



July 31, 2015

Mr. Paul van Beukering
Chairman
Preparatory Committee of the Unified Patent Court

Ms. Eileen Tottle
Head of Secretariat
Preparatory Committee of the Unified Patent Court

Via email: secretariat@unified-patent-court.org
eileen.tottle@ipo.gov.uk

RE: Fees of the UPC –User consultation

Dear Mr. van Beukering and Ms. Tottle,

This letter is in response to the request for comments dated May 11, 2015, concerning the draft rules related to fees for the Unified Patent Court (UPC).

IPO¹ is a trade association representing companies and individuals in all industries and fields of technology who own or are interested in intellectual property rights. IPO's membership includes more than 200 companies and more than 12,000 individuals involved in the association either through their companies or as inventors, authors, executives, or law firm members. IPO members file a very large number of European patent applications. Our European Practice Committee, who assisted with these comments, is comprised of Intellectual Property attorneys from Europe and the United States, both from private and corporate practice, all of whom have extensive experience and a strong interest in European patent matters.

We first address the two proposed versions of draft Rule 370 and then suggest some changes to other fee-related rules.

Part A. Rule 370

Rule 370 has been drafted with two versions, one offering a reduction in court fees when the case is settled, and the other allowing reductions for universities and SMEs. While it would be ideal for the rule to include both fee reductions, IPO supports the fee reduction associated with case settlement.

The rules are unclear, however, regarding the following situation: If a case is settled during the written procedure, for example, there will be no decision about the value-

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¹ Transparency Register Identification Number 75569863714-64

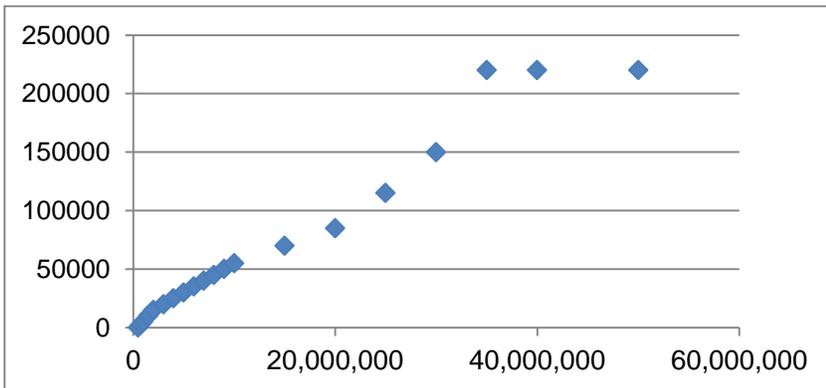
based fee because the settlement occurs during the interim procedure (*cf.* Rule 22 and Rule 371 of the 17th draft).

To address this situation, the rules should be clarified such that if the case is settled or withdrawn before the value-based fee has been determined, the value-based fee will be omitted. This clarification is also important concerning attorney fees. *See* Part B, 2, below.

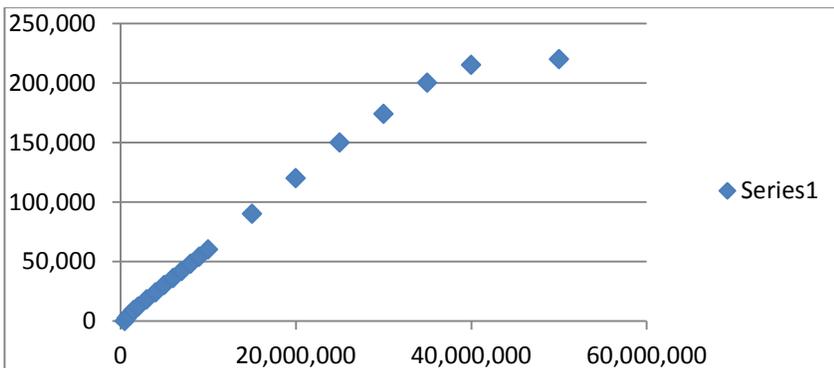
Part B. Further comments

1. Value-based fee: Suggestion to eliminate artificial jumps and plateaus in the value-based fee structure

When viewing the rise of the value-based fees set out in the Table of Fees, IPO notes that the fees rise most steeply between €20m and €30m. Furthermore, there is a huge jump between €30m and over €31m, and then no further increases per the graph below:



IPO respectfully suggests a change to this table to smooth out the sharp increase and plateau. Our proposal is shown in the graph and the table below.



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Value of action	Fee (€)	Fee as % of Value
Up to and including €500,000	0	0
Up to and including €750,000	2,500	0.3333
Up to and including €1,000,000	5,000	0.5
Up to and including €1,500,000	9,000	0.6
Up to and including €2,000,000	12,000	0.6
Up to and including €3,000,000	18,000	0.6
Up to and including €4,000,000	24,000	0.6
Up to and including €5,000,000	30,000	0.6
Up to and including €6,000,000	36,000	0.6
Up to and including €7,000,000	42,000	0.6
Up to and including €8,000,000	48,000	0.6
Up to and including €9,000,000	54,000	0.6
Up to and including €10,000,000	60,000	0.6
Up to and including €15,000,000	90,000	0.6
Up to and including €20,000,000	120,000	0.6
Up to and including €25,000,000	150,000	0.6
Up to and including €30,000,000	174,000	0.58
Up to and including €35,000,000	200,000	0.57143
Up to and including €40,000,000	215,000	0.5375
Over €50,000,000	220,000	0.44

In addition to avoiding large jumps or steps, this alternative table of fees has the following two advantages:

- The incremental increase in the value-based fee as each “milestone” value of the action is passed is never so great that the additional value will be major point of contention between the parties, and
- The increases would be asymptotic, becoming less as the plateau is approached.

IPO believes that such an adapted table of fees would provide significant advantages.

2. Reduction in recoverable costs (Rule 152 (2))

In section C (Table of recoverable costs for attorneys), there is no difference in the ceiling when the case is withdrawn or settled. Since attorney costs according to the current fees outweigh the court fees by a great deal, especially for higher values, IPO suggests that incentives for the parties to withdraw the case be made with respect to attorney costs as well. IPO supports the ceiling for recoverable attorney costs being subject to a discount similar to the one for the court fees in Alternative 1 of Rule 370 in the case of a withdrawal.

3. Clarification of Rule 370 or Rule 228

There is a proposal in draft Rule 370.2(6) that a value-based fee be payable on final appeal. It is unclear whether the value of an appeal is the same as the value of the first instance case and

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whether Rule 228 should be amended. As drafted, it does not provide for a value-based fee. Without clarification, there may be another round of discussion about the value upon which to base a fee. For example, to the extent that the value is based on the turnover in the accused product, more information will be available at the time of an appeal regarding the value than at the commencement of the first instance action. Accordingly, clarification of either Rule 370.2(6) or Rule 228 is needed.

4. Introduction of a cost-shift procedure

There are currently no incentives for the parties to communicate with each other (e.g., exchange warning letters) prior to going to court. Pursuant to Article 69(3), IPO suggests that the rules should include a provision that requires a party to bear any unnecessary costs it has caused the court or other party such as when the plaintiff immediately withdraws the case and does not provide a reasonable cause for having brought the action or when the plaintiff did not communicate with the defendant prior to bringing the action and the defendant immediately admits to the plaintiff's claim.

5. Avoidance of "double-payment"

In the agreement and the current draft of the rules, there are several situations where cases that are in progress are stayed or halted for concurring cases. These are:

- Art 33(6) of the agreement provides that an action for declaration of non-infringement is stayed if an infringement action is filed; and
- Rule 70(3) provides that a revocation action can be stayed if a counterclaim for revocation is filed in a parallel infringement suit.

For both of these situations, IPO supports the inclusion of provisions that provide that either only one court and/or attorney fee is to be paid or that there is a large reduction for the second action.

6. Opt-Out Fee

The proposed value-based fees include a fee for an opt-out application. The draft indicates that these fees "are set to reclaim administrative costs only." We recommend that a lower fee should apply, such as in the form of a bulk discount, for opt-out applications for large patent portfolios.

IPO appreciates the opportunity to provide comments on the proposed rules for the Unified Patent Court fees. We hope that you will contact us if you have any questions or concerns or if we can assist further in this matter.

Sincerely,



Herbert C. Wamsley
Executive Director