Central Division Paris Seat

Order
of the Court of First Instance of the Unified Patent Court
Central Division (Paris Seat)
delivered on 14/10/2024
lodged in the revocation action
No. ACT_27358/2024 / UPC-CFI 230/2024

Applicant, Claimant in the main action:

KINEXON SPORTS & MEDIA GMBH
Schellingstraße 35, 80799 Munich, Germany

Represented by: Prof. Dr. Tilman Müller-Stoy, Prinzregenenplatz 7, 81675 Munich, Germany

Respondent, Defendant in the main action:

BALLINNO B.V.
Registered at (1713 BA) Obdam, De IJvelandssloot 41

Represented by: R. Broekstra Msc LLM,
M.G.R. van Gardingen,
Georg Rauh,
M.W.L. Groeneveld,
Grote Bickersstraat 74-78
1013 KS Amsterdam
The Netherlands

PANEL
Presiding judge François Thomas

Legally qualified judge, judge rapporteur	Maximilian Haedicke
Technically qualified judge	Gérard Myon

DECIDING JUDGES:
This order has been issued by Panel 1

LANGUAGE OF PROCEEDINGS: English

POINT AT ISSUE
Plaintiff's request for security for costs of the revocation action after Defendant having submitted a request for preliminary measures.

SUMMARY OF FACTS

1. Respondent Ballinno is a limited liability company incorporated under the laws of the Netherlands, with the sole shareholder and the only member of the board being [redacted] one of the inventors named in the patent-in-suit.

2. Ballinno is owner of the patent in suit, EP 1 944 067 B1. The patent-in-suit was assigned to Ballinno by Invit B.V. on 22 January 2024.

3. On 18 April 2024, Ballinno filed for an application for provisional measures with the UPC Local Division Hamburg, against Kinexon et al. for using a method and system at the European Championships Football (UEFA EURO 2024) in Germany which Ballinno believes falls under the scope of protection of the patent in suit, EP 1 944 067 B1.

4. Through order of 3 June 2024 (order without grounds) and 28 June 2024 (order with grounds ORD_33150_2024), the Local Division Hamburg dismissed the application for provisional measures. Ballinno was ordered to pay the costs of the proceedings and the value of the dispute was set to EUR 500.000.

5. Ballinno has appealed both the security order and the main order. Although Ballinno has made clear that it is no longer claiming a provisional injunction, Ballinno is requesting that the order dismissing the application for provisional measures be set aside in its entirety; that the security order be set aside in its entirety; that the Kinexon companies and UEFA be ordered jointly and severally to pay the costs of the proceedings at the CFI and on appeal, immediately enforceable; and that the value of the dispute be set to EUR 56.000.

6. The appeal regarding the order dismissing the application for provisional measures is pending under number UPC_CoA_328/2024, No. APL_36389/2024.

7. In the appeal proceedings regarding Kinexon's request that Ballinno is ordered to provide security for the legal costs (UPC_CoA_328/2024, No. App_45255/2024), the Court of Appeal ordered Ballinno to provide security for the legal costs of Kinexon in the (total) amount of EUR 25.000.

8. On 17 May 2024, Kinexon initiated the current revocation action No. ACT_27358/2024 / UPC_CFI 230/2024.

9. Ballinno has made a commitment to Kinexon not to further pursue its infringement case unless and until the Court of Appeal provisionally rules that the method and system Kinexon provided to UEFA infringes a valid EP 067.

10. With this application, Kinexon as plaintiff in the revocation action requests Ballinno as defendant in the revocation action to be ordered to provide security for the legal cost.

PARTIES' REQUESTS

11. Kinexon requests:
    - Ballinno to be ordered to provide security for the legal costs and other expenses incurred and or/or to be incurred by Kinexon in the amount of at least EUR [redacted] within a time period to be specified by the Court, in any event in due time prior to the oral hearing;
    - A decision by default be issued against Ballinno if Ballinno fails to provide such security within the time specified by the Court.

12. Ballinno requests:
    - To dismiss or deny Claimant's request for an order against Defendant to provide security;
    - Alternatively: to await the full panel's review of Defendant's application to stay the proceedings until the decision of the Court of Appeal in the preliminary injunction proceedings before deciding on Claimant's request for an order against Defendant to provide security;
    - More alternatively: not to order provision of security of more than EUR [redacted]
    - Ballinno also requests an oral hearing.

PARTIES' SUBMISSIONS

13. Kinexon is submitting the following:
    - Ballinno lacks substantial assets to adequately secure reimbursement of the litigation costs. Defendant's issued capital is EUR 1 and it has no known assets and not even an office, other than the patent-in-suit.
    - Just shortly before the filing of the Application for provisional measures in the parallel proceedings the patent-in-suit was assigned to Defendant by Invit B.V. on 22 January 2024. The transfer was performed months after the assignor, Invit B.V., entered into a pre-trial correspondence with Claimant. The sole purpose of this assignment was to facilitate this litigation without any financial risk to the Defendant and its shareholders and to use the Defendant as a mere litigation vehicle.
    - Exhibit BP 8 which allegedly shows a bank balance of EUR [redacted] on Ballinno's bank account cannot serve as evidence to adequately secure Claimant's potential reimbursement as it does not give a full picture of Ballinno's financial balance, including its permanent assets. Moreover, it is outdated and in Dutch language only.
    - It is very likely that Defendant's costs for its UPC Representatives in the appeal proceedings for provisional measures and the revocation proceedings will exceed the amount of EUR [redacted]
    - Unlike Art. 69 (4) UPCA, R. 158.1 RoP provides that the request to provide security may be made not only by the Defendant in the main action, but by "a party" and thus also by the Claimant.

14. BALLINNO is submitting the following:
    - A party that is solely a Claimant in a legal dispute cannot request for security for costs. R158 RoP cannot have that effect, because that would not comply with Art. 69(4) UPCA and would therefore violate Art. 41(1) UPCA.

- R. 158.1 RoP is not an example of the RoP dealing with something the UPCA has not dealt with, thus qualifying as something additional, not contravening the UPCA. This is an example of the UPCA dealing with something (security) and explicitly limiting the right to request it (to the Defendant) and the Court's power to order it to.
- The purpose of Art. 69 (4) UPCA is to protect the defendant who has no choice but to defend itself against the claims of the claimant. Defendant should not be exposed to a risk of not being able to recover its reasonable costs and expenses if there is a realistic insolvency risk of the claimant. The claimant however does not have to be protected in this respect. It is its own choice to start litigation.
- Kinexon initiated the revocation action itself, to subsequently argue that Ballinno is only allowed to defend itself if it provides for security.
- Ballinno has made an irrevocable commitment to the Claimant in the proceedings not to further pursue its infringement case unless and until the Court of Appeal provisionally rules that the method and system Kinexon provided to UEFA infringes a valid EP 067.
- In that appeal, a preliminary injunction is no longer claimed, only reimbursement of legal costs; there is no preliminary injunction risk for Kinexon, therefore.
- Ballinno has given Kinexon the possibility to avoid any potentially unnecessary costs, by waiting a few months – without any injunction or other enforcement risk – for the Court of Appeal's preliminary injunction decision. Kinexon however did not want to wait and asked the Court to continue the revocation action. Any legal costs and other expenses resulting therefrom are caused by Kinexon itself.
- Ballinno cannot provide for the additional security Kinexon claims for its own case; putting an extra amount of EUR [redacted] aside is simply not possible for Ballinno.
- Ballinno would be deprived of defending itself which would thereby violate Ballinno's rights of access to justice (Art. 6 European Convention on Human Rights; Art. 47 EU Charter of Fundamental Rights).
- Ballinno disputes the value of the case. Any security to be ordered should not exceed EUR [redacted]

GROUNDS

15. The judge-rapporteur refers the proposed order for the provision of a security for costs to the panel, Rule 331.2 RoP.

"one party" according to R. 158 RoP

16. Art. 69.4 UPCA provides that the Court may at the request of the defendant order the applicant to provide adequate security for the legal costs and other expenses incurred by the defendant which the applicant may be liable to bear, in particular in the cases referred to in Art. 59 to 62 UPCA. Rule 158.1 RoP transfers this provision to the Rules of Procedure stating that at any time during proceedings, following a reasoned request by one party, the Court may order the other party to provide, within a specified time period, adequate security for the legal costs and other expenses incurred and/or to be incurred by the requesting party, which the other party may be liable to bear.

17. Hence, R. 158.1 RoP provides that, at the request by "one party" the court may order "the other party" to provide adequate security for the legal costs and other expenses. Claimant Kinexon qualifies as "one party" who can in principle request security from Ballinno as "other party".

18. Unlike Art. 69 (4) UPCA, the Rules of Procedure do not specify the party requesting the order as "the defendant" and the respondent of the request as "the applicant". The wording of the Rules

of Procedure therefore suggests that the request to provide security may be submitted not exclusively by the Defendant, but by "a party" and therefore also by the Claimant (LD Düsseldorf, order of April 30, 2024, _CFI_463/2023 ACT_590953/2023, 10x Genomics, Inc. ./. Curio Bioscience Inc., p. 39; see also LD Vienna, order of 30. July 2024 UPC_CFI_33-2024_ORD_37208-2024, SWARCO Futurit Verkehrssignalsysteme GmbH ./. Chainzone Technology (Foshan) Co, Ltd, p. 5 re intervener as “a party”).

19. According to Art. 41 (1)(2) UPCA, the Rules of Procedure must be in accordance with the UPCA. The Rules of Procedure may make additional provisions, as long as those do not contradict the UPCA. Art. 69 (4) UPCA grants “defendant” the right to request security. R. 158.1 RoP allows “one party” and therefore also the claimant to apply for security.

20. If interpreted properly, there is no contradiction between these provisions. It is not necessary that the party claiming security has the formal position of a defendant in the lawsuit in which it claims security. It only matters whether it reacts to a claim of the other party. Therefore, a party is also defendant in the sense of Art. 69 (4) UPCA if it responds with a revocation action against an application for provisional measures.

21. Hence, R. 158.1 RoP rule applies irrespective of whether the defence is raised the same proceeding for example in form of a counterclaim for revocation, or in a formally independent revocation action as part of a strategy of defence against an application for provisional measures.

22. The application of this rule leads to the result that Ballinno qualifies as “one party” which can apply for security in the revocation action under R. 158.1 RoP. Ballinno filed an application for provisional measures to which Kinexon responds by filing a revocation action.

23. For this reason, the application for security by claimant Ballinno is consistent both with R. 158.1 RoP and Art. 69 (4) UPCA.

Exercise of discretion of the court

24. According to R. 158.1 RoP, “… the court may order the other party to provide (…) adequate security …”. The decision to provide adequate security is in the discretion of the court (“…may…”). The court has to take into consideration all relevant factors.

25. The Court of Appeal has set up guidelines how the discretion is to be exercised (order of the Court of Appeal issued on 17 September 2024, UPC_CoA_218/2024, APL_25922/2024, UPC_CoA_220/2024, APL_25924/2024, UPC_CoA_222/2024, APL_25928/2024):

> *-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.

Concern that a possible cost order against Ballinno might not be recoverable by Kinexon

26. Under facts similar to the facts submitted in this case, the Court of Appeal has decided with regard to the application for provisional measures lodged by Kinnexon that security is to be paid by Kinexon (Order of the Court of Appeal of the Unified Patent Court issued on 26 August 2024, UPC Court of Appeal UPC_CoA_328/2024, APL_36389/2024 App_45255/2024).

27. The Panel refers to the grounds of this UPC_CoA_328/2024 decision (mn. 37, 38). The Panel concludes that the facts presented by Kinexon in the current case give rise to a concern that, equal to the CoA case, a possible cost order against Ballinno might not be recoverable by Kinexon.

28. This is because Ballinno has not brought anything forward to negate that risk. Indeed, the evidence presented by Ballinno demonstrates that it has EUR [redacted] (Exhibit BP8 to No. App_46766/2024 UPC_CFI_230/2024) on its bank account. In the event of a procedural loss, Ballinno must be able to cover both its own litigation costs – which may well exceed the applicable ceiling – and that of the other parties.

29. Ballinno has not explained its overall financial situation (assets, liabilities, costs, incomes, financial risks). The absence of such information – and the uncertainty that the liquid funds will not be transferred – makes it impossible to make an educated prognosis about the realistic chances for the Kinexon companies and UEFA to recover costs later on.

No other result due to the commitment not to further pursue its infringement case under certain conditions

30. Ballinno asserts that it has made an irrevocable commitment to the Claimant in the proceedings not to further pursue its infringement case unless and until the Court of Appeal provisionally rules that the method and system, which Kinexon provided to UEFA infringes a valid EP 067. This commitment does not lead to a different result. It does not alter the risk that a possible cost order against Ballinno might not be recoverable by Kinexon and does not change the fact that Kinexon has costs which arise in reaction to Ballinnos application for provisional measures.

31. Ballinno's commitment to Kinexon not to "further pursue its infringement case unless and until the Court of Appeal provisionally rules that the method and system Kinexon provided to UEFA infringes a valid EP 067" is contingent of certain conditions. Despite the commitment it is therefore in Kinexon's interest to continue the revocation action with the aim to receive a final judgment declaring the patent invalid.

32. The commitment especially does not exclude Ballinno from further pursuing the infringement action if the Court of Appeal provisionally rules that the method and system Kinexon provided to UEFA infringes a valid EP 067.

33. In the appeal proceedings concerning the application for provisional measures (UPC_CoA_328/2024 APL_36389/2024) it is under discussion between the parties whether Ballinno's request to set aside the main order without pursuing the claim for injunction is admissible. Should it be inadmissible, the conditions of the commitment would not be fulfilled and the infringement suit could be lodged.

34. Moreover, in case of a possible transfer of the patent in suit, the acquirer of the patent would arguably not be bound by an obligation not to sue. Therefore, Kinexon faces an ongoing danger to be sued under the patent-in-suit.

35. Therefore, the Panel considers it appropriate to guarantee a possible cost order against Ballinno by obliging Ballinno to provide a security.

No restriction of access to justice

36. As the Court of Appeal has stated (UPC_CoA_328/2024, App_45255/2024), and contrary to Ballinno's view, the provision of security does not hamper Ballinno's access to justice. National rules on the provision of security for costs have been assessed several times by the Court of Justice of the European Union and held compatible with EU law provided they do not discriminate in relation to nationals of other Member States and that the litigant is not denied the opportunity to present his case effectively before the court (see for example judgment of 7 April 2011 in C-291/09Francesco Guarnieri & Cie, ECLI:EU:C:2011:217, para 19, and judgment of 22 December 2010 in C279/09 DEB, ECLI:EU:C:2010:811, paras 45-47 and 61).

Amount of security

37. Ballinno is by consequence to be ordered to provide security for the legal costs and other expenses incurred and/or to be incurred by the Kinexon companies in this case.

38. The amount, the type of security and the period within which the security is to be provided are at the discretion of the court. According to R. 158.1 RoP the adequate security has to be based on the amount of the legal costs and other expenses incurred and/or to be incurred by the requesting party, which the other party may be liable to bear.

39. In its decision on the granting of security the Panel takes into account the interest of the claimant, the position of Ballinno as an SME and the Decision of the Court of Appeal (UPC_CoA_328/2024, No. App_45255/2024), in its analysis for the guarantee in the proceeding for provisional measures. Similar to the Court of Appeal, the Panel considers the amount of EUR 25.000 to be an adequate security for the expected costs.

40. Where the Court decides to order such security, it shall decide whether it is appropriate to order the security by deposit or bank guarantee. The Panel finds that both possibilities would be appropriate.

Scheduling of Oral hearing and due date of security

41. The Court considers it appropriate to order that the security has to be provided no later than one month before the oral hearing.

42. The oral hearing No. ACT_27358/2024 UPC_CFI_230/2024 is scheduled for 21 March 2025.

43. The security is due on 19 February 2025.

No oral hearing regarding the security

44. Ballinno's request for a hearing with regard to the security is dismissed. According to R. 264 RoP the Court shall give the parties an opportunity to be heard before making an order for security (R.158.2 RoP). The parties could present their arguments in their written submissions. The Court considers an oral hearing to be not necessary.

Leave for appeal

45. Leave for appeal is granted.

ORDER

1. The Court orders the Defendant to provide security for the legal costs of the Claimant in the (total) amount of EUR [redacted]

2. The security has to be provided **no later than 19 February 2025**.

3. Defendant is free to provide the security by deposit or bank guarantee. If the Defendant chooses to provide the security by deposit this has to be with the following reference:
No. ACT_27358/2024
to the following bank account of the UPC:
Account Holder: JURIDICTION UNIFIEE DU BREVET
Account name: JURIDICTION-SECURITY RECEIPT
BIC: BCEELULL
IBAN: LU55 0019 7355 1895 9000
BANK: SPUERKEESS
Address :1 PLACE DE METZ L-2954 Luxembourg

4. The request for an oral hearing regarding the security is rejected.

5. The oral hearing in the revocation action No. ACT_27358/2024 UPC_CFI_230/2024 is scheduled for

21 Mars 2025, 9.30
Tribunal de première Instance – Division Centrale de Paris
5 Rue Saint-Germain l'Auxerrois,
75001 Paris

6. Parties are requested to confirm their availability at the date of the oral hearing no later than **22. October 2024**.

7. Leave for appeal is granted.

INSTRUCTION TO THE PARTIES

The order for security is subject to the right of an appeal in accordance with Art. 73 UPCA, Rule 220.2 RoP. If the security is not provided in due time, a default judgment may be issued according to Rules 158.5, 355.1 (a) RoP.

INSTRUCTION TO THE REGISTRY

The order has to be sent to the financial team of the Court in Luxemburg

Issued at 14. October 2024

Names and signatures

Presiding Judge François Thomas

FRANÇOIS PAUL ETIENNE Thomas

Signature numérique de FRANÇOIS PAUL ETIENNE Thomas
Date : 2024.10.14 15:51:34 +02'00'

Legally Qualified Judge Maximillian Haedicke

Maximilian Wilhelm Haedicke

Digital signiert von Maximilian Wilhelm Haedicke
DN: cn=Maximilian Wilhelm Haedicke, c=DE
Datum: 2024.10.14 15:27:30 +02'00'

Technically Qualified Judge Gérard Myon

Gérard, Jean -Pierre Myon

Signé numériquement par Gérard, Jean-Pierre Myon
DN : cn=Gérard, Jean-Pierre Myon, c=FR
Date : 2024.10.14 15:59:19 +02'00'

ORDER DETAILS

Order no. ORD_47273/2024 in ACTION NUMBER: ACT_27358/2024
UPC number: UPC_CFI_230/2024
Action type: Revocation Action
Related proceeding no. Application No.: 46766/2024
Application Type: Generic procedural Application