

Kluwer Patent Blog

Review your licensing agreements for the Unitary Patent system

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If a European Patent has been licensed to licensees in different European countries, opting out of the Unified Patent Court might be preferable to keep these licenses separated as far as possible, according to Peter Chrocziel. He is partner in the Intellectual Property practice of Freshfields in Munich and co-author of the publication ‘International Licensing and Technology Transfer: Practice and the Law’. Kluwer IP Law interviewed Peter Chrocziel.

Why is the decision on opting out or not opting out of the jurisdiction of the Unified Patent Court important for licencees?

‘Once the Unitary Patent system is in force, there will be three routes for patent protection in Europe: The patent with unitary effect (Unitary Patent), the European patent as it currently exists (European Patent) and national patents in various European countries (national patents). The Unitary Patent, and – with limitations – existing and future European Patents are going to fall within the jurisdiction of the Unified Patent Court (UPC), (Art. 32 [Agreement on a Unified Patent Court \(UPCA\)](#)). Regarding European Patents, there will, however, be the option to opt-out of the exclusive jurisdiction of the UPC during a transitional period of initially seven years (Art. 83 UPCA).

The question whether a European Patent is subject to the jurisdiction of the UPC or not, is of high interest for the patent proprietor and (exclusive or non-exclusive) licensees, because jurisdiction of the UPC comes with the effect that the UPC’s decision will apply to *all* contracting states for which the European Patent has effect (Art. 34 UPCA). This may often be advantageous because the patent holder or the exclusive licensee could obtain a single (UPC) decision extending to all UPCA contracting states designated in the European Patent. On the other hand, patent owners and licensees might want to keep the respective European Patent out of the UPC system, to avoid a central invalidity attack. Which option is eventually preferably depends on a



Peter Chrocziel

number of aspects, including inter alia the specific licensing structure.’

What must licencees and patent holders do to prepare?

‘The most important points to consider with respect to European Patents are (i) who decides whether to opt out of the UPC system and (ii) who is entitled to initiate legal actions.’

According to Art. 83 (3) UPCA, the European Patent proprietor or applicant is responsible for the decision whether or not to opt out. Most existing license agreements do not contain clauses that clarify whether an opt-out shall be declared. How to exercise this option should be discussed and agreed on between the parties of the agreement and the license should be amended accordingly.

The issue of who is responsible for enforcing a European Patent in court is partially interrelated: An opt-out will be ineffective in case the European Patent is or has been the subject of litigation in front of a Unified Patent Court (Art. 83 (3) UPCA).’

Not preparing means that patent holders and licencees will be in for problems?

‘The parties of a license agreement should clarify whether the proprietor shall be entitled or even be obliged to opt out and whether the licensee shall file claims before the UPC or before the national courts. At least there should be a mandatory consultation process.

In particular in case of a European Patent being licensed to different licensees in different European countries, declaring the opt-out might be preferable to keep these licenses separated as far as possible.

Licensing parties should not delay to clarify their approach towards opting out and filing claims relating to the licensed patents, since e.g. opting out can be prevented through starting legal proceedings before the UPC and such proceedings could also be brought by third parties attacking the validity of such European Patent (Art. 32 (1)(d) UPCA). In order to make sure the desired opt-outs will be effective, opt-out applications can already be filed in a “sunrise” period which is expected to commence in October 2016, before the UPC is proposed to go live in early 2017.

Furthermore, if also future patents are governed by an existing license agreement, the parties should agree on a revised filing strategy for the future. Depending on the factual circumstances, new inventions could be protected under different regimes: European Patent without UPC (opt out); Unitary Patent (automatically combined with UPC) and national patents in specific European countries (and national courts).’

In case of joint ownership of a European or Unitary Patent, there are even more issues to consider, I understand?

‘For European Patents, nothing will change – the concept of joint ownership will be looked at under the applicable national laws, when a respective national action is launched. For European patents with unitary effect and for Unitary Patents when there is joint ownership, the right to bring an action or the right to grant licenses, for example, are likely determined by the law of one contracting state for all contracting states (Art. 7 of the Regulation). As these rules may differ between the different contracting states, e.g. the order of applicants indicated on the application becomes an important issue to consider.’

Are companies doing enough to prepare for the new system?

‘Based on our experiences, legal departments of companies with a significant patent portfolio are

preparing for the implementation of the new Unitary Patent system.

The strategy to be implemented of course differs depending on the objectives and based on the assessment of specific patents. To illustrate this: For “strong” patents that are intended to be used for aggressive enforcement against third parties, a European Patent (without opt-out) or a Unitary Patent might be the right choice. If a patent protects important products of the own product portfolio, however, a European Patent together with an opt-out or even a national patent might be the better choice, so that a potential pan-European nullity can be avoided.

Are the Rules of Procedure of the UPC clear, according to you? Or do you see flaws or unanswered issues in the new system?

‘The present 18th draft of Rules of Procedure of the UPC constitutes a quite detailed and comprehensive set of rules. Nevertheless, there are a couple of open or unclear points relating, e.g., to the exhaustion of rights conferred by a European Patent or the enforcement of judgements of the UPC. And there is also the danger that practitioners read and interpret the Rules applying their experience under their national law. Mock exercises have shown that lawyers from a given European country are confident what the Rules mean – but differing in their reading from colleagues from other European countries, applying the same set of rules.’

Are you positive about the option of licenses of right, as arranged in the Rules of Procedure?

‘In principle, yes. Nevertheless, Rule 80 of the Rules, which specifies the option of licenses of right (Art. 8 of Regulation No 1257/2012, the Regulation), leaves some questions unanswered: What are the criteria for an “appropriate compensation”? How can Rule 80 para. 1 lit. c of the Rules be understood, which states that the application for appropriate compensation shall contain a version of the license agreement referred to in Art. 8 para. 2 of the Regulation? Furthermore, compared to, e.g., Sec. 23 of the German Patent Act, which sets out the rules for licenses of right in German law, the level of detail in the Rules and in the Regulation is rather low.’

‘[International Licensing and Technology Transfer: Practice and the Law](#)’ is a Kluwer Law International publication. Peter Chrocziel is also co-editor of the recently published book ‘[Intellectual Property and Competition Law](#)’.

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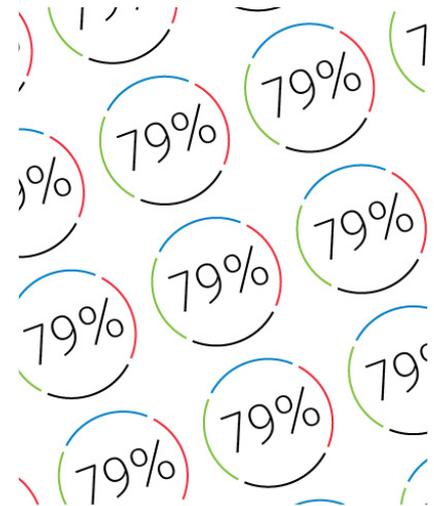
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