

Costs of using the Unitary Patent Package

Introduction

The IP Federation represents IP intensive companies in the United Kingdom – a list of members is attached. Our member companies are extensively involved with IP in Europe and internationally. Not only do they own considerable numbers of IP rights, but they are affected by the activities and IP rights of competitors.

The Unitary Patent Package

The Unitary Patent Package (UPP) comprises the Unitary Patent and Unified Patent Court (UPC). This note summarises IP Federation's position on three issues relating to the cost of using the Unitary Patent Package, namely court fees, unitary patent fees and opt-out fees.

These three issues may appear separate, but they are linked. The decision as to whether to apply for a unitary patent depends not only on the fees which will be incurred directly in obtaining and maintaining such patents, but also the cost of enforcement in the UPC; and the decision as to whether or not to opt out existing patents depends not only upon the fees to opt out, but also the costs of enforcement in the UPC. Industry is greatly concerned that costs implications of the major changes which will be effected by the UPC are as yet unknown. Budget setting discussions in industry typically take place 18 months to two years in advance of budget implementation. Therefore, the IP Federation urges the Commission to use its influence to help bring early clarity to the situation in order that European industry may make appropriate decisions in good time.

Court fees

The UPC Agreement requires that the Court must be self-financing within 7 years, with no subsidy available from the Commission due to the UPC being a strictly non-EU organisation. The costs of running the Court are likely to be considerable, and other than Court fees, there are no obvious sources of income.

No information is currently available as to the provisional estimates of the Court's budget, nor the likely fees which will be needed to support that budget, although it is understood that a consultation on fees is being prepared for issuance in spring 2015.

Two particular aspects of the system are notable. First, is that the fees of SMEs etc. are to be subsidised. Whilst this is a worthy aim, IP Federation is concerned that suitable measures should be in place to prevent abuse, for

example some “patent trolls” are often organised as SMEs or micro-entities. Second, the UPC Agreement mandates that the fees contain a “value” element. The IP Federation is concerned that this element should not be such as to skew the fees so that litigation of higher value disputes unduly subsidises lower value claims. It is also important not to deter revocation actions against invalid patents. A balance should be maintained so that litigants pay fairly for the share of the court resources which they use. If this is not done, the major potential users of the system will prefer to use national systems instead of the UPC, which is obviously undesirable from a policy perspective. In other words, it is in the interests of the system as a whole that the fee structure is fair to all users.

Finally on this issue, counterclaims for revocation are mandatory when the defence of invalidity is raised. This defence is very common and reflects the fact that the EPO is a “coarse filter” on validity. Many patents, when litigated are found to be invalid, and it is fundamental part of the UPC Agreement that the new system should improve the ability of parties to defend against “unfounded claims and patents which should be revoked”. The IP Federation is very concerned that the fees for such counterclaims should not be set at a prohibitively high level such as to dissuade defendants from defending themselves properly and/or to encourage settlement of cases because it is cheaper to pay a royalty than to challenge an invalid patent.

Unitary patent fees

The EPO is currently considering the appropriate level of renewal fees for the unitary patent, that is to say the level of fees to maintain the patent after grant. As will be understood, the level of fees will have a major influence on the take-up for unitary patents. Most patentees will base their decision on an economic analysis of the benefits of the unitary patent, but be unwilling to pay more overall for their patent protection at a time when budgets are being tightened, not loosened. Consequently, it is **not** a question of how much extra patentees will pay for the extra scope of protection afforded by the unitary patent, but rather is a unitary patent affordable?

The IP Federation therefore urges the Commission to use its influence with the EPO to make unitary patents affordable by setting the renewal fees at the lower end of the range currently being discussed, that is at the same level as the combined cost of protection in Germany, the UK and France but no more. Even at this level, many patentees will be concerned at committing to unitary protection which forgoes the possibility of trimming renewal costs later in the life of their patents, since patentees often, by the end of a patent’s life, have trimmed their protection to only one or two countries, typically Germany and the UK. However, if the cost is any greater than the cost of conventional protection in these three countries, the take-up is likely to be very limited indeed. In this context, it was disappointing to note the comments of Margot Fröhlinger at a recent conference when she indicated that the level of fees is more likely in the range of four to five national equivalents than three.

Opt-out fees

A central part of the UPC transitional arrangements is to permit those patentees who wish to continue to use national litigation systems to be able to do so. This was the basis on which the system was agreed. The registration system should not be burdensome so as to force patentees into the system against their wishes. Part of that includes that any fees should be a true reflection of the cost of registering the opt-outs and not more. (It is in any event contrary to European law as established by the CJEU to charge more for the provision of an administrative service than the actual cost.) The cost of administering an opt-out should be nominal, since it would have to be done electronically by the patent proprietor, and it is not being suggested that the EPO should have to check the application: indeed, there would be more cost involved in checking that the fee had been paid correctly than anything else. Hence, the IP Federation urges the Commission to use its influence to keep the opt-out fees to the lowest level possible, and preferably zero. It may be more cost effective to set the fee at zero and thus avoid the administrative cost of fee collection. If there is to be a fee, it is suggested that it should not only be modest, but that there should be a cap for bulk opt-outs.

Conclusion

It is not only fairest to industry that all fee levels should be kept low, but also consistent with the Commission's policy in this area that UPC court fees and unitary patent fees should be low. If the system is attractive, fewer patentees will opt out, but the choice should be available as was contemplated by the UPC Agreement without undue fee burden.

IP Federation
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IP Federation members 2015

The IP Federation represents the views of UK industry in both IPR policy and practice matters within the EU, the UK and internationally. Its membership comprises the innovative and influential companies listed below. The CBI, although not a member, is represented on the Federation Council, and the Council is supported by a number of leading law firms which attend its meetings as observers. It is listed on the joint Transparency Register of the European Parliament and the Commission with identity No. 83549331760-12.

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Ericsson Limited
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