

The reform of European patent law introducing a European patent with unitary effect is accompanied by the creation of a Unified Patent Court (UPC).

In the context of these developments in patent law, a number of aspects deserve further attention. In this news: the possibility to "opt-out" offered in the Unified Patent Court Agreement of 19 February 2013 ("UPC Agreement") (UPCA).

UPC AGREEMENT: THE "UNITARY PATENT PACKAGE" & "THE UNIFIED PATENT COURT"

THE OPT-OUT

WHAT IS THE "OPT-OUT" ?

Underlying the UPC system is the exclusive jurisdiction of the court, not only for disputes over European patents with unitary effect, but also for disputes involving other "classical" European patents to the extent that they have effect in the UPC countries (the Member States parties to the UPCA).

However, during an initial transitional period of seven years (extendable to 14 years), patent holders retain an option to ensure that disputes involving a classical European patent (without unitary effect) are conducted before national courts. A choice thus presents itself between the UPC and national courts. This choice is important, given the UPC's jurisdiction to decide on a classical European patent by virtue of a court decision *with effect in all relevant UPC countries*. As a result, the UPC procedure is not without risk: even a classical European patent (without unitary effect) can be declared invalid in a single UPC judgment in all the UPC countries where it was validated (although, conversely, the UPC procedure also offers the advantage that the patent holder can obtain a declaration of infringement over an extended territory).

Under the opt-out system, owners of European patents, European patent applications and supplementary protection certificates (SPCs) based thereon have the option of withdrawing these titles from the jurisdiction of the UPC during the aforementioned transitional period. In contrast, European patents with unitary effect are not covered by this transitional regime and can never be subject to an opt-out.

Without "opt-out", the European patent (or SPC) in question will fall within the jurisdiction of the UPC once the UPC comes into force (currently scheduled for 1 June 2023). While the "opt-out" choice can also be made later, it cannot be made once a dispute relating to the European patent in question is pending before the UPC. Deferral is thus not without risk for the patent owner, particularly if he wishes to avoid the possibility that his European patent would be declared invalid by a single court decision in



all the UPC countries. The owner of a patent portfolio is free to "opt-out" for some patents and leave other patents under the UPC system.

An "opt-out" is valid for the entire lifetime of the patent, or until the patent owner decides to undo the "opt-out" and bring his patent within the jurisdiction of the UPC by a so-called "opt-in". Such "opt-in", on the other hand, cannot be undone again.

Official information regarding the opt-out under the UPC can be found on the website <https://www.unified-patent-court.org/en/registry/opt-out>.

| WHO CAN FILE THE "OPT-OUT"?

The "opt-out" is reserved for patent owners. Consequently, licensees cannot directly file an opt-out themselves for the patents to which they have rights. Licensees who see merit in an opt-out should best discuss this with their licensors. Conversely, the owner of the patent (licensor) should consider the interests of the licensee, especially if he intends not to use the opt-out, while the territory of the license in question includes UPC countries. License agreements are therefore best reviewed in light of these issues.

Co-owners of patents, can only opt-out if all co-owners declare that they wish to opt-out.

Finally, the fate of an SPC follows that of the patent: if a European patent is opted-out, the same happens for the SPC based on it. If the owner of the SPC is not the owner of the patent, then they will have to find an agreement between them.

| WHY AN "OPT-OUT"? WHAT BENEFITS OR RISKS?

In general, the UPC system offers potential advantages and disadvantages for patent owners. This is also the case as far as the "opt-out" is concerned. Therefore, the choice to opt-out is best considered on a case-by-case basis.

One of the main features of the UPC lies in the risk of central revocation (invalidity) of the patent, including for classical European patents without unitary effect. A negative decision for the patent owner regarding the validity of the patent will apply in all Member States of the UPC Agreement. The flip side of the coin is that a decision on validity that is favourable for the patent owner will also apply in all UPC countries. Therefore, a rule of thumb is that strong, robust patents may be served by the UPC system, while this is less true for patents, that are more sensitive to nullity concerns. For the latter, an "opt-out" at least deserves consideration.

Also in terms of infringement, a ruling in favour of the patent owner has effect in all UPC countries. This advantage falls away if the opt-out is chosen. If a patent can be considered strong in the sense that the risk of a successful counterclaim for invalidity is limited, the advantages in terms of territorial effect of UPC decisions speak against opting out.



It should also be noted that, until an "opt-out" is filed, the UPC and national courts effectively have shared jurisdiction during the transitional period (7 or max 14 years from the start-up of the UPC). Each party can still choose the court where it brings an action. However, this also means that, without a formal "opt-out", a third party can bring a claim for invalidity of the patent in question directly before the UPC at any time, with the potentially extensive territorial consequences that this entails.

The uncertainty about the unknown, especially how UPC case law will evolve, also leads to hesitation. To be cautious, this too can be handled tactically, for example by opting out quickly, then to wait and see how the UPC case law evolves in the first years after its coming into force, and on that basis, at a later stage, decide whether an opt-in is appropriate or not. In some cases, it is also important to realise that those who opt-out patents that may give rise to litigation forego the experience of, and influence on, UPC case law. Especially in its first years, the UPC will most probably hand down some directional court decisions, and parties can play a role in the outcome of these cases.

Finally, opting out also requires a cost analysis. If the patent owner places his European patent without unitary effect outside of the UPC, he accepts to face proceedings in different countries concerning the same patent, except if the patent is opted-in at the time of filing an effective action. The potentially higher costs of such parallel proceedings should be weighed against the costs of centralised proceedings before the UPC.

| HOW AND WHEN TO APPLY TO "OPT-OUT"?

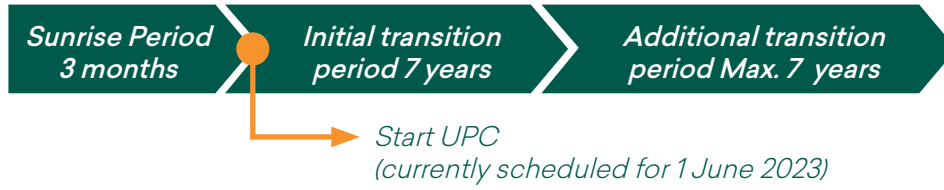
Opt-out applications must be filed through the so-called *Case Management System*, an online digital system that is currently available after its test phase and will be of great importance in proceedings before the UPC, which will mainly take place electronically. In that online system, the patent number or patent application number will have to be entered, after which the owner will have to confirm that he has the authority to file an "opt-out" for the patent. No cost is currently foreseen for an "opt-out". However, it is necessary to make preparations to access the electronic system and have the necessary certifications.

The opt-out application can be filed until one month before the end of the transitional period provided for in the UPC Agreement, i.e. 7 years after the start of the UPC on 1 June 2023, i.e. before 1 May 2030. This initial transition period will be extendable by the UPC States for an additional period of up to 7 years, until 2037. There is thus a possibility that the "opt-out" option will remain available for 14 years. Each "opt-out" applies for the entire life of the affected European patent, in principle 20 years after its application.

Moreover, prior to the start of the UPC, a run-in period or so-called *sunrise period* of 3 months is applicable, during which "opt-out" applications are already possible. The predetermined start date of this *sunrise period* is 1 March 2023. By using it, the patent owner avoids any risk of a central invalidity claim for the UPC when it enters into force on 1 June 2023.



Indeed, opt-out applications filed will have effect from the first day of the UPC.



For patent owners who do not use the opt-out during the sunrise period, the warning remains that as soon as a dispute relating to a patent without opt-out is brought before the UPC, the possibility to opt-out ceases to exist. Conversely, as soon as an opted-out patent (or, where applicable, a SPC based on that patent) becomes the subject of litigation before a national court, the opt-in option lapses.

For any questions or assistance, please reach out to our Team

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