

Order
of the Court of First Instance of the Unified Patent Court
issued on 3 December 2024
concerning EP 2 697 391

HEADNOTES:

1. Not only the claimant but also the defendant may be ordered to provide security for legal costs within the meaning of R. 158 RoP.
2. If the claimant requests such a security for legal costs to be provided by the defendant, the Court has to take into account that the claimant made a voluntary decision to litigate. This circumstance does have implications for the weighing of interests when exercising the discretion under Rule 158 RoP. In doing so, special care must be taken by the Court that the Defendant's right to a fair trial is protected and particularly that the Defendant is not denied the opportunity to present its case effectively before the Court.

KEYWORDS:

Security of costs; Art. 64 UPCA; R. 158 RoP; order against the defendant

CLAIMANT:

10x Genomics, Inc., 6230 Stoneridge Mall Road, 94588-3260 Pleasanton, CA, USA, legally represented by the Board of Directors, this represented by the CEO Serge Saxonov, *ibid*,

represented by: Attorney-at-law Prof. Dr. Tilman Müller-Stoy, Attorney-at-law Dr Martin Drews, Patent attorney Dr. Axel Berger, Prinzregentenplatz 7, 81675 Munich, Germany

electronic address for service: mueller-stoy@bardehle.de

DEFENDANT:

Curio Bioscience Inc., 4030 Fabian Way, Palo Alto, CA 94303, USA, represented by its CEO Stephen Fodor, *ibid*,

represented by: Attorney-at-law Agathe Michel-de Cazotte, European Patent Attorney Cameron Marschall, 1 Southampton Row WC1B 5HA London, United Kingdom,

electronic address for service: U010318UC@carpmaels.com

PATENT AT ISSUE:

European patent EP 2 697 391 B1

PANEL/DIVISION:

Panel of the Local Division in Düsseldorf ('LD').

DECIDING JUDGES:

This Order was made by the Presiding Judge Thomas acting as judge-rapporteur, the legally qualified judge Dr Thom and the legally qualified judge Kupecz.

LANGUAGE OF THE PROCEEDINGS: English

SUBJECT OF THE PROCEEDINGS: Patent infringement action – request for security of legal costs.

SUMMARY OF FACTS AND STATEMENT OF FORMS OF ORDER SOUGHT BY THE PARTIES:

The parties have already faced each other in summary proceedings before the LD (ACT_590953/2023, UPC_CFI_463/2023).

In the main proceedings, the Claimant has lodged an application for security for legal costs.

For the legal basis for its application, the Claimant refers to Art. 69(1), (4) of the Agreement on a Unified Patent Court ('UPCA') and Rule 158.1 of the Rules of Procedure of the Unified Patent Court ('RoP', 'UPC'), in accordance with which the Court may, again according to the Claimant, order the defendant – at any time during the proceedings – to provide adequate security. According to the

case law of the UPC, factors to be considered when deciding on a request for cost security are the financial position of the other party and the enforceability of a potential cost order by the UPC. The Claimant submits that both factors weigh in its favour.

The Claimant submits that the Defendant is not “good for the money”. According to the Claimant, there are considerable doubts whether the Defendant will still be in a position to bear the Claimant's legal costs and other expenses at the relevant time, given its own statements in the former preliminary injunction proceedings which the Defendant also introduced in the present proceedings. In this respect, the Claimant refers to the following submissions by the Defendant, part of which are confidential:

- “A preliminary injunction on its Kit would have a devastating effect on the company [...]” (CR-01, mn. 4.23).
- It is “[...]” (CR-02, no. 8).
- “Curio's investments in research and development in 2021, 2022, and 2023 [...]” (CR-02, no. 3).
- Curio has a single product line (CR-01, mn. 4.21).
- Curio is [...] (CR-01, mn. 4.22 seqq.; CR- 02, no. 6 seq.)
 - It is a [...] if the product line of a single product line company becomes unavailable.
 - “[...]”
- A single product line company “cannot mitigate the impact of a first instance preliminary injunction decision in a way a bigger company can and [...]” (CR-01, mn. 4.22).

The preliminary injunction materialized and the Claimant enforces it. The Claimant therefore suspects that the Defendant is in a highly instable financial situation.

The Claimant also brought forward that it assumes that it will be difficult to enforce a decision on cost reimbursement from the UPC since the Defendant is located in the US. No experiences exist for the enforcement of a UPC cost decision in the US. There is no international treaty in place with the USA that would allow the Claimant to enforce cost reimbursement based on a UPC decision. Even if the enforcement of UPC (cost) decisions should in principle be possible in the US according to US national procedures, there is undoubtedly an additional (procedural) burden and uncertainty on the Claimant seeking to enforce a UPC cost decision in the US.

On the basis of the foregoing, the Claimant requests:

- The Defendant be ordered to provide adequate security for the legal costs and other expenses incurred by the Claimant which the Defendant may be liable to bear within a period and in an amount to be determined by the court.
- A decision by default be given against Defendant if Defendant fails to provide adequate security within the time limit set by the Court.

The Defendant responded to the Claimant's request after having been given the opportunity to do so pursuant to Rule 158.2 RoP.

In its response, the Defendant argued that the Claimant's application is inadmissible. According to the Defendant, there is no legal basis for the ordering of security for costs against the Defendant in the UPCA. Art 69(4) UCPA gives the defendant the possibility of security for costs not the claimant. The reference to "party" in Rule 158.1 RoP must be interpreted to be restricted to ensure consistency with Art 69(4) UPCA. Otherwise, the RoP would be giving power to the Court to grant remedies not provided for in the UCPA in violation of Art 24(1) and Art 56(1) UPCA. A claimant in the UPC cannot request a security for costs. This asymmetry can be understood in the difference that exists between the position of a claimant, who has made a voluntary decision to litigate, and a defendant, who has not chosen to be involved in litigation. The Defendant furthermore points out that this is consistent with approach in Germany and England.

Further, according to the Defendant, the mere fact that Curio is a US company is of no relevance. The factor may be relevant if it can be demonstrated that there are circumstances that would make enforcement in the US difficult. However, the Claimant has not even submitted that such circumstances are present in this case. Indeed, there are no circumstances that would make recognition and enforcement of a UPC decision in the US difficult in this case.

In any event, the Defendant argues that the Court cannot make an order for security for costs as the value of the action is disputed.

Furthermore, and in any event, any order must take into account the costs of the Application for change of language of proceedings and the withdrawal of 10x's appeal of the order in the Application for provisional measures, which must be awarded to Curio (UPC_CoA_101/2024, APL_12116/2024 dated 17 April 2024; UPC_CoA_234/2024, APL_27805/2024 dated 5 July 2024).

Defendant finally requests, in the event that the Court orders security for costs, that leave be given to appeal; and that any order for the provision of security for costs is such that the provision of security is only to be made after a decision by the Court of Appeal.

On the basis of the foregoing, the Defendant requests that the Court:

- rejects 10x's request for security for costs;

alternatively,

- gives leave to appeal pursuant to Rule 220.2 RoP; and

orders that the provision of security for costs is to be made within six weeks of the date of service of any decision by the Court of Appeal to uphold the order.

Further facts and arguments brought forward by the parties will, to the extent relevant, be discussed in the grounds below.

GROUNDS OF THE ORDER:

The Claimant's application is admissible and well-founded.

1.

The present Application is admissible as the requirements of Art. 69(4) UPCA and Rule 158 RoP

have been met.

a)

As a most far-reaching ground for inadmissibility, the Claimant argues that on the basis of Art. 69(4) UPCA, a security may only be ordered against a claimant and not against a defendant in UPC proceedings. The reference to “party” in Rule 158.1 RoP must, according to the Claimant, be interpreted to be restricted to ensure consistency with Art 69(4) UPCA.

In accordance with Art. 69(4) UPCA, at the request of the defendant, the Court may 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. Pursuant to Rule 158.1 RoP, at any time during proceedings, following a reasoned request by one party, the Court may order the other party to provide adequate security for the legal costs and other expenses incurred and/or to be incurred by the requesting party, which the other party may be liable to bear.

The LD held in its order dated 30 April 2024, UPC_CFI_463/2023, ACT_590953/2023, p. 39, sec. b in relation to whether a claimant can request security for costs against a defendant:

“Unlike Art. 69(4) UPCA, the Rules of Procedure therefore provide that the request to provide security may be made not only by the Defendant in the main action, but also by “a party” and thus also by the Claimant. Even if the Rules of Procedure must be in accordance with the UPCA according to Art. 41(1)(2) UPCA, this is not a case of conflict requiring precedence of the Agreement. If the Agreement does not exclude a specific provision, the Rules of Procedure may make additional provisions (cf. also Kiefer in: BeckOK Patentrecht, 31st edition as of 15 July 2023, Art. 69 UPCA para. 59; contra: Tilman/Plassmann, Einheitspatent, Einheitliches Patentgericht, Rule 158 para. 3). Such a case arises under Art. 69(4) UPCA in conjunction with Rule 158 et seq. RoP. While the Agreement only envisages the Claimant providing security for the Defendant’s legal costs, R. 158 RoP extends the scope of recipients of such an order to “the parties”, thereby including the Defendant. Additionally, R. 159 RoP provides for the possibility of ordering security for costs of the court as a supplementary measure.” (In the end the LD did not decide on the merits of the Claimant’s request to provide security because the LD held that Rule 158 et seq. did not apply in urgent proceedings.)

The LD adopts its above interpretation of the provisions on security for legal costs also in the present case.

The wording of Rule 158 RoP is clear in that the Court “at the request of one party” may order “the other party to provide...adequate security for legal costs and other expenses” (underline LD). Rule 158 RoP does not distinguish between a claimant and a defendant and thus includes the defendant as “a party”.

Contrary to the Defendant’s position, this does not mean that Rule 158 RoP is in conflict with the UPCA. The power to order the provision of adequate security for legal costs is based on Article 69(4) UPCA. From the ordinary meaning of the wording of Article 69(4) it follows that ordering a defendant to provide security for legal costs at the request of a claimant is not excluded. Article 69(4) UPCA provides a minimum norm as to the circumstances in which this remedy must be available (see the wording “in particular” in Art. 69(4) UPCA). Reading Art. 69(4) UPCA in the context of Art. 69 UPCA as a whole (cf. Court of Appeal (‘CoA’) order of 12 November 2024 in case CoA_489/2023, AIM/SUPPONOR, par. 11) confirms this interpretation. Article 69 UPCA deals with

legal costs and distinguishes between the “successful party” and the “unsuccessful party” without mentioning the status of a party as “claimant”, “defendant” (or otherwise). It follows that Article 69(4) UPCA is not limited to the specific circumstances – or parties – mentioned. This interpretation of the provision, as not being limited to providing security only to the defendant in UPC proceedings, is also supported by the object and purpose of Article 69(4) UPCA. The UPCA, as stated in its Preamble, aims to improve the enforcement of patents *and* the defence against unfounded claims and the UPC is devised to strike a *fair balance* between the interests of right holders *and* other parties. It would at odds with these objectives to interpret Art. 69(4) UPCA as restricting the party who can request a security to only a party having the procedural status of defendant.

Moreover, imposing a security is a precautionary measure to safeguard the right to – as a general rule – have the unsuccessful party bear the reasonable and proportionate legal costs of the successful party (laid down in Article 69(1) UPCA). This provision – which stems from Article 14 of Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights (‘Enforcement Directive’) – does not distinguish between a claimant and a defendant. The objective of the Enforcement Directive is to approximate legislative systems within the Union so as to ensure a high, equivalent, and homogeneous level of protection for IP rights holders in the internal market (see e.g. recital 10 of the Enforcement Directive). The rights of the claimant IP right holder thus deserve protection (cf. LD The Hague order of 13 February 2024 in case UPC_CFI_239/2023). This includes the right to effectively secure a potential claim for reimbursement of litigation costs.

It follows from the above that there is no conflict between Rule 158 RoP, in accordance with which a security may be imposed on a “party”, which includes a defendant, and the UPCA. In particular, there is no conflict with Article 69(4) UPCA, which does not exclude imposing a security on a defendant, and there is also no conflict with Article 56(1) UPCA as Article 69(4) provides the legal basis for a security, which may also be ordered against a defendant. In other words, the RoP comply with the UPCA (cf. Article 41(1) UPCA). Accordingly, the Defendant’s interpretation, on which its admissibility objections are based, is dismissed.

b)

The Court has no other concerns in relation to the admissibility of the Claimant’s request. In particular, the power to order a security to be provided is not dependent on a (preceding) decision on the value of the proceedings. Rule 158.1 RoP, first sentence, makes it clear that the provision of a security may be ordered “at any time during proceedings”, whereas the value of the proceedings is typically determined during the interim procedure (cf. Rule 104(i) RoP). The fact that (some) other (UPC Member) States have enacted different rules in relation to security for costs is no reason to come to a different conclusion on the interpretation of the relevant provisions of the UPCA and the RoP.

2.

The admissible request is also well-founded.

a)

The Court has the discretion to order a security for legal costs and other expenses. In accordance with the case law of the UPC (see CoA, order of 17 September 2024 in case UPC_CoA_217/2024, *Audi/NST*), the Court, when exercising its discretion under Art. 69(4) UPCA and Rule 158 RoP, must determine, in the light of the facts and arguments brought forward by the parties, whether the financial position of the claimant 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 UPC

may not, or in an unduly burdensome way, be enforceable. The burden of substantiation and proof why an order for security for costs is appropriate in a particular case is on the defendant making such a request, but that – 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. It is for the claimant to argue that and why a security order would unduly interfere with its right to an effective remedy (see also CoA, order of 29 November 2024 in case UPC_CoA_548/2024, *Arke/SodaStream*).

The above principles apply *mutatis mutandis* to the situation, as in the present case, wherein the claimant is the party requesting the security order. However, the Court also recognises that imposing a security for legal costs typically serves to protect the position and (potential) rights of a defendant, who has not chosen to commence the main proceedings (see LD Munich, order of 23 April 2024 in case UPC_CFI_514/2024, LD The Hague order of 13 February 2024 in case UPC_CFI_239/2023, CD Munich order of 30 October 2023 in case UPC_CFI_252/2023). A claimant, on the other hand, has made a voluntary decision to litigate. This “asymmetry”, as it was referred to by the Defendant, does not render the request from the Claimant inadmissible (see above), but does have implications for the weighing of interests when exercising the discretion under Rule 158 RoP. In doing so, special care must be taken by the Court that the Defendant’s right to a fair trial is protected (Article 47 of the Charter of Fundamental Rights of the European Union, referred to in the preamble of the UPCA), and particularly that the Defendant is not denied the opportunity to present its case effectively before the Court (CoA order of 26 August, 2024 in case UPC_CoA_328/2024, par. 35 and case law of the European Court of Justice cited therein).

b)

Applying the above principles to the case at hand, the Claimant’s interests in obtaining a security outweigh the interests of the Defendant in view of the facts and arguments brought forward by the parties, also when special care is taken to protect the Defendant’s procedural rights.

The Claimant has argued in a substantiated way, by referring to statements made by the Defendant itself in the preliminary injunction proceedings between the parties, that there are considerable doubts whether the Defendant will still be in a position to bear the Claimant's legal costs and other expenses at the relevant time. The Defendant has not contested these assertions in any way. They shall therefore be held as true (cf. Rule 171.2 RoP). The Defendant has furthermore not argued that its right to a fair trial and its opportunity to present its case effectively would be jeopardized by a security order, and that such would be the case is also not apparent to the Court. In view of the facts and circumstances of the case, it was for the Defendant to argue that and why a security order would unduly interfere with its procedural rights.

Based on the above, the Defendant is ordered to provide adequate security for legal costs and other expenses to the Claimant.

c)

As to the amount of security that is deemed adequate, the Claimant – deferring to the Court – refers to the table of ceilings for reimbursable costs depending on the value in dispute set up by the Administrative Committee of the UPC on 24 April 2023 as D-AC/10/24042023_D (annex). According to this table, the corresponding security for the proposed value in dispute of EUR 3.0 million would be EUR 400,000. The Defendant has disputed the value of the action with reference to its Statement of Defence and did not make any further observations. In the SoD, the value of the action as proposed by the Defendant is EUR 60,000 at the very maximum. The Court notes that the corresponding ceiling for recoverable costs would be EUR 38,000.

The Court finds it fair, reasonable and proportionate to order the Defendant to provide a security to the amount of EUR 200,000. As brought forward by the Defendant, the value of the dispute, at this stage of the proceedings has not yet been set and parties are divided on this. Moreover, the table as drawn up by the AC relates to a ceiling for recoverable costs, i.e. the maximum amount of costs recoverable. Apart from the fact that the successful party will not necessarily be ordered to cover 100% of legal costs (which is how the Court understands the Defendant's submission that certain costs must be awarded to the Defendant), Article 69 UPCA contains a number of additional safeguards, e.g. "reasonable and proportionate" and "equity" that might lower a possible cost order. The Claimant has not provided information as to the actual costs it has already incurred or expects to incur which are directly related to the present revocation action and whether these costs are (*prima facie*) reasonable and proportionate. In the absence of such information, an amount of EUR 200,000 is deemed to be adequate security. The Court notes that, should an additional security be required at some point in time in view of the actual costs (to be) incurred in these proceedings, the Defendant can request an additional security "at any time during the proceedings" (Rule 158.1 RoP).

The security may be provided by the Claimant in the form of a deposit on the UPC account dedicated for security deposits (details to be found on the UPC website) or by a bank guarantee provided by a bank licensed in the European Union. The Defendant may choose which form of security it prefers to provide.

As to the time period, the Defendant has to provide security within four weeks of the date of service of the present order. This period is deemed sufficiently long to make the necessary arrangements for the Defendant on the one hand and on the other hand should give the Claimant the security it is entitled to within a reasonable time, also taking into account the stage of the present proceedings. The Court rejects the Defendant's (auxiliary) request to order security to be provided within six weeks of the date of service of any decision by the Court of Appeal to uphold the order. The delay that would cause interferes unduly with the Claimant's legitimate interest in obtaining a security in view of all the facts and circumstances discussed above.

The Court rejects the request for a decision by default against Claimant if Claimant fails to provide adequate security within the time limit set by the Court. This request is at present unfounded and premature. The time limit for providing the security is only set by this order. Consequently, the Claimant cannot, by its very nature, be in default at present (cf. LD Munich order dated 26 November 2024 in case UPC_CFI_437/2024, CD Munich order dated 30 October 2023 in case 252/2023). If and when a situation were to arise in which such a decision could be an appropriate remedy, a request may be made pursuant to Rule 158.5 in connection with Rule 355 RoP. The Claimant is hereby informed of this possibility as required by Rule 158.4 RoP (also see below).

Leave to appeal is granted, as requested by the Defendant, with a view to ensuring a consistent application and interpretation of the RoP (Preamble RoP, no. 8).

ORDER:

For these grounds, having heard the parties on all aspects of relevance for the following order, the Court:

- Orders the Defendant to provide security for legal costs and other expenses to the Claimant in an amount of EUR 200,000 (two hundred thousand euro) either by way

of deposit on the UPC account dedicated for security deposits, alternatively by way of bank guarantee issued by a bank licensed in the European Union within four weeks from the date of service of this order;

- Rejects the request for a decision by default to be given against claimant if claimant fails to provide adequate security within the time limit set by the Court;
- Grants leave to appeal;
- Rejects all other requests.

DETAILS OF THE ORDER:

App_ 48598/2024 related to the main proceedings ACT_15774/2024.

UPC-Number: UPC_CFI_140/2024

Subject of the Proceedings: Infringement action / request for security Rule 158.1 RoP.

INFORMATION ON APPEAL

Leave to appeal is granted. The present Order may be appealed within 15 days of service of this Order which shall be regarded as the Court's decision to that effect (Art. 73(2)(b)(ii) UPCA, Rule 220.2, 224.1(b) RoP).

INFORMATION UPON SPECIFYING THE TIME LIMIT

Pursuant to Rule 158.4 RoP the Claimant is informed that if it fails to provide the aforementioned security within the time stated (four weeks of the date of service of this order) a decision by default may be given upon request, in accordance with Rule 355 RoP.

Issued in Düsseldorf on 3 December 2024

Names and Signature

Presiding Judge Thomas	
Legally Qualified Judge Dr Thom	
Legally Qualified Judge Kupecz	