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Intellectual Property ADVISORY ■

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UP and UPC: Changes in European Patent Procedures

by Joe Liebeschuetz and Steve Schilling

In 2023, we are expecting the introduction of a unitary patent (UP) and Unified Patent Court (UPC) as add-ons to current European (EP) patenting and litigation procedures. The start of the UP and UPC represents the biggest change in European patenting in 50 years. The UP and UPC are scheduled to be implemented in a sunrise period, projected to start March 1, 2023, and become fully operational three months later, on June 1, 2023.

The UP and UPC will provide an alternative EP patent validation mechanism and corresponding alternative court for enforcement in 17 of the now 39 European Patent Convention (EPC) contracting countries: Austria, Belgium, Bulgaria, Denmark, Estonia, Finland, France, Germany, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Portugal, Slovenia, and Sweden.

In the other 22 EPC countries, the UP and UPC will not apply, though some of these countries may later elect to become part of the UP and UPC system. In these 22 countries, existing EP validation and enforcement procedures will continue unchanged until further notice. Members of these 22 countries include the United Kingdom, Spain, Switzerland, Poland, Ireland, and Turkey.

The UP and UPC impose separate implications for enforcement of previously issued EP patents still in force and for validation of EP applications that will be granted in the future. Decisions related to enforcement of previously issued EP patents may have time sensitivity. Decisions related to validation of EP patents that will be granted in the future can be addressed on individual and ongoing bases as they are allowed.

For existing EP patents that have been validated in at least one of the 17 countries where the UP and UPC will apply, the UPC has shared jurisdiction with national courts for an initial period of seven years, which may be extended. For those existing patents, the UPC therefore provides an alternative litigation forum for an EP patent to litigation in individual member states. In the absence of any action by the patent holder, the forum for litigation will be selected by the party bringing the litigation, which could be the patentee enforcing a patent or an adversary seeking to invalidate the patent.

However, the patent holder has an option to opt out of the UPC, in which case the patent can be litigated only in individual member states as before. If the patent holder elects to opt out of the UPC, the patent holder can later rescind this decision and restore the alternative jurisdictions before opt-out, provided litigation has not already been started either by the patentee or an adversary in one of the individual member states. No further opt-out is possible after rescission. The patentee may opt out during the three-month sunrise period. The patentee can also opt out thereafter unless litigation has already started in the UPC. The opt-out decision is specific to each EP patent.

The decision whether to opt out will not have the same answer for every patent and every client. The UPC is expected to increase efficiency and reduce costs for both a patentee and an adversary compared with multiple individual litigations in member countries. The decision to opt out thus depends in part on whether facilitating enforcement or deterring invalidation is a priority. The lack of a track record for the UPC presents an additional risk that some patentees may want to avoid regardless of increased efficiencies at least until the UPC becomes more established. In contrast to the situation for newly allowed EP applications, the UP and UPC will not result in any reduction in annuity or validation costs for existing EP patents.

We expect many risk-averse clients to opt out of the UPC for an observation period to develop a sense for outcomes (do UPC outcomes tend to favor patentees or adversaries?) before perhaps rescinding the opt-out in circumstances where particular patents or portfolios are to be asserted. We expect that pharma clients will opt out at least for their key patents to deter invalidation attempts. Aggressive or litigious clients may chose not to opt out to benefit from increased litigation efficiency.

For EP applications that are allowed but not yet granted or will be allowed in the future, there is an alternative validation option to validate as a UP instead of validating in one or more of the 17 individual countries where the UP and UPC apply. Even before implementation of the UP and UPC, this option can now be requested after January 1, 2023 in any allowed application by transitional procedures that apply until the end of the sunrise period, May 31, 2023. The transitional procedures allow an early request for a UP to be made but not implemented until the UP and UPC are fully operational or alternatively to delay patent grant until the UP and UPC are fully operational, when there is one-month window in which a request for a UP can be made. The early request for a UP should be filed between allowance and grant. The request for delayed grant should be filed by the response date of the notice of allowance.

After the sunrise period, when the UP and UPC become fully operational on June 1, 2023, UP validation, if elected, must be completed within one month after grant of an EP patent. If the EP patent is validated as a UP, then all litigation in the 17 countries covered by the UP will take place in the UPC. Alternatively, if the EP patent is validated by the traditional route in one or more of the 17 individual member countries, the situation is the same as for existing EP patents; that is, the UPC and individual member states provide alternative forums, absent opt-out by the patentee.

Opt-out from the UP and UPC is also possible for any published pending EP application even before it is allowed, which unless rescinded forecloses the UP validation option on allowance. But we are expecting most decisions to opt out of pending applications to be made in conjunction with validation after allowance.

For the 22 non-UP EPC states, traditional validation is still required in each country. A validation strategy involving the UP (17 countries) would therefore still usually be accompanied by parallel validation in individual non-UP countries.

The decision whether to validate as a UP or in one or more of the 17 individual member states covered by the UP involves the same factors as for existing EP patents, but it also involves issues of validation and annuity costs. Validation as a UP will typically cost less than that of individual member validations, and annuities will be reduced if the EP patent would have been validated in four or more individual UP countries. These savings increase as the number of member countries in which the EP patent would have been validated increases up to the maximum of the 17 countries covered by the UP. We expect the cost savings for validation as a UP will bias the decision toward that route in many cases, but there will still be some key patents that will be validated by the traditional route in the individual 17 member countries. To reiterate, validations and enforcements in the 22 countries not covered by the UP and UPC will continue as before.

We recommend a call to discuss opt-out (or not) of your existing EP patents and applications. We also recommend ongoing discussion of the UP as a validation option, and opt-out if the UP validation option is not elected, for present or future allowed EP cases on an individual basis.

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If you have any questions or wish to discuss further, please contact any of the following members of Alston & Bird's Intellectual Property Group.

Dane A. Baltich
+1 704 444 1180
+1 404 881 4381
dane.baltich@alston.com

Jason P. Cooper
+1 404 881 4831
jason.cooper@alston.com

Christopher TL Douglas
+1 704 444 1119
christopher.douglas@alston.com

Brian C. Ellsworth
+1 704 444 1265
brian.ellsworth@alston.com

Christopher Gegg
+1 704 444 1024
chris.gegg@alston.com

Guy R. Gosnell
+1 704 444 1029
guy.gosnell@alston.com

Zachary A. Higbee
+1 704 444 1133
zack.higbee@alston.com

Joe Liebeschuetz, Ph.D.
+1 650 838 2038
joe.liebeschuetz@alston.com

Christopher P. Lightner
+1 404 881 7882
chris.lightner@alston.com

Dan O'Connor
+1 650 838 2021
dan.oconnor@alston.com

Stephen H. Schilling, Ph.D.
+1 919 862 2225
steve.schilling@alston.com

Bryan Skelton, Ph.D.
+1 919 862 2241
bryan.skelton@alston.com

ALSTON & BIRD

WWW.ALSTON.COM

ATLANTA: One Atlantic Center ■ 1201 West Peachtree Street ■ Atlanta, Georgia, USA, 30309-3424 ■ +1 404 881 7000 ■ Fax: +1 404 881 7777
BEIJING: Hanwei Plaza West Wing ■ Suite 21B2 ■ No. 7 Guanghua Road ■ Chaoyang District ■ Beijing, 100004 CN ■ +86 10 85927500
BRUSSELS: Rue Guimard 9 et Rue du Commerce 87 ■ 3rd Floor ■ 1000 Brussels ■ Brussels, 1000, BE ■ +32 2 550 3700 ■ Fax: +32 2 550 3719
CHARLOTTE: One South at The Plaza ■ 101 South Tryon Street ■ Suite 4000 ■ Charlotte, North Carolina, USA, 28280-4000 ■ +1 704 444 1000 ■ Fax: +1 704 444 1111
DALLAS: Chase Tower ■ 2200 Ross Avenue ■ Suite 2300 ■ Dallas, Texas, USA, 75201 ■ +1 214 922 3400 ■ Fax: +1 214 922 3899
FORT WORTH: Bank of America Tower ■ 301 Commerce ■ Suite 3635 ■ Fort Worth, Texas, USA, 76102 ■ +1 214 922 3400 ■ Fax: +1 214 922 3899
LONDON: 4th Floor ■ Octagon Point, St. Paul's ■ 5 Cheapside ■ London, EC2V 6AA, UK ■ +44 0 20 3823 2225
LOS ANGELES: 333 South Hope Street ■ 16th Floor ■ Los Angeles, California, USA, 90071-3004 ■ +1 213 576 1000 ■ Fax: +1 213 576 1100
NEW YORK: 90 Park Avenue ■ 15th Floor ■ New York, New York, USA, 10016-1387 ■ +1 212 210 9400 ■ Fax: +1 212 210 9444
RALEIGH: 555 Fayetteville Street ■ Suite 600 ■ Raleigh, North Carolina, USA, 27601-3034 ■ +1 919 862 2200 ■ Fax: +1 919 862 2260
SAN FRANCISCO: 560 Mission Street ■ Suite 2100 ■ San Francisco, California, USA, 94105-0912 ■ +1 415 243 1000 ■ Fax: +1 415 243 1001
SILICON VALLEY: 1950 University Avenue ■ Suite 430 ■ East Palo Alto, California, USA 94303 ■ +1 650 838 2000 ■ Fax: +1 650 838 2001
WASHINGTON, DC: The Atlantic Building ■ 950 F Street, NW ■ Washington, DC, USA, 20004-1404 ■ +1 202 239 3300 ■ Fax: +1 202 239 3333