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Navigating Enforceability Challenges of the Patent Mediation and Arbitration Centre

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This piece deals with the recently established Patent Mediation and Arbitration Centre (PMAC) of the Unified Patent Court (UPC). It addresses some key concerns surrounding the risk of unenforceability of PMAC arbitral awards and proposes three viable solutions.

As of 1 June 2023, the Agreement on a Unified Patent Court (UPC Agreement) has entered into force, marking a milestone in the enhanced cooperation among 17 EU Member States. This international treaty establishes a twofold mechanism for adjudicating disputes related to both new European patents with unitary effect and classical European patents. The two-pronged system comprises the "Unified Patent Court" (UPC) and the "Patent Mediation and Arbitration Centre" (PMAC).

The UPC is one of the two existing "courts common to the Contracting Member States" for the purpose of article 71 of the Brussels Regulation 1215/2012 (the other being the Benelux Court of Justice). While the PMAC is integrated into the UPC, at the same time it operates independently.

Competence and Enforcement of UPC and PMAC Final Decisions

The UPC has exclusive jurisdiction over civil litigations concerning European patents with unitary effect, as well as classical European patents unless the patent holder opts out during the seven-year transitional period. Its mandate extends to deciding on actions for infringement and invalidity concerning these two patent types. Similarly, the PMAC can administer mediation and arbitration proceedings for disputes concerning European patents and European patents with unitary effect.

In accordance with Article 82 of the UPC Agreement, decisions and orders of the UPC are enforceable in any Contracting State to the UPC Agreement, as if they were national court decisions or orders. Likewise, pursuant to Articles 35 and 79 of the UPC Agreement and Rule 365 of the UPC Rules of Procedure, a settlement reached through the PMAC – either by mediation or by arbitration in the form of a consent award – is enforceable as a national court order. This enforcement is achieved through an order for the enforcement appended to the settlement by the UPC.

The enforceability of UPC decisions and orders is not limited to the Contracting Parties to the UPC Agreement. The recognition and enforcement of decisions and orders of the UPC in EU Member

States that are not Contracting Parties to the UPC Agreement is governed by Article 71(2)(b) of the Brussels Regulation 1215/2012. This ensures that a UPC order can be recognized and enforced in any of the EU Member States that have not ratified the UPC Agreement without the need for any special procedure or *exequatur*.

On the other hand, PMAC arbitral awards are enforceable pursuant to the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards.

The Role of the UPC in Seeking CJEU Preliminary Rulings on Questions of EU Competition Law

To ensure the uniform application of EU law where its interpretation may be ambiguous, the UPC is empowered, under Article 267 of the Treaty on the Functioning of the European Union (TFEU), Article 21 of the UPC Agreement, and Rule 266 of the UPC Rules of Procedure, to request a preliminary ruling from the Court of Justice of the European Union (CJEU). These rulings are binding upon the UPC, as per the principle of primacy of EU law enshrined in Article 20 of the UPC Agreement.

Hence, the UPC's capacity to pose preliminary references to the CJEU is expressly provided by the UPC Agreement, emphasizing the UPC's role as a court common to the Contracting Member States. As such, it is obliged to observe and apply EU law.

In practice, given the intertwining nature of intellectual property (IP) rights and competition law, it can be expected that a big portion of the UPC's requests for preliminary rulings will concern questions of EU competition law (namely, Articles 101 to 109 of the TFEU).

EU Competition Law Implications for PMAC Arbitral Awards

While the UPC qualifies as a court able to submit requests for preliminary rulings to the CJEU under Article 267 TFEU, the PMAC does not. PMAC tribunals, like all arbitral tribunals, are not considered 'courts' for the purposes of Article 267 TFEU. This limitation, underscored by the CJEU's *Achmea* judgment, raises concerns about the potential impact on the correct interpretation of EU competition law.

The consequence is clear: since PMAC arbitral tribunals are prevented from seeking the correct interpretation of EU competition law from the CJEU, enforcement of PMAC arbitral awards may potentially risk being refused on the grounds of public policy. Drawing from the Eco Swiss case, where the CJEU regarded EU competition law provisions as mandatory rules because they contain fundamental principles for the functioning of the internal market, any arbitral award infringing or circumventing EU competition law may be deemed void on public policy grounds.

This predicament brings forward three premises:

1) PMAC arbitral tribunals may frequently grapple with EU competition law, given the inherent interrelationship between IP and competition law, as already mentioned above.

2) PMAC arbitral tribunals are not able to request preliminary rulings from the CJEU, something that, in turn, poses a potential threat to the uniform interpretation and application of EU competition law.

3) Arbitral awards in violation of EU competition law face heightened scrutiny and can be denied enforcement on public policy grounds during enforcement proceedings before EU Member States' national courts.

Based on these three assumptions, PMAC arbitral awards may be denied enforcement in a great number of cases. Indeed, an uncooperative award-debtor may opportunistically frame the infringement of EU competition law as a public policy ground to elude the award obligations before national courts in enforcement proceedings. The winning party may be concerned that the losing party belatedly pleas an infringement of EU competition law just so the award is vacated.

Procedural Solutions to Mitigate the Risks

To hedge against this risk, the PMAC could consider one of the following solutions:

1) **Direct fixing**: The PMAC could incorporate into its own procedural rules an article similar to Rule 266 of the UPC Rules of Procedure, providing PMAC arbitral tribunals with the possibility of requesting a preliminary ruling from the CJEU when necessary for the uniform application of EU Law. The PMAC can expressly do so on the basis of art. 35(3) of the UPC Agreement which states that 'The Centre [i.e. the PMAC] shall establish Mediation and Arbitration Rules.'

Limitation: Even if the PMAC Procedural Rules included such a provision, this would not mean that the CJEU would recognize PMAC arbitral tribunals as 'courts' under Article 267 TFEU.

2) **Indirect fixing**: The PMAC could submit a preliminary reference to the UPC which would then be the one to request a preliminary ruling from the CJEU. As already mentioned above, the UPC already has this power. Furthermore, Rule 2 of the PMAC Rules of Operation expressly provides that the PMAC carries out its tasks in cooperation with the UPC. So, within this cooperation framework, the PMAC could delegate the UPC to submit a request for a preliminary ruling to the CJEU on its behalf.

Drawback: This would not be a streamlined process and could stretch the length of PMAC arbitral proceedings.

3) **Patch solution**: Where the winning party to a PMAC arbitration fears that the losing party may avoid its obligations under a PMAC award on the ground that EU Competition Law was not applied correctly, the award-creditor could request that the PMAC arbitral tribunal has its award confirmed by the UPC. Appending a UPC enforcement order to the arbitral award, the award could be shielded against potential challenges before national courts. For the time being, this procedure appears to be confined to consent awards only. However, the UPC could arguably exercise this power to confirm non-consent awards. Specifically, the UPC could use its good offices power under rule 11(1) of the UPC Rules of Procedure to explore the possibility of turning the draft award circulated between the parties into a settlement.

Downside: This solution transforms the award into a court judgment, impacting the global

enforceability under the 1958 New York Convention. Therefore, the winning party must choose carefully depending on where they anticipate enforcement. Confirming the award by the UPC is preferable if enforcement is expected in EU Member States since EU competition law is part of public policy only among EU Member States. Conversely, if enforcement is sought outside EU borders, preserving the arbitral award, rather than converting it into a foreign court judgment, may facilitate its enforcement, as EU competition law is not a concern for non-EU national courts.

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