



Reports of Cases

JUDGMENT OF THE COURT (Fifth Chamber)

28 July 2016*

(Reference for a preliminary ruling — Intellectual property rights — Directive 2004/48/EC — Article 14 — Legal costs — Lawyers' fees — Flat-rate reimbursement — Maximum amounts — Costs of a technical adviser — Reimbursement — Condition of fault on the part of the unsuccessful party)

In Case C-57/15,

REQUEST for a preliminary ruling under Article 267 TFEU from the hof van beroep te Antwerpen (Court of Appeal, Antwerp, Belgium), made by decision of 26 January 2015, received at the Court on 9 February 2015, in the proceedings

United Video Properties Inc.

v

Telenet NV,

THE COURT (Fifth Chamber),

composed of J.L. da Cruz Vilaça, President of the Chamber, F. Biltgen, A. Borg Barthet, E. Levits and M. Berger (Rapporteur), Judges,

Advocate General: M. Campos Sánchez-Bordona,

Registrar: V. Tourrès, Administrator,

having regard to the written procedure and further to the hearing on 14 January 2016,

after considering the observations submitted on behalf of:

- United Video Properties Inc., by B. Vandermeulen, avocat, and D. Op de Beeck, advocaat,
- Telenet NV, by S. Debaene, advocaat, and H. Haouideg, avocat,
- the Belgian Government, by J.-C. Halleux and J. Van Holm, acting as Agents, assisted by E. Jacubowitz, avocat,
- the Netherlands Government, by M. Bulterman and M. de Ree, acting as Agents,
- the Polish Government, by B. Majczyna, acting as Agent,

* Language of the case: Dutch.

— the European Commission, by F. Wilman, acting as Agent,
after hearing the Opinion of the Advocate General at the sitting on 5 April 2016,
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 United Video Properties Inc. and Telenet NV concerning legal costs that United Video Properties Inc. must reimburse to Telenet after discontinuing an action brought against the latter in relation to patents.

Legal context

EU Law

- 3 Recitals 10, 17 and 26 to Directive 2004/48 state as follows:

'(10) The objective of this directive is to approximate [the legislative systems of the Member States] so as to ensure a high, equivalent and homogeneous level of protection in the internal market.

...

(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.

...

(26) With a view to compensating for the prejudice suffered as a result of an infringement committed by an infringer who engaged in an activity in the knowledge, or with reasonable grounds for knowing, that it would give rise to such an infringement, the amount of damages awarded to the rightholder should take account of all appropriate aspects, such as loss of earnings incurred by the rightholder, or unfair profits made by the infringer and, where appropriate, any moral prejudice caused to the rightholder. ... The aim is not to introduce an obligation to provide for punitive damages but to allow for compensation based on an objective criterion while taking account of the expenses incurred by the rightholder, such as the costs of identification and research.'
- 4 Article 3 of that directive, 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.’

5 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.

...

2. Where the infringer did not knowingly, or with reasonable grounds to 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.’

6 Article 14 of Directive 2004/48, entitled ‘Legal costs’, provides:

‘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.’

Belgian law

7 Pursuant to Article 827(1) of the Gerechtelijk Wetboek (Judicial Code), any discontinuance of an action entails an obligation to pay the legal costs incurred, imposed on the discontinuing party.

8 Article 1017(1) of the Judicial Code provides that:

‘Every final decision, even of the court’s own motion, shall order the unsuccessful party to pay the costs ...’

9 Under Article 1018 of the Judicial Code:

‘The costs shall comprise:

...

6° the procedural cost indemnity, as provided for in Article 1022;

...’

10 Article 1022 of the Judicial Code provides:

‘The procedural cost indemnity shall be a flat-rate contribution towards the costs and fees of the successful party’s lawyer.

[T]he King shall, by way of a decree adopted after consultation in the Council of Ministers, establish the basic, minimum and maximum amounts of the procedural cost indemnity, inter alia in the light of the nature of the case and the significance of the dispute.

Upon application by one of the parties and by means of a decision stating special reasons, the court may either reduce or increase the indemnity, without exceeding the maximum and minimum amounts set by the King. ...

No party may be required to pay an indemnity for the involvement of the lawyer of another party which exceeds the amount of the procedural cost indemnity.'

- 11 The Royal Decree of 26 October 2007 establishing a scale of standard reimbursements of legal costs mentioned in Article 1022 of the Judicial Code and fixing the date for the entry into force of Articles 1 to 13 of the Law of 21 April 2007 on the recoverability of fees and costs of legal representation (*Belgisch Staatsblad*, 9 November 2007, p. 56834) establishes the basic, minimum, and maximum amounts of the procedural cost indemnity mentioned in Article 1022 of the Judicial Code. Article 2 of that royal decree establishes, for actions relating to claims of which the subject can be evaluated in monetary terms, a staggered scale for the amounts of procedural cost indemnity ranging from EUR 75, the minimum amount, applicable to actions where the subject has a value of up to EUR 250, to EUR 30 000, the maximum amount, which is applicable to actions the object of which, evaluated in monetary terms, is worth more than EUR 1000000.01.
- 12 Moreover, as regards actions in which the object cannot be evaluated in monetary terms, Article 3 of the Royal Decree of 26 October 2007 provides, with regard to the procedural cost indemnity, a basic amount of EUR 1 200, a minimum amount of EUR 75, and a maximum amount of EUR 10 000.
- 13 Finally, Article 8 of the Royal Decree of 26 October 2007 provides that the basic, minimum, and maximum amounts of the procedural cost indemnity are linked to the consumer price index, every rise or fall of the index by 10 points leading to an increase or reduction by 10% to the sums referred to in Articles 2 to 4 of that decree.

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

- 14 United Video Properties, which was a patent holder, brought an action against Telnet in Belgium seeking, in essence, a finding of an infringement by Telnet of that patent, an injunction requiring Telnet to cease that infringement and an order for Telnet to pay the costs.
- 15 By judgment of 3 April 2012, the rechtbank van koophandel te Antwerpen (Commercial Court, Antwerp, Belgium) dismissed that action and declared the patent at issue to be invalid. By that judgment, it ordered United Video Properties to pay Telnet a procedural cost indemnity relating to the proceedings at first instance of EUR 11 000, the maximum amount provided for under Article 3 of the Royal Decree of 26 October 2007 after its amendment pursuant to Article 8 of that decree. United Video Properties lodged an appeal against that judgment before the hof van beroep te Antwerpen (Court of Appeal, Antwerp).
- 16 United Video Properties decided however to discontinue its appeal. After that discontinuance, Telnet requested, inter alia, that United Video Properties be ordered to reimburse it EUR 185462.55 in respect of lawyers' fees and EUR 44 400 in respect of the assistance provided by an agent specialised in the field of patents.
- 17 It is clear from the decision to refer that the proceedings before the hof van beroep te Antwerpen (Court of Appeal, Antwerp) now concern only the costs that United Video Properties must reimburse to Telnet. Under the Belgian legislation at issue, Telnet can request only reimbursement of the maximum amount of EUR 11 000 for the proceedings at each instance in respect of the fees paid to its lawyer. As regards the fees paid to an agent specialised in the field of patents, in accordance with the case-law of the Hof van Cassatie (Court of Cassation, Belgium), Telnet is not entitled to recover those

costs from United Video Properties, unless it can show that United Video Properties was at fault in bringing its action or in the continuance of the proceedings, and that the costs of that agent are a necessary consequence thereof.

- 18 However, Telnet submits that it incurred costs much greater than EUR 11 000 for the proceedings at each instance. In particular, it takes the view that the Belgian legislation at issue in the main proceedings is contrary to Article 14 of Directive 2004/48, for that article does not authorise Member States to introduce either a reimbursement ceiling for lawyers' fees — of EUR 11 000 for the proceedings at each instance — or a requirement of fault for the reimbursement of other expenses incurred by the successful party.
- 19 In those circumstances, the hof van beroep te Antwerpen (Court of Appeal, Antwerp) decided to stay the proceedings and to refer the following questions to the Court for a preliminary ruling:
- ‘(1) Do the terms “reasonable and proportionate legal costs and other expenses” in Article 14 of Directive 2004/48 preclude the Belgian legislation which offers courts the possibility of taking into account certain well-defined features specific to the case and which provides for a system of varying flat rates in respect of costs for the assistance of a lawyer?
- (2) Do the terms “reasonable and proportionate legal costs” and “other expenses” in Article 14 of Directive 2004/48 preclude the case-law which states that the costs of a technical adviser are recoverable only in the event of fault (contractual or extra-contractual)?’

Consideration of the questions referred

The first question

- 20 By its first question, the referring court asks, in essence, whether Article 14 of Directive 2004/48 must be interpreted as precluding national legislation, such as that at issue in the main proceedings, which provides that the unsuccessful party is to be ordered to pay the legal costs incurred by the successful party, which offers the courts responsible for making that order the possibility of taking into account features specific to the case before it, and which provides for a flat-rate scheme setting out an absolute reimbursement ceiling in respect of costs for the assistance of a lawyer.
- 21 As a preliminary point, it should be noted that Article 14 of Directive 2004/48 affirms the principle that reasonable and proportionate legal costs incurred by the successful party are, as a general rule, to be borne by the unsuccessful party, unless equity does not allow this.
- 22 As regards, first, the concept of ‘legal costs’ to be reimbursed by the unsuccessful party appearing in Article 14 of Directive 2004/48, it must be observed 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.
- 23 Second, recital 17 to Directive 2004/48 indicates that the measures, procedures and remedies set out in that directive should be determined in each case in such a manner as to take due account of the specific characteristics of that case. That objective could, admittedly, militate against a flat-rate assessment of the reimbursement of legal costs as such, in that that assessment would ensure neither the reimbursement of the costs actually incurred in a specific case by the successful party, nor, in a more general sense, take into account of all the specific characteristics of the present case.

- 24 However, 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.
- 25 Consequently, legislation providing for a flat-rate of reimbursement of a lawyer's fees could, in principle, be justified, provided that it is intended to ensure the reasonableness of the costs to be reimbursed, taking into account factors such as the subject matter of the proceedings, the sum involved, or the work to be carried out to represent the client concerned. This may be the case, in particular, if that legislation is intended to exclude the reimbursement of 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.
- 26 On the other hand, the requirement that the unsuccessful party must bear 'reasonable' legal costs cannot justify, for the purposes of the implementation of Article 14 of Directive 2004/48 in a Member State, legislation imposing a flat-rate significantly below the average rate actually charged for the services of a lawyer in that Member State.
- 27 Such legislation would be incompatible with Article 3(2) of Directive 2004/48, which states that the procedures and remedies provided for by that directive must be dissuasive. However, the dissuasive effect of an action for infringement would be seriously diminished if the infringer could be ordered only to reimburse a small part of the reasonable lawyer's fees incurred by the injured rightholder. Thus, such legislation compromises the principal aim pursued by Directive 2004/48, 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.
- 28 As regards, third, the requirement that account be taken the specific features of the present case, it is apparent from the very wording of the first question that the national legislation at issue in the main proceedings offers the courts, in principle, the possibility of taking account of those features.
- 29 However, fourth, it must be stated that 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. If 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.
- 30 Therefore, national legislation that lays down an absolute limit in respect of costs attached to the assistance of a lawyer, such as that at issue in the main proceedings, must ensure, on the one hand, that that limit reflects the reality of the rates charged for the services of a lawyer in the field of intellectual property, and, on the other, that, at the very least, a significant and appropriate part of the reasonable costs actually incurred by the successful party are borne by the unsuccessful party. It is not possible for such legislation, particularly in a situation in which that limit is too low, to prevent the amount of those costs vastly exceeding the limited provided for, so that the reimbursement which the successful party may claim becomes disproportionate or even, where applicable, insignificant, thus depriving Article 14 of Directive 2004/48 of its practical effect.
- 31 The conclusion in the preceding paragraph cannot be called into question by the fact that Article 14 of Directive 2004/48 excludes from its scope situations in which equity does not allow the legal costs to be borne by the unsuccessful party. That exclusion 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. On the other hand, equity, by its very nature, cannot justify a general unconditional exclusion of reimbursement of costs exceeding a specified ceiling.

- 32 In the light of all the foregoing, the answer to the first question is that Article 14 of Directive 2004/48 must be interpreted as not precluding national legislation, such as that at issue in the main proceedings, which provides that the unsuccessful party is to be ordered to pay the legal costs incurred by the successful party, offers the courts responsible for making that order the possibility of taking into account features specific to the case before it, and provides for a flat-rate scheme for the reimbursement of costs for the assistance of a lawyer, subject to the condition that those rates ensure that the costs to be borne by the unsuccessful party are reasonable, which it is for the referring court to determine. However, Article 14 of that directive precludes national legislation providing flat-rates which, owing to the maximum amounts that it contains being too low, do not ensure that, at the very least, that a significant and appropriate part of the reasonable costs incurred by the successful party are borne by the unsuccessful party.

The second question

- 33 By its second question the referring court asks, in essence, whether Article 14 of Directive 2004/48 must be interpreted as precluding national rules providing that reimbursement of the costs of a technical adviser is provided for only in the case of fault on the part of the unsuccessful party.
- 34 In order to answer that question, the wording of Article 14 of Directive 2004/48 must first be borne in mind, according to which the Member States are to ensure 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, unless equity does not allow this. Given that no provision of that directive contains a definition of the concept of ‘other expenses’ that would exclude, from the scope of Article 14, the costs incurred for the services of a technical adviser, that concept also includes, in principle, costs of that kind.
- 35 However, second, as the Advocate General observed in paragraph 79 of his Opinion, Directive 2004/48 mentions, in recital 26, the ‘costs of identification and research’, often linked to the services of a technical adviser, incurred by the intellectual property rightholder. That recital makes express reference to situations of ‘prejudice suffered as a result of an infringement committed by an infringer who engaged in an activity in the knowledge, or with reasonable grounds for knowing’, and concerns therefore, in particular, the damages to be paid in the case where there has been fault on the part of the infringer. Damages are the subject matter of a provision of Directive 2004/48, namely Article 13(1) of that directive. It follows 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.
- 36 Third, it must be stated that a wide interpretation of Article 14 of Directive 2004/48, to the effect that the latter provides that the unsuccessful party must bear, as a general rule, the ‘other expenses’ incurred by the successful party, without going into any detail about those costs, risks conferring excessive scope on that article and thus depriving Article 13 of its practical effect. It is therefore necessary to interpret that concept narrowly and to take the view that only those costs that are directly and closely related to the judicial proceedings concerned fall under ‘other expenses’, within the meaning of Article 14.
- 37 Fourth, it must be held that Article 14 of Directive 2004/48 does not contain any element from which it may be concluded that the Member States may subject the reimbursement of ‘other expenses’, or legal costs in general, in the context of proceedings seeking to ensure the enforcement of an intellectual property right, to a condition of fault on the part of the unsuccessful party.

- 38 In light of the foregoing, the question whether a national rule may subject the reimbursement of the costs of a technical adviser to the condition that the unsuccessful party has committed a fault depends on the link between those costs and the judicial procedure concerned, those costs falling within, as ‘other expenses’, Article 14 of Directive 2004/48, if such a link is direct and close.
- 39 Thus, the costs of research and identification incurred in the context of actions covering, inter alia, a general observation of the market, carried out by a technical adviser, and the detection by the latter of possible infringements of intellectual property law, attributable to unknown infringers at that stage, do not appear to show such a close direct link. On the other hand, 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, pursuant to Article 14 of Directive 2004/48, be borne by the unsuccessful party.
- 40 In those circumstances, the answer to the second question is that Article 14 of Directive 2004/48 must be interpreted as precluding national rules providing that reimbursement of the costs of a technical adviser are provided for only in the event of fault on the part of the unsuccessful party, given that those costs are directly and closely linked to a judicial action seeking to have such an intellectual property right upheld.

Costs

- 41 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 (Fifth 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 must be interpreted as not precluding national legislation, such as that at issue in the main proceedings, which provides that the unsuccessful party is to be ordered to pay the legal costs incurred by the successful party, which offers the courts responsible for making that order the possibility of taking into account features specific to the case before it, and provides for a flat-rate scheme for the reimbursement of costs for the assistance of a lawyer, subject to the condition that those rates ensure that the costs to be borne by the unsuccessful party are reasonable, which it is for the referring court to determine. However, Article 14 of that directive precludes national legislation providing flat-rates which, owing to the maximum amounts that it contains being too low, do not ensure that, at the very least, that a significant and appropriate part of the reasonable costs incurred by the successful party are borne by the unsuccessful party.**
2. **Article 14 of Directive 2004/48 must be interpreted as precluding national rules providing that reimbursement of the costs of a technical adviser are provided for only in the event of fault on the part of the unsuccessful party, given that those costs are directly and closely linked to a judicial action seeking to have such an intellectual property right upheld.**

[Signatures]