

ORDER
of the Court of Appeal of the Unified Patent Court
issued on 20 June 2025
concerning security for costs (R. 158 RoP)

HEADNOTES

Art. 69(4) UPCA does not provide a legal basis for granting a security for costs at the request of the claimant in an infringement action. The same applies to a claimant in a revocation action pursuant to Art. 32(1)(d) UPCA).

The ratio behind Art. 69(4) UPCA is the protection of a defendant against an insolvent claimant, who initiates an action, without having sufficient means to compensate the defendant for the legal costs incurred by the proceedings he was involved in at the initiative of the claimant.

That same rationale does not apply to a counterclaim for revocation, since such an action is still the direct consequence of the infringement action initiated by the claimant. Under the system of the UPCA and the RoP, a defendant is not allowed to bring forward an invalidity defence without at the same time lodging a separate counterclaim for revocation.

Allowing a security for costs order at the request of the claimant in an infringement action in response to a counterclaim thus unreasonably limits the defendant in its defence.

KEYWORDS

Security for costs at the request of the claimant in the infringement action

APPELLANT (AND DEFENDANT BEFORE THE COURT OF FIRST INSTANCE)

AorticLab srl, Colleretto Giacosa (TO), Italy
(hereinafter: “AorticLab”)

represented by attorney-at-law Sabine Agé, assisted by other attorneys-at-law of Hoyng ROKH Monegier, Paris, France and Düsseldorf, Germany, as well as by European patent attorneys of André Roland SA, Lausanne, Switzerland

RESPONDENT (AND CLAIMANT BEFORE THE COURT OF FIRST INSTANCE)

Emboline, Inc., Santa Cruz, California, United States of America
(hereinafter: “Emboline”)

represented by attorney-at-law Dr. Thure Schubert, assisted by other attorneys-at-law of Vossius & Partner
Patentanwälte Rechtsanwälte mbB, Munich, Germany and European patent attorneys of KIPA AB,
Helsingborg, Sweden

PATENT AT ISSUE

EP 2 129 425

LANGUAGE OF THE PROCEEDINGS

English

PANEL AND DECIDING JUDGES

Panel 2:

Rian Kalden, presiding judge and judge-rapporteur
Ingeborg Simonsson, legally qualified judge
Patricia Rombach, legally qualified judge

IMPUGNED DECISION OR ORDER OF THE COURT OF FIRST INSTANCE

- ☐ ORD_9097/2025 (App_8962/2025, UPC_CFI_628/2024) in the main proceedings concerning infringement action, ACT_58638/2024, UPC_CFI_628/2024, issued by the Munich Local Division on 16 April 2025.

SUMMARY OF FACTS

1. In the context of the infringement action, Emboline requested a security for costs, citing AorticLab’s allegedly unstable financial situation and the risk of insolvency in the event an injunction would be granted.
2. In response, AorticLab filed a counterclaim for revocation and requested that Emboline’s application for security for costs be dismissed. AorticLab argued that the request was unfounded, as under the applicable rules, only a defendant may request such a measure. Additionally, it added that, in any event, the circumstances cited by Emboline do not justify the granting of a security for costs.
3. The Munich Local Division ordered the provision of security for costs in the amount of € 200,000 and granted leave to appeal. The Court specified that failure to provide the security on time may result in a default judgment.
4. In its reasoning, the Munich Local Division emphasized that the question of whether Article 69(4) UPCA, referring specifically to requests by defendants, permits either party to request security for costs remains unresolved. However, in this case, the applicant acts as both claimant and defendant, due to the infringement action and the counterclaim for revocation, which supports a reciprocal interpretation of the provision. Moreover, the Court noted that the Respondent's own statements

suggested a risk of insolvency if an injunction were granted, raising legitimate concerns about the enforceability of a potential cost order.

5. Emboline appealed the order. In response to the Court's inquiry regarding the oral hearing, both parties agreed that the Court should decide the appeal based solely on the written submissions.

INDICATION OF THE PARTIES' REQUESTS

6. AorticLab requests that the Court of Appeal set aside the impugned order and dismiss the request for security for costs as inadmissible or, in any event, unfounded. Alternatively, AorticLab seeks a reduction of the security amount to a more reasonable sum, not exceeding € 50,000. It further requests that Emboline be ordered to bear the reasonable and proportionate legal costs incurred in both the first instance and appeal proceedings related to the application for security for costs.
7. Emboline, for its part, requests that the Court of Appeal reject the appeal and uphold the procedural order in full. It further requests that AorticLab be ordered to bear the reasonable and proportionate legal costs incurred in both the first instance and appeal proceedings related to the application for security for costs.

INDICATION OF THE PARTIES' SUBMISSIONS

8. AorticLab submits in summary and insofar as relevant:
 - a. The request for security for costs is inadmissible under Article 69(4) UPCA, which allows such a request only by a defendant. Rule 158(1) RoP must be interpreted in line with the UPCA, which prevails in case of conflict. The admission of Emboline's request, based on its dual role as both claimant and counterclaim-defendant, is rejected by AorticLab. It argues that this "vice-versa" reasoning is flawed, as procedural roles are not interchangeable, and the right to request security for costs is specifically intended to protect defendants, not claimants.
 - b. The alleged insolvency risk, based on a possible future injunction, is purely hypothetical and disregards AorticLab's current stable financial position. In appellant's view, Emboline failed to present exceptional circumstances justifying security for costs, and there is no enforcement risk since AorticLab is domiciled within the EU.
 - c. Requiring the defendant to provide security for costs under threat of default judgment is unfair and disproportionate. Such a burden hinders the defendant's right to a fair defence and access to justice.
9. Emboline submits in summary and insofar as relevant:
 - a. Article 69(4) UPCA and R. 158 RoP clearly allow defendants in revocation proceedings, and claimants in infringement proceedings, to request security for costs. Since the claimant initiated the counterclaim, there is no imbalance of power.
 - b. The risk of decision by default applies equally to both parties. If Emboline cannot provide security, valid infringement claims may be dismissed, enabling continued infringement and weakening patent enforcement.
 - c. The weighing of interests favours Emboline, given AorticLab's unstable financial situation and inability to cover potential legal costs, supporting the need for security to ensure cost recovery.

- d. There should be no further reduction of the amount of security.

REASONS

10. The appeal against the impugned order is admissible and well-founded.
11. Pursuant to Art. 69(4) UPCA, a security for costs may be ordered “at the request of the defendant”, requiring that the applicant provides security for the legal costs and other expenses of the proceedings. The question to be answered in these proceedings is whether a request for a security order can also be made by the claimant in an infringement action (and the same question and reasoning apply to a claimant in a revocation action pursuant to Art. 32(1)(d) UPCA).
12. The wording “in particular in the cases referred to in Articles 59 to 62” at the end of Art. 69(4) UPCA cannot be understood to leave open the possibility that a request can also be made by the claimant. This wording relates to the cases to which paragraph 4 applies (in particular Arts. 59-62 UPCA but not excluding others) and does not refer to the parties who can make a request.
13. R. 158 RoP refers more generally to "a party" requesting such a measure, thereby not limiting the applicant to a defendant. R. 158 RoP thus contains broader language. This raises the question whether an order for security for costs may be ordered at the request of a claimant. The Court of Appeal answers this question in the negative for the following reasons.
14. The Court finds that Art. 69(4) UPCA contains deliberate language to restrict the possibility to request a security order to a defendant. Unlike the preceding paragraphs 1 to 3 of Art. 69 UPCA, which refer to the (un)successful party without specifying whether it is the claimant or defendant, paragraph 4 explicitly refers only to the defendant. This specificity must be regarded as an intentional limitation.
15. This interpretation is also in line with the ratio behind Art. 69(4) UPCA to protect a defendant against an insolvent claimant, who initiates an action without having sufficient means to compensate the defendant for the legal costs incurred by the proceedings he was involved in at the initiative of the claimant.
16. While R. 158 RoP uses broader wording, it cannot override the UPCA. In case of a conflict between the RoP and the UPCA, the provisions of the UPCA prevail. As said, Art. 69(4) UPCA deliberately limits the possibility to request a security order to a defendant. R. 158 RoP is thus in conflict with such deliberate limitation.
17. R. 158 RoP cannot be interpreted as merely extending the Court’s powers beyond those explicitly provided in the UPCA either. Art. 69(4) UPCA is contained in “Chapter IV – Powers of the Court” of the Agreement. Any extension of such powers requires a legal basis, which the RoP, as being subordinate to the UPCA, cannot constitute.
18. Union law could provide such a basis in view of Art. 24(1)(a) UPCA. Reference has been made to the Enforcement Directive, in particular Art. 14 and the preamble.

19. A legal basis for the possibility for a claimant requesting an order that the defendant provide security for costs can, however, not be found in the Enforcement Directive (Directive 2004/48/EC). None of its articles establish a right to request a security for legal costs, let alone at the claimant's initiative. The Enforcement Directive has two provisions dealing with security. Articles 7(2) and 9(6) provide for a duty to provide a security, but there it is an obligation for the claimant to provide security in relation to damages that may be incurred by the defendant as a consequence of preliminary measures proceedings initiated by the claimant. Contrary to supporting the claimant's position, the Enforcement Directive thus rather underscores the principle underlying Art. 69(4) UPCA that a security may be ordered to protect a defendant against actions initiated by the claimant (see CJEU 22 April 2022, C-44/21 (Phoenix v Harting) para 44, 46 and especially par. 48: *Those legal instruments constitute guarantees which the legislature deemed necessary as a counterweight to the prompt and effective provisional measures for which it made provision. Thus, they correspond to the guarantees laid down by Directive 2004/48 in favour of the defendant, as a counterweight to the adoption of a provisional measure which affected its interests*).
20. Art. 14 of the Enforcement Directive cannot provide a legal basis either. It merely provides that the reasonable and proportionate legal costs and other expenses incurred by the successful party shall, as a general rule, be borne by the unsuccessful party. It does not establish a right to security for such costs. The argument that this provision includes the right to effectively secure a potential claim for reimbursement is flawed. A right to a security for costs in favour of the claimant is not included in the Enforcement Directive. The Enforcement Directive also clearly does not provide for effective enforcement at all costs. To the contrary, the only securities included therein are to protect the interests of the defendant against claims initiated by the claimant. A security for costs at the request of the claimant is not consistent therewith.
21. Thus, the Enforcement Directive does not support a reading that would expand the UPCA's language in Art. 69(4) UPCA to also cover an order for security for costs at the request of the claimant.
22. The CFI also – rightly – questioned whether Art. 69(4) UPCA would allow the claimant in the infringement action to request a security for costs from the defendant. Without deciding it, the CFI considered the application admissible on the ground that the claimant, Emboline, is a defendant in the counterclaim lodged by AorticLab.
23. Emboline's application was however lodged in the infringement action, in which Emboline is the claimant, not in the counterclaim proceedings. Since Art. 69(4) UPCA does not provide a legal basis for granting a security for costs at the request of the claimant in the infringement action, the request should have been dismissed. The impugned order must therefore be set aside.
24. The Court of Appeal further considers that even if Emboline had lodged its request for a security for costs in the counterclaim for revocation action, it would still have had to be rejected.
25. Although a counterclaim for revocation is considered to be a separate action in Art. 32(1)(e) UPCA, it is intrinsically linked to the infringement action. This link to the infringement action is reflected in the RoP where the claimant in the infringement action continues to be referred to as the 'claimant' in the Rules relating to the counterclaim for revocation, whilst the defendant in the infringement action,

even though strictly speaking claimant in the counterclaim for revocation, continues to be referred to as the defendant.

26. Under the system of the UPCA and the RoP, a defendant is not allowed to challenge the validity of the patent by way of an invalidity defence in the infringement proceedings but only by lodging a separate counterclaim for revocation.
27. In order for a defendant in an infringement action to be able to defend itself by raising invalidity arguments, it is forced to file a counterclaim. It is thus not an action initiated at the first initiative of Aorticlub, but merely a necessary action to defend itself in response to an infringement action initiated by Emboline.
28. As considered above, the ratio behind Art. 69(4) UPCA is the protection of a defendant against an insolvent claimant, who initiates an action, without having sufficient means to compensate the defendant for the legal costs incurred by the proceedings he was involved in at the initiative of the claimant.
29. That same rationale does not apply to a counterclaim for revocation, since such an action is still the direct consequence of the infringement action initiated by the claimant in the infringement action.
30. Allowing a security for costs order at the request of the claimant in the infringement action in response to a counterclaim thus unreasonably limits the defendant in its defence. If the defendant in the infringement action does not have sufficient financial resources to be able to provide a security for costs, he would be unable to raise a validity defence in an action that he did not initiate himself. The fact that a counterclaim for revocation action may be bifurcated does not alter that.
31. Also looking at the consequences of not complying with a security order, it seems unreasonable and unbalanced to allow a security for costs at the request of the claimant. If the defendant to an infringement action is forced to put up a security for the mere fact that he defends himself, then an injunction (by decision by default, R. 355, R. 158.5 RoP) may follow. On the other hand, a claimant who is unable to put up a security can choose to not start an action in the first place or withdraw the action if he is ordered to pay security to an amount he cannot pay. There is no necessity that he is faced with a decision by default rejecting his claims.
32. For the reasons set out above, the Court of Appeal concludes that the application must be dismissed, and the impugned order set aside.
33. The costs of the proceedings, including those of this appeal, shall be addressed by the Court of First Instance.

ORDER

The Court of Appeal

- I. sets aside the impugned order;
- II. rejects Emboline's application for security for costs as inadmissible;
- III. rejects the request for an order on costs.

Issued on 20 June 2025

Rian Kalden, presiding judge and judge-rapporteur

Patricia Rombach, legally qualified judge

Ingeborg Simonsson, legally qualified judge