



The UPCA's "opt out" and "opt-in" provisions - Impact and strategies for European patent portfolios

CIIR Update 2014 – Current Research in Intellectual Property Law



Associate Prof. Dr. Timo Minssen
Centre for Information and Innovation Law (CIIR)
Copenhagen Biotech & Pharma Forum (CBPF)
University of Copenhagen



AGENDA



- 1) The UPCA & the transitional regime under Art. 83 UPCA
- 2) 5 alternative positions for European patentees
- 3) Pros and cons of the 5 positions
- 4) Elusive traps and unwanted side-effects under Art. 83 (1)-(4) UPCA
- 5) Filing strategies and necessary preparations
- 6) Concluding remarks

FOCUS: General strategical considerations.

NOT: Institutional set-up or formalities of "opting out" or "back in".



- The Unified Patent Court Agreement (UPCA) of 19 February 2013 will create the Unified Patent Court (UPC).
- An international court for
 - European patents (**EPs**) already granted by EPO, and
 - New EPs with unitary effect (**EPUE**) through registration of application handed to the EPO by an EP's proprietor within one month from publication of the grant.
- For **EPUEs**: **exclusive jurisdiction** of UPC from the entry into force of the UPCA.
- For **EPs**: exclusivity of UPC starts first after end of '**Transitional Regime**' as codified in **Article 83 UPCA**.

**Article 3 UPCA:**

“This Agreement shall apply to any:

(a) European patent with unitary effect;

(b) supplementary protection certificate issued for a product protected by a patent;

(c) European patent which has not yet lapsed at the date of entry into force of this Agreement or was granted after that date, without prejudice to Article 83; and

(d) European patent application which is pending at the date of entry into force of this Agreement or which is filed after that date, without prejudice to Article 83.”



Article 83 (1) UPCA



During a **transitional period of seven years** after the date of entry into force of this Agreement,

- an **action for infringement or for revocation of a European patent or**
- an action for infringement or for declaration of invalidity of a **SPC** issued for a product protected by a European patent

may still be brought before national courts or other competent national authorities.



Article 83 (3) UPCA



Unless an action has already been brought before the Court, a proprietor of or an applicant for a European patent granted or applied for prior to the end of the transitional period under paragraph 1 and, where applicable, paragraph 5, as well as a holder of a supplementary protection certificate issued for a product protected by a European patent,

shall have the possibility to opt out from the exclusive competence of the Court.

To this end they shall notify their opt-out to the Registry by the latest one month before expiry of the transitional period. The opt-out shall take effect upon its entry into the register.



Article 83 (4) UPCA



“Unless an action has already been brought before a national court, proprietors of or applicants for European patents or holders of supplementary protection certificates issued for a product protected by a European patent who made use of the opt-out in accordance with paragraph 3 **shall be entitled to withdraw their opt-out at any moment.** In this event they shall notify the Registry accordingly. The withdrawal of the opt-out shall take effect upon its entry into the register.”

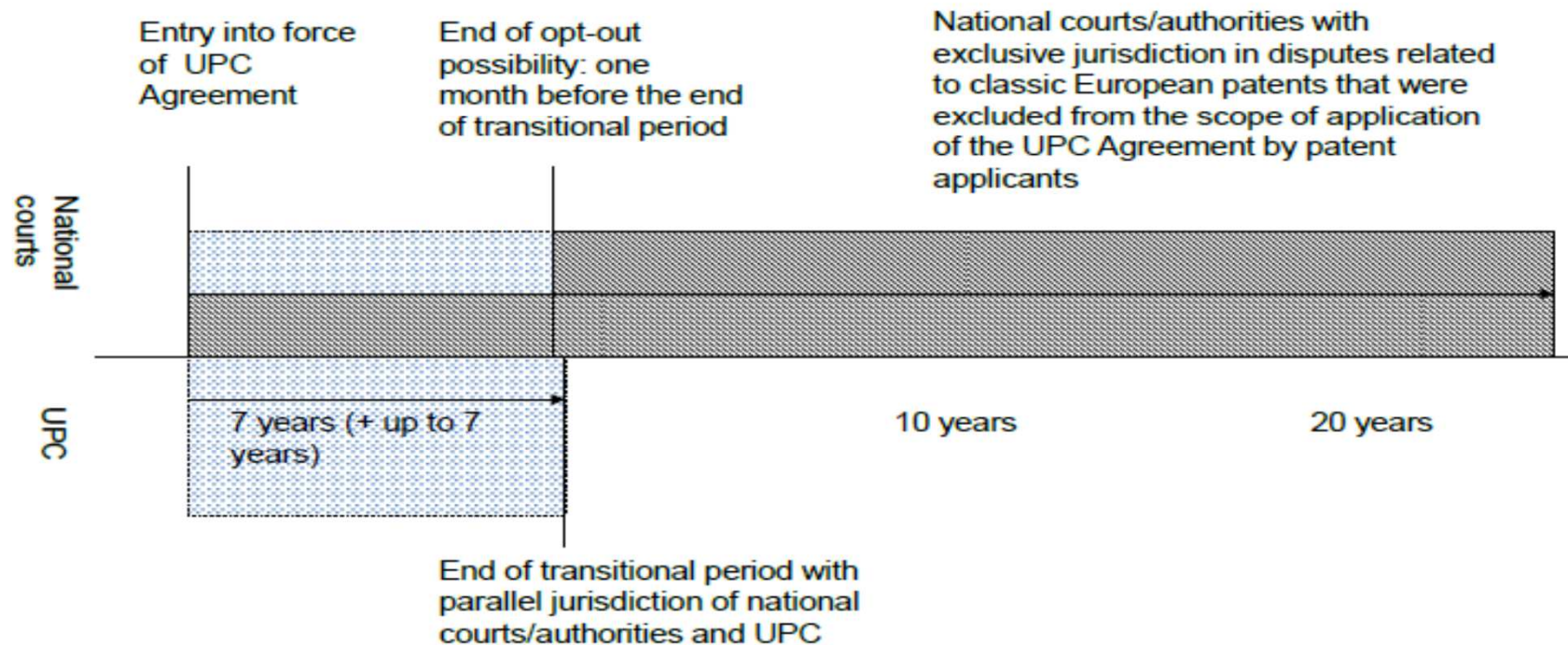
Article 83 (5): consultation procedure and after 5 years an opinion of the Court - the Administrative Committee may prolong the transitional period by up to seven further years

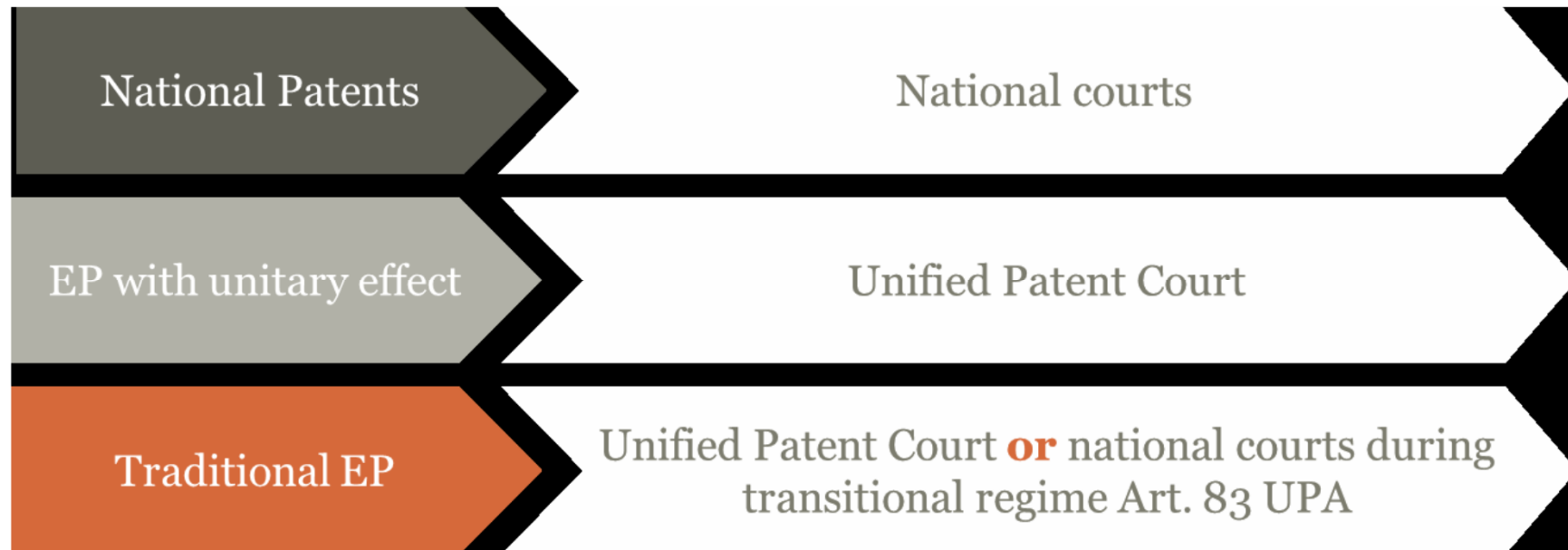


Source EPO & Vandermeulen/Kanz (LES)



Jurisdiction of national courts/authorities and the UPC







The unitary patent and the EPO member states

Unitary patent states

Austria • Belgium • Bulgaria • Cyprus •
 Czech Republic • Denmark • Estonia •
 Finland • France • Germany • Greece •
 Hungary • Ireland • Latvia • Lithuania •
 Luxembourg • Malta • Netherlands •
 Poland • Portugal • Romania • Slovakia •
 Slovenia • Sweden • United Kingdom

Other EPO member states

Italy • Spain • Iceland • Switzerland •
 Norway • Turkey • Monaco • San Marino •
 Liechtenstein • Croatia • Serbia • Albania •
 Former Yugoslav Republic of Macedonia





Five alternative positions for European patentees



Pos. 1	<i>EPUE's granted by the EPO and under the competence of the UPC. No transitional period applies.</i>
Pos. 2	EP's granted under old regime but under the UPC's competence (Art. 3 UPCA) – decision to not use translational period and Art. 83 (3).
Pos. 3	European patents granted by the EPO and outside the competence of the UPC (opted-out patents).
Pos. 4	Patents granted in countries not participating to the UPC
Pos. 5	National patents



Pros & Cons of the 5 positions



5 basics positions	Strengths & opportunities	Weaknesses & threats
Patents granted by the EPO and under the UPC's Competence (Pos. 1&2)	<ul style="list-style-type: none"> • Enforcement via the UPC; one verdict for multiple countries. • Low litigation costs as patents are litigated centrally. • No validation (unitary patents only). • Annuities paid centrally (unitary patents only). 	<ul style="list-style-type: none"> • Uncertainty concerning UPC practice and standards. • All eggs in one basket; if the UPC decides against the patentee in respect of invalidity or noninfringement, the patentee's battle is lost for good.
Patents granted by the EPO outside the UPC's Competence (Pos. 3 & 4)	<ul style="list-style-type: none"> • Predictability of court decisions in the major EU jurisdictions. • Substantial reduction of risk of cross-border invalidation or noninfringement verdict; patentee's eggs are not all in one basket. 	<ul style="list-style-type: none"> • Multinational litigation required in order to pursue multinational infringement. • High litigation costs. • Risk of differing decisions in different jurisdictions.
National patents (Pos. 5)	<ul style="list-style-type: none"> • Relatively high degree of predictability of court decisions in major EU jurisdictions. • Substantial reduction of risk of cross-border invalidation or noninfringement verdict; patentee's eggs are not all in one basket. 	<ul style="list-style-type: none"> • Multinational litigation required in order to pursue multinational infringement. • Relatively high pre-grant prosecution costs. • Risk of facing relatively poor pregrant predictability.

Source: U.Klinge, E. J Farrington & J.P. Frederiksen, The propose UPC explained, IP Value 2014, at 17.



Traps in Article 83 (1) – (4)



- 1) “Opt out’s” cannot use UPC benefits of e.g. Art. 34, Art. 82 & Art. 59-62 UPCA.
- 2) Proposed fees for opting out are significant and it should be considered very carefully if they are worth the risks.
- 3) National courts might still feel compelled under Article 83 (1) and (3) UPCA to apply substantive patent law as provided for in the UPCA’s Chapter V. (disagreement between some prominent authors and interpretative note of Preparatory Committee)
- 4) Forth, any national action might “burn down the bridges” for the way back into the system in accordance with Art. 83 (4) = the so-called “opt out” trap.
- 5) If the national (revocation) action successful, other national courts will be inclined to follow due to aligned practice between patent courts in the major litigation states.



Better to do something than nothing, but:

- **The larger a patent portfolio the more difficult to identify clear-cut solutions to minimize risks and the more complex the strategies.**
- **Stay “in the driver’s seat” and anticipate possible actions by infringers or as a claimant.**
- **Conduct thorough review of licensing agreements reg.:**
 - **(1) potential limitations of the rights of licensees to bring action (cf. article 73 UPCA),**
 - **(2) rights to opt-out, and**
 - **(3) the impact of choice of law clauses on opt-outs.**



Filing-strategies under Art. 83 UPCA - **General considerations II**



- **ERGO: due diligences investigations on patent and licensing portfolios should be carried out asap.**
- **Future filing strategies will have to be anticipated, tailored and diversified.**
- **In specific cases concerning European patent applications this may include:**
 - **the later consideration of (opt-out) divisionals**
 - **branching off utility model protection to proceed in various systems.**
- **Where available, a utility model protection might also turn out to be very useful for establishing priority for later patent applications.**



Two basic criteria to be considered whenever strategic decisions for relevant portfolios have to be made.

- 1) Evaluate the strength of the patent(s), i.e. how enforceable will it be in infringement proceedings and what is the likelihood that it would withstand counterclaims in invalidation proceedings.
- 2) Consider the importance of the patent(s) for the relevant business and technology.



- If claims are robust & enforceable: usually wiser to not opt-out.
- Use opportunity to benefit from the UPCA advantages & choices.
- The more likely that an important & strong patent would be upheld within the UPC system, the less reasons to pay considerable opt-out fees and
- to risk that competitors initiate national proceedings and thus burn down the bridges under Article 83 (4) (the “opt-out trap”).
- Likewise, if a patent is not important and even weak, there appears to be no reason to waste money on a considerable opt-out fee.



- Situation may be different if a patent is very important but includes claims that would be at a high risk of not surviving a central attacks.
- Here, the possibility to defend it on a country by country basis and perhaps being able to maintain it in some countries might be attractive.
- In other words, a decision to opt-out might be helpful in order to not put all eggs in one basket.
- Yet, these advantages must be balanced against the above described significant costs, risks and disadvantages of an opt-out under Article 83 (3) UPCA.
- Opt-out possibility remains only attractive in rather exceptional situations.



- The UPC will come into existence and start its operations immediately after the UPC Agreement enters into force (probably mid 2015).
- New system will have a substantial impact on most European patents and applications that will still be effective or pending in a year or two.
- In order to utilize the new system in the best way, strategic decisions that are curtailed to specific business concepts and patent portfolios should be made rather sooner than later.
- “Do nothing, and wait and see” might be a dangerous approach in view of the many disadvantages and traps identified above.



Concluding remarks



- From a public policy and wider innovation perspective, it can be hoped that Article 83 will only be utilized in exceptional cases.
- Main competitors from the USA, China, Japan and Korea will start to play the new game very early.
- Focus on becoming good at playing the new system and its remarkable advantages.
- Polish your practice and focus on making your voice heard in shaping the new system.
- Benefits of the new system outweigh its disadvantages, i.e. not only with regard to most patent portfolios but also considering the competitiveness of the European economy.
- Hopefully, Art. 83 (5) will not have to be exploited



Further reading

Faculty of Law



- Unified Patent Court, Preparatory Committee, “Interpretative note - Consequences of the application of Article 83 UPCA”, available at: <http://www.unified-patent-court.org/news/71-interpretative-note-consequences-of-the-application-of-article-83-upca> .
- T. Minssen & B. Lundqvist, The “opt out” and “opt-in” provisions in the Unified Patent Court Agreement - Impact and strategies for European patent portfolios, forthcoming in special Unitary Patent Issue of NIR (2014/15).
- Jakob Pade Frederiksen: “How the Unitary Patent Court will affect filing strategy”, Managing Intellectual Property, Europe IP Focus, September 2014, available at www.managingip.com.
- U.Klinge, E. J Farrington & J.P. Frederiksen, The proposed UPC explained, IP Value 2014, at 17.
- W. Tilmann, The Transitional Period of the Agreement on a Unified Patent Court, Journal of Intellectual Property Law & Practice, 2014, Vol. 9(7), 575-584.
- C.S. Petersen, and T. Riis and J. Schovsbo, The Unified Patent Court (UPC) in Action - How Will the Design of the UPC Affect Patent Law? (June 16, 2014), available at SSRN: <http://ssrn.com/abstract=2450945>



Thank you for your attention !

E-mail: Timo.Minssen@jur.ku.dk

Web: www.ciir.dk

- **EU Pharma Law, IPR & Life Science** – from R&D to market approval & commercialization, see: <http://kurser.ku.dk/course/JJUB55065U>

- **Pharma Law & Policy for professionals:**

<http://copenhagensummeruniversity.ku.dk/en/courses/pharmalawpolicy/>



Faculty of Law

