

The Unified Patent Court and Unitary Patent

How, When and Why (not) Opt out

The Unified Patent Court ("UPC") and the European patent with unitary effect ("Unitary Patent") are expected to come into force most likely at the beginning of 2023 at the latest. The Unitary Patent System is meant to establish a single patent dispute resolution system for the contracting EU Member states. The decisions of the UPC will eventually apply to the jurisdiction of 24 EU Member States, whether for injunctions and damages for patent infringement or for the invalidation of patents. The Unitary Patent System will thus cover a market of approximately 350 million people, comparable to the USA. A seven year provisional period is provided in which granted European patents and pending EP applications („Classical EP") can be opted out from the UPC in order to maintain the status quo. A sunrise period during which the opt out can be registered prior to the start of the UPC is expected to start even earlier (mid 2022). Companies should therefore use the next months to evaluate their patent portfolio and to decide about their UPC strategy: Stay in or opt out?

Steps to consider in 2022

1. Decide about UPC strategy with your licensee(s), licensor(s), co-owners. Decide about UPC strategy for your patent portfolio: To stay in or to opt out?
2. Decide about the future filing strategy in the EU: Unitary protection, Opt out during transitional period or national filing – or a combination thereof?

The effect of opt-out

Classical EP will be automatically subject to the exclusive jurisdiction of the UPC after the expiry of the seven year transitional period. During the transitional period, patents can in principle be enforced and invalidated either by the UPC or by the national courts. The effect of opt-out is to give

the national courts exclusive jurisdiction for each respective national validation of a Classical EP until expiry just as it would have been without the UPC. The opt-out may be withdrawn under certain circumstances at a later date ("opt-in"). The effect of the withdrawal of an opt-out is to take the Classical EP back to the UPC system.

Bars on opt-out and withdrawal of opt-out

There are important bars on opt-out and its withdrawal if actions have been lodged relating to Classical EP: An opt-out is barred, if an action relating to a Classical EP has already been filed at the UPC. The withdrawal of an opt-out is barred, if an action has already been filed concerning an opted-out Classical EP in a national court. These bars continue even after the respective litigation has been concluded.

When to opt-out?

If a decision for opt-out is taken, the declaration for opt-out should be filed as early as possible in order to avoid to be locked into the UPC system by a central revocation action filed by a competitor.

A „sunrise“ provision will allow proprietors to opt out EPs before the UPC doors open for actions. The sunrise opt-out applications will be registered on the first day of the UPC, preventing pre-emptive UPC actions to block the opt out of the patent in dispute. Although the practical implementation is still unclear, it is very likely that the provisional period will start until mid 2022 at the latest, while the UPC will take the first cases most likely not before 2023.

Opt-out is possible up to seven years after entry into force of the UPC Agreement (“Transitional Period”), unless action has been brought before the UPC.

Who can opt-out?

The „proprietor“ of a granted patent or application must file the opt-out.

If a patent is owned by two or more „proprietors“ they must all lodge the application, i.e. they must all agree.

If designations are owned by different proprietors, they must all agree, too. One proprietor cannot opt out only one or some designations of the same EP.

How to opt out?

Opting out requires an application to the registry which shall contain:

- details of the patent/application (and any SPC), including registration number(s);
- name and address – postal and if applicable electronic – of all registered proprietor(s)/applicant(s)/SPC holder(s);

- declaration of proprietorship if the person lodging the application to opt out is not recorded as proprietor
- or applicants in the national patent register or at the European Patent Office (“EPO”);
- name and address – postal and if applicable electronic – of representative, if appointed.

What does opt-out cost?

Staying in the UPC does not require a decision and is for free. Opting out will also be free of charge according to the current status.

What about supplementary protection certificates (SPCs)?

An SPC follows the basic patent on which it is based so that an opt-out or withdrawal of an opt-out regarding the patent includes the SPC.

If an SPC is already granted and the SPC owner is different from the patent proprietor, the SPC owner must agree to the opt-out.

What about pending or future EP patent applications?

An EP granted with the same set of claims in respect of all UPC Member States benefits from unitary effect if its unitary effect has been registered (“Unitary Patents”). Unitary Patents must be litigated in the UPC and cannot be opted out.

A declaration for unitary effect can only be filed once the UPC has entered in force. It is possible until one month after the grant of the EP and if all UPC Member States have been designated in the original EP application.

Strategic considerations

Why opt out?

- Revocation risk for all UPC Member States by one single revocation action
- Increased risk of declarations for non-infringement (DNI), as requirements for DNI are lower under the UPC than in many other European countries, like e.g. in Germany today.
- Forum shopping: advantage of bifurcation and an automatic injunction e.g. in Germany when the court finds the patent infringed while the UPC may have discretion whether or not to grant injunctive relief: to be seen how the UPC case law will develop
- Well-known and predictable case law in some Member States making outcome of proceedings more predictable vs. unpredictable case law under the new UPC (at least in the early years)

Why stay in?

- Chance of EU wide injunction with one single action
- No requirement to translate the patent specification into each single national language which would be necessary in case of multiple national actions (but see UPC language regime)
- Regarding pharmaceutical patents: Possibility that the Bolar exemption could be construed narrower under the UPC than nowadays e.g. in Germany
- Easier enforcement of inspection orders and seizures: Even if there is infringement only in one Member State, an inspection order could be reached with effect for the whole territory
- UPC actions are expected to be faster than various national actions
- No risk of contradictory decisions

Strategies for Classical EP

- Stay in with at least some patents
 - in order to benefit from UPC-wide enforcement
 - in order to shape the UPC case law and to gather experience in the UPC court
- Mitigate risks: Opt-out one patent of a family but keep other family patents in the UPC regime
- Opt-out at the earliest opportunity in order to protect against central validity attack and opt-in again if UPC-wide relief
- in case of infringement action is advantageous. Risk: the patent may be locked out of the UPC in case of a national attack in the meantime.

Strategies for future Unitary Patents

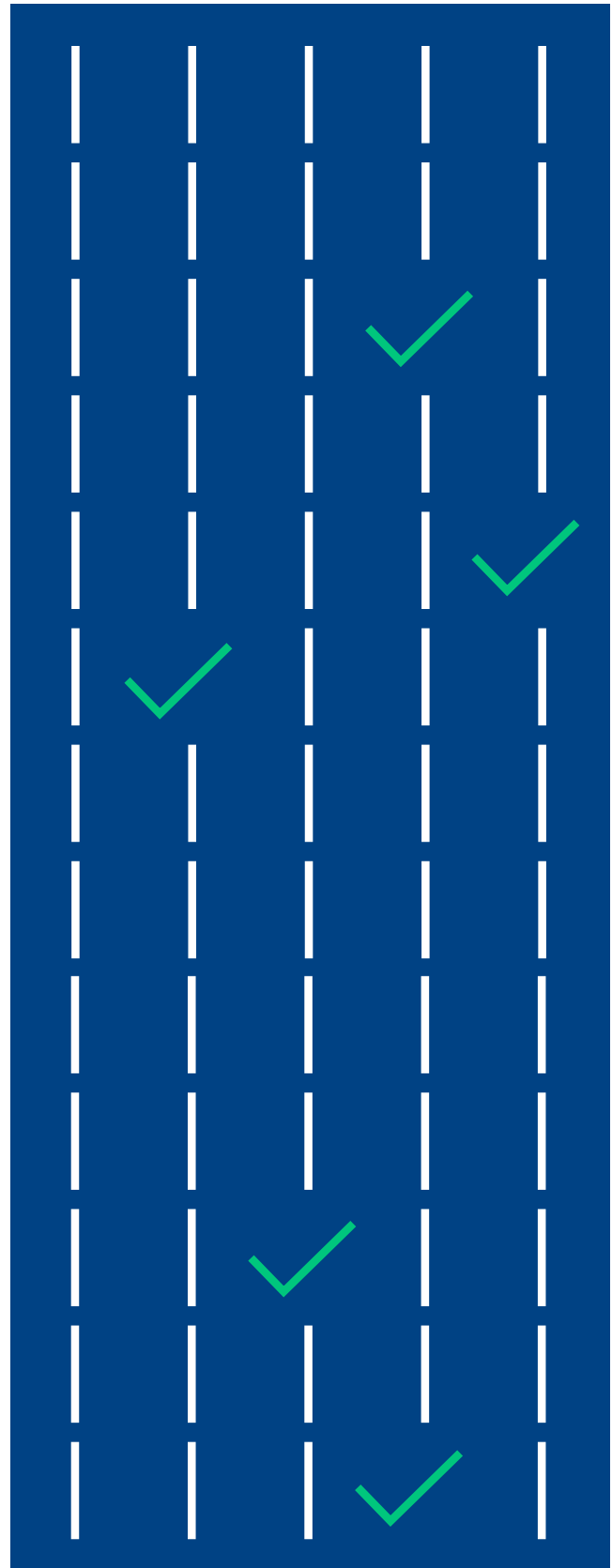
- Designate all UPC Member States in order to keep the option to apply for unitary effect as soon as the EP is granted (30 days period)
- Take care that patents are filed from a UPC Member State whose property law is familiar to you; for Non-UPC residents, German law applies per default
- Adjust filing strategy:
 - Consider applying divisional patents and branching off of national utility models;
 - Consider national filing strategies, in particular for crown jewel technology and if the comparatively affordable UPC-wide protection is not the major interest of your company's IP strategy (see Checklist below)

Checklist for deciding whether to stay in or to opt out:

- Economic value of the patent: How big is its scope of protection? Would other patents cover the competitor's products, too?
- Strength of the patent: How big is the revocation risk?
- Relevant territories: Where does your company do business? Where do your competitors do business?
- Your company's strategy: What is the purpose of the patent portfolio: preventing infringement or realising licensing and transactional opportunities?
- Your company's philosophy: Active IP enforcement or rather defensive strategy?
- Costs of prosecution and litigation?

How can we help you?

- Client trainings considering the particularities of the market where your company is doing business in your market
- Outline litigation strategies and opting out/staying on strategies
- UPC Moot courts
- Webinars on all aspects of the UPC and Unitary Patent



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