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Reimbursement of the legal costs for the enforcement of IP rights in the EU: “THE WINNER TAKES IT (ALMOST) ALL”

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When a IP court awards the winning party the reimbursement of the costs incurred, what exactly can be included in such an award and how to determine its amount is not always obvious. Surely it is curious that the Court of Justice (CJEU) dealt with these issues in two recent decisions, both issued last April 28th and both following requests for preliminary rulings under Article 267 TFEU by German Courts, namely cases C-531/20 (NovaText GmbH v. Ruprecht-Karls-Universität Heidelberg) and C-559/20 (Koch Media GmbH v. FU).



In case C-531/20, the question was whether in the calculation of costs to be reimbursed to the winning party, also those pertaining to the assistance of an IP consultant had to be included, who had worked on the case jointly with a lawyer. The CJEU examined whether Articles 3 and 14 of Directive no. 2004/48 (the Enforcement Directive) should be interpreted as meaning that they preclude national legislation to oblige the losing party to reimburse unconditionally, automatically, and without any judicial review of reasonableness and proportionality, the costs incurred by the winning party for the assistance of an IP consultant.

The CJEU first reiterated that “*under Art. 14 (Enforcement Directive), the legal costs and other recoverable costs must be ‘reasonable and proportionate’*” (at §25). Then, applying the holding of case C-57/15 (United Video Properties, at §39), where it had found that the costs incurred for the assistance of a technical advisor, arising immediately and directly from a legal action, may be included in the notion of “other expenses”, held that the costs for the assistance of an IP attorney may fall within the concept of “legal costs”, in so far as those costs arise immediately and directly from the legal action (at §§39-43).

However, the inclusion of such expenses cannot be automatic and unconditioned and any such national provision would result in a breach of the general obligation laid down in Art. 3 Enforcement Directive, under which national procedures necessary to enforce IP rights must not be unnecessarily costly (at §52), and it could be open for misuses, causing a breach of the general obligation provided by the Enforcement Directive (at §54). Therefore, these expenses should

always be subject to the review of the national judge to ascertain their proportionality and reasonableness in relation to the characteristics of the dispute (at §55).

In case C-559/20, the CJEU was asked to clarify whether art. 14 Enforcement Directive may also cover the attorneys' fees that an intellectual property rights holder incurs to pursue a claim against an alleged infringer out-of-court, i.e. by way of a cease-and-desist letter.

The CJEU held that the Enforcement Directive is applicable to judicial as well as to extrajudicial/out-of-court proceedings – including those referring to a warning letter sent prior to a dispute – as both can be necessary for the enforcement of IP rights (at §§33-35). Moreover, even though the costs for such warning letter cannot be classified as “legal costs” under Art. 14 (since there is no pending action), the costs for the assistance and representation in the proceeding may be qualified as “other expenses”: in fact, warning letters are aimed at avoiding or even replacing a subsequent court action (at §44).

However, as also indicated in case C-531/20, the CJEU reiterated that a wide interpretation of Art. 14, to the effect that the latter provides that the unsuccessful party must bear, as a general rule, the ‘other expenses’ incurred by the successful party, without going into any detail about those costs, risks conferring excessive scope on that article and it is therefore necessary to interpret that concept narrowly and to take the view that only those costs that are directly and closely related to the judicial proceedings concerned fall under ‘other expenses’ (at §40).

From these two cases, it appears that while the CJEU is willing to recognize a wider range of “costs” incurred by the winning party of a proceeding concerning the enforcement of IP rights, regardless of their classification as “legal costs” or “other expenses”, it maintains firm its belief that such costs should always be subject to the review of national judges, to make sure that these costs are directly and immediately arising from a legal action, and are reasonable and proportionate in respect to such action. As noted above, “The Winner takes it (almost) all”....

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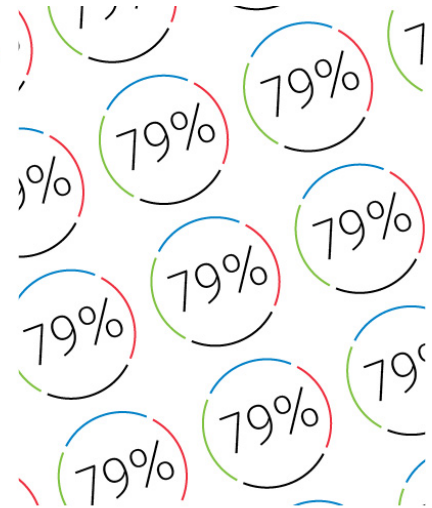
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