



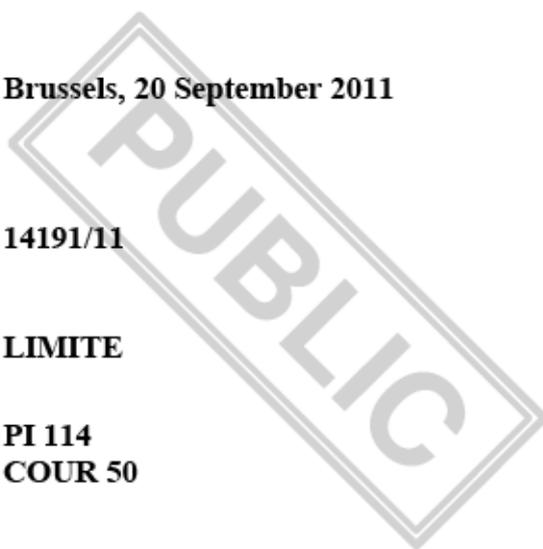
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Subject: Compatibility of the draft agreement on the Unified Patent Court with the Union
acquis
- Non-paper from the Commission services

Delegations will find in the Annex a non-paper prepared by the Commission services on the Compatibility of the draft agreement on the Unified Patent Court with the Union acquis.

Compatibility of the draft agreement on the Unified Patent Court with the Union acquis

Non-paper from the Commission services

The Commission services have analysed the compatibility of the draft agreement on the Unified Patent Court (UPC) with the Union acquis¹. This non-paper presents the results of its general analysis and outlines, to the extent necessary, possible solutions.

I. REGULATION (EC) NO 44/2001 ON JURISDICTION AND THE RECOGNITION AND ENFORCEMENT OF JUDGMENTS IN CIVIL AND COMMERCIAL MATTERS (BRUSSELS I)

Regulation (EC) No 44/2001 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters (the Brussels I Regulation) sets out rules determining the international jurisdiction of the courts of the Member States and rules preventing parallel proceedings before the courts of different Member States. It also lays down rules for the recognition and enforcement of judgments of national courts in other Member States. On the 14 December 2010, the Commission presented a proposal to recast the Brussels I Regulation (COM(2010) 748final) (hereafter "BXL I Recast").

The draft agreement on the UPC (hereafter "the UPC Agreement") establishes a common court of a number of Member States which will participate in the future agreement. This single court will replace the national courts previously competent for the matters governed by the UPC Agreement. The UPC Agreement will regulate the internal distribution of competences between the different divisions of the UPC and the enforcement of the judgments of the UPC in the participating Member States.

¹ This non-paper only analyses the compatibility of the draft agreement with the existing acquis communautaire. Future Union instruments, such as the 2005 Choice of Court Convention, which the Union has already signed but not yet ratified, have not been included in the present analysis.

The Commission sees the combined application of both instruments as follows:

a) Jurisdiction

- The UPC should be considered as a "court" within the meaning of Article 2(c) of the BXL I Recast;
- As such, the jurisdiction rules of the Brussels I Regulation apply to the UPC. In practice, this means that the UPC will have jurisdiction any time when a national court of a participating Member State would have jurisdiction based on the rules of the Brussels I Regulation.² The UPC would not have jurisdiction when no national court of a participating Member State has jurisdiction pursuant to the Brussels I Regulation (e.g. when jurisdiction pursuant to the Brussels I Regulation would lie with the courts of a non-participating Member State);
- The rules of the Brussels I Regulation do not apply to the internal allocation of competences between the various divisions of the UPC, which will be regulated by the UPC Agreement itself;
- With respect to Art. 22(4) of the Brussels I Regulation, insofar as European patents are concerned, the UPC would have exclusive jurisdiction only with respect to those parts of the patent which concern participating Member States. For the other parts, the UPC would need to recognise the exclusive jurisdiction of other Member States (Art. 25 of the Brussels Regulation).

b) Recognition and enforcement

- Judgments given by the UPC must be recognised and enforced in all the participating Member States on the basis of the UPC agreement (Article 56 of the draft Agreement); and
- Judgments given by the UPC must be recognised and enforced in non-participating Member States on the basis of the Brussels I Regulation.

² For instance, if proceedings are brought on the basis of Article 2 Brussels I Regulation against a defendant domiciled in Member State X which is a participating Member State, the UPC shall have jurisdiction. If proceedings are brought on the basis of Article 5(3) Brussels I Regulation, i.e. at the place where the harmful event occurred which is situated a Member State Y participating in the UPC Agreement, the UPC will have jurisdiction.

c) Prevention of parallel proceedings (*lis pendens*)

- The *lis pendens* rule of the Brussels I Regulation does not apply between different divisions of the UPC;
- The *lis pendens* rule of the Brussels I Regulation does apply between the UPC on the one hand and the courts of non-participating Member States on the other hand.

In the opinion of the Commission, the following points need careful attention:

- First of all, it cannot be understood from the current text of the UPC Agreement how the rules on the Brussels I Regulation should apply.³ This could lead to confusion and misinterpretations. In order to ensure that the interpretation set out in point a) above is adopted, it seems highly desirable to clarify in the UPC how the jurisdiction rules of the Brussels I Regulation should apply in the context of the UPC Agreement. This could be done as follows:
 - Art. 15 should be called "jurisdiction *ratione materiae*";
 - A new Art. 15a should be inserted called "international jurisdiction of the UPC". This provision should provide for the applicability of the Brussels I Regulation and specify that the UPC will have jurisdiction any time a court of a participating Member State has jurisdiction on the basis of the Brussels I Regulation. If needed further clarification may be added in a recital;
 - The existing Art. 15a should be renumbered as Art. 15b

At the same time, a recital could be inserted in the Brussels I Regulation clarifying that the reference to "courts" may include supra-national courts such as the UPC.

³ The UPC Agreement refers to "jurisdiction" generally without clearly distinguishing between jurisdiction *ratione materiae* (on the merits) (Art. 15) and jurisdiction *ratione loci* (territorial jurisdiction) (Art. 15a). In addition, with respect to the latter, it is not clear from the text that the division of territorial jurisdiction in Article 15a concerns only the internal allocation of jurisdiction between the various divisions of the UPC without affecting the international jurisdiction.

- Article 22(4) of the Brussels I Regulation seems to be based on the idea that European Patents have to be revoked by each separate Member State. The current wording of this provision could lead to confusion when applied to a common unified court which can revoke patents for the territories of all participating Member States. It would seem highly desirable to clarify in the Brussels I Regulation that when a European patent has unitary effect, jurisdiction shall lie with the UPC insofar as Member States participating in the UPC Agreement are concerned;
- BXL I contains an important protection of a defaulting defendant who was not served with the document instituting proceedings in sufficient time and in such a way as to enable him to arrange for his defence. In the Recast proposal, this protection takes the form of a right to request a rehearing of the case after the expiry of time limits for appeal. This protection should be guaranteed also in the context of proceedings before the UPC. This could be realised by amending Article 55 of the draft UPC Agreement ensuring that the possibility for rehearing provided for in that provision is available not only upon discovery of a new fact but also in the event of lack of effective service.
- Most importantly, the application of the Brussels I Regulation in relation to non-participating Member States could give rise to challenges. In particular, it could be argued that the UPC Agreement is a convention on a particular matter referred to in Article 71 of the Brussels I Regulation. Even if the UPC Agreement might be considered not to govern the international jurisdiction or the recognition and enforcement of judgments within the meaning of that provision, it cannot be denied that it does have an impact on non-participating Member States because as a result of the internal division of competences within the UPC a defendant from a non-participating Member State could find him/herself *de facto* before a division which would not be situated in the Member State of the court designated by the rules of the Brussels I Regulation. While Art. 71 allows conventions on particular matters which already exist, it does not allow any such new conventions. The draft UPC Agreement could thus be considered to violate Art. 71 of the Brussels I Regulation.

In order to avoid such challenges and ensure proper application of the jurisdiction and *lis pendens* rules and the rules on recognition and enforcement, it seems necessary to insert a clause in the Brussels I Regulation which clarifies that the latter does not affect the application of the UPC Agreement. In addition, it would seem desirable to clarify the concrete application of both instruments in the Brussels I Regulation by specifically setting out how its rules apply when the UPC is seized or when a judgment given by the UPC must be recognised and enforced in non-participating Member States.

II. THE CONVENTION ON JURISDICTION AND THE RECOGNITION AND ENFORCEMENT OF JUDGMENTS IN CIVIL AND COMMERCIAL MATTERS (LUGANO CONVENTION)

The Lugano Convention lays down similar rules on jurisdiction, *lis pendens* and the recognition and enforcement of judgments in civil and commercial matters as the Brussels I Regulation and applies these rules between the EU Member States on the one hand and Switzerland, Norway and Iceland on the other hand. The Convention resorts under exclusive Union competence and has therefore been signed and ratified by the Union. As a result, it is part of the *acquis communautaire* which needs to be respected by the Union and its Member States which are bound by the Convention. It should be noted that Denmark has ratified the Convention on an independent basis since the Union *acquis* in civil justice matters does not apply to Denmark.

The Commission sees the combined application of both instruments as follows:

a) Jurisdiction

- The UPC should be considered as a "court" within the meaning of Article 62 of the Convention;
- As such, the jurisdiction rules of Lugano Convention in disputes involving Swiss, Norwegian or Icelandic parties apply to the UPC. In practice, this means that the UPC will have jurisdiction any time when a national court of a participating Member State would have jurisdiction based on the rules of the Lugano Convention. The UPC would not have jurisdiction when no national court of a participating Member State has jurisdiction pursuant to the Lugano Convention (e.g. when jurisdiction pursuant to BXL

I would lie with the courts of a non-participating Member States or with the courts of Switzerland, Norway or Iceland);⁴

- The rules of the Lugano Convention do not apply to the internal allocation of competences between the various divisions of the UPC;
- With respect to Art. 22(4), insofar as European patents are concerned, the UPC would have exclusive jurisdiction only with respect to those parts of the patent which concern participating Member States. For the other parts, the UPC would need to recognise the exclusive jurisdiction of other Member States (Art. 25 Brussels I Regulation) or of other Lugano Contracting Parties (Art. 25 Lugano Convention).

b) Recognition and enforcement

It is not clear to what extent recognition and enforcement of UPC judgments would be ensured in Switzerland, Norway, and Iceland. Several interpretations are possible:

- Either it is considered that the UPC Agreement does not concern international jurisdiction and recognition or enforcement of judgments within the meaning of Art. 67 of the Lugano Convention. In this case, UPC judgments should be recognised and enforced according to the Convention; or
- Either it is defended that the UPC Agreement is a convention on a particular matter within the scope of Art. 67 of the Convention because it does have an impact on the Lugano Contracting Parties. Indeed, as a result of the internal division of competences within the UPC, a defendant from a Lugano Contracting State could find him/herself *de facto* before a UPC division which would not be situated in the Member State of the court designated by the rules of the Lugano Convention.

If Article 67 of the Convention applies, the UPC could take jurisdiction on the basis of paragraph 2 of that provision but recognition and enforcement of its judgments would not be ensured on the basis of paragraph 4 of that provision. Such possibility of refusal is also foreseen in Article 64(3) of the Convention.

⁴ As a result, the UPC Agreement could be considered as not constituting a convention on a particular matter referred to in Article 71 because it does not govern jurisdiction or the recognition and enforcement of judgments within the meaning of that provision.

c) Prevention of parallel proceedings (*lis pendens*)

The *lis pendens* rule of the Lugano Convention applies between the UPC on the one hand and the courts of Lugano Contracting Parties on the other hand.

It cannot be guaranteed that the above interpretation of the combined application of the UPC Agreement and the Lugano Convention would be agreed to by the Lugano Contracting Parties. In particular, the interpretation of the term "court", the interpretation of Article 67 of the Convention and the impact on the recognition and enforcement of UPC judgments are of a highly political and sensitive nature. These matters could be brought for discussion to the Standing Committee under the Lugano Convention. Protocol 2 to the Lugano Convention prescribes a forum for discussion, in particular permitting Contracting Parties to the Convention to consult each other on the application of Art. 67 of the Convention. The next meeting of the Standing Committee is scheduled to take place in spring 2012.

III. REGULATION (EC) NO 593/2008 ON THE LAW APPLICABLE TO CONTRACTUAL OBLIGATIONS (ROME I) AND REGULATION (EC) NO 864/2007 ON THE LAW APPLICABLE TO NON-CONTRACTUAL OBLIGATIONS (ROME II)

The Rome I and Rome II Regulations determine the law which is applicable to contractual and non-contractual obligations in civil and commercial matters, including the civil law applicable in cases of patent litigation.

The UPC agreement does not contain conflict rules in matters governed by the Rome I and Rome II Regulations. In this respect, it would seem desirable to modify the title of Chapter IIIB in order to avoid any possible confusion. In addition, further technical amendments to the provisions of that chapter seem necessary. In particular, the following points need consideration:

- Rome I and II Regulations may lead to the applicability of the law of a state which is a participating Member State in UPC Agreement but they may also result in the applicability of the law of a State which is not a participating Member State (either a non-participating Member State or a third State).

Consequently, Article 14e of the draft agreement on the UPC cannot limit the national law which may need to be applied by the UPC to the national law of the participating Member States but has to allow also for the application of the law of non-participating States. This could be ensured by deleting the part "of the Contracting Member States" in the first sentence of Article 14e (2).

- The UPC Agreement does contain harmonised rules of substantive law. Since the UPC Agreement will only apply to participating Member States, it could be that these rules conflict with the rules of the law of non-participating Member States or third States which would be applicable pursuant to the Rome I and the Rome II Regulations. It needs to be ascertained that, in case the Rome Regulations lead to the applicability of the national law of a non-participating State, this law is applied, even if its rules differ from the rules provided for in the UPC Agreement. This can be ensured by clarifying in those provisions of the draft agreement that they are without prejudice to the applicable national law of non-participating States. Amendments to the provisions concerned seem necessary. This is the case, for instance, with Article 33a on the burden of proof and Article 44a on the period of limitation.

IV. REGULATION (EC) NO 1206/2001 ON COOPERATION BETWEEN THE COURTS OF THE MEMBER STATES IN THE TAKING OF EVIDENCE IN CIVIL OR COMMERCIAL MATTERS

Regulation (EC) No 1206/2001⁵ sets out rules for the cooperation between the courts of different Member States in the taking of evidence in civil or commercial matters.

From the text of Article 1 of this Regulation, it may be derived that the Regulation applies when a division of the UPC has to take evidence in a Member State other than the one in which it is located. The Regulation applies, in particular, "where the court of a Member State" requests to take evidence "directly in another Member State" (Art. 1(1)(b)). Indeed, although there is no definition of "court" in the Evidence Regulation, it could be defended that a similar interpretation as in the Brussels I Regulation should apply. As a result, the UPC could be considered "a court of a Member State". However, it would be difficult to "stretch" the legal concept of the unified court to extend to a unified "Member State". Even if the court is unified, it remains that a division of this court may need to seek evidence on the territory of a Member State other than the one where the specific division is located. In such a situation the Evidence Regulation would apply.

⁵ OJ ... It should be noted that the Evidence Regulation does not apply to Denmark.

The application of the Evidence Regulation seems appropriate in the context of the UPC Agreement. The Evidence Regulation lays down modern rules for cooperation on the taking of evidence, regulating questions of applicable law, translations etc.

If it is considered that the Evidence Regulation should not apply and that it would better to develop rules in the Rules of Procedure, it should be considered to what extent such rules could fall under the scope of Article 21(2) of the Evidence Regulation which allows Member States to conclude agreements among them to further facilitate the taking of evidence, provided that such agreements are "compatible" with the Evidence Regulation.

V. REGULATION (EC) NO 1393/2007 ON THE SERVICE IN THE MEMBER STATES OF JUDICIAL AND EXTRAJUDICIAL DOCUMENTS IN CIVIL OR COMMERCIAL MATTERS

Regulation (EC) No 1393/2007⁶ is applicable to the service of documents between different Member States. It applies also to the service of documents between different Member States as regards documents which have to be served in the context of procedures before the UPC.

The Regulation will therefore be directly applicable to the UPC and to the service of documents in matters governed by the UPC Agreement.

The application of the Service Regulation seems appropriate in the context of the UPC Agreement because it regulates important questions such as the protection of the defendant in the case of default, the translation requirements, the date of service, etc.

Depending on how the system concerning the service of documents in UPC proceedings would be organised, the UPC may need to be notified pursuant to Art. 2 of the Service Regulation as an authority competent for the transmission/receipt of documents.

VI. DIRECTIVE 2004/48/EC ON THE ENFORCEMENT OF INTELLECTUAL PROPERTY RIGHTS

Directive 2004/48/EC sets out minimum requirements for the enforcement of intellectual property rights, including patents. These requirements are in principle reflected in the draft agreement and have also been implemented in the national laws of the Member States.

⁶ OJ... The Regulation also applies to Denmark pursuant to a parallel Agreement concluded with Denmark.

However, the time period of 31 working days provided in Article 35a (6) of the draft agreement may need to be amended in the light of Article 7(3) of the Enforcement Directive to ensure that the time period always covers at least 20 working days (31 calendar days may in exceptional circumstances be shorter than 20 working days). This could best be done by inserting the part "or 20 working days, whichever is the longer" from Article 7 (3) of the Enforcement Directive also in Article 35a (6) of the draft agreement.

In addition, a sentence reflecting Article 9 (2) of the Enforcement Directive, giving the possibility to order the communication of bank, financial or commercial documents, or appropriate access to the relevant information, should be included in Article 37(3) of the draft agreement.

Conclusion:

As a general result, the relationship between the Brussels I Regulation and the draft agreement on the Unified Patent Court should be clarified as suggested above. The Commission services recall that the revision of the Brussels I Regulation is ongoing before the co-legislators. In addition, changes to the draft UPC Agreement should be made. It does not appear that issues of compatibility with other Union instruments would arise. A technical analysis of each of the provisions of the draft UPC Agreement should continue.

It is clear that many procedural matters will need to be regulated in the rules of procedure.⁷ It is obvious that such rules will also need to comply with the relevant Union legislation. The UPC Agreement should clearly provide for this and foresee a mechanism how such compliance with the *acquis* may be ensured.

⁷ Example: the UPC Agreement provides for the possibility to conclude a choice of court agreement. In order to ensure that such agreement would be recognised by the courts of non-participating Member States, such agreements must comply with the formal validity rules contained in the Brussels I Regulation.