EIP

Separate revocation claim and counterclaim both to proceed

Meril Italy srl v Edwards Life Sciences Corporation (551308/2023; UPC_CFI_255/2023)

Order of 13 November 2023 (ORD_578356/2023)

Background

On 1 June 2023 Edwards Lifesciences Corporation ("Edwards") sued Meril GmbH and Meril Life Sciences Pvt Ltd ("Meril Germany" and "Meril India" respectively) in the Munich Local Division for infringement of Edwards' patent EP 3,646,825 (459987/2023; UPC_CFI_15/2023). On 2 November 2023 each of Meril Germany and Meril India filed counterclaims for revocation in the infringement case. Meanwhile, on 4 August 2023, Meril Italy srl ("Meril Italy") filed a revocation action in the Paris Central Division against the same patent (551308/2023; UPC_CFI_255/2023).

Meril India is the parent company of both Meril Germany and Meril Italy.

Edwards filed a preliminary objection in the revocation action on 14 September 2023 pursuant to Rules 19(1)(b) and 48 RoP questioning the competence of the Paris Central Division to hear this separate revocation action in view of Article 33(4) UPCA [1], on the basis that an infringement action "between the same parties relating to the same patent has been brought before a local or a regional division", and that therefore the revocation action could only be brought as a counterclaim in that infringement action.

Points in Issue and rulings

Recently submitted documents

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There was an initial discussion in relation to submissions, argument and exhibits filed the day before the hearing. The Judge-rapporteur stated that the scope of the preliminary objection is set out in the initial submission and no other grounds of objection can be added later (in writing or orally), and no further facts can be taken into consideration unless they occurred after the filing of the preliminary objection.

Article 33(4) "same parties" – the literal interpretation

Edwards argued that Meril Germany and Meril India on the one hand and Meril Italy on the other are effectively the same party and that their actions constitute an abuse of the UPC framework aiming to interfere with the proper administration of, and block the progress of, the infringement action.

The Judge-rapporteur confirmed that the issue at hand is whether Meril Italy is the same party as Meril India or Meril Germany. Article 46 concerning legal capacity states that:

"Any natural or legal person, or any body equivalent to a legal person entitled to initiate proceedings in accordance with its national law, shall have the capacity to be a party to the proceedings before the Court"

And article 47(6) adds:

"Any other natural or legal person, or any body entitled to bring actions in accordance with its national law, who is concerned by a patent, may bring actions in accordance with the Rules of Procedure."

The assessment of whether a party is "any natural or legal person, or any body" is to be carried out in accordance with its national law. Accordingly Italian national law applied to the question whether Meril Italy is a party within meaning of UPCA and different from Meril India and/or Meril Germany. The Judge-rapporteur considered provisions of Italian national law and the concept of an 'undertaking' within competition law which encompasses an economic unit which may consist of several legal persons such that illicit conduct of a subsidiary may be imputed to the parent. He noted, however, that the latter is in the context of joint liability for such conduct, which was not applicable here. He concluded that Meril Italy is not the same party as Meril India and/or Meril Germany on a literal interpretation.

"Same parties": Brussels Recast – lis pendens under article 29 Brussels 1 Regulation Recast (1215/2012)

Turning to CJEU case law, the Judge-rapporteur considered C-351/96 Drouot assurances v Consolidated metallurgical industries and others, according to which "same parties" is

to be interpreted to include a situation where the interests of two parties are "identical and indissociable". He held that this principle cannot apply in the present case as it had been set to address a different legal issue, specifically determining which national judge had jurisdiction over actions filed in different Contracting States by interpreting article 21 of Brussels Convention (substantially reproduced in article 29 of Brussels 1 Regulation Recast). Articles 21 (and 22) of the Brussels Convention were designed to prevent parallel proceedings and avoid conflicts between decisions. The aim is to avoid non-recognition of a judgment on account of it being irreconcilable with another judgment between the same parties in the State in which recognition is sought. This is dealt with by the criterion of "the first judge seised".

In the present case there is no jurisdiction issue and further the UPCA provides an autonomous set of rules to regulate parallel proceedings.

"Same parties": straw company theory

Edwards further argued that Meril Italy was effectively a straw company rather than an independent legal entity and its actions should be attributed to the parent, Meril India.

In support, Edwards pointed out that: Meril Italy is a fully-owned subsidiary of Meril India; its directors have also worked for Meril India; its only officers/employees are also employees of Meril India; it does not have an independent office in Italy; it does not run any sort of business; and it was registered in March 2023.

The Judge found that, while Meril Italy had identical economic interests to its parent company in the outcome of the revocation action, overlap of directors and employees and might well be influenced in its management decisions by Meril India, there was no sufficient evidence that Meril Italy was a straw company for Meril India and in particular, that there was an agreement between the two companies that an activity carried out by one company was for the other's benefit. An argument that the recent registration of Meril Italy in March 2023 raised suspicions that it was created with the sole intention of attacking Edwards' patents was also dismissed.

The Judge-rapporteur also noted this was consistent with the case-law of the Enlarged Board of Appeal of EPO which permits opposition by a straw man unless the involvement of the opponent is regarded as circumventing the law by abuse of process. In this case there was insufficient evidence of an abuse of process.

"Same parties": uniform administration of justice

Finally, Edwards argued that a broad interpretation of "same parties" is consistent with the intention of the UPCA to achieve uniform administration of justice and avoid

irreconcilable judgments. The Meril group was trying to have "two shots" at attacking validity. This was detrimental to procedural economy and an abuse of the court and its judges.

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This argument was also rejected. The Judge-rapporteur commented that the UPCA and RoP provide a set of tools to handle parallel proceedings. The court may stay proceedings "where the proper administration of justice so requires" (Rule 295(m)). This could include staying an infringement action to avoid procedural inefficiency if the patent were to be held invalid. Further, Article 33(3) provides that a local division has discretion to refer a counterclaim to the central division, and suspend or proceed with the infringement action or, with the agreement of the parties, refer the case to the central division. The local division can use this discretionary power or either division may use Rule 295(m) to wait for the decision of the other division. In using these discretionary powers the judges have to observe principles of proportionality, flexibility, fairness, and equity (preamble 2 and 4 of RoP).

The situation does not constitute per se an abuse of the UPC framework because the judges have the tools for handling it without either disregarding the right to take legal action or the right to efficient management of those proceedings.

Security for costs

The Judge-rapporteur declined to award security for costs against Meril Italy. The fact that the company is not active in the market and has a share capital of only 10,000 EUR is not sufficient reason to believe it will not be able to reimburse costs. Not yet running a business is explicable because the company has only recently been established. It is part of a corporate group and there is no allegation the group is in financial difficulties.

Comment

This ruling leaves open the opportunity for different companies in the same corporate group to file and proceed with two separate revocation actions on the same patent, one a revocation counterclaim in an infringement action in a local or regional division the other a stand-alone revocation action in the central division.

At the hearing Edwards did not pursue a request to stay the revocation proceeding. We wait to see whether and how both the Munich Local Division and the Paris Central Division will use their case management powers to limit any duplication and procedural inefficiency. Noting that the language of proceedings of the infringement action is German while that of the standalone revocation is English.

[1] The decision refers initially to Article 33(2) but Article 33(4) which it considers in detail

later is the relevant provision in relation to a later-filed revocation action.

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