

European Unitary Patent System A Unitary System? Opt-out or not.

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Unitary Patent System I

The creation of the Unitary Patent System is based on three legislative acts

- Regulation on the Unitary Patent (UPR)
- Regulation on the language regime of the Unitary Patent
- Agreement on a Unified Patent Court (UPCA)

Unitary Patent System II

The Unitary Patent is intended to foster scientific and technological advances and the functioning of the internal market

- by making access to the patent system easier, less costly and secure;
- by improving the way of enforcing and defending patents before a single court competent for deciding on the infringement of a Unitary Patent and on its validity with respect to all states in which it has taken effect.

Unitary Patent System: European Patent

European Patent (with unitary effect)			European Patent (without unitary effect)		
„Unitary Patent“	Non-Unitary Part				
EPC & EU & UPR + UPCA	EPC & Non-EU	EPC & EU & Non-UPR or UPR + Non-UPCA	EPC & Non-UPCA	EPC & UPCA (opt-out)	EPC & UPCA
Germany, France etc.	Switzerland/ Liechtenstein, Norway, Turkey etc.	Spain, Croatia, Poland	Switzerland/ Liechtenstein, Norway, Turkey etc. Spain, Croatia, Poland	Germany, France etc.	Germany, France etc.

European Patent: Jurisdiction after transition

European Patent (with unitary effect)		European Patent (without unitary effect)			
„Unitary Patent“	Non-Unitary Part				
EPC & EU & UPR + UPCA	EPC & Non-EU	EPC & EU & Non-UPR or UPR + Non-UPCA	EPC & Non-UPCA	EPC & UPCA (opt-out)	EPC & UPCA
Germany, France etc.	Switzerland/ Liechtenstein, Norway, Turkey etc.	Spain, Croatia, Poland	Switzerland/ Liechtenstein, Norway, Turkey etc. Spain, Croatia, Poland	Germany, France etc.	Germany, France etc.

Unified Patent Court (UPC)

National Courts

European Patent: Jurisdiction during transition

European Patent (with unitary effect)			European Patent (without unitary effect)		
„Unitary Patent“	Non-Unitary Part				
EPC & EU & UPR + UPCA	EPC & Non-EU	EPC & EU & Non-UPR or UPR + Non-UPCA	EPC & Non-UPCA	EPC & UPCA (opt-out)	EPC & UPCA
Germany, France etc.	Switzerland/ Liechtenstein, Norway, Turkey etc.	Spain, Croatia, Poland	Switzerland/ Liechtenstein, Norway, Turkey etc. Spain, Croatia, Poland	Germany, France etc.	Germany, France etc.

Unified Patent Court (UPC)

National Courts

Unified Patent Court/National Courts

Unitary Patent System: Potential Downsides

- Addition of unitary option yields a fragmented patent system, in particular during transitional period, and may thus lead to legal uncertainty.
- Loss of patent as a result of a single decision of UPC.
- Quality of judicial decisions of UPC untested/unknown.
- Many details regarding practice and procedure before UPC unknown.
- The definitive costs for patent litigation before UPC remain to be determined.

Patent Litigation during transitional period

Opt-out I

- During a 7 year transitional period after coming into force of the UPC system (possibly extendable), European Patents by default can be litigated before national courts or UPC.
- After the transitional period, European Patents will be under the sole jurisdiction of the UPC by default (with the exception of member states to the EPC but not the UPCA, e.g. CH/LI, NO, TR).

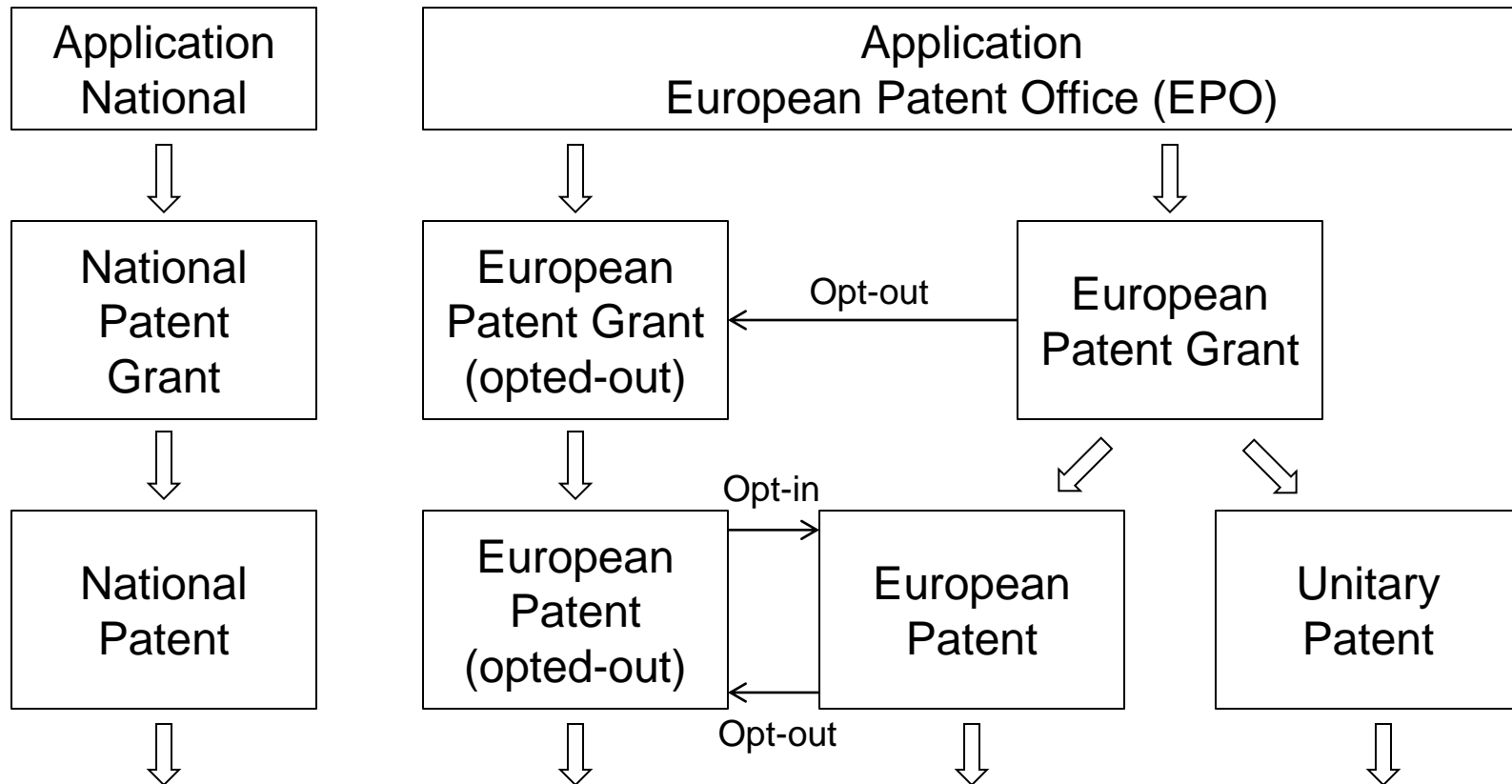
Opt-out II

- Opt-out from the UPC jurisdiction is available for pending European Patent Applications or granted European Patents during the transitional period.
- Opt-out can be withdrawn (opting back in).
- Opt-out extends beyond the end of transitional period and applies to all UPCA member states.
- A European Patent cannot be opted-out if an action has already been brought before the UPC.
- A European Patent cannot be opted back in if an action has already been brought before a national court.

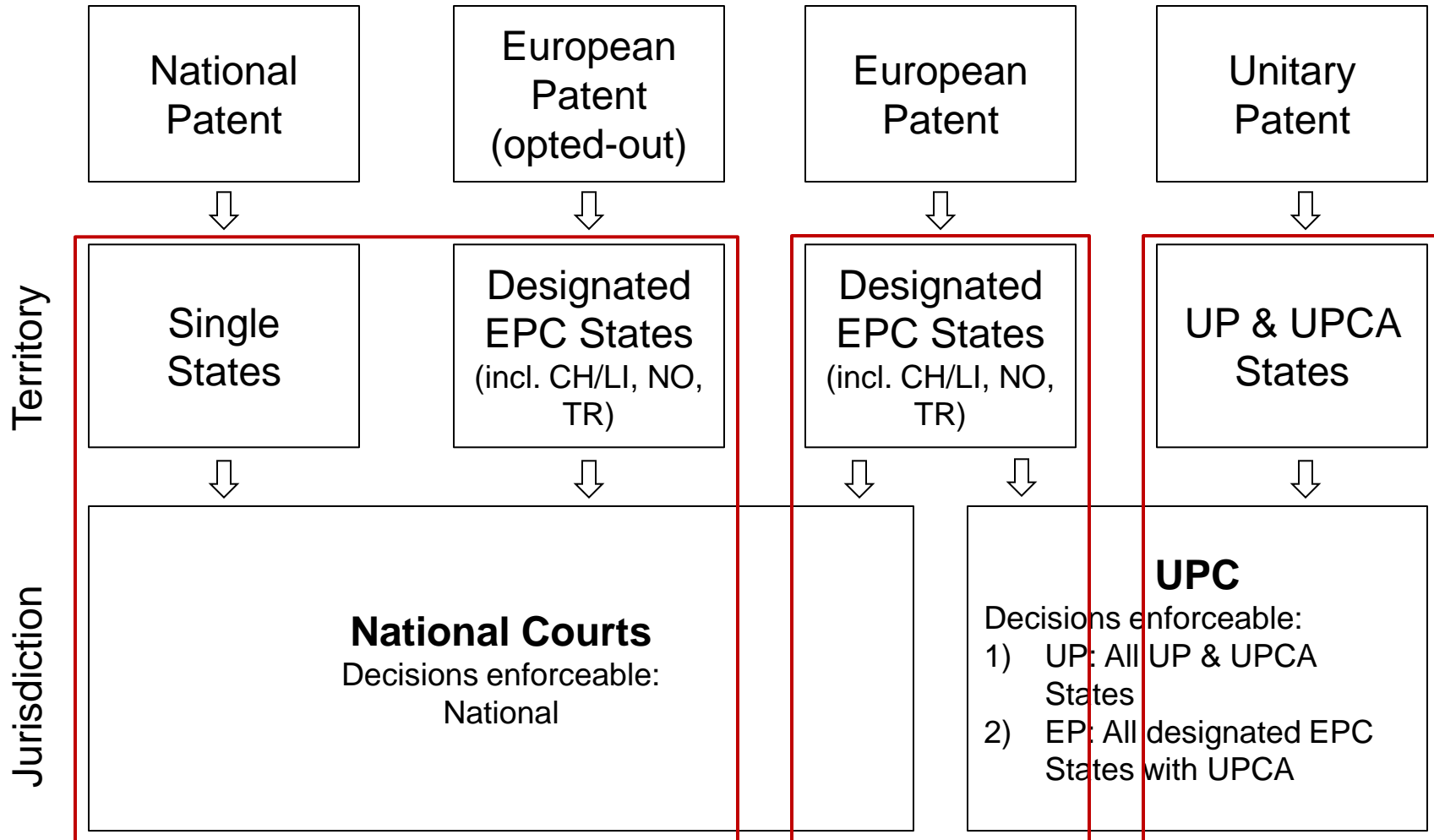
Opt-out III

- Opt-out/opting back in requires formal application and payment of a fee of EUR 80 per European patent.
- Once an opt-out has been withdrawn, the respective European Patent cannot be opted-out again.
- All applicants/proprietors must apply.
- No right to opt-out for (exclusive) licensees.

Patent Litigation in Europe I



Patent Litigation in Europe II



European Patent (not opted-out) Litigation

	National Courts	Unified Patent Court (UPC)
During Transition	EPC, but not EU, e.g. •Switzerland/Liechtenstein •Norway •Turkey	<div style="border: 1px solid black; padding: 5px; display: inline-block;"> Designated EPC States with ratified UPCA </div>
	EPC, but not UPCA, e.g. •Poland	
After Transition	EPC, but not EU, e.g. •Switzerland/Liechtenstein •Norway •Turkey	Designated EPC States with ratified UPCA
	EPC, but not UPCA, e.g. •Poland	

Summary (intermediate)

- UPC system, in particular during the transitional period, adds additional (yet uncertain) options for patent litigation and as such requires careful strategic considerations for future patent protection in Europe.
- The addition of the Unitary Patent system fragments patent protection/litigation in Europe during the transitional period and may decrease legal certainty for patentees and third parties.
- Monitoring the patent portfolios of competitors and scopes of protection of patent families in Europe will require careful attention.

Basic strategies

Ignore Unitary Patent System

File only national patents and opt-out European Patents.

Advantages

- Validity can only be attacked nationally
- Established national case law allows prediction
- Strength of patent (nationally dependent)
- Forum shopping

Disadvantages

- Separate granting procedures and litigation (national patents)
- Not available anymore after transitional period
- Cost

Embrace Unitary Patent System

Do not opt-out European Patents and use Unitary Patent option.

Advantages

- Europe wide rulings regarding validity/infringement increases legal certainty for patentee and third parties
- Lower costs for obtaining patents and patent litigation

Disadvantages

- Uncertainty regarding jurisdiction.
- Uncertainty of place of jurisdiction for European Patents during transitional period.

Considerations

Considerations I

Costs!

Opting-out and later opting back in, each incur a fee of EUR 80 per European Patent.

- Dependent on the size of the patent portfolio, opting-out all European Patent may incur significant costs.
- Costs for litigation before national courts as compared to costs for litigation before UPC.

Considerations II

Time!

Opting-out becomes effective with the registration (not the request).

- It is to be expected that there will be a delay between request and registration right after the UPC comes into force due to a large number of requests.
- During this gap, third parties can initiate court proceedings before the UPC and lock the patent before the UPC.
- Use Sunrise period between sufficient ratification and coming into force of the UPC (4-months period)

Considerations III

Is control required for patent litigation (national courts/UPC)?

If yes, opt-out is the only option!

- During the transitional period, the patentee has no control over whether revocation proceedings are held before the UPC or a national court if not opted-out.
- Third parties can e.g. initiate centralized revocation proceedings before the UPC and later opting-out is not possible anymore.
- Opt-out should be requested as soon as possible, i.e. during Sunrise period such that third parties cannot use a gap to lock the patent before UPC.

Considerations IV

Does the European Patent constitute a “crown jewel”?

If yes, opt-out is probably recommendable!

- Otherwise, the patent can be centrally revoked by the UPC with potentially disastrous impact on business.
- If no core-technology is protected, the UPC system could be considered as it provides litigation at cheaper costs and allows for gaining experience before the UPC during the transitional period.

Considerations V

Is the validity of the patent considered strong?

If yes, the UPC system could be considered!

- Strong patents are less likely to be revoked.
- Using the advantages of the UPC system seems more attractive for stronger patents.
- For weaker patents, jurisdiction by national courts may be advantageous since national differences may allow for maintaining the patent in some countries i.e. opt-out could be considered.

Considerations VI

Are there multiple European Patents covering one technology?

If yes, opting-out and UPC system both could be considered simultaneously!

- Opting-out some of the patents but not others may create new options for negotiations with competitors and enforcement strategies.
- E.g. in case of separate product and process patents, process patents can protect only the most important manufacturing sites (opted out EP in few EPC states) whereas product patents could cover the most important markets (e.g. UP states)

Considerations VII

Are there co-owned European Patents?

If yes, negotiate opt-out strategy with co-owner before UPC comes into force.

- All applicants/proprietors must apply.
- A delay in opting-out is potentially fatal since third parties can use the gap and centrally attack the patent before the UPC.

Considerations VIII

Are you licensee/licensor of a European Patent?

If yes, consider re-negotiating license contracts regarding opt-in/opt-out.

- (Exclusive) license does not give control over opt-in/opt-out.
- Review licensing agreements (as licensor and licensee).
- For future license agreements: Take UPC into account and enclose right to control opt-out/opt-in.
- Licensee can prevent opt-out by bringing proceedings before the UPC during transitional period and potentially get the licensed patent centrally revoked.

Summary

- The use of the Unitary Patent System, in particular during the transitional period, requires careful consideration of the available options.
- Start analyzing portfolios and deciding on strategies now.
- If opt-out is chosen, request opt-out as early as possible during the Sunrise period, before UPC comes into force.
- The decisions made now potentially extend to after the transitional period.

Act now!

Thank you!



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