

Act. no. 597693/2023

UPC CFI no. 515/2023

App. no. 11795/2024 - 11861/2024 - 11863/2024 - 12104/2024 - 12111/2024



ACT. NO. 597693/2023

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ORDER
OF THE COURT OF FIRST INSTANCE OF THE UNIFIED PATENT COURT
LOCAL DIVISION IN MUNICH

issued on 8 May 2024

concerning the preliminary objections and
requests pursuant to rule 361 RoP
no. 11795/2024, no. 11861/2024, no. 11863/2024
no. 12104/2024 and no. 12111/2024

KEYWORDS: preliminary objection rule 19 RoP, request rule 361 RoP, withdrawal of opt out rule 5 RoP, infringement read.

APPLICANTS

VOLKSWAGEN AG

Berliner Ring 2, 38440 Wolfsburg, Germany - represented by Jan Patrick Bösing

AUDI AG

Auto-Union-Straße 1, 85057 Ingolstadt, Germany - represented by Jan Patrick Bösing

TEXAS INSTRUMENTS INCORPORATED

12500 TI Blvd, Dallas, Texas 75243, United States of America - represented by Klaus Haft

TEXAS INSTRUMENTS DEUTSCHLAND GMBH

Haggertystraße 1, 85356 Freising, Germany - represented by Klaus Haft

RESPONDENT

NETWORK SYSTEM TECHNOLOGIES LLC

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533 Congress Street, Portland, ME 04101, Unites States of America - represented by Thomas Gniadek

PATENT AT ISSUE

EP 1 552 399 B1 (*integrated circuit and method for establishing transactions*)

DIVISION

Local Division in Munich

DECIDING JUDGES

This order has been issued by the Court sitting in the following panel:

- Matthias ZIGANN presiding judge and judge-rapporteur
- Tobias PICHLMAIER legally qualified judge
- Pierluigi PERROTTI legally qualified judge

LANGUAGE OF PROCEEDINGS

English

SUMMARY OF FACTS AND PROCEDURE

1. On 4.3.2024 Volkswagen AG and Audi AG filed two separate and identical preliminary objections (App. no. 11861/2024 and App. no. 11863/2024) requesting that, pursuant to rule 19 RoP:

1. the infringement action is dismissed as inadmissible;
2. in the alternative to 1., the infringement action is dismissed as inconclusive;
3. in the alternative to 2., the infringement action is dismissed
 - (i) with regard to infringing actions between 19.9.2007 and 24.6.2022 as manifestly unfounded;
 - (ii) with regard to all allegedly “infringing embodiments” (as defined in the statement of claim) except the *DRA79x SoC* as manifestly unfounded;

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(iii) with regard to damages that arose in the United Kingdom resulting from the infringement of EP'669 in the territories of the French Republic and/or the Federal Republic of Germany as inadmissible.

On 4.3.2024 also Texas Instruments Incorporated and Texas Instruments Deutschland GmbH (hereafter TI and TID) lodged a preliminary objection (App. no 11795/2024) requesting that, pursuant to rule 19 RoP:

A. as a main request

- I. to decline jurisdiction of the UPC for motion III (damages) of the Claimant against TI and consequently dismiss this motion against TI;
- II. to hold that the UPC has no international jurisdiction to rule on any claims based on the patent in suit's designation for United Kingdom;
- III. consequently, to dismiss motion III against TID, Volkswagen and Audi to the extent to which these claims are directed to acts of the Defendants in the territory of the United Kingdom;

B. as an alternative request to the main request A

- I. to decline jurisdiction of the UPC for motion III of the Claimant against TI and consequently dismiss this motion against TI;
- II. to hold that the UPC has no international jurisdiction to rule on the validity of the patent in suit's designation for United Kingdom;
- III. consequently, to split off the proceedings regarding motion III against TID, Volkswagen and Audi to the extent to which these claims are directed to acts of the Defendants in the territory of the United Kingdom, and
- IV. to stay the split-off proceedings until a final and binding decision of the competent courts on the validity of the patent in suit's designation for United Kingdom;

C. as an alternative request to the auxiliary request B

- I. to hold that the UPC has no international jurisdiction to rule on any claims based on the patent in suit's designation for United Kingdom;

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II. consequently, to dismiss motion III to the extent to which these claims are directed to acts of the Defendants in the territory of the United Kingdom;

D. as an alternative request to the auxiliary request C

I. to hold that the UPC has no international jurisdiction to rule on the validity of the patent in suit's designation for United Kingdom;

II. consequently, to split off the proceedings with regard to motion III to the extent to which these claims are directed to acts of the Defendants in the territory of the United Kingdom;

III. to stay the split-off proceedings until a final and binding decision of the competent courts on the validity of the patent in suit's designation for United Kingdom.

On 5.3.2024 Volkswagen and Audi filed two further, separate, and identical applications (App. no. 12104/2024 and App. no. 12111/2024) requesting that, pursuant to rule 361 RoP:

- the infringement action is dismissed as manifestly unfounded;
- in the alternative, the infringement action is dismissed as manifestly unfounded with regards to (i) infringing action between 19.9.2007 and 24.6.2022 and (ii) all allegedly infringing embodiments (as defined in the statement of claim) except to *TI DRA79x SoC*.

2. The Defendants based their applications on these grounds.

2.1. The Court had no jurisdiction in the case at hand because the patent in suit was opted out from the competence of the Court according to Art. 83.3 UPCA and the opt-out was not validly withdrawn prior to the filing of the statement of claim.

According to Art. 83.4 UPCA and rule 5.7 RoP, the application to withdraw the opt-out for a patent must be lodged by the proprietor of the patent. The application to withdraw was allegedly filed by Xingye Huang of the law firm Simmons & Simmons LLP on 20.12.2023. At that time neither Xingye Huang nor Simmons & Simmons LLC were the proprietor of the patent-in-suit or the registered representative for any national part of the patent.

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The Claimant did not explain this discrepancy and neither submitted any evidence for a power of representation of Xingye Huang to lodge the withdrawal of the opt-out.

2.2. Network System Technologies LLC (hereafter NST) did not have standing for the asserted claims.

The Claimant did not provide or offer any evidence of the alleged transfer. Regarding the time period from 19.9.2007 to 24.6.2022 Claimant could only assert claims that have arisen with the previous proprietor, but NST did not even state that these claims were assigned by Philips. Regarding the following time period of the patent validity - from 24.6.2022 to 4.7.2023, Claimant could only assert own claims, if the patent-in-suit was validity transferred.

The statement of claim is manifestly unfounded because of this lack of evidence.

2.3. NST attacked a broad scope of allegedly infringing embodiments, providing a long list of “*non-limiting examples*” for each Defendant: 10 different vehicle models for Volkswagen and 17 models for Audi. However, the Claimant's allegations of infringement have been properly detailed only regarding one Integrated Circuit (“IC”) model, namely the *TI DRA79x SoC*.

Therefore, the complaint should be dismissed regarding all attacked embodiments, with the sole exception of the *TI DRA79x SoC*.

2.4.1. The Claimant *inter alia* requested damages for infringing actions in UK, based on Art. 71b no. 3., regulation EU no. 1215/2012.

Art. 71b no. 3 extends the jurisdiction of the Court to damages arising outside the EU but this only applies to cases where the Court has jurisdiction over a defendant under art. 71b no. 2, by which jurisdiction is generally extended to actions against defendants domiciled in third countries for which there would otherwise be no jurisdiction under Chapter II.

Art. 71b no. 2 did not apply to Volkswagen and Audi, as they were undisputedly domiciled in Germany, a UPCA Member State. Consequently, the Court did not have jurisdiction to decide on damages with regarding United Kingdom.

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2.4.2. The UPC did not have jurisdiction to rule on the UK counterpart of the patent in suit as UK is not a contracting member state of the UPCA and not covered by the UPC's territorial scope of decisions. The Court had no jurisdiction to rule on the damages request of the Claimant as far as this request relates to the UK.

The UPC did not have jurisdiction for this action to the extent of damage claims against TI in Germany, France, and UK as the same claims are already subject to the proceedings between the Claimant and TI in a foreign court.

On 19.12.2022, the Claimant brought an infringement action against TI before the United States District Court for the Eastern District of Texas. With respect to the Claimant and TI, the proceedings before the US courts involve the same parties. The claim before the US courts was brought for alleged infringement of the US counterpart of the patent in suit. In the US action, the Claimant claims damages resulting from sales by TI both inside and outside of the United States, including the sales allegedly made in France, Germany, and UK.

3. NST submitted its comments on these applications on 5.4.2024.

3.1. The Court had jurisdiction and competence in respect of this action for infringement because the opt-out of the patent-in-suit has been properly withdrawn according to Art. 83.4 UPCA and rule 5.7 RoP.

UPC representative Xingye Huang signed and lodged the withdrawal of opt-out regarding the patent-in-suit via the CMS on 20.12.2023 (exhibit P14). This document provides, in particular the name of proprietor - i.e. NST - and the name of the UPC representative appointed by the proprietor in accordance with Art. 48 UPCA, as she was an acknowledged and registered UPC representative. Xingye Huang clearly stated that she was lodging the withdrawal of the opt-out "*on behalf of*" the Claimant, and not in her own name.

According to rule 5.3 (b)(i), the representative did not have to state or show his / her power of representation.

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3.2. NST was entitled to bring this infringement action as proprietor of EP'669, in accordance with the contents of the Patent Purchase Agreement (exhibit 15) and of the Patent Assignments (exhibit 16). Claimant owned all claims for past infringement of the patent-in-suit with respect to the period from 7.9.2011 to 24.6.2022 and 5.7.2022, respectively. Philips assigned to Claimant all right, title and interest in the patent-in-suit, including all rights to pursue and collect damages for past, current and future infringement.

3.3. With respect to attacked embodiments, it was not required to outline the realization of the features of a patent claim, for each and every single device which is included in a list of infringing embodiments (so-called "*infringement read*").

Instead, it was sufficient to provide a detailed outline of the infringement and a mapping (comparison) of the features of the patent claim with the features of the attacked device for one specific device by way of example. In the further course, it would have been sufficient to state that this "*infringement read*" applies in the same way to all other devices which are contained in a certain list of infringing embodiments.

3.4. As regards all other grounds of lack of jurisdiction, NST expressly requested that these objections should be dealt with later in the main proceeding.

GROUNDS FOR THE ORDER

1. Validity of the withdrawal of the opt-out.

Pursuant to rule 5.7 RoP the application to withdraw shall contain the particulars in accordance with par. 3. Rule 5.3 (b)(ii) RoP states that "*the application to opt out shall contain [...] (b) the name and postal address and electronic address of (i) the representative appointed by the applicant or the proprietor in accordance with Article 48 of the Agreement*".

The application for withdrawal of the opt-out was lodged on 20.12.2023 by Xingye Huang, representative, who has been included since 21.3.2023 in the list of patent attorneys officially appointed under Art. 48 UPCA, following the filing of UPC APP no. 5280/2023.

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Xingye Huang 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 on behalf of NST by a representative included in the official list of patent attorneys kept by the Registrar pursuant to Art. 48.3 UPCA and is therefore effective upon its entry into the Register - which took place on 20.12.2023 - in accordance with Rule 5.7 RoP and Art. 83.3 UPCA.

2. Standing for the asserted claims.

NST has provided documentary evidence of the assignment of the patent in suit and of all the related rights. By a contract dated 24.6.2022 Koninklijke Philips NV - the previous owner of EP'669 - assigned all these rights to NST, without any restrictions.

Points 4.1 and 4.2 of the Patent Purchase Agreement dated 24.6.2022 (see Exhibit P15) state the following: “*Seller and its Affiliates hereby sell, assign, transfer and convey to Buyer all right, title and interest in, to and under the Purchased Assets all substantial rights to the Purchased Assets including, but not limited to: (a) full title and rights to the Purchased Assets; (b) an undivided interest in the Purchased Assets; (c) the entire exclusive right to the Purchased Assets within any geographical location of the world including all rights to pursue and collect damages, costs, injunctive relief and other remedies for past, current or future infringement of the Purchased Assets within any geographical location of the world*

[...] Seller also hereby sells, assigns, transfers and conveys to Buyer all right, title and interest in, to and under all (a) inventions claimed in the Seller Patents; (b) all claims, causes of action, and enforcement rights of any kind, whether currently pending, filed, or otherwise, and whether known or unknown, under or arising from any of the Purchased Assets other than those under

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or arising from Encumbrances, Identified Agreements and Current Agreements, including all rights to pursue and collect damages, costs, injunctive relief, and other remedies for past, current, or future infringement of the Seller Patents”

The three Patent Assignments of 5.7.2022 (see Exhibit P16) state in exactly the same terms that “Assignor does hereby sell, assign transfer and convey to Assignee [...] *alla right, title and interest that may exist today and in the future to any and all [...] claims, cause of action and enforcement rights of any kind, whether currently pending, filed or otherwise, and whether known or unknown [...] including all rights to pursue and collect damages, costs, injunctive relief and other remedies for past, current or future infringement”*

The assigned patents are set out in detail in Exhibit 1 to the Patent Purchase Agreement dated 22.6.2022 and Schedule 1 to the three Patent Assignments dated 5.7.2022, with reference to the identification data of the national parties as registered in Germany, France and UK.

The clauses of the agreement clearly and unambiguously place the Claimant in exactly the same position as the original owner, including with respect to any infringement of the patent that occurred prior to the date of assignment.

Therefore, NST has full standing to sue for a declaration of infringement of EP’669 and for a related claim for damages.

3. Detailed allegations of infringement.

It is undisputed that the allegations of infringement have been detailed only in respect of one IC, namely the *TI DRA79x SoC*, as an example.

On this point, the Court agrees with the Claimant’s argument that it is sufficient - at this stage - to provide a detailed outline of the infringement and a mapping (comparison) of the features of the patent claim with the features of the accused device for one specific device by way of example. At a later stage, it would be sufficient to show that this “*infringement read*” actually applies in the same way to all other devices included in a given list of infringing embodiments, if and to the extent that the infringement will be actually assessed.

4. Lack of jurisdiction.

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The Court considers that any decision on the preliminary objections of lack of jurisdiction raised by the Defendants may be deferred to a later stage of the proceeding, in accordance with the provisions of rule 20.2 RoP.

The exceptions are related to the claim for damages for Defendants' activities in the territory of the United Kingdom or, more broadly and generally, to the entire claims for damages moved against TI.

The decision on these points can be postponed because it requires, first of all, the removal of any doubt as to the validity of the patent, which, moreover, has already been the subject of counterclaims for revocation (CC no. 24454/2024 - CC no. 24759/2024) and also of a separate revocation action brought before the Central Division in Paris (Act no. 19132/2024 - UPC CFI no. 170/2024). Infringement of the patent in suit will also have to be ascertained, being understood that even in this case the determination of the amount of damages awarded to the successful party may be the subject of separate proceedings under rule 125 RoP.

Therefore, there are sound reasons of case management efficiency for this preliminary objection to be dealt with in the main proceeding. The entire UPC system is aimed to efficiency, a purpose that shall always be taken into account in the decisions of the Court, in accordance with Art. 41.3 UPCA, which expressly provides that *"the rule of procedure shall guarantee that [...] proceedings are organised in the most efficient manner"*.

ORDER

On these grounds, having heard the parties on all relevant issues, the Court orders that:

- the applications pursuant to rule 361 RoP are dismissed;
- the preliminary objections lodged in accordance with rule 19 RoP are partially dismissed and the residual part will be dealt with in the main proceeding;
- the costs will be addressed with the costs in the main proceeding;
- to the extent of the dismissal leave to appeal is granted.

INFORMATION ABOUT APPEAL

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This order partially rejects the preliminary objection. According to rule 21.1 RoP it may be appealed pursuant to rule 220.2.

This order also rejects the requests to declare the action manifestly bound to fail pursuant to rule 361 RoP. There are no specific provisions regarding a dismissal of this kind, considering that only the opposite case - i.e. the granting of the request - is subject to rule 363.2 RoP. Leave to appeal is therefore also granted for this part of the order.

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, rules 220.2 and 224.1(b) RoP).

Munich, 8 May 2024.

Matthias Zigann
presiding judge and judge-rapporteur

Tobias Günther Pichlmaier
legally qualified judge

Pierluigi Perrotti
legally qualified judge