The European Patent Reform – The dedication of the German Ministry of Justice to the UPC

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Office translation of the original German language document, the article reflects the personal opinion of the author.

A key role in Germany's influence on the European patent reform is played by the Federal Ministry of Justice and Consumer Protection ("Bundesministerium für Justiz und Verbraucherschutz", "BMJV") and its responsible Directorate III B 4, its head *Johannes Karcher* being represented in several involved committees. BMJV is also tasked with presenting the patent reform in the German public. In relation to the important issue of the Unified Patent Court procedural costs in particular, some protagonists are displaying a remarkable behavior: While pressing internally for the realisation of the ideas of the Preparatory Committee of the UPC and of its "Expert Panel" in a sometimes doubtful manner, all critical questions from the public are shrugged off. A report on BMJV's intensive endeavors to help push through the EU patent reform.

I. The German Federal Ministry of Justice and Consumer Protection

By definition, in the centre of Germany's participation in the European patent reform is the BMJV, more precisely its Directorate III B 4 being responsible for patent and invention law as well as for cost law in the field of intellectual property. It was and is pivotal in the German involvement in the EU patent reform and its design. The unit is part of Directorate General III B, its head *Christoph Ernst* also being known as the Chairman of the Administrative Council of the European Patent Organisation.

Until his retirement at the end of May 2014, Directorate III B 4 was headed by *Stefan Walz* who, at that time, seems to have made available the Spanish nullity actions against the two EU Regulations on unitary patent protection to Mr *Tilmann* who made its contents public while the proceedings at the CJEU were still ongoing.[1] Since Mr *Walz'* departure, the Directorate's activities in relation to the EU patent reform are headed by *Johannes Karcher*. He has previously worked, amongst others, in Directorate General Internal Market of the European Commission between 2001 and 2004[2] where he can be expected to have met *Margot Fröhlinger*, the latter having been a Director there until April 2012 and now working for the European Patent Office.[3] Since 2009 and until recently, he was a judge at the German Federal Patent Court ("Bundespatentgericht", "BPatG").[4] He is a member of the Preparatory Committee of the Unified Patent Court ("UPC-PC"), heading the subgroup "Legal Framework".[5]

Some examples for Directorate III B 4's practical work in terms of the European patent reform shall afterwards be discussed in more detail.

II. Access to BMJV documents on the European patent reform

Previous experiences show that political operators become very silent once the discussion touches on certain aspects of the reform.[6] A means suitable for cutting through this veil of silence is the Freedom of Information Act.

1. Access to official documents based on the German Federal Freedom of Information Act

Pursuant to sec. 1 of the German Federal Freedom of Information Act ("Informationsfreiheitsgesetz", "IFG"), everyone is entitled to be granted access to official information by Federal authorities, provided that no exclusion (sec.s 3 bis 6 IFG) applies. On this basis, BMJV was requested to grant access to official information in relation to different subjects of the European patent reform.

From the outset, BMJV complied only reluctantly and, in part, after having been prompted to do so by a court. Also, they apparently tried to deter from such requests by repeatedly demanding excessive access fees, which also failed. One IFG request was declared a "citizen query" in order to be able to deal with it outside the IFG framework.

Currently, BMJV is concentrating on delaying access which, in principle, must be granted immediately, but at least within one month (sec. 7(5) IFG) and on redacting documents so broadly as to even disguise the names of the officials in charge and of third persons invoked by the Ministry, allegedly for the protection of "personal data". The fact that such practice is unlawful (cf. sec.s 5(3) and (4) IFG), does not appear to pose a problem. The desire not to be identifiable as the originator of their own work, seemingly widespread among these people, already justifies a certain skepticism as regards their activities as well as reviewing them even more closely. In the course of the

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[1] *Stjerna*, The European Patent Reform – Prof. Tilmann, the old Roman god Janus and the requirements of Article 118(1) TFEU, accessible at www.stjerna.de/requirements-118-1-tfeu/?lang=en.
[2] Cf. the CV at bit.ly/2IEJyAH.
[3] Cf. the CV at bit.ly/2G6b2kq.
[4] CV (fn. 2).
[5] Cf. the "Roadmap of the Preparatory Committee of the Unified Patent Court", accessible at bit.ly/2mwYtka, p. 2.
[6] *Stjerna*, The European Patent Reform – Law-making in camera; accessible at www.stjerna.de/intransparency-lproceedings/?lang=en; *id.*, Council allows access to withheld documents, accessible at www.stjerna.de/access-documents/?lang=en.

efforts for access, BMJV made available, amongst others, three documents providing closer insights into the work of BMJV and UPC-PC, partially limited by redactions. Official information disclosed on the basis of the IFG is open to review by everybody, interested persons can access the respective documents on www.stjerna.de.

2. BMJV project group "EU Patent and Unified Patent Court" – Document 336/2014

The first document is the protocol of the first meeting of BMJV's project group "EU Patent and Unified Patent Court" on 05/05/2014 ("document 336/2014"). The task of this group headed by Mr *Karcher*, is, in its own words, especially the *"creation of the first European civil judiciary"* [7], thus the implementation of the Agreement on a Unified Patent Court ("UPCA"). The document, partially redacted by the BMJV, contains some related information.

It repeatedly underlines the importance of fee revenues from unitary patent protection for the BMJV's budget. It is stated (translation from German):[8]

> *"Patent Regulation 1257/2012 governs the creation of the Select Committee of the EPO Administrative Council which determines the renewal fees in particular. At the moment, 1/3 of the renewal fees for bundle patents relate to Germany, this are approx. EUR 140m at the DPMA* [German Patent and Trademark Office] *a significant amount of which contributes to the BMJV budget."*

This is stressed again in the context of the extent and distribution of renewal fees for unitary patent protection (translation from German):[9]

> *"These are of major importance for DE (BMJV), as this revenue amounts to approx. EUR 140m a year, which is one third of the yearly revenue generated from this. This is mirrored in the sensitivity of related debates in the Select Committee of the EPO Administrative Council."*

The BMJV's self-perception is also presented (translation from German):[10]

> *"With the creation of this project group, the management of the House shows that they attribute a high significance to the implementation of the European patent reform and that they expect a joint effort of all involved departments of the House on this.*
>
> *Germany is the largest patent country in Europe, therefore also having the greatest interest in forcefully advancing the implementation of the Agreement. Thus, it is the obligation of BMJV to free up the capacities necessary for successfully completing the implementation of the European patent system's reform in Germany itself and for supporting other MS with less administrative capacity in their implementation process.*
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> *Mr Karcher will inform on a regular basis the House management on the work progress and will acknowledge accordingly the contributions by the individuals involved respectively, since the participation in the project group means additional work, but also additional "visibilité" with the House management."*

Also worth reading are the explanations on "Concrete working approach" ("Konkrete Arbeitsweise").[11] Nice is the remark on

> *"the Advisory Committee (which appoints the judges)"* (translation from German).[12]

From a formal point of view, the UPC judges are appointed by the Administrative Committee (Art. 16(2) UPCA) and not by the patent practitioners of the Advisory Committee. However, the BMJV statement might be closer to reality than its protagonists like to admit.

The document contains interesting statements on further issues which, for space reasons, will not be discussed here.

3. Documents on UPC representation costs

Two further documents obtained from BMJV based on the IFG relate to the determination of UPC costs. In February 2016, the UPC-PC published[13] draft decisions on court costs and on the ceilings of reimbursable representation costs, an explanation of the specified amounts was, however, missing. They did publish a short "explanatory note"[14] not elaborating on this in more detail. Both documents provide further information on how those responsible handled some questions from this context.

a) Document 22/2015

The first document is from an e-mail titled "UPC – fee structure for the UPC" ("document 22/2015"). It dates from 16/01/2015 and seems to have been sent by the UPC Secretariat, this cannot be established due to BMJV's redactions. Attached to it is the document "Court fees assumptions (expert panel).doc". This was apparently authored by the UPC-PC "Expert Panel"[15] and describes some assumptions underlying the UPC cost model.

First, it is set out (translation from German):[16]

> *"The aim of this document is to lay out current working assumptions that have been made to inform the*

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[7] Doc. 336/2014, p. 7, section II.2., accessible at bit.ly/3yqn9Bg.
[8] Document 336/2014 (fn. 7), p. 4, section I.5.
[9] Document 336/2014 (fn. 7), p. 5, section I.5.
[10] Document 336/2014 (fn. 7), p. 6, section II.1.
[11] Document 336/2014 (fn. 7), p. 7, section II.2.
[12] Document 336/2014 (fn. 7), p. 9, section III.2.a.
[13] Communication of the UPC-PC "UPC Court Fees and Recoverable Costs" of 26/02/2016, accessible at bit.ly/2oqqTPS; the most recent version "Rules on Court fees and recoverable costs" of 16/06/2016 is accessible at bit.ly/2udTnS5.
[14] UPC Court Fees etc. (fn. 13), p. 17 - 21.
[15] On this and other "expert teams" of the UPC-PC cf. *Stjerna*, The European Patent Reform – The "expert teams" of the Preparatory Committee, accessible at www.stjerna.de/expert-teams/?lang=en.
[16] Doc. 22/2015, p. 1, first para., accessible at bit.ly/3bvGS8H.

> *UPC fees schedule. However, we have not used these assumptions in favour of using more up to date data. In the absence of reliable data on applicant behavior, estimates of case load were taken from the UPC indicative costs model (based on current German experience and our earlier group discussion), where available, or were decided by the Court fees sub group, which comprises representatives from the Legal and Financial Aspects working groups."*

It remains unclear which information from which source was used in exactly which context. It seems that the hypotheses on UPC case load are based, inter alia, on *"current German experience"* (from that time).

Interesting are the assumptions on which distribution of values in dispute the UPC case load would show, these also relying on figures from Germany.[17] It was assumed[18] that 25 percent of all cases at the UPC would have a value in dispute of up to EUR 500,000, 20 percent one between EUR 500,000 and EUR 750,000 and 15 percent one between EUR 750,000 and EUR 1m. Hence, based on this projection from the beginning of 2015, around two thirds of the UPC case load were expected to have a maximum value in dispute of EUR 1m.

These numbers appear exceptionally modest. As the members of the "Expert Panel" were certainly aware, even in the year 2015 a patent dispute involving the German market alone often had a value in dispute of EUR 1m. When taking into account that the value in dispute of UPC proceedings is to be determined based on the objective interest of the claimant[19] and that this is represented by the amount of license fees which the defendant would have to pay for a fictitious licensed use of the embodiment attacked as patent infringing from its market entry until the lapse of the patent[20] and considering further the significantly broader geographical scope to the UPC's decisions, these figures do not seem very realistic. Whether the cost determination in February 2016 was still relying on these assumptions from 2015 is not known.

When reviewing the comparison of maximum reimbursable representation costs at the UPC and the statutory cost reimbursement claim under current German law based on the German Lawyer's Compensation Act ("Rechtsanwaltsvergütungsgesetz", "RVG") attached to this article, it is interesting to note that the highest cost increases occur in the value in dispute range between EUR 2m and EUR 4m, where the UPC ceiling exceeds the RVG amount by the factor 5.18 and 5.83 respectively. Also in the ranges between EUR 1m and EUR 2m and between EUR 4m and EUR 8m, the increase factor is significant, amounting to 4.75 and 4.67. Why the UPC-PC has determined the cost structure that way is unknown, it is certainly not a coincidence. However, it would not come as a surprise if it finally turned out that the value in dispute of proceedings started at the UPC would happen to be mostly in the ranges with the highest cost increases.

[17] Document 22/2015 (fn. 16), p. 1, second para.
[18] Document 22/2015 (fn. 16), p. 4.
[19] Rule 370(6)1 of UPC Rules of Procedure of 15/03/2017 ("RoP"), accessible at bit.ly/2vbYscY.
[20] Document "Guidelines for the determination of Court fees and the ceiling of recoverable costs" of 26/02/2016, accessible at bit.ly/1WS4B2I, sections I.1., II.1.a) and b).

b) Document 39/2016

The second document provided by BMJV on UPC costs is titled "Determination of court fees for the Unified Patent Court (UPC) and reimbursable representation costs in UPC proceedings" ("Festlegung der Gerichtsgebühren für das Einheitliche Patentgericht (EPG) und erstattungsfähige Vertretungskosten in EPG-Verfahren", "document 39/2016"). It originates from Mr *Karcher's* BMJV department III B 4 and dates 03/02/2016, thus from a time shortly before the UPC-PC meeting on 24 and 25/02/2016 in which the draft decisions on UPC costs were adopted.[21] While the names and shorthand symbols of the persons involved were redacted, the internal phone number displayed in the document's head belongs to *Axel Jacobi*, (at that time) desk officer in department III B 4. As far as known, Mr *Jacobi* – like Mr *Karcher* – is a BPatG judge, having been delegated to the BMJV at the time in question. A judge with that name is listed in the BPatG distribution-of-business-plan for 2018[22] mainly as the deputy chairman of the 26th Trademark Appeal Senate. The German Judiciary Handbook, listing the names of all judges and the higher-ranking administrative personnel of the judiciary, contains only one judge with that name. The other involved persons can be identified based on their function and a BMJV organization chart[23] from 2016. The document advises the former Federal Minister of Justice, *Heiko Maas*, that BMJV should approve the proposed court fees and ceilings of reimbursable representation costs in the UPC-PC meeting on 24 and 25/02/2016. Minister *Maas* signed off on the document on 23/02/2016.

aa) Purpose of the document

Initially, the purpose of the document is described (translation from German):[24]

> *"This submission serves to inform Minister Maas on the results of lengthy negotiations on the determination of court fees for the Unified Patent Court (UPC) as well as on the determination of ceiling amounts for reimbursable representation costs in UPC proceedings, the reimbursement of which a winning party can claim from its opponent.* (…) *In its meeting on 24 and 25 February 2016, the Preparatory Committee will most likely decide on the proposal of the working group. The adoption of the proposal is very likely, Germany should approve it as well."*

It is claimed that a cost reduction had been achieved (translation from German):[25]

[21] Cf. fn. 13.
[22] Accessible at bit.ly/2FOLSaN.
[23] Accessible at xup.in/dl,98003408.
[24] Doc. 39/2016, p. 2, first para., accessible at bit.ly/3wcNUau.

> *"Since a too high amount of reimbursable costs could be perceived as an obstacle for the participation of SMEs in European patent protection, BMJV has advocated intensively and successfully in very intense and difficult negotiations for a repeated reduction of the ceilings for reimbursable representation costs to an acceptable level, having received only limited support from other Member States.*
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> (…) *The court fees envisaged for the UPC are very low in comparison (lower than the court fees applying in DE) and are thus extremely user-friendly. The attorney costs to be borne by the losing party were reduced to an acceptable level."*

More detailed information on whether such efforts did indeed take place, the initial amounts and to which extent the alleged *"repeated reduction of the ceilings"* has been achieved, are unknown at least to the author.

bb) Costs in cases with multiple parties as claimant of defendant

Insightful are the comments on the ceilings of reimbursable representation costs (translation from German):[26]

> *"The currently proposed amounts* (…) *cover all the costs of one side even if it is composed of a number of parties."*

In a table displayed in the document it is claimed that the UPC amounts applied *"for each side, which can be composed of several parties"* and that they would *"include compensation for expenses"*.[27]

First of all, as is known and contrary to the presentation of BMJV, said representation costs do not cover *"all the costs of one side"*, but only those relating to representation.[28] Possible expenses for party experts, witnesses or translations come on top.

Similarly flawed is the allegation that said ceiling amounts would cover a plurality of claimants or defendants. The statement in the respective draft decision[29] which forms the basis of this claim is misleading at best. The number of patents asserted in a proceeding and/or the fact that a proceeding includes more than two parties does affect the reimbursable representation costs indirectly as these are circumstances which cause an increase of the value in dispute.[30] Because in proceedings covering multiple patents or which are directed against several parties, the "objective interest" of the claimant is to be determined based on a combined license for *all* patents and *all* parties in *all* countries covered by the patents. Not rarely will this lead to the cost reimbursement to be carried out on the basis of a higher ceiling amount. This does, however, not mean that a plurality of parties does not affect the extent of the cost reimbursement claim. This effect has only been arranged for a little upstream and in a different legal text. One would expect this to be known to the responsible persons in the BMJV already due to their background as judges.

cc) UPC limits vs German cost reimbursement

Afterwards, the maximum reimbursable representation costs at the UPC are contrasted with the statutory cost reimbursement claim under German law.[31] In doing so, not only are the costs of the two UPC instances compared to the amounts due for three instances in Germany, but the latter also include German VAT of currently 19 percent. Corrected amounts can be found in the cost comparison attached to this article, including, for the sake of completeness, also the comparison of the two UPC instances and the three German instances used by BMJV. This skewed comparison makes the UPC ceilings look much more favorable than they truly are.

The comparison is followed by an explanation well worth reading (translation from German, emphasis added):[32]

> *"As a result, the winner of a proceedings at the UPC can demand from the loser representation costs which are two to three times higher than those in respective proceedings in DE.*
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> *This is, however, acceptable against the background that in a proceeding at the UPC a decision is made for the patent protection in almost the whole EU. Acting in such procedure as a party representative, requires, in all experience, more efforts. In respect of this, it seems appropriate that the level of reimbursable representation costs is higher than in DE, especially since at the UPC a plurality of winning parties, e. g. the company having been sued for patent infringement on the one hand, and its managing director on the other, will have to share the ceiling amount while in DE under RVG each party can claim reimbursable expenses for itself. Finally, the cost comparison between European level and national proceeding has to include in the assessment the saved costs from parallel litigation in several countries which will be saved (in the future). Because under the traditional legal situation (EU bundle patent) probably several patent infringement and nullity proceedings will have to be started in different EU-MS.*
>
> *Bearing in mind these aspects puts into perspective the, compared to German conditions, higher ceiling amounts for reimbursable representation costs. The negotiated parameters should be supported."*

Describing a European patent as an "EU bundle patent" may be forgivable, other allegations are simply wrong.

First of all, it is concealed that the statement that *"under the traditional legal situation (EU bundle patent)" "probably several patent infringement and nullity proceedings*

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[25] Document 39/2016 (fn. 24), p. 2, section I.1.
[26] Document 39/2016 (fn. 24), p. 4, section I.2.a).
[27] Document 39/2016 (fn. 24), p. 5.
[28] Rules on Court fees etc. (fn. 13), Art. 1(2) and Rules 150(1)2, 151(d), 152 ff. RoP.
[29] Rules on Court fees etc. (fn. 13), Art. 1(3).
[30] Guidelines (fn. 20), section II.1.a)(5).
[31] Document 39/2016 (fn. 24), p. 5, section I.2.b).
[32] Document 39/2016 (fn. 24), p. 5, section I.2.c).

will have to be started in different EU-MS" is nothing but a theoretical assumption which rarely materializes in practice. While the EU legislative proceedings were still ongoing, even the European Commission revised the share of 16 to 31 percent of duplicated proceedings – i. e. of disputes between the same parties on the same patent in the courts of different countries – that was set out in a scientific report it had ordered to a maximum of 10 percent,[33] thus quietly abandoning one of its core arguments for why the creation of a unitary patent judiciary was necessary.

Likewise the allegation that a proceeding at the UPC would require more efforts since *"a decision is made for the patent protection in almost the whole EU"* is not universally true. It seems to be based on the incorrect hypothesis that the replacement of several national procedures by a single one would inevitably cause multiplied efforts in that single procedure, as if the work required in each of the national proceedings would now have to be dealt with there combined. This strange calculation was used in the Parliamentary proceedings on UPCA ratification in Germany as well.[34] It is entirely misguided already due to the fact that duplicated proceedings do occur at a maximum of 10 percent of all cases, duplication relating to more than two countries is even rarer.[35] A duplication in more than three countries practically never happens. In addition, the assumption that a multiplied effort would be necessary in proceedings at the UPC is a complete contradiction of the reasons why a unified patent judiciary was deemed necessary. Arguing on the one hand that, allegedly, it was needed to avoid substantial costs from the duplication of national proceedings, while, on the other, relying on these duplicated costs for the determination of this judiciary's cost model makes little sense and shows that cost reduction does not truly seem to be an aim of the reform.

Even the few cases that are duplicated in the traditional system do not involve different factual and legal issues in each affected country.[36] Instead, the facts as well as the legal problems are mostly transnationally the same, potential differences often result from different legal traditions and respective evaluations. This situation, however, is meant to be rectified by the creation of a unified court and by the unification of the law to be applied by it. Why proceedings at this court should then be expected to *"require, in all experience, more efforts"* is unclear.

[33] Cf. *Stjerna*, The European Patent Reform – The prearranged affair, p. 3, section II.2., accessible at www.stjerna.de/prearranged-affair/?lang=en; also *id*., The European Patent Reform – A poisoned gift for SMEs, p. 5, section IV.3.b), accessible at www.stjerna.de/smes/?lang=en.

[34] *Stjerna*, The European Patent Reform – The Parliamentary UPCA ratification proceedings in Germany, p. 7, section VI.6., accessible at www.stjerna.de/ratification-proceedings-upca/?lang=en,

[35] *Véron* in: *Stjerna*, The Parliamentary History of the European "Unitary Patent" (Tredition 2016), ISBN 978-3-7345-1742-6, para. 625, cf. bit.ly/3oGov6f.

[36] *Stjerna* – SMEs (fn. 33), p. 6 f., section V.2.c)cc).

dd) Assessment

After all, the BMJV document causes the impression that the proposed ceilings for reimbursable representation costs were to be pushed through no matter how. Insofar as the approval by the Federal Minister of Justice is based on document 39/2016, it relied on partially incomplete and incorrect information. It can probably be assumed that the members from the legal profession represented on the "Expert Panel", which was apparently involved intensively in the negotiations on costs, will have looked forward to these reimbursement limits in joyful anticipation. The advantages of this for the BMJV remain open. Whether BMJV members involved have applied to become UPC judges is unknown.

III. The external presentation of the EU patent reform by BMJV

Beyond the involvement in material legislative questions, BMJV is also responsible for the external presentation of the European patent reform and for answering related questions. Interesting are two cases in which BMJV had to provide more comprehensive statements. The first relates to a request by the public broadcasting corporation WDR ("Westdeutscher Rundfunk", "West-German broadcasting"), the second to a Parliamentary enquiry by the Parliamentary group Alliance 90/The Greens.

1. BMJV and the WDR request

In August 2016, the German public broadcaster ARD reported on the cost situation at the UPC in its program "Plusminus" with a film produced by WDR. Beforehand, its author had asked BMJV for an interview which they declined. At the end of July he sent them five questions instead, the answers to which the BMJV press spokeswoman transmitted on 04/08/2016. These are a good example for BMJV's marketing in favor of the patent reform, characterized in particular by the repetition of the always same empty phrases and impractical assumptions.

Interested persons can access the document on www.stjerna.de.

a) Advantages of the reform

Asked about where BMJV saw the main advantages of a unitary patent and a Unified Patent Court over the Status Quo, it was stated (translation from German):[37]

> *"With the entry into force of the Agreement it will be possible in the future to sue a potential patent infringer in a single proceeding at the Unified Patent Court for the whole of Europe – and this usually in the "domestic" local divisions in Düsseldorf, Mannheim, Munich or Hamburg and in German language. The hitherto existing danger of contracting decisions of national patent infringement courts is removed. The protection of legal rights at the Unified Patent Court is also comparatively affordable, because the court fees for pro-*

[37] E-Mail of BMJV of 04/08/2016, p. 2, second para., accessible at bit.ly/3wpxKua (German language).

ceedings at the Unified Patent Court are usually even much lower than they are in Germany for similar proceedings (cf. the attached comparison)."

The constellation in which a German company is sued for patent infringement remained unmentioned. This will often be taking place in UPC chambers abroad (cf. Art. 33 UPCA), in the locally applicable court language and possibly without a right to translations and an interpreter (cf. e. g. Art. 49(1), Art. 51(1), (2) UPCA).

It should also be mentioned in passing that the allegedly *"hitherto existing danger of contracting decisions"* is a rather limited one having regard to the duplication rate of a maximum of 10 percent,[38] the number of cases in which contradictory decisions occur probably again amounting to 10 percent of these 10 percent.

b) Advantages of the reform for SMEs

BMJV was further asked about the advantages the European patent reform would have for small and medium-sized enterprises ("SMEs"). The reply was as follows (translation from German):[39]

"The advantages of the concentrated granting procedure at the European Patent Office and the provision of unitary legal protection by the Unified Patent Court will be beneficial for SMEs in particular. It is a distinctive burden to them that, presently, they need to request legal protection parallel in several EU states or need to defend themselves there against claims under the respective national material and procedural law in the applicable local language. The possibility to obtain legal protection for the common market quickly and cost-efficient at the Unified Patent Court is of particular advantage to SMEs, for which, due to often limited resources, it is of special importance to obtain legal certainty for their economic activities. The European patent reform is making sure that through the legal protection of their innovations, SMEs in particular are enabled to use the advantages of the common market even more effectively."

Of course, it remains open how often SMEs *"need to request legal protection parallel in several EU states or need to defend themselves there against claims"*. The duplication rate of a maximum of 10 percent of *all* proceedings[40] that was also accepted by the Commission shows that this is not too frequent a problem. The part of these 10 percent of proceedings involving SMEs – only in these would BMJV's statement be correct – will, in all experience, be very low. The few duplicated cases are usually carried out between large corporations, often in the field of the pharmaceutical industry.[41] It is certainly correct that SMEs usually do have limited resources. However, in view of the facts – e. g. the cost comparison attached to this article – it cannot seriously be claimed that UPC proceedings would be *"cost-efficient"* as the BMJV told WDR.

c) Disadvantages for SMEs

WDR asked further: "According to our research and statements by several experts it is currently common practice to apply for a patent only in a few countries which, however, in practice still creates Europe-wide patent protection. Also, pursuant to a number of statistical surveys, 90 percent of all cases are litigated in the courts of only one country, this decision usually taking effect for the whole EU market. At the same time, it appears that as a result of the fees and reimbursement ceilings foreseen at the 'unified patent court' the resulting cost risk will become much higher than it is in the current German system. Critical voices fear that this will be a handicap for SMEs in particular. What is BMJV's position on this?"

On the mentioned filing practice, BMJV commented (translation from German):[42]

"The fact that today companies sometimes demand protection for their inventions only in a few countries is also the result of the present situation of a fragmented patent protection in Europe. Because with an increasing number of covered countries, the costs for the administration, renewal and also for translations are rising to disproportionately high levels. This unsatisfactory situation in which legal protection, which is desired in principle, is limited not at least for cost reasons is sought to be ended by the reform."

That this so-called *"fragmented patent protection"* is in many cases no disadvantage, but allows the applicant to apply for patent protection selectively and subject to demand, remains unmentioned of course. Instead it is suggested flatly that EU-wide patent protection was universally *"desired in principle"*. It is an open secret that, having regard to the individual market and competition situation, Europe-wide patent protection is not necessary for each and every company. There may be cases in which companies do restrict their patent protection unwarrantedly due to cost reasons. Equally, it can be doubted that unitary EU-wide protection is indiscriminately the economically most reasonable choice for each applicant.

Also BMJV's comment on the duplication rate of max. 10 percent, which can be considered secured, is astounding. The Ministry stated (translation from German):[43]

"That patent disputes are litigated in the courts of only one country in 90 percent of the cases cannot be confirmed here. Even if disputes are currently often litigated in only a single country, this does not mean that there is no need for unitary patent protection as the question suggests. Also, the current law entails the danger that competitors can be put under pressure by first suing them in only one country which, in addition,

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[38] Above fn. 33.
[39] E-Mail (fn. 37), p. 2, fourth para.
[40] Fn. 33.
[41] Cf. *Harhoff*, "Economic Cost-Benefit Analysis of a Unified and Integrated European Patent Litigation System", p. 15, third para., accessible at bit.ly/2oneD3l.
[42] E-Mail (fn. 37), p. 2, last para.
[43] E-Mail (fn. 37), p. 3, first para.

is favorable for the claimant due to the prevailing case law in that country. The perspective of cost-intensive court proceedings in further countries can amount to a factual compulsion to enter into a settlement even if this would not necessarily required in view of the legal circumstances. The jurisdiction and decision-making authority of the Unified Patent Court will stop this often criticized practice of so-called forum shopping."

So is the duplication rate of a maximum of 10 percent which was recently adopted even by the European Commission[44] unknown at the BMJV? This is unlikely. The theory of an alleged *"factual compulsion to enter into a settlement"* for SMEs is mostly used against the finding that the claimed urgent necessity for the creation of a unified judiciary is not supported by the actual figures. Refuge is then being taken in an allegedly high number of unreported cases and alleged risks not being displayed in the figures. Apart from that: The assertion that the possibility of so-called "forum shopping" would be ended is easily refuted by having a look into the UPCA and its provisions on venue (cf. Art. 33(1) UPCA). As long as the claimant is given a choice, "forum shopping" will be possible. BMJV should know this.

BMJV does not see a relevant cost risk for SMEs in proceedings at the UPC (translation from German):[45]

"The cost risk for SMEs will be lower at the UPC than it is today, not only because the necessity for a parallel assertion of rights or defense in several countries is removed."

Once again a hardly convincing statement that is outright opposing established facts. As mentioned already, a "*necessity for a parallel assertion of rights or defense in several countries"* does rarely exist, even rarer for SMEs. What the further aspects are (*"not only"*) making, according to BMJV, the cost risk for SMEs more beneficial than under the present situation remains open again.

In BMJV's opinion, the extent of reimbursable representation costs is not a problem for SMEs either (translation from German):[46]

"The intended ceilings for the amount of reimbursable expenses are adequate, having regard to all the circumstances. The ceilings guarantee that SMEs winning a proceeding do not have to bear a part of the costs by themselves which can happen in the present situation and affects SMEs more than financially stronger competitors. In case of loss, the ceilings for reimbursable expenses were reduced to an acceptable level."

Calling a multiplication of reimbursable costs of up to nearly six times when compared to current German law *"an acceptable level"* is certainly a bold move. The issue is further played down by emphasizing one more time that the defined amounts were the *"absolute maximum"* and not the rule. It would be surprising if the party winning a proceeding would not try to use the available scope for cost reimbursement as far as possible.

d) Litigation insurance for SMEs

The final question by WDR referred to the European Commission's confirmation in their well-known document "SWD (2015) 202 final"[47] that, in spite of the significant cost risk at the UPC, SMEs would need litigation insurance: "The creation of such insurance seems to have always been part of the plans for a European patent reform. Why is the reform now planned to be enacted without such litigation insurance for SMEs? What has the Federal government done to support the creation of such insurance?" In its reply, BMJV mostly concentrated on denying the facts (translation from German):[48]

"It is not true that the creation of litigation insurance was always part of the plans for a European patent reform. Beyond this, in comparison to the initially envisaged reimbursement ceilings which had been the reason for considering the assessment of litigation insurance, the ceilings were meanwhile reduced to an acceptable level."

The fact that the creation of litigation insurance was part of any considerations for a European patent reform at least since the turn of the millennium can be looked up in the related documents.[49] It is implied that the unsubstantiated claim that the Commission document in question of 28/10/2015 had been based on even higher reimbursable amounts, and that these had been reduced *"to an acceptable level"* by the cost determination in February 2016, thus removing the necessity for litigation insurance stressed by the Commission. Until the publication of respective proof this can be considered a fable.

2. BMJV and the Parliamentary enquiry by Alliance 90/The Greens (BT-Ds. 18/9966)

Another insight into BMJV's marketing measures in favor of the patent reform is afforded by its reply to the Parliamentary enquiry[50] by the Parliamentary group Alliance 90/The Greens on the topic "Impacts of the EU Unitary Patent and the ratification of the Agreement on a Unified Patent Court" of 21/09/2016. While many of the questions posed in it are beyond the point, some of the answers[51] given by BMJV are still worth reading.

Once again enlightening are, for instance, the comments on the ceilings of reimbursable representation costs.

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[44] Fn. 33.
[45] E-Mail (fn. 37), p. 3, fourth para.
[46] E-Mail (fn. 37), p. 3, fifth para.
[47] Accessible at bit.ly/2sHpaqX.
[48] E-Mail (fn. 37), p. 3, last para.
[49] Cf. documents COM (1997) 314, p. 24, section 4.5, accessible at bit.ly/2ulx6mo; COM (1999) 42 final, , p. 20, section 3.7.2., accessible at bit.ly/2HrfFT4; COM (2007) 165 final, p. 17, section 3.4.2, accessible at bit.ly/2I4AGmQ; also Resolution of the EU Parliament of 19/11/1998 – Promoting innovation through patents, letter C., accessible at bit.ly/2p7UlLJ.
[50] German Parliament printed matter ("BT-Ds.") 18/9774, accessible at bit.ly/2p9diNm.
[51] BT-Ds. 18/9966, accessible at bit.ly/2Fv97qe.

BMJV repeats its explanations on the ceilings' adequacy following the obligatory remark that these constituted *"absolute maximum limits and not standard amounts"*, before commenting on the extent of the limits in more detail (translation from German):[52]

> *"Therefore, the relevant ceiling predominantly depends on the financial ability of the party which is financially the weakest. In cases where the economic existence is threatened, the possibility is provided to lower the regular ceiling in favor of the financially least able party without there being an absolute minimum level."*

The statement that the applicable ceiling would always depend on the financially weakest of the parties is new. As is known, the UPC has discretion to reduce the applicable ceiling, upon request by one party, without a limit, if a cost reimbursement according to this ceiling would threaten its economic existence.[53] In its decision, the court shall take into account numerous aspects, including the impact the lowering would have on the other party.[54] That this regulation, which is obviously limited to exceptional cases, would cause the ceiling for reimbursable representation costs to always be determined subject to the circumstances of the financially least able party, as suggested by BMJV, cannot be confirmed. In addition, it goes unmentioned that the applicable ceiling can "in limited situations", upon request by one party, also be raised,[55] as well as the circumstances causing an increase of the value in dispute that – as mentioned above – will usually, due to the relevance of the overall value in dispute,[56] also result in an increase of the applicable reimbursement ceiling.

BMJV justified the extent of reimbursable representation costs with a wording very similar to that given to WDR (translation from German):[57]

> *"The Federal government is of the opinion that, having regard to all the aspects, the provided ceilings are adequate. Because the ceilings must make sure that small and medium-sized enterprises (SMEs) winning a proceeding will obtain full cost reimbursement, if possible. In case of loss, having regard to all the circumstances, the ceilings for reimbursable expenses were reduced to an acceptable level."*

That the determination of reimbursement ceilings was driven by the intent of making sure that SMEs would *"if possible"* obtain *"full cost reimbursement"* in case of success, can, in all experience, be disputed until the presentation of supporting evidence, also having regard to the fact that the Chairman of the UPC-PC himself rejected[58] confirming that the UPC would be beneficial to SMEs. There is no indication that the interests of SMEs played any role in the EU legislative proceedings beyond their use in boastful and unjustified promises.

Finally, BMJV again pushed the idea that the applicable ceiling was independent of, e. g, the number of involved parties or asserted patents (translation from German):[59]

> *"The assessment needs to consider that the applicable ceiling is the maximum of what a winning party can claim from the loser, independent of the number of parties, the number of matters in dispute and also the number of patents in suit."*

As set out above, in these cases the value in dispute is raised and with it usually the applicable reimbursement ceiling. The created impression is thus at least misleading.

The Parliamentary enquiry also asked about the access of SMEs to the UPC. In its answer, BMJV again conjured the *"danger"* caused even by the theoretical possibility of parallel court proceedings in several countries.[60] These explanations were, however, closed with an unusually careful conclusion on the benefits of the UPC for SMEs (translation from German):

> *"The future procedure at the UPC can be beneficial for SMEs, because the necessity for a parallel assertion of rights or defense in several countries is removed."*

Considering that this necessity rarely exists and even rarer for SMEs, the benefits of a UPC for SMEs become clear.

IV. Outlook

The activities of the protagonists in the BMJV show that they are eager to push through the European patent reform at almost any cost. The reason for this eagerness is unknown. One is getting an idea, however, why it seems to be so important for the persons involved to disguise their participation, e. g. by having their names redacted in the respective documents.

Also, it is demonstrated again that the interests of the users as a whole and in particular those of SMEs have played a role in the reform project only as long and as far as this could be relied on to justify the alleged necessity of the reform and especially that of creating a UPC. Since this has reached *faît accompli* status, the interests of the users, especially those of SMEs, are only relevant for theoretical musings, but are widely irrelevant in reality. It is shown what the European patent reform is in reality and beyond the flowery promises: A project to the benefit of a select few and mostly to the detriment of the large majority.

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For possibilities to support my work on the European patent reform please visit www.stjerna.de/contact/?lang=en. Many thanks!

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[52] BT-Ds. 18/9966 (fn. 51), p. 8, second para.
[53] Rules on Court fees etc. (fn. 13), Art. 2(2).
[54] Rules on Court fees etc. (fn. 13), Art. 2(3).
[55] Rules on Court fees etc. (fn. 13), Art. 2(1).
[56] Guidelines (fn. 20), section II.2.b)(4), section II.2.b)(2)(ii).
[57] BT-Ds. 18/9966 (fn. 51), p. 8, second para.
[58] *Stjerna* – SMEs (fn. 33), p. 8 f., section VII.
[59] Fn. 57.
[60] BT-Ds. 18/9966 (fn. 51), p. 9, second para.

Comparison of maximum reimbursable representation costs at the UPC with the statutory cost reimbursement claim under current German law

First instance[1]

Value in dispute up to	Reimbursable at the UPC[2]	Reimbursable in German proceedings (RVG)[3]	Factor
EUR 250,000	up to EUR 38,000	EUR 11,305	3.36
EUR 500,000	up to EUR 56,000	EUR 16,105	3.48
EUR 1,000,000	up to EUR 112,000	EUR 23,605	4.75
EUR 2,000,000	up to EUR 200,000	EUR 38,605	5.18
EUR 4,000,000	up to EUR 400,000	EUR 68,605	5.83
EUR 8,000,000	up to EUR 600,000	EUR 128,605	4.67
EUR 16,000,000	up to EUR 800,000	EUR 248,605	3.22
EUR 30,000,000[4]	up to EUR 1,200,000	EUR 458,605	2.62
EUR 50,000,000	up to EUR 1,500,000	(EUR 758,605)[5]	1.98
über EUR 50,000,000	up to EUR 2,000,000	(subject to value in dispute)	
EUR 100,000,000	as before	(EUR 1,508,605)[6]	1.33

First and second instance[7]

Value in dispute up to	Reimbursable at the UPC[8]	Reimbursable in German proceedings (RVG)[9]	Factor
EUR 250,000	up to EUR 76,000	EUR 23,922	3.18
EUR 500,000	up to EUR 112,000	EUR 34,098	3.29
EUR 1,000,000	up to EUR 224,000	EUR 49,998	4.48
EUR 2,000,000	up to EUR 400,000	EUR 81,798	4.89
EUR 4,000,000	up to EUR 800,000	EUR 145,398	5.50
EUR 8,000,000	up to EUR 1,200,000	EUR 272,598	4.40
EUR 16,000,000	up to EUR 1,600,000	EUR 526,998	3.04
EUR 30,000,000[10]	up to EUR 2,400,000	EUR 972,198	2.47
EUR 50,000,000	up to EUR 3,000,000	(EUR 1,608,198)[11]	1.87
über EUR 50,000,000	up to EUR 4,000,000	(subject to value in dispute)	
EUR 100,000,000	as before	(EUR 3,198,198)[12]	1.25

First and second instance UPC and first to third instance DE[13]

Value in dispute up to	Reimbursable at the UPC[14]	Reimbursable in German proceedings (RVG)[15]	Factor
EUR 250,000	up to EUR 76,000	EUR 41,045	1.85
EUR 500,000	up to EUR 112,000	EUR 58,517	1.91
EUR 1,000,000	up to EUR 224,000	EUR 85,817	2.61
EUR 2,000,000	up to EUR 400,000	EUR 140,417	2.85
EUR 4,000,000	up to EUR 800,000	EUR 249,617	3.21
EUR 8,000,000	up to EUR 1,200,000	EUR 468,017	2.56
EUR 16,000,000	up to EUR 1,600,000	EUR 904,817	1.77
EUR 30,000,000[16]	up to EUR 2,400,000	EUR 1,669,217	1.44
EUR 50,000,000	up to EUR 3,000,000	(EUR 2,761,217)[17]	1.09
über EUR 50,000,000	up to EUR 4,000,000	(subject to value in dispute)	
EUR 100,000,000	as before	(EUR 5,491,217)[18]	0.73

[1] Excluding expenses and other costs, excluding VAT.
[2] Standard values pursuant to the "Decision of the Administrative Committee of the Unified Patent Court on the scale of recoverable cost ceilings" of 16/06/2016 (accessible at bit.ly/2udTnS5), an adjustment is possible under Art. 2 of said Decision.
[3] Statutory cost reimbursement claim of the winning party for representation by an attorney at law and a patent attorney in a German infringement or nullity action with the stated value in dispute in first instance based on the "Rechtsanwaltsvergütungsgesetz" ("Lawyer's Compensation Act", "RVG"), rounded to full Euro amounts.
[4] Maximum value in dispute per party under German law, in proceedings involving several complainants or defendants the maximum total value in dispute is EUR 100m (sec.s 22 (2) RVG, 39 (2) Court Costs Act ("GKG").
[5] Cf. fn. 4, at least two opponents.
[6] Cf. fn. 4, at least two opponents.
[7] Excluding expenses and other costs, excluding VAT.
[8] Standard values pursuant to the "Decision of the Administrative Committee of the Unified Patent Court on the scale of recoverable cost ceilings" of 16/06/2016 (accessible at bit.ly/2udTnS5), an adjustment is possible under Art. 2 of said Decision.
[9] Statutory cost reimbursement claim of the winning party for representation by an attorney at law and a patent attorney in a German infringement or nullity action with the stated value in dispute in first and second instance based on the "Rechtsanwaltsvergütungsgesetz" ("Lawyer's Compensation Act", "RVG"), rounded to full Euro amounts.
[10] Cf. fn. 4.
[11] Cf. fn. 4, at least two opponents.
[12] Cf. fn. 4, at least two opponents.
[13] Standard values pursuant to the "Decision of the Administrative Committee of the Unified Patent Court on the scale of recoverable cost ceilings" of 16/06/2016 (accessible at bit.ly/2udTnS5), an adjustment is possible under Art. 2 of said Decision.
[14] Standard values pursuant to the "Decision of the Administrative Committee of the Unified Patent Court on the scale of recoverable cost ceilings" of 16/06/2016, an adjustment is possible under Art. 2 of said Decision.
[15] Statutory cost reimbursement claim of the winning party for representation by an attorney at law and a patent attorney in a German infringement or nullity action with the stated value in dispute in first, second and third instance based on the "Rechtsanwaltsvergütungsgesetz" ("Lawyer's Compensation Act", "RVG"), rounded to full Euro amounts.
[16] Cf. fn. 4.
[17] Cf. fn. 4, at least two opponents.
[18] Cf. fn. 4, at least two opponents.