

EIP

Financial penalties for disclosure of confidential information

In this article we discuss two cases which address financial penalties for breach of confidentiality.

Krauss-Maffei Extrusion GmbH v Troester GmbH & Co KG (UPC_CFI_181/2023)

Order of 27 December 2023 (ORD_588593/2023)

The patent in this action in Munich Local Division concerns an extrusion head for producing tread profiles on tyres. The defendant made requests concerning confidential information in its statement of defence, one under Rule 262.2 (pleadings or evidence not to be made available to the public in response to a reasoned request for access) and another under Rule 262A (access to confidential information to be restricted to specific persons, sometimes referred to as a confidentiality club)

In relation to the confidentiality club request under Rule 262A, the defendant requested that the claimant should keep the information confidential under penalty of a fine, based on Rule 354.3 which provides:

“The Court’s decisions and orders may provide for periodic penalty payments payable to the Court in the event that a party fails to comply with the terms of the order or an earlier order. The value of such payments shall be set by the Court having regard to the importance of the order in question.”

The judge-rapporteur ordered that the information should be kept confidential and set a penalty of up to 100,000 EUR for each case of culpable misuse of the confidential information provided to the confidentiality club. The information may not be used outside

the proceedings unless knowledge of the same was obtained outside the proceedings. This obligation will continue after conclusion of the proceedings but it will not apply if a court determines the material is not confidential or it becomes known or readily accessible to persons in the relevant fields.

Dexcom, Inc v Abbot NV & Ors (UPC_CFI_230/2023)

Order dated 30 January 2024 (ORD_2233/2024)

This is an infringement action brought in Paris Local Division by Dexcom, Inc (“Dexcom”) against various Abbott companies (“Abbott”) in relation to continuous glucose monitoring devices. A separate infringement action was also brought by Dexcom against Abbott in Munich Local Division (UPC_CFI_233/2023).

A request by Abbott under Rule 262.2 RoP that its statement of defence not be disclosed in the public register had been granted and a confidentiality club was set up pursuant to a request under Rule 262A by Order dated 19 December 2023. Abbott had asked for a penalty to be set for any breach of confidentiality and argued for a penalty of 250,000 EUR for each single breach. Taking account of submissions by Dexcom, the judge-rapporteur decided a lower amount would sufficiently protect the legitimate interests of the parties and set the penalty at 50,000 EUR.

Abbott was not content with this level of fine noting that Munich Local Division had set a penalty of 250,000 EUR in the parallel action^[1]. Abbott made a request for leave to appeal under Rule 220.2 and on the same day also filed a request for review by the panel (the order having stated at the end that either may be done). By Order of 24 January the panel at Paris Local Division refused leave to appeal on basis that the correct approach was for there first to be a review of the case management order of the judge-rapporteur by the full panel under Rule 333. In support of this the panel referred to the decision of the Court of Appeal on 11 January 2024 in a procedural appeal in Huawei Technologies Co., Ltd v Netgear Inc & Ors (UPC_CoA_486/2023), reported here.

The panel separately considered the request for review under Rule 333. Abbott argued that the penalties should be harmonised at the higher level of 250,000 EUR to give the court more flexibility in case of a major breach and a more reliable guarantee of compliance. Dexcom said the higher amount was disproportionate noting that in case of a breach individuals would be liable for the fine not the parties and also that part of the alleged confidential information has already been disclosed publicly without restriction by the third appellant. Dexcom also noted that there was a potential risk of a double fine by both Paris and Munich Local Divisions for a single breach. Dexcom proposed modified wording to deal with this.

Decision

The request to harmonise the amount of the penalty was not justified. Although the orders of Paris and Munich Local Divisions related to the same confidential information, they were made by two divisions in different proceedings relating to different patents. In such circumstances one division is not bound by a decision in another division despite belonging to the same unified court.

The judge_rapporteur should set a penalty limit that is proportionate and sufficiently dissuasive to ensure compliance. The judge_rapporteur had considered the higher fine requested disproportionate given that part of the information had already been disclosed (in previous national proceedings in Germany) and was justified in taking the view that the lower maximum amount of 50,000 EUR was sufficient to protect the legitimate interests of the parties.

Dexcom's proposed amendment was unnecessary. The court has discretion at the time of any breach to decide on the appropriate amount for a fine taking account of all the circumstances including any previous fine decided by another division.

Comment

Orders made by Courts in England and Wales in relation to confidentiality clubs do not usually include a financial penalty, relying instead on inherent contempt of court powers to police any breach. The approach at the UPC is different. The court may include an express financial penalty, payable to the court, which may be incurred in the event of a breach.

It is also notable that the Paris CFI has expressly commented that one division is not bound by a decision made in another division.

[1] Order not yet published.