the issue of personal liability to be dealt with at the same further hearing. It may very well be that in the light of the judgment that the Chill Bag product infringes a valid registered design, the remaining issues in the action can be settled.
3. Before me Hugo Cuddigan appeared for Gimex instructed by Collyer Bristow and Matthew Kime appeared for the fourth and fifth defendants instructed by Ormrods. The first, second and third defendants did not appear and were not represented. In my main judgment (paragraph 2) I described these two groups of defendants as two “camps”. The two camps filed separate pleadings, separate (but not materially different) evidence and were separately represented.
4. At the hearing on 20<sup>th</sup> July one matter to be considered was costs. Clearly Gimex were entitled to an order for costs in their favour of some kind. Mr Kime did not dispute this in general terms although there were a number of detailed issues arising on the summary assessment. They were dealt with at the hearing. However an issue of principle also arose. This was about the costs cap. The problem was as follows.
5. The actual costs Gimex had incurred in these proceedings were about £119,000. This was a single bill attributable to the proceedings as a whole. In principle Gimex’s costs could have been broken down into three groups: costs attributable to the proceedings generally and therefore for which both camps of defendants should be jointly and severally liable; costs attributable solely to one camp; and costs attributable solely to the other camp. In other cases it may be important to distinguish between these three categories, however in this case, at this stage, it is obvious that the vast majority of the costs fell into the first category. It would have been disproportionate to spend yet more costs identifying the very small amounts in the second and third categories.
6. Gimex contended that in the circumstances, since it was litigating against defendants who divided into two camps, it was entitled to apportion the total between the two camps of defendants and then have each portion assessed by applying the various stages of the appropriate PCC scale. The costs against each camp would be covered by the £50,000 cap under CPR Part 45 r 45.42(1). The result was that Gimex sought about £45,000 from each camp. Thus the total award to Gimex would be about £90,000.

7. I heard counsel and decided that this was not the right approach. The defendants as a whole were jointly and severally liable for the claimant's costs. The claimant's costs were summarily assessed as a single set of costs for each stage with a single overall cap.
8. Given that the issue raises an important question of practice and procedure in the PCC system, I informed the parties that my detailed reasons for this would be set out in a reserved judgment. This is that reserved judgment. There will be no need to attend the handing down of this judgment.
9. The relevant provisions of the CPR are VII of Part 45 and in particular r45.42, as follows:

*VII Scale Costs for claims in a patents county court*

**Scope and interpretation**

45.41 (1) Subject to paragraph (2) this Section applies to proceedings in a patents county court.

(2), (3) ....[ *immaterial* ]

(4) "Scale costs" means costs as defined in rule 43.2(1)(a)

**Amount of scale costs**

45.42 (1) Subject to rule 45.43 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 44.3(9)(a).

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

(4) The amount of the scale costs awarded by the court in accordance with paragraph (3) will depend on the nature and complexity of the claim.

(5) [*immaterial*]

10. Section 25C of the Costs Practice Direction then sets out tables of the scale costs for each stage of a claim up to the determination of liability and for each stage of an inquiry as to damages or account of profits.

11. Mr Cuddigan submitted that it was fair and reasonable for his clients to recover in effect two lots of capped costs in this case. His primary reason was as follows. Had Gimex lost and the defendants won this action, Mr Kime's clients would have expected to recover from the claimant costs assessed on the PCC scale and capped by r45.42(1). However the separate camp of the first to third defendants would also have expected to recover PCC costs. Thus the claimant would have been ordered to pay a sum which amounted to two sets of capped costs. If each camp's capped costs were £35,000 (a realistic figure) then the total to be paid by Gimex would be £70,000. As between each pair of disputes (i) claimant vs first to third defendants and (ii) claimant vs fourth and fifth defendants; the PCC scale and costs capping regime would operate.
12. Thus the claimant was at risk of an adverse costs order of more than the £50,000 cap, despite the words of r45.42(1). Accordingly the converse was only fair. Since the claimant won, it is fair that it should be able to recover two sets of capped PCC scale costs, one from each camp of defendants, especially since no single defendant (or camp of defendants) would be ordered to pay more than the £50,000 capped limit.
13. Mr Kime argued to the contrary. He contended that the terms of r45.42 are clear and that r45.42(1) provides that the court will not order a party to pay total costs of more than £50,000 on the final determination of a claim. Thus he submitted that had the defendants won this action, the claimant's costs liability would have been capped at £50,000. So in the example I have given above, even if the aggregate sum of the PCC scale costs considered for the two camps of defendants came to £70,000, r45.42(1) acts to protect the claimant and limit its costs liability. Conversely therefore there was no justification in allowing the claimant to recover two caps worth of costs from the defendants in this case. If the claimant had been at risk of two sets of capped costs, one against each camp of defendants, then it might have been fair to allow independent sets of capped costs going the other way, but that is not how r45.42 works.
14. The purpose of the rule in r45.42(1), submitted Mr Kime, was to protect parties by ensuring that they know their costs liability is always capped at a maximum of £50,000 whatever happens. There are provisions to deal with abuse of process and unreasonable conduct but provided a party does not fall within those exceptions (or in certain other specific situations), they can rely on the cap.
15. In the end Mr Cuddigan submitted that two competing policy considerations were at play for which there was not much guidance in the CPR. Mr Cuddigan characterised them as fairness on the one hand and certainty on the other. I agree with Mr Cuddigan that two competing considerations are involved but I would characterise the former not simply as "fairness" but as taking a compensatory approach to costs. The problem in this case balances a compensatory approach to costs against certainty for litigants.
16. Ultimately the reason for making costs orders is to compensate the winning party to some degree for their expenditure of legal costs. Costs are subject to assessment so that only a party's reasonable costs are provided for in the normal costs system. In the civil justice system as a whole under the CPR there are different tracks with different costs regimes. The small claims track has effectively no costs recovery at all. The fast track has limited costs recovery and on the multi-track the costs awards are intended to compensate a party for its reasonable costs expenditure.

17. In the PCC system there is a measure of cost recovery. Although it is capped there is no doubt that the costs to be paid retain a compensatory element. For one thing the PCC cap system does not mean a party could recover costs it has not incurred. Moreover in many smaller cases a party's actual costs in the PCC are well within the PCC scales and below the £50,000 cap.
18. On the other hand the consideration of certainty plays an important part in the Patents County Court costs regime. The procedures applicable in the Patents County Court are to facilitate access to justice for small and medium sized enterprises in intellectual property disputes. The costs cap has an important role in facilitating access to justice in that it allows a litigant to be confident about its possible costs exposure if it loses the case.
19. This kind of certainty helps facilitate access to justice even before proceedings are instituted. A small claimant who believes its IP rights have been infringed can write a letter before action to a potential defendant which includes a credible contention that, if the matter cannot be resolved, the claimant will take proceedings in the Patents County Court. Part of the reason the contention is credible is because the potential litigants both know that even though the claimant is small, the potential adverse costs risk which would be incurred by the small claimant is capped at £50,000. A defendant who might think they have infringed the IP right but in the past would have thought the claimant would never risk the costs and complexity of legal proceedings, is now in a position to know that legal proceedings are a realistic possibility. The defendant cannot expect to avoid litigation because it would be too expensive for the claimant to fight.
20. The same principles also apply to a small potential defendant. If it receives a letter before action making a claim for IP infringement which the small defendant could not in the past have afforded to defend regardless of its merits, with the Patents County Court regime in existence, the small defendant can reply denying the claim and making clear it wishes to be sued in the Patents County Court (and if the claimant chooses not to, to have the matter transferred there).
21. I think the terms of CPR r45.42(1) were drafted with a clear intention behind them. The words are clear. The court will not order a party to pay total costs of more than the capped sum. That means a litigant in the PCC has the security of knowing that, subject to certain exceptions, the costs cap will protect their exposure to the other party's costs. This interpretation of r45.42(1) facilitates access to justice for smaller and medium sized enterprises. This interpretation cuts against a fully compensatory approach to costs but it does so in a context in which another forum is available with a more compensatory costs regime (the High Court).
22. Accordingly I reject Mr Cuddigan's key submission. If Gimex had lost this case, even though they were suing two separate camps of defendants, Gimex's costs liability would have been capped at £50,000 by r45.42(1). Therefore it seems to me there is no justification for allowing Gimex to take the approach it proposes and share out its single costs bill as between two sets of defendants and thereby recover more than £50,000 in costs in these proceedings.

23. The problem arising in this case derives from the application of the costs capping procedures to proceedings in which defendants are separately represented. The effect of my decision on the meaning of r45.42(1) may mean that in a multi-party case, the costs recovered by a winning defendant may be reduced. There are all kinds of different possible scenarios which might arise. One aspect of this case was that the presence of two separately represented groups of defendants did not increase the claimant's costs to any significant extent over and above those which would have been incurred against a single defendant (or single set of defendants represented together). But in future there may be different cases. What if two sets of defendants wish to run very different defences? What happens if one camp of defendants wins but the other loses? Concerns of this kind, and there may well be others, are matters which may have a bearing on case management and should be raised at the CMC.