EIP

Security not released after revocation at first instance

NanoString Technologies Europe Limited v. President and Fellows of Harvard College (UPC_CFI_252/2023)

Decision of 17 December 2024 (Order no. ORD_56957/2024 relating to EP 2 794 928 B1)

Introduction

The Central Division (Munich Section) has rejected the request of NanoString Technologies Europe Limited ("NanoString") to release a €300,000 security held to protect against possible legal costs to the Defendants.

Background

In a previous decision, the Court revoked the patent in question – EP 2 794 928 B1 – due to lack of novelty and inventive step over the prior art (link). The Defendant and its licensee, 10x Genomics, indicated its intention to appeal.

The present order relates to the release of security deposited by NanoString (link). Prior to the revocation action, the Court found that NanoString's financial position was closely tied to its parent group of companies, and that in arguments against a preliminary injunction in connection with this patent and a divisional it had been disclosed that the parent group was in a financially precarious position. As such, it was ordered that NanoString pay a €300,000 security.

After the decision to revoke the patent, the Claimant argued it was entitled to the return of its security, given the facts of the case had changed. Moreover, since the original filing the Claimant's group of companies had undergone a restructuring under Chapter 11 of

the US Bankruptcy Code and moved into the ownership of a new company, Bruker Corporation, with approximately $6 billion in assets. The Defendant disagreed, arguing
p2 that no information about the Claimant's financial position had been provided and that the Claimant had prevailed at first instance, not being final nor a criterion for security, was irrelevant.

Issue

Under what circumstances is the Claimant entitled to a release of its security?

Relevant provisions

The relevant parts of the Rules of Procedure (RoP) are Rule 158(1), which relates to Article 69(4) of the UPC Agreement (UPCA), and Rule 352.

Rule 158(1) RoP – Security for costs of a party

1. At any time during proceedings, following a reasoned request by one party, the Court may order the other party to provide, within a specified time period, adequate security for the legal costs and other expenses incurred and/or to be incurred by the requesting party, which the other party may be liable to bear. Where the Court decides to order such security, it shall decide whether it is appropriate to order the security by deposit or bank guarantee.

Relation with the Agreement: Article 69(4)

Article 69(4) UPCA – Legal costs

4. At the request of the defendant, the Court may order the applicant to provide adequate security for the legal costs and other expenses incurred by the defendant which the applicant may be liable to bear, in particular in the cases referred to in Articles 59 to 62.

Rule 352 RoP – Binding effect of decisions or orders subject to security

1. 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.

2. The Court may upon the application of a party release a security by order.

Decision

Admissibility

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The Court argued that nominally the most relevant rule is Rule 158, relating to security for costs of a party. However, Rule 158 does not provide explicit provisions for the release of security. The Court therefore also referred to Rule 352.

The Court highlighted that Rule 352 is in section 10 of the Rules of Proceedings and so relates to rules for decisions or orders. It was then held that Rule 352(2), however, which states that "the Court may upon the application of a party release a security by order", does not restrict its subject matter to securities for the purposes of decisions or orders, but to securities more generally. Therefore the Court held that there is nothing preventing applying Rule 352(2) to securities held for the purposes of legal costs. The Court further determined that the wording "application of a party" implies that a party must request the release of security, and that the burden of proof lies on the party to show that the balance of considerations has shifted so that the release of security is justified. Given the above, the Court held that the request for the release of the security was admissible.

Merits

The Court pointed out that the RoP does not specify the circumstances under which the Court should release security.

The Court then set out when the release of security may be justified. The Court mentioned two scenarios: when the situation which caused the Court to require security has ceased; and when the facts have materially changed so that the balance has changed in favour of releasing the security.

One example the Court provided for the former is when "a final and non-appealable judgment has removed the possibility of the event for which security was ordered (i.e. there is no longer a potential liability for legal cost)". The Court, however, found that this did not apply to the facts of this application for release of the security. As the first instance decision is still subject to appeal, the Defendant still had an interest in being able to recover costs. Accordingly, the first instance decision was not a relevant factor.

The judgment then turned to the corporate structure of NanoString's group of companies. The UPC Court of Appeal previously confirmed that the relevant test for the order of security is 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". Despite the Bruker group owning approximately $6

billion in assets, the Court considered this irrelevant, stating "it is only the financial position of the Claimant itself – and not its group of companies – that is relevant".

Further, given that the Claimant did not give any information on its own – i.e. NanoString Technologies Europe Limited's – financial position, the Court held that it was not shown that the Claimant had sufficient assets to reimburse a potential cost award.

Conclusion

The Court held that, although the request for a release of security was admissible, the balance of facts had not swung in favour of releasing the security.

The key points are:

- A security should be released when either a final and non-appealable judgment has removed the possibility of the event for which the security was ordered, or 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.
- It is only the financial position of the Claimant itself, and not the group of companies to which it belongs, that is relevant when determining whether a security should be released.