Court of Justice EU, 28 April 2022, NovaText v the University of Heidelberg

LITIGATION – ENFORCEMENT

Court has to be able in each case to take into account the specific characteristics of the case when determining reasonable and proportionate legal costs

- **Articles 3 and 14 of Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights preclude national legislation or an interpretation thereof which does not allow the court before which an action is brought under that directive to take due account, in each case brought before it, of its specific characteristics for the purposes of assessing whether the legal costs incurred by the successful party are reasonable and proportionate.**

52 In the light of the foregoing, first, as the Advocate General observed in point 39 of his Opinion, the automatic application of a national provision such as that at issue in the main proceedings may, in certain cases, result in a breach of the general obligation laid down in Article 3(1) of Directive 2004/48, under which, in particular, the procedures put in place by the Member States must not be unnecessarily costly.

53 Secondly, such an application of a provision of that kind is likely to deter a holder of presumed rights from bringing legal proceedings seeking to ensure that their rights are respected by fear of having to bear, if unsuccessful, relatively high legal costs, contrary to the objective of Directive 2004/48, which is to ensure, in particular, a high level of protection of intellectual property in the internal market.

54 Thirdly, as the Advocate General also observed, in essence, in point 49 of his Opinion, the unconditional and automatic inclusion of costs by means of a declaration on honour by a representative of a party to the legal action, without those costs being open to assessment by the national court as to their reasonableness and proportionality in relation to the dispute in question, could open the way for misuse of such a provision in breach of the general obligation provided for in Article 3(2) of Directive 2004/48.

Source: **ECLI:EU:C:2022:316 / C-531/20**

Court of Justice EU, 28 April 2022

(I. Jarukaitis, M. Ilešič (Rapporteur) and D. Gratsias)

JUDGMENT OF THE COURT (Tenth Chamber)

28 April 2022 ([1])

(Reference for a preliminary ruling – Intellectual property rights – Directive 2004/48/EC – Article 3 – General obligation concerning the measures, procedures and remedies necessary to ensure the enforcement of intellectual property rights – Article 14 – Concept of *'reasonable and proportionate legal costs'* – Consultation of a patent lawyer – Absence of opportunity for the national court to assess the reasonableness and proportionality of the costs to be borne by the unsuccessful party)

In Case C-531/20,

REQUEST for a preliminary ruling under Article 267 TFEU from the Bundesgerichtshof (Federal Court of Justice, Germany), made by decision of 24 September 2020, received at the Court on 19 October 2020, in the proceedings

NovaText GmbH

v

Ruprecht-Karls-Universität Heidelberg,

THE COURT (Tenth Chamber),

composed of I. Jarukaitis, President of the Chamber, M. Ilešič (Rapporteur) and D. Gratsias, Judges,

Advocate General: M. Campos Sánchez-Bordona,

Registrar: A. Calot Escobar,

having regard to the written procedure,

after considering the observations submitted on behalf of:

– NovaText GmbH, by V. Feurstein, Rechtsanwalt,

– the European Commission, by G. Braun and S.L. Kalėda, acting as Agents,

after hearing the **Opinion of the Advocate General** at the sitting on 11 November 2021,

gives the following

Judgment

1 This request for a preliminary ruling concerns the interpretation of Article 3(1) and Article 14 of Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights (OJ 2004 L 157, p. 45, and corrigendum OJ 2004 L 195, p. 16).

2 The request has been made in the context of proceedings between NovaText GmbH and Ruprecht-Karls-Universität Heidelberg ('*the University of Heidelberg*') concerning the taxation of costs stemming from the joint participation of a lawyer and an expert qualified as a '*patent lawyer'* (Patentanwalt) in judicial proceedings concerning the infringement of EU trade marks owned by that university.

Legal context

European Union law

3 Recitals 10 and 17 of Directive 2004/48 state:

'(10) The objective of this Directive is to approximate legislative systems so as to ensure a high, equivalent and homogeneous level of protection in the Internal Market.

…

[1] Language of the case: German.

(17) The measures, procedures and remedies provided for in this Directive should be determined in each case in such a manner as to take due account of the specific characteristics of that case, including the specific features of each intellectual property right and, where appropriate, the intentional or unintentional character of the infringement.'

4 Under Article 1 of that directive, entitled '*Subject matter'*:

'This Directive concerns the measures, procedures and remedies necessary to ensure the enforcement of intellectual property rights. For the purposes of this Directive, the term "intellectual property rights" includes industrial property rights.'

5 Article 2 of that directive, entitled '*Scope'*, provides, in paragraph 1 thereof:

'Without prejudice to the means which are or may be provided for in Community or national legislation, in so far as those means may be more favourable for rightholders, the measures, procedures and remedies provided for by this Directive shall apply, in accordance with Article 3, to any infringement of intellectual property rights as provided for by Community law and/or by the national law of the Member State concerned.'

6 Chapter II of that directive comprises Articles 3 to 15 thereof, relating to the measures, procedures and remedies governed by Directive 2004/48.

7 Article 3 of Directive 2004/48, entitled '*General obligation*', provides:

'1. Member States shall provide for the measures, procedures and remedies necessary to ensure the enforcement of the intellectual property rights covered by this Directive. Those measures, procedures and remedies shall be fair and equitable and shall not be unnecessarily complicated or costly, or entail unreasonable time limits or unwarranted delays.

2. Those measures, procedures and remedies shall also be effective, proportionate and dissuasive and shall be applied in such a manner as to avoid the creation of barriers to legitimate trade and to provide for safeguards against their abuse.'

8 Under Article 14 of that directive, entitled '*Legal costs*':

'Member States shall ensure that reasonable and proportionate legal costs and other expenses incurred by the successful party shall, as a general rule, be borne by the unsuccessful party, unless equity does not allow this.'

German law

9 Paragraph 140 of the Gesetz über den Schutz von Marken und sonstigen Kennzeichen – Markengesetz (Law on the protection of trade marks and other distinctive signs), of 25 October 1994 (BGB1. 1994 I, p. 3082), in the version applicable to the proceedings at issue ('*the MarkenG'*), entitled '*Actions in relation to signs*', provides in subparagraph 3 thereof:

'The fees referred to in Paragraph 13 of the [Rechtsanwaltsvergütungsgesetz (Law on the remuneration of lawyers), of 5 May 2004 (BGB1. 2004 I, p. 718)], are recoverable among the costs incurred through the involvement of a patent lawyer in an action in relation to signs as well as the necessary disbursements incurred by that patent lawyer.'

10 Under Paragraph 125e(5) of the MarkenG, Paragraph 140(3) of the MarkenG applies mutatis mutandis to proceedings before a competent EU trade mark court.

The dispute in the main proceedings and the question referred for a preliminary ruling

11 The University of Heidelberg brought an action for a cease-and-desist order against NovaText on the grounds of infringement of its EU trade marks and lodged subsequent claims under trade mark law. The proceedings concluded when the parties reached a judicial settlement. By order of 23 May 2017, the Landgericht Mannheim (Regional Court, Mannheim, Germany), as an EU trade mark court of first instance, ordered NovaText to pay the costs and set the value of the dispute at EUR 50 000. The action brought by that company was dismissed.

12 In the application, the University of Heidelberg's lawyer referred to the assistance of a patent lawyer and, during the taxation of costs proceedings, gave an assurance that the patent lawyer had in fact assisted with the proceedings. He stated that each procedural document had been agreed with that patent lawyer and, in that way, the latter had also assisted with the settlement negotiations, even though the telephone conversations were held only between the parties' lawyers.

13 By order of 8 December 2017, the Landgericht Mannheim (Regional Court, Mannheim) fixed the amount of costs to be reimbursed to the University of Heidelberg at EUR 10 528.95, including EUR 4 867.70 in respect of patent lawyer costs for the action at first instance and EUR 325.46 for that patent lawyer's assistance in the action.

14 The Oberlandesgericht Karlsruhe (Higher Regional Court, Karlsruhe, Germany), to which NovaText appealed against that order, dismissed Novatext's appeal. That court held that the dispute before it in relation to trade marks and distinctive signs within the meaning of Paragraph 140(3) of the MarkenG was such that, unlike the ordinary system for recovering costs in civil litigation, it was unnecessary to consider whether the involvement of the patent lawyer was *'necessary for the purpose of obtaining the legal remedy sought'*, or whether that involvement amounted to '*added value'* in relation to the service provided by the lawyer instructed by the University of Heidelberg. According to that court, the wording of that provision of national law had to be regarded as consistent with Directive 2004/48 and that an interpretation of that provision to the effect that it would be necessary to examine whether recourse to the patent lawyer was necessary would clearly run counter to the objective of the national legislature, which would preclude the possibility of interpreting Paragraph 140(3) of the MarkenG in conformity with EU law.

15 By its appeal before the referring court, the Bundesgerichtshof (Federal Court of Justice, Germany), NovaText seeks the annulment of the order for taxation

of costs in so far as it ordered NovaText to pay the patent lawyer's costs.

16 The referring court points out that the outcome of the appeal depends, in essence, on the interpretation of Article 3(1) and Article 14 of Directive 2004/48. It states in that regard that, in finding that the costs of the patent lawyer are recoverable under Paragraph 140(3) of the MarkenG, the Oberlandesgericht Karlsruhe (Higher Regional Court, Karlsruhe) followed the settled case-law of the Bundesgerichtshof (Federal Court of Justice) and the prevailing national legal literature.

17 That being so, having regard to **the judgment of 28 July 2016, United Video Properties (C-57/15, EU:C:2016:611**), the referring court expresses doubt as to the consistency of Paragraph 140(3) of the MarkenG with Article 3(1) and Article 14 of Directive 2004/48. It submits, first, that the automatic reimbursement of costs of a patent lawyer whose involvement in the matter was, on the facts, not '*necessary for the purpose of obtaining the legal remedy sought*' might prove to be unnecessarily costly, in particular, in the scenario where the task carried out by that patent lawyer could have been performed in the same way by the specialised intellectual property lawyer already appointed by the party concerned. In that regard, the referring court states that, as regards the out-of-court legal action, and in particular the assistance of the patent lawyer for the cease-and-desist warning issued under trade mark law, that court has already held that the application by analogy of Paragraph 140(3) of the MarkenG was not possible and that, consequently, the costs relating to the assistance of that patent lawyer are recoverable only if his or her assistance was necessary.

18 Next, in view of the fact that, as is apparent from recital 10, Directive 2004/48 is intended to ensure a high level of protection of intellectual property in the internal market and that, under Article 3(2) of that directive, the procedures and remedies provided for must be dissuasive, it appears justified to exclude from reimbursement excessive costs on account of unusually high fees agreed between the successful party and its lawyer, or due to the provision, by the lawyer, of services that are not considered necessary to ensure the enforcement of the intellectual property rights concerned.

19 Finally, reimbursement of the costs relating to the involvement of the patent lawyer whose assistance was not '*necessary for the purpose of obtaining the legal remedy sought'* could not be proportionate, within the meaning of Article 14 of Directive 2004/48, since the reimbursement of those costs did not take adequate account of the specific characteristics of the particular case.

20 In those circumstances, the Bundesgerichtshof (Federal Court of Justice) decided to stay the proceedings and to refer the following question to the Court of Justice for a preliminary ruling:

'Are Article 3(1) and Article 14 of Directive [2004/48] to be interpreted as precluding national legislation imposing an obligation on the unsuccessful party to reimburse the costs incurred by the successful party for assistance by a patent lawyer in proceedings brought under trade mark law, whether or not the patent lawyer's assistance was necessary for the purpose of appropriate legal action?'

Consideration of the question referred

21 As a preliminary point, it should be noted that, in the procedure laid down by Article 267 TFEU providing for cooperation between national courts and the Court of Justice, it is for the latter to provide the national court with an answer which will be of use to it and enable it to determine the case before it. To that end, the Court may have to reformulate the questions referred to it. The Court has a duty to interpret all provisions of EU law which national courts require in order to decide on the actions pending before them, even if those provisions are not expressly indicated in the questions referred to the Court by those courts (judgment of 17 June 2021, M.I.C.M., C-597/19, EU:C:2021:492, paragraph 38 and the case-law cited).

22 To that end, the Court can extract from all the information provided by the national court, in particular from the grounds of the order for reference, the points of EU law which require interpretation in view of the subject matter of the dispute in the main proceedings (**judgment of 17 June 2021, M.I.C.M., C-597/19, EU:C:2021:492, paragraph 39 and the case-law cited**).

23 In the first place, in its question, in addition to Article 14 of Directive 2004/48, the referring court refers to Article 3(1) of that directive. It should be noted that, as regards the general obligation imposed on Member States by Article 3 as regards the criteria to be fulfilled by the measures, procedures and remedies necessary to ensure the enforcement of intellectual property rights, paragraph 2 of that article also contains elements relevant to the analysis of the question referred. As is moreover apparent from paragraph 18 of the present judgment, the referring court also refers to it.

24 In that regard, first, in accordance with Article 3(1) of Directive 2004/48, those measures, procedures and remedies must, inter alia, be fair and equitable and must not be unnecessarily costly. Second, under paragraph 2 of that article, those measures, procedures and remedies must be effective, proportionate and dissuasive and be applied in such a manner as to provide for safeguards against their abuse.

25 In the second place, as regards the question whether the costs incurred by the successful party to which the referring court refers are *'necessary for the purpose of obtaining the legal remedy sought'*, it must be stated that Article 14 of Directive 2004/48 does not contain any such criterion. Under Article 14, the legal costs and other recoverable costs must be *'reasonable and proportionate'*.

26 Since the terms 'reasonable and proportionate legal costs' in that provision make no express reference to the law of the Member States for the purpose of determining their meaning and scope, they must normally be given an autonomous and uniform interpretation throughout the European Union, irrespective of their treatment in the Member States, having regard to their wording, their

context and the objectives pursued by the rules of which they form part (see, by analogy, judgment of 30 November 2021, LR Ģenerālprokuratūra, C-3/20, EU:C:2021:969, paragraph 79 and the case-law cited).

27 In the third place, as is apparent from the order for reference, the Oberlandesgericht Karlsruhe (Higher Regional Court, Karlsruhe) held that there was no need, in the present case, to interpret Paragraph 140(3) of the MarkenG as meaning that it is for the national court to examine whether recourse to a patent lawyer is necessary, in particular in so far as such an interpretation of that provision of national law would clearly run counter to the national legislature's objective.

28 That being so, the fact of making the present request for a preliminary ruling, like the referring court's silence in that regard, may be understood as meaning that the possible incompatibility of the provision of national law concerned, in particular in the light of the criteria flowing from Article 14 of Directive 2004/48, as recalled in paragraphs 25 and 26 of the present judgment, may be apparent not from the wording of that provision itself, but from the interpretation commonly given to it in the national legal order.

29 In the fourth and last place, as the Advocate General observed essentially **in point 27 of his Opinion**, the referring court's uncertainties do not concern as such the classification of the costs incurred as a result of the assistance provided by the patent lawyer but rather the fact that those costs are unconditionally and automatically borne by the unsuccessful party to the proceedings. That automaticity means that they are not subject to judicial review concerning their reasonableness and proportionality.

30 In the light of those considerations, it is necessary to reformulate the question referred to the effect that, by that question, the referring court asks, in essence, whether Articles 3 and 14 of Directive 2004/48 must be interpreted as precluding national legislation or an interpretation thereof which does not allow the court before which a procedure falling within that directive has been brought to take due account, in each case brought before it, of the specific characteristics of that case for the purpose of assessing whether the legal costs incurred by the successful party are reasonable and proportionate.

31 As stated in recital 10, the objective of Directive 2004/48 is to approximate the legislative systems of the Member States as regards the means of enforcing intellectual property rights so as to ensure a high, equivalent and homogeneous level of protection in the internal market.

32 For that purpose, in accordance with Article 1 thereof, Directive 2004/48 concerns all the measures, procedures and remedies necessary to ensure the enforcement of intellectual property rights. Article 2(1) of that directive states that those measures, procedures and remedies apply to any infringement of those rights as provided for by EU law and/or the national law of the Member State concerned.

33 Further, the provisions of Directive 2004/48 are not intended to govern all aspects of intellectual property rights, but only those aspects inherent, first, in the enforcement of those rights and, secondly, in infringement of them, by requiring that there must be effective legal remedies designed to prevent, terminate or rectify any infringement of an existing intellectual property right (**judgment of 16 July 2015, Diageo Brands, C-681/13, EU:C:2015:471, paragraph 73 and the case-law cited**).

34 However, when adopting that directive, the EU legislature chose to provide for minimum harmonisation concerning the enforcement of intellectual property rights in general (**judgment of 9 July 2020, Constantin Film Verleih, C-264/19, EU:C:2020:542, paragraph 36 and the case-law cited**).

35 The rules relating to court costs, set out in Article 14 of Directive 2004/48, form part of the rules relating to the measures, procedures and remedies necessary to ensure the enforcement of intellectual property rights, provided for in Chapter II of that directive.

36 In particular, first, Article 14 of Directive 2004/48 lays down the principle that reasonable and proportionate legal costs and other expenses incurred by the successful party are, as a general rule, to be borne by the unsuccessful party.

37 Accordingly, that provision aims to strengthen the level of protection of intellectual property, by avoiding the situation in which an injured party is deterred from bringing legal proceedings in order to protect their rights (**judgment of 16 July 2015, Diageo Brands, C-681/13, EU:C:2015:471, paragraph 77 and the case-law cited**).

38 That is indeed consistent both with the general objective of Directive 2004/48, which aims to approximate the legislative systems of the Member States in order to ensure a high, equivalent and homogeneous level of intellectual property protection, which is the specific aim of that provision, which attempts to prevent the injured party from being deterred from bringing legal proceedings in order to protect their intellectual property rights. In accordance with those objectives, the author of the infringement of the intellectual property rights must generally bear all the financial consequences of his or her conduct **(judgment of 18 October 2011, Realchemie Nederland, C-406/09, EU:C:2011:668, paragraph 49**).

39 Second, under Article 14 of Directive 2004/48, the rule on the allocation of costs which it lays down does not apply if equity prevents the imposition on the unsuccessful party of the reimbursement of the costs incurred by the successful party, even if they are reasonable and proportionate.

40 First of all, concerning the concept of 'legal costs' to be reimbursed by the unsuccessful party in Article 14 of Directive 2004/48, the Court has already held that that concept includes, amongst others, the lawyer's fees, that directive containing no element allowing the conclusion to be reached that those fees, which constitute generally a substantial part of the costs incurred in the context of proceedings aimed at ensuring the enforcement of an intellectual property right, are excluded from the scope

of that article (**judgment of 28 July 2016, United Video Properties, C-57/15, EU:C:2016:611, paragraph 22**).
41 Nor does anything in Directive 2004/48 preclude the costs of a representative, such as a patent lawyer, to whom a rightholder has had recourse to individually or jointly with a lawyer, from being regarded, in principle, as being capable of falling within the concept of 'legal costs', in so far as those costs arise immediately and directly from the legal action itself, as noted, in essence, by the Advocate General in **point 26 of his Opinion**.
42 Such an origin may be accepted for the costs of a patent adviser authorised under national law to appear in court for the holders of intellectual property rights in proceedings before the competent courts, referred to in Directive 2004/48, relating, inter alia, to the establishment, by such an adviser, of pleadings or the appearance of that adviser at the hearings held, where appropriate, in those proceedings. Nor can it be ruled out that such an origin may also be accepted for the costs associated with the assistance of such an adviser in the steps seeking an amicable settlement, in particular, in a dispute which is already pending before a court.
43 It is true that the Court has also held, in paragraphs 39 and 40 of **the judgment of 28 July 2016, United Video Properties (C-57/15, EU:C:2016:611**), in essence, that, in so far as the services of a technical adviser are directly and closely linked to a judicial action seeking to have such an intellectual property right upheld, the costs linked to the assistance of that adviser fall within 'other expenses' within the meaning of Article 14 of Directive 2004/48.
44 However, that classification forms part of the specific factual context of the case which gave rise to that judgment, in which it was not easy to determine whether the dispute in the main proceedings concerned 'research and identification costs', often incurred prior to a legal action and thus not necessarily falling within the scope of Article 14 of that directive, but rather within the scope of Article 13 thereof, relating to compensation for damage suffered by the rightholder, or to services essential in order to be able effectively to bring a legal action.
45 Next, first, Article 14 of Directive 2004/48 requires Member States to ensure the reimbursement only of 'reasonable' legal costs. That requirement, which applies both to 'legal costs' and 'other expenses', within the meaning of that provision, reflects the general obligation provided for in Article 3(1) of Directive 2004/48, according to which the Member States must ensure, inter alia, that the measures, procedures and remedies necessary to ensure the enforcement of the intellectual property rights covered by that directive are not unnecessarily costly (see, to that effect, **judgment of 28 July 2016, United Video Properties, C-57/15, EU:C:2016:611, paragraph 24**).
46 Accordingly, the Court held to be unreasonable excessive costs due to unusually high fees agreed between the successful party and its lawyer or due to the provision, by the lawyer, of services that are not considered necessary in order to ensure the enforcement of the intellectual property rights concerned (see, to that effect, **judgment of 28 July 2016, United Video Properties, C-57/15, EU:C:2016:611, paragraph 25**).
47 Secondly, Article 14 of Directive 2004/48 provides that the legal costs and other expenses to be borne by the unsuccessful party must be 'proportionate'.
48 In that regard, the Court held that the question as to whether those costs are proportionate cannot be assessed independently of the costs that the successful party actually incurred in respect of the assistance of a lawyer, provided they are 'reasonable' within the meaning of paragraph 45 of the present judgment. Although the requirement of proportionality does not imply that the unsuccessful party must necessarily reimburse the entirety of the costs incurred by the other party, it does however mean that the successful party should have the right to reimbursement of, at the very least, a significant and appropriate part of the reasonable costs actually incurred by that party (see, to that effect, **judgment of 28 July 2016, United Video Properties, C-57/15, EU:C:2016:611, paragraph 29**).
49 Finally, in accordance with Article 14 of Directive 2004/48, read in the light of recital 17 thereof, the court having jurisdiction must be able to review in every case the reasonableness and proportionality of the legal costs incurred by the successful party in respect of the assistance of a representative, such as a patent lawyer, and beyond those cases where such a review is required, pursuant to Article 14 of that directive, on equitable grounds.
50 It is true that the Court held that national legislation providing for flat rates is, in principle, consistent with Article 14 of Directive 2004/48. However, the Court stated that even in such a case, those rates should ensure that the costs which, under that national legislation, may be imposed on the unsuccessful party are reasonable and that the maximum amounts that may be claimed under those costs are not too low either in relation to the rates normally charged by a lawyer in the field of intellectual property (see, to that effect, **judgment of 28 July 2016, United Video Properties, C-57/15, EU:C:2016:611, paragraphs 25, 26, 30 and 32**).
51 Accordingly, it cannot be inferred from that case-law that, in the exercise of that discretion, the Member States may go so far as to subtract a category of court costs or other expenses from any judicial review of their reasonableness and proportionality.
52 In the light of the foregoing, first, as the Advocate General observed **in point 39 of his Opinion**, the automatic application of a national provision such as that at issue in the main proceedings may, in certain cases, result in a breach of the general obligation laid down in Article 3(1) of Directive 2004/48, under which, in particular, the procedures put in place by the Member States must not be unnecessarily costly.
53 Secondly, such an application of a provision of that kind is likely to deter a holder of presumed rights from bringing legal proceedings seeking to ensure that their rights are respected by fear of having to bear, if unsuccessful, relatively high legal costs, contrary to the objective of Directive 2004/48, which is to ensure, in

particular, a high level of protection of intellectual property in the internal market.

54 Thirdly, as the Advocate General also observed, in essence, **in point 49 of his Opinion**, the unconditional and automatic inclusion of costs by means of a declaration on honour by a representative of a party to the legal action, without those costs being open to assessment by the national court as to their reasonableness and proportionality in relation to the dispute in question, could open the way for misuse of such a provision in breach of the general obligation provided for in Article 3(2) of Directive 2004/48.

55 In the light of all the foregoing considerations, the answer to the question referred is that Articles 3 and 14 of Directive 2004/48 must be interpreted as precluding national legislation or an interpretation thereof which does not allow the court before which an action is brought under that directive to take due account, in each case brought before it, of its specific characteristics for the purposes of assessing whether the legal costs incurred by the successful party are reasonable and proportionate.

Costs

56 Since these proceedings are, for the parties to the main proceedings, a step in the action pending before the national court, the decision on costs is a matter for that court. Costs incurred in submitting observations to the Court, other than the costs of those parties, are not recoverable.

On those grounds, the Court (Tenth Chamber) hereby rules:

Articles 3 and 14 of Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights must be interpreted as precluding national legislation or an interpretation thereof which does not allow the court before which an action is brought under that directive to take due account, in each case brought before it, of its specific characteristics for the purposes of assessing whether the legal costs incurred by the successful party are reasonable and proportionate.

OPINION OF ADVOCATE GENERAL

CAMPOS SÁNCHEZ-BORDONA

delivered on 11 November 2021(1)

Case C-531/20

NovaText GmbH

v

Ruprecht-Karls-Universität Heidelberg

(Request for a preliminary ruling from the Bundesgerichtshof (Federal Court of Justice, Germany))

(Reference for a preliminary ruling – Intellectual property – Directive 2004/48/EC – Articles 3 and 14 – Measures, procedures and remedies necessary to ensure the enforcement of intellectual property rights – Legal costs – Other expenses – Expenses incurred for the services of a patent attorney – Interpretation of legislation pursuant to which the costs for the assistance of a patent attorney are included in the costs taxed whether or not that assistance is necessary for defence of the right – Scope of judicial review)

1. In the judgment in United Video Properties, (2) the Court of Justice addressed the difficulties raised by the articles of Directive 2004/48/EC (3) governing the payment of costs and other legal expenses in proceedings concerning intellectual property rights (including industrial property rights).

2. The Bundesgerichtshof (Federal Court of Justice, Germany) has asked the Court to interpret Articles 3(1) and 14 of Directive 2004/48 again and to clarify the effects of the **judgment in United Video Properties**.

3. The referring court requires this new ruling from the Court of Justice in order to determine whether the provisions which, in the Federal Republic of Germany, impose on the unsuccessful party the compulsory requirement to reimburse the expenses incurred as a result of the assistance of a patent attorney (*Patentanwalt*), even though that assistance was not essential in order to obtain the legal remedy sought in a trade mark dispute, are compatible with EU law.

4. According to the summary of national law provided by the referring court:

– The general rule regarding the payment of costs and other legal expenses is that the unsuccessful party has to pay the successful party the costs of any procedural steps that are necessary.

– However, in proceedings relating to intellectual property rights, the payment of fees for the assistance of a patent attorney is included in any event in the taxed costs to be borne by the unsuccessful party, without the court being able to assess whether or not the involvement of that patent attorney was necessary in order to obtain the legal remedy sought.

I. Legal framework

A. EU law – Directive 2004/48

5. Article 1 states:

'This Directive concerns the measures, procedures and remedies necessary to ensure the enforcement of intellectual property rights. For the purposes of this Directive, the term "intellectual property rights" includes industrial property rights.'

6. Article 2 ('*Scope*') provides:

'*1. Without prejudice to the means which are or may be provided for in Community or national legislation, in so far as those means may be more favourable for rightholders, the measures, procedures and remedies provided for by this Directive shall apply, in accordance with Article 3, to any infringement of intellectual property rights as provided for by Community law and/or by the national law of the Member State concerned.*

...'

7. Article 3 ('*General obligation*') stipulates:

'1. Member States shall provide for the measures, procedures and remedies necessary to ensure the enforcement of the intellectual property rights covered by this Directive. Those measures, procedures and remedies shall be fair and equitable and shall not be unnecessarily complicated or costly, or entail unreasonable time limits or unwarranted delays.

2. Those measures, procedures and remedies shall also be effective, proportionate and dissuasive and shall be applied in such a manner as to avoid the creation of barriers to legitimate trade and to provide for safeguards against their abuse.'

8. Article 14 ('*Legal costs'*) reads:

'Member States shall ensure that reasonable and proportionate legal costs and other expenses incurred by the successful party shall, as a general rule, be borne by the unsuccessful party, unless equity does not allow this.'

B. German law – Gesetz über den Schutz von Marken und sonstigen Kennzeichen – Markengesetz (4)

9. Pursuant to Paragraph 140(3), in the version applicable to the dispute, the costs incurred as a result of the involvement of a patent attorney in a trade mark dispute which are recoverable include the fees referred to in Paragraph 13 of the Gesetz über die Vergütung der Rechtsanwältinnen und Rechtsanwälte, (5) and the necessary disbursements made by that patent attorney.

10. Pursuant to Paragraph 125e(5), Paragraph 140(3) is applicable, mutatis mutandis, to proceedings before EU trade mark courts.

II. Facts, dispute and question referred for a preliminary ruling

11. The Ruprecht-Karls-Universität Heidelberg ('the University') brought an action before the Landgericht Mannheim (Regional Court, Mannheim, Germany) (6) against NovaText GmbH for an order that the latter cease and desist from the infringement of the University's EU trade marks and acknowledge the University's rights in relation to those marks.

12. The University's legal representative noted in the application that assistance had been provided by a patent attorney.

13. The proceedings concluded when the parties reached a written settlement, pursuant to Paragraph 278(6) of the Zivilprozessordnung (ZPO) (Law on civil procedure). On 23 May 2017, the first-instance court made the settlement order.

14. On the same date, the first-instance court set the value of the dispute at EUR 50 000 and ordered NovaText to pay the costs of the proceedings. The appeal brought by NovaText against that decision was dismissed.

15. By order of 8 December 2017, the first-instance court set the amount of costs to be reimbursed by NovaText to the University at EUR 10 528.95. Of that sum, EUR 4 867.70 were for the assistance of the patent attorney in the proceedings at first instance and EUR 325.46 were for that patent attorney's work in the appeal proceedings against the order as to costs. (7)

16. NovaText appealed to the Oberlandesgericht Karlsruhe (Higher Regional Court, Karlsruhe, Germany), seeking the annulment of the decision as to costs in so far as it had been ordered to bear the costs relating to the involvement of the patent attorney.

17. The appeal court dismissed NovaText's appeal on the following grounds:

– Since the dispute relates to trade marks and signs, it is not possible under Paragraph 140(3) of the MarkenG to determine whether the patent attorney's assistance was necessary for the purpose of obtaining the legal remedy sought or whether that patent attorney provided a service which 'added value' to that provided by the lawyer instructed by the University.

– Paragraph 140(3) of the MarkenG cannot be interpreted in a manner consistent with Articles 3(1) and 14 of Directive 2004/48 in order to verify whether the involvement of the patent attorney was necessary.

– That paragraph does not infringe the general principle of equality laid down in Paragraph 3(1) of the Grundgesetz (German Basic Law) either.

18. An appeal on a point of law was lodged against the appellate decision before the Bundesgerichtshof (Federal Court of Justice). After explaining the prevailing interpretation of Paragraph 140(3) of the MarkenG, (8) that court deduces from the judgment in United Video Properties that that provision may be incompatible with Articles 3(1) and 14 of Directive 2004/48, in conjunction with recital 17 thereof.

19. In the referring court's view, the automatic imposition on the unsuccessful party of the requirement to reimburse the cost of a patent attorney's assistance, regardless of whether that assistance was necessary, creates difficulties on three levels:

– First, the reimbursement of costs relating to the work of a patent attorney whose involvement is not necessary for the purposes of obtaining the legal remedy sought might be excessively costly, thereby infringing Article 3(1) of Directive 2004/48.

– Second, the reimbursement of such costs might not be proportionate, within the meaning of Article 14 of Directive 2004/48, if the assistance provided by the patent attorney is not directly and closely linked to the action seeking to have a trade mark right upheld.

– Third, Article 14 of Directive 2004/48 requires the court responsible for making the order as to costs to examine the specific circumstances of the case (**judgment in United Video Properties, paragraph 23**). Reimbursement of the patent attorney's costs, regardless of whether or not the patent attorney's involvement was necessary for the purpose of obtaining the legal remedy sought, does not take adequate account of the specific characteristics of the particular case.

20. Against that background, the Bundesgerichtshof (Federal Court of Justice) has referred the following question to the Court of Justice for a preliminary ruling:

'Are Article 3(1) and Article 14 of Directive 2004/48/EC to be interpreted as precluding national legislation imposing an obligation on the unsuccessful party to reimburse the costs incurred by the successful party for assistance by a patent attorney in judicial proceedings concerning trade marks, whether or not the patent attorney's assistance was necessary for the purpose of appropriate legal action?'

III. Procedure before the Court of Justice

21. The request for a preliminary ruling was received at the Registry of the Court on 19 October 2020.

22. Written observations were lodged by NovaText and the European Commission.
23. It was not considered necessary to hold a hearing.

IV. Assessment

A. Introductory remarks

24. It is not in dispute in these proceedings that the fees and other costs payable in respect of a patent attorney can, in principle, come within the items referred to in Article 14 of Directive 2004/48, whether as 'legal costs' or as 'other expenses incurred by the successful party'. That classification falls to the referring court. (9)
25. Acceptance of that premiss will assist with clarification of the arguments. In confining its question to the strict limits of Article 14 of Directive 2004/48, the referring court excludes the possibility that the assistance provided by the patent attorney comes within the concept of costs of research (or costs of a similar nature) the reimbursement of which would not be compatible with that article but rather with the article governing damages awarded to the rightholder.
26. As I explained in my Opinion in United Video Properties, '*the concept of costs payable for the work of technical experts or advisers may cover different situations, some of which do not necessarily come within the category of "legal costs". That term does not include any expense to a greater or lesser extent "related" to the bringing of the action or paid "on account" of it but rather costs which arise immediately and directly from the action itself. A natural or legal person may take preliminary steps, including having prior consultations with certain advisers or experts, without the associated cost having to be part of the "legal costs". According to recital 26 of the Directive, the "costs of identification and research" carried out in the sphere of protection of intellectual property come under the heading of damages (Article 13) rather than legal costs (Article 14)'*. (10)
27. Therefore, rather than being concerned with the classification of the costs incurred as a result of the assistance provided by the patent attorney, (11) the referring court's uncertainties relate to the fact that those costs are borne automatically by the unsuccessful party to the proceedings.
28. The fact that the interpretation of the national provision leads to that automatic imposition of costs is not in dispute either:
– Unlike the ordinary rules for payment of costs in German civil procedure (12) (in accordance with which expenses relating to the involvement of a patent attorney are recoverable only if they are necessary for the effective exercise of rights by the successful party), (13) Paragraph 140(3) of the MarkenG establishes a specific scheme for intellectual property disputes.
– By virtue of that specific scheme, according to the referring court's interpretation of national law, the recovery of costs incurred as a result of the involvement of a patent attorney is almost automatic: it will suffice if the successful party's representative merely gives an assurance that the patent attorney was really involved in the proceedings. (14)
– Therefore, it is not necessary for the patent attorney's involvement to add value to the service provided by the lawyer instructed by the party concerned.
29. The referring court has provided no information which would suggest the viability of an interpretation of national law in conformity with Article 14 of Directive 2004/48 (a possibility which the appeal court appeared to dismiss).
30. Since the final decision on the interpretative possibilities of German domestic law falls to the Bundesgerichtshof (Federal Court of Justice), its silence in that regard, to which I have just referred, means that this Opinion will not deal with that issue.
31. Nor shall I examine the effects which may flow from the possible incompatibility of Paragraph 140(3) of the MarkenG with EU law, since that is outside the terms in which the question referred for a preliminary ruling is framed. The question merely sets out the uncertainty regarding that incompatibility.

B. Reasonableness, proportionality and judicial review in connection with the application of Article 14 of Directive 2004/48

32. The objective of Directive 2004/48 is 'to approximate [the] legislative systems [of the Member States] so as to ensure a high, equivalent and homogeneous level of protection'.
33. In addition to that objective, the Court has pointed out that Article 14 of Directive 2004/48 aims '*to prevent the injured party from being deterred from bringing legal proceedings in order to protect his intellectual property rights. ... The author of the infringement of the intellectual property rights must generally bear all the financial consequences of his conduct'*. (15)
34. However, the wording of that article is not unconditional, for, in addition to being a '*general rule'*, it requires Member States to ensure the reimbursement only of legal costs that are reasonable (16) and proportionate. (17)
35. As I stated in the Opinion in United Video Properties, *'the qualifiers "reasonable and proportionate" are therefore key to the determination of whether [the] fees [paid by one party] must be borne by the party who has been ordered to pay the costs. Both qualifiers must be satisfied in order for the rule in Article 14 to be applicable, a proposition consistent with Article 3 of the Directive, pursuant to which the measures, procedures and remedies necessary to ensure the enforcement of intellectual property rights must be "fair, equitable and proportionate".'* (18)
36. The criteria of reasonableness and proportionality must be assessed in each case, and that assessment must be carried out by a court. In accordance with recital 17 of Directive 2004/48, *'the measures, procedures and remedies provided for ... should be determined in each case in such a manner as to take due account of the specific characteristics of that case'.*
37. If – as is the case here – the disputed item is categorised as costs within the meaning of Article 14, it should be recalled that, according to the Court of Justice, the assistance to which such costs relate must be directly and closely connected to the judicial proceedings.

38. On that basis, I consider the referring court's views on the application to the case before it of the criteria set out in the judgment in United Video Properties to be correct.
39. In the first place, the automatic application of the national rule at issue may mean, in certain circumstances, that there is a breach of the prohibition laid down in Article 3(1) of Directive 2004/48, to the effect that the procedures provided for by Member States must '*not be unnecessarily … costly'*.
40. In that connection, the Court has expressly referred to the exclusion of '*the reimbursement of … costs … due to the provision … of services that are not considered necessary in order to ensure the enforcement of the intellectual property rights concerned'*, as justification for the limitations which national legislation may impose which are '*intended to ensure the reasonableness of the costs to be reimbursed*'. (19)
41. The link between the necessity and reasonableness of costs also arises when the Court defines the costs which can be included within the scope of Article 14 of Directive 2004/48: '*to the extent that the services, regardless of their nature, of a technical adviser are essential in order for a legal action to be usefully brought seeking, in a specific case, to have such a right upheld, the costs linked to the assistance of that adviser fall within "other expenses" that must … be borne by the unsuccessful party.'* (20)
42. The assessment of '*reasonableness'* must therefore take account of the notion of '*reasonable chargeability'* suggested by the German version of Article 14 of Directive 2004/48. (21) The expenses the reimbursement of which is claimed from the unsuccessful party can indeed be confined to those '*essential costs'* incurred by the successful party to the proceedings.
43. Whether or not a cost is '*essential'* can be determined, first, by domestic law itself (for example, by stipulating that the assistance of a lawyer is compulsory). However, that quality can also be attached to assistance which, although not essential in the abstract, has, in a specific way, contributed sufficiently to the success of the action, to the extent that, without that assistance, the action would not have succeeded.
44. In the second place, I also agree with the referring court's assertion that the automatic reimbursement of such costs may not be proportionate, within the meaning of Article 14 of Directive 2004/48, if the assistance provided by the patent attorney was not directly and closely linked to the action to have the trade mark right upheld.
45. The costs which the unsuccessful party is required to reimburse to the successful party must, I repeat, be *'directly and closely related to the judicial proceedings concerned'*. (22) That assessment will usually require a prior examination of whether the costs are necessary and a determination, based on that examination, of the extent to which that link is present.
46. A direct and close link between the costs and the proceedings will not arise if the former are unnecessary, in the sense that the work which gave rise to the costs did not contribute anything significant to the proceedings which had not already been established by other factors or other evidence. (23)
47. In the third place, all those operations naturally require a judgment which must involve a margin of autonomy in order to gauge in each case when an item of expenditure is, as well as necessary in the sense described above, reasonable and proportionate.
48. In addition, in order to dispel any uncertainty regarding a court's powers of adjustment, its powers are strengthened, ultimately, by the final phrase of Article 14 of Directive 2004/48, which permits a court to decide that, nevertheless, the costs are not to be borne by the unsuccessful party where '*equity does not allow this*.' (24)
49. The unconditional and automatic inclusion of costs like those at issue here, without those costs being screened in a judicial assessment of their reasonableness and proportionality in relation to the case in point, could open the door to the abuse of rights by applicants. Applicants would be free, merely on the basis of a statement by their representatives, to recover from the unsuccessful party costs that may be frivolous, unnecessary or disproportionate.
50. Article 14 of Directive 2004/48 must therefore be interpreted in conformity with the scheme of the directive which, although it seeks to attain a high level of protection for holders of intellectual property rights, attempts to do so without disregarding other safeguards linked to the right to an effective remedy laid down in Article 47 of the Charter of Fundamental Rights of the European Union.
51. I propose, in summary, to state in reply to the referring court that Articles 3 and 14 of Directive 2004/48 are to be interpreted as precluding national legislation imposing an obligation on the unsuccessful party to reimburse the costs incurred by the successful party for assistance by a patent attorney in judicial proceedings concerning trade marks, whether or not the patent attorney's assistance was necessary in order to obtain the legal remedy sought.

V. Conclusion

52. In the light of the foregoing considerations, I propose that the Court of Justice give the following reply to the Bundesgerichtshof (Federal Court of Justice, Germany): '*Articles 3 and 14 of Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights are to be interpreted as precluding national legislation imposing an obligation on the unsuccessful party to reimburse the costs incurred by the successful party for assistance by a patent attorney in judicial proceedings concerning trademarks, whether or not the patent attorney's assistance was necessary in order to obtain the legal remedy sought.'*

SOURCES

1 Original language: Spanish.
2 Judgment of 28 July 2016 (C-57/15, EU:C:2016:611; 'the judgment in United Video Properties'). The Court

ruled on legal costs incurred in proceedings concerning the protection of intellectual property rights in the judgments of 18 October 2011, Realchemie Nederland (C-406/09, EU:C:2011:668, paragraphs 48 and 49), and of 16 July 2015, Diageo Brands (C-681/13, EU:C:2015:471, paragraph 72), but did not deal with the issue in contention in this case.

3 Directive of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights (OJ 2004 L 157, p. 45).

4 Law on the protection of trade marks and other distinctive signs of 25 October 1994; 'the MarkenG' (BGBl. 1994 I, p. 3082).

5 Rechtsanwaltsvergütungsgesetz (Law on the remuneration of lawyers) of 5 May 2004 (BGBl. 2004 I, p. 718).

6 The first-instance and appeal courts were acting in this case as EU trade mark courts.

7 The University's legal representative gave an assurance that the patent attorney had in fact assisted with the proceedings and that all pleadings lodged with the court had been agreed with her. The patent attorney had also assisted with the settlement negotiations.

8 According to the referring court, the appeal court interpreted Paragraph 140(3) of the MarkenG in accordance with the settled case-law of the Bundesgerichtshof (Federal Court of Justice), in keeping with the prevailing opinion among commentators. In line with that case-law and academic opinion, the costs arising from the involvement of a patent attorney in a trade mark dispute are reimbursable, whether or not that involvement was necessary for the purpose of obtaining the judicial protection sought or for the defence of rights. The referring court notes, however, that the Bundesgerichtshof (Federal Court of Justice) has ruled that the application mutatis mutandis of Paragraph 140(3) of the MarkenG to out-of-court legal action, in particular the assistance of a patent attorney in a warning given under trade mark law, is out of the question and that the costs of the patent attorney's assistance are therefore reimbursable only if that assistance was necessary.

9 The referring court's reasoning suggests that it categorises them as 'other expenses'.

10 Opinion in United Video Properties (C-57/15, EU:C:2016:201, point 79). The Court held that the '"costs of identification and research", incurred, often before judicial proceedings, do not necessarily fall within the scope of Article 14 of that directive' (judgment in United Video Properties, paragraph 35).

11 In that respect, the present case differs from Koch Media (C-559/20), in which I am also delivering the Opinion today. For the purposes of that case, it will be necessary to define more precisely the concepts of 'legal costs', 'other expenses' and 'damages'.

12 Laid down in Paragraph 91 of the ZPO, according to paragraph 10 of the order for reference.

13 According to the order for reference, the same approach is followed in relation to out-of-court claims in intellectual property matters.

14 Paragraph 2 of the order for reference.

15 Judgment of 18 December 2011, Realchemie Nederland (C-406/09, EU:C:2011:668, paragraph 49).

16 Judgment in United Video Properties, paragraph 24: '… Article 14 of Directive 2004/48 requires Member States to ensure the reimbursement only of "reasonable" legal costs. Furthermore, Article 3(1) of that directive provides, inter alia, that the procedures laid down by the Member States must not be unnecessarily costly.'

17 Ibid., paragraph 29: '… Article 14 of Directive 2004/48 provides that the legal costs to be supported by the unsuccessful party must be "proportionate". The question of whether those costs are proportionate cannot be assessed independently of the costs that the successful party actually incurred in respect of the assistance of a lawyer, provided they are reasonable within the meaning of paragraph 25 above.'

18 Case C-57/15 (EU:C:2016:201, point 51). I also pointed out how 'a number of language versions of the Directive apply both qualifiers to legal costs and to other expenses associated with proceedings. Others, however (the French, Spanish and Italian versions), apply those qualifiers only to legal costs.' Just as I did then, I believe that 'the sense of the provision warrants their application to both categories, as occurs in the English, German, Portuguese and Dutch versions'(footnote 18 of that Opinion).

19 Judgment in United Video Properties, paragraph 25. Italics added.

20 Ibid., paragraph 39. Italics added.

21 The German version of Article 14 of the directive refers to 'Prozesskosten und sonstigen Kosten […] soweit sie zumutbar und angemessen sind' (no italics in the original).

22 Judgment in United Video Properties, paragraph 36.

23 A priori, it is difficult to identify evidence which a court will regard as essential. Generally, evidence concerning constituent facts which have already been established and which no one disputes will be unnecessary. However, when it comes to contesting the opposing party's line of reasoning and challenging the validity of the evidence adduced by that party, it is natural that there will be a greater onus to provide evidence. In that situation, the fact that the court does not ultimately consider the additional evidence to be necessary, because it finds the original evidence sufficient, should not mean that the right to recover the cost (of the additional evidence) is lost.

24 Judgment in United Video Properties, paragraph 31: exclusion on grounds of equity 'covers national rules allowing courts, in a specific case in which the application of the general scheme regarding legal costs would lead to a result considered unfair, to disregard that scheme by way of exception'.