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The IPEC leaves its cap on

The caps that are in place for the Intellectual Property Enterprise Court (IPEC), formerly known as the Patents County Court (PCC), provide claimants and defendants alike with certainty with regard to damages/account of profits and orders in relation to costs. This case (*Abbott and another v Design & Display Ltd and another* [2014] EWHC 3234 (IPEC)) focussed on how the cap relating to awards of damages/account of profits should be applied in actions involving more than one defendant.

The Intellectual Property Enterprise Court (IPEC) is a specialist IP court designed to handle lower value IP cases. There is a cap of £500,000 on the financial remedies (damages/account of profits) recoverable in the IPEC, but the cap can be lifted by agreement of all parties involved in a particular action. The court does not have any discretion to lift the cap. There is also a cap of £50,000 on the total costs that are recoverable in the IPEC (by the winning party), which is applicable to most cases. The caps do not apply to actions that are brought in the Chancery Division of the High Court.

Facts of the case

In this case, Abbott brought a single infringement action against two independent parties: Design & Display Ltd and Eureka Display Ltd (the defendants). The defendants were named in a single action because Abbott's complaint against each of them was broadly similar, namely that they had infringed Abbott's patent (EP(UK) 1 816 931) by selling patented inserts and slatted panels.

His Honour Judge Hacon held Abbott's patent to be valid and infringed by both defendants at an earlier hearing. The remedy elected by Abbott was an account of profits against each defendant. Eureka Display Ltd (Eureka) sought to settle the dispute out of court and it supplied Abbott with information in order to help it make a decision on whether the offer to settle was reasonable. Abbott accepted Eureka's offer to settle, but it subsequently came to light that the information provided by Eureka was not accurate and the number of infringing sales was much greater than that previously indicated. Accordingly, Abbott applied for its acceptance of Eureka's offer to be set aside, which was allowed in the circumstances.

All of the parties to the action were in agreement that Abbott would have been entitled to well in excess of £500,000 in financial remedies had the action not been brought before the IPEC. It was for this reason that Abbott sought to challenge how the cap on financial remedies should be applied in actions heard by the IPEC involving multiple defendants.

Abbott argued that the cap in respect of financial remedies should apply to each defendant that is a party to a single action brought before the IPEC. Abbott's argument was based on a specific interpretation of the relevant part of the Civil Procedure Rules (CPR 63.17A).

In essence, Abbott tried to persuade the Judge that the legislator had intentionally used different terms in CPR 63.17A when referring to actions brought before the IPEC, referenced *"proceedings"*, and the amount of money that could be recovered by way of financial remedies, referenced a *"claim"*. The practical effect of Abbott's argument is that a claimant would have a separate *"claim"* against each defendant. Judge Hacon was not persuaded by Abbott's argument and he stated that if the legislator had intended there to be any distinction, it would be readily apparent from the wording used. The Judge's view was supported by a Court of Appeal case in which an attempt to argue that there was a linguistic distinction between the terms *"proceedings"* and *"actions"* failed, albeit in a different context.

Judge Hacon's conclusion was guided by an earlier Patents County Court (PCC) case regarding the apportionment of costs (*Gimex International Groupe Import Export v The Chill Bag Company Ltd* [2012] EWPCC Civ 34; [2012] 6 Costs LR 1069). In that PCC case, Judge Birss did not allow the costs cap of £50,000 to be applied separately to each of the defendants. On the basis of Judge Birss' decision, the defendants in this case sought to draw an analogy between the cap on costs and the cap on financial remedies.

Judge Hacon was persuaded by the defendants' argument and he concluded that parties should be entitled to certainty with respect to financial remedies in the same way that they are entitled to certainty in respect of costs, even if a defendant supplies false information that could mislead a claimant as to the size of its claim and influence its decision to bring a single action in the IPEC.

Abbott has since applied for leave to transfer its action to the Chancery Division of the High Court. The outcome of that application will be decided upon at a later date.

Practical consequences

The practical effect of this decision is that claimants who think that they might be entitled to financial remedies of more than £500,000 against multiple defendants should either:

1. bring a single action in the Chancery Division of the High Court, which does not have any caps at all; or

2. bring separate actions in the IPEC against each defendant and claim up to £500,000 against each of them.

Alternatively, if a claimant wants to mitigate its exposure to an adverse order in respect of costs, then it can bring a single action in the IPEC in the knowledge that any financial award will be limited by the £500,000 cap. However, if a claimant has issued proceedings in the IPEC and subsequently becomes aware that the claim is worth more it thought at the outset, it will have the option to apply for the action to be transferred to the Chancery Division of the High Court, as Abbott has done. It is not guaranteed that a judge would necessarily allow such a transfer, but defendants might agree to lift the cap on financial remedies when faced with the prospect of an action being transferred to the Chancery Division and the cap on costs being lifted.

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