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An: Thomaschewski, Isolde
Betreff: WG: Proposal for key elements for the establishment of a system of court fees and recoverable costs
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-----Ursprüngliche Nachricht-----

Von: [redacted] [mailto:[redacted]]
Gesendet: Dienstag, 10. September 2013 10:55
An: Schacht, Hubertus; [redacted]
Cc: Karcher, Johannes; Walz, Stefan; Alexander Ramsay
Betreff: SV: Proposal for key elements for the establishment of a system of court fees and recoverable costs

Dear colleagues,

Firstly I want to thank Mr Schacht for the work in drafting the paper. I would just like to add that we have some concerns with the proposed ceilings for recoverable costs of representation. Based on experience from patent law cases in Swedish courts they seem very low. The fact that a successful party in a case with a value of 500 000 € can only recover 10 000 € doesn't seem realistic due to the amount of legal and technical work which is required in a patent law case. The proposed ceilings seem also unreasonable. For an SME with a strong case but with limited financial resources, the proposed ceilings may actually be an obstacle. In such a case, the economic burden for the costs of representation may be too heavy, which is not in line with the intentions of the patent reform.

We look forward discussing this further and to hear from the rest of the group on how you perceive this.

Best regards,

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 Division for Intellectual Property Law and Transport Law
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-----Ursprungligt meddelande-----

Från: schacht-hu [redacted] [mailto:[redacted]]
Skickat: den 8 augusti 2013 12:03
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Kopia: karcher-jo [redacted]; Walz-St [redacted]
Ämne: Proposal for key elements for the establishment of a system of court fees and recoverable costs

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Dear colleagues,

Please find attached my paper on court fees and recoverable costs within the Unified Patent Court-System. I'm sorry for the little delay but the task proved to be more comprehensive than expected.

The Agreement on a Unified Patent Court as well as the provisional Rules of Procedure already contain rules on court fees and on recoverable costs. However, these rules are rather general and demand further elaboration.

Accordingly, with this paper I tried to outline key elements for the establishment of a system of court fees and for recoverable costs which are: (1) a schedule for fixed and value-based fees, (2) a rule for the assessment of the value of an action and (3) the determination of re-coverable costs as well as an elaboration of a ceiling for them.

If you have any question concerning this paper, please contact me at any time. I'm looking forward to your comments and to the discussion in the team. Once we have agreed on the key elements I would volunteer to come forward with a first draft proposal of the necessary provisions to be again discussed and refined in our team.

I would appreciate if you could send me your comments by

*** 10 September 2013 ***

Best regards

Hubertus

Hubertus Schacht, M.A.

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Working Group "Legal Framework"

Team 4 "Rules on Court Fees"

Key Elements for the Establishment of a System of Court Fees and Recoverable Costs

6 August 2013

Introduction

Team 4 of the Working Group "Legal Framework" has to deal with court fees and with recoverable costs. The relevant provisions in the Agreement on a Unified Patent Court (in the following "the Agreement") are Art. 36 (3), Art. 70 (court fees) and Art. 69 (recoverable costs). These provisions are further elaborated in the 15th draft of the Rules of Procedure of the Unified Patent Court (in the following: "RoP").

The mechanism of court fees is laid down in Rule 370 and consists of two components: Fixed fees (R. 370(2)(a) RoP) and value-based fees (R. 370(2)(b) RoP). In R. 370(2)(a) RoP the actions for which a fee is due are specified. R. 370(2)(b) RoP provides for a chart of the fees due for disputes exceeding a certain value (value-based fee). However, no information is given by the provisions as to how to determine the value of the relevant action.

In the RoP the recovery of costs is mentioned in R. 150 RoP. According to R. 152 (2) RoP the Administrative Committee shall adopt a scale for recoverable costs incurred by the successful party, which shall set ceilings for such costs by reference to the value of the dispute. Hence, the elaboration of precise arrangements for the scale is necessary.

Starting from the abovementioned provisions the primary tasks of Team 4 "Rules in Court Fees" should be:

1. Establishment of a schedule for fixed and value-based fees;

2. Development of a rule for the assessment of the value of the action;
3. Determination of recoverable costs and elaboration of the ceilings for recoverable costs.

A. Schedule for fixed and value-based fees

The Unified Patent Court shall according to Article 36 of the UPC Agreement be financed by its own resources while at the same time it shall be accessible for all parties including those with limited financial resources. Thus, the court fees should be set at an appropriate level. This consideration is reflected by the system of fixed and value based fees. While all users of the Unified Patent Court should contribute to its financing, users having more significant economic interests should make a more significant contribution to the functioning of the Unified Patent Court. This thought is also expressed by the contracting Member States in their declaration on the occasion of the signing of the Agreement on a Unified Patent Court (number 8). The suitable mechanism for this aim is a complementary value-based fee system applicable above a pre-defined ceiling of a fixed fee. A gradual level of value-based fees would also allow for the aforementioned request of the Contracting Member States, forcing parties with more significant economic interests to provide a reasonable and proportionate contribution to the functioning of the Unified Patent Court.

In order to have an instrument to align the economic interest of the parties to the financial support of the court system, it seems reasonable to introduce fixed fees for average standard actions allowing in particular SME to litigate without bearing additional value based fees. A gradual increase of the level of value-based fees would ensure appropriate contribution in cases of higher value. On the basis of data of claim-values in patent suits in Germany, value-based fees should not be paid until the value of dispute exceeds half a million Euros. This is represented in the below chart:

Chart for fixed fees:

Level	Value of action (Mio.) from ... to	Court fee
fixed fee	0 – 0,50	To be determined by the Finance-Group

With a threshold of 0,5 million Euro more than 25 % of all patent suits would be covered. The experience in German courts has shown that nearly one quarter of the cases has a value of up to 250.000 €. For European proceedings this value should be doubled regarding the larger, i.e. EU-wide scope of UPC judgements. Therefore the amount from which the value-based scale is operable should be doubled as well in order to ensure that the same percentage of cases would be covered by fixed fees.

A chart for value-based fees may be drafted as follows:

Chart for value-based fees:

Level	Value of action (Mio. €)	Court fee
1	0,50 - 0,75	<i>To be determined by the Finance-Group</i>
2	0,75 – 1,00	<i>To be determined by the Finance-Group</i>
3	1,- - 1,5	<i>To be determined by the Finance-Group</i>
4	1,5 – 2,0	<i>To be determined by the Finance-Group</i>
5	2-3,0	<i>To be determined by the Finance-Group</i>
6	3,0 – 4,0	<i>To be determined by the Finance-Group</i>
7	Fixed amount for each additional 1 mio € exceeding a value of 4,0 –	<i>To be determined by the Finance-Group</i>

The division into the different levels considers the number in which patent suits with a certain value are filed. So, levels 1 to 6 of the value based fees would represent approximately 68 % of all law suits. Bearing in mind that the fixed fee would cover around 25 % of the cases all together about 93 % of the cases would be covered up to level 6. Level 7 which constitutes the last level would apply to less than 10 % of all law suits, only. According to the aforementioned consideration that users with more significant economic interests should provide a corresponding contribution to the Unified Patent Court it seems appropriate to establish for level 7 an extra amount for each additional 1 million € of claim value starting

with a value exceeding 4 million €. This would mean that for example the plaintiff of a claim of 7,4-million would have to pay the valued-based fee set out for level 6 and additionally four times the extra amount foreseen in level 7 of the table.

B. Development of a rule for the assessment of the value of the action

Whether a value-based fee has to be paid depends in principal on two requirements: the specific action and the value of the action. Only if the value of the action exceeds a certain amount, which is covered by the fixed fee, the consequence of a value-based fee would be activated.

In order to operate the system of value-based fees criteria for the assessment of the value of the dispute are necessary.

The value of a case would seem to most accurately be captured with the criterion of the economic interest which the party pursues with the action. The economic interest seems to be a proper, comprehensible and traceable criterion. It is fair for the parties to pay the more fees the higher their economic interest connected with the initiated action is. These considerations lead to the following suggestion for a general assessment of the value of an action:

"The assessment of the value of an action has to reflect the objective economic interest pursued at the time of filing the action."

Usually, the economic interest differs from action to action. Therefore, a more precise guidance for the assessment of the value seems appropriate.

An action of infringement can comprise several different claims, such as a claim for injunctive relief, a claim for damages and a claim for disclosure and account of profit arrived from infringement. As regards a claim for injunctive relief the plaintiff's economic interest to avoid further infringements should serve as criterion. By doing so, the remaining validity period of the patent, the sales of the plaintiff, the mode and amount of the infringement and the danger of repletion of infringement would be taken into account.

As regards claims for damages the criteria laid down in Art. 68 (3) of the Agreement reflecting Article 13 of the Enforcement Directive 2004/48 should be relevant. These criteria are (1.) the lost profit of the patentee, (2.) the unfair profit of the infringer or (3.) a lump sum generated on the basis of the royalties or fees which a licensee would have been paid to the patentee. The same applies to an application for determination of damages according to Articles 125 *et seq.* RoP.

The value of a claim for disclosure and account of profit arrived from infringement should be calculated with 20 to 25 % of the value of the main-claim (injunction and/or damages), which shall be prepared with the claim for disclosure and account of profit.

The value of a claim for revocation may be estimated according to the public interest in the revocation of the patent in suit for its remaining validity-period. For this determination, the remaining validity of the patent as well as its sales figures or license-revenues in the past would be relevant. Where an infringement suit is pending the economic interest would be expressed by the value of the infringement action against which in this specific scenario the revocation action is directed. If a party seeks a declaration for non-infringement (Art. 60 RoP) the value of this action would correspond to the value which an assumed infringement would cause to the patentee.

Often in infringement cases the plaintiff applies not for a single remedy, but for a whole bundle of them. In one infringement case an injunctive relief, a claim for damages and a claim for account of profit from infringement could be filed at the same time. In these situations it is consequent to add the values of all requests in order to calculate the whole value of the dispute. Practice has shown that in first instance the claim for injunction usually is the most important for the plaintiff and hence contributes to up to two-thirds of the total amount of the dispute.

The value for proceedings concerning provisional and protective measures could be determined with a discount of one-third of the value of the main proceedings due to the fact that with an interim action no final decision is sought.

In order to prevent that court fees of a patent law suit threaten the economic existence of a party it could be considered to introduce a provision, which permits a party to apply to the court to reduce the value of the case and consequently the amount of court fees according to its economic strength.

C. Legal Costs to be borne by the unsuccessful Party

According to Article 69(1) of the Agreement the unsuccessful party shall bear reasonable and proportionate costs and other expenses incurred by the successful party. This is echoed by R. 150 *et seq.* RoP. According to Article 69(1) of the Agreement this obligation shall be limited to a ceiling, which is mentioned in the RoP (see also R. 152(2) RoP). However, what "reasonable and proportionate" costs are within the meaning of the Agreement and the RoP is not clear and has to be determined. Hence, the issue of recoverable costs consists of two parts: (1.) the specification of which costs shall be recoverable and (2.) the determination of a ceiling for the recoverable costs.

1) Recoverable costs

According to R. 150 *et seq.* RoP the costs incurred in the proceedings by the Court as well as the costs of the successful party are recoverable. In detail, the costs for simultaneous interpretation, witnesses (R. 180 RoP), court experts (R. 188 RoP), experiments (R. 201 RoP), rogatory letters (R. 202 RoP), representation (R. 152 RoP), experts (R. 153 RoP), witnesses (R. 154 RoP) and interpreters and translators (R. 155 RoP) of the party shall be reimbursed.

Additionally, the aforementioned recoverable costs demand for further elaboration, especially as regards the costs for representation. To this end one could rely on an already established practice in patent suits according to which the expenses for both an attorney at law and a patent attorney usually are to be reimbursed. Also travel expenses are recoverable since it should not matter whether the representative has his office in a country different from the country where the law suit takes place. Further, the costs for the purchase of a sample of the allegedly infringing product as well as the costs for a technical expertise may be recoverable. Likewise costs for the research in order to assess the facts of an infringement or the nullity of a patent are recoverable.

2) Ceiling for recoverable costs

As regards the ceiling for the recoverable costs the first question is, whether all those costs should be subject to a ceiling. Article 69(1) of the Agreement stipulates a ceiling for "reasonable and proportionate legal costs and other expenses incurred by the successful party". R. 152(2) RoP provides the adoption of a scale of recoverable costs. The aim of a cost-ceiling is a safeguard for the losing party against excessive cost burdens. The threat of

such cost burdens does not emanate from costs incurred by the court, but rather from the expenses incurred by the other party, especially the costs for representatives. The court fees will not be an unreasonable and unpredictable cost factor. Further, the reasonability of expenses of experts, interpreters and translators already are governed by R. 153 and 155(2) RoP. Therefore and because the first paragraph of R. 152 RoP deals "with reasonable and proportionate costs for representation" it seems appropriate that only these costs shall be subject to a ceiling.

Having determined the costs for which a ceiling has to be adopted, in a second step it is necessary to think about the useful implementation. It is possible to establish only one ceiling for all. However, such an approach would not seem to adequately take account of the fact that costs incurred may differ according to the value of the case. Therefore, it seems preferable that the extent of recoverable costs depends on the value of the dispute. That is why R. 152(2) RoP calls for a scale of recoverable costs setting a ceiling for such costs by reference to the value of the dispute. As a system of gradual levels already is proposed for the establishment of a value-based fee-system, it seems reasonable to link the amount of recoverable costs to these levels. The linkage can be shown like this:

Chart for the gradual level-system of recoverable costs linked to the value of actions:

Level	Value of the action from ... to (mio.)	Court fees	Ceiling for Costs of Representation
fixed fee	0 – 0,50	No value-based fee	<i>To be determined by Legal Group, Team 4 Proposal: up to 10.000 €</i>
1	0,50 – 0,75	<i>To be determined by the Finance-Group</i>	<i>To be determined by Legal Group, Team 4 proposal: up to 12.000 €</i>
2	0,751 – 1,00	<i>To be determined by the Finance-Group</i>	<i>To be determined by Legal Group, Team 4 Proposal: up to 15.000 €</i>
3	1,01 – 1,5	<i>To be determined by the Finance-Group</i>	<i>To be determined by Legal Group, Team 4 Proposal: up to 20.000 €</i>

4	1,51 – 2,0	<i>To be determined by the Finance-Group</i>	<i>To be determined by Legal Group, Team 4 Proposal: up to 25.000 €</i>
5	2,01 – 3,0	<i>To be determined by the Finance-Group</i>	<i>To be determined by Legal Group, Team 4 Proposal: up to 30.000 €</i>
6	3,1 – 4,0	<i>To be determined by the Finance-Group</i>	<i>To be determined by Legal Group, Team 4 Proposal: up to 35.000 €</i>
7	4,1 –	<i>To be determined by the Finance-Group</i>	<i>To be determined by Legal Group, Team 4</i>