UPC CFI, Local Division Hamburg, 19 November 2024, Daedalus v Xiaomi

method and device for secure communications over a network using a hardware security engine

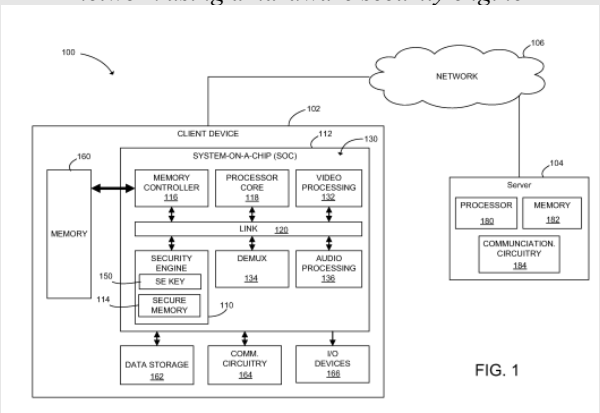

FIG. 1

PATENT LAW – PROCEDURAL LAW

Confidentiality Club not limited to outside lawyers only (R. 262A RoP)

- **Access to the confidential version of the statements on transfer of the patent suit and partially redacted Patent Transfer Agreement extended to legal counsel of Xiaomi**
- **Local divisions of the UPC have not granted an "*outside attorney's eyes only*" access without the consent of the parties involved.**

The JR does not agree, though, with the Claimant's argument, that the contents of the partially redacted Patent Transfer Agreement would not be relevant to Defendants' employees, since the transfer of the patent in suit is a mere legal issue, to which employees of Defendants cannot contribute. It goes without saying that a senior legal counsel of a mayor company always capable of contributing to legal issues, especially when it comes to the – here disputed – assessment of the Claimant's standing to sue. However, as the question of standing to sue is in fact a legal question, the JR executes his discretion to grant, but also limit the access of in-house-personal to the two legal counsels on the Defendants' side, who are either lead in-house counsel for the present proceedings (Mr. […] […] or responsible for the legal analysis in the present proceedings (Ms. […] The balancing of interests does not support granting access to an in-house counsel, who is responsible for the technical analysis in the present proceedings, as this matter is not significantly touched by the document in question.

Source: Unified Patent Court

UPC Court of First Instance,
Local Division Hamburg, 19 November 2024
(Schilling)
Hamburg Local Division
UPC_CFI_169/2024
Final Order
of the Court of First Instance of the Unified Patent Court delivered on 19/11/2024

APPLICANT

1) **Daedalus Prime LLC**
(Claimant) - 75 South Riverside, unit B/C, Croton-on-Hudson - 10520 - New York - US
Represented by Marc Grunwald

RELEVANT PARTIES

2) **Xiaomi Inc**
(Defendant) - No.006, floor 6, Building 6, Yard 33, Middle Xierqi Road, Haidian District, Beijing (Peking) 100085, China
Represented by Jan Boesing

3) **Xiaomi Technology Netherlands B.V.**
(Defendant) - Prinses Beatrixlaan 582 - 2595BM - The Hague (Den Haag) - NL
Represented by Prof. Dr. Tilman Müller-Stoy

4) **Xiaomi Technology Germany GmbH**
(Defendant) - Niederkasseler Lohweg 175 - 40547 - Düsseldorf - DE
Represented by Prof. Dr. Tilman Müller-Stoy

5) **MediaTek Inc. (Headquarters)**
(Defendant) - No.1, Dusing Rd. 1, Hsinchu Science Park - 300 - Hsin-Chu City – TW

PATENT AT ISSUE

Patent no.	Proprietor/s
EP2792100	Daedalus Prime LLC

DECIDING JUDGE

Judge-rapporteur Dr. Schilling

SHORT SUMMARY OF THE FACTS:

In its Reply to the Statement of Defense and Defense to the Counterclaim for Revocation dated 27 September 2024 the Claimant requested that the statements on transfer of the patent suit from […] […] to Daedalus Prime in the Reply highlighted in grey and the partially redacted Patent Transfer Agreement between […] […] and Daedalus Prime (Exhibit PS 9b) be classified as confidential and access be restricted to certain persons, mainly to the Defendants' legal representatives, only alternatively additionally one reliable natural inhouse person of Defendants 1 – 4) and one reliable natural inhouse person of Defendant 5) – provided that the Statement of claim has been serveomid on Defendant 5) – to be named to the Court by Defendants and that any access beyond this be declared inadmissible. Claimant refers to case law of the LD The Hague that access to confidential information can be granted to attorneys' eyes only.

The Claimant argued that the Transfer Agreement as such contains confidential information, since it includes all relevant details (like purchase price, tax details, specific information on […] licensing practice etc.) in relation to the purchase of a patent portfolio between […] and Claimant. Therefore, also the version of the Transfer Agreement that shall be subject to confidentiality (i.e., the partially redacted version) includes minimal portions that are blackened out, since these portions are not related to the transfer of the patent in suit but contain information that should not be made available to competitors of […] like Xiaomi and MediaTek. The partially redacted Patent Transfer

Agreement is not relevant to Defendants' employees, since the transfer of the patent in suit is a mere legal issue, to which employees of Defendants cannot contribute. Thus, in this exceptional case it is sufficient that Defendants' attorneys' only get access.

The Defendants 2), 3) and 4) commented on the application and argued that the RoP do not provide for completely excluding natural persons of the parties from access to all pleadings and documents, even if they contain confidential information. The group of persons entitled to access to confidential information must include at least one natural person from each party in addition to the respective party's representatives to not violate the party's right to be heard and to ensure a fair trial. The deviating decision by the LD The Hague was based on the fact that the parties' representatives had expressly agreed to establish an "*attorneys' eyes only''* restricted-access group. In the present case, the Xiaomi Defendants explicitly do not agree to restrict access to the confidential information to Xiaomi Defendants' legal representatives, only. Mr. […] is Senior Legal Counsel and lead in-house counsel for the present proceedings. Mr. […] is Senior legal counsel responsible for the technical analysis in the present proceedings. Ms. […] is legal counsel and responsible for the legal analysis in the present proceedings.

In its response the Claimant pointed out, that Defendants already had agreed to attorneys' eyes only as regards the concerned Confidential Information by waiving any rights to be granted access to this information by their in-house personnel in other infringement proceedings. It refers to the parallel proceedings before the District Court Düsseldorf (4b O 21/24; 4b O 16/24), namely to the Statement of Defense of Defendant 5) dated September 23, 2024. Defendant 5) had commenced discovery proceedings against Daedalus Group LLC, Claimant's parent company, pursuant to 28 United States Code § 1782 in the United States District Court for the Southern District of New York *("Discovery Proceedings*"). In the Discovery Proceedings, Daedalus Group LLC was obliged to provide, inter alia, the Patent Transfer Agreement. The Patent Transfer Agreement is classified as *"Highly Confidential - Outside Attorneys' Eyes-Only Information*" under the US Protective Order. All Defendants waived their right to access the confidential information including the Patent Transfer Agreement in the parallel proceedings before the Düsseldorf District Court.

The Claimant proposed that if the Court does not consider that any natural person should be excluded from access to Confidential Information, access should in any event be restricted to one natural person of Defendants only.

With further preliminary order dated 07 November the JR gave the Defendants the possibility to additionally comment on the Claimant's submission as Claimant presented with its response dated 4 November 2024 new facts regarding the handling of the information regarding the transfer of the patent suit from […] Corp. to Daedalus Prime by the parties in other legal disputes, namely before the District Court Düsseldorf. The JR pointed out that these new facts might influence the present R262A-application.

In their additional submission Defendants laid out that Defendant 5) – not Xiaomi – has commenced discovery proceedings pursuant to 28 United States Code § 1782 against Daedalus Group LLC, Claimant's parent company, in the United States and that the Protective Order was aimed to protect confidential information disclosed as part of the Discovery Proceedings, by Daedalus Group LLC, a third party. In the terms of the Protective Order, Daedalus Group LLC is the Disclosing Party of the Patent Transfer Agreement and Defendant 5) is the non-Disclosing Party. Therefore, the Protective Order only restricts the use and disclosure of the Patent Transfer Agreement by the non-Disclosing Party, i.e., Defendants 1) to 4) and Defendant 5). But the Protective Order does not prevent Claimant as the original owner of the Patent Transfer Agreement from disclosing the Patent Transfer Agreement, as any party or third party is free to disclose its own confidential information without restrictions.

The Defendants point out that they did not oppose the restriction requested by Claimant that the confidential information be kept secret even beyond this litigation and be used exclusively for the purposes of this litigation (request 3 of the confidentiality request in the Reply to the Statement of Defence of September 27, 2024, p. 10). But Defendants 1) to 4) expressly objected to any waiver of procedural rights in the pending UPC proceedings. Defendants 1) to 4) do not waive their right to access to the Patent Transfer Agreement submitted by Claimant as Exhibit PS 9a/b and to Claimant's related pleadings in Claimant's Reply brief.

DEFENDANTS' REQUEST

1. Access to the unredacted version of the Reply and the partially redacted version of Exhibit PS 9b is restricted to the following persons on the part of Defendants 2), 3) and 4):

a) Defendants 2), 3) and 4)'s legal representatives, insofar as they are authorized to represent Defendants 2), 3) and 4) before the UPC in the present proceedings, and their internal assistants, whereby only those professionals authorized to represent Defendants 2), 3) and 4) before the UPC in the present proceedings and their assistants from the law firm of Defendants 2), 3) and 4)'s legal representatives have access to the confidential information required for cooperation in the present litigation.

b) The following inhouse persons of Defendants 2), 3) and 4):

(i) […] Senior Legal Counsel;

(ii) […] Legal Counsel;

(iii) […] Senior Legal Counsel.

GROUNDS FOR THE ORDER:

The Claimant's request for confidentiality remains successful and the preliminary order dated 30 September in item 1. can be upheld as final order. The Defendants' waiver of the right to have in-house individuals getting access to the contents of the Patent Transfer Agreement in other legal disputes does not limit the rights of the Defendants' in the present UPC proceedings. Their

access has to be limited to the two legal counsels involved in the legal assessment of the matter.

1.

The Claimant's request for confidentiality remains successful.

a)

Article 9(1) and (2)(a) of Directive (EU) 2016/943 provides that, in judicial proceedings, access to documents submitted by the parties or third parties containing trade secrets or alleged trade secrets may be restricted, in whole or in part, to a limited number of persons on application. The protection of confidential information is provided for in the UPCA in **Art. 58** and implemented in in **R. 262A RoP**. According to **R. 262A.5 RoP** the Court may allow the Application considering in particular whether the grounds relied upon by the applicant for the order significantly outweigh the interest of the other party to have full access to the information and evidence in question. Therefore, the Court has to weigh the parties' interests against each other in the light of the circumstances of the individual case. The Court has to weigh in particular the right to be heard and the right to a fair hearing of the party affected by the access restriction, and the interest of the party requesting confidentiality protection in the protection of its confidential information.

b)

The requirements for the application pursuant to **R. 262A.2** and **.3 RoP** are met. The Defendants did not contest that the information in question for which the Claimant sought protection does constitute trade and business secrets of Claimant. Therefore, the Court had no reason to question that these pieces of information contain a trade secret with the certainty required for a confidentiality application under **R. 262A RoP**. The Claimant's interests outweigh the interests of the of the Defendants' in unlimited access.

2.

The Defendants' waiver of the right to have in-house individuals getting access to the contents of the Patent Transfer Agreement in other legal disputes does not limit the rights of the Defendants' in the present UPC proceedings. With regard to **R. 262A RoP** applications, the other party's right to be heard and the right to argue its case successfully before the Court are at stake.

a)

As a starting point a Defendant generally needs access to all information presented before the Court in order to be able to defend itself. But when it comes to the number and individuality of persons authorised to have access the number generally should not be larger than necessary to comply with the right of the parties to an effective remedy and a fair trial and has to include at least one natural person from each party and the respective lawyers or (other) representatives of these parties to the proceedings (comp. **LD Mannheim, 03.07.2024, UPC_CFI_471/2023, APP_26934/2024**; **LD Düsseldorf, 27.03.2024, UPC_CFI_355/2023 ORD_7096/2024**). Insofar as the access authorisation of a specific person is at issue, it depends in particular on that person's reliability and the guarantee that the person will not abuse the knowledge of the confidential information obtained. Furthermore, it depends in particular on the specific interest the party concerned has in allowing access to that individual person (comp. **LD Mannheim, 03.07.2024, UPC_CFI_471/2023, APP_26934/2024**).

b)

The JR sees the UPC bound by the general rule that access according to **R. 262A RoP** has to be granted to at least one natural person the other party. The RoP do not provide for completely excluding natural persons of the parties from access to all pleadings and documents, even if they contain confidential information. The group of persons entitled to access to confidential information must include at least one natural person from each party in addition to the respective party's representatives to not violate the party's right to be heard and to ensure a fair trial. Whereas, the LD Hamburg as a general rule therefore grants access according to **R. 262A RoP** to at least one natural person the other party, it already made an exception when the parties agreed otherwise, namely to an "*outside attorney's eyes only*" access (**LD Hamburg, 22.10.2024 – UPC_CFI_22/2023, ORD_49705/2024 in ACT_460565/2023**). The JR does not agree with the assessment of the Claimant, that other local divisions of the UPC have granted an "*outside attorney's eyes only*" access without the consent of the parties involved. All decisions cited by Claimant were based on the fact, that the parties agreed upon an "*outside attorney's eyes only*" access. In the present case, Defendants 2) to 4) explicitly did not agree to restrict access to the confidential information to their legal representatives, only.

c)

While it is undisputed that all Defendants already had agreed to "*outside attorneys' eyes only*" with regard to the information in question by waiving any rights to be granted access to this information by their in-house personnel in other infringement proceedings. These declarations were made in the proceedings before the District Court Düsseldorf (4b O 21/24; 4b O 16/24). There, Defendant 5) presented the said Patent Transfer Agreement that it had retrieved in the discovery proceedings against Daedalus Group LLC, Claimant's parent company, pursuant to 28 United States Code § 1782 in the United States District Court for the Southern District of New York. However, as the Defendants rightfully pointed out, in the present case it is not the Defendant 5), who is presenting the document. which is retrieved in the discovery proceedings against Daedalus Group LLC, and who clearly would be bound by the U.S. protective order. Rather, it is the Claimant who presents the document, and the Claimant is neither bound by the protective order nor by Defendants' declarations in national German proceedings. Both regimes do not prevent Claimant from disclosing the Patent Transfer Agreement, as any party or third party is free to disclose its own confidential information without restrictions.

d)

When balancing the interests of the parties, the JR takes into consideration, that certain confidential information, like the purchase price, is still blacked out in the confidential version of the Patent Transfer Agreement. The JR acknowledges that these portions that are blackened out are not related to the transfer of the patent in suit, but contain information that should not be made available to competitors of […] like Xiaomi and MediaTek.

The JR additionally takes into account that the Defendants did not oppose the restriction requested by Claimant that the confidential information be kept secret even beyond this litigation and be used exclusively for the purposes of this litigation. The JR does not agree, though, with the Claimant's argument, that the contents of the partially redacted Patent Transfer Agreement would not be relevant to Defendants' employees, since the transfer of the patent in suit is a mere legal issue, to which employees of Defendants cannot contribute. It goes without saying that a senior legal counsel of a mayor company always capable of contributing to legal issues, especially when it comes to the – here disputed – assessment of the Claimant's standing to sue. However, as the question of standing to sue is in fact a legal question, the JR executes his discretion to grant, but also limit the access of in-house-personal to the two legal counsels on the Defendants' side, who are either lead in-house counsel for the present proceedings (Mr. […] […] or responsible for the legal analysis in the present proceedings (Ms. […] The balancing of interests does not support granting access to an in-house counsel, who is responsible for the technical analysis in the present proceedings, as this matter is not significantly touched by the document in question.

3.

The competence of the judge-rapporteur for the present order in written proceedings follows from **R. 331.1** in conjunction with **334** and **335 RoP**.

ORDER

1. The preliminary order dated 30 September is amended with regard to its sect. 2. Additionally, access to the confidential version of the

- The statements on transfer of the patent suit from […] […] to Daedalus Prime in the Reply highlighted in grey and
- The partially redacted Patent Transfer Agreement between […] […] and Daedalus Prime (Exhibit PS 9b).

is extended to:

(i) […] Senior Legal Counsel;

(ii) […] Legal Counsel;

2. Apart from the addition stated above, sections 1. to 5. of the preliminary order dated 30 September 2024 are upheld as a final order.

ORDER DETAILS

Order no. ORD_53958/2024 in ACTION NUMBER: ACT_19012/2024

UPC number: UPC_CFI_169/2024

Action type: Infringement Action

Related proceeding no. Application No.: 53752/2024

Application Type: APPLICATION_ROP262A

INFORMATION ON THE APPEAL

The order is not appealable per se pursuant to **R. 220.1 RoP**. An appeal is therefore only possible together with an appeal against the final decision. To date, no party has applied for authorisation to appeal in accordance with **R. 220.3 RoP**. It does not appear necessary to authorise the appeal ex officio.
