



## ALERTS

### A Look At The Upcoming European Unitary Patent And Unified Patent Court

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#### Highlights

A new Unified Patent Court (UPC) will create a centralized European patent system for infringement and validity actions

Unitary Patent (UP) protection and enforcement to be in effect in 17 UPC countries that have ratified

Patentee must opt out during the transition and Sunrise Period to avoid the UPC

The new Unitary Patent (UP) and Unified Patent Court (UPC) are primary pieces of patent reform in Europe. These changes will affect:

- Currently granted and validated European Patents (EPs)
- Applications currently pending at the European Patent Office (EPO)
- Future European patent filings

The new system will provide: 1) a new type of patent, the UP, which is an EP with unitary effect in all UPC contracting member states (CMS) and 2)

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the UPC, a new central court with exclusive jurisdiction over UP and EP patent cases in Europe, except for patent cases based on national rights, where exclusive jurisdiction remains with national courts.

Recently, the UPC delayed its Jan. 1, 2023, Sunrise Period opening until March 1, 2023, which marks the first time period where patentees may opt out of this new court system. The UPC is expected to change the landscape of patents in the European Union (EU) and it will serve as a common EU court that will hear patent litigation. The UPC itself is now set to open June 1, 2023.

This new system is only open to EU member states, and not all European countries have agreed to join the UPC, so there will be additional strategic considerations for non-UPC countries. As of October 27, 2022, 16 countries have ratified: Austria, Belgium, Bulgaria, Denmark, Estonia, Finland, France, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Portugal, Slovenia, and Sweden. Germany must ratify for these new changes to take effect, and indicated it would ratify in December 2022. Once Germany ratifies, there will be 17 countries under UPC jurisdiction and that number will likely grow over time because there are at least eight other EU member states that have agreed to join but have not yet ratified.

Patent proprietors will not be forced to choose a UP over traditional European validation patents. However, if coverage is desired in non-UPC countries, additional national validations using existing EPO validation procedures will be required.

## What Does the UPC Mean for Patent Filers?

With the new system, a patentee will be able to bring an enforcement action based on an EP or UP in a single court when infringement occurs in at least one of the CMS. On the other hand, the UPC also provides a mechanism to centrally revoke patent rights and/or obtain an injunction in all CMS.

While the UPC is projected to open its doors on June 1, 2023, there will be a transition phase of at least seven years before the UP and UPC are fully implemented. During this time, patent filers will have flexibility in implementing patent protection strategy. Once the transition period ends, patent filers will still have the choice of the Unitary Patent versus the traditional European Patent, but the new court will have exclusive jurisdiction for all patent cases (EPs and UPs) in the CMS.

## Affirmative Opt-Out Provisions

Failure to take action with respect to the UPC during the transition phase means existing patents will automatically be under UPC jurisdiction. Patentees must affirmatively opt-out of the UPC jurisdiction to avoid the UPC. During the transition period, and preferably during the Sunrise Period, patentees must affirmatively opt-out of the UPC to avoid it – even for validated EPs that pre-date the new system.

Opt-out requests can be filed during the Sunrise Period, with the advantage of having effect from the first day of entry into force of the UPC (i.e., no risk to be sued before the UPC). The new rules allow the opt-out to be withdrawn up until 30 days before the end of the transition period. In



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other words, owners can opt out and later opt in, allowing owners to observe the system first.

This opt-out is available from the beginning of the Sunrise Period, i.e., three months before the start date of the UPC, and during the entirety of the transition phase, provided certain restrictions have not occurred. Only traditionally validated EPs can be opted-out of the jurisdiction of the UPC. UPs cannot be opted out and no one can opt out of EPs or UPs if litigation has commenced.

Opting out, while merely an administrative task, nevertheless requires great care. The opt-out needs to be filed in the name of the true proprietor of the patent, even if the European patent register still shows a previous proprietor. Due diligence to determine who the true proprietor of a patent is may be time consuming, particularly in situations where patent portfolios have been acquired and the chain of title has not always been under the control of the current owner and/or true proprietor of the patent.

Opting out of the UPC is time-sensitive to prevent central revocation, invalidation, or if considering enforcement actions, especially if patentee has communicated with European entities about infringement.

## **Existing and Granted European Patents**

Any existing EP is not eligible for UP conversion, so the relevant question is one of jurisdiction for enforcement actions for these assets. During the transition phase, each EP will be in a mixed jurisdiction situation where both the respective national courts and the UPC have jurisdiction, and the first seized court is the court in which a dispute is heard.

Enforcement will occur only in countries in which a patent is validated. In validated countries that are non-CMS (e.g., UK), the national court has exclusive jurisdiction. In validated CMS, patentees can bring actions in the UPC or the national court of the country where the infringement is occurring (the latter only if no action previously filed with the UPC).

After the transition phase (which will be at least seven years), the mixed jurisdiction in UPC member countries will no longer exist and the UPC will have exclusive jurisdiction for all patents that have not previously been opted-out. There is no change for non-UPC countries.

## **Pending and Future Applications at the EPO**

If patent grant is imminent and the filer wants to register as a UP, it can request a delay to grant until after the new court goes into effect. The filer can then either move forward with EP or UP.

- For EP – same current EP validation options will apply
- For UP:
  - Pay a single annuity for protection across all UPC member states
  - Cost of annuity is similar to EP patent with four validations

- o Have to pursue separate validations in non-UPC countries
- o Under exclusive jurisdiction of the UPC in CMS
- o No UPC opt-out option
- o Registration as UP is due one month after grant

## Key Considerations

Here are some additional key advantages and disadvantages for UP and UPC:

- **Advantages**

1. No additional costs to register UP at the EPO
2. Coverage across all CMS (17 at beginning) for the price of approximately four national validations
3. Potentially reduced translation costs compared to national validations
4. Centralized platform for infringement actions covering 17 CMS—simpler and reduces costs
5. Judges with significant patent experience

- **Disadvantages**

1. Uncertainty in legal outcomes — UPC case law not established
2. Higher annuity costs (if validation is desired in less than three countries)
3. Centralized platform for validity challenges—one action can eliminate the patent rights in all CMS
4. Does not cover all EPC member states
5. UP cannot be opted out from UPC jurisdiction

Here are some additional key advantages and disadvantages for EP (opt out of the UPC and stay with EP national courts):

- **Advantages**

1. No central revocation of patent rights—invalidation on country-by-country basis
2. Established case law in each country
3. Option to withdraw opt out at later date
4. Lower litigation costs if enforcement planned in only one or two CMS

- **Disadvantages**

1. Litigation is potentially more complex, inconsistent, and expensive because enforcement is on a country-by-country basis
2. Higher annuity costs (if validation is desired in more than four countries)

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