

# Will a UPC opt-out survive the transitional period?

John Pegram and Jan Zecher of Fish & Richardson say the question will most likely be litigated after the UPC transitional period

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The Unified Patent Court Agreement contemplates that the UPC will have exclusive competence for European patent infringement and validity litigation (and that of related supplementary protection certificates) with two principal exceptions.

During a transitional period of seven years, which might be extended, national courts will have parallel jurisdiction for national parts of conventional European patents. During that period, the owners of conventional European patents may opt out of the UPC's jurisdiction.

Opinions differ on the question of whether a patent that is opted-out at the end of the transitional period will remain opted out or become subject to UPC jurisdiction. We have summarised the principal arguments on both sides of that question and have concluded that the question probably will not be resolved until it is litigated after the transitional period ends.

## Interpretation of International Agreements

The question of whether an opt-out will survive after the end of the transitional period is one of interpretation of the UPCA. In the EU, the interpretation of such international agreements is governed by the general rules of interpretation of customary international law and based on the supplementary means of interpretation as restated in the Vienna Convention on the Law of Treaties. Under its Article 31: "A treaty shall be interpreted in good faith in accordance with the ordinary meaning to be given to the terms of the treaty in their context and in the light of its object and purpose." The principal context for interpretation of a treaty comprises its text, including its preamble and annexes.

## The competence of the UPC and national courts

UPCA Article 3 provides that the agreement shall apply to any European patent with unitary effect, conventional European patent, European patent application and SPC. Those of its provisions that include European patents and applications are specifically without prejudice to the transitional provisions in Article 83, discussed below.

The agreement's preamble indicates the broad intent for the UPC to have exclusive competence in respect of European patents with unitary effect (unitary patents), other European patents granted under the provisions of the EPC (conventional European patents), and SPCs. That intent is implemented by Article 32(1), which, inter alia, provides that the UPC shall have exclusive competence over (a) actions for actual or threatened infringements and related defences; (b) actions for declarations of non-infringement; (c) actions for provisional and protective measures and injunctions; (d) actions for revocation of patents and for declaration of invalidity of SPCs; (e) counterclaims for revocation of patents and for declaration of invalidity of SPC.

However, Article 32(2) provides: "The national courts of the contracting member states shall remain competent for actions relating to patents and SPCs which do not come within the exclusive competence of the court." In the UPCA, "patent," standing alone, includes both a conventional European patent and a unitary patent. National court jurisdiction under Article 32 will include national patents not granted by the EPO and, as we will see, conventional European patents that are subject to the transitional provisions of UPCA Article 83.

### Article 83 – the transitional regime

Article 83, which is captioned "transitional regime," is the sole article in Part IV on "transitional provisions". It has parallel provisions for conventional European patents and related SPCs. For simplicity, we will refer only to patents.

Section (1) of that article provides that, during a transitional period of seven years after the date of entry into force of the UPCA, an action for infringement or for revocation of a conventional European patent may still be brought before national courts or other competent national authorities. That is the principal exception to the exclusive jurisdiction of the UPC.

Section (2) is the only part of the UPCA that expressly provides an exception to the UPC's exclusive jurisdiction after the transitional period. It states: "An action pending before a national court at the end of the transitional period shall not be affected by the expiry of this period."

Section (3) permits an opt-out of UPC jurisdiction for conventional European patents, stating:

Unless an action has already been brought before the court, a proprietor of or an applicant for a European patent granted or applied for prior to the end of the transitional period under paragraph 1 and, where applicable, paragraph 5, ... shall have the possibility to opt out from the exclusive competence of the court. To this end they shall notify their opt-out to the Registry by the latest one month before expiry of the transitional period. The opt-out shall take effect upon its entry into the register.

Subsection (4) permits the owner of a conventional European patent or application, who made use of the opt-out, to withdraw their opt-out at any moment.

### Why some say an opt-out survives the transitional period

Some practitioners believe the opt-out does survive after the transitional period, and a non-binding FAQ, posted by the Preparatory Committee on the UPC website a few years ago, takes that position:

"It was the legislator's objective when providing for the possibility to opt-out, to give the patent holder the possibility to remove his European patent from the jurisdiction of the UPC for the whole life of that patent. This follows clearly from the fact that an opt-out can be notified until the very last day of the transitional period. The latter would make no sense and would not have been foreseen if the effect of an opt-out was to expire on the last day of the transitional period."

It should be noted that this FAQ contains a factual error. Opt-out cannot be notified until the last day of the transitional period. Rather, Article 83(3) provides that opt-out may be requested by the latest one month before expiry of the transitional period.

Another argument that has been put forward for survival of an opt-out is that, otherwise, it would be unfair to owners of patents granted before the UPCA comes into force, who had a reasonable expectation that they could enforce their patent in national courts and that the patent would not be subject to central attack in a single court.

Some proponents of opt-out survival argue the purpose of the transitional period is to provide a defined time during which opt-out applications must be filed, as reflected in the one-month deadline. This is to allow the UPC time to process the opt-out applications before the end of the transitional period. But Article 83 does not necessarily limit the effect of such opt-outs to the transitional period itself.

We point out that, if a patent owner wants to rely on general propositions regarding the legislator's objective, unfairness, or the purpose of the transitional period, it will have to find supporting, supplemental evidence of the type mentioned in the Vienna Convention. Those propositions are not expressly stated in the UPCA.

Several arguments favoring survival of the opt-out rely on alleged omissions in the UPCA. Article 83(3) does not specify that there is a certain time period during which an opt-out is effective. It does not specify that an opted-out patent will automatically come back into the jurisdiction of the UPC. If there is to be a limit to the effectiveness of an opt-out, the proponents say, this would have been made clear in the UPCA.

The contrast between the language used in Article 83 for withdrawal of an opt out, which can be made at any moment, and the application for an opt out, which must be made by the latest one month before expiry of the transition period, may also suggest that the effect of opting out is intended to last longer than the transitional period itself.

Another argument for opt-out survival is that, because the exclusive competence of the UPC does not actually take effect until the end of the transitional period, the ability to opt out of the UPC's exclusive competence supports the contention that the effect of opting out will last beyond the end of the transitional period.

## Why some say an opt-out does not survive

The principal non-survival argument is that the ordinary meaning to be given to the competence and transitional period provisions of the UPCA clearly indicate that – except for national court cases pending at the end of the transitional period – the UPC is to have exclusive competence after that period ends. The object and purpose of the participating member states, as indicated by the UPCA's preamble and operative articles, was to grant the UPC exclusive jurisdiction for infringement and validity litigation involving all types of European patents and related SPCs subject to the specific, limited exceptions in Article 83. That is indicated by the official captions of Part IV and Article 83, “transitional provisions” and “transitional regime,” respectively, and by the fact that the only UPCA provisions permitting parallel national court jurisdiction and opt-out are in Article 83.

A counterargument to the opt-out survival position taken in the FAQ (as corrected above) is that Article 83(3) does make sense. A specific deadline eliminates doubt about when an opt-out request will be accepted. A deadline one month before expiry of the transitional period would permit a party to protect the possibility of filing a national court action late in the transitional period. Even if the national courts would lose their jurisdiction for opted-out patents to the UPC immediately after the transitional period, their jurisdiction for cases brought shortly before the end of the period would be perpetuated under Article 83(2).

A possible counter to the unfairness argument is that the fundamental right to an effective remedy before an independent tribunal does not necessarily require

protecting an expectation that a future case will be heard before a certain tribunal and under certain rules of procedure.

Further non-survival arguments are that exceptions – like the opt-out – should be construed narrowly; and that, unlike the provisions for continued national court jurisdiction in pending cases, Article 83 says nothing about an opt-out extending beyond the transitional period.

Perhaps the most compelling argument that opt-out does not survive is that national courts will lack jurisdiction for patent infringement and invalidity actions filed after the UPC transitional period. The national court exceptions in Article 83 only apply during the transitional period and to actions pending at the end of the transitional period. Therefore, under this argument, if opt-out were to be interpreted to survive the end of the transitional period, there would be no court in which an action could be filed with respect to an opted-out patent. That interpretation's result would be unreasonable and manifestly absurd. A related argument is that, if the national courts would not lose their jurisdiction for opted-out patents to the UPC after the transitional period, there would be no need to perpetuate their jurisdiction for pending cases under Article 83(2).

## Conclusions

There are non-trivial arguments on either side regarding whether or not an opt-out from the UPC will survive after the transitional period. Therefore, that question probably will be litigated.

### Potential litigation scenarios

- 1) A patent owner files a national court action for infringement of an opted-out patent after expiration of the UPC transitional period. The defendant argues that the national court lacks jurisdiction.
- 2) A third party files an action in the UPC for revocation of an opted-out patent after expiration of the UPC transitional period. The patent owner argues that the UPC lacks jurisdiction.
- 3) A national court action for infringement of an opted-out patent is pending after expiration of the UPC transitional period. The defendant files an action in the UPC for revocation in the other participating states in which the patent is validated. The patent owner argues that the UPC lacks jurisdiction.



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