

ARRANGEMENT
of the Court of Appeals of the Unified Patent Court issued on
September 24, 2024
concerning: Applications for orders to produce evidence (R.190 VerfO)

GUIDING PRINCIPLES

- A defendant may invoke R.190.1 VerfO to obtain an order to produce (counter-) documents.
) evidence.
- A balance must be struck between the defendant's interest in submitting evidence that may be useful for its FRAND defense and the interest of the other party and its contractual partners in protecting confidential information. The Court of First Instance has discretionary powers when deciding on an application to order the production of evidence pursuant to R.190 of the Rules of Procedure. This discretion also includes a decision on the application taking into account the order in which points in dispute are to be decided as determined by the judge-rapporteur, the presiding judge or the panel in accordance with R.334(e) of the Rules of Procedure.
- The assessment of an application for an order to produce evidence may depend on the respective stage of the proceedings. It may be the case that such an application does not yet meet the requirements of necessity, relevance and proportionality at a certain stage of the proceedings, while at a later stage of the proceedings these requirements may be considered to be met.

KEYWORDS

Order to submit evidence, R.190 VerfO, FRAND defense

APPELLANTS (AND DEFENDANTS IN THE MAIN PROCEEDINGS BEFORE THE CFI)

1. Guangdong OPPO Mobile Telecommunications Corp. Ltd., Dongguan, China

2. OROPE Germany GmbH, Düsseldorf, Germany

both represented by: Rien Broekstra, Advocaat, Dr. Andreas Kramer, Attorney at Law, Hannes Obex, Attorney at Law, Boukje van der Maazen, Advocaat, and Maarten Groeneveld, Advocaat (Vossius & Brinkhof UPC Litigators, Amsterdam, Netherlands)

APPELLANT (AND PLAINTIFF IN THE MAIN PROCEEDINGS BEFORE THE CFI)

Panasonic Holdings Corporation, Osaka, Japan

represented by: Dr. Christof Augenstein, Dr. Benedikt Walesch and Marco Berlage, lawyers (Kather Augenstein Rechtsanwälte, Düsseldorf, Germany)

PATENTS IN DISPUTE

EP 2 568 724, EP 2 207 270, EP 3 096 315 PANELS AND

DECIDING JUDGES

This order was issued by the second panel of the Court of Appeal with the participation of from:

Rian Kalden, Presiding Judge

Ingeborg Simonsson, legally qualified judge and rapporteur Patricia Rombach, legally qualified judge

OBJECTIONABLE ORDERS OF THE GEI

□Date : May 16, 2024 (ORD_598191/2023, ORD_3980/2024 and ORD_6152/2024)
□File number of the Court of First Instance, Local Chamber Mannheim: UPC_CFI_210/2023, ACT_545551/2023, App_596779/2023, UPC_CFI_222/2023, ACT_545770/2023, App_1304/2024, and UPC_CFI_216/2023, ACT_545604/2023, App_4931/2024

LANGUAGE OF THE PROCEEDINGS

German

ORAL HEARING

August 13, 2024

LITIGATION HISTORY AND MOTIONS OF THE PARTIES

1. Panasonic has brought actions against OPPO and OROPE before the Court of First Instance, Local Chamber Mannheim, for infringement of patents EP 2 568 724, EP 2 207 270 and EP 3 096 315.
2. It is undisputed that Panasonic has declared these patents to be standard-essential patents (SEPs) for the (here relevant) 4G standard for cell phones and that the parties have - so far unsuccessfully - negotiated a license on fair, reasonable and non-discriminatory terms (FRAND).
3. The Mannheim Local Division's case file shows that the parties disagree on whether OPPO and OROPE are willing licensees and whether Panasonic has made offers to OPPO and OROPE to license the patents on FRAND terms.
4. OPPO and OROPE raised the FRAND objection in the infringement proceedings. In parallel to filing their responses and counterclaims for a declaration of invalidity (and additionally, in infringement proceedings EP 724, a counterclaim for determination of a FRAND license), OPPO

and OROPE applications for an order for the production of evidence pursuant to R.190 VerfO. In summary, the defendants have applied:

- the submission of the license agreements "X" and "Y" used by Panasonic as a reference in the negotiations,
- the submission of any other license agreements entered into by Panasonic relating to 3G and/or 4G SEP covering mobile devices,
- the submission of all license agreements concluded by third parties regarding 3G and 4G SEP that cover mobile devices to the extent that Panasonic was or is currently the owner thereof and that are under the control of Panasonic,
- the submission of license agreements between Panasonic and the suppliers of OPPO and OROPE covering 3G and/or 4G SEP,
- the submission of an overview of divestment transactions relating to 3G and/or 4G SEP on the part of Panasonic, including the underlying agreements, insofar as these have provided or provide Panasonic with a pecuniary advantage,
- the submission of future license agreements concerning 3G and/or 4G SEP.

In addition, OPPO and OROPE have requested that their side be allowed to submit its own license agreements that OPPO has concluded with third parties and that cover 3G and/or 4G SEP. Finally, OPPO and OROPE have requested the imposition of a more detailed confidentiality regime with regard to the above circumstances.

5. The requests to order the submission of evidence were rejected by the Local Chamber on May 16, 2024. One of the reasons given by the Local Chamber in Mannheim was that, according to the case law of the Court of Justice of the European Union (CJEU), the owner of a standard-essential patent is obliged to submit a specific written license offer on FRAND terms and, in particular, to indicate the license fee and the way in which it is calculated. In the proceedings, OPPO and OROPE have so far not argued with sufficient substance that there is at least a concrete presumption that Panasonic has in fact concluded further contracts with third parties that are suitable as a basis for settlement. Panasonic had also not yet referred to other contracts that it considered suitable as a basis for comparison, but had only made general statements about the market share it covered in the pre-trial negotiations. Against this background, at the current stage of the proceedings, in which no decision has yet been taken on the question of the fundamental willingness of OPPO and OROPE to license, it does not appear necessary, against the background of the transparency obligation derived from EU antitrust law, to order the further submission of all unnamed license agreements relating to Panasonic's 3G and/or 4G portfolio and whose patents extend to mobile devices. This is also contradicted by the principle of proportionality and the necessary consideration of the respective interests of the third parties, who, as contractual partners of the license agreements, also have an interest in the protection of trade secrets, which must be taken into account when deciding on the order for submission. On the contrary, it appears to be sufficient at present for the parties to deal with the license agreements now submitted in the proceedings, the expert opinions obtained and submitted in this regard and their respective extensive submissions in this regard. The confidentiality regime was dealt with in separate orders, which are not the subject of the appeals.

6. OPPO and OROPE have appealed against the orders and request that they be set aside and that the requests for reference made in the proceedings before the Court of First Instance be granted.
7. Panasonic requests that the Court of Appeal dismiss the appeals and order OPPO and OROPE to pay the costs.
8. OPPO and OROPE also requested that the appeal proceedings be accelerated. These requests were complied with by holding the hearing during the court vacation.
9. With the consent of the parties, the hearing was held in English.
10. At the oral hearing, it was explained that the license agreements "X" and "Y" as well as a third agreement entitled "Z" have since been submitted to the Mannheim Local Court.

FACTUAL AND LEGAL POINTS OF CONTENTION

OPPO and OROPE summarize the following as far as relevant:

11. OPPO and OROPE argued in their statement of defense that Panasonic's license offer was not FRAND and that their counter-offer was FRAND.
12. To date, OPPO and OROPE have done so using public (e.g., judgments) and semi-public (e.g., IDC sales data and IPLytics data) information, as well as confidential information under their own control, namely two of their own license agreements. They now needed information that was within Panasonic's domain to further substantiate their claims.
13. The assessment of whether Panasonic is a willing licensor and has fulfilled its obligation to submit a FRAND license offer to OPPO and OROPE requires an assessment of the FRAND conformity of the mutual offers.
14. OPPO and OROPE had filed a counterclaim for determination of the FRAND royalty, in the context of which all relevant information had to be assessed in order to enable the General Court to issue a decision. By rejecting the admission, the court had made OPPO's and OROPE's attempt to resolve the dispute before the UPC by means of a FRAND royalty very difficult, if not essentially impossible.
15. The contested orders failed to recognize that the rapporteur was not allowed to anticipate the decision on the legal dispute and that an adjournment after the oral hearing should be prevented.
16. The contested orders failed to recognize that OPPO and OROPE needed an order against themselves in order to produce all other 3G/4G license agreements.
17. Contrary to the statements in the contested orders, the requests for reference (1), (2), (6) and (7) are sufficiently specified and it is not a matter of a "fishing expedition".

18. The principle of proportionality and the interests of third parties must (only) be taken into account when determining the confidentiality regulation, but do not stand in the way of disclosure.
19. The UPC must apply European competition law and follow the decisions of the ECJ in this area.

Panasonic summarizes the following as far as relevant:

20. The Mannheim Local Chamber's order is lawful and the reasoning is balanced. It is not true, as OPPO and OROPE claim, that all contracts whose submission is requested are relevant for the court's decision.
21. The court can order a party to submit the license agreements under its control at any time during the proceedings. However, the court does not have to make such an order. Art. 59 UPCA, which grants the court the same discretion, does not provide otherwise.
22. The court was allowed to take into account that the willingness of OPPO and OROPE to take a FRAND license was disputed and that both an SEP holder and its contractual partners had an interest in protecting the confidentiality of their license agreements. In view of the unwillingness of OPPO and OROPE to submit further contracts, it was not necessary to decide on the legal dispute. Admission of OPPO's application would be detrimental to the efficiency of the proceedings.
23. The request for submission goes too far. The request for the submission of all concluded license agreements is too broad. Only comparable license agreements can be the subject of the request for reference, but not other license agreements concluded by Panasonic. The requests are therefore too broad. OPPO and OROPE did not define specific comparison criteria, but requested the submission of all license agreements for 3G and 4G, regardless of the subject matter of the license. However, this was not about network infrastructure or applications in the automotive sector. Apparently, they wanted to analyze contracts first in order to define criteria afterwards that could be advantageous for their purposes. However, this is not an objective that should be taken into account in a judicial discretionary decision. Insofar as third parties are patent holders, licenses are irrelevant to the current discussions.
24. It is also too far-reaching for the defendants to demand access to contracts that have a quid pro quo effect, for example with established business partners.
25. The counterclaim for the determination of a FRAND license fee is irrelevant.
26. By submitting three license agreements in the proceedings, Panasonic had introduced all relevant information into the proceedings and no further information was required.
27. R.190.1 VerfO deals with the submission of evidence by an opponent or a third party, but not with documents that a party wishes to submit itself.

28. It is accepted worldwide that there is a range of possible FRAND conditions. Within this corridor, the SEP holder could demand licenses, especially if he could reach this agreement - as in the present case - without costly legal disputes. If the settlement agreements specify a range, the defendants would not be entitled to the most favorable conditions. The number of settlement agreements therefore does not correlate with the prospects of success of the FRAND objection.

REASONS FOR THE DECISION

Admissibility of the appeals

29. The appeals are admissible. An appeal may be lodged by an adversely affected party against the orders referred to in Art. 59 UPCA (such as the contested order) (R.220.1(c) RP). It does not matter whether the contested order grants or rejects the request for the production of evidence. On a proper interpretation of R.220.1(c) RP, its subject-matter within the meaning of "Orders on requests under ..." (see, in relation to Art. 62 UPCA, Order of the Court of Appeal of April 26, 2024, UPC_CoA_500/2023, APL_596892/2023, para. 10). The appeals were filed in due time within 15 days.

Justification

30. OPPO and OROPE refer to both R.190 and R.191 of the Code. However, only R.190 RP applies to the applications. As can be seen from the orders, the Local Board rightly considered only R.190 of the Constitution to be the correct legal basis for the applications.

31. The first sentence of Rule 190.1 provides that if a party has presented all reasonably available and plausible evidence in support of its claims and has designated evidence in support of those claims that is within the control of the opposing party or a third party, the court may, upon a reasoned request by the party that designated the evidence, order the production of that evidence by the opposing party or the third party.

32. It should first be noted that an application for the submission of (counter) evidence pursuant to R.190 VerFO can also be made - as here - by a defendant.

33. At first glance, the English wording of Art. 59 of the Agreement on a Unified Patent Court (UPCA) and R.190.1 of the Rules of Procedure might suggest that an order for the production of evidence applies to "claims". "Claim" is a term that is mainly used in the Rules of Procedure to describe what the plaintiff or counterclaimant is seeking as the outcome of the proceedings, rather than the defendant's objections. Under such a restrictive interpretation, only claims by a plaintiff or counterclaimant would be admissible.

34. However, it is clear from the further wording of R.190.1 VerFO that it is possible for the parties to apply for an order to produce evidence irrespective of their role as plaintiff or defendant. This is clear from the use of the neutral phrases "a party" (one party) and "the other party" (the opposing party).

35. In addition, the term "allégations" in the French version of Art. 59 UPCA and R.190.1 RP also includes arguments put forward in defense. Similarly, the Danish language version of the UPCA uses the term "påstande".
36. Although Article 59 UPCA and R.190 RP appear to be primarily aimed at the claimant, the purpose of these provisions is to ensure that the party with the burden of proof has access to the means to meet its burden of proof.
37. A restrictive interpretation of R.190 RP is unacceptable in view of the principle of equality of arms (see CJEU judgment of 17 November 2022, Harman International Industries, C-175/21, ECLI:EU:C:2022:895, para. 62). According to Preamble 2 of the RP, the Rules of Procedure pursuant to Art. 41(3), Art. 42 and Art. 52(1) UPCA are to be applied and interpreted on the basis of the principles of proportionality, flexibility, fairness and equity.
38. It follows that Art. 59 UPCA and R.190.1 RP have a wide scope of application. A defendant can invoke R. 190.1 RP to obtain an order for the submission of (counter-) documents.
) evidence.
39. With regard to the material scope of application of R.190.1 CPR, it should be noted that R.190 CPR implements Art. 6(1) of Directive 2004/48/EC of the European Parliament and of the Council of April 29, 2004 on the enforcement of intellectual property rights. Art. 6(1) sentence 1 of Directive 2004/48/EC provides: "Member States shall ensure that the competent courts may, at the request of a party which has adduced all reasonably available evidence sufficient to substantiate its claims and has identified the evidence in the possession of the opposing party to substantiate its claims, order the production of that evidence by the opposing party, provided that the protection of confidential information is ensured."
40. Recital 20 of the preamble to Directive 2004/48/EC explains that it is necessary to ensure that effective means are available to produce, obtain and preserve evidence, since evidence is central to establishing an infringement of intellectual property rights. The procedures should take into account the rights of the defense and provide the necessary safeguards, including the protection of confidential information.
41. In the present case, OPPO and OROPE request that Panasonic submit evidence in the form of license agreements that Panasonic has entered into and other documents relevant to the value of the patent portfolio that is the subject of the license agreement under negotiation. OPPO and OROPE seek to establish that Panasonic's license offer is not FRAND and that its counteroffer is FRAND. They consider the requested evidence necessary for the court to decide on the counterclaim for FRAND licenses.
42. The patents in dispute have been declared SEPs by Panasonic, for which Panasonic has undertaken to grant licenses to third parties on FRAND terms. According to the case law of the ECJ, an obligation to grant licenses on FRAND terms gives rise to a legitimate expectation on the part of third parties that the SEP holder will actually grant licenses on these terms. A refusal by the SEP holder to grant a license on these terms can, in principle

constitute an abuse within the meaning of EU antitrust law and can in principle be invoked as a defense against injunctions (judgment of 16 July 2015, Huawei Technologies, C-170/13, ECLI:EU:C:2015:477, paras. 53-54).

43. A FRAND objection leads to conflicting interests if, as in the present case, the alleged infringer of the patent attempts to obtain evidence to support its FRAND objection. The patentee, on the other hand, has an interest in protecting its trade secrets (and the trade secrets of third parties) and not being unduly burdened by procedural obligations that may lead to a delay in the litigation.
44. It is undisputed that the evidence whose submission is requested contains confidential information.
45. In the context of the decision on the balance between the principle of adversarial proceedings and the right to protection of business secrets, the ECJ recognized that the protection of business secrets is a general principle (judgment of 14 February 2008, Varec, C-450/06, ECLI:EU:C:2008:91, para. 49). As mentioned above, Directive 2004/48/EC, in particular Article 6 thereof, states that the production of evidence is subject to the protection of confidential information.
46. The objective of protecting confidential information is codified in the UPCA (see Art. 45, 58, 59 and 60) and in the Rules of Procedure (see R.105, R.115, R.190, R.262 and R.262A RP).
47. In the dispute, the interest of OPPO and OROPE in obtaining evidence that can support their FRAND objection must therefore be weighed against the interest of Panasonic and its contractual partners in protecting confidential information. This was rightly taken into account in the local division's order.
48. It follows from the Huawei case law described above and the principle rightly asserted by OPPO and OROPE that the UPC courts must apply EU antitrust law that it is justified to subject the case law of the ECJ on the disclosure of evidence in the private enforcement of antitrust law, in particular Article 5 of Directive 2014/104/EU of the European Parliament and of the Council of 26 November 2014 on certain rules governing actions for damages under national law for infringements of the competition law provisions of the Member States and of the European Union, to a comparative analysis in any event. This is appropriate as OPPO and OROPE rely (at least in part) on antitrust law. In addition, Article 5(1) of Directive 2014/104/EU has a similar wording to Article 6(1) of Directive 2004/48/EC,
49. In this respect, the CJEU has essentially required that the national courts must carry out a demanding examination of the application with regard to the relevance of the evidence requested, the connection between that evidence and the claim, the sufficiently precise designation of that evidence and its proportionality (judgment of November 10, 2022, PACCAR and Others, C-163/21 ECLI:EU:C:2022:863, para. 64).
50. Although the wording of Art. 5(1) of Directive 2014/104/EU leaves room for a generous view at first glance, the CJEU has interpreted the provision in the context of

ongoing investigations by a competition authority ruled that national courts are obliged to limit the disclosure of evidence to what is strictly relevant, proportionate and necessary (judgment of January 12, 2023, *RegioJet*, C-57/21, ECLI:EU:C:2023:6, para. 72).

51. Also with regard to proportionality in the context of the disclosure of evidence in private enforcement of antitrust law, an approach in which excessive or general disclosure requests do not meet this requirement is justified (see the Communication on the protection of confidential information by national courts in proceedings for the private enforcement of EU competition law, C/2020/4829, para. 12).
52. In addition, the free assessment by the national court was emphasized with regard to Art. 5(1) of Directive 2014/104 (judgment of 16 February 2023, *Tráficos Manuel Ferrer*, C-312/21, ECLI:EU:C:2023:99, para. 46).
53. These considerations (set out in 48-52) apply similarly to the request for production of evidence in the present case.
54. The procedural powers of the judge-rapporteur, the presiding judge or the formation of the court also include the determination of the order in which the points in dispute are to be decided (R.334(e) RP); this is consistent with Preamble 7 RP, which recognizes that complex proceedings may require more time and procedural steps. The Court of First Instance, which has the best and fullest knowledge of the case before it, has a discretionary power when deciding on an application to order the production of evidence. This discretion includes deciding on the application in accordance with the order in which the points in dispute are to be decided as determined by the Judge-Rapporteur, the Presiding Judge or the panel in accordance with R.334(e) of the Rules of Procedure.
55. It is true that in exceptional cases this can lead to the court later deciding to adjourn the proceedings and requesting further evidence (R.114 VerfO).
56. The file of the Court of First Instance shows that the defendants put forward several lines of defense. They raise objections to the jurisdiction of the UPC, an objection that will be dealt with in the main proceedings. They have filed a counterclaim for revocation of the patents and also contest patent infringement. In addition, they raise the FRAND objection. They also put forward further arguments against the legality of Panasonic's claims.
57. The contested decisions were largely based on the current status of the proceedings, which is characterized by the fact that no decision had yet been made on the defendant's basic willingness to license and on whether Panasonic had submitted a (justified) FRAND offer.
58. Such considerations remain within the scope of discretion explained above. The contested order makes it clear that the rejection of the request for the submission of evidence does not preclude the possibility of submitting such evidence at a later date.

if and when such evidence is necessary, relevant and its production is proportionate.

59. It is therefore not necessary to decide at this stage of the proceedings whether the Local Board correctly assumed (para. 2) that the request for the submission of evidence could not be granted at this stage of the proceedings because insufficient evidence had been submitted or it was otherwise apparent that Panasonic had other - possibly even more suitable - means of providing evidence.
- Panasonic argued that it had settlement license agreements that could reasonably be used by the parties to conclude a FRAND license agreement, in particular because it was primarily Panasonic's own decision whether and, if so, which and how many settlement license agreements Panasonic submitted in the proceedings in order to counter the defendant's FRAND objection and to show that its conduct complied with EU antitrust law.
60. Against this background, it is also not objectionable that the court did not order the submission of the documents at the current stage of the proceedings with regard to the counterclaim for determination of the FRAND license. It is clear from the files (consulted in accordance with R.222.1, second sentence, Verfo) that it is still open to the local division whether the court has jurisdiction to do so. At this stage of the proceedings, it is not possible to decide whether this is the case. Since the Local Division has not yet decided on this question, it is within its discretion at this stage of the proceedings to refrain from ordering the submission of evidence that is claimed to be relevant to the counterclaim for the determination of the FRAND license.
61. The requests of OPPO and OROPE to order the submission of their own 3G/4G licenses are also unsuccessful. The Local Chamber has rightly taken the position (I. para. 4 of the contested order) that OPPO and OROPE must first obtain permission from their contractual partners to produce the licenses in the proceedings, while respecting confidentiality in accordance with R.262 and R. 262A of the Regulation. Should such a request be unsuccessful or the terms of the contracts preclude such a request, the next step for OPPO and OROPE would be to apply again for an order of the court against themselves pursuant to R.190 of the Code. It is incumbent upon them to obtain the opinion of their contractual partners on confidentiality. This will avoid unnecessary court orders and increase the efficiency of the proceedings.
62. For the reasons set out above, the applications do not currently meet the requirements of necessity and proportionality.
63. As explained, the assessment could well be different at a later stage of the proceedings, especially if a stage of the proceedings is reached in which the points of dispute regarding the question of FRAND licenses are to be dealt with in the order determined by the court.

Costs

64. A decision on the reimbursement of the legal costs is not to be made in these appeal proceedings, as this order of the Court of Appeal is neither a final order nor a

final decision, i.e. not an order or decision that concludes the proceedings pending before the court of first instance.

65. The Rules of Procedure provide for the basic decision on costs to be taken in the final order or in the final decision, in particular in the decision on the merits (R.118.5 RP), possibly in combination with a provisional reimbursement of costs (R.150.2 RP). The final decision is also the most appropriate stage in the proceedings for assessing whether and to what extent a party can be considered unsuccessful within the meaning of Article 69 UPCA.
66. The concept laid down in R.118.5 of the Rules of Procedure, according to which the main decision on the costs of the proceedings is taken in the final order or in the final decision, is in line with R. 150.1 of the Rules of Procedure, according to which the successful party may only apply for an award of costs, i.e. a decision on the costs to be borne by the unsuccessful party, after the decision on the merits (R. 150.1 of the Rules of Procedure). This concept is also confirmed by the fact that the table of upper limits for recoverable costs adopted by the Administrative Committee, which the court must take into account when determining the reimbursement of the costs of representation, specifies upper limits based on the value of the entire proceedings (R.152.2 of the Rules of Procedure).
67. Since this concept also applies in the appeal instance, R.242.1 RP must be interpreted as meaning that, if the decision of the Court of Appeal is not a final order or a final decision, the Court of Appeal will not make a decision on costs for the proceedings at first instance and the appeal proceedings in the present case. However, the outcome of the appeal proceedings must be taken into account when the court decides in the final decision on the present dispute whether and to what extent a party must bear the costs of the other party because it has been unsuccessful within the meaning of Article 69 UPCA.

ARRANGEMENT

The appeals of OPPO and OROPE are dismissed.

Issued on September 24, 2024

Rian Kalden Date:
2024.09.24
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Rian Kalden, presiding judge and legally qualified judge

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