

UPC: an opt-out

In 2023, we will witness a major transformation in the landscape of industrial property protection in the European Union. The work relating to the launch of the unitary patent system is entering its final stage. **As soon as on 1 April 2023 the Unified Patent Court (UPC) is supposed to become operative.** The European Patent Office (EPO) indicates at [its website](#) 1 June as the date of the official start of the unitary patent system. Starting from that day, the applicants for European patents will be able to request a unitary patent that will be granted jointly with respect to all the participating Member States.

Therefore, the road to the launch of the UPC, so far tortuous and full of obstacles that involved in the last years, i.a., the repercussions of Brexit and constitutional complaints in Germany, is approaching its end. The question that until now has aroused interest of mainly academics and some professionals in the field, will very soon become a tangible reality that the holders of European patents will have to find themselves in. In the near future they will have to make an important decision: whether they accept the transition of their European patents into the scope of the UPC's competence, or they choose to withdraw from it. In other words, they will have to make a choice with regard to making use of an opt-out institution that the legal regime establishing the UPC provides for.

It has to be remarked that **at the outset there will be 17 EU Member States participating in the system**. So far, 16 states have ratified the Agreement on a Unified Patent Court, whereas the German government announced its plan to submit a document of ratification at the moment when the preparatory process would be in a sufficiently advanced phase. 24 out of the current 27 EU Member States have taken part in the enhanced cooperation in the area of the creation of unitary patent protection; Spain, Croatia, and Poland remain outside of the system. **This does not mean, however, that its launch is not going to affect the position of entrepreneurs, researchers, and other individuals interested in obtaining protection for their industrial property from other states than those 17 bound by the Agreement.**

We are providing below the key information regarding the opt-out and we are pointing out certain factors that need to be taken into consideration before making a decision.

What is going to change once the UPC launches

Once the UPC starts operating, **it will have exclusive competence in the participating Member States in respect of actions for infringements and revocation of European patents and unitary patents**, as well as actions for infringements or declaration of invalidity of supplementary protection certificates (SPCs) issued for products protected by such patents.

It is important to take note of the differentiation of the scope of its competence: with respect to unitary patents, it will be full and exclusive from the beginning, **while in case of traditional European patents certain restrictions will apply in the transitional period.**

The transitional regime

Pursuant to Art. 83 of the [Agreement on the Unified Patent Court](#), the transitional period will have **a duration of 7 years**. Further extension by up to 7 more years is possible. Under Art. 83(5), 5 years after the entry into force of the Agreement, the Administrative Committee shall carry out a broad consultation with the users of the patent system and a survey on the number of European patents and SPCs issued for products protected by European patents with respect to which actions for infringement or for revocation or declaration of invalidity are still brought before the national courts, the reasons for this, and the implications thereof. The decision shall be made on the basis of that consultation as well as the opinion of the UPC.

During the transitional period, an action for infringement or for revocation of a European patent or an action for infringement or for declaration of invalidity of an SPC issued for a product

protected by a European patent **may still be brought before national courts or other competent national authorities** (Art. 83(1)). The expiry of the transitional period shall not affect actions pending before national courts at the end of that period (Art. 83(2)).

This way, **with respect to European patents and SPCs issued for products protected by them the competence of national courts and other national authorities will overlap with the competence of the UPC**. It will still be possible to bring an action for infringement or revocation of a European patent before a national court of a state where a patent was issued or where it was validated. An alternative path will be available, though: a central action before the UPC, either an attack or a defense of a patent simultaneously in all participating Member States, will be an option. **Once the transitional period expires, such a choice will no longer be possible and the competence of the UPC in that regard will become exclusive.**

The possibility to opt out from the competence of the UPC

The provisions applicable in the transitional regime allow for withdrawing from the jurisdiction of the UPC by enabling an opt-out.

An opt-out can be made by a proprietor of a European patent granted before the expiry of the transitional period, as well as an applicant for a European patent who applied prior to the end of the transitional period, and by a holder of an SPC issued for a product protected by a European patent. Of course, an opt-out is not possible with respect to unitary patents.

Importantly, **an opt-out does not affect the character of a particular patent** — in case it is not made, a European patent will not be converted into a unitary patent.

Moreover, it must be emphasized that **the possibility to make an opt-out will be excluded if an action has already been brought before the UPC**.

The consequences of an opt-out

An opt-out results in the removal of a given patent (or an application) from the scope of the UPC's competence. Its impact on the situation of a patent holder (alternatively, an applicant or an SPC holder) can be evaluated from different angles; the balance of benefits and losses will depend on individual circumstances. **Although the provisions of the UPC Agreement do not address this issue explicitly, it is commonly agreed that an opt-out remains effective for the entire duration of a patent** (see, e.g., [here](#) and [here](#)). Such a position has also been approved at

the official website of the EPO (see the [FAQ](#) section). It is often supported by an argument that since an opt-out can be notified even right before the expiry of the transitional period, it would not be reasonable if it was expected to stop being effective barely a moment later.

A) The arguments in favor of an opt-out

The most important consequence of an opt-out comes down to the fact that **it protects us from a situation where our patent is challenged through an action before the UPC** (the so-called central attack). If the UPC sides with plaintiffs, its decision will lead to revocation of the patent in all participating Member States. Moreover, there is no a temporal limitation like the one established in case of the opposition before the EPO — the closest counterpart of the proceedings before the UPC. There, a notice of opposition can be given only within 9 months of the publication of the mention of the grant of the European Patent (see: Art. 99 of [the Convention on the Grant of European Patents](#)).

Furthermore, certainly at least some holders of European patents, in their decision-making process, will take into account the fact that the UPC **is a new institution without — as of yet — an established practice or case-law**. These concerns are to a considerable extent alleviated by significant measures that are being undertaken during the preparatory phase to ensure the high quality of judges but it is unquestionable that getting used to new procedures involves a learning process that will inevitably take some time.

B) The arguments against an opt-out

Refraining from making an opt-out leaves us with **a freedom of choice: we can decide whether we prefer to enforce our patent rights, like currently, before national courts or initiate proceedings before the UPC**.

An action for infringement before the UPC offers a number of benefits: what can be perceived as risk in the case of an action for revocation, here constitutes an advantage, i.e., the ruling will be effective and binding in all the states participating in the unitary patent system. Single proceedings could therefore lead to injunctions prohibiting acts that constitute infringements in 17 jurisdictions.

Additionally, when it comes to procedural aspects, proceedings before the UPC would be relatively speedy: in principle, they should not take more than 12 months; thus, most often it will be less than the corresponding proceedings before national courts and other national authorities. The procedure before the UPC offers some facilitations especially with regard to producing evidence

(for instance, on the basis of an inspection in a factory located in one of the participating Member States an injunction can be issued forbidding an infringer from performing certain acts that is effective in all the other participating Member States) and the enforcement of awards. Centralized proceedings in most cases will involve lower costs than separate proceedings in particular states. Each time, however, it will be necessary to carry out a comparison of costs — it is possible that if an infringement occurs in only one or a few participating Member States, it will be more cost-effective to bring an action before relevant national courts than before the UPC.

Another advantage of not opting out is avoiding the duty of carrying out due diligence aimed at identifying the circle of all the individuals who derive their rights from a patent. An opt-out, in order to be valid, shall be made by all the patent holders. Meanwhile, in more complex scenarios the due diligence process can be costly and time-consuming: e.g., in situations where patents are held by entities from different states which enjoy patent rights in different jurisdictions and the relationships between them are governed by different sorts of agreements (such as joint venture).

Formal requirements of an opt-out

A detailed regulation of requirements with respect to making an opt-out can be found in the [UPC Rules of Procedure](#). According to Rule 5, the application to opt out shall contain, i.a., the name of each proprietor or applicant for the European patent or application and of the holder of any SPC, their postal and electronic addresses, the name and postal address and electronic address of the representative or any other person lodging an application along with their mandate, details of the patent and/or application including the EP publication number.

The Rules of Procedure specify as well that in case of patents or applications owned by 2 or more proprietors or applicants, all of them shall lodge the application to opt out (see above). It is underscored that the effect of an opt-out shall extend to any SPC issued for a product protected by a given European patent. Furthermore, we should point out that Rule 5 indicates also that the application shall be made in respect of all of the states for which the European patent has been granted or which have been designated in the application.

An opt-out shall take effect upon its entry into the register (Article 83(3) of the UPC Agreement). Pursuant to the Rules of Procedure, the Registrar shall enter the application in the register as soon as applicable. If an error or a lack of all of the required information is found, it is permissible to lodge a correction. In that case an opt-out shall be effective from the date of the correction (as noted in the register).

What is particularly important, an application can be lodged **only through the dedicated Case Management System (CMS)**; it is free of charge.

Another key issue is a timeline when lodging an application is allowed. An **opt-out requires the notification to the Registry by the latest one month before the expiry of the transitional period** (Art. 83(3) of the UPC Agreement). It should be, however, noted that **an application can be lodged even before the Agreement enters into force — in a period referred to as “the sunrise period”**. It will start its run once Germany submits its document of ratification and will last until the Agreement enters into force (about 3-4 months). The beginning of the sunrise period will be coupled with the opening of the CMS system. Such a solution is meant to protect individuals interested in opting out from a scenario where an action is brought before the UPC against them on the day one of its operation. An opt-out made during the sunrise period, in accordance with the Rules of Procedure, will be treated as if entered into the register on the day the Agreement enters into force.

Withdrawal of an opt-out

It is worth adding that an opt-out from the exclusive competence of the UPC can be withdrawn at any moment. The procedure is the same: what is required is a proper notification given to the Registry and the withdrawal takes effect upon its entry into the register. The transitional regime introduces, however, certain restriction: a withdrawal is not possible if an action has already been brought before a national court (Art. 83(4)). Unlike lodging an application to opt out, withdrawal is allowed also after the expiry of the transitional period. A detailed set of rules addressing the withdrawal can also be found in the UPC Rules of Procedure (Rule 5). Just like an application to opt out, the withdrawal is free of charge.

At this point, it shall be remarked that the path to withdrawing an opt-out might not be as easy as the above-mentioned regulation might suggest at first glance. All it takes for the withdrawal to no longer be permissible is that our competitors bring an action against us before national courts (the so-called lock-in).

Challenging an opt-out or its withdrawal

Additionally, the UPC Rules of Procedure introduce an institution of an application to remove an unauthorized application to opt out or unauthorized withdrawal of an opt-out (rule 5A, absent from earlier versions of the Rules of Procedure). **The proprietor of a European patent or the applicant for a published application or the holder of an SPC in relation to which an application to opt out or its withdrawal is entered in the register, may lodge a justified application for their removal.** The Registrar shall decide on the application as soon as practicable. If the Registrar decides to remove an application or its withdrawal, he or she shall delete it in the register. The Registrar’s decision may be subject to an application for review to the President of the Court

of Appeal — it shall be lodged with the Registrar in one of the official languages of the EPO within one month of the notification of the decision and set out the request, facts, evidence, and arguments.