

Information on Opting European Patents Out of the UPC System

A **pending** European patent application (“EP application”), or any **granted** European patent (“EP”) and the supplementary protection certificates (“SPCs”) based thereon, can be opted out of the competence of the upcoming Unified Patent Court (“UPC”) so that they **continue to be handled by national courts** on a country-by-country basis. Opt-out is free of official charge and can be requested during the three-month sunrise period (started on March 1, 2023). Alternatively, but with some uncertainty (see below), the opt-out can also be declared after the start of the new court system (on June 1, 2023) during the following seven-year (possibly up to 14-year) transitional period. An opt-out for an EP automatically covers all SPCs based on that EP. **Expired EPs** can also be opted out as they may be relevant for seeking past damages in litigation. An opt-out for a divisional application is independent from that of the parent application. Opting out is not possible for unitary patents. (See [Information](#) on requesting unitary effect for EPs.)

Whether to opt out or stay in the new system is essentially a **litigation-driven decision**. Compared to the current litigation system in Europe, the UPC offers its users many **benefits**, such as:

- Preliminary and final injunctions covering up to 17 EU countries (Austria, Belgium, Bulgaria, Denmark, Estonia, Finland, France, Germany, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Portugal, Slovenia, and Sweden)—eventually up to 24 EU countries—with a **single infringement action**, thereby achieving **patent enforcement across Europe with significantly reduced costs** and increased procedural simplicity;
- Prominent and **experienced judges**, including technical judges;
- A target timeline of only 12 months from the commencement of the proceedings to the first instance judgement;
- The option to hear the matter **in English**, if so desired by the plaintiff (with few exceptions);
- Increased possibilities for the **selection of the ideal litigation forum**—especially for patentees—making it possible to take advantage of the peculiarities of the UPC divisions when several divisions are competent;
- The avoidance of unfavorable country-specific case law at the national courts;
- A range of procedures to **gather evidence** (“inspection proceedings” aka “dawn raids”), which may not be available at a national court; and
- The patentee recovering a proportion of its legal costs if it wins the infringement case.



There are also **risks** associated with using the UPC, including:

- The possibility of a **second central validity challenge** following or in parallel with EPO opposition proceedings (as an independent revocation action or a revocation counteraction during an infringement suit);
- A **lack of guidance from case law**, as it will take time for the UPC to develop its jurisprudence and clarify the many unclear details of the new system; referrals to the European Court of Justice could happen more often than with national courts, particularly in questions relating to whether application of the UPC law is in line with the Union law.

Various factors should be considered when deciding on whether or not to opt out. Essentially, one needs to **weigh the likelihood/benefit of “pan-European” litigation, broader choice of litigation forums, the yet unknown approach on validity challenges, as well as the still developing case law on infringement and procedural issues.** One should also consider that while more expensive, parallel litigation in several countries may be worthwhile if it increases the chances of winning in at least one or a few countries.

Litigants might consider **staying in the new system** if:

- The EP is more likely to be invalidated by national courts in view of the existing national case law and may stand a better chance at the UPC;
- The legal provisions at the UPC are more favorable than at the national courts, such as the possible narrower application of research and Bolar-type exemptions;
- The main competitor is based in a country where the national courts are not patentee-friendly or judges are inexperienced in patent cases, or where evidence gathering procedure is inefficient; and
- The process steps of an infringed method or process patent are carried out in different European countries.

Moreover, early users of the UPC will have the opportunity to shape the case law of the new system.

To make a decision on opting out, a patent holder should carefully review its EPs and EP applications and **consider potential infringement and validity issues alike.** Parties should also consider where the **current/future relevant markets** are, where **infringements** might occur, and whether a **cross-border enforcement** would be desirable. **License and co-ownership agreements** should be reassessed and updated, bearing in mind their effect under the new applicable law.

During the transitional period, once an action is brought before the UPC for an EP or an SPC based thereon, opt-out of this EP will no longer be possible. **Any action** relating to the EP (e.g., action for declaration of noninfringement, revocation action, or infringement action), whether by the proprietor, licensee, or any other entitled person, **blocks an opt-out.**



The proprietor should **review license agreements** and include licensee’s contractual obligations of giving prior notice to and receiving corresponding instructions from the proprietor regarding initiating an action before the UPC, **to ensure a consistent “opt-out” or “stay-in” strategy for licensed patents.**

If an opt-out is filed during the sunrise period, it will become effective as soon as the UPC starts. Once an EP is opted out, it is **excluded from the UPC’s competence** for its entire lifetime. Opted-out EPs will be litigated before national courts according to the current practice. The opt-out request can be withdrawn (opt-back-in) at any time unless an action has been initiated before a national court of a UPC Contracting Member State. A second opt-out is not possible.

In cases with multiple right holders, all parties must **agree** to the respective opt-out. Further, opt-out of an EP can only be requested by the **actual proprietor**, which may differ from the entity appearing on the EPO or national register. As the validity of an opt-out may be challenged at the UPC, due diligence should be carried out to ensure that opt-outs are filed under the name of the correct entity. Ideally, written agreement from all proprietors should be obtained before requesting an opt-out.

Applicants should also be aware of various **filing** strategies to mitigate the risks of the new system. For example, **it is important to keep a divisional application pending as a fallback** for important EP families. The parent patent may be kept in the new system while the divisional application may be opted out, or *vice versa*, to allow more flexibility in the litigation strategy. It is also important to bear in mind that a number of European countries allow **parallel protection**. For example, parallel protection from both:

- The national part of an EP and a national utility model or certificate/short-term patent is possible in states such as: AT, BG, HR, CZ, DK, DE, EE, FI, FR, HU, IT, PL, PT, RO, and SK;
- An EP and a direct national patent is possible in states such as: AT, DK, FI, HU, IS, NO, PL, PT, and SE; and
- A direct national patent and either a not-opted-out EP or a UP is possible in states such as: FR and DE.

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