



UPC_CFI_241/2023
Procedural Order
of the Court of First Instance of the Unified Patent Court
delivered on 06/06/2024
Order no. ORD 598364/2023

CLAIMANT

- 1) **Oerlikon Textile GmbH & CO KG** Represented by Stefania
(Claimant) - Leverkus Strasse 65 - 42897 - BERGIA and by
Remscheid - DE Giulio E. Sironi

DEFENDANT

- 1) **Bhagat Textile Engineers** Represented by Luca
(Defendant) - PLOT NO B/13/10-A, HOJIWALAPPELLICCIARI , Lorenzo
INDUSTRIAL ESTATE, ROAD NO. 13, SachinBATTARINO , Joel COLES,
Apparel Park SEZ, - 394230 - Sachin, Surat, Rajvinder JAGDEV
Gujarat - IN

PATENT AT ISSUE

<i>Patent no.</i>	<i>Owner/s</i>
EP2145848	Oerlikon Textile GmbH & CO KG

Patent no. *SPC details*

SPC ID

National Designations

No SPC Holders provided

<i>Patent no.</i>	<i>SPC ID</i>	<i>National Designations</i>	<i>Holders</i>
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DECIDING JUDGE

Judge-rapporteur **Alima Zana**

COMPOSITION OF PANEL - FULL PANEL

Presiding judge	Pierluigi Perrotti
Judge-rapporteur	Alima Zana
Legally qualified judge	Carine Gillet

LANGUAGE OF PROCEEDINGS: Italian

The dispute commenced on 13.6.2023 with Oerlikon's request to Baghat Group for an evidence protection order pursuant to Article 60 of the Agreement and Rules 192 et seq. of the R.o.P. to protect the EP '848 patent, following an exhibition at the ITMA trade fair, scheduled from 8 to 14 June 2024 in Rho (Milan).

The order was granted by the Court *ex parte* and was executed on 14.6.2023: the order was not the subject of a request for review by the defendant.

Oerlikon brought an action on the merits in a timely manner, seeking a declaration of infringement, an injunction with penalty, publication of the judgment, and an order that Baghat be withdrawn from the market. The plaintiff also sought an order against the other party pursuant to Rule No. 119 R.o.P. of a fine of €100,000.00, for costs to be incurred in the future proceedings for damages, with an award of costs.

By entering an appearance, the defendant:

- specified that its correct company name is Bhagat Textile Engineers and not Bhagat Group as indicated by the other party;
- did not formulate *preliminary objections*;
- did not introduce the *counterclaim for revocation*.

- stated:
 - ✓ that he had no knowledge of the patent;
 - ✓ that it has never marketed any specimen of the machine in the area covered by patent protection;
- reiterated its commitment not to enter the market covered by the priv- ation in any form;
- denied causing damage to the other party;
- demanded the compensation of costs or, in any case, the settlement of costs at a minimum, emphasising that it had only cooperated in the execution of the measure granted *ante causam* and had only advertised interfering machinery at the trade fair;
- recalled that it had entered into negotiations with the plaintiff with a view to settling the dispute amicably.

In the course of the written procedure, Baghat acknowledged that negotiations were also at an advanced stage, confirmed by Oerlikon, but had not been successful to date.

The Court urged the parties to file documents for the purpose of assessing litigation costs and ordered, pursuant to Article 262A of the R.o.P., the secrecy of a document containing confidential information filed for this purpose by the plaintiff.

The Interim Conference was held in attendance on 27.5.2024, where the following topics were addressed.

2. The Interim Conference

The judge rapporteur requested clarifications from the parties on the most relevant aspects, which are summarised below.

1. The incorrect naming of the defendant in the document instituting the proceedings.

The plaintiff did not contest the defendant's objection on this point, which recalled its correct company name -Baghat Textile Engineers- and not Baghat Group, as erroneously stated in the application.

2. The plaintiff's interest in access to the expert's report rendered following of the order to preserve evidence ante causam

-The *judge rapporteur* pointed out in this regard that:

a. the defendant did not contest the interference with the patent operated by the machines described in its brochures exhibited at the fair: in its statement of 30 January 2024, Baghat expressly stated that it renounced the claim of interference. With the procedural consequences of Rule 171(2) R.O.P.;

b. Oerlikon also stated in its pleading of 4.3.2024 that no preliminary investigation was necessary.

The Court therefore asked the plaintiff what interest it had in accessing the expert's report.

-The plaintiff's defence emphasised that the examination of this document is indispensable to better review the value of the case.

-The defendant requested the rejection of the application, emphasising that no information on the value of the dispute could be derived from this document. Such a requirement would also entail new unnecessary expenses.

3. The plaintiff's request for information regarding the origin and distribution channels, product quantities, orders received, etc., turnover generated by the third party identity of the third parties involved,

-The judge rapporteur noted that at this stage there would appear to be no evidence, not even circumstantial, of the marketing of the infringing machines in the territory covered by the patent right. The plaintiff's complaint is limited to the exhibition at the trade fair in June 2023.

-Plaintiff considers that it has submitted to the Court sufficient evidence of the plaintiff's entry into the market and that such an order is necessary to understand the extent of the infringing phenomenon.

-The defendant confirmed that it had no distribution channel, that it was not part of any supply chain and that it had never distributed the disputed machinery.

4. The amount of the penalty, quantified at € 12,000.00

- The judge rapporteur asked for clarification of the amount of the penalty.
- The plaintiff stated that this amount was determined in light of both the deterrent and punitive nature of this remedy.
- The defendant pointed out that from the quantification of the penalty by the counterparty, the Court can appreciate the real value of the case, which is far lower than what the counterparty has indicated.

5. The recall request

- The judge rapporteur reiterated that, as things stand, there is no evidence of commercialisation, at any link in the sales chain, by the defendant. He referred in this regard to the principle of the plaintiff's burden of proof.
- The plaintiff states that it has submitted to the Court all the evidence at its disposal, making every effort to defend itself on point.
- The defendant reiterated that it had neither marketed nor was in the process of selling or distributing the disputed machinery: the other party, which had been present in the market concerned for some time also through its own distribution network, did not provide any circumstantial evidence to prove its claim.

6. The request that the defendant be ordered to pay €100,000.00 for the costs to be incurred in the damages case

- The judge rapporteur pointed out that apparently no evidence had been attached or proved of any concrete prejudice suffered by the plaintiff, which could in any case lead the Court to quantify this amount. He referred in this connection to Rule No. 131(b) R.o.P.
- The plaintiff reiterates the correctness of this quantification.
- The defendant contested this claim, specifying that it had not caused any harm.

7. The value of the case

The judge rapporteur recalled the discrepancy between the opposing defences regarding the value of the case, indicated by the plaintiff as €750,000.00, a position radically contested by the defendant, who considers such a prospect absolutely disproportionate. The Court then invited the parties to present their respective positions in the light of Rule 370, paragraph 6, of the R.o.P. and the Guidelines of the Administrative Committee dated 24.4.2023.

-The plaintiff confirms the assessment made in its defence briefs and asks to be allowed to file an interview given by the opposing party's director, in which he recalls the positive response to the trade fair event of last June 2023, confirming the broader scope of the counterfeiting phenomenon.

-The defendant denies having made any profit or having caused any loss of profit to the other party. It asks to be allowed to file documentation to establish that the value of royalties charged in the specific technical field normally amounts to approximately 3%.

8. Costs

-The judge rapporteur asked the parties to comment on the litigation costs set forth by the plaintiff and contested by the defendant, in light of the principles of reasonableness and proportionality, as well as the principles set forth by the Administrative Committee on 24 April 2023.

-The plaintiff recalled that the litigation was divided into two phases, the *ante causam* and the merits. It recalled the living costs incurred, set out in its briefs. As to the fees for the professional activity, he recalled that the professional services were also articulated in a proceeding of extreme urgency, with a considerable defensive effort, through the interlocution with his client based abroad.

He asks to be allowed to deposit:

- further invoice issued to its client;
- Proof of payment of previous invoices by Oerlikon.

-The defendant pointed out that many of the defence activities were carried out in vain, as the other party had unreasonably not acceded to the settlement proposals made by Baghat.

9. Settlement proposals

-The judge rapporteur, in light of the failure to challenge the validity of the patent and the interference, again urged the parties to reach a settlement agreement.

-Plaintiff declared its willingness to pursue a settlement path in return for the counterparty's obligation not to market the litigious machines backed by a penalty, a lump-sum payment of damages in the amount of €25,000.00 and the payment of costs, as well as agreeing to a communication to the market of the agreement reached.

He asks to be allowed to deposit the interlocutions exchanged in this regard.

-The defendant declares itself willing to settle the dispute by undertaking not to market the disputed products with the provision of a penalty, possibly with a lower contribution to costs than that indicated by the other party, and in any case without awarding any damages.

10. The following procedural steps

- The Judge Rapporteur invited the parties to submit their respective requests, possibly considering whether to maintain a *spatium deliberandi* to cultivate settlement proposals and to summarise their respective positions before the Court.

- Plaintiff asked:

- deadline to file the above-mentioned documents and to file a summary of their positions;
- to access the expert report;
- to adopt the order to request information from the defendant about its sales network and orders.

-Respondent requested:

- deadline to file the above-mentioned documents and to file a summary of their positions;
- opposed the request for access to the Expert report.

3. **Reasons for the order**

It should be noted that, with respect to the clarifications requested by the parties, only a few require a decision here by the judge rapporteur, which are discussed below.

1. As to Oerlikon's request for access to the report of the expert appointed in the *ante-causal* phase, the following considerations apply.

1.1. It should be recalled that the plaintiff made this request solely in order to better determine the value of the dispute, there being no question here as to the interference of the machinery advertised at the fair.

In this regard, the defendant contested the futility of this procedural step, even for the purposes stated by the plaintiff, since the interference of the advertising materials was acknowledged and there was no element collected at the fair that would allow a better determination of the value of the case. On the other hand, the defendant did not allege the presence of any confidential information.

In this respect, the Judge Rapporteur considers that, by means of an *ex ante* judgement, it cannot be excluded that the material collected following the evidence-gathering order contains some useful element in this respect.

Therefore, the application appears to be meritorious, subject to any final assessment by the Court also with respect to any costs incurred by the parties and the merits thereof, which was brought to the attention of the defendant's defence.

And this in the light of Article 69(3) of the Agreement.

1.2. For the sake of completeness, the Judge Rapporteur recalls that the defendant did not file an application for review against the order to preserve evidence, which was therefore consolidated, considering that:

- According to Rule No. 197.3 R.o.P., the defendant may submit a request for revocation of the order to preserve evidence within 30 days of the execution of the measure;

- According to Rule No. 300 of the R.o.P. concerning the computation of time limits states that they run from the day following the day on which the relevant event occurs; in the case of service of a document, that relevant event must be the receipt of the document;

- the execution of the measure includes, in accordance with the national law under which it was implemented (id. the Italian law), the notification of the complete measure in all its parts³;

The execution took place at the ITMA fairground on the same day 14.6.2023.

The defendant did not apply for revocation or modification of the measure.

It has forfeited this right in view of the fact that the 30 calendar days allowed for the timely request for a review have expired, the time limits being counted in accordance with the rule in Rule No. 300(a) R.o.P.

And that:

- whether the limitation period is to run from 14.6.2023, in which case the period expires on 15.7.2024;
- whether it is to be made to run from the day following the service of the document instituting the proceedings on the merits, when the defendant has again received official notice of the order. However, on 4.1.2024 when Baghat appeared in court, formally acknowledging that it was aware of the order to preserve evidence, declared that it had cooperated in the execution of the measure and did not raise any objection. The request for acquisition in the file of the precautionary phase *ante causam* in the judgement on the merits is therefore not hindered, since the measure is aimed precisely at that purpose.

1.3. As to the protection of any confidential information, the defendant has interlocuted both in the post-convocation pleadings and during the Interim Conference, not alleging any specific requirement to that effect. There is therefore no obstacle to disclosure, here declined in the parties' right of access and full usability only in the present case.

1.4. The written report and any other results of the inspection of premises and preservation of evidence may only be used in the main proceedings, pursuant to Rules 196.2 and 199 R.o.P.. This means that access to the content of the reports is only for their use in the subsequent main proceedings, against the same parties. The appellant's request is undoubtedly well-founded and must be granted since the purpose of the advance collection of evidence is precisely to use it in the proceedings on the merits.

2. With regard to Oerlikon's request to order the defendant to declare its chain of sale and resale and the further information set out in its application, the Court observes in this regard that this is a request that may be made in the possible future '*procedure for the determination of damages and compensation*', with the remedies provided for that purpose.

This is subject to verification, at that stage, of the fulfilment of the burden of proof incumbent on the plaintiff in light of Art. 54 and 76 para. 6 Agreement, also with respect to claims such as the one examined here: here, on the one hand, the defendant has expressly confirmed that it did not sell or distribute the litigious machinery in the market covered by the patent asserted and, on the other hand, there are currently no arguments of proof that Baghat sold or distributed the litigious machinery in the market concerned.

In these proceedings, also in the light of the principle of proportionality (paragraph n 3. of the Preamble of the R.o.P.), the allegatory and evidentiary framework collected, such an order does not appear necessary.

3. As to the value of the case.

This value, only provisionally, is confirmed in the amount indicated by Oerlikon, in the light of the principles laid down in Rule No. 370, 6, of the R.o.P. and the rules established by the Administrative Committee, considered:

- that the parties do not agree on the value of the case, and therefore the benchmark set forth in point 3 of the General Principles dictated by the Administrative Committee on 23.4.2023 cannot be adopted;
- the plaintiff's interest in the proceedings, the first parameter indicated by the aforementioned Rule 370.6 R.o.P. In this regard:
 - the interest of the patent holder in the case cannot be considered limited to the damage suffered, but must be considered in its complexity also with respect to the anticipated protection of its own patent and its image on the market. Oerlikon's interest must therefore be considered in the light of the need to oppose the promotion at an international trade fair of machinery interfering with its own, potentially causing damage, including reputational damage.
 - document No. 19 filed by the applicant (and the subject of the protection order under Rule No. 262.A R.o.P.) allows to assume an average value of each of the litigated machines of slightly more than €..... This value is an important indication of Oerlikon's interest in this case.

- the guidelines of the Administrative Committee with respect to the valuation of the value of the share. In this regard:
 - regard must be had to the summed values of all the remedies sought (herein articulated in both the injunction for the future and the damages for the past);
 - compared to the loss of profits and the profit made by the alleged infringer, it should be noted that:
 - at the same time there is no liquid proof of the marketing of the disputed machinery in the territory covered by the patent. There is therefore no liquid proof of damages for the plaintiff's loss of profits and the defendant's loss of profits (according to point 1 of the General Principles of the Administrative Committee's Guidelines);
 - the only interfering episode was the exhibition at the Fair, which lasted for four days, as pointed out by the plaintiff and not contested by the defendant during the Interim Conference;
 - As for the royalties normally applied in the specific sector, the defendant claimed that they correspond to approximately 3% of the turnover.
 - ato, an allegation specifically contested by the plaintiff and in respect of which Baghat asked to be admitted to produce documents;
- as to the claim for damages, the plaintiff invoked the defendant's order to pay €100,000.00 to cover the costs to be incurred in the future proceedings on the merits.

In the light of all the foregoing considerations, the Judge Rapporteur finds, in the context of an assessment as already stated only provisional, subject to better examination by the Court also in the light of the documents whose filing is authorised as shortly, that the value of the case in € 750,000.00. And this for the purpose of the scale of the limits for recoverable costs.

4. As to the request for the filing of new documents.

The plaintiff and defendant also request to be allowed to file new documents, again preparatory to the review of the value of the case and the Court's review of the defence efforts in relation to the assessment of the costs of litigation.

These additional documents, which do not introduce any new applications or modify those already introduced, should be admitted.

In order to allow the parties to explore all settlement possibilities, the deadline for this is set at 20 July 2024.

In order to ensure an adversarial process, both parties must also be granted time to respond to opposing submissions.

Having regard to Rules Nos 105.5, 370.6, R.o.P.

Authorise

- access to both parties of all the evidence gathered through the execution of the measure, granting the parties access to the report and documents acquired during the execution of the evidence-gathering order - granted prior to the commencement of the trial on the merits. and extracting copies, including those deposited on a USB flash drive and kept in a sealed envelope at the Sub.Registry of the Milan Local Division;

- the access will take place on a date between 2.7.2024 and 4.07.2024 during the opening hours of the Chancery Court, by agreed appointment, in the presence of the Judge Rapporteur, delegated for this purpose, and in the presence of a clerk delegated to draw up minutes of the operations carried out at the seat of the local division in Milan.

- for this purpose orders the expert, after notice from the Court of Chancery, to provide two flash drives of identical content to the one already deposited to a clerk in charge of the Sub-Registry of the Local Division, for subsequent collection by the parties' counsel, in the manner indicated above;

And this at the seat of the local division no later than 25.6.2024, with the chancellery notifying the expert immediately;

- interested parties will be able to file the documents acquired following access to the expert's report by 11 July 2024.

It grants

1. deadline until 11 July 2024, 3 p.m., to file:

- -by the plaintiff:
 - copy of the interview given by the defendant's legal representative to the press;
 - the new invoice issued by the plaintiff's defence to its defendant;
 - Proof of payment of previous invoices by their client;
 - the settlement proposals exchanged between the parties;
 - documentation obtained from access to the expert's report, as detailed above;
- -by the defendant:
 - documents in order to ascertain the royalty normally applied in the particular technical field;
 - settlement proposals exchanged between the parties.

2. deadline until 18 July 2024, 3 p.m., to file:

- comments by both parties with respect to the opposing productions, as no further documents may be produced.
And this to be deposited on the CMS by means of a generic application.

3. deadline until 25 July 2024, 3 p.m., to file:

- by both parties a summary of the case that does not, however, introduce any new facts or evidence. The summary shall not exceed 7,500 words in length. A complete list of all documents filed by each party must be submitted together with the summary to enable the Court to refer to them during the hearing.
And this to be deposited on the CMS by means of a generic application.

Confirmation

The date for the Oral Hearing before the Court is **27.9.2024, 10.30 a.m.**, according to the provisions of the order rendered on 19.2.2024.

Inform the parties that it is the Court's intention to conclude the Oral Hearing within one day.

Fix

The value of the case at €750,000.00 for the purpose of applying the scale of maximum reimbursable costs, without prejudice to any different assessment by the Court, also in the light of the documents whose filing has been authorised.

Invite

The parties to notify the Office promptly of the reaching of any settlement agreements.

Acknowledges

That both an "*unredacted*" copy and a "*redacted*" copy of this order are filed, in the latter of which the confidential information already subject to protection by this Court pursuant to Rule 262A of the R.o.P. The first version is accessible only to Baghat's proxy defendants, as per the order referred to herein in full. Thus decided in Milan,

6 June 2024
Alima Zana

Alima ZANA  Digitally signed by Alima
ZANA
Date: 2024.06.06 11:25:14
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In light of Rule 333 RoP, the order may be reviewed by the Panel following a reasoned application by the parties. An application for a review of this order must be filed within 15 days of service of this order.

ORDER DETAILS

Order no. ORD_598364/2023 in ACTION NUMBER: ACT_549585/2023

UPC number: Action type:

InfringementAction