European Unified Patent Court – the Opt Out Question

Background in brief

As discussed last month, the European Union is to create a new European Unitary Patent which is to have effect across most of the EU’s territory, and alongside it an entirely new court system – the Unified Patent Court (“UPC”) – which is eventually to have exclusive competence inter alia in respect of actions for infringement and for revocation of European patents in all of the participating countries of the EU.

This competence is not limited to the new unitary patents. It will also cover European patents of the existing type (herein “classical European patents”), except that during a transitional period of at least seven years (a) these patents can still be litigated in national European courts and (b) the patentee can choose to opt a patent out of the jurisdiction of the UPC.

This raises a question which will in due course need to be answered in relation to most classical European patent cases, pending or granted: opt out, or not? Because failure to opt out may leave patents vulnerable, practitioners whose clients hold European patents will need to consider the issue in order to protect clients’ interests.

Why opt out?

A key factor in the decision is often referred to informally as “central attack”. Recall that the existing European patent application process results in something which, despite being referred to as a European patent, is in reality a bundle of national patents which must for many purposes be regarded as separate entities. In particular, once the nine month window for opposing a European patent before the EPO has closed, third parties wishing to attack validity of an existing European patent must do so on a country-by-country basis.

http://www.aipla.org/committees/committee_pages/Biotechnology/international/Shared%20Documents/International_Buzz_201404b.pdf
The expense, delay and uncertainty involved in multiple revocation actions can make this a daunting exercise for the third party. Practical experience suggests there are many occasions when patents of doubtful validity go unchallenged as a result. Clearly therefore this particular aspect of the existing system can work to the advantage of the patentee.

The UPC will make possible a central attack on classical European patents after expiry of the EPO opposition period since, to the extent that the countries in the European patent bundle overlap with the twenty five countries participating in the UPC, they can be revoked through a single action at the new court. Opting out of the UPC’s jurisdiction prevents this new form of central attack. It also keeps patentees out of the UPC, which many will see as a benefit. This is after all a wholly new court without its own jurisprudence and whose judges are to be drawn from disparate national backgrounds. The quality of its decision making and the efficiency of its processes are unknown quantities.

Is anything lost by opting out?

Compared with the existing situation where (save for some limited developments in relation to cross-border injunctions) the individual national patents in the bundle that makes up a classical European patent must be separately enforced at a national level, the UPC offers that attraction that a single infringement action can be brought in respect of a potentially large group of European countries, resulting in a single decision that applies to all of them. While a European patent is opted out, this type of action cannot be initiated. But one can opt back in at any moment, provided that no action has already been brought before a national court.

Hence one strategy for holders of existing European patent portfolios is initially to opt their patents out of the UPC jurisdiction – protecting them from central attack – and to opt them back in if and when they wish to initiate an infringement action.

This may well prove to be a sensible approach although it does have at least one possible disadvantage. By initiating a single action before a national court while the patent is opted out, a potential defendant to infringement proceedings may block off the option of opting the patent back in and so prevent the patentee from making use of the UPC in infringement proceedings.

In respect of the new unitary European patent (as opposed to a classical European patent) no opt out is available. A unitary patent can be attacked as a whole through a single application to the UPC.

How to opt out

The application is to be made to the Registry part of the UPC. The rules of procedure for the UPC are on their sixteenth draft and not yet finalised, but as they currently stand:

- a fee is payable for each patent or application opted out
- once an opt out is withdrawn it cannot be reinstated (one can only opt out once)

- the opt out can last for the full lifetime of the patent (which may be well past the end of the transitional period referred to above) unless the patentee chooses to withdraw it

- there is to be a sunrise period before the UPC begins to function within which applications to opt out can be made to the European Patent Office, to be recorded by the Court Registry and take effect as soon as the UPC agreement comes into force. A first day stampede to opt out can thus be avoided. Applications are not yet being accepted

- the opt out applies to all UPC countries covered by the patent – one cannot be selective

- if there are joint proprietors/applicants, all of them are to lodge the application, an important practical point to keep in mind since it may mean getting in touch with co-proprietors.

**Implications for Practitioners**

Doing nothing about this issue may be dangerous, leaving patents open to avoidable central attack. It is arguable that to opt out is a safer default than leaving patents in the UPC jurisdiction, and possible that there will be a widespread move to opt European patent cases out in due course. It is also conceivable that there will be a flood of revocation actions initiated when the UPC opens for business; to head off such problems, implementing any opt out decisions in the sunrise period will be a wise precaution. Much remains uncertain. The strategies litigants will use to play this particular system are at present a matter for conjecture. The date at which the UPC will open its doors is not yet known and is expected still to be more than a year away. But the issue affects most European patents and applications that will still be live in a year or two, so the number of clients and cases involved is large. Attorney firms representing users of the European system will need to have a strategy in place in good time.

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