



Reference no.:

UPC_CoA_8/2025

APL_366/2025

DECISION
of the Court of Appeal of the Unified Patent Court
issued on 9 December 2025
on award of damages and costs

HEADNOTES

- (i) Under Art. 68 (1) UPCA, the Court shall, at the request of the injured party, order the infringer who knowingly, or with reasonable grounds to know, engaged in a patent infringing activity, to pay the injured party damages appropriate to the harm actually suffered by that party as a result of the infringement.
- (ii) Being an active stakeholder in the industry, the appellant was at least reasonably expected to monitor the patent landscape before exhibiting its product on the market and should have had reasonable grounds to know about the existence of the patent in dispute and the infringing nature of the attacked embodiment. Failing to do so was at least negligent, so that the provision of Art. 68(1) UPCA applies in the present situation.
- (iii) When setting the damages, the Court shall take into account all appropriate aspects, such as the negative economic consequences, including lost profits, which the injured party has suffered, any unfair profits made by the infringer and, in appropriate cases, elements other than economic factors, such as the moral prejudice caused to the injured party by the infringement (Art. 68(3)(a) UPCA).
- (iv) Respondent's submissions on reputational damage mainly rely on general statements which is not sufficient to establish a reputational damage of respondent's image due to the infringement of the attacked embodiment by offering it at a trade fair.
- (v) None of the additional evidence supports the existence of moral prejudice caused to the respondent. It merely indicates that the appellant was present at a trade fair and explains the functioning of the attacked embodiment. It does, however, not provide information in relation to reputational harm suffered by the respondent.

KEYWORDS

Award of damages; knowledge; moral prejudice; costs. UPCA Art. 68 and 69.

APPELLANT (DEFENDANT BEFORE THE COURT OF FIRST INSTANCE)

Bhagat Textile Engineers, Plot No B/13/10-A, Hojiwala Industrial Estate, Road No. 13, Sachin Apparel Park SEZ, 394230, Sachin, Surat, Gujarat, India
(hereafter referred to as "**Bhagat**"),
represented by Peter FitzPatrick, attorney at law, Powell Gilbert (Europe) LLP and other representatives of that firm

RESPONDENT (CLAIMANT BEFORE THE COURT OF FIRST INSTANCE)

Oerlikon Textile GmbH & Co KG , Leverkuser Strasse 65, 42897, Remscheid, Germany
(hereinafter referred to as “**Oerlikon**”),
represented by Stefania Bergia, attorney at law, Simmons & Simmons, and other representatives of that firm

PATENT AT ISSUE

EP 2 145 848

LANGUAGE OF THE PROCEEDINGS

Italian (language of the oral hearing on 14 November 2025: English)

PANEL AND DECIDING JUDGES

Panel 1b

Klaus Grabinski, President of the Court of Appeal
Emmanuel Gougé, legally qualified judge and judge-rapporteur
Emanuela Germano, legally qualified judge
Giorgio Checcacci, technically qualified judge
Stefan Wilhelm, technically qualified judge

IMPUGNED DECISION OF THE COURT OF FIRST INSTANCE

- ☐ Decision of the Court of First Instance of the Unified Patent Court, Milan Local Division, dated 4 November 2024
- ☐ Reference numbers:

ORD 598484/2023
ACT 549585/2023
UPC_CFI_ 241/2023

ORAL HEARING

14 November 2025, by videoconference, pursuant to R. 112.3 (c) RoP.

FACTS AND REQUESTS OF THE PARTIES

1. Oerlikon is the registered owner of EP 2145848 with unitary effect on a false twist texturing machine which was filed on 23 January 2009 claiming a priority date of 19 July 2008 (hereafter the “Patent”). Its mention of grant was published on 26 October 2011.

The first instance proceedings

2. On 13 June 2023 Oerlikon filed an application for preserving evidence under R. 192 RoP with the Milan Local Division of the Court of First Instance of the Unified Patent Court (hereafter the “Milan LD”), arguing that Bhagat was exhibiting, at the ITMA trade fair in Rho (Milan), a structuring/texturing machine (hereafter the “attacked embodiment”) which was infringing the Patent, following which the Milan LD ordered an *ex parte* preservation of evidence (Order of 14 June 2023, ORD_500982/2023).
3. On 12 July 2023 Oerlikon lodged an action against Bhagat before the Milan LD for infringement of the Patent, requesting inter alia that the Court decide that the attacked embodiment infringes the Patent; prohibit the continuation of the infringement; order the recall of all infringing products from the channels of commerce, the publication of the decision, the payment of a recurring penalty in the amount of € 12,000 in the event of non-

compliance with the injunction and an interim award of damages in the amount of € 100,000, and furthermore set the value of the action at € 750,000 and order Bhagat to bear the costs of proceedings.

4. Bhagat neither denied the infringement nor challenged the validity of the Patent but denied that Oerlikon had suffered any damages. It requested that the Court set the value of proceedings at the lowest range of the scale of ceilings for recoverable costs, decide that there is no need to order damages under R. 118.1 RoP, dismiss Oerlikon's request for provisional damages and order that each party bears its own costs or, in the alternative, set such costs to the minimum extent possible. During the oral hearing, Bhagat applied for a stay of proceedings under R. 295 (m) RoP pending the outcome of parallel UPC proceedings, to which Bhagat was not a party, concerning a counterclaim for revocation of the Patent (UPC_CFI_596363/2023, hereafter the "parallel validity proceedings"), which has since been withdrawn (see Milan LD decision of 9 September 2025, accepting the withdrawal under R. 265 RoP, ORD_36456/2025, hereafter the "parallel validity withdrawal decision").
5. On 4 November 2024 the Milan LD rejected the request for a stay of proceedings and considered, in exercising its discretion under R. 295 (m) RoP, that Bhagat had not contested the validity of the patent, so that the statement as to the validity of the Patent shall be held to be true between the parties pursuant to R. 171.2 RoP, and that Bhagat had not intervened in the parallel validity proceedings.
6. The Milan LD held Bhagat liable for infringement of the Patent as a result of the promotion and offer to the public of a structuring/texturing machine exhibited at the ITMA trade fair in June 2023 in Milan, prohibited Bhagat from selling, marketing and promoting the same subject to a recurring penalty of € 12,000 in the event of non-compliance, awarded Oerlikon provisional damages in the amount of € 15,000 as a result of reputational damage to Oerlikon's image, set the value of litigation at €750,000 and ordered Bhagat to bear 80% of the proceedings costs (impugned decision of 4 November 2024, ORD_598484/2023). It further ordered Bhagat to pay the costs of proceedings to Oerlikon in the amount of €77,064.65 within one month of service of the decision on costs (Milan LD costs decision of 9 May 2025, ORD_22179/2025).

The appeal proceedings

7. On 6 January 2025 Bhagat lodged an appeal against the impugned decision.
8. Upon Oerlikon's application, the Court ordered Bhagat to pay security for costs in the amount of € 19,000 (CoA Order of 30 October 2025) Which Bhagat paid prior to the oral hearing.

Bhagat requests and submissions

9. In its Statement of grounds of appeal lodged on 4 March 2025, prior to the Milan LD parallel validity withdrawal decision, Bhagat requested that the Court of Appeal
 - (a) overturn the decision of the CFI refusing Bhagat's application for a stay of proceedings pending the outcome in the parallel validity Proceedings, and order a stay of the present infringement action under R. 295 (m) RoP pending the outcome of the parallel validity proceedings;
 - (b) if, as a result of the parallel validity proceedings, the Patent is ultimately revoked, overturn the impugned decision and dismiss Oerlikon's claim against Bhagat;
 - (c) if the stay requested is not granted, or if the stay is granted and the Patent is ultimately upheld as valid:
 - i. reverse the decision of the CFI to set the value of the proceedings at €750,000, and set the value instead to the lowest category (i.e. up to and including €250,000) and, consequently, apply the lowest possible ceiling for recoverable costs;
 - ii. reverse the decision of the CFI to make an interim award of damages to Oerlikon under R. 119 RoP, and instead order that there is no interim award of damages, and decide that there is no need to order any damages under R. 118.1 RoP; and
 - iii. reverse the decision of the CFI that Oerlikon's costs be offset by 20% while the remaining 80% be borne by Bhagat, and instead order under R. 118.5 that the costs be borne entirely and exclusively by the party that incurred them, or alternatively order a lower percentage of costs to be paid by Bhagat.

(d) in all cases, order Oerlikon to pay Bhagat's costs in the appeal proceedings.

10. At the oral hearing, Bhagat submitted that it abandons its requests concerning the stay of proceedings (requests (a) and (b)) and the value of proceedings at first instance (request (c)(i)), which Oerlikon did not object to except that the withdrawal of these requests shall be considered in the decision on costs.
11. Concerning its remaining requests, Bhagat submits that no damage was caused to Oerlikon since the only infringing act has been the exhibition of the attacked embodiment at the ITMA trade fair and Oerlikon does not bring any evidence of any damages, whether financial, reputational or of any other nature. Since Bhagat neither knew nor had reasons to know about the infringement, the Court may only order the recovery of profits or the payment of compensation under Art. 68(4) UPCA. Since Bhagat did not generate any profit as a result of the exhibition of the attacked embodiment and since there is no basis for compensation, there is no ground for awarding damages or compensation to Oerlikon pursuant to R. 118.1 RoP nor any further ground to order an interim award of damages under R. 119 RoP.
12. As to the costs, Bhagat submits that the CFI should have taken due consideration of the efforts made by Bhagat to settle the dispute and that, in any event, it shall be liable for a lower portion of the costs.

Oerlikon requests and submissions

13. In its Statement of response lodged on 4 June 2025 Oerlikon requests that the Court of Appeal reject Bhagat's requests, uphold the impugned decision and order Bhagat to bear the costs of the appeal proceedings.
14. Oerlikon endorses the reasoning of the Milan LD in all aspects.
15. As to damages, Oerlikon submits that the existence of damage (the exhibition of the attacked embodiment) as well as reputational prejudice suffered by Oerlikon due to the exhibition of the attacked sizable machine by Bhagat at the ITMA trade fair in Rho, which is the most important trade fair worldwide in the sector, organised every four years only, lasting for seven days with the participation of more than 1.600 exhibitors from 44 countries and more than 100.000 visitors, is sufficient justification for the award of interim damages, pursuant to R. 119 RoP, in the amount of €15,000.
16. As to costs, Oerlikon states that, in correspondence between the parties to settle the case initiated by a letter of Bhagat of 24 July 2023, Bhagat limited itself to offering only rather general undertakings without possible penalties to safeguard the undertakings and refused to reimburse Oerlikon for legal costs incurred and that it is only on 27 October 2023 that Bhagat undertook for the first time not to infringe the Patent, though without committing to penalties and to the reimbursement of legal fees. Oerlikon also argues that Bhagat should have been aware of the existence of the Patent and that, in any event, its behavior amounts at least to gross negligence.

GROUND FOR THE DECISION

17. The Court of Appeal shall decide on Bhagat's requests which have not been abandoned, namely on the award of damages, on the portion of the costs to be borne by Bhagat in the CFI proceedings and on the costs in the appeal proceedings.

Damages

18. Awards of damages are set forth under Art. 68 UPCA which, implementing Article 13 of the Directive on the enforcement of intellectual property rights (2004/48/EC), distinguishes between situations in which the infringer knew or had reasonable grounds to know that he or she was engaging in a patent infringing activity (Art. 68(1) to (3) UPCA) and situations where the infringer did not knowingly, or with reasonable grounds to know, engage in the infringing activity (Art. 68(4) UPCA).

19. Under Art. 68(1) UPCA, the Court shall, at the request of the injured party, order the infringer who knowingly, or with reasonable grounds to know, engaged in a patent infringing activity, to pay the injured party damages appropriate to the harm actually suffered by that party as a result of the infringement.
20. When setting the damages, the Court shall take into account all appropriate aspects, such as the negative economic consequences, including lost profits, which the injured party has suffered, any unfair profits made by the infringer and, in appropriate cases, elements other than economic factors, such as the moral prejudice caused to the injured party by the infringement (Art. 68(3)(a) UPCA) or, alternatively, may decide to set the damages as a lump sum under certain conditions (Art. 68(3)(b) UPCA).
21. Where the infringer did not knowingly, or with reasonable grounds to know, engage in the infringing activity, the Court may order the recovery of profits or the payment of compensation (Art. 68(4) UPCA).
22. While it is not disputed between the parties that the exhibition of the attacked embodiment during the ITMA trade fair in June 2023 infringed the Patent nor that Oerlikon did not bring evidence of negative economic consequences such as lost profits suffered by Oerlikon or unfair profits made by Bhagat as a result of said exhibition, the parties disagree on the award of damages resulting from the alleged moral prejudice caused to Oerlikon by the infringement pursuant to Art. 68(3)(a) UPCA.

Knowledge of the infringement

23. Bhagat disputes that it knew or had reasonable grounds to know that exhibiting the attacked embodiment at the ITMA trade fair amounted to an infringement and argues that, considering that Art. 68 (3)(a) UPCA only applies to situations in which the infringer knew or had reasonable grounds to know about the infringement, moral prejudice caused to Oerlikon, if any, shall not be taken into account.
24. Bhagat, however, presents itself as an international leading manufacturer of texturing and winding machines (see a press release in the magazine Textile Insights dated 13 July 2023, cited in Oerlikon Exhibit # 20) and is a direct competitor of Oerlikon in the field of textile and winding machines. It actively participated in the ITMA trade fair, which Bhagat does not deny is the most important textile machines trade fair globally, and exhibited a sizable textile machine (the attacked embodiment).
25. It follows that, being an active stakeholder in the industry, Bhagat was at least reasonably expected to monitor the patent landscape before exhibiting its product on the market and should have had reasonable grounds to know about the existence of the Patent and the infringing nature of the attacked embodiment. Failure to do so was at least negligent, so that the provision of Art. 68(1) UPCA applies in the present situation.

Moral prejudice

26. Baghat further disputes, in the absence of evidence brought forward by Oerlikon, the existence of reputational damage resulting in moral prejudice to be taken into account by the Court when setting the damages pursuant to Art. 68(3)(a) UPCA.
27. Oerlikon's submissions on reputational damage mainly rely on general statements made by the Managing Partner of Bhagat Group published in an article of 13 July 2023 entitled "Bhagat Group Receives Strong International Interest At ITMA" published in a web magazine under a domain name extension in India (above cited Oerlikon Exhibit # 20), including: "Bhagat Group, a leading manufacturer of texturing and winding machines, received an outstanding response at the ITMA 2023 exhibition"; "Buyers showed genuine appreciation for our products and expressed a strong desire to collaborate with us. We received a substantial response and numerous inquiries at the exhibition; however, we are currently in the process of finalizing orders"; "The success of Bhagat Group at ITMA 2023 is evident from the positive reception and the interest shown by international buyers". These statements remain however of a general nature which, contrary to

Oerlikon's statement, is not sufficient to establish reputational damage to Oerlikon's image due to the infringement of the attacked embodiment by offering it at the ITMA 2023 trade fair.

28. During the oral hearing, Oerlikon for the first time referred to further evidence it had already filed with the CFI proceedings in order to support its arguments on moral prejudice, including a QR code card exhibited at the ITMA trade fair (Oerlikon's exhibit # 11.6), a video of a machine corresponding to the attacked embodiment (Oerlikon's exhibit # 11.7) as well as the technical report by the court appointed expert dated 14 June 2023 following the Milan LD order to preserve evidence.
29. Irrespective as to whether Oerlikon is entitled, for the first time at the oral hearing in the appeal proceedings, to rely on evidence which had not been discussed earlier between the parties in relation to Oerlikon's claim on reputational damage, the further evidence referred to by Oerlikon during the oral hearing does not change the conclusion that Oerlikon does not succeed in establishing that it suffered a moral prejudice as a result of the exhibition of the attacked embodiment.
30. None of this additional evidence supports the existence of moral prejudice caused to Oerlikon. It merely indicates that Bhagat was present at the ITMA trade fair and explains the functioning of the attacked embodiment. It does, however, not provide information in relation to reputational harm suffered by Oerlikon.

Costs

Costs in the CFI proceedings

31. Concerning the costs of first instance proceedings and the decision that Bhagat shall bear 80% of the costs, the CFI decision should not be set aside in view of the reasons brought forward in the appeal.
32. Pursuant to Art. 69(1) UPCA, reasonable and proportionate legal costs and other expenses incurred by the successful party shall, as a general rule, be borne by the unsuccessful party. Exceptions apply where equity requires a different allocation of costs, in particular where a party succeeds only in part or in exceptional circumstances (Art. 69(2) UPCA) and where a party has caused unnecessary costs to the Court or another party (Art. 69(3) UPCA).
33. An exception to the general rule of Art. 69(1) UPCA may apply if a claimant initiates proceedings without first sending a warning letter and the defendant submits a cease-and-desist undertaking immediately at the beginning of the proceedings. In such a situation, it may be justified to award costs to the defendant on equitable grounds, in particular because the claimant caused unnecessary costs to the defendant and the Court (CoA 2/2024, Meril v Edwards, 4 October 2024, para 15).
34. Contrary to Bhagat's submissions, Oerlikon did however not cause any unnecessary costs to Bhagat. Considering the urgency and the limited time - seven days - of the ITMA trade fair and without having sufficient evidence to prove a patent infringement, Oerlikon cannot be blamed, as argued by Bhagat, for not having sent a warning letter to Bhagat prior to lodging an application for preserving evidence pursuant to R. 192 RoP.
35. Bhagat's further argument that if Oerlikon had "made any attempt to seek an amicable solution prior to approaching the court, these proceedings and all related costs would have been avoided" (Grounds of appeal, para 84) does not hold either. Although the search for evidence at the ITMA trade fair took place on 14 June 2023, it is only six weeks later, on 24 July 2023, that Bhagat reached out to Oerlikon with a first and only generic undertaking not to manufacture and/or sell the infringing textile machine in the territories where the Patent is in force without any obligation to pay penalties in the event of non-compliance with the undertaking while Oerlikon, in compliance with the timeline set out under R. 198 RoP for starting proceedings on the merits once an order to preserve evidence has been granted, had already lodged its Statement of claim on 12 July 2023.
36. It is then only on 27 October 2023 that Bhagat gave a more specific undertaking, for the term of the Patent, though still without committing to any penalties in the event of non-compliance.

37. It follows that the Court of Appeal does not find any reason that the CFI failed when exercising its discretion in allocating the costs and does not see any reason to reduce the costs to be borne by Bhagat in the CFI proceedings.

Costs and value of proceedings in the appeal

38. In the appeal, Bhagat has succeeded in its claim to reverse the CFI decision on damages but has failed for the remaining requests.
39. Considering that Bhagat has succeeded only in part in its appeal and that it withdrew its requests concerning the stay of proceedings and the value of proceedings in first instance at the stage of the oral hearing only, while Oerlikon failed on the award of damages in the appeal proceedings, the Court of Appeal orders, pursuant to Art. 69(2) UPCA, that costs be apportioned equitably and that, in the appeal proceedings, Bhagat bears 80% of Oerlikon costs and Oerlikon bears 20% of Bhagat costs and court fees.
40. As to the value of the proceedings which were set at € 750,000 by the CFI, considering that the injunction is no longer in dispute in the appeal and that the issue in dispute in the appeal proceedings has been limited to the determination of damages of (only) €15,000 (rather than €100,000 as requested by Oerlikon in first instance proceedings) and the costs, it shall be set at the lowest range of the scale of ceilings for recoverable costs, up to € 250,000.

DECISION

The Court of Appeal decides that

- (i) Para 4 of the operative part of the decision of the Court of First Instance, Milan Local Division of 4 November 2024 is set aside and Oerlikon request for interim damages is rejected;
- (ii) on all other points the appeal is rejected;
- (iii) Bhagat has to bear 80% of Oerlikon costs in the appeal proceedings;
- (iv) Oerlikon has to bear 20% of Bhagat costs in the appeal proceedings

This decision was issued on 9 December 2025.

Klaus Grabinski
President of the Court of Appeal

Emmanuel Gougé
Legally qualified judge and judge-rapporteur

Emanuela Germano
Legally qualified judge

Giorgio Checcacci,
Technically qualified judge

Stefan Wilhelm
Technically qualified judge