

The problematic exclusivity of the UPC on provisional measures in relation with PMAC arbitrations

Guest post by Danilo Ruggero Di Bella (Bottega Di Bella)

This post delves into the issues stemming from the exclusive jurisdiction of the Unified Patent Court (UPC) on interim relief in relation with the judicial support of the arbitrations administered by the Patent Mediation and Arbitration Centre (PMAC).

Risks of divesting State courts of competence on interim measures

On one hand, article 32(1)(c) UPC Agreement (UPCA) provides for the exclusive jurisdiction of the UPC to issue provisional measures in disputes concerning classical European patents and European patents with unitary effect. Under article 62 UPCA and Rules 206 and 211 of the UPC Rules of Procedure (UPC RoP), the UPC may grant interim injunctions against an alleged infringer or against an intermediary whose services are used by the alleged infringer, intended to prevent any imminent infringement, to prohibit the continuation of the alleged infringement under the threat of recurring penalties, or to make such continuation subject to the lodging of guarantees intended to ensure the compensation of the patent holder. The UPC may also order the provisional seizure or delivery up of the products suspected of infringing a patent so as to prevent their entry into, or movement, within the channels of commerce. Further, the UPC may order a precautionary seizure of the movable and immovable property of the defendant (such its bank accounts), if an applicant demonstrates circumstances likely to endanger the recovery of damages, as well as an interim award of costs. Additionally, under article 60 UPCA, the UPC may order provisional measures to preserve evidence in respect of the alleged infringement and to inspect premises.

On the other hand, PMAC arbitrations can be seated everywhere in the world (Rule 4 PMAC Rules of Operation) and its arbitral awards can be enforced practically everywhere around the world (under the NY Convention). This means

that the competent State court for the assistance and supervision of the arbitration may not necessarily coincide with a court of a UPC Contracting Member State. Such State courts play three fundamental functions in support of the arbitral proceedings, including – for what matters here – the issuance of provisional measures (the other two functions being the judicial appointment of arbitrators and the taking of evidence). Normally, the competent State court for the issuance of the provisional measures is the State court at the place where the arbitral award will be enforced or the court at the place where the measures are to be executed (e.g., article 8 of Spain’s Arbitration law which is largely based on the UNCITRAL Model Law on International Commercial Arbitration).

Hence, it is difficult to reconcile the *exclusive* competence of the UPC on interim measures with the world reach of PMAC arbitrations, since a literal interpretation of article 32(1)(c) UPC Agreement would prevent any State courts from issuing any necessary interim measures. Arguably, while such exclusivity granted to the UPC would not prevent PMAC arbitral tribunals from ordering provisional measures, it does exclude the jurisdiction of other State courts for obtaining interim relief. Thus, this may leave the plaintiff with no protection at the outset of the dispute when the panel of a PMAC arbitration is not already in place to entertain the case yet.

This raises the question whether such exclusivity on provisional measures is desirable, especially, where the interim relief is meant to be executed in a jurisdiction beyond the territory of the UPC, where the UPC provisional measure may not be enforceable at all, and the defendant may object the competence of the State court seized of the application on interim relief because of the UPC exclusivity on such measure.

For instance, in case a dispute arises between two parties who had contractually agreed to solve their differences by way of a PMAC arbitration to be seated in London, it may prove difficult for the plaintiff to apply to English courts for an urgent interim relief to be enforced in the UK (for example, to seize certain products suspected of infringing its patent that have landed at Heathrow airport) pending the constitution of the arbitral tribunal. The defendant may indeed argue that English courts are excluded from ordering any interim relief because of article 32(1)(c) UPC Agreement giving the UPC an exclusive jurisdiction on provisional measures. Therefore, the plaintiff may apply to the UPC for such an interim measure. However, since the UK is not a Contracting Member to the

UPCA, English courts may not be obliged to enforce the interim relief granted by the UPC. Consequently, the plaintiff seeking such an urgent interim measure may find itself in a situation without an effective legal protection.

In this respect, it is interesting to recall the so-called “long-arm jurisdiction” of the UPC established by article 71b(2) of the Regulation (EU) ? 542/2014 of 15 May 2014 amending Regulation (EU) No 1215/2012 as regards the rules to be applied with respect to the UPC and the Benelux Court of Justice. This article equips the UPC with extraterritorial jurisdiction by enabling the UPC to grant provisional measures against a third-State domiciled defendant, even if the courts of a third State have jurisdiction as to the substance of the matter. In other words, article 71b(2) shows that the UPC may attempt to retain jurisdiction with respect to provisional measures even when another court has jurisdiction on a given case. If we transpose the implications of this provision to an arbitration setting where an arbitral tribunal seated in a third State is entrusted with deciding on the merits of the case, the UPC may still seek to retain jurisdiction with respect to provisional measures pending the constitution of the arbitral panel. In essence, Article 71b(2) corroborates that in principle the UPC can grant provisional measures even when the main proceedings are taking place in a third country. The problem arises when a party seeks to enforce the UPC-ordered provisional measures in such a third country. Indeed, it remains doubtful whether the UPC provisional measure can be enforced in the relevant third State.

On this issue, some UPCA provisions on provisional measures are somehow conscious of the territorial limitations of the UPC jurisdiction. For instance, part of article 61 UPCA - dealing with on freezing orders - is expressly directed at ordering a party not to remove from the UPC jurisdiction any assets located therein (precisely, to avoid that the infringer may escape liability by moving its assets beyond the UPC jurisdiction). However, article 61.1 UPC Agreement *in fine* seems to intentionally neglect the territorial limits of the UPC jurisdiction by enabling the UPC to order a party not to deal in any assets, whether located within its jurisdiction *or not*.

Admittedly, article 32 UPCA contains a carve-out to the exclusivity of the UPC competence by providing for the residual competence of the national courts of the Contracting States for any actions which do not fall within the exclusive competence of the UPC. Nevertheless, the various provisional measures available under the UPCA as detailed in its articles 60, 61, 62 (and elaborated further in

Rules 206-211 UPC RoP) do not leave much to the residual competence of the national courts of the Contracting States.

Emergency arbitration as procedural solution

To somehow downsize this procedural issue, the adoption by the PMAC of an emergency arbitrator mechanism would be a welcome amendment in line with the best modern practices of international commercial arbitration. As the need for adopting provisional measures often arises at the outset of the arbitral proceedings, an emergency arbitrator - appointed before the arbitral tribunal is constituted - is in the position to order any interim relief. Further, unlike a State court, the arbitrator would not be prevented from adopting such interim relief by the exclusive competence of the UPC on such measures, since the exclusivity is directed only at excluding other State courts. Moreover, the emergency arbitrator's provisional measure adopted in the form of an interim award may be more likely to be enforced than UPC orders in jurisdictions beyond the territory of the UPC. For example, the Singapore High Court has confirmed in 2022 that a foreign seated emergency arbitrator award was enforceable under the Singapore International Arbitration Act 1994.

This mechanism could be implemented by the PMAC in its arbitration rules. By way of comparison, for instance, article 43 of the WIPO Expedited Arbitration Rules provides for a detailed procedural framework on "Emergency Relief Proceedings." According to such framework a party seeking urgent interim relief prior to the establishment of the arbitral tribunal can submit a request for such emergency relief to the Arbitration Institution, which within two days appoints a sole emergency arbitrator who may in turn order any interim measure it deems necessary.

Final remarks

With the view of resizing this procedural problem - which originates from the exclusive competence of the UPC on interim relief in relation to PMAC arbitrations seated in third countries where UPC provisional measure may not be enforceable - it is important to remark that the UPCA contains already a self-correcting mechanism. Namely, by providing at article 62 UPCA for the payment of a recurring penalty in case of non-compliance with a given provisional measure, the UPCA gives the applicant for an interim relief a pecuniary

alternative that the UPC can order and enforce within its jurisdiction on the assets of the non-compliant defendant. However, the problem may reemerge in case of provisional measures aimed at preserving evidence located in a third country. In this case the payment of a recurring penalty may not serve its purpose and play only a mild deterrent effect. In such cases, the UPC may draw negative inferences from the lack of cooperation of the defendant, although neither the UPCA nor the UPC RoP expressly provide so.