ORDER
of the Court of First Instance of the Unified Patent Court
Central division (Paris seat)
issued on 27 December 2024
concerning the Application RoP333 No. App_55923/2024
UPC_CFI_164/2024

HEADNOTES:

1. The incorrect citation of the legal provisions upon which an application is grounded does not relieve the Court of its obligation to consider the motion where it is possible to identify the correct legal grounds based on the legal arguments and factual grounds put forward by the applicant in support of the application.

2. Where, after issuing an order granting a security for costs and any subsequent appeal, there is a change in the factual circumstances underlying the order, the party affected by the measure, as well as the party benefiting from it, may apply to the Court to revoke the order or vary its terms. Granting this opportunity to the parties, even in absence of a specific and direct legal provision, is necessary to render the measure consistent with its purpose, namely to address the risk of non-recovery or significant difficulty in recovering costs of the proceedings.

3. In a situation in which the security amount for costs has been specifically set with regard to the maximum recoverable costs, as determined by the value of the proceedings indicated by the claimant, the subsequent reduction of damages claimed is of no relevance to the determination of this value because the latter shall reflect the objective interest pursued by the claimant at the time of the filing of the action, according to Rule 370 (6) 'RoP', and any subsequent modifications to that interest are immaterial.

KEYNOTES:

Security for costs; value of the proceedings.

APPLICANT:

Suinno Mobile & AI Technologies Licensing Oy   - Fabianinkatu 21, 00130 Helsinki, Finland

represented by ███████████████

RESPONDENT:

Microsoft Corporation   - One Microsoft Way, Redmond Washington 98052-6399, USA

represented by Tilman Müller-Stoy, Bardehle Pagenberg

PATENT AT ISSUE:

European patent n° EP 2 671 173

PANEL:

Panel 2
Paolo Catallozzi   Presiding judge and judge-rapporteur
Tatyana Zhilova   Legally qualified judge
Wiem Samoud   Technically qualified judge

DECIDING JUDGE:

This order has been issued by the panel.

SUMMARY OF FACTS AND PARTIES' REQUESTS:

1. On 21 October 2024 the applicant, claimant in the infringement action brought against the respondent before this Central Division, filed, pursuant to Rule 333 of the Rules of Procedure ('RoP'), an application (registered as No. App_55923/2024) for the review of the order ORD_54096/2024, issued on 1 October 2024, granting a security for cost of EUR 300,000.00 under Rule 158 'RoP'. The applicant requests the Court to set the security for costs at a substantially lower amount, suggesting EUR 100,000.00, and points out that he filed an application to change the claim, reducing the amount of the sought damages.

2. On 10 December 2024 the respondent, asked to submit written comments, requested the Court to reject applicant's request and, alternatively, to grant leave to appeal. The respondent argues that applicant's request is inadmissible as the order under review does not concern the grant of the security but the provision of the information pursuant to Rule 158 (4) 'RoP' and that the requested objective is already the subject matter of a separate appeal filed by the applicant pursuant to Rule 220 (2) 'RoP' against the order ORD_45914/2024, issued on 27 September 2024, imposing the security for costs of a party. The respondent further submits that applicant's request is unfounded.

GROUNDS FOR THE ORDER

Interpretation of the application and its admissibility.

3. The applicant requests the Court to amend the order requiring him to provide security in the amount of EUR 300,000.00 by reducing the amount of such security to EUR 100,000.00.

4. The applicant incorrectly identifies the order in question in its application. The order sought to be amended is ORD_45914/2024, issued on 27 September 2024, and not the order ORD_54096/2024, dated 1 October 2024, as incorrectly stated in the application. The error in identifying the order does not, however, affect the clarity of the application, which is clearly seeking a reduction in the amount of security required.

5. The applicant relies on Rule 333 'RoP' as the legal basis for this application. However, this rule applies to orders made by the judge-rapporteur, not to orders made by the panel, such as the security order in this case. Furthermore, it is debatable whether an order made under Rule 158 'RoP' constitutes a case management order that can be reviewed under Rule 333 'RoP'.

6. Nevertheless, the incorrect citation of the legal provisions upon which the application is grounded does not relieve the Court of its obligation to consider the motion where it is possible to identify the correct legal grounds based on the legal arguments and factual grounds put forward by the applicant in support of the application. This is what occurs in the situation at hand.

7. In the Unified Patent Court system, the Court has the power to release or amend a security for legal costs and other expenses imposed under Rule 158 'RoP' when the reasons for imposing the security have ceased to exist or have changed (see, likewise, Munich CD, order issued on 17 December 2024, UPC_CFI_252/2023).

8. This is because the security for costs is a typical precautionary measure intended to protect the successful party from the risk of non-integral recovery of the costs incurred in the proceedings due to the insolvency of the losing party in the event that, at the conclusion of the proceedings, such costs are, in whole or in part, charged to the latter.

9. In this regard, a security for costs may be appropriate and shall be ordered when the financial position of one of the parties gives rise to a legitimate and real concern that a possible order for costs may not be recoverable and/or the likelihood that a possible order for costs by the Court may not, or in an unduly burdensome way, be enforceable (see CoA, order issued on 17 September 2024, UPC_CoA_217-219-221/2024).

10. The burden of substantiation and proof is on the applicant, but that once the reasons and facts in the request have been presented in a credible manner it is up to the opposing party to challenge these reasons and facts and in a substantiated manner, especially since that party will normally have knowledge and evidence of its financial situation.

11. Once an order requiring security for costs has been made, the party affected by such an order may request to the Court of Appeal, in the manner and within the time limits prescribed by Rule 220 'RoP', to set aside such order where it considers that it was made without the necessary legal grounds, or the correct assessment of the factual evidence submitted by the parties.

12. Where, however, after issuing such an order and any subsequent appeal, there is a change in the factual circumstances underlying the order, the party affected by the measure, as well as the party benefiting from it, may apply to the Court to revoke the order or vary its terms. Granting this opportunity to the parties, even in absence of a specific and direct legal provision, is

necessary to render the measure consistent with its purpose, namely to address the risk of non-recovery or significant difficulty in recovering costs of the proceedings.

New circumstance: reduction in the amount of damages claimed.

13. The applicant bases its request on the fact that it has asked for leave to amend its original claim pursuant to Rule 263 'RoP', reducing the amount of damages sought for the alleged infringement to EUR 2 mln. and argues that this would necessarily lead to the lowering of the amount of the security, as to commensurate it with the value of the proceedings.

14. The argument is not convincing.

15. The security amount was specifically set at 50% of the maximum recoverable costs, as determined by the value of the proceedings indicated by the claimant.

16. The fact that the applicant has reduced the amount of damages claimed, having sought the leave to change its claim accordingly – leave that this Court granted by order issued on 26 November 2024, ORD_62739/2024 –, is of no relevance to the determination of the value of the proceedings because the latter shall reflect the objective interest pursued by the claimant at the time of the filing of the action, according to Rule 370 (6) 'RoP', and any subsequent modifications to that interest are immaterial.

Further arguments submitted by the applicant.

17. The applicant further argues that "The Security of Cost Order is not commensurate with the real work it takes to communicate non-infringement or lack of validity to the Court" and, setting at EUR 300,000.00, "shifts all risk to one Party, the Claimant" and adds that "On a comparative metric the Security of Cost is too high", while a security of EUR 100,000.00 would be appropriate and in line with other security for costs granted by the Unified Patent Court.

18. These arguments cannot be addressed at this stage as they do not rely on any new factual circumstances arising since the order granting the security, but rather constitute a critique of that order, which can only be raised on appeal.

Conclusions.

19. For these grounds the application shall be dismissed.

ORDER

The Court,

having reviewed the application and heard the respondent's comments,

rejects Suinno Mobile & AI Technologies Licensing Oy's request to reduce the amount of the security for costs ordered on 27 September 2024, ORD_45914/2024.

Issued on 27 December 2024.

The Presiding judge and judge-rapporteur
Paolo Catallozzi

Paolo Catallozzi

The legally qualified judge
Tatyana Zhilova

Tatyana Zhilova

The technical qualified judge
Wiem Samoud

Wiem SAMOUD

ORDER DETAILS

Order no. ORD_62910/2024 in ACTION NUMBER: ACT_18406/2024
UPC number: UPC_CFI_164/2024
Action type: Infringement Action
Related proceeding no. Application No.:   55923/2024
Application Type: APPLICATION_ROP_333