ASSOCIATION FRANÇAISE DES SPÉCIALISTES EN PROPRIÉTÉ INDUSTRIELLE DE L'INDUSTRIE

Comments on Rules on Court fees and recoverable costs

Executive Summary

The ASPI welcomes the consultation of the Preparatory Committee for the Unified Patent Court about the Rules on Court fees and recoverable costs.

While the aim of the Court fees system is to ensure that the Court's budget is balanced, it is difficult to comment on the structure and value of the fees without knowing the budget which shall be financed.

The ASPI took the approach of assessing the structure and level of fees in a relative manner for the various actions and will comment accordingly.

As for the value-based fees, articulating the value of the relevant action in the proceedings with the value of the dispute is an issue. The corresponding guidelines are eagerly awaited to avoid controversy. We understand that they could not be made available for consideration within this consultation, and some of our comments may be moot in this respect.

Fair access to justice mentioned in article 36(3) is an expectation for all the users, and the proposed mechanism of reimbursement under alternative 1 is seen as an incentive for all types of parties not to load the court with disputes that can be resolved otherwise.

Though they were considered in article 36(3) as an option, targeted measures in favor of SMEs and microentities are appreciated. It is questionable however if, as proposed under alternative 2, they should extend to NPO, universities and public research organizations, which may benefit significant funding or financial resource.

A amendment combining both alternatives would be very welcome.

It is appreciated that the proposed amendments may mean less income as court fees. Schedule of value based fees might be amended accordingly for cases of higher values are understood to be significant contributors, less likely involving SMEs and less likely to early settlements.

About ASPI

ASPI is a professional association collectively representing the IP specialists working in Industrial Property departments in the French industry. The association represents its members before national and international authorities, contributes to professional training actions and information about IP matters evolutions for its members and any public, and expresses opinions from its members and makes suggestions to authorities in IP matters.

It has today above 510 members, which is the vast majority of professionals employed by companies established in France and providing support for intellectual property matters to their employer and affiliated French and foreign entities.

Association française des Spécialistes en Propriété industrielle de l'Industrie
34 bis rue Vignon, 75009 Paris, France
Tel : +33 (0)1 42 66 18 19
Fax : +33 (0)1 42 66 17 37
www.aspi.asso.fr

General comments on Rule 370

As a preliminary comment, ASPI first observes that the fees model which is laid open to consultation has been elaborated on the basis of assumptions for the number and types of litigation to be heard by the Court, but no such data or projections for costs and volume were shared with the public.

Moreover, many critical items in the fees model are either subject to non-publicly available guidelines (see assessment of the value in R 370.5) , or to subsequent revision (review of costs and fees based on work load is announced in explanatory note p20/23)

It is therefore not possible to comment how attractive the suggested structure of fees will be for the users, and if it meets the goal of providing fair access to justice.

Consequently, ASPI will not comment on the amount of each relevant fee, but will comment on individual items, particularly the relative level of some fees compared to others.

It is noted that there are still fees due for counterclaim which are defensive in nature, typically the counterclaim for revocation and the other counterclaims pursuant to Art 32(1)(a), which would for instance include a counterclaim for seeking a FRAND license on a patent.

While it is understood from the UPC Agreement that such claims require a separate action, users are concerned that fees on those defensive counterclaims (which would be developed as defense means in national litigation) should stay low to ensure a fair access to justice.

Comment to Rule 370.2.

The new draft of the rules has limited the number of actions which are open to a value based fee to a list of 7 actions.

Revocation and counter-claim for revocation are not retained in this list, and it is appreciated.

However, we understand from the schedule of fees B that a sort of value-based fee for the counterclaim for nullity is still contained, the fee being between 11 000 € and 20 000 € subject to the value of the main infringement action.

We suggest that the part of the fee in excess of 11 000€ would be considered as a value-based fee for the application of the exemption system proposed for SMEs in point 6.

We still question if it is appropriate to apply a value-based fee to the application to determine damages, in addition to the value-based fee due in the preceding infringement action.

Association française des Spécialistes en Propriété industrielle de l'Industrie
34 bis rue Vignon, 75009 Paris, France
Tel : +33 (0)1 42 66 18 19
Fax : +33 (0)1 42 66 17 37
www.aspi.asso.fr

Once the infringement has been established and the infringing goods identified, the issue of damages should not imply again the same expense in court fees.

A fixed fee for the assessment of damages after an infringement proceedings would be preferred.

Comment to Rule 370.3.

No value-based fee for low-value actions of a value of less than 500.000 € is appreciated.

Comment to Rule 370.5.

This point of the rule is unclear because it introduces the concept of value of the **relevant** action (namely each action from the list of R370.2), whereas the other rules refer to the value of the (sole) action or the whole dispute.

As far as predictability is concerned, the value of the overall dispute might be easier to approach than the value of every relevant action in the dispute.

The guidelines referred to in point 5 are thus eagerly awaited to clarify what value is at stake.

Lacking such information today, we wish to point out that articulation of rule 370 with the rules applying to each relevant action may require clarification.

For the following actions, the rules for value determination by the judge-rapporteur read as follows (emphasis added) :

*"The value of [*respectively*]*

*the infringement **action** [*R22*]*
*the **dispute** (including the Counterclaim for revocation) [*R31*]*
*the revocation **action** [*R57*]*
*the **dispute** (including counterclaim for infringement) [*R58*]*
*the **action** for a declaration of non-infringement [*R69*]*

*shall be determined by the judge-rapporteur taking into account the value of the **dispute** as assessed by the parties, by way of an order during the interim procedure"*

Therefore, it is not clear that the counterclaim actions for revocation or for infringement would each bear a respective value, nor if the judge-rapporteur has a duty to assess the specific value of each and every action in the dispute.

Association française des Spécialistes en Propriété industrielle de l'Industrie
34 bis rue Vignon, 75009 Paris, France
Tel : +33 (0)1 42 66 18 19
Fax : +33 (0)1 42 66 17 37
www.aspi.asso.fr

For the action to determine damages, which stands alone after infringement action, the value is assessed by the sole applicant:

*"Where the value of damages based on **the assessment under Rule 131.2(e)** exceeds [EUR***] the applicant shall pay a fee based on the value of that assessment for the determination of damages"* [R133]

It is therefore unclear in what circumstances the Court would have a chance to decide on the value as set forth in R370.5.

For the actions under (4) and (6) of R 370.2, it is unclear if a value was ever considered for those actions, and no specific provisions are to be found as to how and by whom the value is being determined :

*"The applicant shall pay the fee for compensation in accordance with Part 6". [*R80.3*]*
*"The appellant shall pay the fee for the appeal [EUR***], in accordance with Part 6" [*R228*]*

Secondly, the "objective interest pursued by the filing party at the time of filing the action" (whether it applies to the specific action or the whole dispute) is a rather subjective criterion and should be given a clear definition.

In this respect too, the criteria laid down in the decision of the Administrative Committee are eagerly awaited.

Comment to Rule 370.6.

We observe that each of the suggested alternatives to this point in fact target a different goal :

1- Reward early resolution of the disputes, which would reduce the workload of the Court.
2- Enable access to Court for parties with limited financial resources.

We strongly recommend combining these two provisions, for sake of an administration of justice both efficient and accessible for the wider public.

Alternative 1 is seen as a pragmatic approach, discounting part of the court fees in those cases where the effective amount of work required by the court is being reduced. And its implementation does not seem too complex from an administrative perspective.

To this extent, it is seen as a sensible way to ensure a right balance between fair access to justice and adequate contributions of the parties for the costs incurred by the Court, in favor of but not limited to SMEs, micro-entities, NPOs, universities and public research organizations, according to art 36(3) 3rd sentence.

Association française des Spécialistes en Propriété industrielle de l'Industrie
34 bis rue Vignon, 75009 Paris, France
Tel : +33 (0)1 42 66 18 19
Fax : +33 (0)1 42 66 17 37
www.aspi.asso.fr

Reasonable attention should be given to the criteria which the Court will use for making the decision to award the reimbursement or not, to prevent the abuses as mentioned in the explanatory note. These criteria could be developed in the aforementioned guidelines.

For these reasons, this alternative is seen positively, in so far as it offers a canvas to manage litigation and may support making pragmatic decisions in course of litigation.

However**, it does not constitute, as such, targeted support to SMEs and micro-entities** according to article 36(3) last sentence.

Although it is true that they often end up settling a dispute rather than going through the full litigation, the reason might often be that they cannot afford the costs of full litigation. The court fees system should avoid SMEs to be nudged into accepting an unfair compromise in order to reduce the burden of procedural fees.

Therefore, we think that this rule should be supplemented by targeted measures to support SMEs, like fees reduction, to cover the needs of SMEs which need to go down a full litigation for a fair justice being rendered.

Alternative 2 providing a reduction of fees for SMEs and micro-entities appears to provide a reasonable basis for improving access to justice.

However, it addresses only the value-based part of the Court fees and may therefore not apply to the majority of cases brought by SMEs

Further, exercise of the request of exemption requires the applicant to pay the fix fee, which may be seen as an entry barrier in the litigation.

To this extent, it would be most preferred to include supplemental measures like reimbursement under alternative 1 which apply to the whole fee.

We observe that this alternative 2 extends the idea of support measure to other entities than the ones specifically pointed out in Art 36(3) last sentence, namely SMEs and micro-entities.

It is firstly questionable if the system, as is, is strictly in line with the initial goal of the agreement.

It is even more questionable why the system requires the SMEs to provide justification for their financial resources, and no such requirement is foreseen for the other entities.

Concerning the documents to be submitted to justify the SME's status, they appear to be numerous but in line with the EU and French legislations. Several documents aim at confirming the limited resources of the entities.

Association française des Spécialistes en Propriété industrielle de l'Industrie
34 bis rue Vignon, 75009 Paris, France
Tel : +33 (0)1 42 66 18 19
Fax : +33 (0)1 42 66 17 37
www.aspi.asso.fr

Such documents are not required from non-profit organizations, public research organizations and universities to benefit of the reduction of value-based fees. However, concerns can be raised regarding these entities, especially universities, some of them having significant resources.

Consequently, it is considered that all of these entities/organizations should not systematically benefit from the reduction of fees.

The proposed system also raises the concern that the exemption measures may favor litigation by Non Practicing Entities of the kind known as Patent trolls.

It is suggested that documentation bringing evidence of the existence and nature of economic activity is added to the minimum documentation required under R370.6.b)(i) for the Court to take these facts into consideration, especially the existence of an economic activity in the field of the patent in dispute.

It could be considered that the reduction of fees be not mandatory and subjected to the appreciation of the Judge Rapporteur, while a request of this reduction of fees would be granted when the requesting party is the defendant.

The administrative burden of this alternative looks higher than for alternative 1, and we are concerned that fees may need a revision to cover these additional tasks.

As a conclusion, ASPI strongly recommends that suggested alternatives 1 and 2 are combined as two paragraphs in one same Rule 370.6.

The requirement for value-based fee exemption should make sure that the amount of financial resources and the extent of economic activity are considered for all types of entities concerned.

Natural persons.

Although their situation is dealt with the Legal Aid provisions under Rule 375 and following, there would be an apparent contradiction if they would not be ensure to receive the same level of support as micro-entities are entitled to receive under R370.6.

About the schedule of fees B

<u>General comments</u>

The fixed fees for low-value cases appear to be high, while the value-based fees for high-value cases appear relatively low.

ASPI is of the opinion that the high-value cases could reasonably be expected to bear a greater burden.

Action for declaration of non-infringement

Assessing the value of this action is quite speculative, as the applicant contends that no fee is due to the patentee.

We see a high risk of unpredictability of the costs for this action, if a higher value is finally decided by the Court.

It is difficult to comment if the scale of value-based fee is reasonable.

Action for compensation for license of right

This action is similar in its principle to a request for indemnification.

The fixed fee would thus have been expected to lie within the same range as a request for assessment of damages.

Counterclaim for revocation

As previously explained, it would be appreciated if the part of the fee in excess of the fixed fee for the main infringement action would be eligible to exemption under R 370.6.

Application to assess damages.

As mentioned above, it is currently a concern if and how the value of this action would differ from the value of the infringement action. Rule 133 suggests in fact that the value of this action is the value of damages sought. Thus collecting a value based fee for this subsequent action would appear to constitute a double levy.

Would it be decided to keep an additional value-based part for this fee, we wish to draw attention to following comments.

Association française des Spécialistes en Propriété industrielle de l'Industrie
34 bis rue Vignon, 75009 Paris, France
Tel : +33 (0)1 42 66 18 19
Fax : +33 (0)1 42 66 17 37
www.aspi.asso.fr

It is noted that the lowest value-based fee in the schedule is 2500€ almost doubles the fixed fee and the escalation of additional fee is soon exceeding the level of the fixed fees for other substantial actions.

To avoid the situation of duplicate payment of additional value fee, rescaling the value-based fees levels and/or capping the additional value-based fee (e.g. to a certain multiple of the fixed fee or to a percentage of the additional fee for infringement) would be valuable options.

Other types of counterclaim

As the types of those actions is left open, it is questionable why the same amount of 11 000 € would apply for the fixed fee to all actions.

Some actions are very economic in nature, like the example previously given of a counterclaim to seek a FRAND license on essential patent.

The spirit of such action is quite close to the assessment of damages, and it would have been expected that the corresponding fee would preferably lie in the same range as the application for damages.

Opt out/Withdrawal of Opt out.

This fee was designed to cover the corresponding administrative costs of UPC. It seems rather high compared to the cost for a record on the register at INPI, which is 27 € per patent.

In this respect, Industry practitioners submit that a scale of decreasing fees for declarations including simultaneously a certain / great number of patents seems achievable. Again, for comparison, INPI applies a ceiling of cost of 270€ for a request to record on the register an act covering a plurality of rights.

About the Scale of ceilings for recoverable costs C

Association française des Spécialistes en Propriété industrielle de l'Industrie
34 bis rue Vignon, 75009 Paris, France
Tel : +33 (0)1 42 66 18 19
Fax : +33 (0)1 42 66 17 37
www.aspi.asso.fr

It is understood that this scale of ceilings applies to representation costs only, the other fees including court fees being recoverable separately.

Clarification that the court fees are always recoverable in total would be welcome.

Ceilings for representation costs are positively welcome because they give risks predictability and value-based levels of these ceilings seem appropriate.

The explanatory note states that the goal for ceilings is to safeguard the losing party against excessive cost burdens.

It is thus understood that the scale of ceilings is applicable per instance and per losing party. But clarification is required.

Guidelines will be fundamental in order to guide the judges in the calculation of recoverable costs.

Further consultation

As many elements of the fees system are likely to be reviewed or adjusted in the future, ASPI expects further consultations to happen, to have an opportunity to share further comments.

*****

ASPI
34bis, rue Vignon - 75009 Paris
Tél : 01 42 66 18 19
Fax : 01 42 66 17 37
E-mail : contact@aspi.asso.fr