



Central Division
Paris Seat

ORDER
of the Court of First Instance of the Unified Patent Court
Central division (Paris seat)
issued on 27 September 2024
concerning the generic procedural application No. App_42517/2024
lodged in the proceedings UPC_CFI_164/2024

HEADNOTES: 1. The Court may order a security for legal costs when the financial position of the respondent 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 Unified Patent Court may not, or in an unduly burdensome way, be enforceable.

KEYWORDS: security; costs; burden of proof.

APPLICANT:

Microsoft Corporation

- One Microsoft Way - 98052-6399 - Redmond -
Washington - US

represented by Tilman Müller-Stoy and Nadine Westermeyer, Bardehle Pagenberg

RESPONDENT:

Suinno Mobile & AI Technologies Licensing Oy

- Fabianinkatu 21 - 00130 - Helsinki - FI

represented by [REDACTED]

PATENT AT ISSUE:

European patent n° EP 2 671 173

PANEL:

Panel 2

Paolo Catalozzi	Presiding judge and judge-rapporteur
Tatyana Zhilova	Legally qualified judge
Wiem Samoud	Technically qualified judge

DECIDING JUDGE:

This order is issued by the panel.

SUMMARY OF FACTS AND PARTIES' REQUESTS:

1. On 25 July 2024 the applicant filed an application (registered as No. App_42517/2024) requesting that the respondent be ordered to provide security for the legal costs and other expenses incurred and/or to be incurred by applicant in the amount of at least EUR 800,000.00, alternatively of EUR 600,000.00, with regard to the infringement action registered as No. ACT_18406/2024 UPC_CFI_164/2024.
2. The applicant, defendant in the infringement action, argued that there is the highest possible insolvency risk for respondent, as its financial background and its ability to bear the legal fees are non-existent and it lacks substantial assets to adequately secure reimbursement of the litigation costs.
3. The respondent, asked for written comments, requested that the application is rejected and if it is decided that the parties need to secure the liabilities to one another, requested that both parties are treated equally and, therefore, that the applicant issues Bank Deposit Security or Bank guarantee as well.

GROUND FOR THE ORDER:

Reasons for a security order.

4. According to Article 69 (4) of the Unified Patent Court Agreement ('UPCA'), "the Court may, on application by the defendant, order the applicant to provide adequate security for the legal costs and other expenses incurred by the defendant which the applicant may be liable to bear, in particular in the cases referred to in Articles 59 to 62 UPCA".
5. The phrase "in particular" means that the cases referred to in Articles 59 to 62 are not limiting examples, so that security may also be ordered in other cases, such as in the main infringement proceedings.
6. Further confirming this consideration, Rule 158 (1) 'RoP' states that the Court may order adequate security "at any time during proceedings", using a general expression - "proceedings"

- which certainly includes proceedings on the merits to ascertain patent infringement (see Munich LD, order of 23 April 2024, UPC_CFI_514/2023).

7. The Court has the discretion to order a security for legal costs and in exercising its discretion must determine whether the financial position of the respondent 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 Unified Patent Court may not, or in an unduly burdensome way, be enforceable (see, also, CoA, order of 17 September 2024, UPC_CoA_221/2024; see CoA, order of 26 August 2024, UPC_CoA_328/2024).
8. The burden of substantiation and proof is on the party filing the request, but once the reasons and facts in the request have been presented in a credible manner it is up to the claimant 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, and to argue why a security order would unduly interfere with its right to an effective remedy (see the aforementioned CoA, order of 17 September 2024, UPC_CoA_221/2024).
9. In the current situation, the applicant argues that respondent is a limited company which was registered on 10 September 2023, not even 7 months before the present infringement action was filed, its managing director and board member is ■■■■■■■■■■■■ who controls 100% of the company's shares, has no further employees other than ■■■■■■■■■■
10. The applicant assumes that since the respondent's business model is exclusively characterized by the enforcement of patents, namely the patent-in-suit, and asserting corresponding license claims, the respondent does not generate sufficient income or other cash flow. Furthermore, since the respondent was founded only a few months ago, its business will not operate profitably or even generate any significant cash flow.
11. Lastly, the applicant points out that the respondent has no equity capital at all, does not maintain any other business, let alone has any physical assets, and does not even have an own office space.
12. While the applicant sufficiently substantiated its allegations by submitting the correspondent publicly available financial information (see, in particular Exhibits BP31a and BP32), the respondent did not challenge these allegations, let alone provided any documentation to contradict the evidence presented by the applicant. Indeed, the respondent has simply reaffirmed the legitimacy of its claim and the infringement perpetrated by the applicant without addressing the specific facts asserted by the applicant for the purpose of the request of the security order.
13. On the basis of the information provided by the applicant, which was not disputed, it is credible that the respondent's financial situation gives rise to a legitimate and real concern that a possible order for costs may not be recoverable. Under those circumstances, the respondent failed to provide further information on the availability of further assets to comply with a possible cost order. It follows that it may be assumed that the respondent does not have financial resources to cover a possible order for reimbursement of legal costs.

Amount of the security.

14. The applicant requested the security for the legal costs and other expenses incurred and/or to be incurred in the amount of at least euro 800,000.00 or, alternatively, of euro 600,000.00, which corresponds to maximum amount of the reimbursable costs based on the value of the proceedings, as estimated by the respondent in its statement of claim.
15. Considering that the value of the proceedings seems to be determined in euro 4,950,000.00, as declared in the statement of claim, that the correspondent ceiling for recoverable costs is set at euro 600,000.00, and that the future course of the proceedings and the complexity of the procedural activities remain uncertain and difficult to foresee, as the written procedure is still in progress, it appears reasonable to set an amount of the security equal to 50% of this latter sum, that is euro 300,000.00 and to a time period of one month from the date of service of this order for the respondent to provide the security.
16. The respondent is free to decide whether to provide security by deposit or by a bank guarantee issued by a bank licensed in the European Union.

Respondent's request.

17. In its written comment to the applicant's application the respondent requested that "If it is decided that the parties need to secure the liabilities to one another, SMAITL Oy requests that both parties are treated equally. This requires Microsoft to issue Bank Deposit Security or Bank guarantee to SMAITL Oy as well".
18. The Court considers that with the preliminary order issued on 8 August 2024 the respondent was asked to submit its comment to the applicant's application and this does not allow the submitting of any autonomous request which does not relate directly to the applicant's one.
19. Therefore, if the respondent wished to lodge an own request for security for costs it should have filed a proper distinct application in this regard.
20. In any case, the Court points out that the respondent's request, even if not duly filed, lack any reasoning, let alone evidence, about whether the financial position of the defendant 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.
21. Therefore, the request shall not be granted.

ORDER

The Court:

- grants the request for security for costs filed by Microsoft Corporation on 24 July 2024;
- orders Suinno Mobile & AI Technologies Licensing Oy to provide security for costs to Microsoft Corporation in an amount of 300,000,00, in UPC_CFI_164/2024, either by deposit or by a bank guarantee issued by a bank licensed in the European Union, within one month from the date of service of this order;

- declares the request for security costs filed by Suinno Mobile & AI Technologies Licensing Oy on 29 August 2024 inadmissible.

Issued on 27 September 2024.

The Presiding judge and judge-rapporteur

Paolo Catallozzi

The legally qualified judge

Tatyana Zhilova

The technical qualified judge

Wiem Samoud

ORDER DETAILS

Order no. ORD_45914/2024 in ACTION NUMBER: ACT_18406/2024

UPC number: UPC_CFI_164/2024

Action type: Infringement Action

Related proceeding no. Application No.: 42517/2024

Application Type: Generic procedural Application