



Central Division
Paris Seat

ORDER
of the Court of First Instance of the Unified Patent Court
Central division (Paris seat)
issued on 27 December 2024
concerning the generic procedural application No. App_61655/2024
UPC_CFI_164/2024

HEADNOTES:

1. Where the Court has already ordered a party to provide security for the legal costs and other expenses incurred or to be incurred by the opposing party, a subsequent request by this latter party for an additional security (compared to that already granted) shall be considered as request to modify the security already granted by increasing its amount.

KEYNOTES:

Security for costs.

APPLICANT:

Microsoft Corporation - One Microsoft Way, Redmond Washington 98052-6399, USA
represented by Tilman Müller-Stoy, Bardehle Pagenberg

RESPONDENT:

Suinno Mobile & AI Technologies Licensing Oy - Fabianinkatu 21, 00130 Helsinki, Finland
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 has been issued by the panel.

SUMMARY OF FACTS AND PARTIES' REQUESTS:

1. On 19 November 2024 the applicant filed an application (registered as No. App_61655/2024) requesting that the respondent be ordered to provide (additional) security for the legal costs and other expenses incurred and/or to be incurred by applicant in the amount of at least EUR 500,000.00, alternatively of EUR 300,000.00. The applicant notes that the respondent has already been ordered to provide security for costs in the amount of EUR 300,000.00 and argues that: in the meantime the progress of the written procedure has caused and will cause further considerable costs; the respondent has admitted lacking financial resources to fulfil a possible claim for cost reimbursement in the appeal proceedings concerning the security for costs ordered; the respondent's further submissions in the present main proceedings and related proceedings clearly suggest that the value in litigation is in fact higher than stated in the statement of claim.
2. On 18 December 2024 the respondent, having been invited to submit written comments, requested that the current application should be dismissed in its entirety and, in the alternative, if the Court of appeal denies the security for costs granted by the Court of First Instance and considers the infringement action and confidentiality applications admissible, security for costs is ordered only to the extent of the lower amounts of EUR 27,000.00 or 50,000.00 or 56,000.00 or 100,000.00.

GROUNDINGS FOR THE ORDER

Preliminary remarks.

3. The Court has already ordered the respondent to provide security for costs to the applicant, in an amount of EUR 300,000.00, with regard to the current proceedings, based on the established 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 be enforceable, or may be enforceable in an unduly burdensome way. The respondent lodged an appeal to set aside the order granting the security and the proceedings is still pending before the Court of Appeal.
4. In that order the amount of the security was set in EUR 300,000.00, considering that the value of the proceedings seems to be determined in EUR 4,950,000.00, as declared in the statement of claim, that the correspondent ceiling for recoverable costs is set at EUR 600,000.00, and that

the future course of the proceedings and the complexity of the procedural activities remain uncertain and difficult to foresee.

5. The Court observes preliminarily that although the request is presented as an application for additional security (compared to that already granted), it actually amounts to a request to modify the security already granted by increasing its amount.
6. Given this legal nature of the application, it may be considered that 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).
7. This is because the security for costs is a typical precautionary measure intended to protect the successful party against 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 end of the proceedings, such costs are, in whole or in part, charged to the latter.
8. In this regard, a security for costs may be appropriate and shall be ordered where 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 be enforceable or may be enforceable only with undue difficulty (see CoA, order issued on 17 September 2024, UPC_CoA_217-219-221/2024).
9. 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.
10. 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.
11. 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.

Applicant's arguments.

12. The applicant argues that the written procedure has progressed since then and will progress further, increasing considerably the costs related to the proceedings. The applicant adds that the additional security is appropriate also considering the fact that the respondent has admitted lacking financial resources to fulfil a possible claim for cost reimbursement in the appeal proceedings concerning the security for costs ordered and that the value of the claimed assessed by the respondent in the statement of claim is not correct, as it is higher than indicated therein.

13. The Court acknowledges that the first two arguments (increasing of costs related to the progression of the written procedure and respondent's admission in the appeal proceedings of lack of financial resources) constitute new facts that must be considered in the assessment on whether to amend its previous order.
14. The Court is of the view, however, that these circumstances are not such as to require a reassessment of the adequacy of the security already ordered. Indeed, the fact that the written procedure has progressed and involved the carrying out of further defensive activities does not constitute a (new) circumstance that would necessitate a reassessment of the recoverable costs, in relation to which the amount of the security was determined. In fact, the costs associated with carrying out the activities typical of the written procedure have already been taken into account, albeit indirectly, insofar as the order granting the security made reference to the amount of recoverable costs, equal to 50% of the maximum amount, considered to correspond to the presumed amount of costs associated with the ordinary course of the proceedings.
15. Moreover, the applicant has not alleged the occurrence of any subsequent events that have forced him to incur exceptional legal costs or expenses in relation to these proceedings, and which, as such, could not have been foreseen at the time the order granting the original security was made.
16. The argument that the respondent allegedly acknowledged being in financial difficulties, in relation to its inability to provide the security ordered in the set amount, is not relevant, as the order granting the security already considered that the respondent's financial situation gives rise to a legitimate and real concern that a possible order for costs may not be recoverable.
17. With regard to applicant's argument that the respondent's further submissions in the present main proceedings and related proceedings suggest that the value in litigation is in fact higher than stated in the statement of claim, the Court acknowledges that in its reply to the statement of defence the respondent appears to have claimed damages for infringement in a higher amount than the one indicated in the statement of claim. However, the determination of the value of the proceedings, on the basis of which the amount of the security has been determined, 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 objective interest displayed in the statement of claim is for limiting the damages claimed at around EUR 4,975,000.00.
18. Furthermore, it may be added that the respondent asked for – and obtained – leave to change the claim in a way that the damages claimed are reduced to EUR 2 mln. and that means that the Court will be bound to the changed claim for damages and cannot rule beyond the scope of that claim.

Conclusions.

19. For these grounds the application shall be dismissed.

ORDER

The Court,

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

rejects Microsoft Corporation's request for security for costs.

Issued on 27 December 2024.

The Presiding judge and judge-rapporteur
Paolo Catalozzi

Paolo
Catalozzi  Firmato digitalmente da
Paolo Catalozzi
Data: 2024.12.28 11:31:12
+01'00'

The legally qualified judge
Tatyana Zhilova

Tatyana
Zhilova  Signature numérique
de Tatyana Zhilova
Date : 2024.12.27
20:30:23 +01'00'

The technical qualified judge
Wiem Samoud

Wiem
SAMOUD  Signature numérique
de Wiem SAMOUD
Date : 2024.12.28
10:11:09 +01'00'

ORDER DETAILS

Order no. ORD_63208/2024 in ACTION NUMBER: ACT_18406/2024

UPC number: UPC_CFI_164/2024

Action type: Infringement Action

Related proceeding no. Application No.: 61655/2024

Application Type: Generic procedural Application