

ORDER
of the Court of Appeal of the Unified Patent Court
issued on 4 June 2024
concerning the validity of an opt-out

HEADNOTE

Art. 83(3) UPCA must be interpreted such that a valid opt out application requires that it is lodged by or on behalf of all proprietors of all national parts of a European patent.

KEYWORDS

Interpretation of Art. 83(3) UPCA; validity of an opt-out

APPELLANT / DEFENDANT IN THE MAIN PROCEEDINGS BEFORE THE COURT OF FIRST INSTANCE

Neo Wireless GmbH & Co KG, Ratingen, Germany,
hereinafter referred to as 'Neo'

Represented by:

Dr. Christoph Walke, Matthias Waters and Dr. Martin Rütten, patent attorneys,
Cohausz & Florack Patent- und Rechtsanwälte, Düsseldorf, Germany

RESPONDENT / CLAIMANT IN THE MAIN PROCEEDINGS BEFORE THE COURT OF FIRST INSTANCE

Toyota Motor Europe NV/SA, Evere, Belgium,
hereinafter referred to as 'Toyota'

Represented by:

Dr. Constanze Krenz and David Kleß, lawyers, DLA Piper, Munich, Germany

LANGUAGE OF THE PROCEEDINGS

English

PANEL AND DECIDING JUDGES

This order was issued by the second panel of the Court of Appeal with the participation of:
Rian Kalden, presiding judge and judge-rapporteur
Ingeborg Simonsson, legally qualified judge
Patricia Rombach, legally qualified judge

IMPUGNED ORDER OF THE COURT OF FIRST INSTANCE

- Date: 9 February 2024
- Order no. 597664/2023; UPC_CFI_361/2023 of the Central Division, Paris seat (judge-rapporteur Maximilian Haedicke), rejecting a Preliminary Objection concerning the Preliminary objection (App_594688/2023) lodged in the revocation action ACT_579176/2023; Leave to appeal was granted on 23 February 2024.

ORAL HEARING

23 May 2024 (by videoconference)

PATENT AT ISSUE

EP 3876490

POINTS AT ISSUE

Interpretation of Art. 83(3) UPCA; validity of opt-out

SUMMARY OF FACTS

1. Neo Wireless LLC, Wayne, USA (hereinafter: Neo USA), was owner of the European patent application EP 3876490 for all designated states. On 7 March 2023 Neo USA transferred the German part of the then pending patent application with an Assignment Agreement (exhibit DLA 6) to Neo. The other national parts of the application remained with Neo USA.
2. On 30 March 2023 Neo USA filed an opt out for “all EPC states” (Annex 1 to applicant’s preliminary objection). This application was not filed on behalf of Neo and neither was a consent thereto annexed to or uploaded as exhibit to the opt-out application. Neo has not itself filed an opt-out application with respect to the German part of the patent (application).
3. The European patent EP 3876490 was granted on 17 May 2023.
4. Toyota brought a revocation action against the German part of EP 3876490 (hereinafter: the patent in suit) held by Neo before the Central Division Paris of the Unified Patent Court (ACT_579176/2023; UPC_CFI_361/2023). In these proceedings, Neo filed a preliminary objection pursuant to Rules 19.1(a) and 48 RoP, questioning the competence of the Court on the ground of an opt-out of the patent at issue.
5. The judge-rapporteur at the Court of First Instance held that the opt out declared by Neo USA is invalid, because not all proprietors of all national parts of EP 3876490 had lodged the Application to opt out as required by Rule 5.1(a) RoP. This Rule is not surpassing the scope of Art. 83(3) UPCA, as this Article must be interpreted to mean that all proprietors of or all applicants for a European patent must declare an opt-out.

PARTIES' SUBMISSIONS

Neo – in summary and insofar as relevant – argues as follows.

6. The patent-in-suit has been validly opted-out from the jurisdiction and competence of the Unified Patent Court (UPC). Therefore, the UPC lacks jurisdiction and competence to decide on the revocation action.
7. The wording of Art. 83(3) of the Agreement on a Unified Patent Court (UPCA) only requires that “a proprietor” of or “an applicant” for a European patent shall have the possibility to file an opt out. The opt-out declared by one applicant for a European Patent is sufficient because a European patent can only be opted-out as whole, i.e., for all its national parts.
8. R.5.1(a) RoP requires that all proprietors or applicants lodge the application to opt out. This must be ignored, since the provisions of the UPCA prevail in the event of conflict between the UPCA and the Rules of Procedure (RoP).
9. If the proprietor of only some national parts of a European patent would require the agreement of the holders of the other national parts to opt out, this proprietor would be unduly and disproportionately impaired in exercising his ownership rights, as European patents used to be tried by national courts and no patent holder should be forced into the UPC.
10. Neo requests that the impugned order is set aside, and that Neo’s preliminary objection is allowed.

Respondent – in summary and insofar as relevant – argues as follows.

11. The opt out of the patent-in-suit is invalid in view of Art. 83(3) UPCA and R.5.1(a) RoP.
12. The use of the word ‘a’ or ‘an’ in Art. 83(3) UPCA only means that this Article recognises that a European patent is a bundle of national patents and can have more than one proprietor. This wording does not imply that each of these proprietors could file an opt out for the entire patent.
13. To the contrary, as an opt-out can only be declared for a European patent as a whole, insofar as validated in UPC Member States, it is necessary that the opt out is declared by all proprietors of each of these national parts of the European patent. Otherwise, a holder of only one or some national parts would be able to declare an opt out which has effect for national parts to which it is not entitled.

14. R.5 RoP does not contradict Art. 83(3) UPCA, it only further specifies the procedural requirements of an opt-out.

REASONS

15. The appeal is not justified. The Paris Central Division rightly rejected the Preliminary objection.

16. R.5.1(b) RoP provides:

The Application to opt out shall be made in respect of all of the states for which the European patent has been granted or which have been designated in the application (hereafter referred to as: 'national parts').

It is undisputed between the parties that an opt-out must be made in relation to all national parts of the patent.

17. Also, both parties rightly agree that R.5.1(a) RoP first sentence, which reads:

Where the patent or application is owned by two or more proprietors or applicants, all proprietors or applicants shall lodge the Application to opt out.

is clear in that it requires that all proprietors or applicants of a patent or application must lodge the opt out Application.

18. The parties furthermore both justifiably accept that in case of a conflict between the UPCA and the RoP, the UPCA prevails (R.1 RoP).

19. At the heart of the dispute between the parties is therefore the question whether or not Art. 83(3) UPCA allows that the proprietor of one or more, but not all, national parts of a patent/ (application) can validly lodge an Application to opt out, with effect for all national parts of such patent (application), thus including the national parts he is not entitled to.

20. Art. 83(3) UPCA (insofar relevant here) reads as follows:

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 (...), 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.

21. The general rule of interpretation for international treaties is set out in Art. 31(1) Vienna Convention on the Law of Treaties (1969), which states:

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.

22. The Court of Appeal is of the opinion that Art. 83(3) UPCA indeed requires interpretation.

23. Art. 83(3) UPCA must be interpreted against the background that, even though granted in a centralised procedure, a European patent shall, in each of the EPC Contracting States for which it is granted, have the effect of and be subject to the same conditions as a national patent granted by that State (Art. 2(2) European Patent Convention (EPC)). The rights conferred by a European patent in each EPC Contracting State in respect of which it is granted, are commonly, and also hereafter, referred to as 'national part of a European patent'. A European patent (application) may be transferred per each State for which it is applied or granted separately. 'A' European patent (application) may consequently be held by more than one proprietor. The ambiguity of Art. 83(3) UPCA arises in such a situation.

24. The use of the word 'a' or 'an' in Art. 83(3) UPCA can indicate the singular, so that only one proprietor or applicant can validly declare an opt-out, whether or not there is more than one proprietor of a European patent (application).

25. Alternatively, it can indicate the capacity of the opt out applicant, so that a proprietor or applicant can validly declare an opt out. When 'a proprietor or applicant' is understood in this way, it must mean all proprietors of all national parts of that European patent (application), if there is more than one validation and these are held by different proprietors.

26. Use of the plural in the fore-last sentence of Art. 83(3) UPCA ('*they* shall notify') may either refer to proprietors of (different) patents and patent applications in general, or may indicate that, if national parts of one patent (application) are held by different proprietors, it must be all proprietors of all national parts that must lodge the opt out Application.

27. The answer to the question who may or must file an opt out Application is therefore not clear from the ordinary meaning of the wording of Art. 83(3) UPCA.

28. Other than as advanced by Neo, Art. 83(3) UPCA read in the context of paragraph 4 of Art. 83 UPCA does not provide the required clarity either. This paragraph (insofar relevant here) reads:

Unless an action has already been brought before a national court, proprietors of or applicants for European patents (...) who made use of the opt-out in accordance with paragraph 3 shall be entitled to withdraw their opt-out at any moment. In this event they shall notify the Registry accordingly. The withdrawal of the opt-out shall take effect upon its entry into the register.

29. Paragraph 4 largely mirrors paragraph 3 of Art. 83 UPCA. An important difference is, however, that in this paragraph only the plural is used; the singular is not used at all. As such, it does not support the interpretation suggested by Neo that one proprietor of only one or some but not all national parts of a patent (application) can validly file an opt out application with effect for all national parts, including the ones he is not entitled to. On the other hand, it does not support the interpretation advanced by Toyota either. The use of the words 'proprietors of or applicants for European patents (...) who made use of the opt-out' still leaves open both interpretations mentioned in paragraph 26 above.
30. The words 'a proprietor or applicant' read in context of the first part of the first sentence of paragraph 3 and in context of the part immediately following these words, does not lead to another conclusion. These phrases clarify *when* an opt out can be done, i.e., prior to an action having been brought before the Court and prior to the end of the transitional period. It does not relate to the question *who* may file an opt out Application. As such Art. 83(3) UPCA is not exhaustive as to the opt out procedure and does not preclude this from being further specified in the Rules of Procedure.
31. The answer to the question who may or must file an opt out Application can thus not be derived from reading the words 'a' or 'an' in Article 83(3) UPCA in their context either.
32. However, the object and purpose of Art. 83(3) UPCA make clear that the opt out Application must be lodged by or on behalf of all proprietors of all national parts if there are more validations. This is explained below.
33. Proceeding from the jurisdictional regime chosen for the transitional period, during which there would be parallel jurisdiction of the national courts and the UPC for litigating European patents, with the option for patent (application) proprietors that their patent (application) could stay exclusively in the national system, the legislator had two options. After the establishment of the UPC, either as a starting point the status quo would be maintained and European patents would be subject to the jurisdiction of the national courts with an option to opt in the UPC system (as well), or there would as a starting point be an automatic transition into the jurisdiction of the UPC (during the transitional period in parallel to the jurisdiction of national courts) so that European patents would (also) be subject to the jurisdiction of the UPC, with the possibility to opt out of that system.

34. Articles 1 and 32 UPCA provide that European patents are subject to the jurisdiction of the UPC. Art. 83(3) UPCA allows that, as an exception to this starting point, a European patent may be opted out of the jurisdiction and competence of the UPC. Therefore, the legislator has expressly chosen that, as a default position, there is an automatic transition into the jurisdiction of the UPC and that the status quo prior to the establishment of the UPC is not maintained. Neo recognises this.
35. If there is more than one national part of a European patent, it is undisputed that an opt out must pertain to all national parts of a European patent. In a situation where there are more national parts which are not all held by one and the same proprietor, there are hypothetically two possible ways in which an opt out can be filed.
36. The first possibility is that the proprietor of one national part can declare the opt out with effect for all national parts, including those he does not himself own. The second possibility is that the opt out must be applied for by or on behalf of all proprietors of all national parts. The issue to be decided here is which of these possibilities is meant by the wording used in Art. 83(3) UPCA.
37. When interpreting Art. 83(3) UPCA, taking into account its object and purpose, due account must be taken of the default position chosen by the legislator as set out above.
38. The first possible interpretation, where one proprietor would be able to opt out with effect for all national parts including the ones he does not own, leads to a situation wherein the proprietor(s) of the other national part(s) are deprived from enforcing their national parts of the European patent before the UPC, without them having consented thereto or even having been informed thereof. This is clearly not in accordance with the fundamental legislative decision according to which (absent a valid opt out) the UPC is the default venue for legal proceedings concerning European patents. This interpretation would thus be contrary to the object and purpose of Art. 83(3) UPCA.
39. However, the second possible interpretation, whereby all proprietors of all national parts must file the opt out Application, is in accordance with the default position chosen by the legislator. If not all proprietors of all national parts of an European patent file the opt out Application, the 'default position' stays in place.
40. Neo argues that this interpretation cannot be the right one, as a proprietor of one but not all national parts could then, failing consent from the other proprietors, be withheld from invoking the exception – an opt out Application – and he cannot be forced in the UPC system against its will. This argument is flawed by the fact that the legislator has chosen it to be the default situation that indeed all proprietors of (national parts of) European patents would

(during the transitional period: also) be subject to the jurisdiction of the UPC, regardless of their individual preferences.

41. Each of the options the legislator could choose from, as set out above in paragraph 33 have advantages and disadvantages. The legislator has chosen one option after weighing these. It is inevitable that some proprietors of (national parts of) European patents agree with the choice made by the legislator and that others would rather have liked that the default position after the establishment of the UPC was chosen differently. The preference a proprietor has for the one or other system may furthermore also vary in time depending on the circumstances. In such a situation, when interpreting Art. 83(3) UPCA, the Court of Appeal must be guided by the default position chosen by the legislator. As follows from the above, Art. 83(3) UPCA must therefore be interpreted to mean that all proprietors of all national parts must file the opt out Application.
42. The consequences of the choice made by the legislator and the interpretation following therefrom cannot be considered as unfair or unduly impairing a proprietor in exercising its ownership rights in a patent (application). Neither can it be considered as an inappropriate restriction of the rights and privileges under the patent or leading to disproportionate hardship. Contrary to what is advanced by Neo, the consequences of the other interpretation of Art. 83(3) UPCA whereby only one proprietor may opt out with effect for all national parts, is not less burdensome.
43. Neo wrongly proceeds from the assumption that maintaining the status quo will be acceptable for all proprietors. However, this negates the fact that prior to the establishment of the UPC there was no option to choose between two court systems. Given the option, a proprietor may now prefer the jurisdiction of the UPC. If such proprietor is forced outside the UPC jurisdiction by a proprietor of another national part – in Neo’s words ‘against his will’ – this will not be acceptable to him.
44. Neo’s argument is also flawed because in its interpretation (only) the one proprietor who filed the opt out can withdraw this opt out for all national parts. This would then force the other proprietors in the UPC system, possibly ‘against their will’ and impairing their rights.
45. The Court of Appeal fails to see why it would be less burdensome for the other proprietors to be forced out or in the UPC, possibly ‘against their will,’ than it would be for the proprietor of one or more but not all national parts who cannot file an opt out failing consent of all proprietors of the other national parts, as Neo alleges.

46. Neo's argument that a patent (application) proprietor's ownership rights are impaired if he is not able to opt out from the UPC jurisdiction because he would then be forced into an unwanted co-ownership, ignores that the other proprietor's ownership rights are equally affected if one proprietor could decide on the jurisdiction for their national parts that the one proprietor is not entitled to.
47. The argument that jurisdiction of the UPC leads to a disadvantageous co-ownership also fails to recognise that the position of proprietors of different national parts of a European patent when involved in proceedings before the UPC is not substantially different from their position when involved in parallel litigation before multiple national courts. This regularly happens and not only if all national parts are held by just one proprietor, as suggested by Neo. For these purposes it does for instance not make much difference whether a patent is held by a holding company, by each of the national subsidiaries or by an international company.
48. In this respect the Court of Appeal notes that if there are more validations, a patent (application) proprietor, when transferring or acquiring some but not all national parts – also before the UPC was established – should anticipate a certain dependence on the proprietors of other national parts in practice, especially when it comes to alignment of arguments in legal proceedings, both in opposition and appeal proceedings before the European Patent Office as well as before the civil courts.
49. Finally, other than as contended by Neo, interpreting Art. 83(3) UPCA to mean that all proprietors of all national parts must file the opt out, is also not contrary to the fundamental rights of a proprietor of a patent (application). The UPC only provides a new forum for legal proceedings in relation to patents and patent applications and does not interfere with these property rights themselves. Neo has rightly not argued that UPC is not a proper forum. In that regard the Court of Appeal observes that the problems arising with the opt out Application are not caused by the jurisdiction of the UPC as such, but by the fact that several national parts of a European patent are not held by one and the same proprietor.
50. To conclude, in view of its meaning and purpose, Art. 83(3) UPCA must be interpreted such that a valid opt out application requires that it is lodged by or on behalf of all proprietors of all national parts of a European patent. Rule 5.1(a) RoP is in conformity therewith. It is undisputed that Neo USA did not lodge the opt out application also on behalf of Neo. The opt out declared by Neo USA is therefore invalid.
51. It follows from the above that the impugned order was right and that the appeal must be rejected.

ORDER

The Court of Appeal rejects the appeal.

Issued on 4 June 2024

Rian Kalden, presiding judge and judge-rapporteur

Ingeborg Simonsson, legally qualified judge

Patricia Rombach, legally qualified judge