

Druckerei*Me. 28. 1. 15*

Von: Poststelle (BMJV)
Gesendet: Mittwoch, 28. Januar 2015 14:36
An: Druckerei
Betreff: WG: Court fees sub group
Anlagen: 28.01.15 Collation of expert panel comments on court fees consultation and assumptions doc.doc

1. bitte ausdrucken und die Anlage(n) einzeln heften.
2. ans Hauptbüro schicken.

Vielen Dank und Gruß, Faxstelle

-----Ursprüngliche Nachricht-----

Von: Karcher, Johannes
Gesendet: Mittwoch, 28. Januar 2015 14:31
An: Poststelle (BMJV)
Betreff: WG: Court fees sub group

Bitte GG

Gruß
Karcher

-----Ursprüngliche Nachricht-----

Von: Jacobi, Axel
Gesendet: Mittwoch, 28. Januar 2015 13:06
An: Karcher, Johannes
Betreff: WG: Court fees sub group

Auch dies will ich Ihnen nicht vorenthalten.

Grüße

AJ

-----Ursprüngliche Nachricht-----

Von: Emily Jones (mailto: [REDACTED])
Gesendet: Mittwoch, 28. Januar 2015 10:38
An: Tracey Webb; iussi.karttunen [REDACTED]; 'flora.pelissier' [REDACTED]; Ian Webber; Julie.Saint-Paul [REDACTED]; Laura Starrs; 'Louise Petrélius'; Jacobi, Axel
Betreff: RE: Court fees sub group

Dear all,

Please see the attached document, which contains all the expert panel comments, for our discussion this afternoon.

Speak to you all this afternoon,

Emily

Bundesministerium der Justiz und für Verbraucherschutz	
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29.01.2015 08:14	
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-----Original Appointment-----

From: Emily Jones

Sent: 26 January 2015 12:02

To: Emily Jones; Tracey Webb; jussi.karttunen [REDACTED]; 'flora.pelissier [REDACTED]';
([REDACTED]); Ian Webber; Julie.Saint-Paul [REDACTED]; Laura Starrs; Louise Petrelius;

Jacobi-ax [REDACTED]; Unified Patent Court Taskforce

Subject: Court fees sub group

When: 28 January 2015 13:00-15:00 (UTC) Dublin, Edinburgh, Lisbon, London.

Where: Telecon / Conf-1G32

Dear all,

An appointment for our court fees discussion on Wednesday, I hope this time is okay for everyone (13:00 UK time, 14:00 CET).

To join the teleconference please dial: +44 (0)20 8934 [REDACTED] (there are toll free numbers available please check the attached pdf if you would be interested in using one of those.)

You will then be prompted to input a PIN followed by the hash key. The PIN is: [REDACTED]

Finally you will be asked to state your name and then press the hash key. Once this is completed you will join the teleconference.

I look forward to speaking to you all on Wednesday,

Emily

<< File: meetingzone-numberspdf.pdf >>

Expert Panel Comments

The following document collates all comments received from the expert panel in relation to:

- a) Draft rule 370 and explanatory note (version 19)
- b) Assumptions document (version dated January 2015)

The comments have been organised under topic headings.

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Expert panel members:

CB	Colin Birss
CF	Christopher Floyd
EP	Eugen Popp
KG	Klaus Grabinski
KM	Kevin Mooney
MC	Marie Courboulay
MT	Marina Tavassi
RJ	Robin Jacob
TF	Tim Frain
UM	Udo Meyer
WH	Willem Hoyng
WT	Winfried Tilmann

Court fees consultation document – Expert panel comments (Jan 2015)**General comments*****CB's comments***

These comments have necessarily focussed on negative aspects because that is what needs to be said. Overall however I welcome the proposals. The points I have raised can all be addressed with adjustments – not by wholesale changes.

EP's comments

In principle, the proposed Rules appear rather balanced from a legal point of view

In the "Explanatory Note" it is stated

"In this context the "Declaration of the Contracting Member States..." specifies that the Signatory States consider that the fee system of the Court should be straightforward and predictable for the users"

This statement appears correct with respect the proposed Court fees

Claim for revocation***MT's comments***

The Agreement establishes that the Court fees shall be fixed at such a level to ensure a right balance between the principle of fair access to justice, in particular for small and medium-sized enterprises, micro-entities, natural persons, non-profit organisations, universities and public research organisations and an adequate contribution of the parties for the costs incurred by the Court, recognising the economic benefits to the parties involved, and the objective of a self-financing Court with balanced finances.

In my opinion, with the current proposal it is likely that this balance will not be struck.

On the contrary, the high level of the value-based fees risks to reduce significantly the number of claims, above all the claims or counterclaims for revocation. With this in mind, it is necessary to balance, on one hand, the interest of the system to fund the Court and the correspondent interest to maintain a high number of cases and, on the other hand, not to discourage the SMEs to adhere to the system.

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The core topic, anyway, concerns the compatibility between the system described and the two requirements established by Article 36: covering Court's costs and allowing SMEs to use it. These needs, after all, go hand in hand.

RJ's comments

I also think that there will be a substantial amount of direct revocation claims in the Central Division. There are several reasons. Firstly many companies may see this as a more attractive form of attack than the opposition system of the EPO. The latter is far too slow, the evaluation of evidence is poor and you have to start the proceedings (within 9 months of grant) in many cases long before you know whether the patent actually impedes anything you want to do commercially. The new court will be much faster and a more attractive tribunal. Secondly many companies who consider that the patent stands in their way may decide to get their retaliation in first by a central attack, perhaps combining the claim for revocation with a claim for a declaration of non-infringement. Why wait to put the product on the market and risk being enjoined by an interim injunction or a bifurcating court when you can get the patent out of the way earlier – or even if you fail to succeed in that, at least know where you stand before coming to market. English courts currently positively encourage "clearing the way". Experience of the abolition of a time-mandated opposition system in the UK (and I believe in Japan) shows that oppositions decline hugely.

MT's comments

If a patent turns out to be invalid, it should never have existed in the first place. If the patent resists a nullity action its value after the litigation is higher than before. As a result of this reasoning, we believe that a nullity action should bear fixed fees higher than an infringement action (because of the higher complexity of the litigation) but no value-based fees. A predetermined value based fee could be added in certain predetermined cases when the complexity of the litigation appears to be higher than usual because of the circumstances (the number of parties, the number of patents, the technical field).

Counterclaim for revocation

CB's comments

I respectfully disagree with the suggestion in the Note that the question of fees for a counterclaim has anything whatsoever to do with the idea that there should be the ability to have "simple plea of invalidity" by the defendant in an infringement action. That suggestion is wrong. If a "plea of invalidity" was appropriate instead then that

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would involve a court deciding that a patent is invalid. If the court comes to such a conclusion it would be wrong not to revoke the patent. There is no merit in distinguishing between a counterclaim for revocation and a plea of invalidity. Therefore if no value based fee should be charged for "a simple plea of invalidity" then no fee should be charged for a counterclaim for revocation.

I don't follow how a value based fee for a counterclaim for revocation would work. In most cases the value of the infringement action to the patentee will be the same as the value of the validity of the patent. It will be the monopoly profit the patentee earns for its goods. The effect of losing the infringement claim on the patentee is that they will face competition. That is the same effect if the patent is revoked. I recognise that in some cases the two effects may differ but I doubt they will differ much in most cases.

So consider a patentee starts an infringement case in a claim where the value of the monopoly profit in the market is €10M. The value of the counterclaim is the same €10M. So why should the court collect another value based fee for this at all? To do so means that the fees are really double what they appear to be. Since there is no such counterclaim for revocation in German infringement cases I presume there is no experience of such a patent counterclaim fee.

Charging in effect double the value based fee just for the privilege of defending oneself from an infringement case brought on an invalid patent itself represents a strong discouragement for counterclaims and a wrong encouragement for bifurcation. Bifurcation is permissible in the UPC but the fee system is not supposed to be skewed so as to create such a strong incentive in its favour.

It seems to me one can question whether a patentee who starts an infringement claim in response to a revocation action on the same patent ought to attract a further value based fee. Equally one could question whether a defendant who starts a separate revocation action after the defendant had been sued for infringement should pay a second fee. If there is only one overall dispute, surely there should be only one fee to the UPC based on the value of that dispute, regardless of its procedural form. The matter could be resolved at the first interim conference.

KG's comments

Just a few observations with regard to whether there should be a fee for a counterclaim for revocation and, if yes, whether the fee should be reduced.

It seems to be clear from the point of view of the Agreement that there is only an action for revocation or a counterclaim for revocation but no validity defense.

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The aim of a counterclaim for revocation is not the dismissal of the infringement action but the revocation of the patent. A revocation affects everyone in the market. The dismissal of the infringement action is only a (not the!) consequence of a successful revocation action. The counterclaim for revocation is an action not a defense.

Court fees have to be paid not for defenses but for actions.

What is the value of an action or a counterclaim for revocation from an economic point of view? It is the value of the patent that shall be revoked or, to put it in another way, the monopoly that is given by the patent or, to put it in a third way, what people have to pay when they use it, legally or illegally, which means all licenses and damages and, in case the owner uses his patent, saved licenses.

What does this mean in practice before German courts? In order to assess the value of litigation in a revocation action the parties are asked to submit all information about the value of litigation of previous and pending infringement actions based on the patent-in-suit. Often there is only one parallel infringement litigation. Then the value of litigation of this infringement action is taken as the value of litigation of the revocation action. However, if the patent owner is a practicing entity, a lump sum of 25 % of the value of litigation of the infringement action is added with regard to the owner's use of the patent which makes the patent more valuable. If there are more than one infringement litigations the value of the infringement litigations is added since, from the point of view of the patent owner, the patent covers the infringing goods of all litigations. If there is no infringement action pending it may be difficult to assess the value of the revocation action. However, in practice parties come up with a value and the courts tend to follow if there is no indications that the suggested value is not realistic.

Shall the fee for a counterclaim for revocation be reduced by a certain percentage or shall there only be a fixed fee irrespective of the value of the patent? From a legalistic point of view the answer should be no. Actions for revocation and counterclaims for revocation are actions like any other action provided for in the Agreement and why to subsidize only these?

If from a political angle however a reduction is considered to be desirable then not only the fee for a counterclaim should be reduced but likewise the fee for an action for revocation. Reducing only the fees for a counterclaim for revocation but not for actions for revocation seems to be arbitrary. The subject-matter of both actions is same, meaning the validity of the patent. A political reason for a fee reduction could be that an action for revocation helps to identify and squash falsely granted patents but this goes both ways.

Court fees consultation document – Expert panel comments (Jan 2015)

If a fee reduction is considered the fee still should be significant in order to avoid counterclaims for revocation that are filed just to have a try but still keep the court busy.

KM's comments:

There is a strong body of opinion, at least in the UK, both amongst practitioners and users that there should be no value-based fee for a counterclaim for revocation. The justification for such a view is, as clearly stated in the Explanatory Note, that in very many cases a counterclaim will be the only basis for defending the infringement action and that such an additional fee is disproportionate where a party is defending proceedings as distinct from initiating proceedings. Undoubtedly one can envisage cases (such as most pharmaceutical cases and telecoms cases with multiple patents at issue) where the combination of a fixed and a high value-based fee would be a strong disincentive to defending the proceedings.

I personally have sympathy for this view and it is worth pointing out that although this may result in a reduction in revenue so far as reduced value-based fees are concerned there will, as stated above, be very many more fixed fees for counterclaims than is at present assumed.

The suggestion by Winfried Tillman that the value-based fee for a counterclaim may be reduced by 25% as a discount for the defendant's contribution to the public interest in invalidating bad patents is a novel one but, frankly, does not seem to me to meet the point of principle.

Currently the value-based fee for a counterclaim is based upon the value of "the dispute" (Rule 31.2) and this may require amendment in any event.

MC's comments

As French judge, I observe that a counterclaim for revocation is a mean of defense used in 80% of the infringement actions. It's sometimes an action of its own right but it's very rare in our caselaw.

This demand will have effect inter partes but also erga omnes if the patent is revoked.

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Regarding that a big percentage of European patents are nowadays revoked by national courts, it's a big motivation to grant the defendant a true possibility using this mean of defense .

And I understand that the German calculation of the value of the case is of no use for the counterclaim of revocation because of the German bifurcation system itself.

Is there some caselaw about that ? If yes I'd be very pleased to know it and also to have more information about the German method of calculation of the value of the case which is something for me very opaque.

In the same way, it 'd be very usefull to have a guideline to calculate the value of the case ; maybe not a guideline defined by the rop but a guideline discussed by the Judges themselves at the early beginning of the Court.

By the fact, I think that the fee for a counterclaim of revocation must be a fixed one and only a fixed one ; there may be a debate about the rate of this fee : i.e. has this fixed fee to be as high as the fee for the infringement action (11.000 €) or has it to be a lower one.

Keeping a fee for the counterclaim of revocation as high as for the revocation action is just a way to promote the bifurcation system ; or this system is not the main choice of UPC rules but only an option .

MT's comments

In case of a counterclaim for patent nullity in an infringement action there should be no additional value-based fees being the counterclaim a simple defense against an attack which would have no basis in case the patent were found to be invalid.

RJ's comments

Claims for Revocation: volume of cases

These may be by way of counterclaim or original action. I think there is likely to be large amount of both types.

(a) In all non-bifurcating jurisdictions I know of it is common for there to be a counterclaim for revocation. Contrary to hype about quality from the EPO, many patents are invalid or are too wide. The counterclaims may be because the main defence is invalidity or because the defendant is asserting that the patent is invalid if it is wide enough to cover him. And indeed sometimes the defendant only attacks the patent conditionally and will be content with the answer "not infringed" without the court going on to decide validity. One cannot go by the figures from automatic

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bifurcating countries where infringement is dealt with first such as Germany. The reason is simple. If a defendant is enjoined he may well not think it commercially worthwhile to go on and contest the patent – though even in Germany I believe Prof. Harhoff and others have shown that no less than 15% of patents on which an injunction is granted are later found invalid.

On other thing which might be checked. The US has introduced via the AIA, the post grant inter-partes review. It is a way of attacking validity (and avoiding a jury!) This has, I believe, a standard fee of \$27,000 and seems to be working well.

Claims for Revocation – Fees

Should the fee for a central revocation claim be different from that for a counterclaim? There are some who think so, the reason being that this is charging a party for defending himself and the fee ought to be lower than if he has gone on the attack. I do not accept this. I do not think there really is a sharp division between defending yourself and getting a patent out of the way earlier. The latter is commercially much the same thing.

The level of fees is however problematic. There are two problems. Firstly how is the party seeking revocation able in any realistic way to provide a value for the patent? He knows little of the value to the patentee – all he can form a view on is what the revocation is worth to him. The Germans may do it by some sort of convention, but that would not apply Europe-wide. Secondly the value if the patent is valid is likely to be much greater than the value to the party seeking revocation. There is a real danger of the fee being set too high, particularly for SMEs who wish to attack a patent and have reasonable grounds for doing so.

Because what may happen and reasons for attacking a patent are complex, I think it essential that the court should be in a position to adjust matters when the result is known. In a simple case where the patent is revoked the payer should normally recover the fees together with his lawyers' costs from the patentee. But things may be more complex and the court must retain control of who pays what.

I remain convinced it would be a good idea to have a fee which increases with numbers of citations. It would send a clear message that parties should think before they cite. In England we use this mechanism to punish even successful parties who overdo points of defence.

UM's comments:

Winfried Tilmann has given good reasons why there should be a fixed fee and a value based fee for the counterclaim for revocation. In addition I would argue that a mere fixed fee opens up the door to use the counterclaim in each infringement case as a standard reaction. With the discussed set of fees this would be avoided because of the associated cost risk.

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WT's comments

Proposals:

There should be a fixed fee and a value based fee for the counterclaim for revocation.

However, the amount, in both cases, should be 25% lower than the fixed fee and 25% lower than the value based fee respectively of the fees for the independent revocation action (a 75% fee).

There should be no change of fees, if the counterclaim for revocation is separated from the infringement action (split, bifurcation).

The costs of the infringement action and the costs of the counterclaim for revocation should be decided upon separately pursuant to Rule 118.5 (new numbering). Rule 22.1 "value of the dispute" should be changed accordingly.

Consequences:

The "Counterclaim for Revocation" should remain (without brackets) (1) in the proposed Rule 370.3 (page 2) and (2) in Table I (page 5) for fixed fees with a fee of 75% of the fee of the revocation action.

The "Counterclaim for Revocation" should be included into Table II (page 6) for value-based fees in the form of an additional remark stating that for revocation counter-claims the value based fee should be 75% of the fee for the revocation action.

The "Counterclaim for Revocation" should be deleted (1) from the list in Rule 370.5 (page 3) and from Table III (page 7) for other procedures and actions; these places are definitely wrong.

Reasons:

The counterclaim for revocation has a double nature, wherefore both opinions on page 13 can claim a part of the truth: (1) The counterclaim for revocation is - as the revocation action - an action of its own right: It survives the withdrawal of the infringement action. It may be appealed separately from the infringement action. It may be separated from the infringement action. It may be stayed of its own right (EPO opposition procedure). (2) However, the counterclaim for revocation is also a means of defence triggered by the infringement action.

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The defendant in an infringement action is excluded with a mere defence-argument of nullity (contrary to Art. 32(1)(a) UPCA), which would be perfectly sufficient to safeguard his own interest. He is obliged to raise a counter-action for revocation in order to serve the public interest in free competition. He is partly used as a tool in the public interest ("private attorney general") to do more than what would serve his own purpose. The "objective interest of the filing party" (Rule 370.6) is supporting the action only partly. The other part is supported by the public interest-for which the defendant should not be obliged to pay.

Now, how to determine the value of the "public interest-part"? The counterclaim for revocation may be well founded, unfounded or even frivolous. Certainly, the defendant's interest is dominant. A fair distribution, therefore, would seem to be 75% for the private interest, 25% for the public interest. Opinion 1 (page 13: only a fixed fee) does not take account of the defendant's special interest in destroying a very valuable patent in order to gain a very valuable free market share; therefore he must pay a value-fee.. Opinion 2 (page 13: fixed fees and value-fees, but no rebate) does not take account of the public interest-part.

The independent revocation claim, to the contrary, is dominated exclusively by the interest of the claimant. He is not forced to raise that action, even if an infringement action is imminent where he could raise a counterclaim with the advantage of a claim construction by the same judges. He wants a decision outside any infringement action, in many cases parallel to an EPO-opposition procedure. There is no reason to grant a "rebate" to him.

Opt out

CB's comments

Fees for opting out and in

To what does the proposed €80 opt out fee apply? A so called European patent is of course in fact a bundle of national designations. If the opt out fee applies to each patent, i.e. each national designation, then for a patentee with an EP designating (say) 10 states the fee would really be €800. Presumably €800 would not reflect the admin cost(?). On the other hand if the fee applies to one "EP" (no matter how many states are designated) then it could be unfair because it means that patentees with patents designates a few states subsidise the owners of EPs which designate many states. Does the 50,000 assumption (Table 3) for opt outs in year 1 refer to national designations or not?

It seems odd to have no "opt in" fee at all since there will be an administrative cost. If the admin costs is truly so small as to be not worth collecting then that presumably

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applies to opt out fees as well. A nil rate for “opt in” undermines the legitimacy of a non-zero fee for “opt out”.

EP's comments:

The fixed fee for the “Application for opt-out (R. 5.5)” seems to be too low bearing in mind that the system needs a sufficient number of cases from scratch. A fee in the amount of € 80 or even less is not a big hurdle for opting-out.

KM's comments:

The possibility of no fee for an opt-out is an interesting one as it does avoid some of the problems that may arise with regard to the sunrise provision. On the other hand it may be argued that nil fee will merely encourage opt-outs. Industry seems now to be willing to accept an administrative fee of the order of €80.

MC's comments

I think that the option zero fee for the opt out is not a good signal for users of UPC and that these fees will have to cover a big work for the registrar. So I am for the second option i.e. 80€.

But there is a problem with this rate because 80 euros would be too high for owners of important portfolio of patents or for small innovant enterprises .

So I agree the idea to define fees by scale even it it's necessary to debate on the number of patents by group :

under x patents 80 € by patent
Between x and y 50 € by patent
Between Y and w 30 € by patent
And if more a fixed fee.

RJ's comments:

Whilst €80 sounds little for a single patent, it is a lot if many hundreds of patents are involved. I think we need a reduction for bulk opt-out. It is not really possible to justify a fee which is significantly greater than the administrative cost: as many have said why should a patentee have to pay for opting out of a system which he never contemplated when he applied for his patent? The proposed zero opt-in fee highlights that this is not an administrative cost but a money making exercise. I think it impossible to justify €80 out and €0 in. I suggest the same fee for both, with a reduction for bulk either way.

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TF's comments:

OPT-OUT FIXED FEE:

There are two options: zero fee or €80.

Needless to say, users would prefer the no-fee option. Those wishing to remain outside the UPC shouldn't be subsidising it.

Having said that, €80 is likely to come as a pleasant surprise to most users who widely anticipate €100.

However, even €80 is too high if it is more than the actual administrative cost.

The Assumptions propose a cost-recovery model, which is welcome, but no figures are given for the expected administrative cost of registering opt-out. Nor is there any modelling of projected income from opt-out fees. The reason given is that "As any opt out fee should effectively pay for itself and have no other effect on revenue. We have modelled a fee of €0." The assumption seems to be, therefore, that the admin cost will equate with the revenue, whatever the fee level. This is clearly faulty.

Without a projected admin cost there appears to be no rationale for an €80 fee.

The modelling below (see Annex) suggests a €80 fee would yield revenues of between €86M and €130M over the transitional period for opt-out rates of 33% to 50%.

If the real admin cost is less than around €100M, then €80 opt-out is too high, unless much lower opt-out rates are predicted. So, I cannot agree with Eugen Popp that €80 is too low.

PORTFOLIO EFFECT

The cost for anyone opting out a number of EPs will soon mount up. A modest portfolio of 100 EPs would cost €8,000 to opt out everything, while a portfolio of 1,000 EPs would cost €80,000k. This is not an inconsiderable penalty for remaining in a system you thought you'd bought into in the first place.

As the opt-out procedure will presumably be electronic, the admin cost could should not increase proportionally for multiple patents/applications. Specifically, a reduction could apply when a batch of European patents/applications owned by the same proprietor is opted out simultaneously.

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One option would be to have a reduced fee per case for e.g. 10 or more cases with a cap on the fee at say 50 cases, perhaps using a tiered approach, illustrated by the following example:

No of patents/applications opted out simultaneously (same proprietor)	Fee
1- 9 cases	€80 per case
10 – 49 cases	€50 per case
50 or more cases	€2.500 aggregate

FIXED FEE PER PATENT, NOT PER VALIDATED STATE

It seems clear from the current wording of rule 5.5 that the fixed fee is per patent/application, not per designated/validated state. Business has been worried about this distinction, which was not clear in earlier versions of the rules, so it may be worthwhile emphasising in the public consultation that the fixed fee (€80) is per patent/application.

WITHDRAWAL OF OPT-OUT

A zero fee will probably come as a surprise to many. Nice though it sounds, a zero fee seems to be at odds with the 'cost-recovery' approach. Perhaps the admin cost is absorbed in the original opt-out, which seems unfair as opt-out would then be subsidising opting back in. This would be a further manifestation of those not wishing to use the UPC subsidising those that do. A consistent policy approach would suggest that the withdrawal fee should be other than zero if withdrawal is also on a cost-recovery basis.

ANNEX

Revenues from Opt-out if fixed fee is €80

Assumptions:

- Assume 600k EP patents still in force (this is the total number of EPs granted over the last 10 years, ignoring all patents granted in previous 10 years so maybe not a bad indicator of number of EP patents still in force today).
- Assume 1M applications pending (based on filing rates of well over 200k p.a. over the last 5 years.).
- If the fee is EUR 80 per patent/application, it represents potential revenues for legacy cases of EUR 120M for a 100% opt out rate.

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- Adding cases filed in the transitional period could account for another EUR 140M (7yrs x 250k applications p.a. x EUR 100).

Hence, projected revenues during the transitional phase:

Revenue	Opt-out rate
260M	100%
130M	50%
86M	33%
2.6M	1%

List of actions incurring fixed and value based fees

No comments

Level of fixed fees for actions also incurring value based fees***EP's comments***

The proposed Court fees in general also appear rather reasonable with respect to the amount.

KM's comments

It seems to me that the proposed fixed fees are about right. The fixed fee for the infringement action is approximately 3 times what is currently paid in the United Kingdom. The fixed fee for counterclaims and revocation actions is significantly greater than that currently payable in the UK (£480) but in the case of a counterclaim could be justified on the basis that there is no value-based fee if this is in fact abolished.

MC's comments***Accumulation of actions as bases of fixed fees***

I am wondering if we have to separate the different stages of an action or to consider an action in its totality.

Do we have to ask a fee for the application to determine damages and application for provisional measure, all filled in the UPC about the same infringement action. This concept is rather far from a French idea of a dispute but I assume the fact that fees have to meet both the financing of the Court and a fair access to the Court. And accumulation of fees, even fixed fees, may be a huge obstacle for SMEs.

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RJ's comments:

Fee levels

I think these are about right. If a case is worth more than €30m then the fee does have to be that high – moreover the court should spend more time on it than it would for a smaller case pursuant to the proportionality principle built into the rules. But such a figure does mean that the fee reduction rule is important for genuinely poor SMEs.

On other thing which might be checked. The US has introduced via the AIA, the post grant inter-partes review. It is a way of attacking validity (and avoiding a jury!) This has, I believe, a standard fee of \$27,000 and seems to be working well.

WT's comments:

Fixed fees

Proposals:

The fee for a counterclaim for revocation should be 75% of the revocation fee (see A. I. above).

The fee for the application to determine damages should be 3.000 €.

Reason: The fee for an infringement action (11.000 €) is for an action normally comprising the claims for injunctive relief, for damages and for information. The value-weight of the damage-related part of that action is 1/3 (1/3 injunction, 1/3 information)

The fee for Appeal pursuant Rule 220.1(a) and (b) should be 16.000 €.

Reason: The fee is almost 100% more than the fee for infringement action. It, normally, will comprise all elements of the infringement action. Adding up 50% should be sufficient.

The fee for "other counterclaims pursuant to Article 32(1)(a)" should be deleted.

Reason: "Counterclaim", in Art. 32.1(a) UPCA, is a defensive argument, not a counter-action. Example: The Court can hear the argument "the injunction claim is a misuse of market power under Art. 102 TFEU". But it is not competent for an action (counter-action) based on that same argument.

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List of actions incurring fixed fees only

WT's comments:

The list of 17 Rules for fixed fees is not complete. Missing are Rules 80.3, 97.2 and 206.5. They should be included.

Rule 371 also must be amended. There, the following Rules are missing and should be included: Rules 80.3, 88.3, 97.2, 207.8, 206.5, 250, 320.2, 333.3 and 356.2.

Level of fixed fees for fixed fee only actions

EP's comments

The proposed Court fees in general also appear rather reasonable with respect to the amount.

However, the fixed fee for the "Application for opt-out (R. 5.5)" seems to be too low bearing in mind that the system needs a sufficient number of cases from scratch. A fee in the amount of € 80 or even less is not a big hurdle for opting-out.

Also the fixed fees for an "Application to preserve evidence" and for an "Application of an order for inspection" appear rather low.

KM's comments:

With regard to the other items it seems to me that the fees for appealing a decision of the European Patent Office and for an application for leave to appeal a cost decision (for which incidentally there is no provision for any payment in the current Rules of Procedure) are too high.

MC's comments

Accumulation of actions as bases of fixed fees

I am wondering if we have to separate the different stages of an action or to consider an action in its totality.

Do we have to ask a fee for the application to determine damages and application for provisional measure, all filled in the UPC about the same infringement action. This concept is rather far from a French idea of a dispute but I assume the fact that fees have to meet both the financing of the Court and a fair access to the Court. And accumulation of fees, even fixed fees, may be a huge obstacle for SMEs.

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MT's comments

Otherwise a number of "less important" judicial activities could have higher fees, such as protective letters, which will replace *de facto* precautionary negative actions of ascertainment; measures for the precautionary gathering of evidence (that are like the Italian measure of the "description"), which anyway requires an authorization and a preliminary evaluation by the judge.

The costs of other procedures and actions appear to be quite reasonable and too low in certain cases (lodging a protective letter: 200 E).

RJ's comments:

Fee levels

I think these are about right. If a case is worth more than €30m then the fee does have to be that high – moreover the court should spend more time on it than it would for a smaller case pursuant to the proportionality principle built into the rules. But such a figure does mean that the fee reduction rule is important for genuinely poor SMEs.

WT's comments:

Proposal: Delete reference to Counterclaim for revocation (see. A. I.).

Proposal: The fee for Application for provisional measures (R. 206.5) should be 5.000 €. The same should apply for Application to preserve evidence (R. 192.5) and for Application of an order to freeze assets (R. 200.2).

Reasons: These proceedings are interim proceedings during the action. They should have, as between them, the same fee but one which is lower than that for the whole case on the merits.

Proposal: The opt out fee should be 100 €.

Reason: The expected mass of opt-outs together with the diligence needed for the coordination of the opt-out application and the opt-out fee including the correct registration (date) for both is a work with important consequences (possible damage-claim against the UPC, if the following action is raised before the wrong court and rejected because of wrong registration).

Proposal: The fee for Application for leave to appeal (R. 221) should be put after fee for Interlocutory appeals (R. 220.1(c) and lowered to 2.000 €

Reason: The procedure to determine the amount of costs should not cost almost one-third of the fee for the main action.

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Proposal: The fee for Interlocutory appeals should be 7.000 € in the proceedings pursuant Art. 59, 60, 61, 72 and 67 UPCA. It should be 500 € for the appeals in proceedings pursuant Art. 49(5) UPCA (determination of another language). **Caveat:** A fee for underlying order is missing (proposal: 300 €).

Reason: The fee for appeals against orders pursuant to Art. 59, 60, 61, 72 and 67 UPCA should be slightly higher than the fee B. III. 2 (there, 5.000 € have been suggested). The determination of language is for small parties mainly and a small matter. The applicant should not be burdened with a big fee.

Proposal: The fee for Application for re-establishment of rights should be 1.500 €.

Reason: There the Court must look closely at the reasons given (Rule 320.1). It is not a formal proceeding as in the case of an Application to set aside a decision by default; the fee there is 1.000 €

Level of value based fees

CB's comments

Given this is a (more or less) pan-EU court I wonder if the scale of the estimates is too fine grained for lower values (especially below €10 million) but too crude at the upper level. €30 million seems too low for the highest value. Why not have a scale 1, 2, 4, 8, 10, 15 20 30 50 100? (this applies not just to estimates but also the to the value based fee scales.)

The levels of the value based fees are huge. Users will be surprised. Are the committee sure this is a fair distribution of the costs of running the UPC? Points are:

- a. At the low end this looks like potentially a serious discouragement to SMEs. For an SME with a small claim the impact will be significant. The IPEC/PCC in the UK handles cases up to £½M. The same dispute but brought before the UPC could easily be a €2M claim because the jurisdiction covers more states. That sort of claim would therefore attract a value based fee of €15K on top of the €11K fixed fee.
- b. In the mid range I suppose the levels are fine although I do believe they will strike many users as very high.
- c. At the top end the value based fees do not bear comparison with the scale of the ceiling on recoverable costs. This is a serious problem in my view. Consider a case worth €30 million. The recoverable costs ceiling is €500,000 but the value based fee is €220,000! Surely that is not sensible.

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- d. Counterclaims for revocation are likely to be commonest in high value cases. If there is to be in effect double the value fee for cases with a counterclaim this makes the comparison even more stark. How could the court justify charging the litigants €440,000 when it only permits the winner to recover €500,000 in legal costs?

MT's comments

In all cases, determining the value of a single case, within such a detailed list of values, is very difficult. The value shall necessarily be only approximate. Therefore it could be better to reduce the number of levels established by the rules, expanding the range of value of each level. In addition I suggest reducing by half the amount of each category of additional value-based fees.

The table of the value-based fees shows an unreasonably high number of levels while a low number of levels appears to be more appropriate in view of the difficulty to establish an objective value of a litigation and to show predictable costs. A three level table is suggested for adoption which would be consistent with the three level table of recoverable costs.

As far as the value-based fees are concerned, they seem likely to reach unreasonably high values. As a matter of fact, the table gives the bigger parties the possibility to propose and possibly obtain such high values which would discourage the poorer counterparty. By the way, such high values would be decoupled from the Court costs of the proceedings which must be considered.

The value-based fees

First of all, I want to make a preliminary comment: as long as we haven't decided how to quantify the value of the action – meaning until we establish Guidelines – it does not make any sense to speak about numbers. Saying that we may find some ideas from the German experience – where 25% of the disputes are worth less than half a million Euros and only 10% exceed 4 million – means that we are adopting *in toto* the German method for the assessment of value. Otherwise, values might be different (especially considering that there is not homogeneity of evaluation between nullity and counterfeiting actions, even if both actions are based on the “plaintiff's interest in a judicial decision”) and consequently the reference to these percentages is not significant anymore.

Secondly, even assuming that the evaluation will be made with the “German method” – about which I do not have a detailed knowledge – statistic values of German actions cannot be taken *ipso facto* for an European level, given that German actions are, by definition, related only to Germany (the nullity actions; cross-border counterfeiting actions are an exception in patent litigation, because they require that the counterfeiting activity is not questioned, so those considered here are actions only on the German part of an European patent and on the counterfeiting activity

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only in German territory). Since EU population is four times the one of Germany, even considering that (West) Germany is one of the wealthiest areas in Europe, these values have to be multiplied at least by three. Indeed, we must take into account that the value of the actions related to the whole territory of the Unitary Patent (so more States and usually the most important) will be higher, even for those concerning "traditional" European patents.

Thirdly, it is clear that we won't be able to precisely determine the value during the preliminary phase, when this evaluation is actually expected. Therefore, it is appropriate to establish a limited number of broad levels. We can imagine three categories: normal disputes, without application of value-based fees; disputes with a higher value than the standard, with an application of a first cost increase, and disputes with an exceptional value, with application of a higher cost increase. After all, also the statistical data provided suggest only three levels, and likewise three levels are established for the ceilings of recoverable costs.

Then, we will have to consider exceptional cases, as counterfeiting actions started after the adoption of border measures. For these actions we could opt for a fee reduction in order to avoid disincentives to their use in patent litigation (use that is provided for in the governing EU Regulation).

RJ's comments:

Fee levels

I think these are about right. If a case is worth more than €30m then the fee does have to be that high – moreover the court should spend more time on it than it would for a smaller case pursuant to the proportionality principle built into the rules. But such a figure does mean that the fee reduction rule is important for genuinely poor SMEs.

Assessing the value of an action

KM's comments:

I have no specific comment on the proposed scale for value-based fees. However the basis for calculating the value does require discussion. For most of us who do not practice in Germany this is a black art. I understand that the parties often reach agreement but on what basis has never been clear to me. Professor Tilmann says the calculation is quite simple. If this is the case then simple guidelines (as proposed in square brackets in Rule 370.6) would, I think, be welcomed by non-German lawyers and judges.

MT's comments

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Even if the Rules of Procedure establish (Art. 371) that it is duty of the judge-rapporteur, after a debate between the parties, to determine the value of the dispute, it may be advisable to work out some rules to assess the value of infringement proceedings. Of course the interim procedure involving the parties may give the judge the elements to take a decision for a reasonable value which takes into account the interests of the parties.

The value of the dispute could be determined on the basis of different elements: the value of the patent/patents involved, the value of the alleged infringement, and the relevance and extension of the market/markets involved, with reference to the product market and the geographical one.

Because of all these elements, determining the precise value of a dispute - in the interim procedure, e.g. before any activity to ascertain the case - is a very difficult task.

However, we cannot think of any mechanisms to calculate the value of a patent 'per se', independently from any evaluations of the involved business. If a patent turns out to be invalid, it should never have existed in the first place. If the patent resists a nullity action its value after the litigation is higher than before. As a result of this reasoning, we believe that a nullity action should bear fixed fees higher than an infringement action (because of the higher complexity of the litigation) but no value-based fees. A predetermined value based fee could be added in certain predetermined cases when the complexity of the litigation appears to be higher than usual because of the circumstances (the number of parties, the number of patents, the technical field).

RJ's comments:

Calculation of the value of the case

I think we need more detailed rules about this. I know they do it in Germany, but no outsider understands how. I believe it to be done by convention more than any genuine estimate. I also think there is a real temptation for a party to underestimate value so as to reduce fees. I think we should have a rule saying that the party must not only state the value but how it arrived at that value.

WT's comments:

Proposal: Delete the sentence in brackets. There should be no Guidelines for assessing the value of a case.

Reasons:

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The "Declaration" calls for a fee system which is "straightforward and predictable for users" which means simple, not too complicated.

The German practice shows that parties normally agree on the value, with a little help from the judges.

The calculation for the infringement claim is quite simple: First step: A value must be attributed to each part of the claim (injunction, damages, information). Second step: The values are added up showing the value of the action. (1) For the injunction-claim the loss of turnover and profits on the side of the patentee (including the danger of a downwards driven price spiral) and the expiration date of the patent are relevant. (2) For the damage-claim the turnover and the profits of the alleged infringer in the infringement period are relevant. (3) For the information-claim serving the damage-claim, a certain percentage (30%) must be added to the value of the damage-claim.

The value of the revocation counterclaim or revocation action is determined by the value of the patent for its owner expressed in the amount of his profits from the time of the Court's decision up to the expiration date. The patent value usually is somewhat higher than the value of the infringement action, but there is no strict correlation, because the aspects to take into account are different.

These are the basic determining factors which both parties usually know quite well whereas they are not so keen to go into details at the beginning of the action. Therefore, the Court must rely to a certain extent on the indications of the parties. The Court must, however, try to exclude a manipulation by party representatives, if they should try to keep the value low to serve their client – to the detriment of the UPC – and perhaps to leave more room for their pay at an hourly rate.

The experienced UPC-judges know all that. Guidelines would not add more predictability but would tend to make things complicated and inflexible. They could be misunderstood as forcing the Court to explore with its usual scrutiny the determining factors.

Reimbursements

CB's comments

The levels of rebate look OK although I wonder if, for the three stages, the rebate might be lower at the early stage and higher later – say 50%, 40% and 35%. That way there is more incentive only to start cases you mean to pursue but a bigger discount for avoiding an oral hearing

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KM's comments:

This seems to be a new proposal and is designed, I imagine, to encourage parties to settle and withdraw cases as early as possible. I do not however believe that the same logic applies to decisions by default which by their nature are not voluntary.

These provisions [r370.7(f) and .8] are skeletal. If they are to remain then proper procedures need to be set out enabling for the court to exercise its discretionary powers bearing in mind, in the case of Rule 370.8, to need to avoid a trial within the trial. Whether a particular fee in fact threatens the economic existence of a party seems to me potentially to be a complex issue.

MC's comments

I do agree the position and comments of Professor Tilmann on this point. Whatever will be the reason of the reimbursement, (decision by default, withdrawal), there is no need to reimburse the fees because the costs of the Court will be mainly fixed costs already exposed to deal the case and the already paid fees have to cover these fixed costs.

I think that it's preferable at this stage to think about accumulation instead of reimbursement.

Then the possibility to offer a reimbursement for parties who agree to have a case heard by a single judge, put another question on the table : do you have an option for one judge or three judges according to your finances. It may be an option but it's again very far from a French idea of a fair access to justice.

RJ's comments:

Reduction for single judge

Currently this is put at 30%. The true saving will be more and I think we should contemplate a bigger reduction.

WT's comments:

Proposal: Delete Rule 370.7 altogether

Reasons:

The three arguments for Reimbursing are: (1) There could be lower costs for the Court, if the action stops before the final judgment. (2) The parties should participate in this saving of costs. (3) Reimbursement could be a motivation for the parties to end the court-action prematurely saving the Court time for other cases.

Arguments (1) and (2) show a noble intention of the state-employed authors and, therefore, are laudable. However, looking at the causes for the costs of the Court

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(salaries, rent of buildings, IT) the savings, if any, never would justify reductions between 25 and 65 %. Perhaps they could justify 2-5%. The costs of the Court are mainly fixed costs, not variable costs. Therefore, sadly, these arguments must be discarded. This leaves argument (3): motivation.

The most important cause for a premature end of the case is a settlement found by the parties during the proceedings, perhaps with the help of the Court. In those settlements the parties normally decide on the costs, often splitting the costs between themselves. Any reimbursement, thus, would end up (divided) with both parties. It would be a negligible part of the value of the main obligations undertaken by the parties in the settlement. Therefore, the motivating-impact of the reimbursement for reaching a settlement would be minimal. The reimbursement would be a "windfall-profit".

On a party against whom a decision by default has been given any reimbursement of fees would only in very few cases have the effect of causing a decision by that party not to lodge an application to set aside that decision (Rule 356) but to accept it. In almost all cases that party will hasten to hand in that application and to accompany it with the step it has failed to take (Rule 356.2 sentence 3).

The withdrawal of an action will never be motivated by the costs of the procedure or by the expectation to get parts of these costs reimbursed. The parties are represented. They know these costs in advance. A withdrawal, normally, is motivated by a clear lack of success or by a settlement (see No 2).

Any advantage for parties by re-imbursement would be bought at a high price: the price of complication. The practical handling of reimbursement would be complicated for the parties and the Court. The costs of that handling would eat up any savings which could be detected as effect of the premature ending. That negative effect would have to be deducted from the reimbursement, if the arguments in No 1 would be followed with logical consequence.

V. Rule 370.7(e) and (f): More than one reimbursement, exceptional cases

Proposal: Delete

Reasons:

These two rules illustrate the complication-argument. The cases envisaged in Rule 370.7(e), first sentence, will rarely happen. The cases envisaged in Rule 370.7(e), second sentence, logically, cannot arise.

Rule 370.7(f) is designed to protect the reimbursement-system from misuse. Possible misuse is another argument against such a reimbursement-system. The reference to the "stage of the proceedings" is not necessary, because this is already taken care of in the three stages "65-25%". "Conduct of the party" is no legal term.

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Lower fees if economic existence is threatened/SME comments

CB's comments

I agree there is no reason to single out SMEs as such but their position needs to be considered in the context of the fees for lower value cases.

EP's comments:

1. Further, I suggest a clause corresponding to § 144 of the German Patent statement:

"(1) If, in a patent case, a party establishes prima facie evidence that the awarding of the costs of the case against him according to the full value in dispute would considerably endanger his financial position, the court may, at his request, order that the said party's liability to pay court costs be adjusted in accordance with a portion of the value in dispute that shall be appropriate to his financial position. As a result of the order, the favored party shall likewise be required to pay the fees of his attorney at law only in accordance with that portion of the value in dispute. To the extent that the costs of the case are awarded against him or to the extent to which he assumes such costs, he shall be required to refund to court fees paid by the opposing party and the fees of the latter's attorney only in accordance with that portion of the value in dispute. To the extent that the extra-judicial costs are ordered to be paid by the opposing party or are assumed by that party, the attorney of the favored party may recover his fees from the opposing party in accordance with the value in dispute applying to the latter.

(2) The request under subsection (1) may be declared before and recorded at the registrar's office of the court. It shall be presented before the substance of the case is heard. Thereafter, it shall only be admissible if the presumed or fixed value in dispute is subsequently increased by the court. Before the decision is given on the request, the opposing party shall be heard".

At least item 8 of the proposed Rules may be drafted correspondingly so that it is clear that the reduced fees apply to just the requesting party, but not to the adverse party, and that the reduced fees do not apply to only the Court fees, but also to also cover the representative's costs.

KM's comments:

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These provisions [r370.7(f) and .8] are skeletal. If they are to remain then proper procedures need to be set out enabling for the court to exercise its discretionary powers bearing in mind, in the case of Rule 370.8, to need to avoid a trial within the trial. Whether a particular fee in fact threatens the economic existence of a party seems to me potentially to be a complex issue.

RJ's comments:

Reduction of fee for poor parties

I am favour of this, though the present proposed wording of the rule is inadequate. A company may have little money and be unable to fund the fee from its own resources. Yet its owners may have plenty of cash. The wording should limit fee reduction to companies with little cash of their own and its investors who also have little cash.

WT's comments:

Proposal: Delete

Reasons:

The Agreement has decided to permit an exit from the Court-fee-system and from the obligation to carry the fees (carry them in advance and after the end of the proceedings) only in the form of Legal Aid (Art. 70 UPCA) for natural persons. The UPCA has not additionally adopted the form of a split value of the case for the benefit of one of the parties which is not a natural party (e.g. § 144 German PatentG), a rule which had also been contemplated when drafting the UPCA. Already for this reason, the RoP, bound by the Agreement (Art. 41(1), second sentence, UPCA), are not allowed to introduce a system of a case-by-case rebate (equivalent to the split value benefit).

Furthermore, there are no material requirements given in Rule 370.8, except the "threat to the economic existence" (when to be assumed? deserved or undeserved?) and "the Court shall reflect all circumstances of the case" (always necessary, not material) and, again, "conduct of the party" (no legal term). There is no parallel to Rule 377.1(b): that the action has reasonable prospect of success. And there is no procedure as in Rules 375-382 on Legal Aid. Therefore, there are grave inconsistencies between Rule 370.8 on the one side and Rules 375-382 on Legal Aid on the other side.

Since the requirements of Rule 370.7 are much wider than those for Legal Aid, they discriminate against natural persons who cannot take advantage of Rule 370.7. Therefore, Rule 370.7 is in conflict with Art. 41(3), 42(2) and 52(1), second sentence, UPCA.

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To state it frankly: Rule 370.7 is trying to circumvent the restriction of Legal Aid to natural persons. This is clear from the fact that it is restricted to other persons than natural persons. Therefore, Rule 370.7 constitutes a breach of the obligation contained in Art. 41(1), second sentence, UPCA.

UM's comments:

I agree to the proposal not to distinguish between SMEs and other parties concerning fees. An assessment by the court whether or not the status as SME is justified would be most difficult if possible at all. As there are no sanctions against misuse there is a certain probability that the non-SME parties will subsidize parties wrongly declaring their SME status.

Recoverable costs

CB's comments

For the lower values (up to €0.5M) the ceiling is generous (€100,000). In the UK Patents County Court (now IPEC) the cap on cases of this value (up to £0.5 M) is about half that (£50,000).

For the middle range I think the costs ceiling is about right.

The ceiling is too low for the high value cases (cases worth €20M+). Too low a ceiling will strongly encourage patent trolls and will be portrayed in public as doing that. Remember the USA has recently introduced cost recovery from the losing party as a way of discouraging trolls.

At the top end the value based fees do not bear comparison with the scale of the ceiling on recoverable costs. This is a serious problem in my view. Consider a case worth €30 million. The recoverable costs ceiling is €500,000 but the value based fee is €220,000! Surely that is not sensible.

EP's comments

In the "Explanatory Note" it is stated

"In this context the "Declaration of the Contracting Member States..." specifies that the Signatory States consider that the fee system of the Court should be straightforward and predictable for the users"

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This statement appears correct with respect the proposed Court fees, but not with respect to the "recoverable costs of representation per instance and party".

The proposed ranges of recoverable costs of representation appear much too large, so that the recoverable costs are predictable only with respect to the maximum amount of each range.

Irrespective of the proposed amounts I would prefer a list of fees corresponding to list of Court fees, e. g. as follows:

Value of the dispute (million €)	Ceiling for recoverable costs of representation per action, instance and party
0 – 0,5	Up to 20.000 €
0,50 – 0,75	Up to 25.000 €
0,751 – 1,00	Up to 27.500 €
1,01 – 1,5	Up to 30.000 €
and so on	
Up to including 4.000.000 €	Up to 100.000 €

This proposal is only being made in relation to a higher predictability, wherein it should be made clear that the recoverable costs apply to each action, such as infringement, revocation, counterclaim for revocation, and so on, wherein for each action for which a Court fee becomes due a separate value of dispute or, alternatively a fixed fee may be proposed and decided.

The fees to be actually paid by each party may differ from the above proposed fees.

KM's comments:

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This proposal is similar to the higher draft proposal made in January 2014 with the exception that for a dispute with the value of greater than €4m the maximum recoverable cost of representation has been reduced from €1m to €500,000. In my view there will be a small number of high value cases where this ceiling is too low. It should be borne in mind that the court will decide what are reasonable and proportionate costs in any event and therefore it is not necessary for this ceiling to be set at such a low level.

MC's comments

I think that the difficulty of a case is not linked to the value of the case and especially if it is a demand of nullity.

We may consider that the level of the recoverable costs must not stop the SMEs to fill an application to the Court ; and if the risk to pay a huge part of the costs of the defendant, if the SME loses its case, is too high, the fair access to the Court won't be guaranteed and we'll lose a part of our users.

We have to find a scale of recoverable costs that assure access to the Court even for small entities.

MT's comments

Even the ceiling for the recoverable costs are clearly too high, because the complexity of a proceeding rarely depends on the value of the patent or of the counterfeiting. Rather, it would be logical to establish a value-based fee (to be calculated 'ex post') for the "separated proceedings" for the determination of damages.

In this proposal I have a question: should we consider the determination of damages as separated proceedings, requiring the application of additional fixed and value-based fees? Only in this case a value-based system would make sense.

The three level system for ceilings of recoverable costs of representation (per instance and party) appear to be easy to understand, but the values do not appear to be appropriate. We understand that a comparison is reasonably made with German experience, but the UPC Countries vs Germany value ratio should be 4 instead of 2. Also, the ceilings should change to make the values "acceptable" by the small parties who are not to be scared by the possibility to lose and be in the position to pay for legal fees which they could never afford to pay. As an example, the values of the dispute in the table could change (in million E) as follows:

- 0 – 1.0 : up to 100.000 (25% of the disputes);
- 1 – 10.0 : up to 250.000 (65% of the disputes);
- 10 – : up to 500.000 (10% of the disputes).

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The percent values have been obtained with reference to the German experience. Even with these changes only 25% of the disputes would show recoverable costs which would not scare a small entity.

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Assumptions document – Expert panel comments (Jan 2015)**Collation of expert panel comments on assumptions document v. January, 2015 organised by topic****General comments*****KM's comments***

The specific proposals for amending Rule 370 are based on the estimates and assumptions which are helpfully set out in detail in the separate document which has been circulated. It seems to me that the Expert Panel could spend a huge amount of time debating the correctness of the assumptions that have been made

Table 1 – cost model case load estimates***WT's comments:***

Proposal: Accepting, for the sake of caution, the assumption of 960 Infringement cases in Year 8 (about 30-40% lower than the actual number of national infringement cases) raise "Revocation" to 500 and "Appeal" to 700..

Reasons:

There will be more revocation cases than 360. The independent revocation action will be often used during the EPO-opposition proceedings. The amount of revocation counter-claims will be much higher than the Bundespatentgericht-cases compared with the German infringement cases.

For Appeals the infringement cases and the revocation cases, for the calculation of fees, must be taken together (960 plus 500 = 1.460). Assuming 700 that would be one half of these cases. For a big territory (Art. 34 UPCA) the losing party will be ready to appeal more often than in national proceedings (Germany about 1/3).

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Table 2 - Detailed case load estimates

Specific issue: Counterclaim for revocation

CB's comments

The assumption that only a minority of infringement cases will involve a counterclaim for revocation is surely wrong (whether it is 7% or 37%). That is not the experience of the UK nor (I believe) is it the experience of any state in which a counterclaim for revocation is possible. The correct number will be likely to be much higher.

CF's comments

My instinct is that 7.5% as a percentage of the number of defendants to an infringement action who will counterclaim is far too low. In the UK one would work on the assumption that starting an infringement action will always provoke a counterclaim for revocation. Even if the value based fee for the counterclaim acts as a minor disincentive to counterclaim in a few cases (I doubt it will given the amounts at stake in the entire EU) I would think 7.5% would be the number of cases where there is NO counterclaim, not the other way round.

KM's comments

The exception relates to the extent to which there are likely to be counterclaims for revocation in infringement actions. It seems to me that the assumption that has been made in this respect, namely that 37.5% of infringement actions will have a counterclaim, is very questionable. Experience outside Germany indicates that in the vast majority of cases there will be a counterclaim and this could be as high as 90%. The availability of a counterclaim coupled with the lack of a rationale for separate revocation actions (for example as a result of the "clearing the way" principle in the UK ceasing to have the same justification) means that there is likely to be a significant reduction in revocation actions than is assumed.

MC's comments

I agree too. that 's what we see in Paris [80% counterclaims for revocation)].

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RJ's comments:

I agree [with Christopher Floyd's comment regarding 7.5% counterclaim for revocation rate being too low].

I agree with the unanimous opinion of all the other members of the expert panel in saying that the cases with a counterclaim will be at least 80%

I would add this: experience in the EPO shows that there is a great tendency to shower the tribunal with pieces of prior art which are each alleged to make the patent invalid.

Would it make sense to have a sliding scale so that you have to pay more if you cite say, more than 3 pieces of prior art?

WH's comments:

In NL 80 percent at least [relating to the number of infringement actions where a counterclaim for revocation is filed]

WT's comments

I agree. 80% of infringement actions will have counterclaims for revocation [in response to emails from CF and KM regarding this issue]

Other comments on table 2

RJ's comments

I also think that there will be a substantial amount of direct revocation claims in the Central Division.

WT's comments:

Proposals and Reasons:

Readjust Table 2, if Table 1 is changed as suggested.

Lower the number for "Infringement action". Not all infringement actions will render a value based fee. Assume 600.

The relation for both types of revocation cases (incorrect first line in Table 3) (288 both fees, 72 only fixed fees, Table 3) is too one-sided. It should be 2/3 to 1/3.

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4. The assumption for Action for compensation for license of right (for both fees) is much too high. Transfer that item completely to Table 3 and assume 10 in Year 8.
5. There should be no value fee for Application to determine damages. The value fee is already paid for in the action on the merits. Transfer to Table 3: only fixed fee. And the figure should be 80% of all infringement cases, because the appeal will normally cover all orders given by the first instance..
6. Table 2 assumes that all Appeals (120) will be both-fee-Appeals. This is not correct. The relation should be 2/3 of the number assumed in Table 1 (proposed: 700).

Table 3 – Occurrences of actions incurring a fixed fee only

WT's comments:

Proposals and Reasons:

General: Table 3 is incomplete. It should repeat all Actions of Table 21 not covered by Table 2 (the result of that subtraction would render the fixed-fee-only cases). See remarks to Table 2.

Applications for provisional measures: Depends from speed of the main actions proceedings. Therefore difficult to calculate. I would assume: 250.

The opt-out figures will drop over the years, if the UPC-figures will develop as foreseen in Table 1. Year 8: 1.000.

Correspondingly, the figures for opt-in will be increasing. Difficult to calculate. Year 8: 8.000

Actions against the EPO: Very few. I would assume 20.

Application to preserve evidence: To assume 576 of 960 (Table 1) is too high. I would assume less than half: 400.

Lodging of a protective letter: 40 is definitely too low. Every threatened defendant will use it: 500 of 960 cases.

Prolong a protective letter period: That number will be much lower than 500. Assume 200.

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Appeal for leave against a cost decision: 80 of 1.460 (see Table 1 Reason 2) is much too low. Assume 300.

Discretionary review: The figure is far too high. I assume 10.

Interlocutory appeals: The figure is too low. Of 250 (No. 2) one third would be 80.

Application for rehearing is a rare case. 40 is far too high. Assume 5.

Re-establishments of rights. The figure is too high. 10 in one year.

Table 4 – value based fee distribution

CB's comments

I question the assumptions about the distribution of value based fee actions (table 4). This proposes that in year 1 there will be only 4 cases in total worth more than €10 million and in year 8 only 4 cases worth more than €30 million. I agree year 1 is even harder to predict than anything else, but surely the figure for year 8 is wrong. Points are:

- Remember this is a pan European court. A pharma case worth €10 million today in the Germany alone will be worth more than €30 million as a UPC case.
- There is a steady stream of patent cases in London worth more than £30M. It is not correct to say there is no estimation of the value of patent cases outside Germany. We do it in London for various reasons.
- Perhaps the data from our German colleagues makes it appear that cases are not worth so much because the value based fee system encourages parties to underestimate how much the case is worth.

Given this is a (more or less) pan-EU court I wonder if the scale of the estimates is too fine grained for lower values (especially below €10 million) but too crude at the upper level. €30 million seems too low for the highest value. Why not have a scale 1, 2, 4, 8, 10, 15 20 30 50 100? (this applies not just to estimates but also the to the value based fee scales.)

Assumptions document – Expert panel comments (Jan 2015)**Table 5 – Fixed fee revenues*****WT's comments:*****Proposals and Reasons**

From first line down to Other counterclaims: See WT Comments on "Draft-Rules on Court fees and recoverable costs" B.I.

Counterclaim for revocation: 75% of the revocation fee. See WT Comments on "Draft-Rules on Court fees and recoverable costs" A.I.

All other fixed fees: See Table 2 and 3.

Tables 8-13 – reimbursements***RJ's comments:*****Rate of settlement**

The current estimate is that 40% of case will settle, withdraw or be subject to a default before the end of the oral hearing. I think this is much too low. Only in Germany does one find such a figure. In common law countries the rate of settlement is much higher. It would be better to use a 60% figure and even that may be too conservative.

WT's comments:

Proposal: Delete

Reasons: See WT Comments on "Draft-Rules on Court fees and recoverable costs" A.IV