

April 12 2023

UPC: the pros and cons of opting out

Patent owners have plenty to consider ahead of the UPC, including the threat of 'torpedoes' and injunctions, say Hugh Dunlop and Matthew Yip at Maucher Jenkins

The Unitary Patent and the Unified Patent Court are coming soon. They represent the biggest developments in European patent law since the European patent started in 1978.

A Unitary Patent will be granted by the EPO in the same way and under the same rules as before for an EP. It will initially be available in 17 of the 39 states in the European Patent Convention (EPC), representing a market with a population of 285 million and a GDP of \$13 trillion.

It will not extend to the UK, but the UK can be designated in the usual way, as can other states that are not party to the new system.

In the countries participating in this new judicial system, all patents granted by the EPO – whether they have unitary effect or not – will eventually be under the exclusive jurisdiction of the new UPC.

In an initial transitional period of at least seven years after the system enters into force, however, an EP without unitary effect will fall under the joint jurisdiction of the UPC and relevant national courts in those signatory states where it had been validated. This will happen by default, not just to newly granted EPs but also to those that already exist and are in force.

But it will be possible to opt-out an EP or, pre-emptively, a patent application, from the UPC's jurisdiction. This requires the active step of filing a request at the UPC. There is no official charge.

This option is already available, since three months before the official UPC start date of June 1 2023, in order to allow patents to be opted out by the time the UPC begins to hear cases.

This three-month period, known as 'sunrise', is intended to prevent a situation where an action is launched against a patent at the UPC before the proprietor has a chance to opt it out, because it will by then no longer be possible to do so.

Once opted out the patent will be "out" for the rest of its lifetime, even beyond the end of the seven-year transition period. It is possible to withdraw the request and thus "opt back in" unless an action has begun before a national court. No further change of mind is allowed.

Out or in?

What are the motivations for a proprietor of a non-unitary EP (i.e. a family of standalone national patents) to opt out of the UPC? And what are the reasons to stay in?

Subjecting to the jurisdiction of the UPC will be appealing to those who favour the possibility of enforcing a patent across many jurisdictions in a single action, and are not afraid of a counterclaim for invalidity. Although UPC litigation costs are likely to be higher than those that would be incurred at a single national court (at least for the plaintiff), savings would be made compared to a large number of parallel proceedings at multiple jurisdictions.

The UPC procedure is also designed to be quick. It will be attractive to patentees who believe they may need to enforce their patents in jurisdictions where the national patent courts are notoriously slow, such as Italy, Belgium and France.

Furthermore, the UPC has the power to grant central injunctions across many jurisdictions and to award damages across a broad territory. It can also grant inspection orders, seizure orders and other "prompt and effective" provisional measures that might be more readily available than before some national courts.

The big risk of not opting out is that of central revocation. A patent subject to UPC jurisdiction is vulnerable throughout its lifetime to such a prospect through invalidity attacks by any third party (compared to a nine-month window for opposition

and possible central revocation at the EPO). A patent owner may simply be content with enforcement before the national courts and shy away from an “all eggs in one basket” approach.

The UPC is as yet untried and uncertain, and its functioning will inevitably take time to become established.

Note, by the way, that if a patent is validated in just the UK, France and Germany, then only two of these eggs are in the UPC basket (the UK is not in the system) and a risk of central revocation is no big deal. The UPC would be a good choice: France is not normally a country where you should be keen to sue in the national courts, and the UPC is modelled on the German system, so there is no great reason to prefer the German national courts.

Beware of ‘torpedoes’

There is also the matter of the ‘torpedo’, a term used to describe a patent litigation strategy of preventing a national court in Europe (e.g. in Germany) from proceeding with an infringement action by filing a pre-emptive action in another, much slower court (particularly an Italian court).

If a party has advance warning that it is about to be sued for infringement of a European patent, e.g. an Italian company exporting to Germany is about to be sued in Germany, it may file an action for a declaration of non-infringement in Italy with a request for the declaration to extend to the corresponding German patent.

By virtue of the *lis pendens* rule outlined in Article 29(1) of the Brussels Convention, the Italian court becomes the court “first seised” with the action and has exclusive jurisdiction, to the exclusion of the German court, which would have to stay the proceedings pending the decision of the Italian court. This could potentially delay a resolution for as long as 10 years.

Opting out an EP might not be wise if there is a likelihood that an action might have to be brought in any of the states in the UPC’s jurisdiction where litigation is slow.

Whereas the patentee can opt back in again and file suit before the UPC, he/she should neither rattle sabres too readily nor delay in opting back in. The counterparty might file a torpedo action anywhere in the UPC’s jurisdiction and thereby deny the patentee the benefits of this jurisdiction. An action in Germany, for example, might proceed quite quickly, but it would nevertheless prevent the patentee from withdrawing the opt-out and filing suit before the UPC.

If no opt-out is filed, actions in relation to patent infringement, non-infringement and/or validity can be filed in either the UPC or a national court. The *lis pendens* rule applies between the UPC and national courts during the transition period.

So a prospective action before the UPC may be torpedoed by first filing a declaratory action e.g. in Italy; the Italian court would be the court first seised and might well accept jurisdiction.

In that case, what happens to a later UPC action? Would the UPC have to stay proceedings? There is debate as to whether the UPC would do this or proceed to the extent that the claim extends to states within its jurisdiction other than the state first seised (a so-called “carve-out”).

So, does opting out increase the risk of a torpedo? Perhaps, but there is a risk either way.

If the patent is opted out, jurisdiction of the UPC can definitely be deprived by filing a declaratory action in any state within the UPC’s jurisdiction. The putative infringer can choose any suitable state.

If it is not opted out, he/she can use existing torpedo options, e.g. file an action where he/she has standing, and ask for a ruling that extends beyond the borders of that state, but this may provoke a wider infringement action before the UPC with the possibility of a carve-out for that state or those states where the torpedo action is effective.

In the first weeks since opt-out requests became available on March 1 2023, the number has averaged at about 150 per day. We expect this to increase as we get closer to June 1.

It is time to start weighing the legal and cost implications for your EP portfolio, in order to make informed decisions on opting out (or not) both existing patents and pending applications ahead of the full launch of the UPC.