

Order
of the Court of First Instance of the Unified Patent Court
delivered on 17 February 2024

Headnote: Reasonable and proportionate legal costs and other expenses incurred by the successful party shall, as a general rule, be borne by the unsuccessful party, unless equity requires otherwise, up to the ceiling set by the Administrative Committee (Article 69 UPCA and Rule 152.2 RoP). According to the decision by the Administrative Committee on Scale of ceilings for recoverable costs, the ceiling applies to representation costs and the amount is set in relation to the value of the proceeding. This value of the proceeding is set in relation to the whole proceeding, not in relation to each defendant. Furthermore, the decision by the Administrative Committee clearly states that the ceilings shall apply “regardless of the number of parties”. Therefore, the Court concludes that when an application against several defendants is dismissed, the ceiling serves as a joint ceiling for all defendants’ representation costs.

Keywords: withdrawal, legal costs for representation, ceiling for recoverable costs, protection of confidential information

APPLICANT

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Represented by Mikkel Kleis and Nina Skivesen (Patrade Legal ApS)

DEFENDANTS

- 1) **Brunngård Group AB** (Reg. No. 556233-2238), Elementgatan 10, 504 64 Borås, Sweden
- 2) **Footbridge Group AB** (Reg. No. 556958-8816), Elementgatan 10, 504 64 Borås, Sweden

Represented by Amanda Krebs Granqvist (Sandart & Partners Advokatbyrå KB)

PATENT AT ISSUE

EP 2 276 862

COMPOSITION OF THE PANEL – SINGLE JUDGE

Presiding judge Stefan Johansson, acting as Single judge

LANGUAGE OF THE PROCEEDINGS

English

SUBJECT-MATTER OF THE PROCEEDINGS

Application for preserving evidence

BACKGROUND

The Applicant is the proprietor of European Patent EP 2 276 862 (hereinafter referred to as EP 862).

On 16 September 2024, the Applicant submitted an application to preserve evidence (saisie) and inspection of property, based on EP 823. The Applicant estimated the value of the case to be under EUR 250 000, and requested

- a) that an inspection is carried out at the address Elementgatan 10, 504 64 Borås, Sweden, in order to secure evidence showing the existence and extent of infringements of the rights to EP 862, including:
 - a. inspection of the EXPRO HUB and drafting of a detailed description of these products,
 - b. inventory list of any stock of EXPRO HUB,
 - c. copying IT systems, electronic storage devices and physical material containing financial information and invoice material relating to EXPRO HUB,
 - d. copying of email correspondence and other documents, including regarding product development, manufacturing, import, possible export, sales and marketing of EXPRO HUB,
- b) that the order for the above measures shall be issued without hearing the Defendants,
- c) that these measures for securing evidence shall not be made conditional on the provision of a security by the Applicant, and
- d) that the Defendants reimburse the Applicant's reasonable and proportionate legal costs and other expenses.

After studying the application, the Court informed the Applicant that the Court intended to use its discretion under Rule 194.1 of the Rules of Procedure (RoP) and inform the Defendants about the application, and to give them the possibility to comment/object.

On 26 September 2024, the Applicant confirmed that it maintained the application (cf. Rule 194.5 RoP).

The Court invited the Defendants to submit an objection to the application.

On 28 October 2024, the Defendants submitted a detailed objection to the application where they did not dispute the Applicant's valuation of the proceedings, but inter alia requested the Court

- a) to dismiss the application,
- b) to restrict the Applicant's use of the information in Exhibit 17-19 to these proceedings and to prohibit the Applicant from sharing the information in Exhibit 17-19 with any third parties, and
- c) to order the Applicant to bear reasonable and proportionate legal costs and other expenses incurred by the Defendants as a result of the Applicant's application.

On 26 November 2024, the Applicant withdrew the application, based on the Defendants' detailed statement of the functionality of the attacked embodiment (EXPRO HUB).

The Defendants did not object to the withdrawal but maintained their requests for confidentiality and compensation for legal costs and other expenses.

Thereafter, the Parties submitted further pleadings on confidentiality and compensation.

REQUESTS AND SUMMARY OF FACTS AND ARGUMENTS

The Applicant has, with reference to Rule 265 RoP, withdrawn the application.

The Defendants have not objected to the withdrawal, but they have requested the Court

- a) to restrict the Applicant's use of the information in Exhibit 17-19 to these proceedings and to prohibit the Applicant from sharing the information in Exhibit 17-19 with any third parties,
- b) to order the Applicant to reimburse Brunngård Group AB for legal costs in the amount of SEK 269 798, and
- c) to order the Applicant to reimburse Footbridge Group AB for legal costs in the amount of SEK 269 798.

The Defendants' grounds and arguments for these requests can be summarised as follows.

- The Defendants have provided extensive details on the attacked embodiment (EXPRO HUB) to eliminate any doubt regarding non-infringement, in order to avoid unnecessary proceedings on the merits. This was particularly motivated since the evidentiary requirement for granting a preservation order is relatively low. However, Exhibits 17-19 contains detailed information on the functionality and structure of EXPRO HUB. The structure and functionality of EXPRO HUB is the result of costly and lengthy R&D work and the information in these exhibits thus has a commercial value to the Defendants. Further, the information in Exhibits 17-19 is not readily available and the Defendants have taken measures to keep the information secret. Hence, the Defendants have a legitimate interest in keeping the information in these exhibits confidential and a legitimate expectation that such confidentiality will be preserved (Article 58 UPCA). As a result, it is motivated to

restrict the Applicant's use of the information in Exhibits 17-19 and to prohibit the Applicant from sharing the information in these exhibits with any third parties.

- The Applicant should be considered to be the unsuccessful party in these proceedings. Therefore, the Applicant should compensate the Defendants for legal costs and other expenses (Article 69 UPCA).

The application was unmotivated. The Applicant has applied for an order to preserve evidence, based on EP 862, without contacting the Defendants prior thereto. The fact that the Applicant previously had reached out to the Defendants in relation to a different patent (EP 051) does not motivate an action being initiated without prior correspondence relating to EP 862. On the contrary, despite the lack of substantiation of the previous allegation relating to EP 051, the Defendants were accommodating and responded that it had analysed EP 051 and confirmed that its product EXPRO HUB does not infringe that patent. If the Applicant had reached out to the Defendants concerning EP 862, it could have spared both parties the time and costs associated with these proceedings. In addition, given that the product EXPRO HUB was on the market, the Applicant could have received enough information to conclude that there is no infringement merely by reviewing EXPRO HUB in-store as well as the public marketing material of the product.

The inclusion of Footbridge Group AB as Defendant seems to be the result of the Applicant confusing two companies.

Instead of the Applicant making efforts to obtain the information out of Court, it has initiated the action at issue, thereby forcing the Defendants to use substantial time and resources to defend themselves from having to provide a competitor with information which clearly constitutes trade secrets. It is thus evident that there has been a significant interest for the Defendants to defend themselves against the Application and that they are entitled to full reimbursement of their costs.

Despite the time frame being tight and a thorough analysis of infringement, validity and the requirements for a preservation order being necessary, the Defendants have kept the costs down by using a small team of representatives, consisting only of one lawyer and one patent attorney. In addition to the costs for representatives, the Application has forced the Defendants to purchase additional hours from existing consultants that inter alia have conducted tests as well as obtained and prepared machines. The representatives have spent (80 + 44 =) 124 hours on the case, and the consultants have spent 28 hours on the case. This amounts to SEK 539 596 (excluding VAT), i.e. SEK 269 798 per Defendant (SEK 248 350 for representatives and SEK 21 448 for consultants), which is reasonable.

The requested amount is significantly lower than the ceiling for recoverable costs. Article 1(3) in the Administrative Committee's Decision on recoverable costs¹ cannot be understood as imposing a joint costs ceiling for all defendants, since this would lead to an unreasonable result. Representing and coordinating multiple clients naturally requires more effort, time, and costs than representing a single client. The work involved increases as legal counsel must analyse the specific circumstances of each party, coordinate with multiple clients, and ensure that each client's distinct legal and commercial interests are adequately represented. Moreover, a joint ceiling would effectively compel multiple

¹ Decision by the Administrative Committee of 24 April 2023 on the scale of recoverable costs.

defendants to use the same legal counsel, which is clearly unreasonable. Each defendant may have independent and potentially conflicting legal strategies, and it would be contrary to fundamental procedural rights to deprive them of the ability to obtain independent representation.

Should the Court, contrary to the Defendants' position, conclude that a joint cost ceiling should apply, the Defendants respectfully request that the cost ceiling be raised in this specific case. This request is justified by the Applicant's procedural conduct, the significant scope of work required to prepare the Defendants' response, and the complexity of the issues at hand.

The Applicant has agreed not to share Exhibits 17–19 with any third party and not to disclose any confidential information contained therein to third parties. On costs, the Applicant has requested that the combined costs awarded to the Defendants should fall within the very lower end on the range of EUR 0 to EUR 38 000, in accordance with the scale of ceiling for recoverable costs.

The Applicant's grounds and arguments can be summarised as follows.

- The Defendants base their request for legal costs, inter alia, on the claim that the Application would have been unnecessary if the Applicant had contacted the Defendants directly regarding the alleged infringement of EP 862. However, it follows from Article 60(5) UPCA that a patent holder is under no obligation to contact a potential infringer before submitting a request for preservation of evidence and inspection of premises. The Applicant also disputes the Defendants' assertion that the Applicant could have spared both parties the time and costs associated with these proceedings had the Applicant contacted the Defendants beforehand. In this case the Applicant had in fact contacted the Defendants before submitting the Application, with reference to its numerous intellectual property rights worldwide, and the Defendants had responded in a way that led the Applicant to the conclusion that the Defendants would not voluntarily provide the Applicant with any technical details regarding the EXPRO HUB.

The Defendants also dispute that the Applicant could have obtained the relevant information regarding the functionality of the EXPRO HUB by inspecting a copy of the product on the market, or by studying publicly available information. The Defendants' website provided limited information about the product and the Applicant was unaware of any copies of the EXPRO HUB being available in certain Scorett stores in Sweden. To the Applicant's knowledge, physical copies of the EXPRO HUB were not marketed on either the Defendants' or Scorett's websites or elsewhere. It was not communicated that EXPRO HUB was in use in certain Scorett stores in Sweden. The only physical sample the Applicant could reasonably identify was the one presented at Stockholm Fashion Week (mentioned in the application), but this product was not in operation when reviewed. It is also clear from the Defendants' own evidence that in-store use or operation of the EXPRO HUB would not have revealed the relevant technical features necessary for the Applicant to conduct an infringement assessment.

Thus, it is evident that only through these proceedings the Applicant was able to obtain the necessary insights into the relevant technical features of the EXPRO HUB, which ultimately

disconfirmed the Applicant's presumption that the EXPRO HUB infringes the Patent. Accordingly, the Application was grounded in the Applicant's legitimate legal interest.

Given the close corporate relationship between the Defendants and the Applicant's inability to ascertain which of the Defendants was engaged in the relevant activities, the Applicant decided to include both Defendants in the Application in order to preserve its legal interests.

Matters concerning requests for preservation of evidence and inspection of premises have a very low value per se, which is confirmed by the fact that the fixed Court fee is only EUR 350. In the request for the preservation of evidence, the Applicant stated that the value of the proceedings is under EUR 250 000, which was undisputed by the Defendants and should be accepted by the Court. Based on the Administrative Committee's scale of recoverable costs, this provides a ceiling of EUR 38 000. According to Article 1(3) of the Administrative Committee's decision, this ceiling applies "to each instance of the Court proceedings, regardless of the number of parties, claims, or patents concerned". The Applicant submits that the costs awarded to the Defendants should fall within the very lower end of the range of EUR 0 to EUR 38 000. The ceiling is only a safety net, i.e. an absolute cap and a safeguard against undue cost recovery. At the time of submitting the Application, the Applicant had no knowledge of any sales of the EXPRO HUB and according to the affidavit, the Defendants appear to have sold only a total of five copies of the EXPRO HUB. The primary purpose of the Application was to obtain technical details about the EXPRO HUB to determine whether it constituted an infringement of EP 862. Other sanctions, such as the possibility of obtaining an injunction, awarding compensation, etc. should not be considered when fixing the value of the matter. Furthermore, the matter was withdrawn after the exchange of only two documents (the request and the response), whereas the ceiling for recoverable costs is intended to cover a complete instance of proceedings. Finally, it should be noted that the Applicant provided the Defendants with an opportunity to explain the technical features of the EXPRO HUB before initiating these proceedings. However, the Defendants' response indicated a clear unwillingness to disclose such information. Instead, the Defendants expended significant resources providing the technical details in the course of these proceedings, which should not impose additional costs on the Applicant.

If the Court were to accept the Defendants' interpretation of Article 1(3), the Applicant asserts that it is highly unlikely that the actual costs incurred by Footbridge Group AB amount to SEK 269,798, as claimed by the Defendants. Only a very limited portion of the Defendants' response addresses Footbridge Group AB's lack of involvement in activities related to the EXPRO HUB. The Defendants' assertion that "Representing and coordinating multiple clients naturally requires more effort, time, and costs than representing a single client" appears to be irrelevant in this case, given the close corporate relationship between

the two Defendants and Footbridge Group AB's complete lack of involvement in the relevant activities.

GROUNDINGS FOR THE ORDER

Closure of the proceeding

The Applicant has withdrawn its application, and the Defendants have agreed to the withdrawal. Therefore, the proceedings shall be declared closed, and the decision shall be entered on the register.

Confidential information

The Defendants have explained that Exhibits 17-19 contain confidential information and requested the Court to restrict the Defendants' use of the information in Exhibit 17-19 to these proceedings and to prohibit the Applicant from sharing the information in Exhibit 17-19 with any third parties.

The Applicant has agreed not to share Exhibits 17–19 with any third party and not to disclose any confidential information contained therein to third parties.

The Court concludes that there are sufficient reasons for restricting the Defendants' use of the information in Exhibit 17-19 to these proceedings and to prohibit the Applicant from sharing the information in Exhibit 17-19 with any third parties. In the event of culpable breach of these restrictions, the Court may impose a penalty payment for each breach, to be determined having regard to the circumstances of each case.

Value of the proceeding

In its application, the Applicant has estimated the value of the proceeding to be under EUR 250 000. In the Court's case management system, the Applicant has entered the value EUR 249 000. The Applicant's estimation has not been challenged by the Defendants.

The Court accepts this estimation and sets the value of the proceeding to EUR 249 000.

Legal costs and other expenses

Since the Applicant has withdrawn its application, after being convinced that the Defendants does not infringe EP 862, the Applicant is the unsuccessful party in this proceeding and shall be ordered to reimburse the Defendants' reasonable and proportionate legal costs and other expenses, up to the ceiling set by the Administrative Committee (Article 69 UPCA and Rule 152.2 RoP).

In its decision of 24 April 2023, on the scale of recoverable cost ceilings, the Administrative Committee emphasizes that the ceiling on the recoverable representation costs is a safety net in the form of an absolute cap on recoverable representation costs applicable in every case, and which only may be raised in limited situations such as the complexity of the case. The decision also specifies, in its Article 1, that the ceilings of recoverable costs shall apply to representation costs (i.e. not other expenses) and that they shall apply "regardless of the number of parties, claims or patents concerned". For a proceeding where the value has been set up to and including EUR

250 000, the ceiling for recoverable costs is set at EUR 38 000. This ceiling only applies to representation costs, which means that reimbursement of other expenses may be added.

Since the value of the proceeding is set in relation to the whole proceeding (not in relation to each defendant) and the decision by the Administrative Committee clearly states the ceilings shall apply “regardless of the number of parties”, the Court concludes that this legal framework must be understood to mean that when an application against several defendants is dismissed, the ceiling serves as a joint ceiling for all defendants’ representation costs. The potential challenges mentioned by the Defendants can – if necessary – be taken into account when deciding whether an application to raise the ceiling shall be granted.

This case is not so complex that this can justify that the ceiling for recoverable representation costs is raised. Nor are there any other reasons justifying such a raise. This means that the absolute cap on the Defendants’ joint recoverable representation costs is EUR 38 000.

The Defendants have requested reimbursement of SEK 539 596 (excluding VAT), and they have specified that SEK 497 700 (about EUR 44 000) relates to counsel/representation while SEK 42 896 (about EUR 3 800) relates to other expenses (for consultants).

There is no reason to doubt that the Defendants have incurred these costs, and the costs as such have not been disputed by the Applicant. Nor is there any reason to doubt that the costs are divided equally between the Defendants. The Court can also understand that the Defendants have felt a strong need to defend themselves in this proceeding, since it potentially could result in an order forcing them to provide a competitor with confidential information. At the same time, it has to be taken into account that the application was withdrawn at an early stage.

For these reasons, the Court finds it reasonable and proportionate to award each Defendant a total amount of SEK 225 000, including expenses not covered by the ceiling.

ORDER

1. The Court declares these proceedings closed.
2. The decision on the closure of the proceedings to be entered on the register.
3. The value of the proceeding is set to EUR 249 000.
4. The Applicant may only use the information in Exhibit 17-19 in these proceedings and is prohibited from sharing the information in Exhibit 17-19 with any third parties. In the event of culpable breach of these restrictions, the Court may impose a penalty payment for each breach, to be determined having regard to the circumstances of each case.
5. The Applicant shall reimburse Brunngård Group AB for legal costs and other expenses in the amount of SEK 225 000.
6. The Applicant shall reimburse Footbridge Group AB for legal costs and other expenses in the amount of SEK 225 000.

Issued in Stockholm on 17 February 2025

Judge

Stefan Johansson

For the Deputy-Registrar

Johanna Mikkola Jäghammar
Clerk