

The European Patent with Unitary Effect – Time to Opt-Out?

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Unitary Patent Ante Portas!

The “European Patent with Unitary Effect”, short form “Unitary Patent” is about to come into force. All relevant 25 member states have signed the agreements. Only the formality of ratification has to be carried out in at least 13 member states including France, UK and Germany. Currently, the estimation is that the ratification process will be completed at the latest at the end of 2015, maybe earlier. All new provisions including the Agreement on a Unified Patent Court shall enter into force on the first day of the fourth month after the deposit of the 13th instrument of ratification.

Once this day has come, all European Patents, which are currently in fact just a bundle of different national patents, become truly European Patents with Unitary Effect. That means, the unitary effect does not only apply to new European patent applications but as well to all currently existing European Patents. This is a significant change, in particular for US companies which traditionally hold a very large proportion of existing European Patents. From all European Patents granted in 2013, approx. 22% went to US companies (exactly 14,877 only in 2013). With General Electric and Qualcomm two US companies are present in the list of the top ten applicants for a European Patent, whereby this list is unchallenged headed by the Korean company Samsung.

All these European Patents do now face a significant change. This change does not only affect the material law, but in particular the procedural law and court system. However, for a transitional period of initially seven years (maybe extended for further seven years) the patent holder has the right to “opt-out”.

What is Opt-Out?

During the transitional period of initially seven years the holder of an European Patent shall have the possibility to “opt-out” from the exclusive competence of the Unified Patent Court. If the patent holder makes use of this right, the changes which occur in connection with the implementation of the Unitary Patent are restricted to certain changes in the material patent law. However, in case of an opt-out, the competence of each court in the respective member state remains unaffected.

Advantages and Disadvantages of Opt-Out

If a patent holder does not opt-out according to Art. 83.3 of the European Patent Court Agreement, Art. 83.1 of this Agreement applies, which grants the patent holder the so-called advantage of forum shopping. This *inter alia* means that he can optionally bring infringement cases before the Unified European Patent Court or a respective competent national court. This for example offers the possibility to start an infringement proceeding restricted to one opponent in one member state before the Unified European Patent Court and await their decision. If the decision of the Unified European Patent Court is in favor of the claimant, he might think about bringing parallel cases in other member states also before this court. But if the court decision is not in favor of the claimant, he still keeps his right to bring respective parallel cases before the national courts in other member states.

Holders of older European Patents who do not declare their opt-out, however, bear in particular one large risk. All competitors can immediately after entering into force of the respective provisions of the European Patent Court Agreement, file one centralized revocation action with the Unified European Patent Court. Consequently all of a sudden the risk of central extinction of older European Patent exists. At present, such extensive effect can only be reached by filing an opposition against the granting of the European Patent during the nine months opposition period. After that period is expired, revocation actions currently have to be filed with all relevant courts in all member states of the European bundle patent in order to obtain the same effect.

In particular because the new system makes it easier and less cost-intensive to start revocation actions with broad effects, it is more important than ever for patent holders to carefully review their European bundle patent portfolios. In particular if patent holders consider their patents as rather weak and endangered in terms of revocation actions, opt-out appears to be the best decision. But also if a patent can be considered as “strong”, opt-out is nevertheless a good recommendation, because Art. 83.4 of the European Patent Court Agreement entitles the holder of a European Patent to withdraw the opt-out (called opt-in). However, there is one important thing which limits the freedom of choice: opt-out is only possible as long as no action has been already brought before the Unified European Patent Court; withdrawal (opt in) is only possible as long as no action has been already brought before a national court.

Concrete Opt-Out Procedure

The patent holder has to notify his opt-out to a Registry. The Registry shall have its place with the court of appeal in Luxembourg. For the opt-out a fixed fee of presumably EUR 100.00 to EUR 200.00 has to be paid to cover the costs. The application shall not be entered in the Register until the fixed fee has been paid. The application to opt-out has to contain the name of the proprietor and, if appointed, the name and address of the representative and details of the patent including the number. If the patent is owned by two or more proprietors, all proprietors have to lodge the application.

The Registrar shall as soon as practicable enter the application to opt-out into the Register. The opt-out will be regarded as effective only from the date of entry into the Register. Therefore, if a patent holder decides to opt-out, he has to inform the Registry in time to ensure that his opt-out is registered before the European Patent Court Agreement comes into force. Currently, it is discussed that the application to opt-out may be lodged with the European Patent Office after a day to be announced by the European Patent Office and before coming into effect of the European Patent Court Agreement. This procedure shall secure that all applications for opt-out are duly registered until the date the European Patent Court Agreement comes into force.

Summary

The European Patent with Unitary Effect shall presumably come into force within the year 2015. This will have a significant effect on all older European Patents. Holders of European Patents have to decide whether they intend to opt out with effect at least for the initial seven years transition period. If a patent holder does not opt-out in time, every competitor has the possibility to attack the whole bundle of European patents just by filing one revocation action with the newly founded Unified European Patent Court. Therefore, Opt-out, which is not possible once an action has been brought before the Unified European Patent Court, appears in general to be the best choice, in particular because a right to withdraw (opt in) exists, at least as long as no action has been brought before a national court.