

A.A.P.I.

Association des Avocats de Propriété Industrielle

Reply of the Industrial Property Lawyers Association to the consultation regarding the economic model of the Unified Patent Court

In May 2015, the preparatory Committee for the creation of the Unified Patent Court has published a document proposing rules in relation to Court fees and the possibility to recover incurred costs.

A consultation on this proposition has been opened to the professions concerned.

In this context, the AAPI – *Association des Avocats de Propriété Industrielle* – wishes to share some observations on the proposed rules.

COMMENTS ON THE PROPOSED SOLUTIONS:

1) On the reduction or exemption of Court fees :

The document seems to focus on an alternative position between two costs reduction systems, one based on the state of the Court proceedings, and the other that takes into account the nature of the parties.

- a) By principle, Justice has to be accessible to any person (either legal or natural), even without any resource.

However, the proposition contains an exemption of the costs only for a natural person with limited resources when such person is eligible to legal aid.

Therefore, the proposition does not allow natural patentees that do not fit in this category, but who can still sue or be sued before the UPC, to benefit from the exemption or the reduction of the Court fees.

The fact that the only possibility for such persons is to resort to legal aid appears to be discriminatory to the detriment of a category of individuals including notably some inventors.

- b) Both of these solutions (the nature of the parties or the state of the Court proceedings) which are independent by nature could be combined.

On the contrary, to ease the access to this Court, a system combining both solutions should be adopted.

However, the exemption or the reduction of the fees for legal persons should not be assessed according to their legal form, but rather according to their real financial situation; and if they prove that the payment of the fees would threaten their economic existence.

Besides, the exemption or reduction mechanism should refer to the fixed and value-based fees as well to the reimbursement of Court fees (unless bad faith or stalling tactic of the party involved).

- c) Furthermore, emphasis should be put on the fact that, in practice, it can be difficult to bring the needed justifications regarding the nature of the parties since these justifications must be made pursuant to the domestic law of the party involved.

These local bureaucratic constraints can weight down the provision of this justification, especially when defendants are involved in revocation or infringement actions.

2) Costs incurred by the parties

- a) The fact that, in order to raise a defence consisting in seeking the revocation of the patent which is asserted against him, a defendant in an infringement action is forced to advance the costs of an amount that can be equal to an initial revocation action, is absolutely not justified.

The principle of the equality of arms that should govern a legal procedure in Europe counters the fact that the defendant is in a disadvantageous position compared to the claimant regarding the Court fees.

In reality, the counterclaim should not be subject to any fee.

Indeed, the principle of fair access to justice (provided by the article 36 of the Agreement) requires that the one who did not initiate the proceedings must not bear the proceedings fee, even in the case of counterclaims.

The proposed system could encourage a company without financial difficulties to initiate revocation or infringement proceedings to put in jeopardy a competitor with treasury or financial difficulties.

This seems totally unfair and contrary to the spirit of the UPC.

Furthermore, it is often the same for a defendant in a revocation action who seeks the condemnation for patent infringement as counterclaim.

In any case, the amount of the counterclaim, whatever is its object, should not be higher than the main claim.

- b) Several propositions of fixed fees evaluation are uncertain.

For example, it seems that the Court fixed fees are based on the nature of the proceedings, namely for infringement or revocation, regardless of the number of patents covered by the claim.

But the proposition does not provide any precise solution to this situation.

Similarly, there is an issue regarding whether costs of the counterclaim for revocation must be paid for each right for which revocation is sought, or for the counterclaim for revocation as a whole, regardless of the number of patents for which revocation is sought.

This difficulty also exists as concerns the counterclaims for infringement in a revocation action where several patents are involved.

Besides, the amount of the fixed fees in appeal (€16.000) is excessive regarding, on the one hand, the fees that have to be paid for most of the first instance claims (€11.000), and, on the other hand, the principle by virtue of which the Court of Appeal

rules on facts and evidence from the first instance (article 73(4) UPCA). The appeal fixed fees should be fixed at the same amount as for the first instance.

Finally, it is inconsistent to require €3.000 fees to fix the amount of the damages in first instance; and to require €16.000 to appeal the judgment given on this point.

c) The value-based fee system comprises several scales relying on the German system.

The drafters of the documents admit that they merely doubled the scales applicable in Germany to evaluate the value of the proceedings and the amount of the value-based fees.

- Such estimation appears to be unjustified regarding the geographic scope of the patents subject to proceedings before the UPC and the value of the resulting market.

An estimation in which we would have value-based fee scales based on the value of the proceedings, quadrupled, even quintupled compared to the system used as model by the authors of the document would be much more reasonable, while keeping the amount of fees at the level proposed in the consultation.

- In reality, the multiplication of the scales appears to be a source of complication in itself.

Other solutions should be possible. ¹

3) Additional questions

a) The document includes a ceiling for the reimbursement of representation costs.

This proposition, which results from a mere accountancy reasoning, settles the ceiling of reimbursements on the value of action, without taking into account the work actually made by the counsels of the parties.

While we can indeed consider that there is often some relation between the importance of the matter and the work committed in patents matters, the legal or technical work is very frequently independent from the economic interest of the matter.

The work on the evaluation of pecuniary consequences of the infringement should rather be correlated with the value of action.

In these conditions, if a ceiling should be accepted for the reimbursement of the representation costs, it would be unjustified to apply it to representation costs under €150.000, regardless of the value of action.

Similarly, it would be appropriate to frame the reimbursement according to the capacities or financial resources of each party.

b) In order to assess the representation costs reimbursement request, the proposition suggest to consider:

¹ For example, would it not be easier to include value-based fees after the threshold of €1.000.000 value of action, of a value of 3 for 1000, and that would apply on the total amount exceeding this value?
To facilitate the payment, would it be possible to round down this amount to the next smallest thousand from the resulting amount?

- the procedural behavior of the party
- the useless expenses that a party would have made incurred by the UPC or by the other party.
- the potential excessive expenses.

But no details are provided as regards the method of distinguishing or holding such circumstances:

- the reasons (bad faith, obvious, manifest, demonstrated, abusive proceedings, fraud or deceit in the judgment)
- Should this question be debated contradictorily?
- Who will make the assessment? If the same judge decides, the party whose claim is rejected may be automatically judged as having made such expenses incurred by the UPC or the other party.

ADDITIONAL OBSERVATIONS

Beyond the observations on the detailed propositions of this working document, the AAPI also wishes to express its opinion on the general philosophy of the functioning of the Unified Patent Court, as it seems to result from the propositions of rules provided by the document subject to this consultation.

The working document insists on the fact that the essential of the proceedings costs comes from the fees of the counsels of the parties, and that those fees should be "foreseeable and reasonable".

However, the AAPI would like to recall that:

- The procedure before the UPC will be new, at least during the first few years.
As a consequence, the counsels will provide a particularly more complex work in view of the uncertainty around various rules governing the functioning of the UPC as well as the substantial law it will have to apply.
- The procedure will be strictly enclosed in very short time limits, shorter than those usually practiced nowadays before most of national courts in Europe.
Meeting these deadlines will necessarily involve the constitution of several teams that will need to work almost permanently.
It will be a factor of accumulation of proceedings costs in itself.
- Court fees are unpredictable, notably regarding the uncertainties related to the evaluation of the value of action.

The consultation document does not give any indication about the way the value of action must be assessed, whether it is temporary or definitive, and by which, while it is impossible (especially in advance) to evaluate the value for instance of an injunction (temporary or not) that the judge will have rejected or granted to a patent holder against one of his competitors who tried to enter the relevant market.

Under these circumstances, offering different amounts of value-based fees based on the scales of the value of action does not seem rational since we do not know anything about the way the value of action has to be evaluated.

- Similarly, the functioning budget of the UPC should reach about €37.000.000 in its eighth year of functioning.

If we can, at the reading of the proposal, consider that the average Court fees represent €50.000, this sum being constituted of primary demands and counterclaims fees as well as a part of value-based fees, it is possible to note that the number of matters that this court should decide, to balance its budget, exceeds 750 cases per year.

It is difficult to imagine that this number is compatible with the concern of reducing the number of proceedings by the creation of a Unified Patent Court.

Here again, precise information regarding the future budget of the UPC should be given with the consultation document from the moment this institution has to finance itself by its sole Court fees.

- The proposition seems to promote the recourse to an action insurance system.

But does such a favor not go against the principle of the freedom to choose one's counsel, since the insurance must confirm its authorization regarding the choice of the lawyer?