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Groucho Marx, fairness and the opting-out fee

Miquel Montaña (Clifford Chance) · Thursday, October 31st, 2013

As he recounted in *Groucho and me* (1959), Groucho Marx once sent a telegram to the Friar's Club of Beverly Hills with the following text: "Please accept my resignation. I don't want to belong to any club that will accept people like me as a member." One may wonder whether he would have had the same reaction if he had been told that he would have to pay a fee for not becoming a member of a club of which he did not wish to be a member in the first place. Probably, he would have thought that a club with such an extravagant idea could not even exist. Yet one does exist (and I swear it is not one of Groucho Marx's very funny jokes). The club does exist and it is called the "Unified Patent Court."

As my dear friend Thorsten Bausch reported in a previous blog, according to article 83.3 of the Agreement on a Unified Patent Court ("UPC") signed on 19 February 2013, unless an action has already been brought before the UPC, owners of European patents granted or applied for prior to the end of the transitional period (7+7), shall have the possibility to opt out from the exclusive competence of the Court. To do so, they must notify their opt-out to the Registry at least one month before the end of the transitional period. The opt-out will take effect upon its entry into the Registry.

The opt-out provision introduced by article 83.3 is a tribute to common sense. If the UPC has been designed as an additional, allegedly more inexpensive and rational enforcement mechanism available to patentees, the beneficiaries of the system should be able to choose whether or not to enforce their patents under the new system. If they choose to enforce their patents through the UPC, they should of course be required to pay a fee. If they choose not to enforce their patents through the UPC and use the enforcement mechanism in place where their patents were applied for, it would not appear to be fair to require them to also pay a fee. Particularly when there is not the slightest mention (i.e. legal basis) for such a fee, either in the Regulation (EU) 1257/2012 of 17 December 2012 implementing enhanced cooperation in the area of the creation of unitary patent protection, or in the Agreement on a UPC, and when one of the two principles meant to sustain the new edifice is the "principle of fairness" (article 42 of the Agreement on a UPC).

Against this background, even someone so well versed to all sort of jokes such as Groucho Marx would have had to read, four or five times, Rule 5.3 of the 15th Draft of the Rules of Procedure of the UPC before believing what it says. Rule 5.3 states that "The applicant(s) for an opt-out shall pay the fixed fee in accordance with Part 6. The application shall not be entered in the register until the fixed fee has been paid." One can hardly see how on Earth obliging a patentee to pay a fee for not using the new UPC can be reconciled with the principle of fairness. This does not quite

even fit with the Preamble of the Rules of Procedure, which state that “The Rules shall be applied and interpreted in accordance with Articles 41(3), 42 and 52(1) of the Agreement on the basis of the principles of proportionality, flexibility, fairness and equity.”

On the other hand, a set of rules aimed at governing the procedure to be followed by those patentees who wish to use a Court appears to be a very odd place to introduce, for the first time, a fee for those who do not wish to use it! As mentioned, leaving aside the fact that such a fee would be at odds with the principle of fairness, its legal basis is dubious, to say the least.

There is a possibility that, among those who have set up this replica of the Friar’s Club of Beverly Hills, there may be a concern that the club members’ resources will be insufficient to fund its activities. They have a point. Beverly Hills is a very expensive place and this is not going to be a cheap club. And not only Groucho Marx has opted out, but also riots of patentees are planning to do so. If – as is the plan – many patentees opt out, the fees of those who wish to use the UPC may not be sufficient to finance a Court that seeks to be self-financed. But that’s the price you have to pay when you dream of having a club in Beverly Hills without having asked “how much” first, particularly when prospective members fear that the club is not going to be fun. Perhaps a fair solution would be to really listen to stakeholders, for once, so that they might help in building a club that would be more appealing to them.

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