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Fixing Enforceability issues of the Patent Mediation and Arbitration Centre

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This piece deals with the Patent Mediation and Arbitration Centre (PMAC) of the Unified Patent Court (UPC), addresses key concerns about the risk of unenforceability of PMAC arbitral awards, and proposes three implementable solutions.

Competence and Enforcement of UPC and PMAC final decisions

The PMAC, established by Article 35 UPC Agreement, can administer mediation and arbitration of disputes on European patents and European patents with unitary effect.

In accordance with Article 82 of the [UPC Agreement](#), UPC decisions and orders are enforceable in any Contracting Member State under the same conditions as a decision given in the Contracting Member State where the enforcement takes place.

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 – can be confirmed by a decision of the Court which is enforceable as a national court decision in the Contracting Member State where the enforcement takes place in line with Rule 365 of UPC Rules of Procedure. In practice this is achieved by appending an order for the enforcement to the UPC's decision confirming the settlement pursuant to Article 35(2) and Article 79 in combination with Article 82(1) UPC Agreement.

The enforceability of UPC decisions and orders is not limited to the Contracting Member States. Indeed, the recognition and enforcement of UPC decisions and orders in the EU Member States that are not a contracting party to the UPC Agreement shall be carried out in accordance with Brussels Regulation ? 1215/2012 as per its Article 71(2)(b). Therefore, a UPC order shall be recognized in any of the EU Member States that did not ratify the UPC Agreement without the need of any special procedure and shall be enforceable without any *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. Indeed, regular PMAC arbitral awards do not benefit from the enforcement mechanism in place for consent-awards and mediation agreements, i.e. an order for the enforcement appended to the UPC's decision confirming the settlement.

EU competition law issues jeopardizing the PMAC

Article 20 of the UPC Agreement enshrines the principle of primacy of EU law. In order to ensure the correct interpretation and uniform application of EU law, the UPC's Court of First Instance may, and Court of Appeal shall request the CJEU to give a binding preliminary ruling (Article 21 of the UPC Agreement, and Rule 266 Rules of Procedure).

In practice, being IP rights and competition law often intertwined areas of the law, most of the requests for preliminary rulings submitted by the UPC can be expected to concern questions of EU competition law (namely, Articles 101 to 109 of the TFEU).

While the UPC qualifies to submit request for preliminary rulings to the CJEU in accordance with Article 267 of the TFEU, the PMAC does not. More precisely, PMAC arbitral tribunals (as any other arbitral tribunal in general) are not considered as 'courts' for the purposes of Article 267 of the TFEU. Therefore, PMAC arbitral tribunals could not request a preliminary ruling if the correct interpretation of EU competition law would become decisive for the resolution of a given case. This can be drawn from CJEU's notorious *Achmea* judgment delivered on March 6, 2018 (C?284/16, EU:C:2018:158). In this judgment, the CJEU found investor-State arbitration provisions contained in intra-EU Bilateral Investment Treaties invalid to the extent that arbitral tribunals might jeopardize the consistency and uniformity in the interpretation of EU law as they cannot request a preliminary ruling to the CJEU under Article 267 of the TFEU.

If PMAC arbitral tribunals are prevented from seeking the correct interpretation of EU competition law from the CJEU, enforcement of PMAC arbitral awards may risk being refused on the ground of public policy – under Article V.2(b) of the New York Convention – every time EU competition law may have been infringed or misapplied. Indeed, EU competition law falls within the notion of public policy of EU Member States. This follows from the *Eco Swiss* case (C-126/97, ECLI:EU:C:1999:269) where the CJEU regarded EU competition law provisions as mandatory rules because they contain fundamental principles for the functioning of the internal market. Therefore, any agreement or decision contrary to EU competition law is also contrary to the public policy of any EU Member State and, as such, is automatically void. Accordingly, any arbitral award infringing or circumventing EU competition law could be annulled on the ground of public policy.

Hence, the three following premises can be put forward:

- 1) PMAC arbitral tribunals may find themselves in having to deal with EU competition law, as Intellectual Property and Competition Law are complementary fields of law pursuing the same goals;
- 2) PMAC arbitral tribunals may not submit a request for preliminary ruling to the CJEU under Article 267 of the TFEU which may jeopardize the uniform interpretation and application of EU competition law.; and
- 3) arbitral awards infringing EU competition law can be refused to be enforced by national courts upon objection of the award-debtor on the ground of the public policy within EU Member States.

Based on these three assumptions, arbitral awards rendered under the PMAC may face refusals in enforcement proceedings before EU Member States' national courts. Indeed, an uncooperative award-debtor may easily frame the infringement of EU competition law as a public policy ground to elude the award obligations before national courts in enforcement proceedings.

Possible procedural solutions

To hedge against the high risk of unenforceability of PMAC arbitral awards on the ground of public policy for infringing EU Competition Law, the PMAC may adopt one of the following solutions:

1) **a direct fixing:** the PMAC may incorporate in its own procedural rule an article similar to Rule 266 of the UPC Rules of Procedure providing PMAC arbitral tribunals with the possibility of requesting a preliminary ruling to the CJEU where it deems it necessary for ensuring the uniform application of EU Law.

The problem with this solution is that – even if the PMAC Procedural Rules may include such a provision – it does not guarantee that the CJEU will actually regard PMAC arbitral tribunals as ‘courts’ within the meaning of article 267 TFEU and, therefore, able to submit such preliminary references.

2) **an indirect fixing:** providing PMAC arbitral tribunals with the possibility to submit a preliminary reference to the UPC which in turn will forward the request for the preliminary ruling to the CJEU. The UPC has this power of referral as set in Article 21 of the UPC Agreement and Article 266 of its own procedural rules. Further, 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, PMAC arbitral tribunals may request the UPC to submit a request for a preliminary ruling to the CJEU on its behalf.

The drawback of this solution is that it would not be a streamlined process. Accordingly, being able to pose only indirectly preliminary references to the CJEU will obviously stretch the length of PMAC arbitrations.

3) **a patch solution:** where the winning party to a PMAC arbitration fears that the losing party may escape its obligations under a PMAC award on the ground that EU Competition Law was not applied correctly, the award-creditor may request the PMAC arbitral tribunal to have that award confirmed by a decision of the UPC. By appending an UPC enforcement order to the arbitral award, the award will be shielded from potential challenges that can be raised by the award-debtor based on public policy ground before EU Member States’ national courts. In principle this procedure appears to be confined to consent awards only (articles 35(2) and 79 UPC Agreement seem to cover only settlements, i.e. mediation agreement and consent-awards). However, the UPC may arguably exercise its power under article 82(1) UPC Agreement extensively to confirm also non-consent awards. Upon application of one of the disputing parties, a PMAC arbitral tribunal may request the UPC to confirm the underlying award. In particular, 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. The downside is that the award confirmed by a UPC enforcement order will effectively lose its status of arbitral award. As such, the award-creditor will not be able to rely on the 1958 New York Convention to seek enforcement worldwide. So, depending on where enforcement is likely to be sought, the winning party will have to choose carefully whether it wishes to convert its award into a court judgement or not. If enforcement is likely to be carried out in any EU Member States, then it would be more desirable to have the award confirmed by the UPC, being a court common to the EU Member States for the purpose of article 71 of the Brussel Regulation ? 1215/2012 as to the recognition and enforcement of its judgements. On the other hand, if the winning party will seek enforcement outside EU

borders, then an arbitral award will be easier to enforce – rather than a foreign court judgement – since EU competition law will not be a concern for any national court outside the EU.

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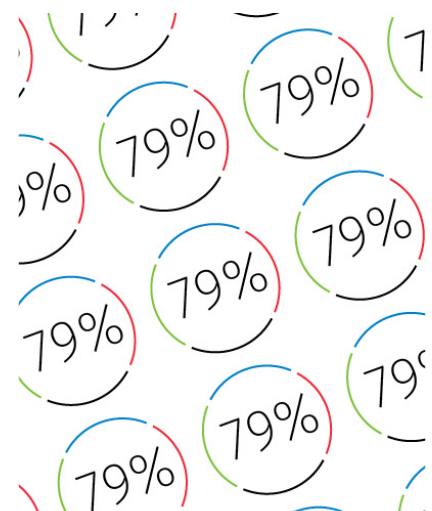
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