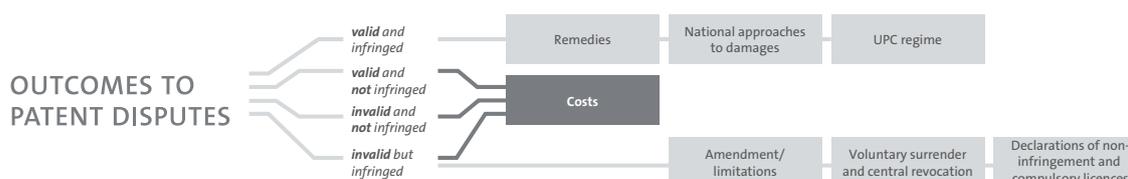


# Costs

## Essentials



This module is concerned with the costs of patent litigation proceedings in Germany, Italy, England<sup>16</sup> and Wales, and France. It looks at who has to pay these costs, whether security can be applied for by the defendant to cover them, and at what stage decisions as to costs are made.

## Germany

In German civil law the principal rule is that the losing party bears the costs of the proceedings (Section 91 *Zivilprozessordnung* (German Code of Civil Procedure) (ZPO)). This principle applies in both patent infringement and nullity proceedings.

There are two types of costs: court fees and out-of-court expenses. While court fees are paid to the court, out-of-court expenses cover all other costs incurred by the parties in relation to the proceedings, i.e. attorney fees and other costs such as travel, translations and fees for party-appointed experts.

The amount of the court fees and the reimbursable attorney fees are dependent on the value in dispute. Therefore, the higher the value in dispute, the higher the court fees and the (reimbursable) attorney fees.

Because of the bifurcated system in Germany, the costs of proceedings for infringement and nullity proceedings are dealt with separately.

<sup>16</sup> The EPC and the UK Patents Act 1977 (as amended) apply equally to all parts of the United Kingdom. Jurisdictionally, however, the United Kingdom is divided into three parts: England and Wales, Scotland, and Northern Ireland. Proceedings in the Scottish courts differ markedly from those in the other jurisdictions.

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## Court fees

The amount of the court fees to be paid is laid down in the *Gerichtskostengesetz* (German Law on Court Costs) (GKG). It is determined on the basis of the value in dispute (**Section 3 GKG**), and must be advanced by the plaintiff when he files his statement of claim, otherwise the action will not be served.

The determination of the value in dispute is at the discretion of the court. In infringement proceedings, the key factor is the interest of the plaintiff in the injunction, not the amount of damages to be expected. The value depends, *inter alia*, on the significance of the patent in suit, its remaining period of validity and the extent of the alleged infringing acts.

In practice, the value in dispute is estimated by the plaintiff when filing his statement of claim, and the court follows this estimate unless the other party raises objections. However, the court also has the power to change the value in dispute at its own discretion, particularly if it considers the value in dispute as not being adequate for the economic value of the case.

The court fees rise with the value in dispute. In other words, in a typical patent infringement action, a value of between EUR 500 000 and EUR 5 000 000 can be considered normal for cases of low-to-medium importance, leading to court fees of EUR 10 000–60 000. The scale is based on the consideration that the workload of the court usually does not increase in proportion with the increase in the value in dispute. As a consequence, court fees are comparatively small for small claims and increase for bigger cases to sufficiently financially subsidise the pursuit of small claims. For major cases, the value in dispute may rise to EUR 30 000 000, with court fees of EUR 270 000. According to **Section 39(2) GKG**, this is the maximum for the value in dispute.

Discounts on court fees exist in certain cases where the workload of the court is reduced, e.g. where the action is settled or withdrawn.

The calculation of court fees for nullity proceedings at the *Bundespatentgericht* (German Federal Patent Court) (BPatG) is based on the same principles. In the case of parallel infringement proceedings, however, the BPatG raises the value in dispute by 25% in order to account for the *inter omnes* effect of a decision to (partly) nullify the patent.

### Section 3 GKG

(1) The amount of costs depends on the value of the disputed matter (the value in dispute), [...].

(2) The amount of costs shall be determined by the schedule of remuneration in annex 1 to this Law.

### Section 39 GKG

#### Amount of costs

(1) [...]

(2) If no lower value is determined, the value in dispute shall not exceed EUR 30 million.

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## Out-of-court expenses

### Attorney fees

The reimbursement of attorney fees in infringement proceedings is stipulated in **Section 91(2) ZPO**. The specific amounts are subject to the *Rechtsanwaltsvergütungsgesetz* (Law on the Remuneration of Attorneys) (RVG).

The RVG provides for minimum fees for court-related work to be paid by the client. These fees, like the court fees, are dependent on the value in dispute (**Section 2(1) RVG**).

The RVG only establishes a minimum level of fees. It does not prevent a party from signing a fee agreement leading to higher fees. However, it restricts the amount of fees to be reimbursed by the losing party. Only the statutory fees are reimbursable.

By way of example, given two values in dispute of EUR 500 000 and EUR 5 000 000, in a first instance judgment the reimbursable attorney fees would amount to EUR 10 000 and EUR 50 000 respectively (including VAT).

According to **Section 143(3) Patentgesetz** (German Patent Act) (PatG), the costs of a patent attorney in infringement proceedings are also reimbursable. However, for a long time, the situation relating to the reimbursement of costs for the participation of an attorney in addition to a patent attorney in nullity proceedings was, due to the lack of a legal provision, not as clear. However, the current case law of the *Bundesgerichtshof* (German Federal Supreme Court) (BGH) holds that the costs of an attorney in nullity proceedings are equally reimbursable, provided that there are parallel infringement proceedings pending.

### Other expenses

Other out-of-court expenses are reimbursable to the extent that they were necessary either in order to bring an appropriate action or to provide an appropriate defence against such action (Section 91(1), first sentence, ZPO). By way of example and depending on the circumstances of the case, out-of-court expenses may comprise:

- Travel costs incurred by the attorney/patent attorney/party.
- Costs for translation and interpreting.
- Photocopies.
- Party-expert opinions (court-appointed experts are reimbursed as part of the court fees).
- Cost of filing protective letters

There is, in principle, no cap on these expenses.

However, it must be shown that they are both reasonable and necessary.

#### Section 91 ZPO

Principle of the obligation to bear costs;  
scope of this obligation  
[...]

(2) In all proceedings, the statutory fees and expenditures of the attorney of the prevailing party are to be remunerated.

#### Section 2 RVG

##### Amount of remuneration

(1) Fees shall be calculated according to the value of the subject of the attorney's professional activity (value of the claim) unless this Law specifies otherwise.

(2) The amount of the remuneration shall be determined by the schedule of remuneration in annex 1 of this Law. Fees shall be rounded up or down to the nearest cent. Amounts of 0.5 cents shall be rounded up.

#### Section 143 PatG

[...]

(3) Of the costs arising from the involvement of a patent attorney in the case, fees up to the amount of a full fee according to Section 13 RVG shall be refunded, as shall the patent attorney's necessary expenses.

BGH, GRUR 2013, 427 –

“Doppelvertretung im Nichtigkeitsverfahren”

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## Burden of carrying the costs of the proceedings

The German system of civil litigation costs is based on the principle that the losing party must pay all costs and fees incurred by the winning party. In case of a partial success, the costs are split between the parties according to the success rate (**Section 91 ZPO**). The same rules apply in nullity proceedings before the BPatG.

**Section 91 ZPO**  
→ see below

A deviation from this principle exists, for example, in the case of “immediate acknowledgment” of the claims by a defendant who gave no warning about filing the lawsuit (**Section 93 ZPO**), for example, by not sending a warning letter prior to filing suit. In this case the claimant must bear the costs of the proceedings.

**Section 93 ZPO**  
→ see below

Cost rules sanctioning procedural misconduct are limited in German law. For example, if a party fails to meet a time limit and the hearing is postponed, the negligent party must bear the additional costs – independently of the result of the proceedings.

**Section 95 ZPO**  
→ see below

### Section 91 ZPO

#### Principle of the obligation to bear costs; scope of this obligation

(1) The party that has not prevailed in the dispute is to bear the costs of the legal dispute, in particular any costs incurred by the opponent, to the extent that these costs were required in order to bring an appropriate action or to provide an appropriate defence against an action brought by others. The compensation of costs also comprises compensation of the opponent for any necessary travel or for time the opponent has lost by having been required to make an appearance at hearings; the rules governing the compensation of witnesses shall apply mutatis mutandis.

[...]

### Section 93 ZPO

#### Costs in the event that an immediate acknowledgment is made

Where the defendant has not given cause for an action to be brought, the plaintiff shall bear the costs of the proceedings should the defendant immediately acknowledge the claim.

### Section 95 ZPO

#### Costs in the event of failure to comply with procedural rules or of fault

The party that fails to attend a hearing or to meet a deadline shall bear the costs arising therefrom; this shall also apply if the party, through its fault, has caused a hearing to be deferred or a hearing for oral argument to be postponed, or if it has caused a hearing to be arranged at which the hearing for oral argument is to be continued, or a period to be extended.

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## Security

Security for the costs of proceedings can be applied for by the defendant only if the plaintiff does not have its main place of business or residence in a country of the European Union or the European Economic Community (**Section 110 ZPO**). Such security must be provided in the form of a cash deposit or a bank guarantee and must cover at least the procedural costs of the first instance, and at some courts the costs of a possible appeal as well.

### Section 110 ZPO

#### Security deposit for the costs of the proceedings

(1) Plaintiffs who do not have their habitual place of abode in a Member State of the European Union or in a signatory state of the Agreement on the European Economic Area shall provide security for the costs of the proceedings should the defendant so demand. [...]

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## Decision on the costs

The decision on the principal obligation to bear the costs is part of the decision on the merits. The decision on the actual costs to be reimbursed, however, is subject to separate proceedings (**Sections 103–107 ZPO**).

It is initiated by a motion of the winning party setting forth the fees and expenses which arose in the proceedings. A *Rechtspfleger* (senior judicial officer of the court) then calculates and determines the actual amount of the costs.

Sections 103–107 ZPO  
→ see below

The decision about costs is an enforceable title and can be applied for even if the decision on the merits is not yet final yet (e.g. an appeal is pending). In practice, the court often asks the parties to agree to a stay of the cost decision pending the outcome of the appeal.

The cost decision is subject to appeal (Section 104(3) ZPO) for the infringement proceedings (subject to a minimum value of the appeal of EUR 200) and **Section 23 *Rechtspflegergesetz*** (Act relating to Senior Judicial Officers) (RpflG) for the nullity proceedings, irrespective of the value of the complaint.

Sections 23 RpflG  
→ see below

### Section 103 ZPO

#### Basis for the assessment of costs; petition for the assessment of costs

(1) A claim to reimbursement of the costs of the proceedings may only be asserted based on a legal document (title) suited for compulsory enforcement.

(2) The petition for assessment of the amount to be reimbursed is to be filed with the court of first instance. The computation of the costs, the copy intended for forwarding to the opponent, and the proof serving to justify the individual cost items are to be attached to the petition.

### Section 104 ZPO

#### Procedure for the assessment of costs

[...]

(3) A complaint subject to a time limit may be lodged against the decision. [...]

### Section 23 RpflG

#### Proceedings before the patent court

The following tasks shall be assigned to the senior judicial officer in proceedings before the patent court:

(1)

[...]

12. The determination of the costs in accordance with Sections 103 et seq. of the ZPO in conjunction with Sections 80(5), 84(2), second sentence, 99(1) and 109(3) of the Patentgesetz (PatG) (German Patent Act) [...].

(2) Appeals are admissible against the decisions of the senior judicial officer in accordance with paragraph (1).

[...]

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## Legal aid

Sections 114-127 ZPO provide for general and publicly funded legal aid. Such legal aid can be claimed by individuals who are unable to pay for the procedural costs at all or who are able to pay in part or in instalments only (**Section 114 ZPO**). In the case of corporations, the decisive factor would be if neither the corporation nor its shareholders/members had the financial means and that not enforcing its legal rights would be against the public interest. In both cases, a reasonable chance of success must exist, i.e. it must be at least possible that the applicant will succeed. This is assessed by the court on a summary basis and has no binding effect on the outcome of the proceedings.

If the above requirements are fulfilled, legal aid can be granted as a loan (Section 120 ZPO) which has to be repaid in monthly rates (exception: very low-income litigants, Section 115(2) ZPO). Decisions on legal aid are rendered without a previous oral hearing and can be appealed (Section 127(2) and (3) ZPO).

### Section 114 ZPO

#### Prerequisites

(1) Any party who, due to their personal and economic circumstances, is unable to pay the costs of litigation, or is able to pay them only in part or in instalments, will be granted assistance with the court costs upon filing a corresponding application, provided that the action they intend to bring or their defence against an action that has been brought against them has sufficient prospects of success and does not seem frivolous. [...]

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## Italy

In Italy, litigation in court entails three types of costs: court fees (paid to the court administration), representation costs (paid to lawyers) and court taxes (paid to the Italian tax authorities after the judgment is issued).

Briefly, court fees are determined according to the value of the case and the fixed amounts provided for by law. They are paid to the court at the beginning of the case by the party that files a claim or counterclaim. Representation costs are determined pursuant to agreement between each party and its attorneys and there are no rules concerning their level. These costs are generally awarded to the successful party, but they might be proportionally reduced or no costs may be awarded, depending on the outcome of the case. There are no separate proceedings to assess the representation costs. They are decided in the same judgment. The decision can be appealed.

After the case is decided with a final judgment (even if appealed in the meanwhile), one of the parties (generally the unsuccessful one) has to pay the Italian tax authorities a tax (*imposta di registro*) calculated as a percentage (generally 3%) on damages and costs awarded in the judgment. The Italian system also makes provision for legal aid for plaintiffs and defendants with low incomes, as well as for non-profit-making entities.

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## Court fees

In Italy, the *contributo unificato* (court fee) is due pursuant to the *Decreto del Presidente della Repubblica* (DPR) (Decree of the President of the Republic No. 115/2002). It is payable when a party files its requests before the court.

The same decree indicates the amounts of the court fee depending on the threshold of the declared value of the case. There is a special court fee for cases whose value cannot be immediately assessed. Cases concerning intellectual property matters are generally of the latter type. The value of the case (or the impossibility of assessing it) is declared by the plaintiff on the writ and by the defendant in the statement of defence. The issues of tort (IPR infringement) are cases “relating to money issues” (Article 14 *Codice di procedura civile* (CPC) (Italian Code of Civil Procedure)). In such cases, the court does not investigate the correctness of the declarations made by the parties. Only when the other party argues that the declaration is not correct will the judge look into the issue, but only in the light of parties’ statements and without discovery.

At the time of writing, the fees for IP matters are EUR 1 036 for cases on the merits and EUR 518 for summary proceedings for a preliminary injunction. Prior to 2012, only the plaintiff had to pay the court fee, but under the revised laws that entered into force in 2012, each party that submits its own claims to the court (including counterclaims, revision of the original claims and requests to add new parties to the case) must do so.

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## Representation costs

The CPC contains provisions governing the award of representation costs to the parties by the judge (Articles 91–98 CPC), but it does not refer to how those costs should be calculated. The Italian Ministry of Justice, however, issues regulations providing for parameters for the calculation of such costs in civil and criminal cases. The most recent regulation (Decree No. 55/2014) entered into force on 3 April 2014.

According to Article 4 of this decree, the amount of the representation costs to be awarded should take due account of:

- The characteristics, the speed, and the quality of the legal activity involved.
- The importance, nature, difficulty and value of the case.
- The client (this is not a very clear, but it can reasonably be interpreted as referring to whether the client is an independent entity or part of a group of clients, whether it is a natural person or a company, and so on).

### Article 9 DPR 115/2002

#### Court fees

1. Court fees are payable when filing a case before the court for each instance of the case in the civil proceedings, including bankruptcy proceedings, voluntary jurisdiction proceedings in administrative law and tax law cases fees are listed in Article 13.

2. [...]

### Article 13 DPR 115/2002

#### Amounts

1. Court fees are due in the following amounts:

[...]

(d) EUR 518 for cases with a value greater than EUR 26 000 and less than EUR 52 000 and for cases whose value cannot be determined; [...]

1-ter. For cases that are to be decided by specialised divisions of the courts pursuant to Legislative Decree No. 168 of 27 June 2003 and following amendments, the court fees mentioned in point 1 above are doubled. [...]

### Article 1 Decree No. 55/2014

1. This regulation concerns parameters for professional assistance by attorneys at law in cases where upon appointment the fees were not established in writing or where there is no mutual agreement on fees.

### Article 2 Decree No. 55/2014

#### Fees and expenses

1. The fees of the attorney at law are proportionate to the importance of the activity carried out.

- The outcome of the case (even though in Italy it is not usual to determine the attorney's costs with reference to the results of the case).
- The number and complexity of the questions of law and of fact discussed in the case.

The decree explains that the judge should take into consideration the average amounts of the listed attorney fees, which can be increased by up to 80% or reduced down to 50% in the light of the above parameters. For the discovery phase, the fees can be increased by up to 100% or reduced by 70%. It is possible to increase the fees by up to 20% in cases where the same attorney is acting on behalf of more than one client. One interesting point is that if a party acts so as to delay proceedings (and thereby increases the adversary's representation costs), the judge can take this into account. If the arguments of the unsuccessful party were manifestly not grounded, the costs awarded might be increased by a third.

In order to establish the amount of the representation costs, the value of the case must first be determined. Decree No. 55/2014 contains different parameters for this assessment to those provided for by the Italian Civil Code and used to establish the jurisdiction and the court fee. The court fee is declared at the beginning of the case and may only be presumed, while the representation costs are assessed with reference to the effective value of the case, after the eventual compensation is decided.

The decree states that the value of the case should be assessed with reference to the amount awarded to the successful party rather than to that originally requested and to interests at stake.

These calculation rules would appear to be useful.

They are, however, rarely applied by the Italian judges, who prefer to decide according to equity. Decisions on costs are seldom the subject of detailed discussion in IP cases.

When asking for representation costs, the party should also list all its expenses, including those for the assistance of a patent attorney. Such costs are generally awarded applying the principles of equity.

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### **Burden of bearing the representation costs of the proceedings**

According to **Article 91 CPC**, representation costs must be borne by the unsuccessful party. The successful party has the right not only to receive attorney's costs but also court fees and other expenses. If certain costs incurred by the successful party are excessive or redundant, the judge may exclude them from his decision.

#### **Article 91 CPC Awarding of legal costs**

1. The judge closes the case with a final judgment in which the unsuccessful party is ordered to pay legal costs to the other party and the judge establishes the amount of those costs together with the attorney's fees.

According to **Article 92 CPC**, if each party is partially successful or in the case of “other important and exceptional reasons specifically illustrated in the judgment”, the judge may order that the costs be apportioned equitably or that no cost award be made. Such decisions on costs are frequently made in cases where a patent is declared valid but not infringed. In cases where a patent is declared partially invalid, the judges tend to consider such a decision as the success of one of the parties (depending on the consequences the decision had on the issue of infringement) or reduce the costs awarded.

There is also an important rule where the defendant proposes to settle the case for a specific amount and the other party refuses that proposal without good reason. If the judgment assesses damages in the same or lower amount, the representation costs incurred after the settlement proposal are awarded to the unsuccessful party.

#### Article 92 CPC

##### Awarding of costs for single activities Costs compensation

1. When issuing the decision mentioned in the previous article, the judge may refuse to award costs of the successful party if he considers them to be excessive or redundant and he may, regardless of the outcome of the case, order a party to pay costs [...] which that party caused to the other in violation of Article 88.

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### Decisions on costs

In Italy there is no separate procedure dealing with costs. The parties file their calculations of costs in the final phase of the case and the judge decides, based on those calculations and declarations. The decision is contained in the judgment, which decides the case on the merits and generally only if the decision is final. If the judge decides on preliminary issues only, or on part of the claims only, and the case continues on the remaining claims, a decision on legal costs will not be made in such non-final judgment. The decision on costs can be appealed.

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### Security

The CPC previously contained a provision on costs security, but this was declared illegal by the Constitutional Court in 1960, as it was considered to limit access to justice, which, according to the Italian Constitution, must be granted to all citizens, regardless of their economic means (Articles 3 and 24 of the Constitution).

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### Legal aid

The legal aid rule applicable in Italy states that it is not possible to obtain legal aid for a part of the costs of the proceedings only. If a party who is a natural person or non-profit-making entity applies for legal aid and satisfies the criteria, legal aid will be granted for all costs incurred. As far as the eligibility criteria are concerned, it is sufficient for the person to prove that their annual income is below the threshold established by the law. The costs of the case are irrelevant here. The authority that grants legal aid is not the court, but the locally competent Bar, and if the Bar does not accept the application, the party may apply to the judge in the case.

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## England and Wales

The approach to costs in litigation is guided by the Civil Procedure Rules (CPRs) and their supplementary Practice Directions (PDs). The CPRs and PDs apply to proceedings in both the Patents Court and the Intellectual Property Enterprise Court (IPEC).

Where the court orders a party to pay costs to another party it may either (i) itself make a summary assessment of costs immediately on completion of the relevant hearing, or (ii) order detailed assessment of costs by a costs officer, in a separate procedure that follows judgment.

The assessment is made on either the standard basis or the indemnity basis. These differ with respect to the costs that are recoverable, with the indemnity basis favouring the receiving party.

Although the general rule is that the unsuccessful party should pay the costs of the successful party, the courts are increasingly adopting an issues-based approach, where the costs are apportioned between the parties dependent on the issues on which each party has been successful.

Specific rules govern the recoverability of costs in IPEC and these are highlighted below, as appropriate.

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### **Court fees**

The party commencing proceedings will be required to pay the court fee on issuing its claim form.

The Civil Proceedings and Family Proceedings Fees (Amendment) Order 2015 came into force on 1 March 2015 and will increase the court fees payable. For claims valued at more than GBP 10 000 and up to GBP 200 000, court fees will be levied at 5% of the claim's value. If a claim's value exceeds GBP 200 000 (or is unlimited), court fees will be set at GBP 10 000. Fees for claims less than GBP 10 000 will be calculated on a sliding scale up to GBP 455.

Fees are also paid during the course of proceedings for applications made to the court. These depend on the type of application but are in the range of GBP 50–GBP 155.

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## Legal representation

Under **CPR 44.1**, recoverable costs include solicitors' and counsel's fees, third-party fees (for example, experts or the cost of experiments conducted by a third party) and general disbursements such as transcript writer's costs, translation costs, travel costs, photocopying, and so on.

Recovery of these costs is restricted by the general indemnity principle that a party cannot recover more than the actual cost of the legal work undertaken.

### **CPR 44.1**

'Costs' includes fees, charges, disbursements, expenses [and] remuneration.

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## Burden of carrying the costs of the proceedings

The court has a wide discretion on the issue of costs, including whether costs are payable by one party to another and the amount of those costs (**CPR 44.2(1)**).

In determining a costs order, the court must have regard to all the circumstances, including the conduct (both before and during proceedings) of the parties (including whether it was reasonable to raise, pursue or contest a particular issue) (CPR 44.2(4)).

### **CPR 44.2(1)**

The court has discretion as to –  
(a) whether costs are payable by one party to another;  
(b) the amount of those costs; and  
(c) when they are to be paid.

The general rule for costs orders (set out in **CPR 44.2(2)**) reflects the stance adopted by Article 69(1) Unified Patent Court Agreement (UPCA): the unsuccessful party will be ordered to pay the costs of the party which succeeds in the proceedings. However, the court has discretion to make a different order, and in patent cases it typically adopts an issues-based approach where costs are apportioned, with a party being awarded costs based on the quantity and importance of the issues on which it has succeeded, but with deductions relating to costs incurred in pursuit of ultimately unsuccessful points.

### **CPR 44.2(2)**

If the court decides to make an order about costs –  
(a) the general rule is that the unsuccessful party will be ordered to pay the costs of the successful party; but  
(b) the court may make a different order.

**CPR 44.2(6)(f)**, which states that costs orders may be granted in relation to distinct parts of proceedings, resembles the "equitable apportionment" allowed under Article 69(2) UPCA.

### **CPR 44.2(6)(f)**

The orders which the court may make under this rule include an order that a party must pay –  
(a) costs relating to only distinct part of the proceedings.

Where there is apportionment, therefore, the overall costs order can result in the successful party receiving a much-reduced percentage recovery. There have been cases where the *unsuccessful* party at trial has been the recipient of a net positive costs order.

### **CPR 45.31(1)**

The [IPEC] will not order a party to pay total costs of more than –  
(a) £50,000 on the final determination of a claim in relation to liability; and  
(b) £25,000 on an inquiry as to damages or account of profits.

In IPEC, the costs following the substantive action are capped at GBP 50 000. Costs of an inquiry as to damages or an account of profits are capped at GBP 25 000. There is a scale of costs with a cap on the maximum amount that can be awarded for each stage of the claim.

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## Security for costs

Under **CPR 25.12**, security for costs may be sought by a defendant to any claim (including a claimant facing a counterclaim). There is precedent for security being ordered to be paid to a *claimant* commencing proceedings for infringement of a patent where it had grounds to question the defendant's inability to pay its costs.

Security for costs is ordered where a party is (i) resident out of the jurisdiction and the EU, or (ii) a company (whether incorporated inside or outside Great Britain) and there is reason to believe that it will be unable to pay the defendant's costs if ordered to do so (**CPR 25.13**).

Security is usually provided as a bank bond, a guarantee or a payment into court.

Quantum will be decided in accordance with the court's opinion of what would be just and proportionate under the circumstances. The court will also exercise its discretion to manage the risk that ordering security for costs may stifle a party's ability to bring its case.

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## Decision on costs

Where the court orders a party to pay costs to another party it may either (i) make a summary assessment of costs itself, or (ii) order detailed assessment of costs by a costs officer.

In the IPEC, all costs are assessed summarily (**CPR 45.30(3)**).

The Patents Court will generally make a summary assessment of costs where the hearing has lasted for less than a day (for example in the case of interim applications made during the course of the substantive action). The receiving party will present a schedule of costs to the judge in advance, who will make a decision at the end of the hearing on the amount payable. Payment is typically required in 14 days (**CPR 44.7(1)**).

The detailed assessment procedure, on the other hand, is separate to, and follows, the court's judgment on the substantive legal issues. Once judgment has been handed down, and in a post-trial hearing, the trial judge will make an order as to which party will receive its costs and the percentage costs recoverable (typically following an apportionment to take into account deductions for unsuccessful issues). The court will typically award interest on costs and can order that such interest runs from or until a certain date. On the application of the successful (receiving) party, the court will also typically order the paying party to make an interim payment on account of costs pending the outcome of the detailed assessment procedure (**CPR 44.2(8)**).

### **CPR 25.12(1)**

A defendant to any claim may apply under this Section of this Part for security for his costs of the proceedings.

### **CPR 25.13**

- (2) The conditions [for an order for security] are –
- (a) the claimant is –
    - (i) resident out of the jurisdiction; but
    - (ii) not resident in a Brussels Contracting State, a State bound by the Lugano Convention or a Regulation State, as defined in section 1(3) of the Civil Jurisdiction and Judgments Act 1982; [or]
  - (b) the claimant is a company or other body (whether incorporated inside or outside Great Britain) and there is reason to believe that it will be unable to pay the defendant's costs if ordered to do so.

### **CPR 44.6(1)**

Where the court orders a party to pay costs to another party (other than fixed costs) it may either –

- (a) make a summary assessment of the costs; or
- (b) order detailed assessment of the costs by a costs officer, unless any rule, practice direction or other enactment provides otherwise.

### **CPR 45.30(3)**

The [IPEC] will make a summary assessment of the costs of the party in whose favour any order for costs is made.

### **CPR 44.7(1)**

A party must comply with an order for the payment of costs within 14 days of –

- (a) the date of the judgment or order if it states the amount of those costs;
- (b) if the amount of those costs ... is decided later ..., the date of the certificate which states the amount; or
- (c) in either case, such other date as the court may specify.

### **CPR 44.2(8)**

Where the court orders a party to pay costs subject to detailed assessment, it will order that party to pay a reasonable sum on account of costs, unless there is a good reason not to do so.

The parties will usually settle the remainder of the costs in order to avoid the need for the detailed assessment procedure, so detailed assessments in patent cases are rare.

Detailed assessment is commenced by the receiving party providing to the paying party its “bill of costs”, which provides a detailed breakdown of time spent on the case, along with a detailed narrative. Each party’s points of dispute over the other’s costs calculations are put before a costs officer, who makes a decision on the quantum of costs payable.

The receiving party is entitled to the costs of the detailed assessment procedure (CPR 47.20).

Costs are ordered to be paid either on the standard basis or the indemnity basis (**CPR 44.3**). On the standard basis (the majority of cases), only costs that are proportionately and reasonably incurred can be recovered.

The court will resolve any doubt in favour of the paying party. On the indemnity basis (not just awarded in cases of improper or reprehensible conduct but where there has been conduct or circumstances which merit deviation from the normal standard basis), only costs which are unreasonably incurred will be disallowed and any doubt is resolved in favour of the receiving party.

#### **CPR 44.3(1)**

Where the court is to assess the amount of costs (whether by summary or detailed assessment) it will assess those costs –

- (a) on the standard basis; or
- (b) on the indemnity basis,

but the court will not in either case allow costs which have been unreasonably incurred or are unreasonable in amount.

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## **Legal aid**

The concept of “cost protection” (established by the Civil Legal Aid (Costs) Regulations 2013 (CLAR)) places a limit on the costs that may be awarded against a legally-aided party in relevant civil proceedings. **Section 26** of the Legal Aid, Sentencing and Punishment of Offenders Act 2012 (LASPO) states that this limit must not exceed the amount that would be reasonable for the legally aided party to pay, having regard to their financial resources and conduct in connection with the dispute.

#### **Section 26(1) LASPO**

Costs ordered against an individual in relevant civil proceedings must not exceed the amount (if any) which it is reasonable for the individual to pay having regard to all the circumstances, including –

- (a) the financial resources of all of the parties to the proceedings, and
- (b) their conduct in connection with the dispute to which the proceedings relate.

Costs orders may only be made against a legally-aided party if certain criteria are met, including that the proceedings were instituted by the legally-aided party, the non-legally-aided party is an individual, and the court is satisfied that the non-legally-aided party will suffer financial hardship unless the order is made.

Any costs amount to be awarded under a costs order made in favour of a legally-aided party must be determined as if that party was not in receipt of legal aid (**Regulation 21(1), CLAR**) and may not be restricted by the indemnity principle to the sums it incurred with regard to the proceedings.

#### **Regulation 21(1) CLAR**

[...] The amount of costs to be paid under a legally aided party’s costs order or costs agreement must be determined as if that party were not legally aided.

A different legal aid regime exists in Ireland.

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## France

In France, litigation costs are composed of (i) expenses which, in patent litigation, include the fees of the bailiff and any court-appointed experts that are set according to a rate or a scale, and (ii) the representation costs (i.e. the fees of the *avocat* (lawyer), the patent attorney assisting the lawyer and the party's expert (if any)).

Unlike Germany, Italy and England, Wales, Scotland and Ireland for example, no court fee is payable.

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### Expenses

These costs are listed in **Article 695** of the *Code de procédure civile* (French Code of Civil Procedure) (CPC), but only some of them are incurred in patent litigation:

- Fees and taxes: the clerks of the *Tribunal de Grande Instance de Paris* (Paris Regional Court) (TGI) and the *Cour d'appel de Paris* (Paris Court of Appeal) (CA), which have exclusive jurisdiction to hear patent cases, do not receive any fees for dealing with proceedings, so the costs of this category are not incurred in patent litigation.
- Translations: only the translations necessary to serve summons or pleadings abroad pursuant to international agreements can be considered as expenses.
- Allowance for witnesses: the courts very seldom appoint witnesses in patent matters, but should they do so, the witness's allowance would be considered as expenses.
- Expert fees: the fees of party- or court-appointed experts are considered as representation costs (see below).
- Emolument of public officers and expenses paid for notification abroad: bailiff's fees for service of the summons and judgment, including the costs for service abroad. These costs are nominal, since the official rate according to which they are calculated has been set at a low level. In first instance, it is EUR 200–300. If a *saisie-contrefaçon* (search and seizure) is performed for the purpose of providing evidence of the alleged infringement, the bailiff's fees for performing the *saisie* of EUR 1 500–3 000 may be added.
- Lawyers' fees: the lawyers' fees which are considered as expenses are based on a scale. They are in the region of EUR 3 000–5 000. They are different from (and should be added to) the lawyers' fees falling under the category of representation costs.
- Costs of interpreting and translation: if the court orders an enquiry to obtain evidence in another EU member state pursuant to EC Regulation No. 1206/2001.

#### Article 695 CPC

Costs pertaining to proceedings and enforcement procedures will include:

1. The fees, taxes, government royalties or emoluments levied by the clerk's offices of courts or by the tax administration with the exception of fees, taxes and penalties which may be due on documents and titles produced in support of the claims of the parties;
  2. Cost of translation of documents where the latter is rendered necessary by the law or international agreements;
  3. Allowance for witnesses;
  4. Expert fees;
  5. Fixed amount disbursements;
  6. Emolument of public officers;
  7. Cost of *avocats* to the extent that it is regulated including the closing speech dues;
  8. Expenses paid due to the notification abroad;
  9. Costs of interpreting and translation rendered necessary by the inquiry orders to be carried out abroad at the request of courts pursuant to Council Regulation (EC) N° 1206/2001 of 28 May 2001 on cooperation between courts of the Member States in the taking of evidence in civil and commercial matters;
- [...].

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## Representation costs

These costs fall under Article 700 CPC. They mainly consist of lawyers' fees, patent attorney's fees (if one has been appointed to assist the lawyer) and party experts' fees (if any).

Most of the time, lawyer's fees are calculated on an hourly rate. Although uncommon in patent cases, success fees are sometimes also agreed. In such case, the lawyer's client pays him a percentage of the damages granted by the court. However, according to French lawyers' ethical rules, the success fee can only form a minor part of the fees received for a case.

A party may also have to pay patent attorney fees if one has been appointed to assist the lawyer on technical issues (patent attorneys are not authorised to represent a party and to argue a case orally before French courts).

Additional costs may arise from the fees of (i) experts appointed by a party to provide an opinion on technical, legal or financial issues, and (ii) translators who translate the pleadings and exhibits and interpreters at the oral hearing.

The case law is not clear as to whether the costs for a *saisie-contrefaçon* are to be considered representation costs or expenses. However, some legal authors recommend that they are partly considered as expenses (which would include the fees of the bailiff performing the *saisie-contrefaçon*) and partly considered as representation costs (which would include the fees of the patent attorney who, in patent matters, usually assists the bailiff).

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## Burden of bearing the expenses and representation costs of the proceedings

### Expenses

Pursuant to **Article 696 CPC**, expenses are borne by the losing party, unless the court rules otherwise. The losing party is the party which does not succeed in any of its claims.

If both parties lose on some of their claims and win on others, the court may decide to split the expenses.

### Representation costs

Pursuant to Article 700 CPC, the party ordered to pay the legal costs or, in the alternative, the losing party will be ordered to pay the other party's representation costs.

#### Article 696 CPC

The legal costs will be borne by the losing party, unless the judge, by a reasoned decision, imposes all or part of them on another party.

The court has a discretionary power to set the portion of these costs which will be borne by the losing party.

In practice, the sums awarded remain below the actual amount of the representation costs. Between 2000 and 2011, the highest amount granted to a claimant as a contribution to his representation costs was EUR 315 000 (whereby the median amount of the 30 highest amounts was EUR 50 000). The highest amount granted to a defendant as a contribution to his representation costs during the same period was EUR 300 000 (whereby the median amount of the 30 highest amounts was EUR 107 500).

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### **Security**

French law does not require any security for the costs of the proceedings, even if the claimant does not have its main place of business or residence in a country of the European Union or European Economic Community.

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### **Decisions on costs**

The first-instance decision on the obligation to pay expenses and the amount awarded as a contribution to the winning party's representation costs is part of the decision on the merits. It is subject to appeal.

A judgment on costs can be provisionally enforceable pending an appeal, if the court so decides.

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### **Legal aid**

Act No. 91-647 of 10 July 1991 provides for publicly funded legal aid which can be claimed by French individuals and not-for-profit organisations whose income is below a set amount. Legal aid can also be granted to residents of EU member states under the same conditions.

If the beneficiary is the claimant, he is only granted legal aid if the action under consideration is not manifestly inadmissible or unfounded.

Legal aid covers the representation costs (set at a fixed value) and the expenses of the beneficiary.

If the beneficiary's action is dismissed, he may be ordered to pay part or whole of the legal costs of his opponent.