Kluwer Patent Blog

‘Opt-out fee for future Unified Patent Court is (unsurprisingly) much too high’

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The €80 opt-out fee for the Unified Patent Court (UPC) as proposed by the Preparatory Committee will be a very heavy burden for hard-pressed patent departments. They are being asked to pay a significant fee for NOT using the new system. ’How perverse can this be?’ says Bristows partner Alan Johnson in answer to questions by Kluwer IP Law about the consultation document on UPC fees, which was published last week.


Alan Johnson

‘The worst (but least surprising) proposal is the opt-out fee of €80. Many users are looking forward to the new system and will not opt out their existing European patent portfolio. But it is a cornerstone of the agreement that they are entitled to do so. Hence levying a charge is wrong in principle. Even accepting that there will be a cost to the UPC, which needs funding, any fee to cover the administration of noting the opt-out in a Register should be strictly limited to the actual cost. We now understand registering opt-outs will be done by the Court Registry and not through the European Patent Office (EPO), so the UPC will need to set up its own database of European patents. That will be expensive, but it is essentially a capital cost and needs to be done in any event, because the Registry is obliged to check, when an action is commenced in the UPC, if the patent has been opted out. And it also needs this database for other reasons such as noting the existence of protective letters. So even if no-one opts out, it still needs to incur this capital cost which should not be recovered through this fee.

What should be charged for is purely the administration cost, and of course for checking the fee has been paid. One view is that almost any administrative task costs upwards of €100. However, a more reasonable fee would be €10, given the very small amount of work involved if the database is set up in the right way so that users can tick a box online requesting the opt-out.

Alternatively, there should at least be a bulk discount for multiple opt-outs. There are about 600.000 patent families. If one half of patents are opted out, this would generate a revenue of €24M! This is unbudgeted cost payable in one large chunk by hard-pressed patent departments

already being asked to cut their budgets and make their money go further. And as more patents are granted (about 70,000 per year), a similar 50% opt-out rate would generate another €2.8M per year for seven years. And all of this is NOT to use the system. How perverse can this be?

The very "granular" level of court fees is rather surprising. How does one really assess whether an action is worth €5M, €6M or €7M? We desperately need the guidelines for assessing value. I am not happy simply to accept the German view that it is all quite easy in their system to agree a value. Especially when there is no relationship between the value attributed and the damages which might be claimed.'

Your colleague Edward Nodder wrote: 'the categories of entities which would be eligible for financial support are very wide, and will probably encompass all NPEs'. Do you agree with his criticism?
'Yes. The principle here is one of access to justice. People (and small entities) should not be priced out of the court. However, this proposal does not base itself on means testing. So wealthy US universities (who own a lot of patents) would qualify for support. So too would all NPEs as far as I can tell. Some are owned by venture capitalists who set up a small entity to enforce patents. There is nothing wrong with monetising patents, but why should large companies effectively subsidise venture capitalists and rich universities to sue them?

Another issue here is cost recovery. The US NPE problem is part contingency fee lawyers, part expensive proceedings, and part no costs shifting. So we need to consider if we are heading toward a system which inadvertently discounts NPE fees, and also lessens fee shifting. The recovery levels are potentially quite modest because of the chosen level of cap for cases as compared with possible actual fees. That is a concern. Having a cap is ok, but it should be higher.'

What is your opinion on the fixed €20.000 fee for a revocation action as proposed by the UPC Preparatory Committee?
'There has been a debate whether there should be both a fixed fee and a value based fee. This arises because under R.25 a defendant who pleads invalidity as a defence MUST counterclaim for revocation. So this is a fee to defend oneself.
If there were value based fees (especially if they were high) this would be quite wrong. The compromise of a quite high fee without value component is reasonable. I think it would be better if it were a little lower, but I cannot really criticise this particular choice of fee level.
What is also interesting is that the fee is the same even if you are not defending yourself, but proactively revoking a patent. That is unexpected. It means that people are more likely to use the UPC in the alternative, or in addition, to EPO oppositions.

One oddity is if a potential infringer wants to "clear the way". If they apply to revoke a valuable patent it costs them €20.000. If they seek a declaration of non-infringement it costs them €11.000 fixed fee plus €220.000 value based fee. An odd result.'

What is your overall opinion? Has the UPC Preparatory Committee done a good job?
'Their problem is to make the Court self funding. No-one knows how many cases there will be, or how many opt-outs, and what value the cases will have. So there must have been a series of educated guesses to come up with numbers. It is difficult to criticise anyone trying to make such guesses. The compromise on revocation fees is pretty good. On SME support I much prefer the proposal to reward behaviours (one of the R.370 options) rather than the non-means tested alternative. And I do not like the opt-out fee; I can well imagine its legality could be challenged.

So overall maybe 7 out of 10. But we really should see the underlying economic assumptions so as to evaluate them, and also we should see the value based fee guidelines and be able to comment on those.
For instance, these are fees per action. So can you add in as many patents as you like for the same fee – especially relevant if you are in a very high value suit? Will the Court be able to split actions up and make more money for itself? (See R.302.1 which seems to allow this – and the fee question is then to be determined by the court under R.302.2)'

Will the UPC be an expensive Court?
'The court fees are only one part. The lawyers' fees will still be the main issue. If a lot is at stake, parties will fight hard. One (quite different) criticism of the UPC is the degree of "front loading" but that is nothing to do, of course, with this consultation.' Overall, however, the UPC is something we should all be looking forward to.

Are you planning to send in comments on the consultation document yourself?
'Yes – and so should all industry bodies and as many individual companies as possible.'

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