



ORDER
of the Court of Appeal of the Unified Patent Court issued on
18 September 2024
concerning a preliminary objection and
a request for an order pursuant to R.361 RoP

In the cases:

UPC_CoA_264/2024 APL_30168/2024
UPC_CoA_266/2024 APL_30205/2024
UPC_CoA_269/2024 APL_30209/2024
UPC_CoA_272/2024 APL_30213/2024
UPC_CoA_276/2024 APL_30219/2024
UPC_CoA_284/2024 APL_30384/2024

HEADNOTE

- Proceedings under R.361 RoP should not result in a full exchange of arguments and evidence, but – as is clear from the use of the word ‘manifestly’ – must be reserved for clear-cut cases.
- Even though the UPC procedure is a front-loaded system, it is not required that the claimant envisages every possible line of defence and includes *all* arguments, facts and evidence in and submits it with the Statement of claim and that nothing could ever be added thereafter. This may in particular be the case when the claimant, after having made an argument in its Statement of claim, further substantiates this argument in its Statement under R.29(a) or (b) RoP, in reply to a defence to the initial argument brought forward by the defendant in its Statement of defence.
- The question of whether any claim has been sufficiently argued and substantiated in the Statement of claim is not a matter to decide under R.361 RoP. Whether claims have been sufficiently stated, substantiated and if required proven is for the Court of First Instance to decide in the main proceedings after full consideration of all (further) submissions and evidence.
- A Statement of claim that sets out in detail why one infringing embodiment, that is taken as an example, infringes the patent and that includes a list setting out further embodiments with a similar structure that are infringing for (essentially) the same reasons, does not with respect to the embodiments included in that list result in an action that is manifestly lacking any foundation in law as meant in R.361 RoP.

KEYWORDS

- Preliminary objection; discretion of the court; Action manifestly bound to fail

APPELLANT / DEFENDANT IN THE MAIN PROCEEDINGS BEFORE THE COURT OF FIRST INSTANCE

Audi AG, Ingolstadt, Germany
hereinafter also referred to as: ‘Audi’;

represented by: attorneys at law Dr. Jan Bösing, Saskia Mertsching, Monika Harten, Bardehle Pagenberg, Munich, Germany

RESPONDENT / CLAIMANT IN THE MAIN PROCEEDINGS BEFORE THE COURT OF FIRST INSTANCE

Network System Technologies LLC., Portland, ME, Unites States of America

hereinafter also referred to as 'NST';

represented by: attorney at law Dr. Thomas Gniadek, Simmons&Simmons, Munich, Germany

PANEL AND DECIDING JUDGES

This order has been adopted by the Second Panel composed of:

Rian Kalden, Presiding judge and judge-rapporteur

Ingeborg Simonsson, legally qualified judge

Patricia Rombach, legally qualified judge

IMPUGNED ORDERS OF THE COURT OF FIRST INSTANCE

- Date: 23 April 2024 (signed 25 April 2024)
 - ORD_12235/2024 in related proceedings App_12109/2024 and ORD_26339/2024 in related proceedings App_11850/2024 in the main infringement action ACT_597692/2023)
 - ORD_26353/2024 in related proceedings App_11863/2024 and ORD_12495/2024 in related proceedings App_12111/2024 in the main infringement action ACT_597693/2023)
 - ORD_26324/2024 in related proceedings App_11857/2024 and ORD_12487/2024 in related proceedings App_12118/2024 in the main infringement action ACT_597691/2023)
- Action numbers attributed by the Court of First Instance Munich Local Division (hereinafter: Munich LD):
 - UPC_CFI_514/2023
 - UPC_CFI_515/2023
 - UPC_CFI_513/2023

PATENTS AT ISSUE

EP 1 875 683

EP 1 552 399

EP 1 552 669

LANGUAGE OF THE PROCEEDINGS

English

ORAL HEARING

The oral hearing (in-person) took place on 20 August 2024.

SUMMARY OF FACTS AND PROCEDURAL HISTORY

1. NST initiated three parallel infringement actions against Audi on the basis of the three patents in issue. NST has acquired these patents from Philips, who had opted out these patents from the jurisdiction of the UPC. After the acquisition, these opt-outs were withdrawn on behalf of NST.

2. NST claims damages for alleged patent infringements that occurred prior to the acquisition of the patents by NST. In the Statement of claim NST has not explicitly stated that it had acquired these claims from Philips.
3. NST alleges that Audi infringes the patents with a very large number of embodiments. NST has only provided a detailed claim chart and infringement report with respect to one of those embodiments.
4. NST also claims damages occurred in the UK and Northern Ireland.
5. Audi filed separate Preliminary objections and R.361 requests. Both were based on essentially the same grounds.
6. The Munich LD rejected the Preliminary objections in part and deferred the remaining part for decision in the main proceedings. The R.361 RoP requests were rejected in full. The Munich LD in its order referred to evidence submitted by NST in response to the R.361 RoP request.

PARTIES' REQUESTS

7. Audi requests:
 - I. The impugned order is set aside.
 - II. The infringement action is dismissed as inadmissible.
 - III. NST bears the costs of the proceedings concerning the Preliminary Objections and requests pursuant to R.361 RoP.
In the alternative to II.:
 - IV. The infringement action against Audi is dismissed as inconclusive.
In the alternative to IV.:
 - V. The infringement action against Audi is dismissed:
 1. with regard to infringing actions between September 7, 2011, and June 24, 2022;
and
 2. with regard to all allegedly "infringing embodiments" (as defined in the statement of claim) except the DRA79x SoC;
and
 3. with regard to damages that arose in the UK and Northern Ireland resulting from the infringement of the patents in suit in the territories of the France and Germany.
8. NST requests to dismiss the appeal and that Audi bear the costs of 'these additional proceedings'.

POINTS AT ISSUE

9. Preliminary objection (Rules 19 and 20 RoP); Request pursuant to R.361 RoP (action manifestly bound to fail)

SUBMISSIONS OF THE PARTIES

Audi – insofar as relevant – has submitted the following.

10. At the hearing Audi restricted its Preliminary objection under R.19 RoP to a lack of jurisdiction of the UPC on two grounds.
11. The UPC lacks jurisdiction for damages that arose in the UK and Northern-Ireland. The objection on this ground should not have been deferred to the main proceedings but decided immediately in view of efficiency and the importance of early Court of Appeal case law on this for other cases.

12. The UPC also lacks jurisdiction because the patents invoked were opted out and the opt-out was not validly withdrawn. The withdrawal was filed by an attorney of Simmons & Simmons, who was not at that time the registered representative in any of the patent registers, while no valid power of attorney was submitted as evidence either. The power of attorney could and should have been submitted together with the Statement of claim, even if a power of attorney is not formally required to be submitted when filing the withdrawal of the opt-out. Since NST failed to do so, the withdrawal must be considered invalid and the UPC thus lacks jurisdiction.
13. At the hearing Audi restricted its request pursuant to R.361 RoP to two arguments.
14. Firstly, NST lacks standing to sue. The infringement claims lack any foundation in law as in - or with - the Statement of claim there was neither allegation nor evidence of entitlement to the damage claims for alleged past infringements.
15. The Munich LD should have decided on this R.361 RoP request on the basis of the Statement of claim only. NST should not have been given the opportunity to submit any further arguments or evidence in response to Audi's requests under R.361 RoP. This is called for by the fundamental goals of the UPCA and the RoP, such as efficiency.
16. Secondly, NST's Statement of claim lacks sufficient substantiation. There is only a claim chart and infringement report in relation to one embodiment out of many opposed by NST. Allowing a further substantiation at a later stage contravenes R13.1(n) RoP and the principle of efficiency.

NST – insofar as relevant – has submitted the following.

17. With respect to the claim for damages suffered in the UK and Ireland, NST acknowledges that there is discussion whether the UPC has jurisdiction. It is for the Munich LD to decide when it wishes to deal with the Preliminary objection based on this.
18. The opt-out was validly withdrawn. A power of attorney is not required to be submitted if a withdrawal of opt-out is done by a registered UPC representative. There is an underlying power of attorney but there is no need to submit that unless requested by the Court.
19. R.361 RoP serves only to bar proceedings which evidently lack cause of action. Another more extensive approach would unduly restrict access to justice.
20. The LD Munich correctly allowed NST to comment on the R.361 RoP request and to submit further evidence. It follows from the RoP that NST must be heard.
21. NST is the proprietor of the patent-in-suit and is entitled to bring this infringement action and to request a damage award, also for past infringement.
22. The scope of the infringement proceedings is sufficiently clear; the way it was substantiated in the Statement of claim is in accordance with standard practice in various national courts of Contracting Member States and should also suffice in proceedings before the UPC.

GROUNDS FOR THE ORDER

I. Preliminary objections

a. Lack of jurisdiction for claimed damages suffered in the UK and Northern Ireland

23. The Court of First Instance has discretion to *either* decide on the Preliminary objection as soon as practicable after claimant has provided its written comments or had the opportunity to do so, as provided for in R.19.5 RoP *or* decide to deal with the Preliminary objection in the main proceedings.

This follows, in particular, from R.20.2 RoP.

24. In the main proceedings before the Munich LD, the panel considered that the decision on the Preliminary objection based on lack of jurisdiction for the claim for damages suffered in the UK and Northern Ireland may be postponed to a later stage of the proceedings. The Munich LD in that respect noted that first the removal of any doubt as to the validity of the patent – which is the subject of counterclaims for revocation and a separate revocation action before UPC courts – is required, as well as a decision on the alleged infringement, further noting that the determination of the amount of damages may be the subject of further proceedings under R.125 RoP. The Munich LD then concluded that there are sound reasons of case management efficiency for this Preliminary objection to be dealt with in the main proceedings.
25. Taking into account that in the preamble to the Rules of Procedure (under 4) it is provided that all procedural rules shall be applied in a flexible and balanced manner with the required level of discretion for the judges to organise the proceedings in the most efficient and cost effective manner, the Court of Appeal fails to see that – and Audi has not provided any convincing reasons why – the LD Munich, by deciding as it did, has overstepped the boundaries of its discretion and could not reasonably have come to its decision.
26. This ground for the appeal fails.

b. Lack of jurisdiction due to invalid opt-out

27. In the appeal proceedings, NST clearly and expressly stated that Simmons & Simmons has a power of attorney to represent NST in proceedings before the UPC and that the attorney of Simmons & Simmons who lodged the withdrawals of the opt-outs was authorized to do so on behalf of NST.
28. Audi argues that NST's submissions in its Statement of response on the existence of a valid power of attorney for the person who lodged the withdrawals of the opt-outs should be disregarded pursuant to R.222.1 RoP, as these are new arguments on appeal. Neither should these arguments be allowed in the appeal proceedings under R.222.2 RoP, since they could have been brought forward earlier, Audi submits. The Court of Appeal disagrees.
29. In its Preliminary objection Audi argued that the applications to withdraw the opt-outs were filed by an attorney of the law firm Simmons & Simmons, while at that time other firms were registered as representatives for the patent in suit in the EPO register, in the German patent register and in the French patent register. Since this (perceived) discrepancy was not explained by NST and no evidence for a power of representation for this attorney to lodge the withdrawal on behalf of the proprietor of the patent-in-suit was submitted, Audi contested 'by pleading ignorance' that a proper power of representation existed.
30. NST clearly understood this as an argument that NST had not complied with all formalities required under the RoP for a valid withdrawal of an opt-out. This can be seen from the comments on the Preliminary objections, lodged by NST, where it stated:

“Basically the argument of Defendants boils down to the allegation that a withdrawal of an opt-out can only be lodged by:

- *the proprietor of the patent-in-suit, or*
- *the registered representative in the EPO patent register, or*
- *the registered representative in the national patent register, or*
- *any other person stating or showing that he has a “Mandate” (in German “Vollmacht”) or a Power of Attorney from the patent proprietor.*

This is not accurate. In fact, a registered UPC representative in accordance with Art. 48 UPCA may lodge a withdrawal of an opt-out without stating or showing that he has a “mandate” (in German

“Vollmacht”) or a Power of Attorney from the patent proprietor (cf. Rule 5.3 (b) (i) RoP). This follows from the alternative provided by Rule 5.3 (b) (i) (ii) RoP indicated by the term “OR”: The withdrawal of an opt-out may be lodged either (i) by a registered UPC representative according to Art. 48 UPCA, or (ii) by any other person authorized with a mandate.”

31. The LD Munich also understood Audi’s argument in this way. It held that the attorney who lodged the withdrawals of the opt-outs:

“(…) validly represented the Claimant for the purposes of filing the request to withdraw the opt-out and was not required to justify her powers of attorney at the time of filing the application on behalf of NST.

Indeed, Rule 5.3(b)(i) RoP clearly distinguishes the case of an application filed by an authorised representative under Art. 48 UPCA from that of an application filed by “any other person lodging the application to opt out on behalf of the proprietor”. It is only in this second and different case that rule 5.3(b)(ii) RoP provides that the representative must also attach to the request “the mandate for lodging the application to opt out”.

The withdrawal of the opt-out was therefore validly filed (…)”

32. It is only in the Statement of appeal and grounds of appeal that Audi clarified that it did not mean to contest that the *formal* requirements for a valid withdrawal of an opt-out were complied with, but that it contested the *material* (i.e. actual) existence of a power of attorney for the attorney who lodged the withdrawal. Under these circumstances, the principles of fair trial require that, if Audi’s clarification is to be taken into account on appeal, NST must also be allowed to respond to that on appeal.
33. The Court of Appeal dismisses Audi’s argument that NST’s statement that a valid power of attorney existed, even if admitted, should nevertheless be disregarded, because evidence for this disputed fact has still not been provided. NST rightly pointed out that a UPC representative according to Art. 48 UPCA holds a position of trust. Contrary to Audi’s position, and as follows from R.285 RoP, a UPC representative acting for a party before the Unified Patent Court is not required to submit a written mandate or a power of attorney, unless the Court upon a challenge of the representative powers, explicitly orders a representative to produce a written authority. The Court rightly has not done so. Audi has not brought forward any substantiated reasons why the actual existence of a valid power of attorney should be called into question. The mere fact that different representatives are registered in the EPO and national patent registers is insufficient, as this does not rule out – and it is indeed quite common - that other representatives are instructed to appear on behalf on the patent owner in proceedings before the UPC.
34. The conclusion is that the opt-outs of the patents in issue were validly withdrawn and the UPC has jurisdiction to adjudicate the infringement actions.
35. This ground for the appeal therefore fails as well.

II. The requests pursuant to R.361 RoP

a. Lack of standing to sue

36. The Court of Appeal rejects Audi’s argument that R.361 RoP should be given a broad scope and must be used to scrutinise the Statement of claim, without there being an opportunity to correct any deficiencies e.g. by submitting further arguments, facts or evidence. It already follows from R.361 RoP itself that the parties – thus including the claimant – must be given an opportunity to be heard, before a decision is taken. This cannot be interpreted to mean that only mistakes in the applicant’s request could be commented on and that it should not be allowed that deficiencies in the Statement of claim could be corrected at all, as Audi argues. Even though the UPC procedure is a front-loaded system, it is not required that the claimant envisage every possible line of defence and include *all* arguments, facts

and evidence in, and submits it with, the Statement of claim and that nothing could ever be added thereafter, as Audi contends. It follows from the RoP, e.g. on evidence taking, the case management powers of the judge-rapporteur and the purpose of the interim conference, that it is not excluded that claims and arguments may be further substantiated at a later stage of the main proceedings. This may in particular be the case when the claimant, after having made an argument in its Statement of claim, further substantiates this argument in its Statement under R.29(a) or (b) RoP, in reply to a defence to the initial argument brought forward by the defendant in its Statement of defence.

37. Audi argues that the claims for damages caused by infringements prior to the date on which the patents were acquired by NST, should be dismissed as manifestly lacking any foundation in law because NST had not even argued in its Statement of claim that it had acquired these claims along with the patents. NST only stated this in NST's comments to Audi's request under R.361 RoP, which the Munich LD should not have taken into account, according to Audi. The Court of Appeal disagrees.
38. As already stated above, the Munich LD must have considered NST's comments on Audi's request under R.361 RoP when deciding on it, including its submission that it had acquired the claims for past infringements.
39. However, even if NST's comments were not considered, Audi's request should still be denied. The question of whether any claim has been sufficiently argued and substantiated in the Statement of claim is not a matter to decide under R.361 RoP. Whether claims have been sufficiently stated, substantiated and if required proven is for the Court of First Instance to decide in the main proceedings after full consideration of all (further) submissions and evidence. As Audi rightly also pointed out, proceedings under R.361 RoP should not result in a full exchange of arguments and evidence, but – as is clear from the use of the word 'manifestly' – must be reserved for clear-cut cases.
40. The appeal cannot succeed on this ground either.

b. Lack of substantiation of all but one allegedly infringing products

41. Audi's request to dismiss the claims for infringements in relation to all embodiments except for the (only) one for which a detailed claim chart and infringement report has been provided, must be rejected. It is undisputed between the parties that it is common practice in several national courts in Contracting Member States (such as The Netherlands), that if a general injunction is requested (of the type "order not to infringe the patent") and the Statement of claim sets out in detail why one infringing embodiment, that is taken as an example, infringes the patent and, furthermore, a list is given setting out (many) further embodiments with a similar structure that are allegedly infringing for (essentially) the same reasons, this can be further elaborated on (and updated) at a later stage of the proceedings should this be contested and become relevant. It remains to be seen what the approach of the UPC in this respect shall be, which is a matter to be dealt with in the main proceedings (and possibly followed by appeal proceedings). At any rate, it is sufficiently clear what the scope and the basis of the infringement action is. As said, the RoP do not preclude further substantiation and submission of evidence after the Statement of claim has been lodged, in particular in reply to a defence brought by the defendant in its Statement of defence in response to an argument brought forward by the claimant in its initial Statement of claim. The approach taken by NST in its Statement of claim therefore does not result in an action that is manifestly lacking any foundation in law and it is thus not a matter that falls within the ambit of R.361 RoP.
42. This ground for the appeal fails too.

III. Costs

43. NST requested that Audi bear the costs of 'these additional proceedings'. This is rejected. R.242.1 RoP is to be interpreted to mean that if the decision of the Court of Appeal is not a final order or decision concluding an action, such as the present order, the Court of Appeal will not issue an order for costs in

respect of the proceedings at first instance and at appeal.

44. However, the outcome of the appeal must be considered when, in the final decision on the action at hand, the Court determines whether and to what extent a party must bear the costs of the other party because it was unsuccessful within the meaning of Article 69 UPCA.
45. The Munich LD in the impugned order decided that the costs of the Preliminary objections and the requests pursuant to R.361 RoP will be addressed to the main proceedings. The Munich LD shall thus include in that cost assessment the costs of these appeal proceedings, bearing in mind that Audi is the unsuccessful party.

ORDER

The Court of Appeal

- rejects Audi's requests;
- rejects NST's request for a cost decision.

Issued on 18 September 2024

Rian Kalden, Presiding judge and judge-rapporteur

Ingeborg Simonsson, legally qualified judge

Patricia Rombach, legally qualified judge