

EIP

Security for Costs

Ballinno B.V. v Union des Associations Européennes de Football (UEFA), Kinexon GmbH and Kinexon Sports & Media GmbH (UPC_CFI_151/2024)

Order of 14 May 2024 (ORD_23557/2024)[1]

Ballinno B.V. commenced an application for provisional measures based on EP1944067, relating to a system for detecting an offside situation during a soccer game. The defendants sought security for costs, arguing that the claimant lacks substantial assets to adequately secure reimbursement of the costs of litigation. The defendants pointed out that the claimant is a limited liability company incorporated under the laws of the Netherlands, with the sole shareholder and the only member of the board being one of the inventors named in the patent in suit, and having issued capital of one Euro, which was not paid up. They argued that the claimant has no known assets, not even an office, other than the patent in suit. They suggested that the claimant's business model is exclusively characterized by the enforcement of the patent in suit and the assertion of corresponding license claims.

Furthermore, the defendants argued that the value of the dispute should be raised from € 500,000 to €2m, and that the provided security should be equal to the maximum amount of recoverable costs based on that value, namely €200,000.

In response, the claimant argued initially that security for costs was not applicable to applications for provisional measures. It pointed out that requiring such security would limit the claimant's access to justice, and that this was especially harmful for SMEs/start-ups with limited cash flow. It asserted that the issued capital did not reflect its financial status, and that it would be able to reimburse recoverable costs based on an accurate assessment of the value of the case.

The judge rapporteur referred the application to the full panel.

As an initial matter, the panel considered that security for costs could be ordered in relation to provisional measures, as Article 69(4) of the UPC Agreement, the legal basis for ordering security for costs, specifically refers to Articles 59-62 (Article 62 being the legal basis for provisional injunctions).

The panel considered that there was a risk that the claimant would not be able to reimburse the costs of the proceedings. The claimant had elaborated no grounds nor given any proof of its assertion that it is able to reimburse recoverable costs.

The panel noted that the patent was only recently assigned to the claimant, and that after the assignor had entered into pre-trial correspondence with second and third defendants. This raised a concern that the purpose of the transfer might be to facilitate the litigation without any financial risk to the assignor. Moreover, in light of this transfer, the panel was not inclined to give the claimant the favourable consideration for SMEs that the UPC previously had extended.[2] Overall, the panel weighted the interests of the defendants higher than those of the claimant in the present case.

The panel set a lower value on the dispute than the defendants contended for, maintaining it at €500,000, but noted that this could be adjusted at a later stage.

While noting that the security ordered does not have to correspond to the ceiling for recoverable costs based on the value of the dispute, on this occasion the panel considered that ceiling, €56,000, to be an adequate security under the circumstances.

Accordingly, the panel ordered the claimant to provide security for the legal costs of the Defendants in the (total) amount of € 56.000, to be paid within one week. In the absence of such payment, the court may proceed to a decision by default, as specified in Rule 158.5 RoP.

[1] <https://www.unified-patent-court.org/en/node/731>

[2] See <https://eipamar.com/en/knowledge-hub/article/looking-out-for-the-little-guy-the-upc-s-approach-on-ordering-security-for-costs-on-smes/>