



31 July 2015

## **EK's response to the Public Consultation on the Rules on Court fees and recoverable costs (Consultation document, Preparatory Committee for the Unified Patent Court, May 2015)**

### **I General remarks**

Confederation of Finnish Industries (EK) is the leading business organization in Finland.<sup>1</sup>

EK represents the entire private sector and companies of all sizes covering 27 member associations and 16.000 member companies across all business sectors. EK belongs to BUSINESSEUROPE, the European-level association for employers, commerce and industry and takes part its IPR working groups.

EK welcomes the opportunity to respond to this public consultation on the Rules on Court fees and recoverable costs from user's perspective. We hope that our comments below will be taken as supportive and positive recommendation

According to the UPCA, the Unified Patent Court (UPC) should be self-financed. EK consider that the fees must provide a balanced budget in due course enabling the UPC to be self-financed. This fact causes naturally pressure to have relatively high court fees. Keeping in mind that the steady and reasonable fee level is a key factor in the attractiveness of UPC, we find it 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. In the document it is however noted that the costs have been fairly roughly estimated as well as the actions filed are assumed to generate the fixed fee only in 25 % of all actions and value base fees only in 10 % of all actions above 25 000 EUR. In our opinion, for future users of the UPC more transparency and further information is still needed with respect to the assumptions and calculations these proposed fee structures and fee levels are based on.

### **II Specific remarks**

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<sup>1</sup> Our main task is to create an internationally attractive and competitive business environment for companies operating in Finland. We represent and defend the interests of the Finnish business community – both at the national level, as well as in the EU. We are engaged in dialogue and cooperation in all subjects relevant to our members such as intellectual property rights (copyrights and industrial rights).

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*A. An amendment of Rule 370 of the Rules of Procedure: Alternative 1 and 2*

Two alternative proposals are presented in the document: alternative 1 with fee reimbursement and an alternative 2 on fee exception.

On the question of these two alternatives on the implementation of the Article 36(3) of the Agreement, EK is in favour of alternative 1 where fee-reimbursement is given equally to all users instead of proposal 2 where fee exception is only targeted at certain legal persons listed in Article 36(3) (i.e. SMEs, universities). In our opinion there should not be different treatment to legal persons listed in the Article 36 (3) of the Agreement to apply an exemption of value – based fees but all parties (users of the UPC) should be treated equally as regards fees.

EK supports the fact that alternative 1 foresees reimbursement of court fees to all users in the case of early settlement. We think that it is especially in the interest of SMEs to incentivise early settlements

Although alternative 2 intends to address the need to ensure fair access to justice for specific targeted categories (i.e. SMEs) and the concern that high court fees are a major problem for these groups in enforcing patent rights, this proposed reduction of court fees, however, still plays minor role than other legal costs (i.e. attorneys costs) and therefore the supportive actions especially for this listed legal persons categories should be targeted towards legal costs. Further, given that the qualifications for fee reductions in accordance with alternative 2 are rather open-ended, this may result in such entities that are not in particular need of fee reductions to unnecessarily qualify for such reductions.

*B. A table of fees*

Court fees in general

The fees of the UPC are obviously among the very decisive criteria for the system and of high interest for the future users of the UPC (both for the financing of the Court and for access to justice i.e. for SMEs).

We welcome this first public version of the court fees to get a complete picture on the fees which is an absolute requirement for our members to seriously assess the usefulness and competitiveness of the UPC, in comparison to the existing system(s).

However, when it comes to concrete fee levels, EK considers the proposed fees generally rather expensive compared especially to national court fees in many member states, for example in Finland (court fee less than 250 EUR).

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EK considers that the overall court fees (including fixed and value-based fees) should be set at a level which does not hinder or deter bringing or defending actions by any party (covering big companies and SMEs ).

EK would like to see some clarification on how the fees are to be understood in general: is it going to be one fee per patent in a case (if a case involves more patents) and how will be calculated when there are more than two parties (i.e. several defendants or claimants)?

#### Fee for revocation action/counterclaim for revocation

There are a fixed fee of 20 000 EUR proposed for revocation actions and for counterclaims for revocation the same fee as for the initial infringement action up to a cap equal to the fee for a revocation action.

First of all, EK would like to get some clarification whether this fixed fee is meant to set per patent revocation proceeding or per patent?

EK welcome this proposal of fixed fees presented to these two types of actions but would make a request that the fee for counterclaims will be reduced and at least not be higher than the fixed fee for the infringement action. For example for SMEs, for whom the financing of an infringement action can be a major problem in enforcing their patent rights, lower fixed fees for counterclaim for revocation would be more justified.

A counterclaim for revocation is a defensive action and the value limited to the validity issue in the actual dispute will normally at least not exceed the value of the infringement issue. Thus, the court fee for counterclaim should be looked at from the defendant's point of view and seen as a part of the infringement dispute.

#### Fee for opt-out and withdrawal of opt-out

As mentioned already in our earlier response to court fees in the consultation of Rules of Procedure document (autumn 2013) EK still has serious concerns with the proposed fees for requesting opt out and requesting withdrawals of opt out. This kind of retroactive effect of such 80 EUR fee presented in the table constitutes a violation of users' property rights and there is no basis or rationale for such fees in the UPC agreement. According to our members opt-out fees seem to look like a penalty for patentees who do not want to use the new system.

Imposing a fee for remaining in a legal system that patent applicants and patent owners believed in good faith they were paying to use when they chose to file their European patent applications at the European

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Patent Office in the first place is highly questionable from a legal point of view.

However, if such fee proposal is maintained it should be set up at a lower level which fairly reflects the administrative cost (only covers costs associated with processing requests for opt -out or withdrawing and maintaining the register) but not in any case intend or likely to deter opting out /withdrawal of it. It would only be reasonable to introduce a cap or a rebate on the combined amount a patentee is forced to pay for opting out several patents and/or applications.

### *C. A scale of ceilings for recoverable costs*

According to Article 69(1) of the UPC the unsuccessful party shall bear reasonable and proportionate costs and other expenses incurred by the successful party up to a ceiling set in accordance with Rules of Procedure which says that recoverable costs are to be related to the value of the dispute.

However, as a general rule, reasonable and proportionate litigation costs of the successful party shall be recoverable in full from the unsuccessful party. This is a critical factor in patent litigation (also in Finnish legal system). Restrictions of the right to full compensation for reasonable and proportionate costs that undermine this principle will have harmful effects on patent litigation practices, access to justice and the appropriate functioning of the patent system.

EK considers that a ceiling on recoverable costs required by Article 69(1) is a novel element in patent litigation in Europe and generally may increase foreseeability for both parties and contribute to procedural behaviours reducing litigation costs. The beneficial effects depend though on the basic principle of full compensation for reasonable and proportionate costs not being undermined. Thus, such a ceiling must take into account the scope and complexity that varies between cases and allow reasonable and proportionate cost to be recovered in full.

With regard to the scale of recoverable litigation costs, EK shares the *BusinessEurope*'s concern for unjustified effects of the scale steps. In order to reduce unjustified effects, it is essential that the ceilings are sufficiently high to normally allow for reasonable and proportionate costs to be awarded and that the Court will be strict in assessing recoverable cost in view of what is reasonable and proportionate considering the scope and complexity of the case.

On proposed ceilings for recoverable costs EK support proposals that could better reflect the fact that high value is not necessarily equal to high complexity and that even low value cases might be very complex

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and costly. Therefore EK prefers the alternative to calculate the cap for recoverable costs as a fixed percentage of the value of the case instead of the table given on page 13/23 as this would be fairer and provide greater transparency for all users. We also think that there should only one percentage for all values of action (high and low).

EK supports and refers also to the *BusinessEurope*'s response concerning the application of the scale of value based cost ceilings. According to this 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. Instead 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.

Finally, EK would like to see more clearly stated what exactly means the wording "Ceiling for recoverable costs of representation per instance and party" mentioned on page 13/23.

#### *D. Assessment of the value of the action*

As mentioned in the Article 36(39) of the Agreement the value of the case require to be established as the basis for court fees.

Finally, the question on the determination of the value of the case is of great importance. EK finds it unfortunate that there is not yet any mechanism and/or guidelines presented for value determination in the consultation document. While it is clearly the court that determines the value of the case, it is must be recognized that the grounds for value determination is essential information for parties.

Inevitably, most proposals in this consultation document i.e. value based court fees and value based costs ceilings are based on the case value established by the court. In order to provide needed foreseeability for the parties, the value of the case needs to be decided at an early stage as possible and the clear criteria for helping the Court to determinate case value needs to be provided as soon as possible, latest before the UPC begin its work. These guidelines evaluating the value of the specific action are utmost necessity to support user's confidence to UPC system and its transparency of the fees and other legal costs. It is also important for the sake of legal certainty that the

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central division and the local divisions of the UPC interpret questions on value determination in the same way.

We remain at your disposal for any further questions or comments you may have.

For further information, please contact:

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