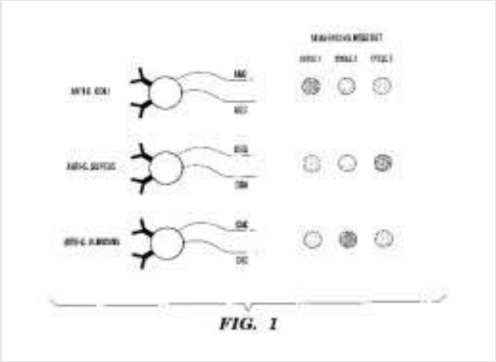
UPC CFI, Central Division, Section Munich, 17 December 2024, Nanostring v Harvard



PATENT LAW – PROCEDURAL LAW

Request to release the security rejected (R. 352(2) RoP)

The Court has the power to release a security for legal costs and other expenses imposed under Rule 158 RoP

- **on the basis** of **Rule 352.2 RoP**.

Despite the absence of a specific provision as part of **Rule 158**, the Court has the power to release a security on the basis of **Rule 352.2 RoP,** either directly or, if necessary, by way of analogy. Chapter 6 of the **RoP** ("*Security for Costs*") – in which **Rule 158 RoP** is placed – does not contain a provision for the release of a security for legal costs and other expenses that has been imposed by the Court on a party.

A security should be released when the reasons for imposing the security have ceased to exist.

- **This will generally be the case where a final and non-appealable judgement has removed the possibility of the event for which security was ordered.** Further, if the facts and circumstances that led to imposing the security order have materially changed so that the balance of interests is in favour of releasing a security, this can also be a reason to release the security.

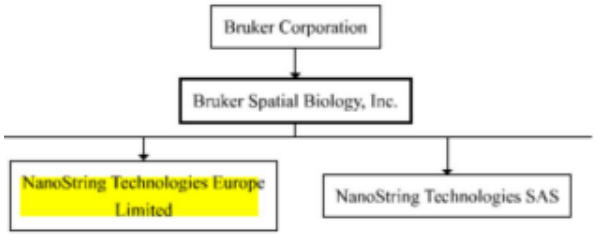
Source: **Unified Patent Court**

UPC Court of First Instance,
Central Division, Section Munich, 17 October 2024
(U. Voß, Kupecz, Enderlin)
Central Division (Section Munich)
Action n°: UPC 252/2023
Revocation action
Decision
of the Court of First Instance of the Unified Patent Court
Central Division (Section Munich)
delivered on 17 December 2024
concerning **EP 2 794 928 B1**
HEADNOTES:

1. The Court has the power to release a security for legal costs and other expenses imposed under **Rule 158 RoP** on the basis of **Rule 352.2 RoP.**
2. A security should be released when the reasons for imposing the security have ceased to exist. This will generally be the case where a final and non-appealable judgement has removed the possibility of the event for which security was ordered. Further, if the facts and circumstances that led to imposing the security order have materially changed so that the balance of interests is in favour of releasing a security, this can also be a reason to release the security.

KEYWORDS:
Security for legal costs, release of security.
ACT_551180/2023 (UPC_CFI_252/2023),
APP_56792/2024
CLAIMANT
NanoString Technologies Europe Limited, Suite 2, First Floor, 10 Temple Back - BS1 6FL - Bristol - GB
Represented by Daniela Kinkeldey of Bird & Bird
DEFENDANT
President and Fellows of Harvard College,17 Quincy Street - 02138 - Cambridge, MA – US
Represented by Axel Berger of Bardehle Pagenberg
PATENT AT ISSUE
European patent **EP2794928 B1**,
PANEL/DIVISION
Panel 1 of the Central Division (Section Munich).
DECIDING JUDGES
This decision has been delivered by the presiding judge Ulrike Voß, the legally qualified judge András Kupecz as judge-rapporteur and the technically qualified judge Eric Enderlin.
SUBJECT-MATTER OF THE PROCEEDINGS
Revocation action. Release of security**.**
SUMMARY OF FACTS AND REQUESTS
Facts
By order dated 30 October 2023 (ORD_574057/2023, published on the Court´s website, referred to as ´the Security Order´) NanoString Technologies Europe Limited (the Claimant in the main proceedings, Applicant in this application, further referred to as ´the Claimant´) was ordered to provide a security for legal costs by the Court pursuant to **Rule 158 of the Rules of Procedure ("RoP")** of the Unified Patent Court ("UPC"). The security deposit amounting to EUR 300,000.00 has been deposited by the Claimant on the Court´s bank account for security deposits. In the grounds for the Security Order, it was inter alia held:
"…once facts and reasons in support of a security request have been brought forward in a credible way, it is up to the responding party to contest such facts and reasons in a substantiated way, especially since that party will normally have knowledge of and will be in the possession of evidence in relation to its financial position and (the location of) its assets."
"…The fact that the reasons provided pertain to a large extent to the Claimant's group of companies does not mean that the reasons do not also relate to the Claimant. From the Claimant's own submissions, it moreover

becomes clear that its financial position is indeed closely (if not completely) tied to its group of companies, in particular the parent company."
And:
"…the Claimant has not provided any information as to its own, independent, financial position nor has it pointed at any of its own assets that could be suitable for redress should it be liable for any legal costs. Instead, it relies solely on the cash position of its group of companies."
The NanoString Group of companies, including the Claimant's then parent company, underwent a restructuring under Chapter 11 of the US Bankruptcy Code
The Claimant was transferred to Bruker Spatial Biology, Inc. Consequently, the relevant corporate structure is as follows (highlighting added, taken from the Claimant´s submission):



Requests
The Claimant has submitted the following:
1) The Claimant is solvent
a. The insolvency risk, on which the Security Order was based, was based on an injunction which in the meantime has been reversed by the Court of Appeal ("CoA"). No injunction is in place. Consequently, the group of companies of the Claimant is fully operational.
b. The Claimant was taken over by Bruker. As part of the Bruker group the liquidity of the Claimant is no longer in doubt. A recent SEC filing of Bruker Corporation, the ultimate parent company of the Claimant, shows USD 5.9 billion in assets (grown to 6.1 billion USD by the 3rd quarter of 2024).
2) The first instance proceedings have concluded in favour of the Claimant. The patent was revoked. The Defendant was ordered to pay costs. A claim for costs is thus excluded.
3) Bruker Corporation will honour any potential cost award against it. Moreover, the fact that the Claimant is UK based does not make enforcement unduly burdensome.
Based on the above submissions, the Claimant requests the release of the security.
The Defendants object for the following reasons:
1) The Claimant´s group went bankrupt. This confirms that the concerns were justified then. The Bruker Group is not a party to these proceedings. As no information is provided by the Claimant on its own financial situation, not even to the Bruker entity to which the Claimant was transferred, the Defendants contest that the Bruker group is liable for any potential cost claims of the Defendant against the Claimant.
2) The first instance decision is irrelevant. It is not final and not a criterion for a decision on security. The Defendant intends to appeal.
3) The UK seat of the Claimant is relevant. There is no treaty in place which makes enforcement burdensome.
Based on these reasons, the Defendant requests that Claimant´s request is rejected.
After expressing a preliminary view, the parties were given a further opportunity to provide written comments by the judge-rapporteur and parties were informed that the matter was being referred to the panel for decision.

GROUNDS
The request is admissible but is rejected because it is not well-founded.

Admissibility
Rule 158 RoP, according to which the Court may order a party to provide security for legal costs and other expenses, does not contain a specific provision for the release of such a security. Despite the absence of a specific provision as part of Rule 158, the Court has the power to release a security on the basis of Rule 352.2 RoP, either directly or, if necessary, by way of analogy. Chapter 6 of the RoP ("*Security for Costs*") – in which Rule 158 RoP is placed – does not contain a provision for the release of a security for legal costs and other expenses that has been imposed by the Court on a party.
Rule 352.2 RoP generally states: "*The Court may upon application of a party release a security by order*". This rule is, however, part of Chapter 10 "Decisions and Orders" and relates to "*decisions or orders subject to security*". According to Rule 352.1 RoP, decisions and orders may be subject to the rendering of a security (whether by deposit or bank guarantee or otherwise) by a party to the other party for legal costs and other expenses and compensation for any damage incurred or likely to be incurred by the other party if the decisions and orders are enforced and subsequently revoked.
According to the Court, Rule 352.2 RoP also applies to a (stand-alone) security for legal costs and other expenses which has been imposed pursuant to Rule 158 RoP. The wording of the rule generally relates to releasing "*a security*". There is nothing in the wording or the context of the rule that excludes its application to a "*Rule 158 RoP security*". The fact that the rule is situated in Chapter 10 does not change this. Moreover, where it concerns "*enforcement*", Rule 158.2 RoP refers to Rule 354 RoP which rule, in turn, refers back to Rule 352 RoP in the first sentence. Even though this reference is not directly relevant because the release of a security is not the same as enforcing a security order, the reference does confirm that the RoP do not exclude the applicability of Rule 352.2 RoP to a security order according to Rule 158 RoP. It follows that the Court may release a "*Rule 158 RoP security*" on the basis of Rule 352.2 RoP.
For the sake of completeness, the Court notes that if Rule 352.2 RoP would not provide a direct basis for this power of the Court, that rule is applicable by analogy. In this case, there would be an unintended gap in the RoP as it is clear that there must be a provision to release a

security that has been imposed on a party on the basis of Rule 158 RoP, if only for reasons of fair trial and equality of arms.
Based on the above and since the Defendant did not bring forward any reasons why the application would be inadmissible, the Claimant´s application is admissible.
Merits
Under Rule 352.2 RoP, the Court "*may*" and thus has the discretion to release the security. The Court does not have this power of its own motion, but only "*upon application of a party*". This implies that the party applying for releasing the security has the burden of substantiation and proof as to why the Court should use its discretionary power to release the security. In deciding upon a request to release the security, the Court must weigh the interests of the parties taking into account the relevant facts and circumstances.
The RoP do not specify the circumstances or conditions under which the Court should release a security. It can be assumed that a security should be released when the reasons for imposing the security have ceased to exist. This will generally be the case where a final and non-appealable judgement has removed the possibility of the event for which security was ordered (i.e. there is no longer a potential liability for legal cost). Further, if the facts and circumstances that led to imposing the security order have materially changed so that the balance of interests is in favour of releasing a security, this can also be a reason to release the security.
From the facts and arguments brought forward by the Claimant, it does not, however, follow that the balance of interests is in now favour of releasing a security. The purpose of a security is to safeguard the Defendant´s (potential) right to a cost reimbursement. The UPC CoA has confirmed that the Court, when exercising its discretion under Art. 69(4) of the Agreement on a Unified Patent Court ("UPCA") and Rule 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 UPC may not, or in an unduly burdensome way, be enforceable. It is thus only the financial position of the Claimant itself – and not its group of companies – that is relevant. (see CoA order of 17 September 2024 in case CoA 217/2024, Audi/NST, CoA order 29 November 2024, Aarke/Sodastream).
Other than the Claimant has submitted, the focus on the financial position of the Claimant, independent of its parent company, is not "*new*". Apart from the fact that both Rule 158 and Rule 353.2 RoP refer (only) to a "*party*" and the case law of the CoA cited above, the Court already noted in the Security Order that it was up to the Claimant to provide information on its own, independent, financial position.
The Claimant has, also in the context of the present request to release the security, not provided any details as to its own financial position. From the assertion that Bruker Corporation (the parent company of the entity to which the Claimant was transferred, Bruker Spatial Biology, Inc.) has 5.9 billion (now 6.1 billion) USD assets, even though as such uncontested by the Defendant, it does not follow that the Claimant has sufficient assets to reimburse a potential cost award. Bruker Corporation is not a party to these proceedings.
In view of the foregoing, without any further substantiation, which is lacking, the Court cannot conclude from the statements made by the Claimant:
- (point 22 of the application) "*the Claimant's ultimate parent company is well able to pay any legal costs…"* and
- (point 27 of the application) "*Bruker Corporation can and will honor any potential cost award against it"*
- (point 6 of the further written comments) "*The substantial assets of Bruker Corporation provide a strong assurance that the Claimant can (and will!) cover any potential cost awards…"*
that there are any guarantees or other special circumstances based on which the Defendant no longer has a legitimate interest in protecting its potential rights to a cost reimbursement from the Claimant so that the balance of interest would shift to releasing the security. It is therefore not relevant whether the Claimant belongs to a - financially sound - group of companies (cf. CoA in Aarke/Sodastream cited above).
The fact that a first instance decision has been given in favour of the Claimant is also not a relevant factor for as long as the decision may still be appealed. The purpose of and the Defendant´s interest in the security is to safeguard the recoverability of a potential cost award. As long as the decision is not irreversible, this interest is still present. As held by the CoA in Aarke/Sodastream, cited above, it is irrelevant whether a cost order in favour of the Defendant is to be expected. The Court should not engage in evaluating the likelihood of the outcome of the case when deciding on a request for security for costs. These considerations apply equally to a request to release a security.
In conclusion, the Claimant´s request to release the security is rejected.
As this is the first time the Court has had to deal with a request to release a security imposed under Rule 158 RoP, leave to appeal is granted to ensure a consistent application and interpretation of the RoP.
ORDER
Having heard the parties on all relevant aspects, the Court:
- Rejects the request to release the security.
- Grants leave to appeal.
Issued 17 December 2024
Judges Presiding judge: Ulrike Voß
Legally qualified judge and judge-rapporteur: András Kupecz
Technically qualified judge: Eric Enderlin
INFORMATION ABOUT APPEAL
Leave to appeal is granted. The present Order may be appealed within 15 days of service of this Order which

shall be regarded as the Court's decision to that effect (**Art. 73(2)(b)(ii) UPCA**, **Rule 220.2**, **224.1(b) RoP**).

ORDER DETAILS

Order no. ORD_56957/2024 in ACTION NUMBER: ACT_551180/2023
UPC number: UPC_CFI_252/2023
Related proceeding no. Application No.: 56792/2024
