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European Unitary Patent and Unified Patent Court

There are key questions your client/ business must consider for European Patents in view of the new unitary patent (UP) and unified patent court (UPC) legislation.

The EU's unitary patent (UP) and unified patent court (UPC) legislation is expected to come into force in early 2023. This will provide the option of obtaining a new European patent with unitary effect (called here a unitary patent or "UP"), compared to a "traditional" bundle of national patents. The UP is a single patent covering multiple jurisdictions, and it stands or falls in litigation before the new EU unified patent court ("UPC") as one single patent covering all relevant EU UPC-signatory states.

If a unitary patent is not obtained and the European patent is validated only as a "traditional" bundle of national patents, unless it is actively opted out, the default will be for the European patent to be subject to the jurisdiction of the UPC. A unitary patent is subject to the jurisdiction of the unified patent court and, therefore, there is no possibility of opting out or bringing an action before a national court for a unitary patent.

Therefore, the strategic choices are

1. whether to obtain a unitary patent for protection in the states participating in the unitary patent system and,
2. in the case where a unitary patent is not obtained, whether to opt out the European patent from the jurisdiction of the unified patent court.

For detailed consideration of the strategy regarding obtaining a unitary patent and opt out, please contact your managing CMS European attorney. However, at a high level, the following points are relevant for consideration:

Central vs national considerations

If a third party wins a UPC revocation action, the patent will be revoked in all participating states. Opting out means that the patent is protected from central UPC court revocation actions. Conversely, for enforcement, only a single UPC action will be needed to enforce the patent across all of the states. Relief across all states will be possible.

UPC litigation costs are likely to be cheaper than those of multiple national litigation in the same territories.

Therefore, one major consideration for the patentee is potentially cheaper enforcement vs the risk of central revocation.

We expect that individually valuable patents may well be targeted by competitors through UPC revocation actions. These patents should be considered individually to decide if the opt-out is commercially sensible, although note that opt-outs are publicly available, and a partially opted-out portfolio could indicate to competitors which patents are of most strategic importance.

Different litigation strategies

There are both procedural and substantive differences between UPC litigation and national litigation, which may be considerations in whether to obtain a UP.

For example, in the UP system there is a front loading of pleadings and the timelines provide an apparent 'first strike' advantage for patentees.

Substantively multi-step method claims may now be infringed where different steps are carried out in multiple jurisdictions, and so-called contributory infringement (supplying means essential to put the invention into effect) may also be easier to establish where there is a cross border supply (which might otherwise not have been the case).

On the other hand, procedural rules in the UPC, such as the anticipated limited availability of discovery/disclosure could make proving infringement more challenging.

Moreover, the Court is new, as yet untested with a lot of discretion given to the Judges and outcomes may be hard to predict. Therefore, if litigation is contemplated, advice should be sought at an early stage.

Opt-out considerations

Opt-outs in the sunrise period, which is the 3 month period before the UPC comes into force, should be carefully considered to protect valuable patents from central attack.

Licencees cannot apply for an opt-out, and so need to discuss their preferences with the patentee and also review the license agreement to determine who has the right to make the opt-out choice.

An opt-out can be withdrawn, but no further opt-out is then possible.

An opt-out for a European patent can be declared at any time during the transitional period (currently seven years), with the caveat, discussed below, that past or pending litigation may impact the opt-out opportunity. Opt-out is not possible once an action has been filed in respect of the relevant European patent before the UPC. In such a case, the UPC retains exclusive jurisdiction for the participating member states for the entire term of the relevant patent.

If a national action is started after an opt-out has been declared, the opt-out cannot be withdrawn, irrespective of whether the national action is still pending or has already been concluded.

Validation and renewal fee costs

The cost of obtaining a UP will be lower than validating the European Patent as a "traditional" bundle of national patents in a large number of countries. Further, the UP has been designed to be cheaper in terms of renewal fees if more than 4 countries would normally be validated. Cost analysis on a case-by-case basis over the lifetime of the patent can be provided by CMS, taking into account variables such as the size of the specification for translation and number of years of patent term remaining in order to enable an accurate cost comparison of the various options.

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