



UPC_CFI_241/2023

DECISION

of the Court of First Instance of the Unified Patent Court

issued on *04/11/2024*

concerning infringement action No. ACT_549585/2023, UPC_CFI_241/2023

CLAIMANT

- | | | |
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| 1) | Oerlikon Textile GmbH & CO KG
(Claimant) - Leverkusen Strasse 65 - 42897 -
Remscheid - DE | Represented by Stefania
BERGIA and Giulio E.
SIRONI |
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DEFENDANT

- | | |
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| 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 |
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PATENT AT ISSUE

Patent no.

Proprietor/s

EP2145848

Oerlikon Textile GmbH & CO KG

DECIDING JUDGE

COMPOSITION OF PANEL - FULL PANEL

Presiding judge	Pierluigi Perrotti
Judge-rapporteur	Alima Zana
Legally qualified judge	Carine Gillet

LANGUAGE OF PROCEEDINGS: Italian

Headnotes

Rule 295 (m) RoP grants the Court the power 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.

Art. 63 (1) UPCA regulates the (preventive) instrument of the *permanent injunction*, which does not follow automatically from the finding of infringement, but rather 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 realised, the burden of proof lies with the claimant, by virtue of objective elements, such as the unambiguousness of the elements preparatory to the infringement, and subjective elements, with respect to the defendant's intention to proceed with the infringement.

Art. 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.

Art. 80 UPCA provides – as a discretionary measure – for the publication of the Court's decisions against the party committing the tort. It is both compensatory in a specific form, by reinstating the position of the party suffering the tort in the market, and disqualifying, by dissuading operators from doing business with the party committing the tort. 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, which is 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 *an* of the tort but also of the *quantum*, at least with respect to the amount that is provisionally liquidated. The minimum limit consists of 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, according to Art. 68 UPCA, shall not be punitive.

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;

Provisional award of damages, Rule 119 RoP.

1. Summary of 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 employees.
- 1.2. Bhagat Textile Engineers (hereafter Bhagat) is an Indian company also active in the development, production and marketing of textile machinery.
- 1.3. Oerlikon is the owner of the patent at issue 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 their 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 registered nationally, i.e. Italy and Germany.
- 1.4. On 13.6.2023, Oerlikon filed an application pursuant to Art. 60 UPCA and RoP 192 et seq. prior to the commencement of the substantive proceedings against Bhagat, in order to gather evidence of infringement of the EP '848 patent. In particular, Oerlikon stated that during the ITMA international trade fair, the most important in the sector, held from 8 to 14 June 2023 in the city of Rho (Milan), Bhagat was exhibiting a structuring/texturing machine infringing their patent. Oerlikon therefore requested an *ex parte* order in order to obtain evidence of the tort, 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 hearing the other party 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, a prohibitory injunction with penalty, publication of the judgment, and a market withdrawal order against Bhagat. The claimant 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

litigation costs.

- 1.7. On 4.1.2024, the defendant joined the case and replied with a statement, first specifying their 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. They also stated that they had no knowledge of the patent and that they had never marketed any units of the machine in the area covered by the patent protection. Furthermore, they reiterated their commitment not to enter the market covered by the patent in any form.
- 1.8. Bhagat also denied that any damage had been caused to the opposing party and demanded that costs be compensated or, in any event, that they be settled at a minimum, emphasising that they had cooperated in the execution of the measure granted *ante causam* and that they had only exhibited interfering machinery at the trade fair. Finally, they recalled having entered into negotiations with the claimant in order to settle the dispute amicably.
- 1.9. In the course of the *written procedure*, Bhagat acknowledged transactional exchanges that had been at an advanced stage, this being 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 claimant.
- 1.11. The interim conference was held on 27.5.2024. Oerlikon insisted on their 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 determining 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 CFI 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. Bhagat 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 proposed.

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 claimant 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) prohibit the Bhagat Group, its affiliated or associated companies, and its subsidiaries from continuing the tort of patent infringement referred to in paragraph (1) and, in particular, prohibit 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 registered nationally; 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 registered nationally, of 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 tort;
- (4) order the publication of the operative part of the enacted decision, at the expense of the defendant and by the claimant, 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 TİC. 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 claimant, pursuant to Rule 119 RoP, a fine of EUR 100,000 for the costs that the claimant expects to incur in the proceedings to determine the amount of damages;

in the preliminary stage

- (7) order Bhagat Group, pursuant to Art. 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 in question 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 requests, the plaintiff 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/in force and until its expiry, as well as its broadest willingness to reach a reasonable settlement of the case, the defendant Bhagat reiterates what they have already requested in their 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) to definitively fix 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, apply the lowest possible ceiling for recoverable costs;
- (2) to conclude that there is no need to order damages under Rule 118 (1) RoP;

- (3) to reject Oerlikon's request for the payment of a provisional damages sum pursuant to Rule 119 RoP in the amount of EUR 100,000;
- (4) to order 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;
- ascertaining infringement;
- prohibitory injunction;
- penalty;
- market withdrawal order;
- instructional order to declare distribution channels;
- value of the case;
- litigation costs.

GROUNDS 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 Art. 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 Art. 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 actual or threatened infringement has occurred or may occur.

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 Bhagat's application for a stay of proceedings under Rule 295 (m) RoP.
- 5.2. As is well known, this provision provides the option, 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 Bhagat's application is admissible, even though it was made for the first time at the oral hearing. The provisions of Rules 295 et seq. 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 Rule 171 (2) RoP. Nor, moreover, has Bhagat claimed to have intervened in that litigation to support the patent revocation application brought by others. In addition, Bhagat has not relied on any further elements with respect to the other proceedings.

5.6. The application for suspension must therefore be rejected.

6. Ascertaining 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 claimant).

The title was filed on 23.1.2009, claiming as priority a German patent dated 19.7.2008 and was registered nationally in the following countries: Switzerland, Liechtenstein, Turkey, Germany and Italy (see doc. 7.2 of the claimant). 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 threads through texturing, heating, cooling and stretching operations, at the end of which the thread 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 thread is guided– (p. 2, Italian portion of EP ‘848, see doc. 9 claimant) – or three clamping feeders – i.e. feeders in which the thread 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 threads were structured and processed with high quality and (ii) that the processing of the thread was as ‘uninterrupted’ as possible, the patent taught a solution – set out in claim 1 – according to which the first and second feeders are 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 Bhagat 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 photographs of the Bhagat structuring/texturing machine, a Bhagat poster, a business card made available at the entrance of the showroom and bearing a QR code that links to a video of the Bhagat machine, see doc. 11.1-11.6 of the claimant) was corroborated by the evidence gathered *ante causam* with the measure granted by the Court and executed on 14.6.2023.
- 6.7. Turning to the application for a declaration of infringement, the defendant has not contested 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 no-contest, set out in Rule 171(2) RoP, infringement is considered to have been proved.
- 6.8. Therefore, in the light of Art. 64(2a) UPCA, the Court, upholding the claimant's first request, declares that the offer to the public of the disputed machine constituted an infringement of EP '848. There is no doubt, in fact, that the advertisement to market operators – moreover in the context of an exhibition of international importance – 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. Art. 63(1) UPCA provides that in the presence of a court decision finding infringement of a patent, the Court may issue against the infringer a permanent injunction – of a lasting nature – aimed at prohibiting the continuation of the infringement. It should therefore be

noted that such a measure – which is 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 has two aims, to wit:

a) to prohibit any repetition of the already-ascertained conduct (i.e. the promotion and publicising of the disputed machine);

b) to prohibit future conduct that has not been ascertained here but could be included (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 sufficient to eliminate the danger of further injury and to remove Oerlikon's interest in a final injunction. In fact, the Court's injunction is backed by a penalty and can lead to criminal proceedings in the event of non-compliance. Thus, the party suffering the tort retains a qualified interest in obtaining an injunction from the Court, which offers a better guarantee of compliance. Moreover, the out-of-court settlement can in turn be challenged in court.

7.4. According to the doctrine followed herein, in the allocation of the burden of proof, it is not for the claimant 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 disputed machines but not also of the marketing, conduct to which the request for prohibition is extended.

7.5. With respect to the conduct sub (b), the Court observes that the future risk – also of marketing – 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 UPC Contracting Member States, where the patent at issue is currently in force. Promotion is obviously conducted contiguous to marketing 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 Bhagat in this case is certainly relevant, but the statement made to the press by a person traceable to Bhagat 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 prohibition extends to all Member States where the patent is valid and, therefore, to Italy and Germany.

8. Penalty.

8.1. Art. 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 above-mentioned 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) 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 claimant).

8.5. With respect to the quantification of the *penalty*, it is necessary to take into account:

- the type of infringement that has been ascertained, 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%. Bhagat, 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 seems reasonable to apply a penalty of 12,000 euros, as requested by the claimant.

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 Art. 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 (Art. 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 market withdrawal order is the presence of machinery on the market, at any link in the chain of infringement.

9.3. According to Art. 54 UPCA, the burden of proof rests on the party bringing forward 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 claimant. Bhagat denies having carried out any marketing, fundamentally contesting the sale and/or distribution of the machinery at issue.

9.5. Oerlikon has been present in the market in question 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 press on 4.7.2024 by ██████████ Managing Partner of the defendant company (cf. doc. 20 of the claimant), 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, Bhagat'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 proof of revenue from the reality 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 liquidated damages, i.e. the "*procedure for the determination of damages and compensation*". The Court shares this assessment.
- 10.2. In these proceedings, in the light of the principle of proportionality (Preamble RoP, paragraph 3) and taking into account the collected allegatory and evidentiary framework, 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 infringing 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 claimant in the light of Art. 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 they did not sell or distribute the disputed machinery in the market covered by the patent applied for and, on the other hand, there is currently no evidence that Bhagat sold or distributed the disputed machinery 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:
- Art. 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 recoverable items

of 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 procedure 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 the subsequent procedure ;
- 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 provided not only of the *an* of the tort 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. Bhagat requested that the application be dismissed, reiterating the absence of harm and the absence of any indication of the criteria for quantifying same.

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 the *quantum*, the tort resulted in at least minor reputational damage to Oerlikon's image.

11.6. On this point it should be recalled that moral damage is covered by Art. 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 enforcement 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 provided.

11.7. That being said, the ITMA trade fair was held for 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 contested 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 Art. 80 UPCA is both compensatory in a specific form, reinstating the position of the party suffering the tort in the market, and preventive, dissuading operators from doing business with the offender.

12.2. The granting of the measure by the Court is discretionary and, if granted, the costs must be borne by the party committing the tort.

12.3. This measure is 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 the broader legal framework of access to the acts of the European institutions, to implement the principle of transparency (Article 1 of the Treaty on European Union) and, ultimately, to strengthen the democratic principle, as a means of information aimed at guaranteeing control over the work 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 Art. 80 UPCA does not appear necessary because it is not proportionate in the light of the limited infringing phenomenon; the certain detriment to the defendant that would result from such publication appears in fact greater than that which the limited tort 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. Bhagat contested this indication for the first time in the *rejoinder to the reply* filed on 4.4.2024 requesting that the Court set the value in the lowest range, up to 250,000 Euro.
- 13.3. The claimant 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 Panel considers Bhagat's objection to be out of time, the time limit prescribed by Rule 24(i) RoP being definitive: beyond that procedural moment the defendant has no further right to object. Having decided to enter the procedure after a certain procedural time, they must suffer the relevant forfeitures. Moreover, Bhagat 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 claimant'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 to be limited only to the damage suffered, but must be considered in its entirety, including with respect to the anticipated protection of its own 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 overlapping with its own, which could also potentially cause reputational damage. Document No. 19 filed by the claimant (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 disputed 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 proof of revenue from the marketing of the disputed machines in the territory covered by the patent. Thus, there is no finding of damages for loss of profits of the claimant and profits gained by the defendant (according to the indicated point No. 1 of the General Principles of the Guidelines of the Administrative Committee). The only instance of overlap is the exhibition at the Fair, which lasted for seven days, as pointed out by the claimant 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 claimant and in respect of which Bhagat asked to be allowed to produce documents. As to the claim for damages, the claimant invoked the existing order in this case for the defendant to pay 100,000 euros 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; this is for the purpose of applying the scale of ceilings for recoverable costs.

14. Criterion for award of costs

- 14.1. Art. 69 (1) UPCA provides that the award of costs is governed by the rule that costs shall be borne by the unsuccessful party unless equity requires otherwise.
- 14.2. Art. 69 (2) UPCA provides instead that where a party succeeds only in part or in exceptional circumstances, the Court may order that costs be apportioned equitably or that the parties bear their 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 claimant, but only to determine the criterion for their allocation.
- 14.4. Oerlikon requested that they be borne in full by Bhagat. The claimant also denied that there were any grounds for alleviating costs – neither in full, since the tort, albeit limited, was

acknowledged by the defendant – nor in part, since Bhagat's offer in the course of the proceedings of Euro 30,000 to settle the dispute in an amicable manner was not adequate. This is in view of the fact that Oerlikon – up to the Interim Conference – has incurred expenses of more than twice that amount, 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 causam* phase; EUR 57,939.96 for professional fees, both for the *ante causam* phase and for the merits, before the last phase. Even if one were to hold that the amounts set out for professional fees were not reasonable, in any event Bhagat's offer was not adequate.

14.5. Bhagat requested compensation, believing that the 'exceptional circumstances' of Rule 69 RoP exist. In this regard, they pointed out, inter alia:

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

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

(iii) that they had submitted a note stating that they did not contest the infringement, reiterating that the only issue in dispute was litigation costs, and reaffirming their 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 harm;

(v) that only in the run-up to the hearing, i.e. on 17.9.2024, Oerlikon requested that the non-marketing obligation extend 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, they requested that compensation be set to the lowest possible level.

14.6. The Court considers that, pursuant to Art. 69(1) UPCA, there are reasons of equity for which the costs of litigation should not be borne entirely by the unsuccessful party. This takes into account:

(a) The course of negotiations (see defendant's doc. 7) where Bhagat was prepared to pay a significant amount – albeit not all – of the litigation costs, as is normally the case in settlements;

- (b) Oerlikon's modification of the objective scope 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) Bhagat's co-operative behaviour both in the course of the execution, before the commencement of the proceedings on the merits (see in this regard the communication of 24.7.2023, cf. defendant's doc. 3) and herein.

14.7. As provided for in Art. 69(2) UPCA, the offset is not total but is set at a minimal fraction. Taking into account those particular reasons that justify the partial offset, the Court considers 20% to be a reasonable level.

For all the above reasons, the Court:

1. declares that Bhagat 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. prohibits Bhagat 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 point 2;
4. orders Bhagat Textile Engineers to pay to Oerlikon Textile GmbH & CO KG provisional damages in the amount of EUR 15,000.00;
5. sets the value of the case at 750,000.00 Euro;
6. orders that 20% of the costs of the proceedings be borne by the parties and the remaining 80% by Bhagat Textile Engineers;
7. dismisses all further requests by Oerlikon Textile GmbH & CO KG.

Thus decided in Milan, on 4 November 2024.

Pierluigi Perrotti
presiding judge

Pierluigi
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by Pierluigi
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Alima Zana
judge-rapporteur

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Carine Gillet
legally qualified judge
clerk

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

INFORMATION ABOUT APPEAL

AN APPEAL AGAINST THE PRESENT DECISION MAY BE LODGED AT THE COURT OF APPEAL, BY ANY PARTY WHICH HAS BEEN UNSUCCESSFUL, IN WHOLE OR IN PART, IN ITS SUBMISSIONS, WITHIN TWO MONTHS OF THE DATE OF ITS NOTIFICATION (ART. 73(1) UPCA, R. 220.1(A), 224.1(A) RoP).

INFORMATION ABOUT ENFORCEMENT (ART. 82 UPCA, ART. ART. 37(2) UPCS, R. 118.8, 158.2, 354, 355.4 RoP)

AN AUTHENTIC COPY OF THE ENFORCEABLE DECISION WILL BE ISSUED BY THE DEPUTY-REGISTRAR UPON REQUEST OF THE ENFORCING PARTY, R. 69 REGR.

ORDER DETAILS

Order no. ORD_598484/2023 in ACTION NUMBER: ACT_549585/2023

UPC number: UPC_CFI_241/2023

Action type: Infringement Action