



Reference numbers:
APL_83/2024
UPC_CoA_2/2024

Order
of the Court of Appeal of the Unified Patent Court
issued on 4 October 2024

HEADNOTE

1. Which party is the successful party within the meaning of Art. 69(1) UPCA in the context of a disposal of an action following a cease-and-desist undertaking by the defendant must be determined on the basis of the specific characteristics of the case and in particular the requests of the parties and the content of the undertaking. If, after the commencement of the proceedings, the defendant undertakes to comply with the claimant's requests, it is generally not necessary to examine the admissibility and the merits of the case at the point of time of the undertaking in order to determine which party is the successful party. The undertaking itself implies that the claimant's requests have been fulfilled. This means that, as a general rule, the claimant must be considered the successful party.

KEYWORDS

Appeal; Legal costs; Disposal of action following a cease-and-desist undertaking by the defendant

APPELLANTS (DEFENDANTS IN THE PROCEEDINGS BEFORE THE COURT OF FIRST INSTANCE)

1. **MERIL GMBH**
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2. **MERIL LIFE SCIENCES PVT LTD.**
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Gujarat, India

hereinafter: Meril,

represented by attorneys-at-law Dr. Andreas von Falck, Dr. Roman Würtenberger and Beatrice Wilden (Hogan Lovells International LLP)

RESPONDENT (APPLICANT IN THE PROCEEDINGS BEFORE THE COURT OF FIRST INSTANCE)

EDWARDS LIFESCIENCES CORPORATION

1 Edwards Way, 92614 Irvine, California, USA

hereinafter: Edwards,

represented by attorneys-at-law Boris Kreye and Anika Boche (Bird & Bird)

PATENT AT ISSUE

EP 3 763 331

PANEL AND DECIDING JUDGES

First panel

Klaus Grabinski, President of the Court of Appeal

Peter Blok, Legally qualified judge and judge-rapporteur

Emanuela Germano, Legally qualified Judge

Bernard Ledebøer, Technically qualified judge

Stefan Wilhelm, Technically qualified judge

LANGUAGE OF THE PROCEEDINGS

German

IMPUGNED ORDER OF THE COURT OF FIRST INSTANCE

- Order of the Court of First Instance of the Unified Patent Court, Munich local division, dated 19 December 2023
- Reference numbers attributed by the Court of First Instance:
 - UPC_CFI_249/2023
 - ACT_550921/2023
 - ORD_577734/2023

FACTS AND REQUESTS OF THE PARTIES

1. On 19 June 2023, Edwards issued a warning letter to Meril for infringement of European patent 3 763 331 relating to a crimping device for crimping stent-based valve prostheses, in particular heart valve prostheses (hereinafter: the patent at issue). By letter dated 30 June 2023, Edwards informed Meril that the request for the grant of unitary effect for the patent at issue had been withdrawn and that the patent at issue would now be enforced as a conventional European patent.
2. Meril responded by letter of 13 July 2023, arguing inter alia that their products are not within the scope of protection of the patent at issue and that the patent is not valid.
3. On 18 July 2023, Edwards applied for provisional measures at the Munich Local Division of the

Court of First Instance of the Unified Patent Court. Meril filed an objection on 25 August 2023, with 107 pages of written submissions and 49 annexes. The judge-rapporteur gave the parties the opportunity to submit additional written pleadings and set the date for the oral hearing at 10 October 2023. In a written pleading dated 11 September 2023, Edwards replied to the objection with 69 pages of written submissions and 5 annexes.

4. On 25 September 2023, Meril sent Edwards a cease-and-desist undertaking. Edwards accepted this undertaking in a written statement dated 29 September 2023.
5. On 25 September 2023, Meril also filed a written statement in the pending proceedings, arguing that the action had become devoid of purpose in view of its cease-and-desist undertaking.
6. During a video conference held on 2 October 2023, both parties agreed that there was no longer any need to adjudicate on the action within the meaning of R. 360 of the Rules of Procedure of the Unified Patent Court (hereinafter: RoP) and that an oral hearing was no longer necessary. However, the parties continued to disagree on the question of who should bear the costs. The hearing on 10 October 2023 was annulled by order of the presiding judge (and judge-rapporteur) on 2 October 2023 and the question of who was to bear the costs was referred to the full panel for a decision.
7. By the impugned order, the Court of First Instance:
 - I. determined that, as Meril had submitted a cease-and-desist undertaking on 25 September 2023, the application for provisional measures had become devoid of purpose and that thus there was no longer any need adjudicate on it,
 - II. disposed of the action for provisional measures,
 - III. ordered that Meril bear the costs of the dispute as well as the other costs of Edwards up to a maximum of €200,000,
 - IV. rejected Edwards' other requests as currently premature and Meril's requests as unfounded,
 - V. set the value of the action at €1,500,000, and
 - VI. granted leave to appeal.

The reasoning of the Court of First Instance can be summarised as follows:

- That the action has become devoid of purpose and that there is no longer any need to adjudicate on it is the result of exceptional circumstances, namely the settlement of the legal dispute following the cease-and-desist undertaking by Meril and its acceptance by Edwards;
- Under the circumstances of the present proceedings, it would be inequitable to order Edwards to bear the costs. Meril submitted the cease-and-desist undertaking 'without acknowledgement of a legal obligation'. However, this does not mean that the fact that they have in fact put themselves in the position of the unsuccessful party and the point in time at which this occurred must be disregarded. On the contrary, these two circumstances must be taken into account;
- Irrespective of whether the applicant's application was fully admissible and well-founded, Meril could have submitted the cease-and-desist undertaking in a much more cost-effective manner within the time limit set in the pre-litigation warning letter;
- It is therefore fair that Meril be ordered to pay the entire costs, regardless of the likelihood of success of the application for interim measures.

8. Meril brought an appeal against the impugned order, requesting that the Court of Appeal:
 - I. revoke item III. of the impugned order and order Edwards to pay the costs of the proceedings before the Court of First Instance, including the costs incurred by and in connection with the filing of protective letters relating to the patent at issue, on the understanding that the recoverable costs of representation are limited to an amount of

€200,000,

- II. order the suspensive effect of the appeal against the aforementioned item III. of the impugned order without delay,
- III. order Edwards to pay the costs of the appeal proceedings.

9. Meril's grounds of appeal can be summarised as follows:

- The Court of First Instance applied Art. 69 of the Agreement on a Unified Patent Court (hereinafter: UPCA) incorrectly. The article requires that the Court take the degree of success and failure into account when allocating costs. The Court, however, disregarded the prospect of success of Edward's application for provisional measures;
- The Court of First Instance incorrectly held that settlement of the case following Meril's cease-and-desist undertaking is an exceptional circumstance within the meaning of Art. 69(2) UPCA;
- In any case, the Court of First Instance failed to exercise the discretion granted to it under Art. 69 UPCA correctly, because it did not take into account all relevant facts, used incorrect assumptions, based its order on irrelevant considerations, restricted Meril's right to a fair trial disproportionately and disregarded the fact that Edward's claims were dismissed in part;
- The Court of First Instance violated Meril's right to be heard by ignoring some of Meril's submissions;
- The facts of the case justify that the Court order Edwards to pay the costs of the proceedings, in particular because the patent at issue is not infringed, the patent at issue is not valid, there is no urgency and Edwards has no legitimate interest in a provisional injunction. Allocation of costs on an equitable basis does not justify a different outcome.
- Meril has not caused any unnecessary costs within the meaning of Art. 69(3) UPCA.

10. In addition, Meril again lodged a request to grant suspensive effect to their appeal against the Order of the Court of First Instance (APL_100/2024, UPC_CoA_4/2024). The Court of Appeal rejected this request by an Order dated 18 January 2024.

11. Edwards requests that the Court of Appeal:

- I. reject the appeal;
- II. order Meril to bear the costs of the appeal proceedings.

12. Edward's response to the grounds of appeal can be summarised as follows:

- In view of the broad discretion the Court has in the context of the allocation of costs, the Court of Appeal can only set aside the Court of First Instance's order if it is evidently erroneous. The order is not erroneous and certainly not evidently erroneous;
- The Court of First Instance rightly held that the disposal of an action pursuant to R. 360 RoP is an exceptional circumstance within the meaning of Art. 69(2) UPCA; Thus, Art. 69(1) UPCA is not applicable in this case;
- Under Art. 69(2) UPCA, Meril must bear the costs of the proceedings, since Meril has caused unnecessary costs for the Court and Edwards by submitting the cease-and-desist undertaking after the start of the proceedings;
- Also under Art. 69(1) UPCA, Meril must bear the costs of the proceedings, since Edwards is the successful party within the meaning of that provision. Through Meril's cease-and-desist undertaking Edwards obtained what it sought in the application for provisional measures;
- There is no need to decide on the merits of the application, but the merits do justify the order that Meril must bear the costs of the proceedings;
- In any event, Meril must bear the costs pursuant to Art. 69(3) UPCA, since it caused unnecessary costs.

Principles for the allocation of the costs of the proceedings in the context of a disposal of an action

13. As a general rule, the unsuccessful party must bear the reasonable and proportionate legal costs and other expenses incurred by the successful party (Art. 69(1) UPCA). 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). However, the disposal of an action pursuant to R. 360 RoP does not necessarily preclude the application of the general rule.
14. Which party is the successful party within the meaning of Art. 69(1) UPCA in the context of a disposal of an action following a cease-and-desist undertaking by the defendant must be determined on the basis of the specific characteristics of the case and in particular the requests of the parties and the content of the undertaking. If, after the commencement of the proceedings, the defendant undertakes to comply with the claimant's requests, it is generally not necessary to examine the admissibility and the merits of the case at the point of time of the undertaking in order to determine which party is the successful party. The undertaking itself implies that the claimant's requests have been fulfilled. This means that, as a general rule, the claimant must be considered the successful party.
15. 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.
16. Meril's observation that in this context the German language version of R. 360 RoP uses the term "*abweisen*" does not lead to a different interpretation. The use of this term is not sufficient to conclude that the legislator intended to provide that the defendant is always the successful party within the meaning of Art. 69(1) UPCA when an action is concluded pursuant to R. 360 RoP. That the defendant is not necessarily the successful party is confirmed by the fact that other language versions use more neutral terms (the English and French version use "*dispose of the action*" and "*mettre fin à l'instance*").
17. This interpretation of Art. 69(1) UPCA in conjunction with R. 360 RoP is consistent with Art. 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 (hereinafter: Directive 2004/48). Art. 14 of Directive 2004/48 also provides, as a general rule, that the unsuccessful party must bear the reasonable and proportionate legal costs and other expenses incurred by the successful party.
18. The Court of Justice of the European Union (hereinafter: CJEU) held that this provision aims to strengthen the level of protection of intellectual property, by avoiding the situation in which an injured party is deterred from bringing legal proceedings in order to protect their rights (CJEU 16 July 2015, C-681/13, EU:C:2015:471, *Diageo Brands*, paragraph 77 and the case-law cited therein). Right-holders may be dissuaded from bringing legal proceedings to protect their rights, if they have to bear the costs of the proceedings when the purpose of the action is achieved by an undertaking of the defendant rather than by an order of the Court. The Court of Appeal's interpretation of Art. 69(1) UPCA thus promotes the specific aim of Art. 14 of Directive 2004/48.
19. The CJEU also ruled that Art. 14 of Directive 2004/48 must be interpreted in the light of Art. 3 of

the directive, which stipulates, inter alia, that the procedures laid down by the Member States must not be unnecessarily complicated and costly. The Court of Appeal's interpretation of Art. 69(1) UPCA and Art. 14 of Directive 2004/48 is consistent with this general obligation. It ensures that the Court can decide on the obligation to bear legal costs without having to examine the merits of the case, which in patent cases may require a complicated and costly procedure.

20. The interpretation is also in line with recital 17 of Directive 2004/48, which provides that the measures, procedures and remedies set out in the directive should be determined in each case in such a manner as to take due account of the specific characteristics of that case. The fact that the defendant has undertaken to comply with the claimant's requests is a characteristic of the case that is very relevant to the determination of the successful party. In addition, the Court may take into account the other characteristics of the case when assessing whether the case at hand constitutes an exception to i) the general rule under which a defendant who submits a cease-and-desist undertaking after the commencement of infringement proceedings is the unsuccessful party, and ii) the general rule of Art. 69(1) UPCA and Art. 14 of Directive 2004/48, under which the unsuccessful party has to bear the costs of the proceedings.
21. The interpretation of Art. 69(1) UPCA and Art. 14 of Directive 2004/48 does not conflict with the defendant's right to an effective remedy and to a fair trial as guaranteed by Art. 47 of the Charter of Fundamental Rights of the European Union (hereinafter: the Charter). The defendant is free to not submit the undertaking, and have the case decided by the Court, or to make the undertaking conditional on the claimant's acceptance to bear the costs of the proceedings. To the extent that the defendant's right is limited in these circumstances, the limitation is necessary to protect the claimant's fundamental right to an effective remedy (Art. 47 and 52(1) of the Charter). In this context, the Court of Appeal reiterates the deterrent effect that the absence of an award of costs may have on the claimant.
22. For all these reasons, there is no reasonable doubt that the Court of Appeal's interpretation of Art. 69(1) UPCA is in conformity with Art. 14 of Directive 2004/48. The Court of Appeal will therefore not refer a question to the CJEU.

Allocation of costs in this case

23. In the light of the principles set out above, Meril rightly challenges the finding of the Court of First Instance that the disposal of the action pursuant to R. 360 RoP constitutes an exceptional circumstance within the meaning of Art. 69(2) UPCA. The disposal of the action in the present case does not preclude the application of the general rule of Art. 69(1) UPCA, according to which the unsuccessful party must bear the costs of the proceedings.
24. However, Edwards rightly submits that Meril must be regarded as the unsuccessful party within the meaning of Art. 69(1) UPCA. Through Meril's cease-and-desist undertaking, Edwards achieved the main purpose of its action for provisional measures, namely that Meril cease marketing products which Edwards considers to be covered by the patent at issue. Meril thus effectively placed itself in the position of the unsuccessful party. Meril's assertion that its actions were motivated solely by business considerations and that it did not acknowledge any infringement in its undertaking does not alter this.
25. The fact that Meril expressly did not accept any obligation to bear the costs of the proceedings does not lead to a different assessment either. Meril's obligation to bear the costs follows from Art. 69(1) UPCA. It is not based on an undertaking to pay the costs.

26. Meril's argument that, on the merits, it is the successful party within the meaning of Art. 69(1) UPCA must fail. As the Court of Appeal has pointed out above, the fact that Meril undertook to comply with Edwards' requests renders Edwards the successful party. In view thereof, there is generally no need to decide on the merits of the application.
27. Meril failed to demonstrate that an exception to this general rule should apply in the present case. Meril argued that it would be unacceptable for a defendant to have to bear the costs where the application was manifestly inadmissible or unfounded. It can be left open whether that is sufficient for an exception to the general rule, since Meril failed to show that the application in the present case was manifestly inadmissible or unfounded. It argued that there were grounds for refusing the application, but did not argue that the application was manifestly unfounded. In addition, in the opinion of the Court of Appeal, the application was not manifestly inadmissible or unfounded in view of the extensive substantiation of the application provided by Edwards.
28. Meril's argument that Edwards is at least partially unsuccessful, because the Court of First Instance dismissed part of Edwards' request, must also fail. The Court of First Instance merely dismissed the request for an order to pay the costs of the proceedings up to a specific amount, since Edwards had not requested a specific amount. In view of the limited nature of that issue in relation to the dispute as a whole and the discretion enjoyed by the Court of First Instance in its decision on costs, the partial rejection of Edwards' request does not constitute a ground for setting aside the decision of the Court of First Instance.
29. Meril has not argued that, if the Court of Appeal were to find that Meril is the unsuccessful party, equity would require costs to be awarded against Edwards (Art. 69(1) last part of the sentence UPCA). Nor is it apparent that the circumstances of the case argue in favour of an award of costs against Edwards on equitable grounds. As the Court of Appeal set out in paragraph 15 above, grounds of equity may require that the claimant bear the costs where, in short, the claimant caused unnecessary costs by bringing proceedings against a defendant which did not give cause for action. In this case, however, the defendant did give cause. Edwards sent Meril a warning letter prior to the proceedings. In response, Meril did not submit a cease-and-desist undertaking, but sent a reply in which it pleaded non-infringement and invalidity of the patent at issue. Even after Edwards brought the proceedings, Meril did not immediately submit the undertaking. Instead, Meril filed an objection in which it raised numerous arguments against Edwards' application, thereby forcing Edwards to file a statement of reply. It was only after Edwards had submitted its reply that Meril submitted the undertaking.
30. There is no need to decide on Meril's complaints against the Court of First Instance's finding that Meril caused unnecessary costs by not submitting the cease-and-desist undertaking before the start of the proceedings. The Court of Appeal's decision on the obligation to bear the costs is based on its finding that Meril is the unsuccessful party, not on a failure to submit the undertaking at an earlier stage.

Conclusion

31. The appeal must be rejected. As the unsuccessful party, Meril must bear the costs of the appeal proceedings.
32. Since the appeal concerns only the decision on the obligation to bear the costs of the proceedings up to a maximum of € 200,000, the value of the action before the Court of Appeal is € 200,000.

ORDER

- The appeal is rejected.
- Meril is to bear the costs of the appeal proceedings.
- The value of the action before the Court of Appeal is set at € 200,000.

This order was issued on 4 October 2024.

Klaus Grabinski President of the Court of Appeal	
Peter Blok Legally qualified judge and judge-rapporteur	
Emanuela Germano Legally qualified judge	
Bernard Ledeboer Technically qualified judge	
Stefan Wilhelm Technically qualified judge	