



Action number  
APL\_83/2024  
UPC\_CoA\_2/2024

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

### GUIDING PRINCIPLE

1. which party is the prevailing party within the meaning of Art. 69(1) UPCA in the context of the dismissal of an action following the submission of an injunction and undertaking by the defendant is to be determined on the basis of the particularities of the proceedings and in particular the applications of the parties and the content of the declaration. If the defendant undertakes to comply with the plaintiff's applications after the proceedings have been initiated, it is generally not necessary to examine the admissibility and merits of the case at the time the declaration of commitment is made in order to determine which party is the prevailing party. The declaration itself implies that the plaintiff's applications have been fulfilled. This means that, as a rule, the plaintiff is to be regarded as the prevailing party.

### KEYWORDS

Appeal; costs of litigation; dismissal of an action after submission of a declaration to cease and desist and a declaration of commitment

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

1. **MERIL GMBH**  
Bornheimer Straße 135-137, 53119 Bonn, Germany
2. **MERIL LIFE SCIENCES PVT LTD.**  
M1-M2, Meril Park, Survey No 135/2/B & 174/2, Muktanand Marg, Chala, Vapi 396 191,  
Gujarat, India in

the following: Meril,

represented by lawyers Dr Andreas von Falck, Dr Roman Würtenberger and Beatrice Wilden (Hogan Lovells International LLP)

APPELLANT (PLAINTIFF IN THE PROCEEDINGS BEFORE THE COURT OF FIRST INSTANCE)

**EDWARDS LIFESCIENCES CORPORATION**

1 Edwards Way, 92614 Irvine, California, USA

hereinafter referred to as "Edwards": Edwards,

represented by lawyers Boris Kreye and Anika Boche (Bird & Bird) STREITPATENT

EP 3 763 331

PANELS AND DECIDING JUDGES

First panel of judges

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

ORDER CONTESTED BY THE COURT OF FIRST INSTANCE

- Order of the Court of First Instance of the Unified Patent Court, Munich Local Division, dated 19 December 2023
- Action number of the Court of First Instance:
  - UPC\_CFI\_249/2023
  - ACT\_550921/2023
  - ORD\_577734/2023

FACTS AND APPLICATIONS OF THE PARTIES

1. On 19 June 2023, Edwards issued a warning letter to Meril for infringement of European patent 3 763 331 (hereinafter referred to as the patent in dispute) relating to a crimping device for crimping stent-based valve prostheses, in particular heart valve prostheses. By letter dated 30 June 2023, Edwards informed Meril that the application for the grant of unitary effect for the patent in suit had been withdrawn and that the patent in suit would now be enforced as a conventional European patent.
2. Meril replied by letter dated 13 July 2023 and argued, among other things, that its products did not fall within the scope of protection of the patent in dispute and that the patent was not valid.
3. On 18 July 2023, Edwards filed an application for provisional measures with the local division

Munich of the Court of First Instance of the Unified Patent Court. Meril filed an opposition on 25 August 2023 with 107 pages of documents and 49 annexes. The judge-rapporteur gave the parties the opportunity to submit additional documents and set the date for the oral hearing for 10 October 2023. By document dated 11 September 2023, Edwards replied to the objection with 69 pages of documents and 5 annexes.

4. On 25 September 2023, Meril submitted a cease-and-desist declaration to Edwards. Edwards accepted this declaration in a document dated 29 September 2023.
5. On 25 September 2023, Meril also filed a document in the pending proceedings in which it asserted that the action had become irrelevant in view of its declaration of discontinuance and undertaking.
6. During a video conference on 2 October 2023, both parties agreed that the proceedings within the meaning of R. 360 of the Rules of Procedure of the Unified Patent Court (hereinafter: RoP) were now closed and that oral proceedings were no longer necessary. However, the parties continued to disagree on the question of who should bear the costs. The oral hearing of 10 October 2023 was cancelled by Order of the presiding judge (and judge-rapporteur) of 2 October 2023 and the question of who was to bear the costs was referred to the full panel for decision.
7. With the contested Order, the Court of First Instance:
  - I. determined that, as Meril submitted a declaration of discontinuance and undertaking on 25 September 2023, the application for provisional measures has become irrelevant and the proceedings are therefore closed,
  - II. the proceedings relating to the application for provisional measures,
  - III. Ordered that Meril pay the costs of the litigation and Edwards' other costs up to a maximum of €200,000,
  - IV. dismissed Edwards' applications as currently premature and Meril's applications as unfounded,
  - V. set the amount in dispute at € 1,500,000,
  - VI. the appeal was authorised.

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

- In the present case, the settlement and removal are based on exceptional circumstances, namely the settlement of the legal dispute due to the submission of the cease-and-desist declaration by Meril and its acceptance by Edwards;
- In the circumstances of the present proceedings, it would be unfair to order Edwards to pay the costs incurred. It is true that Meril issued the declaration to cease and desist "without recognising any legal obligation". However, this does not mean that the fact that they have effectively placed themselves in the position of the losing party in this respect and the time at which this occurred should be disregarded. On the contrary, these two circumstances must be taken into account;
- Irrespective of the question of whether the applicant's application was fully admissible and justified, Meril could have submitted the declaration of discontinuance and undertaking in a much less costly manner before the expiry of the deadline set before the court in the context of the warning letter;
- In this respect, it is equitable to order Meril to pay all the costs, irrespective of the prospects of success of the application for provisional measures.

8. Meril appealed against the impugned Order. In the notice of appeal, she requested:
  - I. annul the Order in respect of point III. of the contested 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 the protective letters relating to the patent in suit, on the understanding that the reimbursable representation costs are limited to an amount of € 200,000,
  - II. immediately order the suspensive effect of the appeal against the aforementioned point III. of the contested Order,
  - 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 misapplied Article 69 of the Agreement on a Unified Patent Court (hereinafter: UPCA). This article requires the court to take into account the degree of success and failure when allocating costs. However, the court disregarded the prospects of success of Edward's application for provisional measures;
  - The Court of First Instance wrongly assumed that the settlement of the dispute as a result of Meril's declaration of discontinuance and undertaking constituted an exceptional circumstance within the meaning of Art. 69(2) UPCA;
  - In any event, the Court of First Instance did not properly exercise its discretion under Article 69 UPCA as it failed to consider all relevant facts, made incorrect assumptions, based its decision on irrelevant considerations, disproportionately restricted Meril's right to a fair trial and disregarded the fact that Edwards' claims were partially dismissed;
  - The court violated Meril's right to be heard by disregarding part of Meril's submissions;
  - The facts of the case justify the court ordering Edwards to pay the costs of the proceedings, in particular because the patent in suit is not infringed, the patent in suit is not valid, there is no urgency and Edwards has no legitimate interest in a preliminary injunction. An allocation of costs according to equitable discretion does not justify a different result;
  - Meril has not caused any unnecessary costs within the meaning of Art. 69(3) UPCA.
  
10. In addition, on 2 January 2024, Meril again filed an application to grant suspensive effect to its appeal against the order of the court of first instance (APL\_100/2024, UPC\_CoA\_4/2024). By Order of 18 January 2024, the Court of Appeal rejected this application.
  
11. Edwards requests that the Court of Appeal:
  - I. rejects the appeal;
  - II. Orders Meril to pay the costs of the appeal proceedings.
  
12. Edward's defence to the grounds of appeal can be summarised as follows:
  - In view of the broad discretion available to the Court of First Instance in the allocation of costs, the Court of Appeal may only set aside the Order of the Court of First Instance if it is manifestly erroneous; the Order is not erroneous and is by no means manifestly erroneous;
  - The Court of First Instance rightly held that the dismissal of an action pursuant to R. 360 RoP constitutes an exceptional circumstance within the meaning of Art. 69(2) UPCA; therefore, Art. 69(1) UPCA is not applicable in this case;
  - Under Article 69(2) UPCA, Meril is ordered to pay the costs of the proceedings, since Meril has been ordered to pay the costs of the proceedings by the

The submission of the cease-and-desist declaration after the start of the proceedings caused unnecessary costs for the court and Edwards;

- Meril is also ordered to pay the costs under Article 69(1) UPCA, as Edwards is the successful party within the meaning of this provision. By Meril's declaration of discontinuance and undertaking, Edwards has obtained what it sought with the application for provisional measures;
- There is no need to rule on the merits of the action, but the merits justify an order that Meril pay the costs;
- In any event, Meril must bear the costs pursuant to Art. 69(3) UPCA as it has caused unnecessary costs.

#### JUSTIFICATION OF THE ORDER

##### *Principles for the allocation of the costs of the proceedings in the context of the dismissal of an action*

13. As a rule, the unsuccessful party must bear the appropriate and reasonable costs of the legal dispute and other costs of the successful party (Art. 69(1) UPCA). Exceptions apply if equity requires a different allocation of costs, in particular if a party prevails only partially or in exceptional circumstances (Art. 69(2) UPCA) and if a party has caused unnecessary costs to the court or another party (Art. 69(3) UPCA). However, the dismissal of an action pursuant to R. 360 RoP does not necessarily preclude the application of the general rule.
14. Which party is the prevailing party within the meaning of Art. 69(1) UPCA in the context of the dismissal of an action following the defendant's submission of an injunction and undertaking must be determined on the basis of the particularities of the proceedings and, in particular, the parties' applications and the content of the declaration. If the defendant undertakes to comply with the plaintiff's applications after the proceedings have been initiated, it is generally not necessary to examine the admissibility and merits of the case at the time the declaration of commitment is made in order to determine which party is the prevailing party. The declaration itself implies that the plaintiff's applications have been fulfilled. This means that, as a rule, the plaintiff is to be regarded as the prevailing party.
15. An exception to the general rule of Art. 69(1) UPCA may apply if a plaintiff initiates proceedings without first sending a warning letter and the defendant issues a cease-and-desist declaration 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 plaintiff has caused unnecessary costs to the defendant and the court.
16. Meril's observation that the German version of R. 360 RoP uses the term "abweisen" in this context does not lead to a different interpretation. The use of this term is not sufficient to conclude that the legislature intended that the defendant is always the prevailing party within the meaning of Art. 69(1) UPCA when an action is concluded under 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 (in the English and French versions "*dispose of the action*" and "*mettre fin à l'instance*" respectively).
17. This interpretation of Art. 69(1) UPCA in conjunction with R. 360 RoP is in line 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). Article 14 of Directive 2004/48 also provides, as a general rule, that the legal costs and other expenses of the successful party shall be borne by the unsuccessful party to the extent that they are reasonable and proportionate.

18. The Court of Justice of the European Union ('CJEU') has held that this provision is intended to increase the level of protection of intellectual property by preventing an injured party from being dissuaded from bringing legal proceedings to secure its rights (CJEU 16 July 2015, C-681/13, EU:C:2015:471, *Diageo Brands*, paragraph 77 and the case-law cited). Right holders may be dissuaded from instituting court proceedings to secure their rights if they have to bear the costs of the proceedings, if the purpose of the action is achieved by a declaration of the defendant and not by an Order of the court. The Court of Appeal's interpretation of Art. 69(1) UPCA thus furthers the specific objective of Art. 14 of Directive 2004/48.
19. The CJEU also held that Article 14 of Directive 2004/48 must be interpreted in the light of Article 3 of the Directive, which provides, 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 in line with this general obligation. It ensures that the court can decide on the obligation to pay the legal costs without having to examine the facts of the case, which in patent cases can require a complicated and costly procedure.
20. The interpretation is also consistent with recital 17 of Directive 2004/48, according to which the measures, procedures and remedies provided for in the directive must be determined in each individual case in such a way as to take due account of the specific features of that case. The fact that the defendant has undertaken to comply with the plaintiff's applications is a characteristic of the case that is very important for determining the prevailing party. In addition, in assessing whether the present case is an exception to (i) the general rule that a defendant who issues an injunction and undertaking after the institution of infringement proceedings is the unsuccessful party and (ii) the general rule of Article 69(1) UPCA and Article 14 of Directive 2004/48 that the unsuccessful party must bear the costs of the proceedings, the court may take into account the other features of the case.
21. The interpretation of Art. 69(1) UPCA and Art. 14 of Directive 2004/48 is not in conflict with the defendant's right to an effective remedy and a fair trial as guaranteed by Art. 47 of the Charter of Fundamental Rights of the European Union ("the Charter"). The defendant is free not to make the declaration and have the case decided by the court or to make the declaration conditional on the applicant bearing the costs of the proceedings. To the extent that the defendant's right is restricted in these circumstances, that restriction is necessary to protect the applicant's fundamental right to an effective remedy (Arts 47 and 52(1) of the Charter). In this context, the Court of Appeal reiterates the deterrent effect that the absence of a costs order may have on the plaintiff.
22. For all these reasons, there is no reasonable doubt that the interpretation of Art. 69(1) UPCA is in line with Art. 14 of Directive 2004/48. The Court of Appeal will therefore not refer any question to the ECJ.

*Allocation of costs in this case*

23. In view of the principles set out above, Meril rightly challenges the Court of First Instance's finding that the dismissal of the action under R. 360 RoP constitutes an exceptional circumstance within the meaning of Article 69(2) UPCA. The dismissal of the action in the present case does not preclude the application of the general rule of Article 69(1) UPCA that the unsuccessful party must bear the costs of the proceedings.
24. However, Edwards rightly argues that Meril is to be regarded as the losing party within the meaning of Art. 69(1) UPCA. By Meril's injunction and undertaking, Edwards has achieved the main objective of its application for provisional measures, namely that Meril cease marketing products which Edwards claims are protected by the patent in suit. Meril has thus effectively put itself in the position of the losing party. This is not altered by Meril's assertion that its actions were motivated solely by commercial considerations and that it did not recognise any patent infringement in its declaration.
25. The fact that Meril has expressly not assumed any obligation to bear the costs of the proceedings does not lead to a different assessment. Meril's obligation to bear the costs arises from Art. 69(1) UPCA. It is not based on a declaration of obligation to bear costs.
26. Meril's argument that it is the prevailing party on the merits within the meaning of Article 69(1) UPCA is misplaced. As the Court of Appeal pointed out above, the fact that Meril has undertaken to comply with Edwards' applications makes Edwards the prevailing party. In light of this, it is generally not necessary to decide the merits of the application.
27. Meril's submissions do not give rise to an exception to this general rule in the present case. Meril has argued that it is unacceptable that a defendant should have to bear the costs if the application is manifestly inadmissible or unfounded. It can be left open whether this is sufficient for an exception to the general rule, as Meril has not shown that the application in the present case is manifestly inadmissible or unfounded. While she has argued that there are grounds for rejecting the application, she has not argued that the application was manifestly unfounded. Moreover, in the Court of Appeal's judgement, the application is not manifestly inadmissible or unfounded in light of Edwards' detailed grounds for the application.
28. Meril's argument that Edwards was at least partially unsuccessful because the Court of First Instance rejected part of Edwards' application must also fail. The Court of First Instance only dismissed the application for costs of the proceedings up to a certain amount, as Edwards had not requested a certain amount. In view of the limited nature of this issue in relation to the dispute as a whole and the discretion available to the Court of First Instance in making its decision on costs, the partial rejection of Edwards' application does not constitute grounds for setting aside the Court of First Instance's decision.
29. Meril has not argued that if the Court of Appeal finds that Meril is the unsuccessful party, costs should be awarded against Edwards on equitable grounds (Article 69(1) last part of the sentence UPCA). It is also not apparent that the circumstances of the case favour an award of costs against Edwards on equitable grounds. As the

As the Court of Appeal has stated in paragraph 15 above, equitable considerations may require the plaintiff to pay costs where, in short, the plaintiff has incurred unnecessary costs by bringing proceedings against a defendant who has not given rise to the action. In the present case, however, the defendant has given such cause. Edwards sent Meril a demand letter prior to the proceedings. In response, Meril did not submit a cease and desist letter, but sent a defence in which it argued that the patent in suit was non-infringing and invalid. Even after Edwards initiated the proceedings, Meril did not immediately file the declaration. Instead, Meril filed an opposition in which it raised numerous arguments against Edwards' application, forcing Edwards to file a reply brief. Only after Edwards filed its defence did Meril file the declaration.

30. There is no need to rule on Meril's challenges to the Court of First Instance's finding that Meril incurred unnecessary costs by failing to file the cease and desist declaration before the commencement of the proceedings. The Court of Appeal's decision on the obligation to pay costs is based on the finding that Meril is the unsuccessful party and not on the fact that the declaration was not submitted at an earlier date.

### *Conclusion*

31. The appeal must be dismissed. As the unsuccessful party, Meril is ordered to pay the costs of the appeal proceedings.

32. As the appeal only concerns the decision on the obligation to bear the costs of the proceedings up to a maximum amount of € 200,000, the amount in dispute for the appeal proceedings is € 200,000.

### ORDER

- The appeal is dismissed.
- Orders Meril to pay the costs of the appeal proceedings.
- The amount in dispute for the appeal proceedings is set at € 200,000.

This Order was issued on 4 October 2024.



<p>Klaus Grabinski President of the Court of Appeal</p>	<p><b>KLAUS STEFAN MARTIN Grabinski</b> Digitally signed by KLAUS STEFAN MARTIN Grabinski Date: 2024.10.04 09:10:17 +02'00'</p>
<p>Peter Blok Legally qualified judge and judge-rapporteur</p>	<p><b>Peter Hendrik Blok</b> Digitally signed by Peter Hendrik Blok Date: 2024.10.04 13:55:50 +02'00'</p>
<p>Emanuela Germano Legally qualified judge</p>	<p><b>Emanuela GERMANO</b> Digitally signed by Emanuela GERMANO Date: 2024.10.03 20:35:52 +02'00'</p>
<p>Bernard Ledeboer Technically qualified judge</p>	<p><b>Bernard Christiaan Ledeboer</b> Digitally signed by Bernard Christiaan Ledeboer Date: 2024.10.03 09:10:57 +02'00'</p>
<p>Stefan Wilhelm Technically qualified judge</p>	<p><b>Stefan Maria Wilhelm</b> Digitally signed by Stefan Maria Wilhelm Date: 2024.10.02 18:02:16 +02'00'</p>