The UPC: a spotlight on opting out

When the Unified Patent Court Agreement (UPCA) enters into force, patents granted by the EPO will – by default – be subject to both the jurisdiction of the Unified Patents Court (UPC) and the relevant national courts.

Dual jurisdiction brings patentees both the opportunity for central enforcement and the risk of central revocation.

Both the patentee and third parties will have the choice to bring litigation relating to the patent before either the UPC or before the national court of any UPC-participating country in which the patent is validated.

There is an understandable amount of caution about the UPC and for European Patents with a unitary effect (“Unitary Patents”) more generally. To assuage some of these concerns, there will be a transitional period during which it is possible, for traditional European patents and European patent applications, to “opt-out” of the jurisdiction of the Unified Patent Court. The transitional period will last at least 7 years, following which it may be extended for a further 7 years.

Background

Once the UPC system comes into force, owners of European patent applications will have two main choices as to the type of patent rights they obtain once their patent application is granted.

Option one is to obtain a unitary patent. This results in a unitary patent right covering the territories of all countries which have ratified the UPCA when the request for unitary effect is registered (i.e. the countries in which the UPCA has taken effect at the date of registration of unitary effect by the EPO). These countries will be referred to in this article as “UPC-participating countries”. In addition, the European patent can be separately validated in any countries which have not ratified the UPC agreement or have chosen not to take part in the Unitary patent system (“non UPC-participating countries”), resulting in separate classical (or “bundle”) patent rights in each of these countries.

Option two is to choose not to obtain a unitary patent. In this case, the patent owner separately validates the patent in each country in which protection is desired and obtains a separate patent right in each of these countries. This more closely matches the system which currently operates for European patents.

What is an opt-out? Are opt-outs relevant to me?

Opt-outs are relevant to all European patents for which no Unitary patent has been obtained. This means both European patents which have already been granted, and European patent applications which are granted after the Unitary patent system takes effect, and for which option two (above) is chosen.

Thus, opt-outs are relevant to owners of all pending European patent applications and to proprietors of already granted European patents which have been validated in at least one country which has chosen to be part of the Unitary patent system.

By default, once the Unitary patent system comes into effect, all already granted European patents will, in each UPC-participating jurisdiction in which the European patent is validated, become subject to the shared jurisdiction of both the Unified Patent Court and the national courts of that jurisdiction. This means that both the patentee and third parties will have the choice to
bring litigation relating to the patent before either the UPC or before the national court of any UPC-participating country in which the patent is validated.

This default position applies also to pending European patent applications as soon as they grant, if the owner of the patent application chooses not to obtain a Unitary patent (option 2).

An opt-out is the mechanism by which a proprietor of a European Patent, or applicant of a European Patent Application, is able (during the transitional period) to withdraw their patent or application from the jurisdiction of the Unified Patent Court. As noted above, it is only possible to file an opt-out for European patents or applications that do not have a unitary effect. For unitary patents, the UPC will always have sole jurisdiction.

What is the effect of filing an opt-out?

If an opt-out is filed, then the European Patent will be treated as a “traditional” (or “bundle”) European patent, meaning that litigation in relation to the European patent will fall under the exclusive competence of the national courts of the countries in which the patent is validated, both for UPC-participating countries and non UPC-participating countries.

When can an opt-out be filed?

Once the Unitary patent system launches, there will begin a 3-month “sunrise period”, during which the competence of the Unified patent court will not yet take effect (so litigation can still only be brought before national courts), but during which opt-outs can be filed.

During the sunrise period, an opt-out can be filed at any time for any granted European patent or any pending European patent application that has been published. The opt-out will extend to any supplementary protection certificate based on the patent.

Following the sunrise period, opt-outs can continue to be filed for any published European patent application, and can continue to be filed for any European patent, so long as litigation relating to the patent (e.g., infringement or invalidity proceedings) has not already been started before the Unified Patent Court. Once litigation has been brought (either by the patentee or by a third party) before the UPC in relation to the patent, the option to file an opt-out is irrevocably lost.

It is also to be noted that opt-outs are only an option during the transitional period. At present, it is planned that opt-outs can be filed up until “one month before expiry of the transitional period” (Article 83 (3) UPCA). The transitional period will last for at least seven years from the date of entry into force of the Agreement (Article 83 (1) UPCA). It is possible that this transitional period may be extended.

Can I withdraw an opt-out?

Yes, it is possible to opt back into the jurisdiction of the Unified Patent Court by withdrawing the opt-out (Article 83(4) UPCA). However, this is only possible provided that no litigation relating to the European patent has been brought before a national court of any UPC-participating country. Once any such litigation has been started, the option to withdraw the opt-out is irrevocably lost.

Furthermore, it is to be noted that under the current draft Rules of Procedure of the UPC (RoP UPC), it is only possible to opt out once (Rule 5(10) RoP UPC). Thus, if you have previously opted-out, but subsequently chosen to opt-in, you will not be permitted to opt-out again.

How do I lodge an opt-out?

An opt-out is requested by lodging an application to opt-out with the Registry of the UPC.

An electronic case management system has been created, and all applications to opt-out must be filed electronically through this system.
When will the opt-out take effect?

The Registrar of the UPC will enter the Application to opt out in the Register as soon as practicable.

If the request meets all requirements of the Rules, it will be deemed to take effect upon the date of entry in the register.

Who is eligible to lodge an opt-out?

The proprietor of a granted European patent or the applicant of a pending European patent application may lodge the application to opt out. Their registered representative may also lodge the application on their behalf.

If there is more than one applicant or more than one proprietor, all must lodge the application to opt out.

If a European patent has different owners in different jurisdictions in which it is validated, all owners must lodge the application to opt-out together, including owners of parts of the European patent covering non-UPC participating jurisdictions (Rule 5.1(a) RoP UPC).

For a granted European patent, the application to opt-out must be made wholesale in respect of all UPC-participating countries in which the European patent is validated; an opt-out cannot be filed in respect of only a subset of countries.

If an application or patent has been assigned to a new owner, the new owner may lodge an application to opt-out even before it has been recorded in the register of the European patent office or relevant national state register(s) as the new owner (Rule 5.1(a) RoP UPC), provided that a declaration is filed by the new owner that they are entitled to be registered as the owner (Rule 5.3(e) and Rule 8.5 RoP UPC).

It is not at present clear from the Rules of Procedure what will be the legal status of an application to opt-out which is lodged illegitimately by an old owner of a patent or application following a transfer of ownership which has not yet been recorded on the register(s). However, we expect that such an opt-out could be challenged on the grounds that it is an unauthorized opt out.

All of the above applies correspondingly to applications to withdraw an opt-out.

How can an unauthorized application to opt-out or application to withdraw an opt-out be challenged?

The applicant of a patent application or proprietor of a patent may lodge an application to remove entry of an unauthorized application to opt out or an unauthorized application to withdraw an opt-out (Rule 5A RoP UPC).

For these purposes, it is not yet clear whether the applicant or proprietor shall be taken to be the person entitled to be recorded as the applicant or proprietor in the European patent office register or national office register(s) as appropriate, regardless of whether they in fact are recorded in the register (see Rule 8.5(c) and Rule 5.4 RoP UPC). We expect that an applicant or proprietor entitled to be recorded as such will be allowed to challenge an unauthorised opt-out/withdrawal of an opt-out.

If you have any questions about opting out your patents from the jurisdiction of the UPC, or about the UPC more generally, please get in touch with us – we will be happy to advise you.