

Application of UPC decisions in Contracting States

This article will discuss the principles relating to the interaction between the UPC and national courts when enforcing UPC decisions and orders, as well as the as yet undefined aspects of these applications

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The decisions and orders of the Unified Patent Court (UPC) extend to all Contracting Countries when they relate to European Unitary Patents.

In the case of non-unitary European Patents, it will depend on the place where the patent was validated and on the request for action by the patent holder, see Article 34 of the UPC Agreement (UPCA) (*Article 34 Territorial scope of decisions. Decisions of the Court shall cover, in the case of a European patent, the territory of those Contracting Member States for which the European patent has effect.*).

In principle, the UPC's decisions or orders are directly enforceable from their date of service in any Contracting State. On the other hand, Article 82 paragraph 3 of the UPCA and Rule 354.1 RoP (Rules of Procedure) provide that enforcement is generally subject to national enforcement procedures and conditions governed by the law of the Contracting Member State in which enforcement is to take place.

Below we discuss the principles relating to the interaction between the UPC and national courts during enforcement and highlight questions that still appear to be open. The enforcement rules are also relevant to settlement and arbitration awards, as discussed in our previous article on UPC arbitration and mediation.

Explicit enforcement provisions

Article 82 of the UPCA and Article 354 of the RoP establish the general principles for the enforcement of the UPC's decisions and orders.

According to Article 82.1 of the UPCA, "*Decisions and orders of the Court are enforceable in any Contracting Member State.*" The deciding judge attaches an executive provision to the decision itself. Rule 354.1 RoP specifies that enforceability applies from the date of service of the decision or order.

In principle, unlike some European jurisdictions, the entry into force of any decision that includes preliminary injunctions will be an immediate

result of the notification made by the Court. For main actions Rule 118.8 RoP provides further details on the application (8. *The orders of the Court referred to in paragraphs 1 and 2(a) shall be enforceable on the defendant only after the claimant has notified the Court which part of the orders he intends to enforce, a certified translation of the orders in accordance with Rule 7.2, where applicable, into the official language of a Contracting Member State in which the enforcement shall take place has been provided by the claimant and the said notice and, where applicable, a certified translation of the orders have been served on the defendant by the Registry. The Court may subject any order or measure to a security to be given by the successful party to the unsuccessful party as determined by the Court in accordance with Rule 352.*).

The second paragraph of Article 82 UPCA (2. *Where appropriate, the enforcement of a decision may be subject to the provision of security or an equivalent assurance to ensure compensation for any damage suffered, in particular in the case of injunctions.*) concerns the provision of security for the enforcement of a decision. Article 352 RoP establishes further specifications on the provision of a guarantee. If a decision or order requires the provision of a security for legal costs and other expenses, as well as compensation for any damages potentially resulting from the enforcement, enforcement can begin only after the security has been rendered. This need to provide guarantees before enforcement begins goes hand in hand with the potential claim for compensation the defendant may have if, later in an action, a decision or order is varied or revoked (see rule 354.2 RoP 2. *Where during an action an enforceable decision or order of the Court is subsequently varied or revoked, the Court may order the party which has enforced such decision or order, upon the request of the party against whom the decision or order has been enforced, to provide appropriate compensation for any injury caused by the enforcement. Rule 125 shall apply mutatis mutandis. Where an enforceable decision or order has been made pursuant to a finding of infringement of a patent and, following the conclusion of the action, the patent is amended or revoked, the Court may order, upon the request of the party against whom the decision or order would be enforceable, that the decision or order ceases to be enforceable.*).

We already want to point out that neither the UPCA nor the RoP stipulate under what circumstances the court will require the provision of security and, if so, how the amount of the security should be calculated. It is up to the Court to find the right balance between the interest of the claimant in being able to enforce a ruling and that of the defendant in having security in the event of an incorrect ruling. We believe that this assessment cannot depend solely on the value of the issue, but requires a careful assessment of the parties' resources, the potential damages for the defendant and the claimant's right of exclusivity.

Paragraph 3 of article 82 of the UPCA (3. *Without prejudice to this Agreement and the Statute, enforcement procedures shall be governed by the law of the Contracting Member State where the enforcement takes place. Any decision of the Court shall be enforced under the same conditions as a decision given in the Contracting Member State where the enforcement takes place.*) also provides for the application of the national laws of the Contracting Member States of the UPCA to the enforcement, to the extent that it declares that, without prejudice to the UPCA

and the statute of the UPC, enforcement procedures shall be governed by the law of the Contracting Member State where the enforcement takes place. As will be analyzed below, this mainly refers to the last phase of the enforcement, in particular the collection of payments.

The sanction for failure by a party to comply with the terms of an order of the UPC is set out in article 82 paragraph 4 of the UPCA (*4. If a party does not comply with the terms of an order of the Court, that party may be sanctioned with a recurring penalty payment payable to the Court. The individual penalty shall be proportionate to the importance of the order to be enforced and shall be without prejudice to the party's right to claim damages or security.*) and in rule 354.3 RoP (*3. The Court's decisions and orders may provide for periodic penalty payments payable to the Court in the event that a party fails to comply with the terms of the order or an earlier order. The value of such payments shall be set by the Court having regard to the importance of the order in question.*) a party may be sanctioned with a recurring penalty payable to the Court. The RoP further adds that such a recurring penalty will be ordered by the first instance panel of the division of the UPC in question, at the request of the other party or of its own motion, Rule 354.4 RoP (*4. If it is alleged that a party has failed to comply with the terms of the order of the Court, the first instance panel of the division in question may decide on penalty payments provided for in the order upon the request of the other party or of its own motion. The procedure foreseen in Rule 264 shall apply. After having heard both parties the Court may make an appropriate order which may be subject to an appeal pursuant to Rule 220.2.*).

The RoP, in article 354.2, first sentence, (*2. Where during an action an enforceable decision or order of the Court is subsequently varied or revoked, the Court may order the party which has enforced such decision or order, upon the request of the party against whom the decision or order has been enforced, to provide appropriate compensation for any injury caused by the enforcement. Rule 125 shall apply mutatis mutandis.*), also adds a provision on compensation for damages suffered following the execution of a decision which is subsequently modified or revoked. After modification or revocation of a patent which has been declared infringed pursuant to an enforceable decision or order in proceedings that have concluded, the court may, upon request of the injured party, order that the decision or order cease to be enforceable, RdP rule 354.2, third sentence (*Where an enforceable decision or order has been made pursuant to a finding of infringement of a patent and, following the conclusion of the action, the patent is amended or revoked, the Court may order, upon the request of the party against whom the decision or order would be enforceable, that the decision or order ceases to be enforceable.*).

Special enforcement cases

Rule 118.8 RoP (*ut supra*) concerns the applicability of specific UPC decisions, that is, the payment of damages or compensation, (rule 118.1 RoP *1. In addition to the orders and measures and without prejudice to the discretion of the Court referred to in Articles 63, 64, 67 and 80 of the Agreement the Court may, if requested, order the payment of damages or compensation according to Articles 68 and 32(1)(f) of the Agreement. The amount of the damages or the*

compensation may be stated in the order or determined in separate proceedings [Rules 125-144].), and substantive decisions in infringement proceedings taken while a forfeiture action between the same parties is pending before the Central Division, or while an opposition is pending before the EPO.

For these scenarios, Rule 118.8 RoP (*ut supra*) provides that UPC orders are enforceable against the defendant only after the claimant has notified the UPC of the extent of the intended enforcement, a certified translation (if requested) of the order into the language of the Contracting Member State in which enforcement will take place has been provided, and the notice and translation have been served on the defendant by the UPC Registry.

Penalty for failure to comply with a decision or order of the UPC

The penalty for failure to comply with the terms of an executive order by the UPC (Article 82 paragraph 1, *An order for the enforcement of a decision shall be appended to the decision by the Court.*) is a recurring (periodic) penalty that the first instance division “may” decide, article 82 paragraph 4 UPCA (*ut supra*), rule 354 paragraph 4 RoP (*ut supra*).

For a permanent injunction the UPCA uses the word “shall” (Article 63.2 UPCA 2. *Where appropriate, non-compliance with the injunction referred to in paragraph 1 shall be subject to a recurring penalty payment payable to the Court.*). For failure to comply with preliminary injunctions, Article 62.1 of the UPCA (1. *The Court may, by way of order, grant 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, on a provisional basis and subject, where appropriate, to a recurring penalty payment, the continuation of the alleged infringement or to make such continuation subject to the lodging of guarantees intended to ensure the compensation of the right holder.*) specifies that recurring penalties “may” be ordered. Penalties are for the benefit of the UPC, article 82.3 UPCA (*ut supra*), rule 354.3 RoP (*ut supra*).

It is not entirely clear how the wording “may” should be understood, particularly in contrast to “shall” used for permanent injunctions. For reasons of effective legal protection, we understand that the Court will, as a general rule, include penalty provisions in decisions and orders with enforceable content, similar to a permanent injunction. Orders and decisions without enforceable content will not contain provisions regarding penalties. We assume that even orders and decisions obliging the debtor to make a certain payment will not regularly include provisions on penalties since these are directly applicable in national procedures.

If the Court does not include penalty provisions in the decision or order, what options does the claimant have? Will he have to appeal the decision or order in order to correct this? If the claimant has not requested penalty provisions during proceedings, can he subsequently submit such a request to supplement the decision, whereas if the Court has ruled on a penalty request and has not ordered them, should the decision be challenged? In any case, it is advisable for the claimants to attach requests for periodic penalty payments in the event of non-compliance.

An even more important question is whether the UPC has exclusive jurisdiction to determine sanctions for non-compliance. First of all, the enforcement must be carried out within the framework provided by the UPCA, which is decisive in its scope of application. Article 82.3 of the UPCA (*ut supra*) leaves scope for the national laws of the Contracting Member States to the extent that their application “*is without prejudice to this Agreement and the Statute*”. This highlights that the UPC has the exclusive power conferred by rule 354.3 RoP (*ut supra*). Therefore, as a general rule, we understand that a plaintiff cannot apply to the national courts to request that a penalty be determined as part of the enforcement of the UPC order or decision.

However, there may be additional scope for the application of national enforcement rules in relation to EU Member States that have not (yet) joined the UPC system. Article 89.1 of the UPCA (*1. This Agreement shall enter into force on 1 January 2014 or on the first day of the fourth month after the deposit of the thirteenth instrument of ratification or accession in accordance with Article 84, including the three Member States in which the highest number of European patents had effect in the year preceding the year in which the signature of the Agreement takes place or on the first day of the fourth month after the date of entry into force of the amendments to Regulation (EU) No 1215/2012 concerning its relationship with this Agreement, whichever is the latest.*) refers to Regulation Brussels I (1215/2012), which in turn declares the UPC to be a court of an EU Member State (Article 71a, paragraph 2a), whose decisions would therefore be treated and applied in the same way as decisions of the courts of any other EU Member State.

Another aspect the RoP does not make exactly clear is the level of detail required in the penalty provision in relation to acts or omissions that constitute a violation of an enforcement order and which will consequently be sanctioned with a specific penalty amount for a certain period of violation. A cautious approach should rather include more details in the (initial) requests. We would expect more indications on this issue in the guidelines for orders prepared by the committee for the UPC judges. The UPC procedure differs in this respect from some national practices, in particular from the Netherlands, with the prohibition of patent infringement understood in the broadest sense, reciting the legal provisions and leaving out the assessment of an infringement, as well as setting a penalty or other enforceable measure, in enforcement proceedings. In our opinion, the UPC system chooses a different approach and requires the claimant to determine the periodic penalty he deems appropriate in advance in his application (which may vary depending on the alleged illegal activity, taking into account the seriousness of the infringement). The UPC system is based on a high level of predictability in relation to the question of which actions/omissions should be considered an infringement of its decision and what sanctions will result from such infringement.

Setting of penalties

If a decision or order of the UPC provides for pecuniary sanctions and the accused fails to comply with the decision or order by disobeying the obligation to act and/or to cease and desist, the first instance panel of the competent division of the Court may order penalties according to the

decision. This sanction can be requested by the claimant, or the Court can act *ex officio*. It will be interesting to see how strict the court will be in determining penalties. It is likely to be similar to Germany, where the penalties stipulated in the ruling are simply maximum amounts and an initial infringement only leads to the obligation to pay a fraction of that amount, or like the Netherlands, where the ruling specifies the actual penalty amounts per infringement and a first infringement can immediately result in the payment of large penalty sums.

It will also be interesting to see in which cases the Court will be able to make use of its right to act *ex officio*. In relation to the immediate enforceability of all judicial decisions, including preliminary injunctions, upon their notification, carried out by the Court without further involvement of the claimant, as regards preliminary injunctions, the situation will differ significantly from national situations such as in Germany or the Netherlands, where it is up to the claimant to choose whether to serve a preliminary injunction on the defendant and thus initiate its enforcement.

In any case, both parties in the sanctioning proceedings must be heard before the order (Rule 354.4 RoP (*ut supra*). An appeal against the order is possible under Rule 220.2 RoP (2. *Orders other than those referred to in paragraph 1 and Rule 97.5, may be either the subject of an appeal together with the appeal against the decision or may be appealed with the leave of the Court of First Instance within 15 days of service of the Court's decision to that effect.*), meaning that the order can be appealed alongside an appeal against the original decision or if leave to appeal is granted.

The individual penalty is proportionate to the importance of the order to be enforced, Article 82 paragraph 4 per. 2 GPC.

The UPC can only set penalties. It has no jurisdiction, as provided for example in German or Dutch law, to rule on the imprisonment of those responsible for infringing documents in order to enforce its decisions if penalties are not sufficient to end the infringement.

Another interesting question will be what the UPC requires to comply with a court decision or order. Will the injunction order include the obligation to take action to reverse an infringement, for example instruct a third-party intermediary offering illicit items on any platforms? These issues, partly very controversial in national practice, will certainly also be the subject of discussion before the UPC. Overall, we expect the UPC to take a rather strict approach in this regard. However, it may be appropriate to clarify in the documents instituting proceedings what documents are required from the defendant, in compliance with the guidelines for issuing orders.

Enforcement of penalties and other financial claims by national courts

If the defendant does not pay the penalty ordered under Rule 354.4 RoP (*ut supra*), the payment obligation relating to the penalty may be enforced by national courts, following national enforcement rules. The collection of other financial claims (in particular damages and

reimbursement of costs) must also be carried out through the national courts and the authorities of the respective states according to national law.

In Germany, Article II, Section 20, first paragraph of the German Law on International Patent Conventions (IntPatÜbkG) states that penalties are recovered according to the Judicial Recovery Act (Justizbeitreibungsordnung) which is also applicable to the recovery of payments resulting from the decisions of the national court. The claimant would therefore turn to the locally competent German court of first instance as an enforcement court and request enforcement of the payment obligation through measures provided by national law, such as seizure of assets, bank accounts and claims against third parties.

This procedure is also available in France before the enforcement court with territorial jurisdiction, in accordance with the provisions of articles L.111-2, L. 121-1, R.121-1 and R.121-2 of the French Law Code of civil enforcement procedures. The Court can then order payment under penalty and use all legally permissible enforcement measures such as seizure of assets, income, property or claims directly against third parties.

In Italy, penalties imposed by judicial order are indemnifiable pursuant to articles. 474 et seq. Code of Civil Procedure, according to the provisions dedicated to executive proceedings. As part of this procedure, the territorially competent judge can order seizures of movable or immovable property, shares, income, bank accounts or credits toward third parties.

In domestic proceedings in the Netherlands, pecuniary penalties are not owed to the court but to the claimant and are also collected by the claimant if the defendant has breached the injunction. If the defendant does not voluntarily pay the penalties, the claimant can directly instruct a bailiff to have an enforceable seizure carried out on the defendant's assets. It would then be up to the defendant to challenge this in a separate court proceeding. The Dutch system currently does not provide a system as foreseen in the UPC, and which is already in force in Germany, France, Italy and other countries, under which the enforcement of decisions is carried out by the courts. Therefore, until such a system is implemented in the Netherlands, it will not be clear how penalties for violating a UPC ruling would be collected in the Netherlands.

Legal measures to protect against enforcement

Since the enforcement of UPC decisions falls to the national courts, the question is to what extent a debtor can resort to national measures for protection against enforcement. In some cases, it is possible to use the UPC system.

In the case of a decision by default, which is generally enforceable, the UPC may grant a stay of enforcement until it has decided on a request for the annulment of the decision by default (rule 355.4 (a) RoP (*CHAPTER 11 – DECISION BY DEFAULT Rule 355 – Decision by default (Court of First Instance) ... omissis ... 4. A decision by default shall be enforceable. The Court may, however: (a) grant a stay of enforcement until it has given its decision on any Application under Rule 356; or ... omissis ...*).

Another case dealt with by the UPCA is the situation deriving from the modification or revocation of the patent after the conclusion of the infringement procedure. In this case, at the request of the defendant, the UPC can order that the decision or order cease to be enforceable, rule 354.2, sentence 3 RoP (2. *Where during an action an enforceable decision or order of the Court is subsequently varied or revoked, the Court may order the party which has enforced such decision or order, upon the request of the party against whom the decision or order has been enforced, to provide appropriate compensation for any injury caused by the enforcement. Rule 125 shall apply mutatis mutandis. Where an enforceable decision or order has been made pursuant to a finding of infringement of a patent and, following the conclusion of the action, the patent is amended or revoked, the Court may order, upon the request of the party against whom the decision or order would be enforceable, that the decision or order ceases to be enforceable.*).

Some conflicts of jurisdiction will arise during the transitional period during which national courts may also revoke national parts of European patents in parallel with a UPC infringement proceeding. In this case, will the UPC rule on the cessation of enforceability of its decision for the country where the patent has been revoked by the national court, or can – or must? – the defendant turn to national judges to interrupt the enforcement for the sole Contracting Member State? If the decision on infringement lies with the UPC, we would conclude that remedies should be sought in the UPC system (see Article 354, paragraph 3, last sentence, RoP 3. *The Court's decisions and orders may provide for periodic penalty payments payable to the Court in the event that a party fails to comply with the terms of the order or an earlier order. The value of such payments shall be set by the Court having regard to the importance of the order in question*). After the transitional period has ended, given the exclusive jurisdiction of the UPC for validity and infringement proceedings, these conflicts of jurisdiction will cease to exist.

Will national provisions for protection against enforcement be accessible for situations other than those regulated in the UPCA and the RoP? National law provides for a whole range of remedies which could become relevant during the last stage of enforcement, when the matter is in the hands of the national courts. For reasons of consistency and predictability, such remedies should be applied with extreme caution and considered only in scenarios to which the UPCA does not extend. These may involve rights of third parties who were not parties to the infringement proceedings at the UPC. In other cases, protection should be offered within the UPC system.

These and other outstanding issues relating to the enforcement of UPC decisions will need to be decided by the courts in the coming years in order to further determine the jurisdictional relationship between the UPC and national courts, as well as the applicable legal regimes.

