



**UPC\_CFI\_241/2023 DECISION**

**OF THE UNIFIED PATENT COURT OF FIRST INSTANCE**

**filed on *04/11/2024***

**concerning infringement action No. ACT\_549585/2023 UPC\_CFI\_241/2023**

CLAIMANT

1) **Oerlikon Textile GmbH & CO KG**  
(Claimant) - Leverkusener Strasse 65 - 42897 -  
Remscheid - DE

Represented by Stefania  
BERGIA and Giulio E.  
SIRONI

DEFENDANT

**Bhagat Textile Engineers**  
(Defendant) - PLOT NO B/13/10-A, HOJIWALA  
INDUSTRIAL ESTATE, ROAD NO. 13, Sachin  
Apparel Park SEZ, - 394230 - Sachin, Surat,  
Gujarat - IN

Represented by Luca PELLICCIARI  
Lorenzo BATTARINO, Joel COLES,  
Rajvinder JAGDEV

PATENT AT ISSUE

Patent no.

Proprietor/s

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**EP2145848**

Oerlikon Textile GmbH & CO KG

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DECIDING JUDGE

COMPOSITION OF PANEL - FULL PANEL

Presiding judge	<b>Pierluigi Perrotti</b>
Judge-rapporteur	<b>Alima Zana</b>
Legally qualified judge	<b>Carine Gillet</b>

LANGUAGE OF PROCEEDINGS: Italian

**Headnotes**

Rule 295(m) RoP provides for the residual power of the Court to stay proceedings in those cases, other than those expressly provided for in the other chapters of the aforementioned provision, where the administration of justice so requires.

The relevant application is not subject to time limits and may also be made during the oral hearing, provided that the right to be heard is respected.

There is no basis for staying an *action for infringement*, where the defendant has recognised the validity of the patent and infringement without exception, in order to await the Court's decision on the *counterclaim for revocation* brought in a parallel action concerning the same patent brought against a different defendant.

Section 63(1) UPCA regulates the instrument - of a preventive nature - of the *permanent injunction*, which does not automatically follow the finding of infringement, but is discretionary in nature. With respect to infringing conduct that has already been ascertained, it is up to the infringing defendant to prove that there is no risk of repetition; with respect to future conduct that has not yet been integrated, the burden of proof lies with the plaintiff, by virtue of objective elements, such as the unambiguity of the elements preparatory to the infringement, and subjective elements, with respect to the defendant's intention to proceed with the infringement.

Section 63(2) UPCA provides - when deemed appropriate - for the remedy of a *penalty* to be paid to the Court as a *permanent injunction*, as a discretionary measure to be considered in light of the

dual nature - penalty and deterrent - of the penalty and to be quantified taking into account the principle of proportionality.

Article 80 UPCA provides - as a discretionary measure - for the publication of the Court's decisions against the offender. It is both compensatory in a specific form, by reintegrating the position of the victim of the offence in the market, and dissuasive, by dissuading operators from having commercial relations with the offender. That measure is different and distinct from the publication of the Court's decisions on the Unified Patent Court's institutional website, in compliance with the principle of transparency and publicity of the Court's activities.

Art. 68(3a) UPCA provides, among the items of recoverable damages, also that of non-material damage, already provided for in Art. 13(3)(a) of Directive 2004/48/EC, a category evidently referable to that of non-material damage, in the group of which reputational damage is included.

Rule 119 RoP provides for an order of a discretionary nature that may be granted by the Court if proof is reached not only of the unlawful *an* but also of the *quantum*, at least with respect to the amount that is provisionally liquidated. The minimum limit is constituted by the costs of the separate procedure for the determination of the damage, while the maximum limit is constituted by the presumable liquidation at that venue, a liquidation that cannot be punitive in nature, according to Art. 68 UPCA.

### **Keywords**

stay of proceedings, rule 295(m) RoP;  
permanent injunction, art. 63(1) UPCA;  
penalty, art. 63(2) UPCA;  
publication, Art. 80 UPCA;  
award of damages, moral prejudice, Art. 68(3a) UPCA;  
interim award of damages, rule 119 RoP.

## 1. Summary of procedural facts

- 1.1. Oerlikon Textile GmbH & CO KG (hereafter Oerlikon) is a company specialising in the development, production and marketing of machinery in the textile industry. The player is part of the multinational group of the same name, headquartered in Switzerland (Pfeffikon), which has been active since 1906 and is a market leader, being present in 37 countries with 205 locations and employing a workforce of more than 13,000.
- 1.2. Baghat Textile Engineers (hereafter Baghat) is an Indian company also active in the development, production and marketing of textile machinery.
- 1.3. Oerlikon is the owner of the patent in suit EP 2,145,848 B1 (hereinafter EP '848) entitled "*false twist texturing machine*", filed on 23.1.2009 and granted on 23.9.2011. With respect to this patent, the owner has not exercised its opt-out right and, therefore, the patent has unitary effect with respect to the countries belonging to the Unified Patent System where it has been nationalised, i.e. Italy and Germany.
- 1.4. On 13.6.2023, Oerlikon filed an application pursuant to Article 60 UPCA and RoP 192 et seq. prior to the commencement of the substantive proceedings against Baghat, in order to gather evidence of infringement of the EP '848 patent. In particular, Oerlikon pointed out that during the ITMA international trade fair, the most important in the sector, held from 8 to 14.6.2023 in the city of Rho (Milan), Baghat was exhibiting a structuring/texturing machine infringing its patent. He therefore invoked an *ex parte* order in order to obtain evidence of the infringement, also in relation to advertising material (brochures, technical drawings, renderings, etc.) and commercial material (contracts, purchase orders concluded at the trade fair with customers, distribution agreements or any other agreements, as well as any acts aimed at establishing business partnerships).
- 1.5. The order was granted by the Court without cross-examination and was executed on 14.6.2023. The order was not the subject of a request for review by the defendant.
- 1.6. On 12.7.2023, Oerlikon filed a timely motion for judgment on the merits, seeking a declaration of infringement, an injunction with penalty, publication of the judgment, and a restraining order against Baghat. The plaintiff also sought an order against the other party as a provisional remedy under Rule 119 RoP to pay

a fine of EUR 100,000, for costs to be incurred in the future proceedings for damages, and an award of costs of litigation.

- 1.7. On 4.1.2024, the defendant entered an appearance and replied with a statement, first specifying its correct company name - Bhagat Textile Engineers - and not Bhagat Group as erroneously indicated by the other party. On the merits, the defendant made no *preliminary objections* and did not introduce any challenge to the validity of the patent. It also stated that it had no knowledge of the patent and that it had never marketed any copies of the machine in the area covered by the patent protection. Furthermore, it reiterated its commitment not to enter the market covered by the patent in any form.
- 1.8. Baghat also denied that any damage had been caused to the other party and demanded compensation of costs or, in any event, the settlement of costs at a minimum, pointing out that he had cooperated in the execution of the measure granted *ante causam* and that he had only exhibited interfering machinery at the trade fair. Finally, it recalled that it had entered into negotiations with the plaintiff with a view to settling the dispute amicably.
- 1.9. In the course of the *written procedure*, Baghat acknowledged interlocutions with trans-sattive purposes even at an advanced stage, which were confirmed by Oerlikon, but were not successful.
- 1.10. The Court urged the parties to file documents for the purpose of assessing litigation costs also for settlement purposes and ordered, pursuant to Rule 262A RoP, the secrecy of a document containing confidential information filed by the plaintiff.
- 1.11. The interim conference was held on 27.5.2024. Oerlikon insisted on its request for access to the file of the *ante- causam* phase and, in particular, to the report of the Court Expert - even though no infringement is contested - in order to acquire useful elements for the determination of the value of the litigation.
- 1.12. At the outcome of the interim conference, the judge-rapporteur allowed the parties access to the evidence gathered *ante causam*, granted the parties time to file final briefs, and again urged the parties to settle the dispute amicably.
- 1.13. On 4.7.2024, the parties therefore accessed the documents relating to the *ante- causam* proceedings (UPC IFC No. 141/2023).

1.14. The oral hearing was held on 27.9.2024. The parties presented their respective positions, acknowledging that they had not settled the dispute amicably. The Court decided not to take new documents concerning the latest settlement talks. Baghat requested, in the alternative, to stay the litigation under rule 295(m) RoP, pending the settlement of the parallel litigation also pending before the UPC - Local Division of Milan introduced by Oerlikon against a different defendant, in the course of which a *counterclaim for revocation of EP '848* was pro- posed.

1.15. As a result, the Court decides as follows on the points submitted for its investigation.

## **2. Indication of the parties' requests.**

2.1. The plaintiff made the following requests to the Court:

(i) in the *Statement of Claim* under Rule 198(1) RoP, not further amended during the course of the proceedings

It pleases the Tribunal, rejecting all other or contrary requests, petitions, pleadings and deductions, and subject to all rulings and declarations in the case, pursuant to and for the purposes of Articles 25 a), 57, 63, 63.2, 64.2 b) and d), 67.1 and 80 UPCA, and Rule 119 RoP, to rule as follows

- (1) find and declare that the manufacture, offer for sale, marketing and advertising in any manner or form by the Bhagat Group of the machine at issue herein constitutes infringement of Oerlikon's patent EP '848;
- (2) restrain the Bhagat Group, its affiliated or associated companies, and its subsidiaries from prosecuting the offence of patent infringement referred to in paragraph  
(1) and, in particular, inhibit the manufacture, offer for sale, marketing and advertising of the Bhagat Group's machine at issue and any other activity relating to the machine at issue in all countries where the EP '848 patent has been nationalised; all of the above, whether directly or indirectly and/or through its agents, employees, officers, affiliates or other entities controlled by the Bhagat Group;
- (3) Order the definitive withdrawal from the market in all countries in which the patent EP '848 has been nationalised of the Bhagat Group's machine at issue and of any material relating thereto, also taking all further appropriate measures for the elimination of the effects of the infringement;

- (4) Order the publication of the operative part of the enacted decision, at the expense of the defendant and by the plaintiff, for at least two non-consecutive days, in double the normal font and with the names of the parties in bold, in the printed and digital versions of the trade journals *Chemical Fibers International*, *Tecoya Trend Publications Private Limited* and *İSTMAG MAGAZİN GAZETECİLİK İÇ VE DIŞ TIC. LTD. ŞTİ.*, as well as on the homepage of the defendant's website, for at least 30 days and in a graphic manner that gives immediate and prominent prominence to the publication itself;
- (5) set a penalty of Euro 12,000, or such other sum as may be deemed appropriate, payable by the Bhagat Group for each breach or non-compliance with the injunction referred to in sub-paragraph (2) found after the issuance of the decision;
- (6) order Bhagat Group to pay to the plaintiff, pursuant to Rule 119 RoP, a fine of EUR 100,000 for the costs that the plaintiff expects to incur in the proceedings to determine the amount of damages;  
under investigation
- (7) order Bhagat Group, pursuant to Section 67.1 UPCA to provide all relevant information:
  - (8) the origin and distribution channels of the machine in question;
  - (9) the quantities produced, manufactured, supplied, received or ordered of the machine at issue and the turnover generated by the sale thereof; and
  - (10) the identity of any third parties involved in the production or distribution of the machine at issue.
- (11) Order the defendant to reimburse the applicant for all costs incurred in connection with this judgment and the previous judgment No. 500982/2023.
  - (ii) during Oral Hearing:
- (12) In addition to the above claims, it objected to the suspension under Rule 295(i) RoP.

2.2. The defendant made the following requests to the Court:

(i) in the last authorised pleading filed on 25.7.2024

for all the reasons set out in the previous defence briefs and summarised herein, and for those that will be set out during the oral hearing, reiterating as of now its commitment not to manufacture and/or sell the textile machine allegedly infringing Oerlikon's patent in the territories where it is valid/existing and until its expiry, as well as its broadest willingness to reach a reasonable

settlement of the case, the defendant Bhagat reiterates what it has already requested in its previous pleadings, and in particular that the Court, taking into account all the concrete circumstances of the case and also in the light of the overriding principles of proportionality and efficient administration of justice, which inform the entire system of the Unified Patent Court and its rules of procedure

- (1) definitively fixes the value of the judgement, which is of relevance for the determination of recoverable costs, in the lowest value range, instead of the value provisionally decided in the order of 6.6.2024 and, accordingly, applies the lowest possible ceiling for recoverable costs;
  - (2) concludes that there is no need to order damages under Rule 118(1) RoP;
  - (3) rejects Oerlikon's request for the payment of a provisional damages sum pursuant to rule 119 RoP in the amount of EUR 100,000;
  - (4) orders under Rule 118(5) RoP that costs be set off between the parties and borne wholly and exclusively by the party incurring them;
  - (5) in the alternative, to liquidate such costs to the minimum possible extent, taking into account all the circumstances already brought to the attention of this Court, as well as the indication contained in Rule 152(1) RoP which refers to the criteria of reasonableness and proportionality in the liquidation of recoverable costs, and the real value of the court, to be established in accordance with Rule 104(j) RoP and the principles established by Rule 370(6) RoP *and the Guidelines for the determination of court fees and the ceiling of recoverable costs of the successful party*;
- (ii) during the *Oral Hearing* added
- (6) the application for a stay of proceedings pursuant to Rule 295(m) RoP.

### **3. Points under discussion.**

The grounds for the decision consist of the following points:

- jurisdiction and competence;
- request for suspension under rule 295(i) RoP;
- counterfeit detection;
- inhibitory;
- criminal;
- recall order;
- instructional order to declare distribution channels;
- value of the case;
- costs of litigation.



## REASONS FOR THE DECISION

### **4. Jurisdiction and competence.**

- 4.1. Although neither the jurisdiction of the UPC nor the competence of the Milan Local Division was contested by the defendant Bhagat, the Court briefly points out the following.
- 4.2. The UPC has jurisdiction because Oerlikon has filed an application that falls within the jurisdiction of the UPC *under* Art. 32(1c) UPCA. The title asserted is a European patent and the proprietor has not exercised his right to *opt out* under Section 83(3) UPCA and Rule 5 RoP.
- 4.3. In the internal division of competence between the Central Division and the Local Divisions, the latter are competent for infringement actions, according to Art. 32(1a) in conjunction with Art. 33(1a) UPCA.
- 4.4. This Local Division is then territorially competent according to Section 33(1a) UPCA, since the Italian territory - in particular the municipality of Rho (MI) - is the *forum commissi delicti*, i.e. the place where the infringement of the patent is taking place or is being committed.

### **5. Request for suspension pursuant to Rule 295(m) RoP.**

- 5.1. The first question submitted to the Court is procedural in nature and relates to Baghat's application for a stay of proceedings under Rule 295(m) RoP.
- 5.2. As is well known, this provision provides the option, residual in relation to the specific cases prescribed by the preceding paragraphs, for the Court to stay proceedings "*in any other case where the proper administration of justice so requires.*"
- 5.3. As a preliminary point, the Court finds that Baghat's application is admissible, even though it was made for the first time at the oral hearing. The provisions of Rules 295 and ss. RoP place no time limits on such an application. This is always subject to the right to be heard, which is guaranteed here - albeit orally - as Oerlikon has taken a position on this issue.

- 5.4. On the merits, however, the Court considers, exercising its discretion, that the application for suspension should be rejected.
- 5.5. Here, the defendant, it should be recalled, has not contested the validity of the patent and the interference, facts that must be considered as undisputed facts between the parties, according to the procedural rule of Rule 171(2) R.o.P. Nor, moreover, has Baghat claimed to have intervened in that litigation to support the patent revocation application brought by others. In addition, Baghat has not relied on any further elements with respect to the other proceedings.
- 5.6. The application for suspension must therefore be rejected.

## **6. Establishment of the infringement of patent EP '848.**

- 6.1. The patent in dispute - EP '848 - entitled *False twist texturing machine* is owned by Oerlikon, which has not exercised its right to opt out of the Unified Patent Court system (see doc. 7.1 of the plaintiff).
- The title was filed on 23.1.2009, claiming as priority a German patent dated 19.7.2008 and was nationalised in the following countries: Switzerland, Liechtenstein, Turkey, Germany and Italy (see doc. 7.2 of the plaintiff). EP '848 was granted on 23.9.2011 without any opposition. EP '848 consists of one independent claim (Claim 1) and nine claims dependent on Claim 1.
- 6.2. The invention relates to a machine for structuring/texturing - false twisting - several melt spun multifilament yarns through texturing, heating, cooling and stretching operations, at the end of which the yarn is then wound onto a bobbin. In the description of EP '848, it is set out that in the state of the art texturing/texturing machines used either three winding feeders - i.e. feeders using a galette or pulley and an accompanying roller on which the yarn is guided (p. 2, Italian portion of EP '848, see doc. 9 plaintiff) - or three clamping feeders - i.e. feeders in which the wire is guided in a clamping gap between a drive shaft and a clamping element (pp. 2-3, Italian portion of EP '848. see doc. 9).
- 6.3. The adoption of either winding feeders or clamping feeders alone, however, had numerous 'cumbersome' disadvantages. In order to overcome these, and in particular to ensure (i) that the wires were structured and processed with high quality and (ii) that the processing of the wire was as 'uninterrupted' as possible, the patent taught a solution - of

under claim no. 1 - according to which the first and second feeders are made as winding feeders and only the third is a clamping feeder.

- 6.4. Claim 1 of EP '848 thus claims: "*False-twist texturing machine for the texturing of a plurality of multifilament threads, with a plurality of delivery units (3, 9, 14), a heating device (4), a cooling device (5), a false-twist device (8) and a winding device (10. 1), having a driven drive roller (26) for drawing off, drafting, texturing and winding at least one of the threads (11), a combined texturing/drafting zone being formed between a first delivery unit (3) and a second delivery unit (9) and a secondary treatment zone being formed between the second delivery unit (9) and a third delivery unit (14), preceding the winding device (10.1), characterized in that the first delivery unit (3) and the second delivery unit (9) are designed in each case as a looping delivery unit (15.1, 15.2), and in that the third delivery unit (14) is designed as a nipping delivery unit (20)*".
- 6.5. According to Oerlikon, the inventive solution described above was exactly reproduced in the structuring/texturing machine exhibited and promoted by Baghat at the ITMA trade fair in June 2023, resulting in infringement of patent EP '848.
- 6.6. The evidence filed by Oerlikon (i.e. the photographic production of the Baghat structuring/texturing machine, a Baghat poster, a business card made available at the entrance of the *showroom* and bearing a QRcode referring to a video of the Baghat machine, see doc. 11.1-11.6 of the plaintiff) was corroborated by the evidence gathered *ante causam* with the measure granted by the Court and executed 14.6.2023.
- 6.7. Turning to the application for a declaration of infringement, the defendant has not concerned since the first pleading:
- a) the validity of the patent;
  - b) infringement of the patent at issue by its own machinery exhibited at the exhibition. By virtue of the principle of non-contestation, crystallised in Rule 171(2) RoP, infringement must be deemed proved.
- 6.8. Thus, in the light of Section 64(2a) UPCA, the Court, upholding the first claim of the plaintiff, declares that the offer to the public of the litigious machine constituted an infringement of EP '848. There is no doubt, in fact, that the advertising to market operators - moreover in a trade fair context of international significance - constitutes

interference with patent rights. Although Oerlikon did not specify the territorial scope, this statement should be limited to the territories where the patent is valid and where the UPC has jurisdiction, i.e. Germany and Italy.

## **7. Permanent injunction.**

- 7.1. Section 63(1) UPCA provides that where a court decision has found infringement of a patent, the Court may issue against the infringer a permanent injunction - of a lasting nature - aimed at prohibiting the continuation of infringement. It should therefore be noted that such a measure - of a preventive nature - does not follow automatically from the finding of infringement, but must be examined by the Court. The prohibitory injunction presupposes the risk of the infringing conduct being committed (or repeated) in the future.
- 7.2. Here the injunction is modulated in a twofold direction viz:
- a) in enjoining the repetition of the conduct already established (i.e. the promotion and publicising of the litigation machine);
  - b) in inhibiting future conduct that has not been established here but could be integrated (marketing and distribution).
- 7.3. As to the conduct under (a), the defendant's undertaking - reiterated also at the oral hearing - not to repeat it in the future is not capable of eliminating the danger of further injury and of eliminating Oerlikon's interest in a final *injunction*. In fact, the Court's injunction is backed by a penalty and in the event of non-compliance it also has criminal consequences. Thus, the victim of the offence retains a qualified interest in obtaining an injunction of the Court, which offers a better guarantee of compliance. Moreover, the out-of-court settlement can in turn be challenged before the court.
- 7.4. According to the doctrine followed herein, in the allocation of the burden of proof, it is not for the plaintiff in infringement to prove the risk of repetition, but for the defendant to eliminate this presumption. The proof of the non-repetition in the future of the conduct under a) has not been achieved by the defendant and, therefore, the permanent injunction should be granted. Moreover, the mere undertaking not to continue the infringement is not sufficient. In the present case it should be recalled that evidence has been adduced only of the promotion at trade fairs of the infringing machines but not also of the marketing, conduct to which the application for an injunction is extended.

7.5. With respect to conduct sub (b), the Court observes that the future risk - also of commercialisation - is to be commensurate with the likelihood of recurrence, to be assessed on the basis of:

(i) objective elements, in light of the degree of certainty of future injury, including the unambiguity of the preparatory acts with respect to the infringement.

Here, the defendant - an entity based in India - has not denied producing the disputed machinery. What is at issue is marketing in the European area and, in particular, in the territory of the Contracting Member States UPC where the patent in suit is currently in force. Promotion is obviously conducted contiguous to commercialisation and is instrumental to it.

(ii) subjective elements, relating to the defendant's willingness to engage in the interfering activity.

In this respect, the collaborative conduct of Baghat in this case is certainly relevant, but the statement made to the press by a person traceable to him should not be forgotten.

7.6. The risk of repetition of promotion and advertising is therefore persistent and the risk of marketing and sale is also immanent. The injunction extends to all Member States where the patent is valid and, therefore, to Italy and Germany.

## **8. Penalty.**

8.1. Article 63(2) UPCA provides that, when deemed appropriate, the *permanent injunction* shall be accompanied by a *penalty* to be paid to the Court. This measure has a dual nature - penalty and deterrent, in line with the principles of Article 41 of the TRIPS Agreement - and must be quantified taking into account the principle of proportionality.

8.2. Oerlikon requested this measure by invoking both the aforementioned provision and Article 11, Directive 2004/48/EC.

8.3. The principle of proportionality, which according to the guidelines of the Court of Justice must also govern sanctions, requires that this measure be quantified taking into account:

a) of its nature;

b) the principle of proportionality.

This judgement must be based on all the elements gathered in the concrete case (see Paris Local Division, 30.1.2024, UPC CFI No. 230/2023).

8.4. In the Court's view, the *penalty* allows for a better protection of the permanent injunction, considering that even after the execution of the measure *ante causam* there were indications to the market by the defendant of a willingness to market (see the interview given on 4.7.2024, doc. 20 of the plaintiff).

8.5. With respect to the quantification of the *penalty*, it must be assessed:

- the type of infringement found, i.e. the promotion of an international trade fair event of interfering machinery;
- the value of each individual machine, EUR 750,000, constitutes a reasonable and proportional basis for calculating the *penalty*;
- *royalties* charged in the sector at issue, namely textile machinery. In this regard, the parties submitted to the Court different, albeit not very distant, reconstructions, and also submitted supporting documentation. In particular, Oerlikon quantified the industry *royalties* as 6%. Baghat, on the other hand, argues that average royalties fluctuate between 2% and 4/4.5% (see defendant's Exhibit 6), specifying during the interim conference an average percentage of 3%.

8.6. Having regard to all these aspects, it appears reasonable to apply a penalty of 12,000 euros, as requested by the plaintiff.

### **9. Order for definitive withdrawal from the market.**

9.1. It should be recalled that the measure of recalling products from the channels of commerce is one of the three remedial measures provided for in Section 64(2b) UPCA, the granting of which is subject to the prior verification of compliance with an objective proportionality between the seriousness of the infringement and the remedies to be ordered (Section 64(4) UPCA; see UPC Munich Local Division, 13.9.2024, UPC CFI No. 390/2023).

9.2. In the Court's view, the prerequisite for a recall order is the presence of machinery on the market at any link in the counterfeiting chain.

9.3. According to Art. 54 UPCA, the burden of proof rests on the party adducing the facts, a rule specified by Rules 171 and 172 RoP, according to which the party alleging a fact contested or likely to be contested by the other party must indicate the means of proof.

9.4. In the present case, by virtue of the general rules set out above regarding the allocation of the burden of proof, the burden of proving the presence of machinery in the relevant

market rests on the plaintiff. Baghat denies having made any

marketing, fundamentally contesting the sale and/or distribution of the disputed machinery.

- 9.5. Oerlikon has been present in the market concerned for a long time, also through its own distribution network, and has not provided any evidence, not even of an circumstantial nature, to prove the presence on the market, at any link and stage of the distribution chain, of the disputed machinery.
- 9.6. Even the interview given to the newspapers on 4.7.2024 by ██████████ Managing Partner of the defendant company (cf. doc. 20 of the plaintiff), stops at a mere declaration of intent to penetrate the market, but does not provide any clues, rather it confirms that the distribution and marketing have not yet begun. Finally, Baghat's business card found at the ITMA trade fair does not add any evidence in this regard either.
- 9.7. In light of the principle of proportionality referred to above, the Court therefore considers that the application should be rejected.

#### **10. Instructional order to provide information according to Art. 67(1) UPCA.**

- 10.1. The judge-rapporteur, in the absence of liquid proof of the actuality of the infringing conduct and of past wrongdoing, decided not to proceed with the investigative activities concerning possible distribution channels, deferring these activities to the eventual phase of the liquidation of damages, i.e. the "*procedure for the determination of damages and compensation*". The Court conditioned this assessment.
- 10.2. In these proceedings, in the light of the principle of proportionality (Preamble RoP, paragraph 3) and taking into account the allegatory and evidentiary framework collected, such an order does not appear to be necessary.
- 10.3. The relative request must therefore be rejected in this judgement and may be proposed in the event of a judgement for damages, where the correlated instrument of the exhibition of the accounting documents - rule 126 RoP - is foreseen precisely for the purpose of investigating the entity of the counterfeiting phenomenon and proceeding to the liquidation of damages. And this after verification, at that stage, of the fulfilment of the burden of proof incumbent on the plaintiff in the light of Arts. 54 and 76 (6) UPCA, 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 applied for and, on the other hand, there are no

at the present time evidence that Baghat sold or distributed the disputed machines in the market of the UPC countries where the patent is in force.

## **11. Claim for liquidated damages pursuant to Rule 119 RoP.**

11.1. The Court recalls the discipline provided for by:

- Article 68(1) UPCA, according to which "*the Court shall, at the request of the injured party, order the infringer who knowingly, or with reasonable grounds to know, engaged in a patent infringing activity, to pay the injured party damages appropriate to the harm actually suffered by that party as a result of the infringement*";
- Art. 69 UPCA, which provides for non-material damage - a category of non-asset damage, which also includes reputational damage - as one of the items of recoverable damages, provided that the Court considers that proof of both the existence of the damage and its amount has been established;
- rule 119 RoP, according to which "*the Court may order an interim award of damages to the successful party in the decision on the merits, subject to any conditions that the Court may order. Such award shall at least cover the expected costs of the pro- cedure for the award of damages and compensation on the part of the successful party*".

11.2. It follows from the last provision cited above that:

- a) the remedy of *interim award of damages* is discretionary in nature;
- b) where granted, the amount must at least cover the costs of future proceedings;
- c) by the combined provisions of the two above-mentioned rules - in order to grant the remedy under rule 119 RoP - proof must also be adduced not only of the wrongful *actus* but also of the *quantum*, at least with respect to the amount which is provisionally awarded;
- d) the minimum limit is the costs of the future proceedings, while the maximum limit is the presumable liquidated damages in the separate judgement, which
  - it is recalled - may not be punitive in nature (*'damages shall not be punitive'*, see Art. 68 UPCA);
- e) it is a provisional decision, subject to final assessment in the eventual, different and subsequent procedural phase.

- 11.3. In the present case, Oerlikon claimed a provisional liquidated damages of 100,000 Euro.
- 11.4. Baghat requested that the application be dismissed, reiterating the absence of damage and the absence of any indication of the criteria for its quantification.
- 11.5. The Court finds that:
- with respect to *the an*, albeit limited to the exhibition at the fair, the tort must be deemed proven, as outlined above;
  - with respect to *quantum*, the wrongful act resulted in at least a reputational damage to Oerlikon's image of slight extent.
- 11.6. On this point it should be recalled that moral damage is included by article 69 UPCA among the items of reparable damage (in terms entirely in line with the express provision of article 13, paragraph 3, letter a), directive 2004/48/CE, on the respect of intellectual property rights). This is a category of non-asset damage and also includes reputational damage, which is recoverable provided that the Court considers that proof of both the existence of the damage and its amount has been reached.
- 11.7. That being said, the ITMA trade fair was held over seven days and is the most important trade fair in the world, organised every four years, with the participation of more than 1,600 exhibitors from 44 countries and over 100,000 visitors. These circumstances are not concerned and must therefore be deemed proven, pursuant to Rule 171(2) RoP.
- 11.8. In light of all the above considerations, the Court quantifies the sum *awarded as interim award of damages* at 15,000 euros.

## **12. Publication.**

- 12.1. The measure provided for in Article 80 UPCA is both compensatory in a specific form, reinstating the position of the victim of the offence in the market, and preventive, dissuading operators from doing business with the offender.
- 12.2. Its grant by the Court is discretionary and, if granted, the costs must be borne by the infringer.

- 12.3. This measure is different and different from the publication of the Court's decisions on the institutional website of the Unified Patent Court, in compliance with the principle of transparency and publicity of the Court's activities, which is part of my broader legal framework of access to the acts of the European institutions, to implement the principle of transparency (Art. 1 TEU) and, ultimately, to strengthen the democratic principle, as a means of information aimed at guaranteeing control over the actions of public powers (UPC, Munich Local Division, CFI 1/2023, 20 September 2023; Milan Local Division, CFI. 240/2023, 27.9.2023).
- 12.4. That being said, with regard to the different function and method of publication of the Court's decisions on its website in accordance with the above-mentioned principle, in the present case, the Office considers that the measure provided for in the aforementioned Article 80 UPCA does not appear necessary because it is not proportionate in the light of the limited counterfeiting phenomenon; the certain detriment to the defendant that would result from such publication appears in fact greater than that which the limited infringement ascertained so far requires.

### **13. Value of the case.**

- 13.1. Oerlikon stated that the value of the case is up to EUR 750,000.
- 13.2. Baghat contested this indication for the first time in the *rejoinder to the reply* deposited on 4.4.2024 requesting that the Court set the value in the lowest range, up to 250,000 Euro.
- 13.3. The plaintiff responded by contesting the tardiness of this claim, raised for the first time in the *rejoinder to the reply*, thus beyond the time limit prescribed by Rule 24(i) RoP.
- 13.4. The Board considers Baghat's objection to be out of time, the time limit prescribed by Rule 24(i) RoP being of a peremptory nature: beyond that procedural moment the defendant has no further right to object. Having decided to enter the pro se after a certain procedural time, it suffers the relevant forfeitures. Moreover, Baghat did not ask the Court for any extension of the procedural deadlines.
- 13.5. In any case, the assessment made by Oerlikon appears congruous.

13.6. As is well known, the value of the case is to be determined pursuant to: (i) Rule 104(i) RoP, which in turn refers to Rule 370.6 RoP; (ii) the *Guidelines for the determination of court fees and the ceiling of recoverable costs of the successful party*.

13.7. The following circumstances must therefore be taken into account in the present case:

- a) the parties do not agree on the value of the case, and therefore the standard set forth in point 3 of the General Principles dictated by the *Administrative Committee* on 23.4.2023 cannot be adopted;
- b) the plaintiff's interest in the proceedings, the first parameter indicated by the above-mentioned Rule 370.6 RoP.

In this regard, the patent holder's interest in the case cannot be considered limited to the damage suffered, but must be considered in its entirety, including with respect to the anticipated protection of its patent and its image on the market. Oerlikon's interest must therefore be examined in the light of the need to oppose the promotion at an international trade fair of machinery interfering with its own, which could also potentially cause reputational damage. Document No. 19 filed by the plaintiff (consisting of a contract concluded with an Indian customer for the supply of 21 *draw texturing machines* and subject of the protection order under Rule 262A RoP) allows the average value of each of the litigious machines to be assumed to be slightly higher than [REDACTED]. This value is an important indication of Oerlikon's interest in this case.

- c) the guidelines of the *Administrative Committee* with respect to the evaluation of the value of the share.

In this regard, regard must be had to the summed values of all the remedies sought (here articulated in both the injunction for the future and the damages for the past). With respect to the loss of profits and profit obtained by the alleged infringer, it should be noted that there is no liquid proof of the marketing of the infringing machines in the territory covered by the patent. Thus, there is no finding of damages for loss of profits of the plaintiff and loss of profits achieved by the defendant (according to the indicated point No. 1 of the General Principles of the Guidelines of the Administrative Committee). The only interfering episode is the exhibition at the Fair, which lasted for seven days, as pointed out by the plaintiff and not contested by the defendant during the interim conference.

As to the royalties normally applied in the specific sector, the defendant claimed that they corresponded to approximately 3% of the turnover, an allegation not 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 euros already in this case in order to cover the costs to be incurred in the future proceedings on the merits.

- 13.8. In light of all the above considerations, the Court finds that the value of the case is confirmed at 750,000 euros. And this for the purpose of the application of the cap scale for recoverable costs.

#### **14. Cost allocation criterion**

- 14.1. Section 69(1) UPCA provides that the award of costs is governed by the rule that costs are to be paid by the losing party unless equity considerations dictate otherwise.
- 14.2. Section 69(2) UPCA provides instead that if a party wins the case only partially or in exceptional circumstances, the court may order that costs be shared equally or that each party bear its own costs.
- 14.3. In these proceedings, the Court is not called upon to determine the actual costs, since this was not requested by the plaintiff, but only to determine the criterion for their allocation.
- 14.4. Oerlikon requested that they be paid in full to Baghat. The plaintiff also denied that there were any grounds for an award of costs, either in full - since the tort, albeit limited, was acknowledged by the defendant - or in part - since Baghat's offer in the course of the proceedings of Euro 30,000 to settle the dispute in an amicable manner was not congruous. And this in view of the fact that Oerlikon - up to the Interim Conference - has incurred expenses more than twice as much, namely, in detail: EUR 13,850 for Court fees; EUR 487.82 for costs; EUR 2,002 for the services of the Court Expert appointed in the *ante-causal* phase; EUR 57,939.96 for professional fees, both for the *ante-causal* phase and for the merits, before the last phase. Even if one were to hold that the amounts set forth for professional fees were not reasonable, in any event Baghat's offer was not congruous.
- 14.5. Baghat requested compensation, believing that the 'exceptional circumstances' of Rule 69 RoP exist. In this regard, it pointed out, inter alia:

(i) the absence of counterfeit conduct (with the exception of the trade fair exhibition) and in any case the immediate cessation of the conduct complained of;

(i) that he had always sought a settlement since the execution of the measure *ante causam*, undertaking from the outset not to produce and/or sell the litigious textile machine, by letters of 24.7.2023 and 27.10.2023 (see defendant's documents 3 and 4), with interlocutions that continued even afterwards but did not end in an agreement due to choices attributable to the other party;

(iii) that it had entered an appearance in court waiving its right to contest the infringement, reiterating that the only issue in dispute was litigation costs, and reiterating its commitment not to manufacture or market the disputed machines;

(iv) that there was no need to initiate a separate action for damages since the other party had not suffered any damage;

(v) Only in the run-up to the hearing, i.e. on 17.9.2024, Oerlikon requested to extend the non-marketing obligation not only to the countries where the patent is in force, i.e. Germany, Italy, Turkey, Lichtenstein and Switzerland, but also to China, India and Japan, i.e. to all the most important countries for the manufacturing industry; the latter request was in any case accepted, adhering to the global prohibition from marketing this machine. In the alternative, it claimed liquidation at the minimum.

- 14.6. The Court considers that there are those reasons of equity referred to in Section 69(1) UPCA for modulating the costs of litigation not to be borne entirely by the unsuccessful party. And this taking into account:
- (a) of the course of the negotiations (see defendant's doc. 7) where Baghat made itself available to pay a significant amount for litigation costs, albeit not exhaustive, as is normally the case in settlements;
- (b) Oerlikon's modification of the objective perimeter of the settlement proposal as negotiations progressed, demanding that the non-marketing commitment be gradually extended to countries other than UPC, thus making an amicable settlement difficult;
- (c) of Baghat's co-operative behaviour both in the course of the execution, before the commencement of the proceedings on the merits (see communication of 24.7.2023, cf. defendant's doc. 3) and herein.

- 14.7. The set-off is not effected for the whole (as provided for in Art. 69(2) UPCA) but for a minimal fraction, integrating those particular reasons that justify the partial set-off, which is considered reasonable in 20%.

For all the above reasons, the Court:

1. declares that Baghat Textile Engineers has infringed the patent EP '848 owned by Oerlikon Textile GmbH & CO KG - in force in Italy and Germany - by promoting and offering to the public the structuring/texturing machine exhibited at the ITMA trade fair in June 2023 in Rho - Milan;
2. restrains Baghat Textile Engineers from selling, marketing and promoting the machine referred to in paragraph 1 in infringement of the '848 patent and in the territories of Italy and Germany;
3. sets a penalty of €12,000.00 pursuant to Rules 63(2) and 354 RoP to be paid to the Court for each incident of a breach of the order referred to in No. 2;
4. orders Baghat Textile Engineers to pay Oerlikon Textile GmbH & CO KG a provident liquidated damages in the amount of EUR 15,000.00;
5. set the value of the case at 750,000.00 Euro;
6. orders that 20 per cent of the costs of the proceedings be borne by the parties and the remaining 80 per cent by Baghat Textile Engineers;
7. dismisses all further claims of Oerlikon Textile GmbH & CO KG.

Thus decided in Milan, on 4 November 2024.

Pierluigi Perrotti  
presiding judge

Pierluigi Perrotti  
Digitally signed by  
Pierluigi Perrotti  
Date: 2024.11.04  
11:38:35 +01'00'


Alima Zana  
judge-rapporteur

Alima ZANA  
Digitally signed by Allima  
ZANA  
Date: 2024.11.04 10:51:02  
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Carine Gillet  
legally qualified judge

Carine Gillet  
2024.11.04  
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clerk

 FERRETTI MADDALENA  
MINISTRY OF JUSTICE  
05.11.2024 10:20:27 UTC



APPEAL INFORMATION

WITHIN TWO MONTHS OF THE NOTIFICATION OF THE DECISION, THE PARTIES WHOSE CLAIMS HAVE BEEN WHOLLY OR PARTLY REJECTED MAY APPEAL TO THE COURT OF APPEAL (ART. 73(1) UPCA, REC. 220.1 (A), 224.1.(A) ROP)

INFORMATION ON EXECUTION (Art. 82 UPCA, Art. 37(2) UPCS, R. 118.8, 158.2, 354, 355.4 RoP)

A CERTIFIED COPY OF THE ENFORCEABLE JUDGMENT IS ISSUED BY THE DEPUTY REGISTRAR UPON REQUEST OF THE PARTY PROCEEDING UNDER R. 69 REGR

ORDER DETAILS

Order no. ORD\_598484/2023 in ACTION NUMBER: ACT\_549585/2023

UPC number: Action type:

InfringementAction