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UPC: 16th draft of Rules of Procedure unveiled yesterday. The obstinate "opting-out" fee: will those who sow the wind, reap the whirlwind?

Miquel Montaña (Clifford Chance) · Friday, March 7th, 2014

UPC *aficionados* will be interested to learn that the 16th draft of the Rules of Procedure was unveiled yesterday.

Readers will remember that the previous draft was published on 31 May 2013. Since then, the Drafting Committee has been working on a new draft that may – or may not – accommodate the comments received from stakeholders, including those discussed at the European Judge's Forum that took place in Venice on 25-26 October 2013. Trying to comment on the 382 Rules of the draft in this very brief blog would be like trying to sum-up the history of mankind in a *haiku*. So this author will focus his attention on one aspect that appears to be here to stay: the obstinate "opting-out" fee.

As commented in a previous blog published on 31 October 2013 (*Groucho Marx, Fairness and the Opting-out Fee*), Rule 5.3 of the 15th Draft stated that "The applicant(s) for an opt-out shall pay the fixed fee in accordance with Part 6. The application shall not be entered in the register until the fixed fee has been paid." This provision has been maintained in the 16th draft (albeit it is now Rule 5.5), where the following sentence has been added: "One fixed fee shall be payable in respect of each European patent or application for which an Application to opt out has been filed, including any supplementary protection certificate based on said patent or application." This paragraph must be read in the context of paragraphs 6 and 7 of Rule 5: "6. Subject to Rule 5.5 the Registrar shall as soon as practicable enter the Application to opt out in the register. Subject to Rule 5.7, the opt out shall be regarded as effective from the date of entry in the register. 7. In the event that an action has been commenced before the Court in respect of a patent (or patents) and/or an application (or applications) contained in an Application to opt out prior to the date of entry of the Application in the register, the Application for opt-out shall be ineffective in respect of the patent (or patents) and/or application (or applications) in question."

Readers are advised to read the new text of Rule 5 in its entirety, since it has been significantly updated, in particular, to take care of supplementary protection certificates. For example, new Rule 5.2 states that: "(a) An Application to opt out a European patent or application pursuant to rule 5.1 or an Application to withdraw an opt-out pursuant to Rule 5.8

shall extend to any supplementary protection certificate(s) based on the European patent. (b) Where any such supplementary protection certificate has been granted at the date of lodging the Application, the holder(s) of the supplementary protection certificate(s) shall if different from the proprietor(s) of the patent lodge the Application together with the proprietor(s). (c) Where any such supplementary protection certificate is granted subsequent to lodging the Application, the opt-out shall take effect automatically on grant of said supplementary protection certificate(s), and the holder(s) of such supplementary protection certificate(s) based on the European patent shall notify the Registry of the details required under Rule 5.3. (d) Rules 5.7. and 5.9 shall apply *mutatis mutandi* in relation to actions commenced in respect of any supplementary protection certificate. (e) For the avoidance of doubt, it is not possible to opt out supplementary protection certificates (whether granted by the authorities of a Contracting Member State or otherwise) based on a European patent with unitary effect.”

In this quick sneak preview, two comments may be advanced in relation to the provisions governing applications to opt out:

First, making the effectiveness of the opt out subject to a fact beyond the control of the applicant (how long it takes for the registrar to make an entry of the opt out in the registry) appears to be at odds with a system that proclaims *fairness* to be one of the guiding lights of the UPC (Preamble of the UPC Agreement). If as expected there is an avalanche of opt-outs, the computer systems crash or, moving to a more mundane level, the registrar is simply lazy, it does not seem to be fair to leave the applicant exposed to the risk of being caught within a system where it never requested to be in the first place.

Second, making the effectiveness of the opt out subject to the payment of a fee appears to be at odds with a system that proclaims the *primacy of and respect for Union law*. In this regard, the Court of Justice of the European Union (“CJEU”) has been particularly adamant to ensure that any fee be directly linked to the delivery of a specific service. Only last Thursday, the CJEU flagged the risks entailed by funny games such as pretending to charge a fee for funding services not linked to the product or service on which the fee has been charged (judgment of 27 February 2014 in case C-82/12 *Transportes Jordi Besora, S.L. & Generalitat de Catalunya*). This judgment will oblige the Spanish government to return 13,000 million Euros of fees that the CJEU has found to be contrary to Union law. In the case of the opt-out fee maintained in the 16th draft of the Rules of Procedure the situation is even worse as the fee would be applied for *not* providing a service at all! Let alone the debate around whether the retrospective application of such fee would resist the CJEU’s scrutiny or whether the UPC Agreement or Regulation 1257/2012 provide a legal basis for the opt-out fee. In this author’s opinion, they do not.

Should the judgment of 27 February 2014 be taken as a word of warning? We will see, although one does not need a crystal ball to understand that forcing patentees that do not want to use the system to fund the costs of those who may want to use it cannot be right. Clearly, the opt-out fee has an exclusively budgetary purpose, the very budgetary purpose that the CJEU has found to be contrary to EU law, albeit in a different context, in paragraph 23 of this judgment. All in all, time will tell whether those who sow the wind, will reap the whirlwind.

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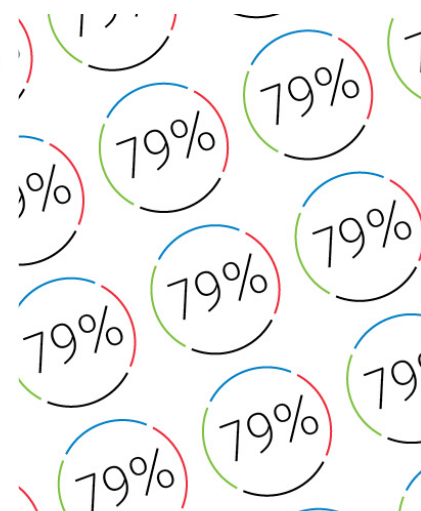
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