

De Clercq & partners
INTELLECTUAL
PROPERTY

THE UNITARY PATENT AND THE UNIFIED PATENT COURT



European patent with unitary effect ('Unitary Patent')

Under the European Patent Convention (EPC), European Patents (EP) are filed, examined and granted by the European Patent Office (EPO) in a centralized procedure for 39 EPC contracting states[1]. These include all 27 European Union (EU) states and an additional 12 non-EU states[2].

At this moment, upon the grant of a European patent, the patent holder needs to choose in which of the EPC contracting states the European patent is to be maintained. For each of the states where validation is desired, national official fees, agent fees and often translation fees need to be paid. In addition, yearly renewal fees also need to be paid for each of the chosen states. This is known as a classical validation or system.

As from June 1, 2023, it will become possible to request unitary effect for European Patents granted on or after that date. The 'Unitary Patent' will cover the following **17 EU states**: Austria, Belgium, Bulgaria, Denmark, Estonia, Finland, France, Germany, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Portugal, Slovenia and Sweden. All 17 states will be covered by the UP as a block; it will not be possible to make a smaller selection from the 17. The number of participating EU states is expected to grow in the coming years, although Spain, Croatia and Poland are already known to remain outside of the system for the foreseeable future. Still, the 17 states already represent almost 70% of the EU's population and 80% of the EU's gross domestic product (GDP).

Registration of the unitary effect will be initiated by a single request to the EPO, requiring only one translation of the granted EP patent (during a transitional period of 6 years or, if extended, 12 years) and annual payment of a single renewal fee. All post-grant administration, including the registration of the unitary effect and the payment of the renewal fee, will be handled centrally by the EPO.

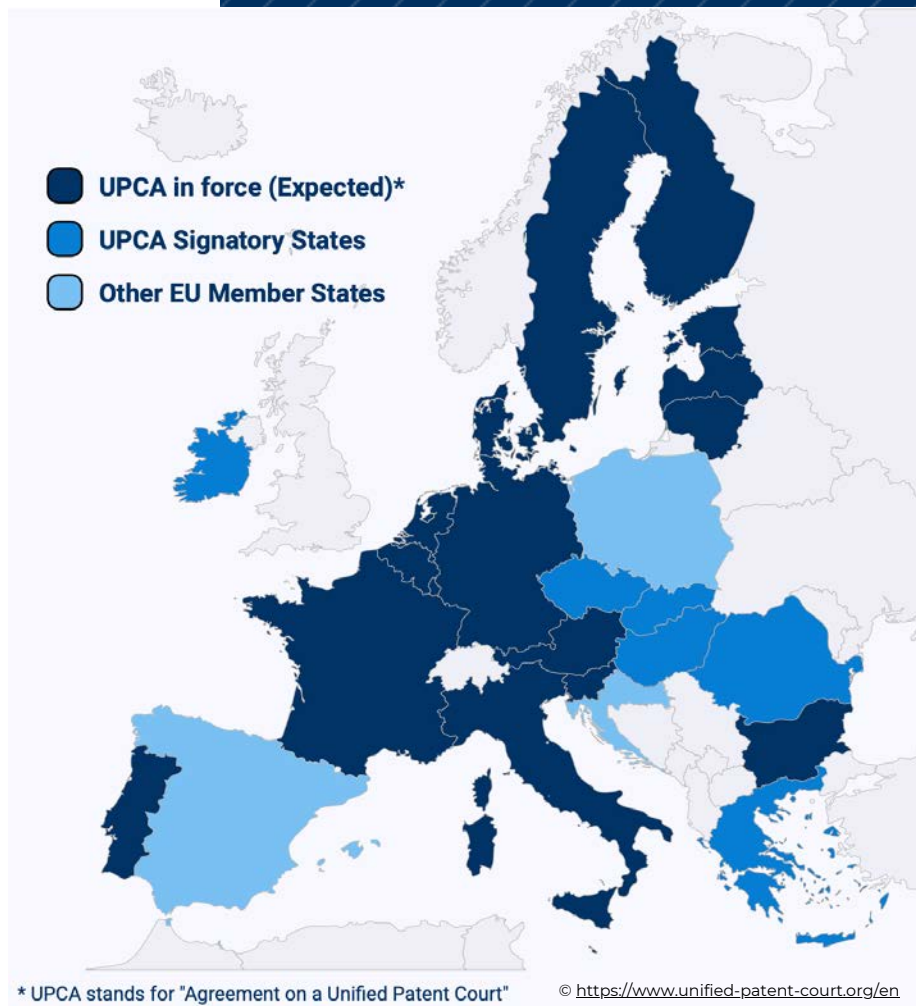
[1] On October 1, 2022 Montenegro joined the EPC as the 39th country; patent applications filed on or after this date may be classically validated in Montenegro.

[2] For an up to date list of EPC contracting states, see <https://www.epo.org/about-us/foundation/member-states.html>.

Importantly, the choice for a Unitary Patent will be entirely optional, and patent holders may instead use the existing classical system of validations in the individual EPC states. The classical validation will remain necessarily in place for EU states not (yet) participating in the Unitary Patent system and for all non-EU EPC states. It will not be possible to retroactively convert granted European patents having been classically validated in the participating EU states into a Unitary Patent or vice versa, hence, the decision for a Unitary Patent or classic EP needs to be taken with care.

All in all, the Unitary Patent makes it possible for patent holders to obtain uniform patent protection in the 17 participating EU states at a much lower cost. There is a cost saving compared with individual validations in 5 or more of these states. Keep in mind, however, that the unitary nature of the Unitary Patent also means that it can only be maintained or allowed to lapse as a whole for all the 17 states.

If an Applicant does not desire unitary protection, but only wishes a classically validated EP patent, then the application can be prosecuted to grant and afterwards validated in the desired individual EPC states. This corresponds to the current classical procedure, which applicants, if they have previously obtained a patent grant in Europe, will be familiar with.





Unified Patent Court (UPC)

At this moment, national courts are responsible for infringement and/or revocation actions relating to European patents validated in their respective territories, often leading to parallel court procedures in case infringement takes place on a pan-European level.

The **Unified Patent Court (UPC)** will be a new court common to the participating EU states aiming to provide a simpler and more efficient judicial system, with one court having jurisdiction across all EU states that have ratified the UPC agreement for all European patents and Supplementary Protection Certificates (SPC) obtained based on European patents. The UPC will therefore issue judgments on the infringement and/or validity of European patents having effect throughout the EU states participating in the UPC agreement.

When the UPC opens its doors on June 1, 2023, it will be a court common to the same 17 states mentioned above ('UPC Contracting Member States'): **Austria, Belgium, Bulgaria, Denmark, Estonia, Finland, France, Germany, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Portugal, Slovenia and Sweden.** In these states it will have exclusive competence for actions on the infringement and revocation of both Unitary Patents and classically validated European Patents (i.e., European Patents validated in the individual EPC states), as well as SPCs obtained based on such patents. Importantly, the decisions of the UPC taken for classic EP patents will **cover the territory of those of the 17 UPC Contracting Member States in which the European Patent has been validated.**

Consequently, a revocation action or a counterclaim for revocation concerning a Unitary Patent and a classic European Patent may lead to the **loss of the patent in all of the above 17 UPC Contracting Member States by a single decision of the UPC.** This sharply contrasts with the current situation, where national courts can only revoke their respective national designations of a classic European Patent. Similarly, an **infringement action** can be invoked in all 17 **UPC Contracting Member States** with a single procedure.

UPC opt-outs

During a **transitional period** of 7 years (which may be prolonged by up to a further 7 years) actions for infringement and/or revocation of classic European Patents may be brought before national courts or before the UPC. A proprietor of or an applicant for a European patent however has the option to **opt-out of the UPC's exclusive competence** before the end of the transitional period, such that only the national courts will be competent for the opted-out patents throughout their lifetime. One precondition is that no action has been commenced before the UPC prior to the opt-out becoming effective. After the expiry of the transitional period, the UPC will have exclusive competence over both EP patents with unitary effect and non-opted-out classical EP patents in the 17 UPC Contracting Member States.

Therefore, proprietors of previously granted EP patents or applicants who will in the future obtain granted classic European Patents may wish to **opt-out** their European patents or applications during the transitional period to avoid litigation at the UPC. For patent applications this should ideally be done before grant to avoid that a third party starts an action before the UPC against the granted patent immediately after grant. To allow opt-outs to be requested even before the UPC starts on June 1, 2023, a **3-month sunrise period has started on March 1, 2023** during which such opt-outs can be requested. Applications for opt-out accepted by the UPC Registry before June 1, 2023 shall be treated as entered on the register on that date.

Attractively, an opt-out may later be **withdrawn**, allowing the patent proprietor to initiate an infringement action before the UPC for those of the above 17 Contracting Member States in which the patent has effect. In case an opt-out is later withdrawn, the corresponding classic EP patent (including any related SPCs) is again subject to the competence of the UPC. Such a withdrawal is possible only if no action relating to the patent has been commenced before a national court yet – therefore, if an adversary acts first before a national court, the proprietor's path for reverting to centralized enforcement before the UPC will be forestalled. Moreover, the withdrawal of an opt-out is final, i.e., it will not be possible to file a second opt-out for the same patent.

Please do not forget that in case you choose for a Unitary Patent, it is not possible to opt-out of the competence of the UPC.



Practical preparations for UPC opt-outs

Notifying an opt-out to the UPC registry is as such a relatively straightforward formal act.

In order to be valid, however, an opt-out has to be lodged in the name of all actual patent applicants/proprietors in all EPC states, not just in the 17 UPC states. Note that here the “true” applicants/proprietors must be indicated, i.e., the party that currently owns the patent rights, regardless of whether they are actually recorded in the European patent register or the national patent registers.

It is therefore important to carefully check the ownership of any applications/patents to be opted out in order to reduce the risk that the validity of an opt-out could later be challenged before the UPC. While licensees do not have the right to request an opt-out, applicants/proprietors need to verify who is allowed to decide about the filing of an opt-out request, and even in the absence of specific contractual agreements may wish to seek their licensees' consent with the opt-out or at the very least inform them of the choice made.

The validity of an opt-out which is recorded by the UPC Registry can later still be challenged by third parties in the context of a centralized procedure before the UPC. Any errors in the opt-out request (such as, e.g., wrong proprietor, omission of a designated state, or the omission of any existing SPC rights) can potentially render the opt-out invalid for the entire EP patent (and any SPCs based on the patent). It is therefore of utmost importance that the data to be used for the opt-out request are correct and complete.

Strategic considerations for UPC opt-outs

Several opt-out strategies can be considered:

(i) Given that an opt-out will safeguard a granted classic EP patent from a centralized revocation action by third parties before the UPC, while the patent applicant/proprietor retains the flexibility to withdraw the opt-out at a later date, opting out your EP applications/patents may constitute one possible strategy to keep control over the choice of future litigation procedures. Before choosing for this strategy, please understand that if an adversary wishes to act against an opted-out patent (for example wishes to pursue an action for declaration of non-infringement or a revocation action), he will have to act before the national court(s), which will then prevent you from pursuing a centralized action for infringement before the UPC.

(ii) On the other hand, avoiding the risk of centralized revocation by the UPC may be more relevant for some of your (future) patents than for others. An opt-out may be particularly beneficial for example for the following types of EP patent applications/patents:

- Applications/patents which are very valuable to your business (“crown jewels”);
- Applications/patents which are a key source of your licensing revenues;
- Applications/patents which your competitors are troubled by, for example, patents which have been attacked in but survived opposition proceedings before EPO, applications/patents the family members of which have been attacked in oppositions or revocation suits in- or outside of Europe, applications/patents for which you have previously sent notifications to your competitors, patent applications for which you have received third party observations (so the risk of a future opposition after grant seems high);
- Applications/patents which you know to be comparatively weaker in terms of validity;
- Applications/patents which have been validated or are likely to be infringed in only one or a couple of states, such that the cost of national infringement proceedings may be lower than the cost of enforcement before the UPC.





Costs of UPC opt-outs

In terms of costs, there is no official fee for an opt-out.

The filing of opt-out requests requires active steps to be taken, typically via a European Patent Attorney, which entails costs.

These costs are encompassed by our formality fee for an opt-out of a single EP application/patent which is 150 EUR (excl. VAT). This fee will apply to situations where the information received appears complete.

Any other actions, such as additional communications and reminders to obtain missing information, will be charged either on hourly basis or according to our standard schedule of charges, depending on the nature of the activity.

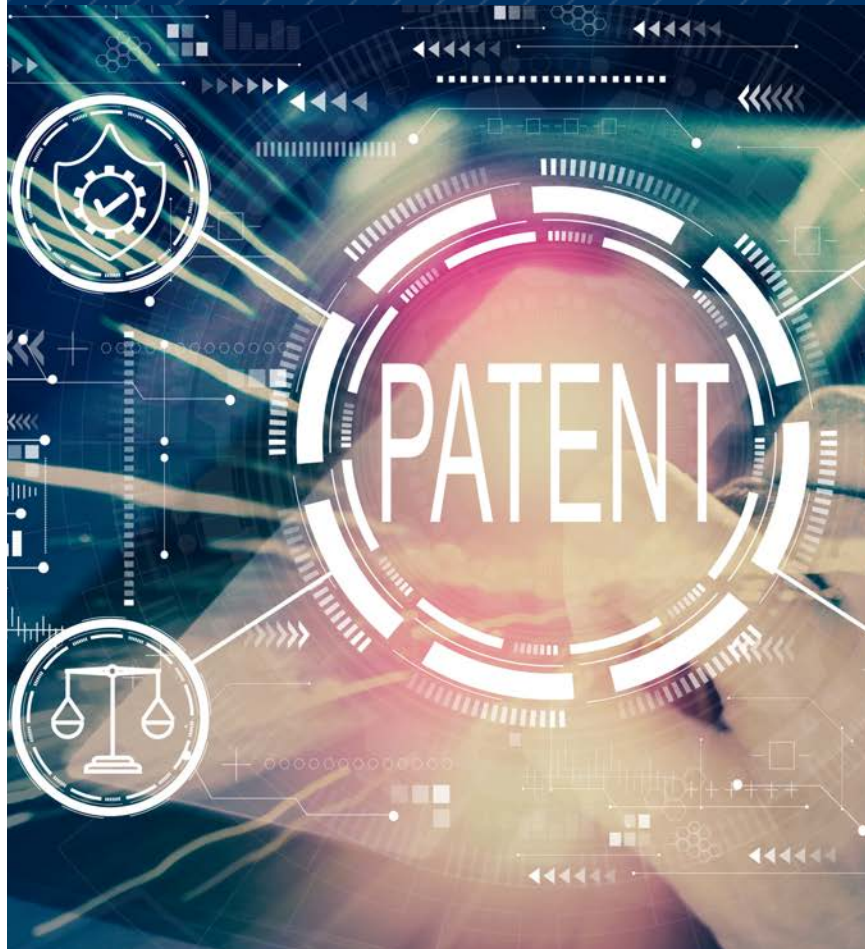
Our Patent Attorneys and Paralegals are available to perform a thorough or partial manual review if we receive specific instructions to do so, for example when we would be requested to obtain missing information, or (only upon your request) contacting co-applicants, licensors, etc. to seek their instructions, inspecting co-ownership or licensing contracts. The costs for such a manual review (if desired) will be charged on hourly rate basis and will depend on the actual time involved.

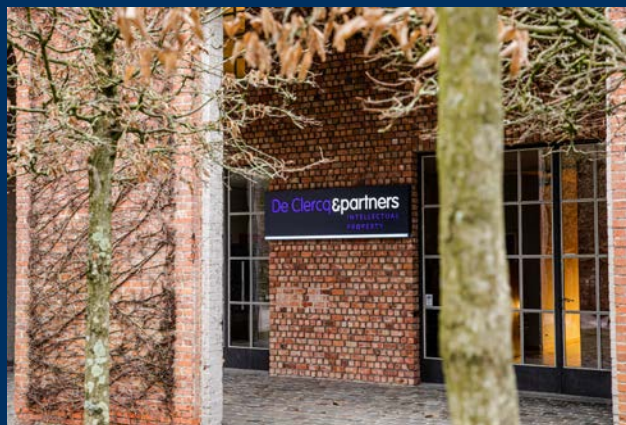
We also invite you to have a look at our website (<https://www.dcp-ip.com/up-upc>) for further details, legal background and strategic considerations regarding the Unitary Patent (UP), the Unified Patent Court (UPC) and opt-outs, as well as UP/UPC related news items under <https://www.dcp-ip.com/news>.

This is without question the change of the decade in the European Patent system, and we are very much aware of the complexity of the matter and the difficulty in making an informed choice. Please do not hesitate to contact us to guide you through the possible strategies and procedures.

We will be happy to provide a tailored advice with regard to whether or not it could be of interest to make use of the UP system and what the implications of UPC jurisdiction will be.

Please do not hesitate to contact us to discuss what the best option is for your patent application and your portfolio.





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