Reports of Cases

JUDGMENT OF THE COURT (Tenth Chamber)

28 April 2022*

(Reference for a preliminary ruling – Intellectual property rights – Directive 2004/48/EC – Article 14 – Concepts of 'legal costs' and 'other expenses' – Warning notice in order to ensure enforcement of intellectual property rights out of court – Lawyers' fees – Classification – National provision limiting the recoverable amount of those fees under certain conditions)

In Case C-559/20,

REQUEST for a preliminary ruling under Article 267 TFEU from the Landgericht Saarbrücken (Regional Court, Saarbrücken, Germany), made by decision of 6 October 2020, received at the Court on 26 October 2020, in the proceedings

Koch Media GmbH

v

FU,

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:

– Koch Media GmbH, by A. Nourbakhsch, Rechtsanwalt,

– the German Government, by J. Möller, M. Hellmann and U. Bartl, acting as Agents,

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

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

* Language of the case: German.

gives the following

Judgment

1 This request for a preliminary ruling concerns the interpretation of 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 proceedings between Koch Media GmbH and FU concerning recoverable costs in the form of lawyers' fees incurred by Koch Media in order to ensure enforcement of its rights by giving warning notice to FU before bringing legal proceedings.

Legal context

European Union law

Directive 2004/48

3 Recitals 10, 14 and 17 of Directive 2004/48 are worded as follows:

'(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.

…

(14) The measures provided for in Articles 6(2), 8(1) and 9(2) need to be applied only in respect of acts carried out on a commercial scale. This is without prejudice to the possibility for Member States to apply those measures also in respect of other acts. Acts carried out on a commercial scale are those carried out for direct or indirect economic or commercial advantage; this would normally exclude acts carried out by end-consumers acting in good faith.

…

(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:

'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 contains Articles 3 to 15, concerning 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 13 of that directive, entitled 'Damages':

'1. Member States shall ensure that the competent judicial authorities, on application of the injured party, order the infringer who knowingly, or with reasonable grounds to know, engaged in an infringing activity, to pay the rightholder damages appropriate to the actual prejudice suffered by him/her as a result of the infringement.

When the judicial authorities set the damages:

(a) they shall take into account all appropriate aspects, such as the negative economic consequences, including lost profits, which the injured party has suffered, any unfair profits made by the infringer and, in appropriate cases, elements other than economic factors, such as the moral prejudice caused to the rightholder by the infringement;

or

(b) as an alternative to (a), they may, in appropriate cases, set the damages as a lump sum on the basis of elements such as at least the amount of royalties or fees which would have been due if the infringer had requested authorisation to use the intellectual property right in question.

2. Where the infringer did not knowingly, or with reasonable grounds know, engage in infringing activity, Member States may lay down that the judicial authorities may order the recovery of profits or the payment of damages, which may be pre-established.'

9 Article 14 of that directive, entitled 'Legal costs', states:

'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.'

Directive 2001/29/EC

10 Article 1 of Directive 2001/29/EC of the European Parliament and of the Council of 22 May 2001 on the harmonisation of certain aspects of copyright and related rights in the information society (OJ 2001 L 167, p. 10), entitled 'Scope', provides, in paragraph 2:

'… this Directive shall leave intact and shall in no way affect existing Community provisions relating to:

(a) the legal protection of computer programs;

…'

11 Article 8 of that directive, entitled 'Sanctions and remedies', provides, in paragraph 2:

'Each Member State shall take the measures necessary to ensure that rightholders whose interests are affected by an infringing activity carried out on its territory can bring an action for damages and/or apply for an injunction and, where appropriate, for the seizure of infringing material as well as of devices, products or components referred to in Article 6(2).'

Directive 2009/24/EC

12 Directive 2009/24/EC of the European Parliament and of the Council of 23 April 2009 on the legal protection of computer programs (OJ 2009 L 111, p. 16) codified and repealed Council Directive 91/250/EEC of 14 May 1991 on the legal protection of computer programs (OJ 1991 L 122, p. 42).

13 Article 1 of Directive 2009/24, entitled 'Object of protection', provides, in paragraph 1:

'In accordance with the provisions of this Directive, Member States shall protect computer programs, by copyright, as literary works within the meaning of the [Berne Convention for the Protection of Literary and Artistic Works, signed in Berne on 9 September 1886 (Paris Act of 24 July 1971), in the version arising from the amendment of 28 September 1979]. For the purposes of this Directive, the term "computer programs" shall include their preparatory design material.'

14 Article 7 of that directive, entitled 'Special measures of protection', provides, in paragraph 1:

'Without prejudice to the provisions of Articles 4, 5 and 6, Member States shall provide, in accordance with their national legislation, appropriate remedies against a person committing any of the following acts:

(a) any act of putting into circulation a copy of a computer program knowing, or having reason to believe, that it is an infringing copy;

…'

German law

15 Paragraph 97a of the Gesetz über Urheberrecht und verwandte Schutzrechte – Urheberrechtsgesetz (Law on copyright and related rights) of 9 September 1965 (BGBl. 1965 I, p. 1273), in the version applicable to the dispute in the main proceedings ('the UrhG'), is entitled 'Warning notice' and is worded as follows:

'1. Before instituting legal proceedings, the injured party shall send the infringer a warning notice calling on him or her to cease the conduct concerned and affording him or her the opportunity to settle the dispute by giving an undertaking to refrain from engaging in that conduct, in addition to an appropriate contractual penalty.

2. The warning notice shall, in a clear and intelligible manner:

(1) state the injured party's name or company name if it is a representative rather than the injured party who sends the warning notice:

(2) provide an exact description of the infringement of the right;

(3) present a detailed calculation of the claims for payment depending on whether the claim is for damages or for the reimbursement of expenses; and

(4) in the event that an undertaking to refrain from certain conduct is required, state the extent to which the proposed undertaking applies beyond the infringement to which the warning notice refers.

A warning notice which does not comply with the first sentence shall be ineffective.

3. Provided that the warning notice is justified and complies with subparagraph 2, first sentence, points 1 to 4, reimbursement of necessary expenses may be sought. As regards the use of a lawyer's services, the reimbursement of necessary expenses shall be limited, in respect of legal fees, to an amount corresponding to a value in dispute of EUR 1 000 for an action seeking a prohibitory and cease-and-desist injunction, where the person served with the warning notice:

(1) is a natural person who does not use works or other subject matter protected under this Law for his or her commercial or self-employed activity, and

(2) is not already obliged to cease certain conduct as a result of a contractual right of the person who sends the warning notice or as a result of a final judgment or an interlocutory order.

The value indicated in the second sentence shall also apply if a right to prohibition and a right to order cease and desist are invoked concurrently. The second sentence shall not apply if that value is not fair in the specific circumstances of the case.

…'

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

16 Koch Media is the holder of the intellectual property rights relating to the computer game 'This War of Mine' for the territory of the Federal Republic of Germany. That computer game was placed on the market in November 2014 and, according to information provided by Koch Media, received the German prize for computer games. According to the order for reference, the sale price of the work on the market concerned exceeded EUR 30 in the initial months following its launch.

17 Koch Media took the view that, by making that computer game available to the public, via his internet connection, for download on a file-sharing platform on a peer-to-peer network, FU, a natural person, had committed several infringements of its intellectual property rights. Koch Media therefore instructed a law firm to ensure enforcement of its rights, in particular by sending FU a warning notice to cease his conduct, in accordance with Paragraph 97a of the UrhG.

18 By letter of 9 April 2015, Koch Media's lawyers offered FU an amicable solution, asking him for an undertaking that he would cease to make the computer game available to the public for download on a file-sharing platform and that he would pay damages, failing which a contractual penalty would be imposed on him.

19 Since FU rejected that proposal as regards the payment of damages, agreeing only to give an undertaking to cease his conduct, Koch Media brought an action for damages before the Amtsgericht Saarbrücken (District Court, Saarbrücken, Germany). In its judgment of 29 January 2020 upholding that action, that court held that, between 26 and 28 November 2014, FU had made the computer game in question available, via his internet connection, for download on a file-sharing platform on at least 13 occasions. In addition, that court ordered FU to pay the costs, including a sum of EUR 124, together with interest, in respect of the lawyers' fees which Koch Media had incurred in order to assert its right to order cease and desist by way of a warning notice.

20 Taking the view, inter alia, that it should be reimbursed for the entirety of those pre-litigation lawyers' fees – amounting, in the present case, to EUR 984.60, corresponding to a value in dispute of EUR 20 000 – Koch Media brought an appeal against that decision before the referring court, the Landgericht Saarbrücken (Regional Court, Saarbrücken, Germany).

21 The referring court states that the reimbursement of lawyers' fees incurred at the pre-litigation stage of a dispute concerning the protection of intellectual property rights, in connection with the exercise of the right to order cease and desist, is governed under German law by Paragraph 97a of the UrhG. Under that provision, the holder of the copyright which has been infringed may, in principle, receive reimbursement of 'necessary expenses'. In that regard, it is apparent, first, from the second sentence of Paragraph 97a(3) of the UrhG, that, as a rule, the German legislature limits the value in dispute of the sum to be reimbursed by natural persons to EUR 1 000, meaning that the holder of the intellectual property rights remains liable for a significant portion of the lawyers' fees. Secondly, it follows from the fourth sentence of Paragraph 97a(3) of the UrhG that, by way of exception, the court having jurisdiction may disregard that ceiling if it is 'not fair'. By contrast, it is clear from the case-law of the Bundesgerichtshof (Federal Court of Justice, Germany) that where a holder of rights relating to current films, music or DVDs exercises the right to order cease and desist, the value in dispute will in any event exceed EUR 10 000.

22 In that context, the referring court asks, first, whether lawyers' fees associated with a warning notice such as the notice at issue in the case before it are covered by 'legal costs' or 'other expenses' referred to in Article 14 of Directive 2004/48 or 'damages' referred to in Article 13 of that directive, if they fall within the scope of that directive at all.

23 According to the referring court, the warning notice referred to in Paragraph 97a of the UrhG has a twofold objective, namely (i) to seek to avoid litigation by way of an amicable settlement of the dispute between the parties, and (ii) to protect, in the event of litigation, the holder of the intellectual property right against the risk of being ordered to pay the costs if he or she brings an action seeking a cease-and-desist injunction without first giving warning notice, where the defendant acknowledges from the outset that the action is well founded.

24 Secondly, the referring court seeks to ascertain whether, in the light of the guidance provided by the judgment of 28 July 2016, *United Video Properties* (C-57/15, EU:C:2016:611), the relevant directives must be interpreted as meaning that, in principle, the costs of giving warning notice must also be reimbursed in full where the infringement of intellectual property rights has been committed by natural persons not acting in a professional or commercial capacity and whether certain factors may result in reimbursement of only a small part of those costs. If the answer is in the affirmative, the referring court asks what those recoverable costs would be.

25 Thirdly, under Article 14 of Directive 2004/48, lawyers' fees incurred by the successful party are, as a general rule, to be borne by the unsuccessful party, unless equity does not allow this. The fourth sentence of Paragraph 97a(3) of the UrhG reversed the relationship between that rule and the exception thereto. Thus, according to that provision, the ceiling of EUR 1 000 relating to the value in dispute applicable to the taxation of costs does not apply only in the specific case where that value is unfair in the light of the circumstances of the case at hand.

26 To conclude, the referring court states that its request for a preliminary ruling is made in the context of the large number of actions pending before it, the outcome of which, as regards the reimbursement of lawyers' fees relating to the pre-litigation stage of a dispute concerning the protection of intellectual property rights, depends on the interpretation of EU law, since German case-law varies significantly in that regard.

27 In those circumstances, the Landgericht Saarbrücken (Regional Court, Saarbrücken) decided to stay the proceedings and to refer the following questions to the Court of Justice for a preliminary ruling:

'(1) (a) Is Article 14 of Directive [2004/48] to be interpreted as meaning that the provision covers necessary lawyers' fees as "legal costs" or as "other expenses" incurred by a holder of intellectual property rights within the meaning of Article 2 of [Directive 2004/48] by virtue of the fact that he [or she] asserts, out of court, a right to apply for a prohibitory injunction against an infringer of those rights by way of a warning notice?

(b) In the event that [Question (1)(a)] is answered in the negative: Is Article 13 of [Directive 2004/48] to be interpreted as meaning that the provision covers the lawyers' fees referred to in [Question (1)(a)] in the form of damages?

(2) (a) Is EU law, particularly with regard to

– Articles 3, 13 and 14 of [Directive 2004/48],

– Article 8 of Directive [2001/29], and

– Article 7 of Directive [2009/24]

to be interpreted as meaning that a holder of intellectual property rights within the meaning of Article 2 of [Directive 2004/48] is in principle entitled to reimbursement of the full amount of the lawyers' fees referred to in [Question (1)(a)], or at least a reasonable and substantial proportion of those fees, even if

– the alleged infringement has been committed by a natural person outside his [or her] trade or profession, and

– a national provision provides, for such a case, that such lawyers' fees are generally recoverable only after the value in dispute has been reduced?

(b) In the event that Question [(2)(a)] is answered in the affirmative: Is the EU law referred to in Question [(2)(a)] to be interpreted as meaning that an exception to the principle referred to [therein], according to which the rightholder must be reimbursed the full amount of the lawyers' fees referred to in [Question (1)(a)], or at least a reasonable and substantial proportion of those fees,

taking account of other factors (such as, for instance, how current the work is, the period of publication and the infringement by a natural person outside the interests of his [or her] trade or profession),

is to be considered

even if the infringement of intellectual property rights within the meaning of Article 2 of [Directive 2004/48] consists in file sharing, that is to say making a work available to the public by offering it for free download to all users on a freely accessible exchange platform that has no digital rights management?'

Consideration of the questions referred

The first question

28 By its first question, the referring court asks, in essence, whether Article 14 of Directive 2004/48 must be interpreted as meaning that the expenses incurred by a holder of intellectual property rights in respect of his or her representation by a lawyer in order to ensure that those rights are enforced out of court, such as the costs of giving warning notice, are covered by the concept of 'legal costs' or 'other expenses' within the meaning of that provision. In the alternative, it enquires whether such costs are covered by the concept of 'damages' within the meaning of Article 13 of that directive.

29 As stated in recital 10 of Directive 2004/48, the objective of that directive 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.

30 To that end, and 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 by the national law of the Member State concerned.

31 However, 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).

32 In addition, 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).

33 Nevertheless, as the Advocate General observed, in essence, in point 44 of his Opinion, in the light of its objective of ensuring a high level of protection of intellectual property, Directive 2004/48 applies to judicial and extrajudicial procedures alike, since those two types of procedure may prove necessary to ensure the enforcement of intellectual property rights.

34 Thus, the Court has already held that a separate procedure preceding an action for damages, such as a request for information, by which, under Article 8(1)(c) of Directive 2004/48, an applicant requests an Internet service provider for information enabling its customers to be identified with a view to being able usefully to bring legal proceedings against the alleged infringers, satisfies the criterion laid down in that provision, namely that such a request be linked to 'proceedings concerning an infringement of an intellectual property right' (see, to that effect, judgment of 17 June 2021, *M.I.C.M.*, C-597/19, EU:C:2021:492, paragraphs 81 and 82).

35 Since the extrajudicial warning notice procedure is a way of seeking an amicable solution before bringing legal proceedings in the proper sense, the view cannot be taken that that procedure does not fall within the scope of Directive 2004/48.

36 As for whether the costs of giving warning notice are caught by the concept of 'legal costs' or 'other expenses' within the meaning of Article 14 of Directive 2004/48, or the concept of 'damages' within the meaning of Article 13 of that directive, it should be noted that the wording of Article 14 of Directive 2004/48 covers not only 'legal costs', in the strict sense of the term, but also 'other expenses' incurred by the 'successful party'.

37 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 his or her rights (judgment of 16 July 2015, *Diageo Brands*, C-681/13, EU:C:2015:471, paragraph 77 and the case-law cited).

38 The specific objective thus pursued by that provision is fully consistent with the objective generally pursued by Directive 2004/48, namely the approximation of the legislative systems of the Member States in order to ensure a high, equivalent and homogeneous level of protection of intellectual property. 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 (see, to that effect, judgment of 18 October 2011, *Realchemie Nederland*, C-406/09, EU:C:2011:668, paragraph 49).

39 Having regard to those objectives and the broadly framed and general wording of Article 14 of Directive 2004/48, which refers to the 'successful party' and the 'unsuccessful party', without providing detail or setting a limitation on the type of procedure to which the rule laid down therein must be applied, that provision is applicable to the legal costs incurred in the context of any procedure falling within the scope of that directive (judgment of 16 July 2015, *Diageo Brands*, C-681/13, EU:C:2015:471, paragraph 78).

40 However, a wide interpretation of Article 14 of Directive 2004/48, to the effect that the unsuccessful party should bear, as a general rule, the expenses incurred by the successful party, without going into any detail about those costs, risks conferring excessive scope on that article and thus depriving Article 13 of its practical effect (judgment of 28 July 2016, *United Video Properties*, C-57/15, EU:C:2016:611, paragraph 36).

41 The Court thus held, in paragraph 36 of its judgment of 28 July 2016, *United Video Properties* (C-57/15, EU:C:2016:611), that Article 14 of Directive 2004/48 should be interpreted as meaning that only those costs which are directly and closely linked to the judicial proceedings concerned fall under 'other expenses' within the meaning of that provision.

42 While, as held in the judgment of 28 July 2016, *United Video Properties* (C-57/15, EU:C:2016:611), in the light of the particular features of the case which gave rise to that judgment, 'other expenses' within the meaning of Article 14 of Directive 2004/48 must satisfy those criteria in order to be recoverable, that is a fortiori the case for 'legal costs' referred to in that provision.

43 As for whether the costs of giving warning notice are 'legal costs' or 'other expenses' within the meaning of Article 14 of Directive 2000/48, it is true that the costs of giving warning notice cannot be classified as 'legal costs' within the meaning of that provision since, at that stage, there is not yet any dispute pending before a court. However, there is nothing in Directive 2004/48 to preclude those costs from being classified as 'other expenses', notwithstanding the fact that, at that pre-litigation stage, it is not yet certain whether or not the holder of the intellectual property right concerned will, at a later stage, initiate legal proceedings or whether or not its proposal for an amicable solution will be accepted by the alleged infringer.

44 In so far as the warning notice procedure is a procedure that is necessary to ensure the enforcement of intellectual property rights, with the aim of avoiding, or even replacing, subsequent legal proceedings, it must be held that, for the same reasons as those set out in paragraphs 32 to 35 of the present judgment, the costs of assistance and representation in that procedure are covered by the concept of 'other expenses' within the meaning of Article 14 of Directive 2004/48.

45 In the light of the foregoing considerations, the answer to the first question is that Article 14 of Directive 2004/48 must be interpreted as meaning that expenses incurred by a holder of intellectual property rights in respect of his or her representation by a lawyer in order to ensure that those rights are enforced out of court, such as the costs of giving warning notice, are covered by the concept of 'other expenses' within the meaning of that provision.

The second question

46 As a preliminary point, it should be borne in mind that, in the procedure laid down by Article 267 TFEU providing for cooperation between national courts and the Court, it is for the latter to provide the national court with an answer which will be of use to it and will enable the national court to determine the case before it. To that end, the Court may have to reformulate the questions referred to it (judgment of 21 December 2021, *Randstad Italia*, C-497/20, EU:C:2021:1037, paragraph 42 and the case-law cited).

47 It is to that extent that the Court takes the view that, by its second question, the referring court asks, in essence, whether Article 14 of Directive 2004/48 must be interpreted as precluding a national provision which provides that, in a situation where the infringement of an intellectual property right has been committed by a natural person outside his or her trade or profession, the reimbursement of 'other expenses' referred to in that provision, which the rightholder may claim, is calculated on a flat-rate basis of the value in dispute limited by that provision, unless the national court considers that, in view of the specific characteristics of the case before it, the application of such a limitation is unfair. If the answer is in the affirmative, the referring court also wishes to ascertain what factors, if any, it must take into account in order to determine whether those costs are reasonable and proportionate, within the meaning of Article 14.

48 In the first place, Article 14 of Directive 2004/48 requires 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.

49 First, Article 14 of that directive 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 laid down 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).

50 Thus, the Court has held that 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 are not reasonable (see, to that effect, judgment of 28 July 2016, *United Video Properties*, C-57/15, EU:C:2016:611, paragraph 25).

51 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'.

52 In that respect, the Court has held that 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 49 above. 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).

53 Furthermore, as regards, in particular, the situation of a natural person who, outside his or her trade or profession, has infringed an intellectual property right, it should be noted that, as is apparent from recital 14 of Directive 2004/48, the condition that, in order to fall within the scope of that directive, infringements must be carried out on a commercial scale is to be applied only to measures relating to the evidence, to the measures concerning the right to information and to the provisional and protective measures, provided for in Chapter II of that directive, without prejudice to the possibility for Member States also to apply those measures to acts which are not carried out on a commercial scale (see, to that effect, judgment of 17 June 2021, *M.I.C.M.*, C-597/19, EU:C:2021:492, paragraph 88).

54 That condition does not apply to 'legal costs' and 'other expenses' referred to in Article 14 of Directive 2004/48. Consequently, under that provision, individual infringers may, in principle, be ordered to pay the holder of the intellectual property rights the entirety of those costs, provided that they are reasonable and proportionate (see, by analogy, judgment of 17 June 2021, *M.I.C.M.*, C-597/19, EU:C:2021:492, paragraph 89).

55 Nevertheless, the Court has accepted that, when Member States transpose into their national legal systems the general rule laid down in Article 14 of Directive 2004/48, they may establish flat rates. However, it has made clear that those rates must ensure that the costs which, under the national implementing legislation, may be charged to the unsuccessful party are reasonable and that the maximum amounts which may be claimed in respect of those costs are not too low as compared with 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).

56 If the infringer could be ordered only to reimburse a small part of the reasonable lawyers' fees incurred by the injured rightholder, the dissuasive effect of an action for infringement would be seriously diminished, contrary to the general obligation laid down in Article 3(2) of Directive 2004/48 and to the principal aim pursued by that directive, of ensuring a high level of protection of intellectual property rights in the internal market, an aim expressly mentioned in recital 10 to that directive, in accordance with Article 17(2) of the Charter of Fundamental Rights of the European Union (see, to that effect, judgment of 28 July 2016, *United Video Properties*, C-57/15, EU:C:2016:611, paragraph 27).

57 Moreover, it is also for the national court to ensure that the foreseeable amount of the legal costs that may be awarded to the holder of intellectual property rights is not such as to deter him or her from bringing legal proceedings in order to enforce his or her rights, in view of the sums for which he or she remains liable in respect of out-of-court expenses and their utility in the main action for damages (see, to that effect, judgment of 9 June 2016, *Hansson*, C-481/14, EU:C:2016:419, paragraph 63).

58 In the second place, in addition to a review of the reasonableness and proportionality of the recoverable costs, Article 14 of Directive 2004/48 provides that the general rule on the allocation of those costs is not to apply if equity prevents the unsuccessful party from being required to reimburse the costs incurred by the successful party, even if they are reasonable and proportionate.

59 The Court has held that that provision 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 general rule by way of exception. However, it has made clear that equity,

by its very nature, cannot justify a general unconditional exclusion of reimbursement of costs exceeding a specified ceiling (see, to that effect, judgment of 28 July 2016, *United Video Properties*, C-57/15, EU:C:2016:611, paragraph 31).

60 In the third place, in accordance with Article 14 of Directive 2004/48, read in the light of recital 17 thereof, the national legislation transposing that provision must, in any event, allow the court responsible for awarding costs to take account, in each case, of the specific characteristics of the case.

61 Thus, with respect to those specific characteristics, the national court could take into account, inter alia, how current the work is, the period of publication, the fact that the infringement of the rights was committed by a natural person outside his or her trade or profession and, as is apparent from recital 17 of Directive 2004/48, the specific characteristics of the intellectual property right concerned and, possibly, whether the infringement was intentional or unintentional.

62 Furthermore, when taking account of the specific characteristics of each case, it is also necessary for the referring court to be able to ascertain, in accordance with the general obligation laid down in Article 3 of Directive 2004/48, whether an application for an award of costs relating to the expenses of a representative in connection with a warning notice are fair, equitable and not abusive, among other things (see, to that effect judgment of 17 June 2021, *M.I.C.M.*, C-597/19, EU:C:2021:492, paragraphs 93 and 94).

63 As regards the national provision at issue in the main proceedings, namely Paragraph 97a of the UrhG, that provision states that the recoverable costs are to be reduced by applying to them a maximum value in dispute of EUR 1 000 where the person in receipt of the warning notice is a natural person who does not use the protected work or other protected subject matter for his or her commercial or self-employed activity. However, the fourth sentence of Paragraph 97a(3) lays down an exception if that value is not fair in the specific circumstances of the case.

64 Article 14 of Directive 2004/48 does not preclude such a provision, since its purpose is to ensure that the costs to be borne by the unsuccessful party are reasonable and proportionate, provided that the court responsible for awarding costs is able to take into account, in each case, the specific characteristics of the case.

65 In those circumstances, the answer to the second question is that Article 14 of Directive 2004/48 must be interpreted as not precluding a national provision which provides that, in a situation where an infringement of an intellectual property right has been committed by a natural person outside his or her trade or profession, the reimbursement of 'other expenses' referred to in that provision, which the rightholder may claim, is calculated on a flat-rate basis of the value in dispute limited by that provision, unless the national court considers that, in view of the specific characteristics of the case before it, the application of such a limitation is unfair.

Costs

66 Since these proceedings are, for the parties to the main proceedings, a step in the action pending before the referring 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:

1. **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 is to be interpreted as meaning that the expenses incurred by a holder of intellectual property rights in respect of his or her representation by a lawyer in order to ensure that those rights are enforced out of court, such as the costs of giving warning notice, are covered by the concept of 'other expenses' within the meaning of that provision.**

2. **Article 14 of Directive 2004/48 is to be interpreted as not precluding a national provision which provides that, in a situation where the infringement of an intellectual property right has been committed by a natural person outside his or her trade or profession, the reimbursement of 'other expenses' referred to in that provision, which the rightholder may claim, is calculated on a flat-rate basis of the value in dispute limited by that provision, unless the national court considers that, in view of the specific characteristics of the case before it, the application of such a limitation is unfair.**

[Signatures]