

# Unified Patent Court System: A Guide for Applicants and Patent Practitioners

After years of planning, the Unified Patent Court (UPC) will soon take effect. The final hurdle to implementation was Germany's ratification of the UPC Agreement (UPCA). For the UPCA to take effect, it had to be ratified by at least 13 European Union (EU) member states, including Germany, France, Italy, and previously the United Kingdom (UK) before Brexit, where most European patents (EP) were in effect in 2012. Along with other EU member states, France and Italy have already ratified the UPCA. Notable states not currently participating in the UPC include Spain, Croatia and Poland. After leaving the EU, the UK is also ineligible for participation. As soon as Germany deposits its ratification instrument with the Council of the European Union, the UPC will enter a sunrise period.

Because a deposit of the ratification instrument will trigger the implementation of the UPC, Germany is delaying until certain technical issues surrounding the case management system are resolved. It is currently expected that the new UPC system will begin operations on June 1, 2023. With its launch, Europe's patent system will transition into a new regime. In this regard, applicants and patent practitioners must understand essential aspects of this new system.

A Unitary Patent (UP) is a single patent right covering all participating member states. The European Patent Office (EPO) will administer the issuance of UPs upon grant of an EPO application. The formalities and annuity fees due on such patents will be significantly lower than the corresponding costs for retaining protection through national patents in each country, thereby reducing the burdens on applicants who desire to gain protection across numerous EU states. However, this new patent right will become available only after the UPC comes into existence and, therefore, the EPO cannot yet grant UPs.

The UPC is a centralized patent court system for patent invalidation and enforcement proceedings. By default, the UPC will have jurisdiction over every EP designated to the EU member states that have ratified the UPCA. Under the new UPC system, litigation is expected to move at a rapid speed. For example, final oral hearing on infringement and validity issues are expected to occur within a year of initiating proceedings.

In addition, the patent proprietors have the option to opt out of the UPC system for their current EPs. However, it is important to note that an opt-out must

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encompass all countries where the EP applies. Therefore, a partial opt-out is not applicable to the patents at issue.

Steps can be taken to opt out of the new system as soon as the “sunrise period” begins, which is expected to be on March 1, 2023. The sunrise period is a three-month period between Germany’s deposit of the UPCA ratification and its entry into force, during which applicants and patent practitioners should decide whether to opt out of the jurisdiction of the UPC for existing EPs.

When the UPCA goes into effect, an initial transition period of seven years will commence under article 83(1) of the UPCA. During this transitional period, patent proprietors or applicants who have not opted out of the UPC system can bring actions before the individual national courts or the UPC. However, if a patent proprietor does not opt out, the right to do so is lost if an action is brought against them in the UPC. Thus, as noted previously, it is desirable to opt out during the sunrise period to avoid the possibility of litigating in the UPC unless and until it is desired to litigate in that forum. Even if the sunrise period passes, opting out will still be possible until the end of the transitional period, but with the risk of being forced into the UPC by another litigant.

Nonetheless, opting out is more complex than one might think. For example, in the case of co-ownership, filing an opt-out requires the consent of all owners, including those from non-participating member states such as the UK, Spain, Poland, Switzerland, and Turkey.

Further, the listed order of co-owners in the European Patent Register determines the applicable law with respect to the UP as property, including national law regarding conveyances and ownership. In this regard, the residence or place of business of the first listed co-owner as of the filing date of the application that matures into the UP will govern the applicable law. Since the right to opt-out is exclusive to the patent holders, licensees do not have such rights unless they get the consent and agreement of the patent holder.

In light of the preceding, opting out of the UPC is not an easy decision, one that depends heavily on the patent portfolio and the applicant’s specific needs. Reinhart attorney John Paul Kale can assist applicants and patent practitioners in weighing such critical issues.

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