



31 July 2015

BUSINESSEUROPE RESPONSE TO THE PUBLIC CONSULTATION ON UNIFIED PATENT COURT (UPC) FEES AND RECOVERABLE COSTS

I. INTRODUCTORY COMMENTS

BUSINESSEUROPE welcomes the opportunity to contribute to the public consultation on the Unified Patent Court (UPC) fees and recoverable costs. The fees must enable the UPC to be self-financed and provide a balanced budget in due course but not a profit for the UPC as the experience of other EU agencies has shown.

During the transitional period, Member States will contribute to the financing of UPC when necessary, but thereafter the Court is expected to have become self-financing. As pointed out in the explanatory note, fees and costs will have to be reviewed based on the actual work load. In view of the fee level at steady state being a factor in the attractiveness of UPC, it is welcomed that the proposed fees have been calculated on the basis of estimates of the expected volume of activity, staff and operating costs at the end of the transitional period.

The costs are noted to have been fairly roughly estimated to be around 37 million € in year 8, and the fee levels suggested are deemed the lowest that will enable sustainability of the Court. It is also noted that 25 % of actions filed are assumed only to generate the fixed fee and that 10 % of all actions are estimated to generate value based fees above 25 000 €. However, without further information on the assumed income distribution, case load and staffing, it is not clear how realistic it is that the proposed fee level will suffice at steady state. For future users of the UPC it is quite disappointing to witness the lack of transparency with respect to the assumptions and calculations these proposed fee structures and fee levels are based on. An element of utmost importance in the fees/costs discussion is also the preparation of the guidelines for defining the value of actions, which we still have to see.

II. SPECIFIC COMMENTS

1. AMENDMENT TO R 370 UPC RULES OF PROCEDURE

Two alternative proposals are presented, an alternative 1 with fee reimbursement and an alternative 2 on fee exception, respectively.

The fee reimbursement proposal rewards particular behaviours without restriction to any certain category of parties and is justified by the ensuing cost reduction for the Court. Such reimbursements are in principle a desirable system that deserves adoption. We welcome the fact that alternative 1 foresees reimbursement of court fees in the case of early settlement. We think that it is especially in the interest of SMEs to incentivise early settlements. Moreover, it is generally positive if avoidable litigation is not conducted. The proposed percentage of reimbursement in separate stages (60% to 20%) incentivises settlement in an early phase of a litigation process.



On the other hand, alternative 2 intends to address the need to ensure fair access to justice for specific targeted categories and the concern that high court fees are a major problem for SMEs in enforcing patent rights. It effectively foresees a cap in court fees for SMEs which becomes effective for high values of the action. This reduction of court fees could, however, risk being abused by the assignment of patents to entities that are formally SMEs but are not developing or practicing the patented invention, namely Non Practicing Entities (NPEs). Therefore we consider that NPEs should not be entitled to benefit from the low cap court fees foreseen for SMEs.

In view of the above, we consider that alternative 1 makes more sense and could be combined with elements of alternative 2, as they are not mutually exclusive, provided that safeguards against abuses by NPEs are put in place (both alternatives of sub-rule 6 are in that respect problematic).

2. FEE FOR REVOCATION ACTION/COUNTERCLAIM FOR REVOCATION

A fixed fee of 20 000 € without an additional value based fee is proposed for revocation actions. For counterclaims for revocation, the same fee as for the initial infringement action is proposed up to a cap equal to the fee for a revocation action.

Based on practical experience, we see a justified need to differentiate between action for revocation and action for counterclaim for revocation. With regard to actions for revocation such proceedings can be rather complicated which actually could speak in favour of introducing value-based fees. More importantly, with regard to the latter this particular fee could be taken out or at least reduced.

3. PROPOSED CEILINGS FOR RECOVERABLE COSTS

The lowest ceiling proposed (50 000 € when the value does not exceed 250 000€) will not allow the winning party to recover its reasonable and proportionate costs in a case of which the scope and complexity is great, though the value is low. This may increase the difficulties for SMEs to finance such an infringement action. On the other hand, when the scope and complexity of the action is not expected to be great, the ceiling will increase foreseeability for both parties and may make it easier to bear the process risk and thus facilitate *access to justice*.

Even the highest ceiling proposed - which has been raised to 3 million € when the value exceeds 50 million € - will not cover reasonable and proportionate costs in cases of particularly great scope and complexity. That ceiling may, however, be expected not to be exceeded by far by normal costs in cases of such high value. The same situation will arise under the lower value based ceilings in the proposed scale, because of the lack of a direct relation between the value of a case and its scope and complexity.

The steps of the scale of value based ceilings have the following effects: E.g. for a value of action of €2.000.000, - the cap for recoverable costs is 200.000, - (= 10%), whereas for a value of €2.000.001, - (only €1,- more) the cap would be €400.000,- (= 20%). Likewise, for a value of 500.000, - the cap would be 75.000, - (15%) and for 500.001, - the cap would be 150.000,- (30%). Such effects on recoverable litigations costs are arbitrary and unjustified.



To avoid unfortunate results of the value steps, the ceilings must be high enough to cover reasonable and proportionate costs in cases of normal scope and complexity. The ceiling in each step must therefore not be lower than in the proposed scale. Further, the Court must strictly assess these costs in each case, taking into account the scope and complexity of the case irrespective of its value. In that way, recoverable costs will normally be the same whether the value of the case is slightly below or above a step in the scale.

It is particularly important not to cap recoverable costs below reasonable and proportionate costs in cases with low value in order to avoid the unfortunate effects experienced in US patent litigation where successful defendants are unable to recover their reasonable and proportionate litigation costs and therefore are forced to settle.

The proposed ceilings apply to costs recoverable by the successful party with regard to a counterclaim for revocation in an infringement action. As for other actions, the ceilings are based on the value of the counterclaim. The court fee for a counterclaim for revocation being based on the value of the infringement action, the value of a counterclaim for the purpose of the cost ceiling should be equal to the value of the infringement action. This should be made clear.

4. APPLICATION OF THE SCALE OF VALUE BASED COST CEILINGS

German value based court fees and value based costs ceilings are based on the same scale and the case value established for the court fee is thus applicable also for the cost ceiling. On the contrary, the proposed scale for value based fees for UPC is not identical with the proposed scale for costs ceilings. Thus, neither the lowest step nor the highest step in the scale of ceilings, are the same as the lowest and highest steps in the scale of fees. Further, the proposed fees for revocation actions and counterclaims for revocation do not require case values to be decided.

To provide foreseeability, the value base for cost ceilings need to be decided at an early stage in cases for which that value is not otherwise decided, but provisions to that effect are lacking.
