

The Preparatory Committee

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RULES ON COURT FEES AND RECOVERABLE LITIGATION COSTS

In reply to the public consultation by the Preparatory Committee, the under-signed organizations representing Swedish interested circles submit the following comments on the draft Rules on court fees and recoverable litigation costs for UPC.

1. General observation on proposed level of fees

In order for UPC to be self-financed, court fees will have to be high compared with court fees in most MS. Though direct comparisons with court fees in Germany are difficult, the proposed fees do not seem high in relation thereto, particularly taking into account that the costs of an international court as UPC will be higher.

As required by Article 36 (3) of the Court Agreement (UPCA), the proposed fee schedule is based on case value and does not associate the fee levels with the factors that determine the cost level in a particular case, i.e. the scope and complexity of the case. This appears clearly with regard to cases falling below the value threshold of 0.5 million € and only generating a first instance fee of 11 000 €. This fixed fee will not overburden cases in this category but will clearly not cover the Court's costs for handling such cases when their scope and complexity are great though the value is low.

During the transitional period MS 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 welcome 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 proposed are suggested to be 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. Thus, greater transparency is needed with regard to the basis for the calculation of the proposed fee level.

2. Fee for revocation action and for counterclaim for revocation

A fixed fee of 20 000 € without 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.

It is welcome that the fee for counterclaims will neither be higher than the fee for the infringement action nor higher than the fee for a revocation action.

The fixed fee for revocation actions will allow such actions to cover an unlimited number of patents, which may essentially affect the scope and complexity of the case and the burden of the Court. Therefore, the proposed fixed fee should be restricted to normal cases which do not concern more than a few patents.

3. Fee for application to determine damages by separate proceedings

According to Rule 118.1, the Court in its decision on the merits in an infringement action may order the payment of damages. The amount of the damages may be stated in the order or determined in separate proceedings according to Rule 125, following the decision on the merits in the infringement action. To leave determination of the amount of damages to such separate proceedings instead of determining the amount in the main proceedings may be procedurally efficient and save costs for the parties and the Court e.g. when the infringement action is unsuccessful.

In accordance with Rules 132-133, the proposal provides for a fixed fee of 3 000 € for an application to determine the amount of damages by separate proceedings and in addition a value based fee when the value exceeds 0.5 million €. It is not clear whether the value will be the same as the value set in the infringement action, thus implying a duplication of value based fees when the amount of damages is determined in separate proceedings instead of in the decision on the merits.

In a value based fee system, the fee level is not reflecting the scope and complexity of the infringement action. In establishing the value of the action, claimed damages will be taken into account and thus be reflected in the fee for the infringement action, which will also cover the determining of the amount of damages. Whether the amount of damages is determined in the decision on the merits or in separate proceedings seems immaterial for the fee level and it seems unfortunate to create a disincentive for the latter alternative by duplication of fees.

4 Reimbursement and reduction of court fees

Two alternative proposals are presented for fee reimbursement and fee reduction, 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. These reimbursements are desirable to promote efficient litigation behaviour and deserves adoption in any case.

The proposed reimbursements, which will have particular relevance in cases with high value based fees, will not improve *access to justice* for SMEs and other parties specified in Article 36 (3) third sentence UPCA. However, the issue of *fair access to justice* for these parties that is raised in UPCA is addressed by the fee reduction proposal, which also further defines said category of parties.

The financing of an infringement action is a serious problem for SMEs in enforcing their patent rights. Though other litigation costs are dominating, high court fees increase said problem. Thus, the proposed exemption of the value based fee will ease the problem in cases where the value of the dispute is higher than 50 000 €,

while maintaining a contribution for the costs incurred by the Court. Therefore, in order to satisfy the objectives of Article 36 (3) third sentence, the proposed fee reduction would be reasonable. However, it is essential to avoid that the fee reduction can be abused by assigning patents to NPEs that formally qualify as SMEs. Further, to improve *access to justice* in accordance with UPCA is an interest of society in the improvement of the innovation climate in Europe, the cost of which should not be calculated to be subsidised by the court fees to be paid for other cases.

5. Proposed ceilings for recoverable representation costs in each instance

The proposed scale of ceilings differs essentially from the two earlier draft scales. Thus, the lowest ceiling in the proposed scale is higher than in one of the earlier scales and lower than in the other scale. The highest ceiling in the proposed scale is higher than in both the earlier scales.

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 the scope and complexity of which 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. With lower caps, the system would not agree with the basic principle of remuneration of reasonable and proportionate costs.

6. Costs to be capped

Whereas Article 69 (1) UPCA provides that ceilings be set for legal costs and other expenses incurred by the successful party, the proposed scale of ceilings only applies to costs for representation.

The often most substantial other expenses incurred by the parties in patent litigation are their costs for party experts. In order for cost ceilings to provide foreseeability and to safeguard the losing party's interest in an effective cap, such costs must be included in accordance with Article 69 (1). The cap cannot be replaced by the provision in Rule 153 about the rate at which experts shall be compensated since that provision does not restrict the extent of expert evidence relied on.

7. 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 directly 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 but also for these actions case value remains the basis for determining the proposed cost ceilings. However, for the purpose of the cost ceilings, the value of a counterclaim for revocation should be equal to the value of the infringement action in accordance with the court fee for a counterclaim being based on the value of the infringement action, which need to be stated.

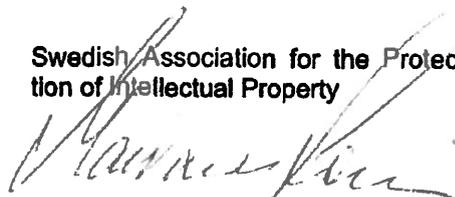
To provide foreseeability, the value base for cost ceilings need to be decided at an early stage in cases for which that value is not otherwise decided and provisions to that effect are needed.

Stockholm, 30 July 2015

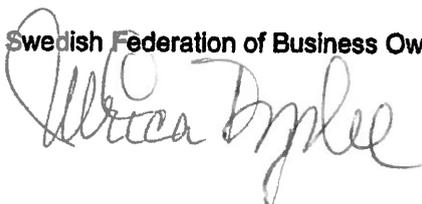
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