



**Local Division Munich
UPC_CFI_54/2024**

**Procedural Order
of the Court of First Instance of the Unified Patent Court
Local Division Munich
issued on 2 October 2024**

CLAIMANT (RESPONDENT)

Headwater Research LLC

represented by: Dr. Thomas Adam (Peterreins Schley).

DEFENDANT (APPLICANT)

- 1) Samsung Electronics GmbH**
- 2) Samsung Electronics France S.A.S**
- 3) Samsung Electronics Co. Ltd.**

represented by: Denise Benz (Allen Overy Shearman Sterling).

PATENT AT ISSUE

European patent n° 2 391 947

PANEL/DIVISION

Panel 1 of the Local Division Munich

DECIDING JUDGE/S

This order has been issued by the Presiding Judge Dr. Matthias Zigann acting as judge-rapporteur.

LANGUAGE OF THE PROCEEDINGS

English

SUBJECT-MATTER OF THE PROCEEDINGS

Patent infringement – Application pursuant to Rule 158 RoP.

REQUESTS

Defendants request:

- 1. to order Respondent to provide within 6 weeks security for legal costs and other expenses incurred by Applicants which Respondent may be liable to bear in the amount of EUR 200,000;*
- 2. to issue a decision by default against Respondent if Respondent fails to provide adequate security within the time limit set by the Court.*

Claimant requests:

The motions of Defendants are dismissed.

Auxiliary: The security is set at no more than EUR 100,000,-. The security may be provided by way of deposit or by way of a bank guarantee, including by one of an established financial institution seated in the US.

SUMMARY OF FACTS

The US based Claimant sued Defendants for infringement of EP 2 391 947. Claimant estimated the value of the infringement action at €2 million. Defendants filed a preliminary objection, a counterclaim for revocation and, inter alia, a R. 158 RoP application.

GROUNDINGS FOR THE ORDER

1. In the order dated 17 September 2024 (UPC_CoA_217/2024 APL_25919/2024; UPC_CoA_219/2024 APL_25923/2024; UPC_CoA_221/2024 APL_25926/2024) the CoA has set out the legal standard for the application of R 158 RoP:

- The Court, when exercising its discretion under Art. 69(4) UPCA and R.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 Court 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. 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 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.
- The relative financial position of the claimant as compared to that of the defendant is not as such a criterion under R.158 RoP, especially where the (limited) level of funding provided to a special purpose patent enforcement entity is a deliberate business decision.

2. The underlying facts of the case decided by the CoA were that the US-based claimant was a non-practicing entity with no assets other than the patents, which it used to generate revenue through litigation and licensing.

3. The same applies here.

The Defendants argued inter alia that the Claimant is a non-practicing entity with no operational business. In the parallel proceedings in the US, the Claimant had argued that its technology had previously been licensed by another company founded by the same person as the Claimant under the name ItsOn with the aim of developing products using this technology. However, ItsOn was liquidated in 2018. Since then, the Claimant's business model appears to be based solely on revenues expected from patent litigation. Claimant owns no other assets other than the patents used in multiple worldwide litigations.

The Claimant has failed to substantially challenge these reasons and facts. The only argument provided by the Claimant was a list of patents validated in Europe. However, no information on the value of these patents was provided.

4. Therefore, the Claimant must provide security for costs within three weeks by paying €100,000.00 as a deposit. A bank guarantee from a US bank was not considered adequate by the CoA and it is not considered adequate by this Court. As the Defendants have not submitted an estimate of costs, only the amount acknowledged by the Claimant is to be ordered.

ORDER

1. The Claimant is ordered to provide the Defendants with security for costs within three weeks by depositing €100,000.00 into the bank account of the Unified Patent Court.

2. All further applications as to costs are dismissed.

INSTRUCTION TO THE REGISTRY

The financial department of the Unified Patent Court is to be informed about this order. Bank details are to be provided to the representative of the Claimant.

INFORMATION TO THE PARTIES

Identical applications have been lodged in App_40280/2024, App_40281/2024 and App_40282/2024. They will only be dealt with in App_40280/2024.

INFORMATION ABOUT REVIEW BY PANEL

Any party may request that this Order be referred to the panel for a review pursuant to R. 333 RoP. Pending review, the Order shall be effective (R. 102.2 RoP).

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INFORMATION ABOUT THE POSSIBILITY OF A DECISION BY DEFAULT

If the Claimant fails to provide the security in time the Court of First Instance dealing with the main action may give a decision by default pursuant to R.355 RoP (see order by the CoA dated 27 September 2024 UPC_CoA_217/2024 APL_25919/2024; UPC_CoA_219/2024 APL_25923/2024; UPC_CoA_221/2024 APL_25926/2024).

DETAILS OF THE ORDER

Order no. ORD_45269/2024 in ACTION NUMBER: ACT_7603/2024

UPC number: UPC_CFI_54/2024

Action type: Infringement Action

Related proceeding no. Application No.: 40280/2024

Application Type: Generic procedural Application

Signed in Munich on 2 October 2024

Dr. Zigann
Presiding Judge