

UPC Ready



Preparing for change: The UPC opt-out decision

The patent landscape in Europe is on the brink of the most significant change in a generation. This will affect all owners of European patents (EPs) who will need to make important decisions about their portfolios by the end of 2016.

Even if the UK votes to leave the EU, Unitary Patents (UPs) and the Unified Patent Court (UPC) are highly likely to come into effect and patentees will still need to make decisions about their granted EPs and applications.

We expect that by Q1/Q2 2017 patentees will be able to opt for a UP, a single patent covering up to 26 participating member states' of the EU. In addition we will see the opening of the UPC, a central court that will transform patent litigation in the EU. It is vital to prepare your existing patent portfolio for the new patent landscape and there may be as little as 6 months' notice of the UPC going live.

This is the first of a series of briefing notes where the UPC group at HGF will consider the key decisions patentees and applicants will need to make in order to navigate the new regime and make the best choices for their patent portfolios. In this note we focus on the decision that all owners and applicants of EPs will have to make: whether to opt their patents out of the jurisdiction of the UPC.



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The opt-out

When the UPC opens for business, unless they are opted-out, granted EPs will be subject to the jurisdiction of the UPC as well as the relevant national courts. This will mean that you will be able to enforce your EPs in a single action across all Member States that have ratified the UPC and for which your patent is validated.

It will also mean that an EP can be revoked in a single action brought before the UPC's Central Division. This is in contrast to the current position where an EP is a bundle of national rights, each of which must be revoked in separate actions in the national courts. Because this is such a fundamental change to European patent litigation, for a transitional period of at least 7 years, you will be able to exercise an opt-out to take existing, pending and future EPs out of the jurisdiction of UPC for the lifetime of those patents. The opt-out allows patentees to maintain the current position, i.e., any litigation must be before the relevant national court. The Rules of Procedure allow for a "sunrise" period before the UPC system goes live, in order for patentees to opt-out their existing EPs from the UPC's jurisdiction before the court opens its doors.

Should I opt out?

Whether you should opt out your granted and pending EPs from the jurisdiction of the UPC will depend on many factors; there is no one size fits all. Patentees shouldn't assume that opting out will be the best option: there may be advantages to keeping at least some of your patents within the jurisdiction of the UPC. As details of the Rules and Procedures for the UPC system have crystallised, many patentees are considering a nuanced approach to managing the opt-out (or remaining subject to the UPC's jurisdiction) for their patent portfolio.

Considerations for remaining subject to the UPC's jurisdiction (i.e. not opting out)

- You may be able to obtain a pan-EU injunction throughout the participating Member States in a single infringement action before the UPC.
- The target timeline for resolution of first instance proceedings within the UPC is 12 months, which while equivalent to proceedings before the English, Dutch and German Courts is significantly better than proceedings before many other national Courts.
- After a transitional period of 7 years (likely to be extended to 14 years), you won't be able to opt-out new EPs. Why not gain experience of the new system first hand and influence its development?
- You may not have a choice. If you in-license a patent you may not have control over whether to opt-out that patent.



Considerations for exercising the opt-out

- A single action before the UPC's Central Division could lead to the revocation of the patent. Therefore, a patentee might want to opt-out the "crown jewels" of their patent portfolio. This would mean that a patent would have to be revoked in the national courts across all validated member states.
- If EPs are opted-out, only the national courts have jurisdiction; you maintain the status quo.
- In the beginning, the UPC will be an unknown and untested forum. One concern we hear consistently from patentees about the UPC, is about the quality and consistency of the judgments across all Local, Regional and Central Divisions.
- There is no fee for opting-out your patents but there are likely to be administration costs in terms of considering strategy and ensuring that the opt-out is validly implemented across a portfolio.
- Provided that there is no ongoing national litigation, you can withdraw an opt-out if you want to take advantage of the UPC at a future date (although a subsequent second opt-out will not be possible).

What steps should I take now?

If you have not already done so, you need to start considering your strategy as to whether you want to opt-out your EPs from the jurisdiction of the UPC.

Your review should consider the following issues:

- the strength of the relevant patents;
- the value of the technology covered by each patent or patent family to the business in the relevant jurisdiction;
- how your various patents interact to protect your commercial products;
- the likelihood in your industry that a third party will attack the validity of your patents;
- for patents that are jointly owned or licensed into or out of the business — who has the right to exercise the opt-out of the EPs (and any associated SPC)?

This exercise needs to be done sufficiently ahead of the launch of the UPC in order to give you time to execute any opt-out during the sunrise period.

If you decide to exercise the opt-out, it is important to ensure that the correct party or parties exercise that opt-out to ensure that it is validly executed. If you fail to validly opt-out, then there is a risk that competitors might seek to revoke the patent centrally at the UPC.

If you would like to discuss strategy development or portfolio review, HGF can provide you with assistance and guidance on formulating and implementing your company's plan for the UPC. Should you have any further questions about the UPC and opt-out please contact our dedicated UPC team on upcready@hgf.com or contact your usual attorney to discuss these issues further.