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IP Seminar

The recoverability of (patent) attorney fees after the ECJ decision in United Video Properties / Telenet

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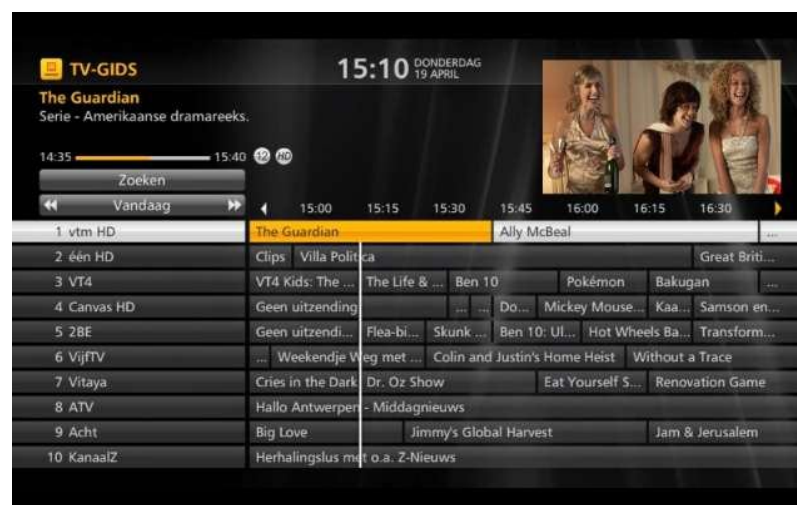
Overview

- Background
- The Belgian legislation
- Violation of Enforcement Directive?
- The decision of the European Court of Justice
- The decision of the Antwerp Court of Appeal (8 May 2017)

The recoverability of (patent) attorney fees

Background (1)

- United Video Properties owns a large portfolio of Electronic Program Guide and digital TV related patents



Background (2)

- Example
- EP 0 969 662

Claims

1. A method for navigating about a television program listing (20) comprising the steps of:

storing in electronic memory a plurality of television program listings, each listing including title, telecast time, and channel;
displaying on a monitor screen some of the titles of program listings in a grid guide format of time and channel;
moving a cursor (32) on the screen to mark one of the displayed titles in the grid guide format;
and
opening to the marked title in a single channel format (58) instead of the grid guide format (24);

wherein the single channel format (58) includes rows of sequential television program listings for the channel corresponding to the marked title.

The recoverability of (patent) attorney fees

Background (3)

44	11:00 AM	11:30 AM	12:00 PM
2	JUDGE (PART 1)	JUDGE (PART 2)	AT NOON ³²
4	GOLDEN GIRLS	NEWS ²⁶	INSIDE EDITION
5	YOUNG & RESTLESS	NEWS ²⁶	
7	PERFECT STRA	LOVING	ALL MY CHILD
9	SESAME STREET		
13	ALL MY CHILDREN	NEWS ²⁶	
44	EVERYDAY ²⁶	MOVIE	
A&E	LORNE GREEN'S WORLD OF S	FUGITIVE	
CNN	NEWS	NEWS	
DIS	WALT DISNEY PRESENTS	LUNCH BOX	
LIF	JANE WALLACE	FRUGAL GOURM	
TNT	MOVIE ²⁶		
CH 2	KNTV-FOX	CBL 2	

FIG.-3

18	WHAT'S NEXT ON CHANNEL 2			
60	11:00 A	JUDGE (PART 1)		
	11:30 A	JUDGE (PART 2)		
	12:00 P	AT NOON		
	1:00 P	MOVIE: ANATOMY OF A SEDUCTION		
	3:00 P	ALVIN AND THE CHIPMUNKS		
	3:30 P	SUPER MARIO BROS. SUPER SHOW		
	4:00 P	CHIP'N DALES RESCUE RANGERS		
	4:30 P	DUCKTALES		
	5:00 P	SILVER SPOONS		
	5:30 P	THREE'S COMPANY		
	6:00 P	WHO'S THE BOSS		
	6:30 P	MAMA'S FAMILY		
	7:00 P	CHEERS		
	CH 2	KNTV-FOX	CBL 2	11:25A TUE APR 3

FIG.-7

Background (4)

- Strategy United Video Properties:
 - Invite companies to take license under the entire portfolio
 - Threaten litigation if no license is taken
 - Litigation on the basis of a few patents
- Many companies have taken license
- Some have resisted and this has led to litigation:
 - In the UK against Virgin Media
 - In the Netherlands against Ziggo
 - In Belgium 2 patent infringement proceedings started against Telenet in June 2011
 - EP 1 213 919
 - EP 1 327 209

Background (5)

- EP 1 213 919

Claims

1. A method for using an interactive television program guide system based on first and second user television equipment devices within a household, said first and second user television equipment devices implementing respective first and second interactive television program guides, wherein the second television equipment device comprises a recording device, the method comprising:

interconnecting the first and second user television equipment devices by a communication path;
receiving, in the first interactive television program guide, a user selection of a program for recording;
coordinating the first and second user television equipment devices over the communications path, such that the selection on the first interac-

tive television program guide is effective on the second interactive television program guide; and
recording, under control of the second interactive television program guide, the selected program on the recording device, wherein the second user television equipment device is in a location remote from the first user television equipment device.

Background (6)

- EP 1 327 209

Claims

1. An interactive media-on-demand system, comprising:

a plurality of user equipment devices that are each configured to present media-on-demand programming delivered from a remote media-on-demand server, configured to allow a user to request to freeze delivery of a media-on-demand program, and configured to allow the user to request to have the delivery resumed from the point at which the delivery was frozen; and the remote media-on-demand server being configured to deliver media-on-demand programming to each of the plurality of user equipment devices, configured to freeze said delivery of the media-on-demand program when the remote media-on-demand server receives a request to freeze said delivery from a first one of the plu-

rality of user equipment devices, and **characterised in that** it is configured to resume said frozen delivery at the point at which said delivery was frozen to a second one of the plurality of user equipment devices when a request to resume delivery is received from the second user equipment device.

Background (7)

- Two decisions of President of Antwerp Commercial Court (3 April 2012):
 - EP 1 213 919: No infringement (revocation action stayed pending outcome opposition proceedings)
 - EP 1 327 209: Patent revoked

Background (8)

- United Video Properties appeals both decisions
- In August 2014 United Video Properties withdraws its appeal in case regarding EP 1 327 209 (hearing scheduled for 3 November 2014)
- What now?

Background (9)

- Fees paid by Telenet in case regarding EP 1 327 209:

	First instance	Appeal	Total
Attorney fees	€ 100.762,50	€ 84.700,05	€ 185.462,55
Patent attorney fees	€ 22.137,50	€ 18.262,50	€ 40.400,00

The Belgian legislation (1)

- Article 1017(1) of the Belgian Code of Civil Procedure:
"Every final decision (...) shall order the unsuccessful party to pay the costs (...)"
- Article 1018:
"The costs shall comprise:
(...)
6° the procedural cost indemnity, as provided for in Article 1022."

The Belgian legislation (2)

- Article 1022:

"The procedural cost indemnity shall be a flat-rate contribution towards the costs and fees of the successful party's lawyer.

(...) the King shall (...) establish the basic, minimum and maximum amounts of the procedural cost indemnity, inter alia in the light of the nature of the case and the significance of the dispute.

Upon application by one of the parties and by means of a decision stating special reasons, the court may either reduce or increase the indemnity, without exceeding the maximum and minimum amounts set by the King."

The recoverability of (patent) attorney fees

The Belgian legislation (3)

- Royal Decree of 26 October 2007
- For actions that can be evaluated in monetary terms:

	Reference sum	Minimum amount	Maximum amount
Up to 250,00	€ 180,00	€ 90,00	€ 360,00
From 250,01 to 750,00	€ 240,00	€ 150,00	€ 600,00
From 750,01 to 2.500,00	€ 480,00	€ 240,00	€ 1.200,00
From 2.500,01 to 5.000,00	€ 780,00	€ 450,00	€ 1.800,00
From 5.000,01 to 10.000,00	€ 1.080,00	€ 600,00	€ 2.400,00
From 10.000,01 to 20.000,00	€ 1.320,00	€ 750,00	€ 3.000,00
From 20.000,01 to 40.000,00	€ 2.400,00	€ 1.200,00	€ 4.800,00
From 40.000,01 to 60.000,00	€ 3.000,00	€ 1.200,00	€ 6.000,00
From 60.000,01 to 100.000,00	€ 3.600,00	€ 1.200,00	€ 7.200,00
From 100.000,01 to 250.000,00	€ 6.000,00	€ 1.200,00	€ 12.000,00
From 250.000,01 to 500.000,00	€ 8.400,00	€ 1.200,00	€ 16.800,00
From 500.000,01 to 1.000.000,00	€ 12.000,00	€ 1.200,00	€ 24.000,00
Above 1.000.000,01	€ 18.000,00	€ 1.200,00	€ 36.000,00

The Belgian legislation (4)

- For actions that cannot be evaluated in monetary terms

	Reference sum	Minimum amount	Maximum amount
No monetary value	€ 1.440,00	€ 90,00	€ 12.000,00

- Cease-and-desist proceedings considered as proceedings which cannot be evaluated in monetary terms
- Telenet can recover a maximum of 24.000 EUR (12.000 EUR per instance) compared to the amount of 185.462,55 EUR it has paid to its attorneys

The Belgian legislation (5)

- Fees paid to technical experts (such as patent attorneys) are costs in the sense of article 1018 Code of Civil Procedure
- No limit on recoverability by a legal provision but
- Supreme Court (Hof van Cassatie) case law provides that fees paid to a technical expert can only be recovered by the successful party from the unsuccessful party if the payment of the fees to the technical expert is the necessary consequence of a fault committed by the unsuccessful party
- In case a patentee wins against an infringer, the fees paid by the patentee to his patent attorney are generally considered to be the necessary consequence of a fault committed by the infringer (i.e. the infringement)
- But if a patentee loses against an alleged infringer, the alleged infringer can only recover the fees he has paid to a patent attorney in the exceptional case that the patentee was at fault in bringing the proceedings
- Telenet can recover 0 EUR compared to the amount of 40.400 EUR it has paid to its patent attorneys

The Belgian legislation (6)

- Telenet can recover 24.000 EUR compared to amount spent of 225.862,55 EUR

Violation of Enforcement Directive? (1)

- Article 14 of Directive of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights:

"Legal costs

Member States shall ensure that reasonable and proportionate legal costs and other expenses incurred by the successful party shall, as a general rule, be borne by the unsuccessful party, unless equity does not allow this."

- It seems evident that the Belgian legislation (attorney fees) and case law (patent attorney fees) is not in line with article 14 of the Enforcement Directive because:
 - There is no guarantee that the caps in the Belgian legislation allow the successful party to recover its 'reasonable and proportionate' attorney fees
 - Article 14 does not subject the reimbursement of the fees paid to a patent attorney to a fault committed by the unsuccessful party

Violation of Enforcement Directive? (2)

- Ghent Court of Appeal (decisions of 19 January 2009 and 2 March 2009)
 - The Belgian legislation on attorney fees does not violate article 14 of the Enforcement Directive because the Belgian legislation is of a later date (2007) than the Enforcement Directive (2004) so it can be safely assumed that the Belgian legislator has taken the Enforcement Directive into account
- Very weak argument but shows reluctance on the part of the Belgian courts (probably) because the Belgian legislation was the result of a clear political choice for low, capped amounts to promote access to the justice system
- But:
 - courts should apply the law
 - and whilst the political choice of the Belgian legislator is honourable, it is a choice which simply could not be made because the European legislator had made - in relation to IP infringement cases - a different choice

Violation of Enforcement Directive? (3)

- The Netherlands amended its costs legislation (small, capped amounts) specifically for IP matters (article 1019h Code of Civil Procedure)

UVP / Ziggo	First instance	Appeal	Total
EP 0 880 856	€ 200.000,00	/	€ 200.000,00
EP 1 244 300	€ 151.033,80	€ 125.000,00	€ 276.033,80
EP 0 775 417	€ 257.825,23	/	€ 257.825,23

Violation of Enforcement Directive? (4)

- By decision of 26 January 2015 the Antwerp Court of Appeal referred two questions to the ECJ for a preliminary ruling:

“(1) Do the terms “reasonable and proportionate legal costs and other expenses” in Article 14 of Directive 2004/48 preclude the Belgian legislation which offers courts the possibility of taking into account certain well-defined features specific to the case and which provides for a system of varying flat rates in respect of costs for the assistance of a lawyer?”

“(2) Do the terms “reasonable and proportionate legal costs” and “other expenses” in Article 14 of Directive 2004/48 preclude the case-law which states that the costs of a technical adviser are recoverable only in the event of fault (contractual or extra-contractual)?”

The decision of the European Court of Justice (1)

- Opinion Advocate General (5 April 2016)
 - Belgian system of procedural cost indemnity (attorney fees) does not violate article 14 of the Enforcement Directive because the caps provide for legal certainty and foreseeability and one can assume *"that the maximum figures laid down [in the Royal Decree] are consonant with the average standards in Belgium."*
 - The case law of the Supreme Court (patent attorney fees) violates article 14 of the Enforcement Directive as article 14 *"precludes a requirement that fault must exist as a necessary condition to reimburse the reasonable, proportionate and equitable experts' costs incurred by the successful party (...)"*

The decision of the European Court of Justice (2)

- European Court of Justice (28 July 2016)
- ECJ follows Advocate-General regarding patent attorney fees:
“Article 14 of Directive 2004/48 must be interpreted as precluding national rules providing that reimbursement of the costs of a technical adviser are provided for only in the event of fault on the part of the unsuccessful party, given that those costs are directly and closely linked to a judicial action seeking to have such an intellectual property right upheld”

The decision of the European Court of Justice (3)

- ECJ does not follow Advocate-General regarding attorney fees:
 - Caps can be justified but only if they ensure that *"that the successful party [has] the right to reimbursement of, at the very least, a significant and appropriate part of the reasonable costs actually incurred by that party"* (paragraph 29 of the judgment)
 - The reasonableness of the costs is to be assessed *"taking into account factors such as the subject matter of the proceedings, the sum involved, or the work to be carried out to represent the client concerned"*. Costs are unreasonable if fees are *"unusually high"* or if fees are charged for *"services that are not considered necessary in order to ensure the enforcement of the intellectual property rights concerned."* (paragraph 25 judgment)

The decision of the European Court of Justice (4)

- *“Article 14 of that directive precludes national legislation providing flat-rates which, owing to the maximum amounts that it contains being too low, do not ensure that, at the very least, that a significant and appropriate part of the reasonable costs incurred by the successful party are borne by the unsuccessful party.”*
- Mechanism:
 1. Determine which amount of attorney fees is reasonable
 2. Compare with cap
 3. If cap is *“significant and appropriate part”* of reasonable attorney fees, cap is ok
 4. If cap is not a *“significant and appropriate”* part of reasonable attorney fees, cap is not ok

Back to the Antwerp Court of Appeal (1)

- Telenet / United Video Properties continued before the Antwerp Court of Appeal
- Let's assume that 185.462,55 EUR is a reasonable amount
- Obvious that cap of 24.000 EUR (2 x 12.000 EUR) is not a "*significant and appropriate part*" of 185.462,55 EUR (less than 15%)
- Also obvious that highest possible cap of 72.000 EUR (2 x 36.000 EUR) is not a "*significant and appropriate part*" of 185.462,55 EUR (less than 50%)
- Obvious that in this specific case Belgian procedural indemnity system violates article 14 of the Enforcement Directive

Back to the Antwerp Court of Appeal (2)

- Question: Must the Antwerp Court of Appeal continue to apply the Belgian procedural indemnity legislation as long as the Belgian legislator shall not have amended the legislation?
- Lenaerts K., Corthaut T., *"Of birds and hedges: the role of primacy in invoking norms of EU law"*, **2006**, *European law review*, 31 (3), 287-315
- It is true that a directive does not have horizontal effect between natural persons but a national court must leave disapplied national legislation which violates EU law (principle of primacy of EU law)
- If, after setting aside the national legislation, there is nothing left, the national legislator must intervene
- But if after this operation, there remains a basis in the national legislation which can lead to the desired result, the court should do so

Back to the Antwerp Court of Appeal (3)

- In this case articles 1018 and 1022 of Code of Civil Procedure and the Royal Decree of 26 October 2007 must be set aside
- Article 1018:
"The costs shall comprise:

(...)

6° the procedural cost indemnity, as provided for in Article 1022."

Back to the Antwerp Court of Appeal (4)

- Article 1022:

"The procedural cost indemnity shall be a flat-rate contribution towards the costs and fees of the successful party's lawyer.

(...) the King shall (...) establish the basic, minimum and maximum amounts of the procedural cost indemnity, inter alia in the light of the nature of the case and the significance of the dispute.

Upon application by one of the parties and by means of a decision stating special reasons, the court may either reduce or increase the indemnity, without exceeding the maximum and minimum amounts set by the King."

- Royal Decree of 26 October 2007 (which contains the minimum and maximum amounts)

Back to the Antwerp Court of Appeal (5)

- But article 1017 (1) of the Code of Civil Procedure is still there:
"Every final decision (...) shall order the unsuccessful party to pay the costs (...)"
- An interpretation of this article in accordance with article 14 of the Enforcement Directive means that a Belgian court should *"order the unsuccessful party to pay the [reasonable and proportionate] costs [of an attorney]"*
- It also means that a court should *"order the unsuccessful party to pay the costs [of a technical adviser (...)] given that those costs are directly and closely linked to a judicial action seeking to have an intellectual property right upheld]"*

Back to the Antwerp Court of Appeal (6)

- However, recent decisions of the ECJ have excluded the 'Lenaerts route'
- Antwerp Court of Appeal (8 May 2017)
 - Rovi shall pay maximum procedural indemnity (12.000 EUR per instance)
 - Rovi shall pay all costs of Telenet's patent attorney
- Action against Belgian State?