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Intellectual Property Alert

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European Patent System: What's different for 2023?

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Long-awaited changes to the European patent system aim to simplify process for patent applicants and owners.



What's the Impact?

- / The UPC creates a single court for litigation of all new and existing European patents applicable in participating countries
- / The Unitary Patent offers a single validation instead of validating in separate states
- / These changes will affect all pending European applications and patents

Long-awaited changes to the European patent system are expected to commence in early 2023. These changes may offer a simple alternative to the current validation process while streamlining the judicial process regarding patents within Europe. These changes include the introduction of a new European Union Unitary Patent (UP), and the opening of the Unified Patent Court (UPC). These changes will affect all pending European applications and patents.

Unified Patent Court

The UPC is designed to be a single court for litigation of all new and existing European patents applicable in one or more of the participating countries. The UPC will be a single venue to

consider applications for revocation of a patent and for determination of infringement. Eventually, its jurisdiction will cover all participating UPC states (every EU member state except for Spain, Poland, and Croatia). Non-EU countries such as the United Kingdom, Switzerland, and Turkey will not be affected by this change.

All granted European patents that exist when the UPC starts will be subject to its jurisdiction as they will automatically be “opted-in” to the UPC. Specifically, during a transitional period of at least seven years, the UPC and national courts will have shared jurisdiction over existing EP patents in the UPC participating states. After the transitional period, the UPC will eventually have sole jurisdiction.

UPC “Opt-out” option

The patent owners and those affected by these rights will have the option to “opt-out” of the exclusive jurisdiction of the UPC and maintain the patents under the current system during the transitional period. The effect of an opt-out will be to ensure that any litigation relating to those patents can only be initiated in the national courts—preserving the existing position. If a patent is not opted-out by the time the UPC goes into effect, challengers will be able to commence action against the patent in both the applicable national court or the UPC.

Opt-out requests will need to be filed at the Unified Patent Court. The ability to file an “opt-out” request will exist for a “sunrise” period of at least three months before the UPC comes into existence and for at least the first seven years thereafter (with the possibility for extension of the transitional period). Note that an opt-out request can only be filed on behalf of, and with the authority of, all of the co-owners.

Opt-out considerations

The decision on whether to opt-out or be part of the new system is not straightforward. It will depend on factors such as territorial coverage, licensing and enforcement strategies, commercial importance of the patents, and budget. When deciding whether to opt-out or not, there are a few considerations to keep in mind:

- / If a European Patent has already been successfully defended in an Opposition, choosing to opt-out may be the better strategy because a future infringer must then invalidate the battle-tested patent in each country, as opposed to seeking a single invalidity decision in the UPC.
- / While there is statutory law to control the UPC litigation, there is uncertainty on how the substantive and procedural case law will develop for litigation in the UPC.
- / For granted EP patents, where you do not anticipate any infringement/enforcement action, the prevailing theory is to opt-out of the UPC in order to avoid wholly invalidating an EP patent in the event of a challenge. Conversely, if you expect to litigate an existing EP patent, it may be worth “opting-in” as a means to a more cost-effective and streamlined litigation process.

Act now to opt-out

The decision whether to opt-out and remove the granted EP patents from the jurisdiction of the UPC should be made before the UPC even starts. In order to be ready to make such a decision, the following steps should be taken as soon as possible:

- / Start reviewing your portfolio and identifying European Patents where “opt-outs” should be filed.
- / Create a timeline of the affected patents.
- / If applicable, get permission from co-owners to file “opt-outs.”
- / Review license agreements with exclusive licensees to contact and discuss opt-out issues.
- / Contact your counsel and be ready to provide instructions for filing of “opt-outs” where required on short notice, once the exact date of the UPC’s existence becomes known.

European Union Unitary Patent

To complement the UPC, the ability to obtain an EU Unitary Patent will become available when a European patent grants. The Unitary Patent is an alternative to the existing validation process of a European patent in individual countries. It is not a new patent, and the process for applying for and granting European patents will remain as is. However, once the patent is granted, applicants will have the option to validate the grant in all Contracting Member States¹ (CMS) with a single validation instead of validating in separate states. A properly executed Unitary Patent will be immediately valid in all CMS, and the whole validation process will be greatly simplified—including only one translation and one annual maintenance fee. All Unitary Patents will be subject to the jurisdiction of the UPC. They cannot be opted-out.

The Unitary Patent will provide uniform protection and have equal effect in all CMS. It will also only be limited, transferred, revoked, or lapse in respect to those CMS. The Unitary Patent will not have effect in non-Member States. Once the Unitary Patent system goes into effect, applicants will have the option of choosing to validate a European patent as a Unitary Patent, which may be in addition to validating the patent in countries not covered by the Unitary Patent. Registration for a Unitary Patent may be done once the patent application is granted and within one month from the publication of the grant.

Considerations for UP applicants

For the European patent applications that are pending, no specific action is needed at present. However, applicants interested in obtaining a Unitary Patent may want to consider:

- / **Filing an early request for the Unitary Patent to take effect.** Provided the communication under Rule 71(3) EPC has been dispatched for the European patent application, an applicant may file an early request, which will register the European patent as a Unitary Patent as soon

¹ Austria, Belgium, Bulgaria, Denmark, Estonia, Finland, France, Germany, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Portugal, Slovenia, and Sweden.

as the UPC system goes into effect.

- / **Delaying progress of the application until the UPC goes into effect.** It may be appropriate to take steps to delay responding to the EPO's communication, or otherwise delay the progress of an application until the EPO's transitional provisions commence. When they do, this will allow formal deference of the grant date to make an early Unitary Patent designation.

Steps to take now if seeking a Unitary Patent

If a European patent is to be validated in four or more countries, the delay tactic can be useful, as it can reduce renewal and translation costs by using the Unified Patent. However, any decision to seek a Unitary Patent also means the European Patent will be subjected to a single invalidity action that could negate all rights in the CMS, which can be a disadvantage. Applicants considering obtaining a Unitary Patent should consider the following:

- / Start reviewing and identifying patents likely to be designated as Unitary Patents.
- / Create a timeline of the affected patents, including where the current prosecution stands.
- / Consider countries in which the patents are likely to be validated.

Be prepared

While the exact date the changes will take effect are not known, they are expected to commence as early as next year. Thus, the decision on whether to be part of the new system should be discussed and considered as soon as possible, since it is not a straightforward choice.

Nixon Peabody's UP/UPC team is an interdisciplinary group of attorneys who will track these changes and provide counsel to impacted clients, in coordination with our network of European associates. Our team will continue to monitor changes and keep you informed as policies evolve.

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