

# The Unified Patent Court

## What is the Unified Patent Court?

- The UPC is a new pan-European patent court that has jurisdiction over patents granted by the European Patent Office (EPO), including infringement and invalidity issues relating to those patents.
- The UPC will have exclusive competence in respect of all Unitary Patents (UPs).
- The UPC will also eventually have exclusive competence in respect of all classically-validated European patents (EPs), although it will be possible to “opt out” EPs from the UPC system during a transitional period.
- The UPC will have branches across Europe, currently including Paris and Munich. Decisions of the court will apply to patents in all states that have ratified the UPC Agreement.
- The UPC Agreement will enter into force on 1 June 2023. At first it will cover 17 countries, with this number expected to increase in future.
- Disputes concerning patents granted by national patent offices will continue to be heard only in the national courts.
- License disputes and patent ownership disputes will only be heard by the UPC if entered as a defence to patent infringement.
- Once opted out, the patent or application will be subject only to the jurisdiction of the competent national courts and not to the UPC. The opt-out lasts for the whole lifetime of the patent (unless the opt-out is withdrawn by the patentee).
- If you do nothing, the EP will automatically fall into the UPC system.

## What can be opted out?

- Any pending European application or nationally-validated “classical” EPs can be opted out before the end of the seven year transitional period.
- Separate opt-out requests must be filed for each patent or application. Divisionals must be opted out separately from their ‘parent’ patents/ applications.
- If an opt-out has been registered with respect to an EP application, the opt-out continues to apply to the relevant EP, once granted.
- An opt-out request for a single EP will apply to the whole family of nationally-validated patents arising from that single EP. There is no way to file an opt-out for individual countries while leaving others opted in.
- It does not matter whether a country in which the patent is designated has actually ratified the UPC Agreement at the time of the opt-out; those patents will be opted out automatically at such time as these countries ratify.

## What is an opt-out?

- Although the UPC will eventually have exclusive competence in respect of all EPs, it is possible to opt out of the system during a transitional period. This transitional period will initially last for seven years, i.e. until 1 June 2030, although it may later be extended by a further seven years.

## What cannot be opted out?

- Patents validated as UPs cannot be opted out of the jurisdiction of the UPC.
- If proceedings are brought in the UPC against a "classical" EP before the opt-out is registered, then the UPC seizes jurisdiction.
- Patents granted by national patent offices will not fall under the remit of the UPC, and therefore do not need to be opted out.

## Can the opt-out be withdrawn?

- Once opted out, the EP remains opted out for the whole lifetime of the patent, unless the patentee withdraws the opt-out.
- An opt-out can be withdrawn at any time during the life of the patent.
- However, once an opt-out has been withdrawn for a particular patent, a second opt-out request cannot be filed for that patent, that is the patent cannot be opted out for a second time.
- If proceedings are brought before a national court while the EP is opted out, then the national court seizes jurisdiction.
- It is then not possible to withdraw the opt-out before the national action is concluded.

## Who can opt out?

- The Rules of Procedure allow (1) the patent proprietor or the applicant for a patent application or (2) an authorised representative to opt out a patent.
- The proprietor of the patent is the person or legal entity who currently holds the rights in the patent, regardless of who is named as the patentee on the patent register. Proprietors should therefore satisfy themselves that they have a valid and complete chain of title for the EP and all national patents arising from the EP.

- If the EP rights are jointly owned by more than one proprietor (whether across multiple countries or within the same country), all proprietors need to agree on the opt-out prior to filing an opt-out request, otherwise the request cannot validly be made.
- A patent licensee, even an exclusive licensee, does not have the right to authorise the opt-out of a patent from the jurisdiction of the UPC. Therefore, licensees should discuss with patent proprietors the opt-out status of a case.

## How do I opt out?

- In order to opt out, an applicant/ proprietor will need to set up an account through the Case Management System of the UPC and file a mandate confirming that they are authorised to opt out the patent.
- Alternatively, as authorised representatives, Mathys & Squire can opt out on your behalf, even if we are not named as the representative on a patent register.

## What is the cost associated with opting out?

- There is no official fee for opting out, but there is an administrative cost for you in reviewing your portfolio and making opt-out decisions.

## When should the opt-out request be filed?

- The opt-out can be filed at any time during the seven year transitional period.
- A "sunrise period" began on 1 March 2023 and is in effect until 1 June 2023. During this time, opt-out requests can be filed before the official start date of the UPC.
- Any EPs and applications for which an opt-out request is registered during the sunrise period will not become subject to the jurisdiction of the UPC.

## What do I need to do prior to opting out?

- Identify your EPs: Identify the portfolio by EP (or application) number, even if the patents have been converted into national patents in separate EP territories.
- Identify all EPs that you own, even if you are not yet recorded as the patentee on the EPO or national register.
- Confirm you are the proprietor of each patent: Only the proprietor of the patent (or a representative acting on its behalf) can validly file an opt-out request. The proprietor of the patent is the person or legal entity who currently holds the rights in the patent, regardless of who is named on the patent register.
- Obtain agreement to opt out from any co-proprietors: If the EP rights are jointly owned by multiple proprietors (across multiple countries or within the same country), all proprietors need to agree on the opt-out prior to filing an opt-out request. Ideally, written agreement from all proprietors should be obtained prior to opting out a patent.
- Failure to show that all proprietors were in agreement to opt out a patent may render the opt-out request invalid, although this will only be considered in any subsequent court proceedings.
- Negotiate with licensor: As a patent licensee, even as an exclusive licensee, you do not have the right to authorise the opt-out of a patent from the jurisdiction of the UPC. Licensees should therefore discuss with patent proprietors the opt-out status of a case. When drafting future licence agreements, it would be useful to include an agreement as to which party will be responsible for making the opt-out decision for a particular patent.
- Decide which patents to opt out from jurisdiction of the UPC: Some patentees will decide on a blanket opt-out strategy for their whole portfolio, but others will consider each patent individually. Further advice on factors to consider is provided below.

- Instruct Mathys & Squire to opt out the patents: Please provide us a list of all patents you wish to opt out of the jurisdiction of the UPC and for which you are the proprietor, preferably including our reference number against each instruction.
- Withdrawal of an opt-out: Note that you can withdraw your opt-out at any time and bring the patent back into the jurisdiction of the UPC. You might want to do this, for example, if you wish to bring an infringement action using the patent in the UPC. However, once an opt-out has been withdrawn for a particular patent, a second opt-out request cannot be filed for that patent, that is the patent cannot be opted out for a second time.

## Deciding whether to opt out

- There are a number of factors to consider when deciding whether to opt your EPs out of the jurisdiction of the UPC. Your decision may be the same across your whole portfolio of patents, or a specific decision may be required for each case.
- For example, it may be advisable to identify portfolios of patents that protect particular product lines, and consider individual strategies for them as well as for individual patents within the portfolio. It might be advantageous to keep at least one relatively strong patent within the portfolio opted in so that a pan-European injunction can be obtained.
- One option is to opt out all patents to avoid the risk of a central revocation action being brought at the UPC but then to withdraw the opt-out for one or more patents at a future date if you wish to bring a central pan-European enforcement action. However, once opted out and opted in again, a patent cannot be opted out for a second time. Furthermore, there is a risk that you will be blocked from opting back in if an action is launched in a national court while the patent is opted out.
- It is important to note that patents validated as UPs cannot be opted out of the jurisdiction of the UPC.

## Why might I want to opt out my patent?

Factors that could point towards opting out from the UPC system might include:

- This is a key patent protecting an important product and is likely to be asserted or have its validity challenged.
- The patent is fundamental to a specific technology area.
- The patent has been monetised (e.g. there are licences or liens against the patent or it is relied upon for investment) and so is of key importance to your business.
- You are aware or suspect that the patent is vulnerable to an invalidity attack.
- The patent, or closely related patents, have been opposed at the EPO.
- Litigation is common in your industry or technical area.
- You have concerns about the quality or consistency of decisions in the new court.
- You wish to make it harder for competitors to clear the way to enable launch of their product across the whole of Europe.
- Enforcement in one national jurisdiction would have the same commercial effect as a pan-European enforcement through the UPC.
- The invention covered by the patent is not currently implemented in a product and is unlikely to be asserted or have its validity challenged; or the patent is one of a portfolio of patents of roughly equal value to your business.
- There is a low risk of invalidity actions against the patent due to invalidity actions being uncommon in that field or within the competitors.
- To prevent competitors from blocking you opting back in by launching a national court action against the patent.
- Pan-European litigation in a single UPC action will be cheaper than litigating in multiple separate European countries. This may be particularly important for patents protecting low value products.
- The patent is directed to a process invention. Unlike some European countries, the UPC has a discovery process, and may be particularly suitable for litigating process patents. The UPC might be able to grant relief if the individual process steps are conducted in different European countries within the area covered by the UPC.

## Why might I want to allow my patent to remain opted in?

Some of the key reasons you might want to allow your patent to remain opted in to the UPC system include:

- You are aware of one or more potential infringers in multiple territories across Europe against whom you may wish to bring an infringement action.
- You wish to provide a bigger disincentive to infringers who will be aware of the possibility of pan-European action, including injunctions and damages.
- The patent is considered to be strong, with few concerns over validity, in particular if the patent has survived an opposition at the EPO.
- Some patentees who wish to avoid the jurisdiction of the UPC (for at least a portion of their patent portfolio) are considering filing individual national patent applications at the national patent offices of each country of interest instead of or alongside their EPO filings. Note, that at present, it is not possible to convert an international (PCT) patent application directly into a national patent application before some national patent offices.
- About 3 to 5 national applications can be filed for about the same cost as one EPO application.
- National prosecution may be faster/ easier than the EPO.
- No substantive examination in some countries.
- Avoid EPO fees and restrictions on applications having more than 15 claims or more than one independent claim per category.
- May obtain different patent scope in different countries.
- National patents avoid central revocation by EPO opposition or UPC revocation.
- Nearly all countries allow post-grant amendment.