

Europe's New Unitary Patent System Will Affect IP Agreements

By **Marco Stief** (January 26, 2023)

After many decades in preparation, the European unitary patent system will finally get up and running in this year, with the newly established Unified Patent Court expected to open its doors in June.[1]

The introduction of this new European patent and court system is causing considerable upheaval, requiring owners of European patents to take sensible precautionary measures.[2]

The various aspects of the establishment of the court, pros and cons of the unitary patent as well as the jurisdiction of the UPC have already been quite extensively discussed and debated in numerous publications.[3]



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There is, however one important topic that should not be overlooked, namely the possible impact the introduction of the new European patent system may have on technology contracts, including patent license agreements, research and development contracts, and technology transfer agreements.

Such agreements will often require revision in light of the changes introduced by the new UPC and system in order to take into account the risks and differences inherent in the new system and to bring legal clarity into the contractual relationships in spite of these changes.

In many cases, it might be necessary to adapt the existing contractual provisions with regard to issues such as:

- Co-ownership of existing, or background, and future, or foreground, intellectual property;
- The IP filing and prosecution provisions; and
- The right to take legal action or the applicable law.

The following is intended to provide a short overview about some key points that need to be considered not only in future intellectual property agreements, but also in already existing agreements.

Opt-Out for Existing European Patents

From the day on which the UPC opens its doors, it will automatically have jurisdiction not only for proceedings relating to unitary patents but also for already-existing European patents, unless an opt-out has been declared for the latter.

If owners, co-owners or licensees of existing European patents do not wish to come under the automatic jurisdiction of the UPC, one of the first questions that arises is who may effectively declare an opt-out.

According to Article 83(3) of the UPC agreement, or UPCA, it is possible for a "proprietor of or an applicant for a European patent" to opt out.

Thus, according to this provision of the agreement, the licensee has no say in the matter. In view of the clear wording, this also applies to an exclusive licensee.

If the agreement between the parties provides for co-ownership of IP, all co-owners must, unless specifically stated otherwise in the agreement, jointly decide on the conditions of an opt-out and apply for it — themselves or through a jointly authorized representative.

This applies both to the classic case of joint ownership and to the case where ownership of national parts of the European patent diverge.[4]

In order to avoid legal ambiguities and the possible risk of missing a time limit, it will in many cases be necessary to amend existing contracts to include clear provisions covering this issue.

As to how a contract clause covering this issue is to be drafted in concrete terms, there is no generally applicable wording but depends to a large extent on the nature of the licensed technology, the field of activity and the distribution of roles between the parties.

Application Procedure for New Patents

Decision on Application

Regardless of whether a classic European patent or a unitary patent is pursued, the initial application process remains the same under the new system because the unified patent is based on a granted European patent.

That means an application is to be filed at the European Patent Office first. Only after the grant of the European patent for all 24 member states participating in the new system — i.e., those who signed the UPCA — must it be decided whether the unitary effect is to be requested for the currently 17 UPC-contracting member states that have already ratified the agreement.[5]

If a licensee and not the owner shall have the possibility to decide whether to apply for a unitary patent, this must be stipulated in the license agreement.

Due to the short and nonextendable period of one month from the grant of the patent for requesting unitary effect,[6] it is advisable to clarify or reach agreement on this issue between the contracting parties before the European patent is granted and amend the agreement accordingly.

The matter becomes even more complex if there are several license agreements for different countries or regions with several licensees for future or current patent applications.

In this case, very close coordination of the contract review and adjustment is required, since some elements of the contract and the rights of some of the contracting parties may be affected by the decision in favor of a unitary patent.

Choice of Law on Registration

Once the decision has been taken to apply for a unitary patent, the choice of law laid down in the contract becomes particularly important. The unitary patent can be treated very differently in individual cases, so that the parties should decide which law is to apply before

applying for a unitary patent in order to avoid unpleasant surprises.

A unitary patent as an object of property is subject to the law of the member state in which the applicant has their residence or principal place of business.

In the absence of a corresponding residence or principal place of business in a member state — e.g., in the case of a U.S. applicant — German law is applicable pursuant to Article 7(3) Regulation (EU) No 1257/2012.

As a result, many of the legal consequences of a license agreement, such as the validity of the license, whether the license is preserved upon transfer of the licensed patent(s), and the scope of protection of the patent, are affected by the law applicable to the licensed unitary patent and will in the future often be governed by German law.

Moreover, the law applicable to the respective unitary patent is at the same time final and is not affected by a later transfer of the respective property right — thus, the filing date is decisive.

It is therefore essential to consider the consequences of the applicable law when drawing up a licensing agreement and to consider making amendments of clauses where necessary.

Where there are several applicants, the law of the applicant named first in the European Patent Register will be applicable.[7] The order in which the applicants are named therefore becomes of crucial importance. Applicants should therefore carefully consider — and should agree among themselves beforehand — which party should be listed first in a European patent application.

Legal Enforcement and Defense

If the parties decide in favor of a unitary patent, further contractual adjustments may be required, or at least be prudent. For example, with a classic European patent, a regional or country-by-country division of responsibilities regarding prosecution and maintenance is easily possible and indeed common.

Such a differentiation is not possible in the case of a unitary patent, which can only be maintained or defended uniformly for the entire territory of the contracting member states. On the other hand, licensing of the unitary patent for individual contracting member states remains possible.

As regards the right to bring actions, Article 47(2) the UPCA clarifies:

Unless the licensing agreement provides otherwise, the holder of an exclusive license in respect of a patent shall be entitled to bring actions before the Court under the same circumstances as the patent proprietor, provided that the patent proprietor is given prior notice.

Thus, both the owner and the exclusive licensee can file an infringement suit. If the patent proprietor wishes to avoid being involved in legal proceedings or wishes to retain the exclusive right to initiate proceedings themselves, this needs to be reflected in the contract.

But who is to be deemed under the UPCA to be a holder of an exclusive license, for example if the patent proprietor granted several exclusive licenses for the regions of different contracting member states?

One also needs to keep in mind that without corresponding contractual provisions there is a risk that an exclusive licensee of an existing European patent could deprive the patent proprietor of the possibility of opting out by bringing an action before the UPC.

In such a scenario, the patent holder would not only be deprived of their right to opt out and be forced into the new system, but would, among other consequences, expose the contract patent to the risk of cross-border invalidity proceedings. By bringing an action, the jurisdiction of the UPC is automatically confirmed and the opt-out becomes impossible.

On the other hand, in proceedings before the UPC, the patent proprietor always has the possibility to intervene in proceedings brought by a licensee.[8]

If the contracting parties do not wish this to be the case, this must be clearly stipulated in the license agreement. Where several territorially limited exclusive licenses have been granted or where simple licensees have been contractually granted rights of action, clarification becomes all the more urgent.

In order to protect against unpleasant surprises, the rule of thumb for already existing European patents should be: The more licenses have been granted, the more reason there is for an early opt-out of the patent in question and the more urgent it is to review and, if necessary, adjust the license agreements.

Also, in the case of third-party actions against the legal status under contract protection law, agreements should stipulate a process of information exchange. The same rules apply to representation before the UPC as under the European Patent Convention, namely if the patentee has their seat or domicile in an EPC contracting state, they may act themselves in proceedings before the EPC relating to the unitary patent.[9]

In the case of a patent proprietor domiciled in the U.S., representation is required. The power of representation may be conferred by an individual power of attorney or in the form of a general power of attorney. An additional power of attorney is required for all proceedings relating to the unitary patent.[10]

Conclusion and To-Do's

The introduction of the new patent and court system in Europe will have a very significant impact upon anybody holding or applying for European patents. This impact is not limited to the future prosecution; enforcement and validity defense of European patents but will also have a very significant effect on the relationship of parties to a patent license or technology transfer agreement.

In anticipation of these changes, existing agreements should be analyzed to see whether they already sufficiently meet the many new changes resulting from the new system or whether amendments are required.

As regards future agreements, existing contract templates need to be revised and adjusted to the new European patent system and the contractual parties need to carefully review the IP provision agreed upon in light of the new system.

Having said this, there are still many open questions and regulatory gaps in the new system which will probably only be clarified gradually over time as the UPC gets into its stride. But

many potential difficulties can already at this stage be preempted by making smart changes to existing agreements and by careful drafting of future ones.

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[1] It has been announced that the UPCA (Agreement on a Unified Patent Court) is scheduled to enter into force on June 1, 2023, cf. <https://www.unified-patent-court.org/en/news/adjustment-timeline-start-sunrise-period-1-march-2023>.

[2] Cf. <https://www.maiwald.eu/en/maiwald-blog/despite-delayed-start-of-the-unitary-patent-system-transitional-measures-of-the-epo-starting-from-january-1st-2023/>.

[3] Cf. e.g. <https://www.maiwald.eu/en/maiwald-blog/the-unified-patent-court-and-the-unitary-patent/>.

[4] Cf. <https://www.deutscheranwaltspiegel.de/intellectualproperty/patentrecht/den-einzelfall-genau-pruefen-28569/> [08.09.2022].

[5] 24 EU Member States signed the Agreement on a Unified Patent Court (UPCA). All states participating in the Enhanced Cooperation, with the exception of Poland, signed the Agreement on a Unified Patent Court (UPC) on February 19, 2013. The current status of participating Member States is available at: <https://www.unified-patent-court.org/en/organisation/upc-member-states>.

[6] Cf. Art. 9(1)(g) European Patent Regulation of the EU ("EUPatR", also called "Unitary Patent Regulation", Regulation (EU) No 1257/2012), Rule 6(1) DOEPS, Art. 97(3) EPC.

[7] Art.7 para. 2 EUPatR.

[8] Article 47(4) UPCA.

[9] Cf. Art. 133 EPC.

[10] Cf. EPO Guide to the Unitary Patent: <https://www.epo.org/applying/european/guide-up/html/e/index.html>, para. 133.