

Opt-Out And Transitional Period In The Unified Patent Court (UPC)

By Axel Casalonga

1. General Considerations

The UPC Agreement defines the principle of exclusive competence of the Unified Patent Court.

This exclusive competence applies to both types of European patents *i.e.* Unitary patents (European patents with unitary effect in all Contracting Member States) and European patents having a national effect in specific designated EPC Member States including UPC Contracting Member States.

During a transitional period of seven years as from the entry into force of the Agreement, parties will have the choice to bring an action for infringement or a revocation action before a national court instead of the Unified Patent Court. It must be noted that the Agreement does not mention other possible actions, such as actions for declaration of non-infringement or actions for provisional protective measures and preliminary injunctions.

During the entire transitional period, a further option is provided, namely the possibility to opt out from the exclusive competence of the Court, including not only infringement actions and revocation actions but also other possible actions, such as actions for declaration of non-infringement or actions for provisional and protective measures and injunctions.

It must be noted that the transitional provisions of the Agreement, including the opt-out, do not apply to Unitary patents but only to European patents having national effects.

2. Difference Between Opting-Out and Transitional Period for European Patents with National Effects

If no opt-out has been registered for a given European patent or patent application, the proprietor of said patent or patent application may, during the seven years transitional period, decide to bring an infringement action either before a national court or before the Unified Patent Court. Clearly the defendant has to defend her/himself before the court chosen by the proprietor of the European patent or patent application. This is equally true for an action relating to any supplementary protection certificate based on the European patent.

In the same way, third parties may decide to bring a revocation action either before a national court (with the consequence that the decision will only apply to the national part of the European patent in question) or be-

fore the Unified Patent Court (with the consequence that any revocation or limitation will be effective in all Contracting Member States of the UPC designated in the European patent in question). In case of such a revocation action filed by a third party, the proprietor of the patent is obliged to defend himself before the court chosen by the third party.

On the contrary, if the proprietor of a European patent application or a European patent decides to file an opt-out application and this opt-out is duly registered, all infringement and revocation actions relating to this European patent application or European patent concerned by this opt-out, have to be brought before national courts. This means that third parties will not be able to request revocation before the Unified Patent Court and possibly obtain a revocation or limitation in all designated Contracting Member States at the same time. On the other hand the proprietor of the European patent or patent application cannot bring an infringement action before the United Patent Court as long as the opt-out is in force.

If the patent proprietor, however, wishes to file an infringement action before the Unified Patent Court, it is possible to withdraw the opt-out which had been filed initially (unless a revocation action has already been brought before a national court, in which case the opt-out cannot be withdrawn).

This means that the opt-out possibility is a fairly flexible way of dealing with enforcement and validity questions, particularly favourable to patent proprietors.

3. The Limited Effects of the Transitional Provisions

The rights conferred by the patents and supplementary protection certificates (SPC) are defined in the Agreement and are not affected by any of the transitional provisions including the opt-out possibility.

The definition of the rights applies from the date of entry into force of the Agreement in all Contracting Member States having ratified the Agreement. If an action is brought before a national court following the possibility offered during the transitional period, or if

■ Axel Casalonga,
Associé, Conseil en
Propriété Industrielle,
Partner, French and
European Patent Attorney,
Paris, France
E-mail: a.casalonga@casalonga.com

an opting-out has been registered, should the national court apply the provisions of the Agreement with respect to the rights conferred and not anymore the provisions of the relevant national law?

The Preparatory Committee issued a note of interpretation concerning the opt-out but not relating to the transitional provisions. Nothing seems to avoid the national court to apply the provisions of the Agreement on the definition of rights instead of the national law provisions.

Those rights are defined in the Agreement in Article 25 (Right to prevent the direct use of the invention), Article 26 (Right to prevent the indirect use of the invention), Article 27 (Limitations of the effects of a patent), Article 28 (Right based on prior use of the invention), Article 29 (Exhaustion of the rights conferred by a European patent), Article 30 (Effects of supplementary protection certificate).

4. Which Kind of Right Can an Opt-Out Cover?

The opt-out can relate to any published European patent application, any granted European patent (excluding Unitary patents), or any supplementary protection certificate issued for a product protected by a European patent (excluding such supplementary protection certificates issued for a product protected by a Unitary patent).

The opt-out covers all Contracting Member States designated in the published European patent application or in the granted patent: it is not possible to limit the opt-out to only certain designated countries, unless a designation would have been positively withdrawn by the applicant before grant of the European patent.

A particular situation which must also be considered is the case where the same European patent or the same European patent application has different proprietors for different designated countries, as is authorized by the EPC .

In that case, an opt-out registered on behalf of only one proprietor will nevertheless cover all designated countries.

The other proprietors owning the European patent for other Contracting Member States have no possibility to oppose the opt-out for their parts of the same European patent.

3. Who Can Apply for an Opt-Out?

Only the proprietor or applicant (all of them in case of multiple proprietors or applicants) can apply for an opt-out.

It is not possible for a licensee to lodge an Application for opt-out. This is in contrast to the possibilities opened to exclusive or non exclusive

licensees to bring an action before the Court. Even with the authorization of the proprietor, the exclusive licensee is not entitled to lodge an Application for opt-out.

If a licensee wishes to protect its activity by an opt-out, he will then have to contact the proprietor and ask him to lodge an Application for opt-out. The same is true for the case when the licensee would like to withdraw an opt-out to be able to bring an action before the UPC.

It is advisable to provide specific clauses in a licensing agreement for organizing these opt-out options which are not available to the licensees in the same way as infringement actions.

A further difficulty may arise when the person lodging an application for opt-out is not the proprietor or applicant recorded in the register of the European Patent Office or the relevant national patent office. This may be the case when the European patent application or the granted European patent has been assigned by the initial applicant or proprietor to another person and none of the parties has registered the assignment. This has no consequences to the validity of the patent since registration of a patent transfer is not compulsory.

The rules of Procedure (Rules 5-1(a); Rule 8-5(a) and (b)) provide that it is sufficient to show that the person lodging the application for opt-out is “entitled to be registered” as applicant of the European patent application or proprietor of the European patent under the law of the Contracting Member State in which the European patent has been validated. For countries like France, Germany or the United Kingdom, where the validation does not require any translation, this would mean that payment of renewal fees is sufficient for validation.

Consequently, when lodging an Application for opt-out, it will be sufficient to file a declaration of proprietorship in which the property of the patent is confirmed.

The Registrar does not verify the correctness of such a declaration. If, however, an opt-out would have been registered under the name of a person who was not entitled to lodge an Application for opt-out, for example on the basis of a wrong declaration of proprietorship, a third party will have to request the Unified Court or a national court to order the Registrar to withdraw the registered opt.

5.1. The Specific Situation of Supplementary Patent Certificates (SPC):

If the SPC was granted before the Application for opt-out or the Application to withdraw an opt-out, the Application must be made both by the proprietor of the European patent and by the holder of the

SPC, if different from the proprietor. The holder of the SPC may, for example, be a licensee.

If the SPC is granted after the opt-out has been registered, the opt-out will apply automatically also to the SPC. The holder of the SPC, if different from the proprietor of the European patent, will have to simply accept the decision of the proprietor of the European patent. Since Applications for opt-out may be lodged before entry into force of the Agreement, (probably at least six months before) this provision may be used by patentees to avoid having to inform the holder of any SPC of a decision to opt-out, as long as the SPC has been granted after full entry into force of the Agreement.

In any case, the basic principle for opt-out and withdrawal of opt-out relating to supplementary patent certificates (SPC) is that they follow the European patent to which they relate.

Therefore, an Application for opt-out or an Application to withdraw an opt-out shall extend to any supplementary patent certificate (SPC) based on the European patent. It is not possible to opt out for an SPC corresponding only to some parts of a European patent (for example to some claims of a patent) while keeping another SPC.

For the same reason, no opt-out can be obtained for a supplementary patent certificate based on a Unitary patent.

6. When is it Possible to Apply for an Opt-Out?

An application for opt-out may be lodged as soon as a European patent application has been published. It is possible to lodge an Application for opt-out as long as the European patent is in force and even five years after its expiry since the status of limitation for an infringement action is of five years and a revocation action may still be filed within this time period.

However, in all cases, the application for opt-out must be lodged before the last day of the transitional period provided in the Agreement.

An opt-out Application must also be lodged before any action is engaged before the UPC.

Such action may relate to the patent application (for compensation derived from provisional protection) or to the patent which the object of the Application for opt-out. It may also relate to any supplementary patent certificate based on that patent, for example an action for a declaration of invalidity of any supplementary patent certificate based on the European patent.

In the same way, if a third party has filed first a revocation action or an action for a declaration of non-infringement before the central division of the Court, an opt-out is not anymore possible and will be automatically ineffective.

The applicant for the opt-out who is the proprietor of the patent or the applicant of the patent application, is not directly informed that the opt-out under request will never become effective.

However, the revocation action must be directed against the proprietor of the patent who will therefore be informed of the revocation action and indirectly of the ineffectiveness of the opt-out applied for. In the same way, the Registrar will be informed of the engagement of the revocation action.

In the case of an action for a declaration of non-infringement, the situation may be different if the action is directed against a licensee entitled to commence infringement proceedings. Such a licensee can be, under specific circumstances, an exclusive licensee or even a non-exclusive licensee.

A third party, or the effective proprietor, could request the Court to order the Registrar to withdraw the registered opt-out in such cases of an action filed by a licensee or an action for a declaration of non-infringement directed against the licensee who may not have informed the proprietor.

7. How to Apply for an Opt-Out

An Application for opt-out must contain: name and address of applicants or proprietors and holder of any supplementary patent certificate, name and address of a representative if any has been appointed, details and number of the patent or patent application (one Application for opt-out is required for each patent), details and number of any supplementary patent certificate, and a Declaration of proprietorship if the person lodging the Application is not the registered proprietor on the relevant patent register.

The Application must be made on-line using the specific official form of the Case Management System (CMS).

The Register makes no substantial checking of the Applications for opt-out. Nevertheless, if any information is clearly wrong or missing, an amendment remains possible. This seems to imply that the Register will notify the applicant of any incorrectness in the filed Application. The opt-out is effective from the date of entry into the Register or from the date of the correction, if any.

Subsequently, only the courts, whether the national courts or the UPC, will be responsible for deciding on the validity of an opt-out, if a party challenges an entry in the Register

Contrary to what was provided in Rule 5-5 of the 19th draft Rules of Procedure issued in October 2015, no official fee will be required. The administrative costs of preparing the Application for opt-out and submitting it on-line to the Register through the IT Case

Management System will be the only costs which the applicant will have to bear.

8. Period of Effectiveness of an Opt-Out

When the Agreement is in force, the legal effect of an opt-out begins with the entry on the Register. If the opt-out relates to a granted patent and if the opt-out is not withdrawn, its legal effect ends only at expiry of the patent and five years after this expiry since an action for financial compensation can be engaged within the five years of the period of limitation provided in the Agreement.

If the opt-out relates to a published European patent application, the legal effect of an opt-out also begins with the entry on the Register.

The opt-out lodged for a patent application will automatically continue with the corresponding granted patent as long as the patentee does not request a Unitary patent. The opt-out applied for a published patent application will therefore end up, as mentioned above, five years after expiry of the granted patent.

If a Unitary patent is requested, the patentee must inform the Registry and any opt-out registered before grant will automatically be deemed as withdrawn for countries covered by the Unitary patent at the date of registration of the Unitary patent. If the patentee obtains registration of a Unitary patent and fails to inform the Registry, the opt-out will also certainly be deemed as withdrawn even if this is not expressly mentioned in the rules.

9. The Effects of an Opt-Out:

Article 83 of the Agreement together with Rule 5 must be interpreted in such a way that an opt-out registered for a given patent application or patent forbids to bring any action concerning this patent application or patent before the UPC. Third parties have to file several revocation actions before national courts if the European patent designates more than one Contracting Member State. But the definition of the right remains governed by the provisions of the Agreement as mentioned above.

In view of the wording of Article 83-3 of the Agreement, some voices have expressed the idea that the effects of the opt-out were limited to the “exclusive character” of the competence of the Court. Accordingly, the parties would still have the option of choice between the UPC and the national courts, even after an opt-out.

The Preparatory committee rejected this idea and stated that the effects of an opt-out should be a complete ousting of the jurisdiction of the UPC and not only a lack of exclusivity. In fact, this complete ousting of the jurisdiction of the UPC as a result of an opt-out appears to be a reasonable interpretation of Article 83-3 of the Agreement, allowing to distinguish the

effects of the transitional period as defined in Article 83-1, which already cancels the exclusivity of the jurisdiction, from the effects of an opt-out.

Since the effect of an opt-out is a complete ousting of the jurisdiction of the UPC, this means that a third party cannot bring an action for revocation of a patent or an action for declaration of non-infringement of a European patent before the UPC as soon as the opt-out is registered.

The same is true for any other action falling under the exclusive jurisdiction of the UPC, such as actions for provisional measures, injunctions or damages relating to a European patent or a supplementary patent certificate issued for a product protected by a European patent.

The effects of an opt-out are therefore broader than the simple provisions of the transitional regime of Article 83(1) of the Agreement, which is limited to actions for infringement and for revocation of a European patent or a supplementary patent certificate.

Without an opt-out, a third party can always engage an action for a declaration of non infringement of a European patent before the UPC.

The transitional regime of Article 83(1) of the Agreement simply opens a possibility of choice to the patentee who may still want to engage an infringement action before a national court so as to avoid the risk of a decision of revocation of the European patent for all designated Contracting Member States, in case of a counterclaim for revocation made by the defendant.

However, according to the transitional regime, a third party is still free to choose the UPC for engaging a revocation action.

By contrast, the opt-out offers to the patentee a protection against an action for revocation engaged by a third party who is not permitted to bring the action before the UPC but only before the national courts.

In addition, the effects of the transitional regime will end up at the end of the transitional period of at least seven years, while the effects of an opt-out can extend for a much longer period, until five years after expiry of the patent.

10. The Withdrawal of an Opt-Out

It is possible to withdraw an opt-out with respect to a patent or a patent application. The withdrawal shall apply compulsorily to all Contracting Member States. It shall also apply to any supplementary patent certificate based on the European patent. The withdrawal has to be made by filing a specific Application to withdraw. Only the proprietor or applicant is allowed to lodge such an application for withdrawal of an opt-out already registered.

As for Applications for opt-out, no official fee will be required for withdrawing an opt-out.

The Application to withdraw may be lodged at any time during the entire period of effectiveness of the opt-out, except if an action has already been brought before a national court. The same applies in the case this national court action is terminated. In such a case, the Application to withdraw is ineffective even if it has been entered into the Registry.

The action before the national court may be any action over which the UPC has jurisdiction: it can be an action for infringement, an action for declaration of non-infringement, a revocation action, an action for provisional measures and injunction, an action relating to the use of an invention before grant of the patent or to the right based on prior use of the invention.

However, other actions relating to patents and supplementary patent certificates may have been engaged or terminated before a national court without preventing an Application to withdraw of being effective: for example actions to claim property of a patent or actions relating to the scope and validity of patent license or assignment agreements

The proprietor of a patent which has been once the subject of a national infringement or revocation action involving a certain defendant is not anymore able to bring an action for infringement before the UPC against another party.

The requirements for the Application to withdraw an opt-out are the same as for requesting an opt-out.

The Application to withdraw must contain: the name and address of the applicant or proprietor of the patent application or patent, the name and address of the holder of any supplemental patent certificate, details of the representative if any, as well as the number of the patent or patent application and of any supplemental patent certificate. A declaration of proprietorship must also be filed if the proprietor is not mentioned on the patent register of the EPO or of the national patent offices. Corrections are possible if some requirements fail or are erroneous.

The withdrawal is effective from the date it is entered in the Registry and all requirements satisfied or from the date any correction is entered in the Registry.

The Application to withdraw must be made on-line using the specific form defined in the Case Management System.

In the same way as for an Application for opt-out, there is no control by the registry of the lodged Application to withdraw. For example, failure to name all proprietors in case of multiple proprietors should lead to an invalid Application to withdraw rejected by the registry or at least having no legal effect. This, however, is not checked by the Registrar.

11. Information of Third Parties About Opt-Out and Withdrawal

The Registrar notifies the European Patent Office and the national patent offices of the Contracting Member States concerned of the entries in the register of any application for opt-out and any application for withdrawing an opt-out. Consequently, the European Patent Office will have the possibility of entering the opt-out condition of any pending European patent application or granted European patent in the European patent register. The same applies for national patent offices. Information of third parties will thus be obtainable not only at the Register of the Unified Patent Court but also at the European Patent Register and at the national patent registers.

12. Effects of the Withdrawal

The withdrawal of an opt-out is effective from the date of entry in the register. Therefore, from that date, the exclusive competence of the UPC is fully restored and any action concerning the European patent must be brought before the Unified Patent Court and not any more before a national court.

When an action filed before the UPC shortly after the withdrawal of an opt-out relates also to compensation or damages, the Court will have to apply the various national laws to determine the damages compensating for infringement acts occurred when the opt-out was effective.

The award of damages is linked to the procedure before the UPC and cannot be applied by a national court. This is in contrast with the basic rules defining the infringement acts and the limitations of the patent right according to the Agreement.

Otherwise, the Court would not be able to determine damages compensating for infringement acts occurred when the opt-out was effective (*i.e.* before the withdrawal of the opt-out). This would be unreasonable and would constitute an important drawback of the opt-out possibility.

The withdrawal of an opt-out is a non-reversible step. After an effective withdrawal of an opt-out for a given patent, a new opt-out is not anymore possible for this patent.

13. Representation

Representation is not compulsory for lodging an Application for opt-out or an Application to withdraw an opt-out.

If a representative is appointed it may be any person.

Nevertheless, this person may be a European patent Attorney as defined in the EPC or a lawyer qualified in an EPC Contracting State, entitled to act as professional representative in patent matters and having his/her place of business in that State.

Alternatively this representative may be a lawyer authorized to practice before a court of an UPC Contracting Member State or a European Patent Attorney with appropriate qualifications such as a European Patent Litigation Certificate.

14. Specific Provisions Before Entry Into Force of the Agreement

According to the provisions of the Protocol of October 2015, certain parts of the UPC Agreement will come into force beforehand. This is the case for the Registry.

Therefore, it is possible to lodge an Application for opt-out and have it accepted by the Registry before entry into force of the Agreement.

Hopefully the Registrar, before accepting such an Application, will inform the person having lodged the Application of any missing or incorrect requirement so that it will be possible to lodge a correction with the Registry.

All Applications for opt-out accepted at the date of entry into force will be treated as entered in the Registry on the date of entry into force of the Agreement.

Thanks to this provision, applicants of European patent applications, as well as proprietors of European patents already granted, have the possibility of subjecting their patent applications and patents to the opt-out, from the date of entry into force of said Agreement.

For example, a patent proprietor wishing to avoid a revocation action filed by a third party before the UPC against a certain patent, has the possibility to opt-out for this specific patent before entry into force of the Agreement.

Conclusion

The UPC Agreement allows a freedom of choice to both patentees and third parties during the seven-year transitional period.

This balanced provision could have been sufficient.

An additional opt-out possibility has been finally accepted and introduced in the Agreement and this opt-out has been provided in such a way that a withdrawal remains possible under certain conditions.

The opt-out and withdrawal provisions are clearly exclusively in favour of the patentees who are not confident in the new court system. Nevertheless, it is certainly not advisable to decide an opt-out for an entire patent portfolio. The risk is namely that the advantages of the UPC (particularly the possibility of cross border injunctions and damages) may disappear if a third party files first a revocation action before a national court. In that case namely withdrawal of the opt-out is not anymore possible.

Proprietors of European patents will therefore have to carefully check the situation of each patent before considering to opt-out.

The number of opt-outs will also certainly decrease as soon as confidence in the new system will increase.

It took several decades of reflections and discussions to finally arrive at the Unified Patent Court Agreement. It is to be hoped that the stakeholders will use such a long waited European jurisdiction as soon as it is in force. ■

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