

The Unified Patent Court (UPC) is one major step closer to entry into force, as the German upper parliament (*Bundesrat*) recently voted on and approved the legislation for the UPC Agreement (Agreement) and its Protocol on the provisional application. Currently, it is expected that the UPC will be operational as of spring 2022.

Evaluate Your Patent Portfolio and Take Action Now

Generally speaking, a Unitary Patent is advantageous, inexpensive and practicable. The UPC system is expected to be a powerful weapon especially for European patents that are “strong”, i.e. when owners are confident about their validity. However, patent owners are well advised to exclude some patents from the UPC jurisdiction by filing an opt-out pursuant to Article 83 (3) of the Agreement, which among others, prevents a central attack on the patent’s validity.

Companies need to consider their options now, before the UPC starts operating.

Transition Period and Requirements

The Agreement provides for a **transition period of seven years** after its entry into force, with the option to be extended for up to another seven years. The opt-out option is available for all European patents that were granted or applied for and published with the EPO prior to the end of the transitional period – but this is only if no action against the patent has been brought before the UPC yet. In practice, therefore, any third party (e.g., a company that would like to use the patented technology and believes it might invalidate the patent) can block the possibility to opt-out by filing an action before the UPC, before the patent owner has decided to opt-out. For this reason, companies that wish to opt-out should do so before third parties are able to bring such an action.

What to Consider

The UPC will make litigation more efficient and ensure consistent outcomes. It comprises a first instance court and a court of appeals and enables pan-European decisions within the participating member states, instead of having to litigate country by country. This can mean lower costs and less administrative burden on the patent owner, and can provide a monopoly position for products across the EU. While patents not subject to the UPC can be challenged piecemeal in national courts (as is done now), the UPC entails a risk for companies to lose their protection at once across the whole of Europe, if competitors challenge the patent’s validity under the UPC.

We recommend a review of at least a company’s most important patents to assess the likelihood that its claims could be found invalid. For strong patents that are unlikely to be invalidated, the benefits of the UPC will likely outweigh the risks.

We also recommend a review of license agreements on European patents. Most license agreements do not include clauses that deal with issues that are specific to the UPC system. For example, under the Agreement, the opt-out decision is the patent owner’s decision. However, licensees may want to prevent central attacks and may, therefore, want to include in the license agreement the possibility to influence the patent owner’s decision. Another issue is whether the licensee should have the authority to enforce a patent without the licensor’s consent, i.e. taking legal action at the UPC on their own. Again, this should be dealt with in the license agreement with the appropriate language.

How to Opt Out and Its Effect

The opt-out notification has to be filed with UPC Registry via the Case Management System by at least one month before expiry of the transitional period. If more than one person owns the patent, all proprietors are required to lodge the application to opt out. The opt-out takes effect upon its entry into the register. The effect comprises all the countries in which that patent is validated. It is not possible to opt-out only in certain countries.

The UPC will publish all patents that have been opted-out on its website for users or machines to search. Companies are well advised to monitor the opt-out register for various reasons. First, if they intend to attack a patent, they must determine the right place to take action, i.e. a national court or the UPC. Secondly, they may want to look into the options to file an action against a competitor before a national court before the competitor opted-out or to file an action against a competitor before a national court in order to avoid that the competitor returns to the UPC by opting-in.

Duration and Option to Opt In: A Second Chance to Make the Right Decision?

An opted-out patent removes the European patent from the jurisdiction of the UPC not only during the transition period, but for the whole life of that patent. However, Article 83 (4) of the Agreement allows withdrawing the opt-out at any moment by a notification to the Registry (so-called “opt-in”). The withdrawal will take effect upon its entry into the register. Once you have opted in, it is no longer possible to opt out again.

While the provision seems to promise an extensive opportunity to use the backdoor to return to the UPC (“at any moment”), this is not the case. The opt-in option – like the opt-out option – is only available as long as no action has been brought before a national court. Once a competitor, for example, has brought an invalidity action against an opted-out European patent before a national court, the patent owner no longer has the option to opt back in.

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