

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

29 November 2019



Overview

- Background
- The Belgian legislation
- Violation of Enforcement Directive?
- The decision of the European Court of Justice
- What now?

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.

Background (3)

	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

WHAT'S NEXT ON CHANNEL 2				
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

14

EP 0 969 662 B1

18

EP 0 969 662 B1

Background (4)

- Strategy United Video Properties:

- Invite companies to take license under the entire portfolio
- No indication of which patents are infringed by which acts (even when asked for clarification)

“[Our] patent portfolio in Belgium includes more than 225 issued patents and pending applications, and we have provided you with a complete list of this portfolio previously. We have not attempted to analyze each and every patent or application in that portfolio as we believe that is up to Telenet to establish its eventual need to take a license under the entire portfolio.”

“Given the breadth and depth of our portfolio, we do not believe it is necessary for [us] to illustrate infringement for each and every relevant patent in our portfolio.”

- Threaten litigation if no license is taken
- Litigation on the basis of a few patents

Background (5)

- Many companies have taken license
- Some have resisted and this has led to litigation:
 - In the UK 11 patent infringement proceedings against Virgin Media
 - 11 patents revoked
 - In the Netherlands 3 patent infringement proceedings against Ziggo
 - 2 patents revoked
 - 1 patent not infringed
 - In Belgium 2 patent infringement proceedings started against Telenet in June 2011
 - EP 1 213 919
 - EP 1 327 209

Background (6)

- 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 (7)

- Defense:
 - Patent is not infringed
- Counterclaims:
 - Revocation action
 - Sending warning letters without specifying which claims of which patents are infringed by which acts is an unfair trade practice
- Decision of President of Antwerp Commercial Court (3 April 2012):
 - Revocation action stayed pending outcome opposition proceedings
 - No infringement
 - United Video Properties has committed an unfair trade practice and is prohibited from (i) sending cease-and-desist letters in which it does not specify which claims of which patents it deems to be infringed by which acts and (ii) thereafter refusing to clarify when requested to do so by Telenet under a penalty of 250.000 EUR per violation of the order

Background (8)

- 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 (9)

- Defense:
 - Patent is not infringed
- Counterclaim:
 - Revocation action
- Decision of President of Antwerp Commercial Court (3 April 2012):
 - Patent is revoked

Background (10)

- 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)
- In the meantime EP 1 213 919 revoked by Opposition Division and Board of Appeal but case still pending because of the unfair trade practice issue (hearing scheduled for 4 May 2015)
- What now?

Background (11)

- 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:
 - 1° (...)*
 - 2° (...)*
 - 3° (...)*
 - 4° (...)*
 - 5° (...)*
 - 6° the procedural cost indemnity, as provided for in Article 1022.*
 - 7° (...)”*

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.

[T]he 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 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

What now? (1)

- Telenet / United Video Properties continues 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

What now? (2)

- Some authors: Court cannot take a decision on costs as long as Belgian procedural indemnity legislation has not been amended
- Wrong
- True that a Directive does not have 'direct effect' but court should set aside national law that violates EU law (i.e. court cannot impose a cap which violates article 14 of the Enforcement Directive) (supremacy of EU law)
- If - after setting aside the national law which violates EU law - nothing is left, legislator should indeed intervene
- But if after setting aside the national law which violates EU law, there is left a basis which can lead - via an interpretation in accordance with the Directive - to the result envisaged by the Directive, that is what should be done

What now? (3)

- In this case article 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:

1° (...)

2° (...)

3° (...)

4° (...)

5° (...)

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

7° (...)”

What now? (3)

- Article 1022:

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

[T]he 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)

What now (4)

- 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”*
- Effect on IP litigation

Questions?

