Reports of Cases

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.

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. 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

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.

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?'

[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.

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.

[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'.

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]

[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).

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

[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.

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]

[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'.

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.'