

Case C-785/19

Summary of the request for a preliminary ruling pursuant to Article 98(1) of the Rules of Procedure of the Court of Justice

Date lodged:

23 October 2019

Referring court:

Landgericht Saarbrücken (Germany)

Date of the decision to refer:

21 October 2019

Applicant and appellant:

Koch Media GmbH

Defendant and respondent:

HC

Subject matter of the main proceedings

Reimbursement of lawyers' fees for a warning notice relating to file sharing;
Ceiling on the recoverable amount

Subject matter and legal basis of the reference

Interpretation of EU law, Article 267 TFEU, in relation to the compatibility of the ceiling on the recoverable amount of costs associated with a warning notice with the following provisions of EU law:

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), ('Directive 2004/48' or 'the Enforcement Directive')

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) ('Directive 2001/29' or 'the Copyright Directive')

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) ('Directive 2009/24' or 'the Computer Program Directive')

Questions referred

1. a) Is Article 14 of the Enforcement Directive 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 the Enforcement Directive by virtue of the fact that he 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 1a) is answered in the negative: Is Article 13 of the Enforcement Directive to be interpreted as meaning that the provision covers the lawyers' fees referred to in 1a) in the form of damages?

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

- Articles 3, 13 and 14 of the Enforcement Directive,
- Article 8 of the Copyright Directive, and
- Article 7 of the Computer Program Directive

to be interpreted as meaning that a holder of intellectual property rights within the meaning of Article 2 of the Enforcement Directive is in principle entitled to reimbursement of the full amount of the lawyers' fees referred to in 1a), 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 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 2a) is answered in the affirmative: Is the EU law referred to in Question 2a) to be interpreted as meaning that an exception to the principle referred to in 2a), according to which the rightholder must be reimbursed the full amount of the lawyers' fees referred to in 1a), 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 trade or profession)

is to be considered

even if the infringement of intellectual property rights within the meaning of Article 2 of the Enforcement Directive 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?

Provisions of EU law cited

Articles 2, 3, 10, 13 and 14 and recitals 14, 17 and 26 of Directive 2004/48

Article 8 of Directive 2001/29

Articles 1 and 7 of Directive 2009/24

Provisions of national law cited

Gesetz über Urheberrecht und verwandte Schutzrechte (Law on copyright and related rights, ‘the UrhG’)

Gesetz über die Vergütung der Rechtsanwältinnen und Rechtsanwälte (Law on the remuneration of lawyers, ‘the RVG’)

Zivilprozessordnung (Code of Civil Procedure, ‘the ZPO’)

Facts and procedure

- 1 The applicant and appellant (‘the applicant’) distributes computer games on a commercial basis. The defendant and respondent (‘the defendant’) is a natural person who does not pursue any professional or commercial interests.
- 2 The applicant is the holder, within the territory of Germany, of the exclusive ancillary copyrights for making a professionally developed computer game available to the public.
- 3 In December 2013 and January 2014, the defendant disseminated this computer game on a file-sharing platform via her internet connection and offered it to other members of the public for download. She infringed the applicant’s rights as a result of this file sharing.
- 4 In order to assert its rights, the applicant instructed a law firm, which sent a warning letter to the defendant on behalf of the applicant. In that letter, the defendant was asked inter alia to undertake, by way of an undertaking to desist from unlawful activities, coupled with a penalty clause, not to make the computer game accessible to the public any longer. She was also asked to pay damages.
- 5 As a result of having instructed the law firm, the applicant incurred costs of EUR 745.40, which were made up of the following: A fee for assuming

responsibility for the conduct of the case, charged at 1.3 times the statutory rate based on a value in dispute of EUR 10 000, that is to say EUR 725.40, plus disbursements of EUR 20.

- 6 In the subsequent court proceedings, in which the applicant sought to recover this sum, the dispute essentially concerned only the amount of the lawyers' fees to be reimbursed.
- 7 At first instance, by judgment of 12 March 2019, the Amtsgericht Saarbrücken (Local Court of Saarbrücken) ordered the defendant to pay EUR 124 plus interest and dismissed the action for the remainder. The sum of EUR 124 is composed of the following: A fee for assuming responsibility for the conduct of the case, charged at 1.3 times the statutory rate based on a value in dispute of EUR 1 000, that is to say EUR 104, plus disbursements of EUR 20.
- 8 In its grounds, the Local Court of Saarbrücken relied on the first sentence of Paragraph 97a(3) UrhG, pursuant to which the recoverable value in dispute is limited to EUR 1 000 in specific cases, provided that such an outcome would not be inequitable.
- 9 By the appeal brought before the referring court, the applicant is pursuing its request to be reimbursed the lawyers' fees in full.

Grounds for the order for reference

- 10 The outcome of the dispute hangs on a decision of the Court of Justice on the interpretation of the Treaties.
- 11 The background to the questions of law that are the subject of these proceedings is set out below. Pursuant to Paragraph 97a in conjunction with Paragraph 97(1) UrhG, the injured rightholder has a right to obtain a prohibitory injunction against the infringer, in addition to other rights, such as damages.
- 12 Generally, rightholders initially assert their rights to obtain a prohibitory injunction, as is the case here. In order to do so, they instruct a lawyer, for a fee, who issues a warning notice pursuant to Paragraph 97a(1) UrhG. The purpose of this warning notice is to make the infringer sign a so-called undertaking to desist from unlawful activities, coupled with a penalty clause. The signing of such an undertaking eliminates the risk of repetition and satisfies the right to obtain a prohibitory injunction. It is then no longer necessary and no longer possible to assert the right before the courts. The warning notice therefore serves to avoid court proceedings.
- 13 If the rightholder brings an action for a prohibitory injunction without issuing a warning notice in advance, he may incur the costs of the proceedings if the defendant immediately acknowledges the right pursuant to Article 93 ZPO. The warning notice therefore also serves to protect the applicant.

- 14 Pursuant to Article 97(3) UrhG, a rightholder whose copyright has been infringed may, in principle, be compensated by the infringer for the 'necessary expenses'.
- 15 The term 'necessary expenses' refers to the RVG: under German law, recoverable lawyers' fees are generally governed by the RVG and the scale of lawyers' fees laid down in that law. Costs that are higher than those defined in the RVG are generally not deemed by the courts to be recoverable.
- 16 Pursuant to the RVG, the fees that a lawyer can demand from his client depend on the value in dispute. The higher the value in dispute is, the higher the fees are.
- 17 According to the case-law of the highest courts, the value in dispute for a rightholder's right to obtain a prohibitive injunction in respect of current films, music or DVDs is at least EUR 10 000.
- 18 By virtue of the fourth sentence of Paragraph 97a(3) UrhG, however, the recoverable value in dispute is generally limited to EUR 1 000, if the person to whom the warning notice is addressed (1.) is a natural person who does not use the protected work or subject matter for his commercial or self-employed activity, and (2.) is not already obliged to cease and desist due to a right of the person who issued the warning notice by virtue of a contract, on the basis of a final judicial decision or on the basis of an interlocutory injunction.
- 19 This ceiling on the value in dispute applies only to the relationship between the rightholder and the infringer. The lawyer of the rightholders charges the latter on the basis of the actual value in dispute, which is relatively high.
- 20 This can result in significant differences. In a case such as the present one, this may, for example, mean that the rightholder must pay lawyers' fees of EUR 745 to his lawyers, plus VAT, if applicable, but receives only EUR 124, plus VAT, if applicable, in compensation from the infringer. This means that he must bear the significant difference of EUR 631 himself.
- 21 The fourth sentence of Paragraph 97a(3) UrhG contains an exception allowing the ceiling to be dispensed with in individual cases if a value in dispute of EUR 1 000 would be 'inequitable' under the circumstances.
- 22 This exception appears to be critical in the light of Directives 2004/48, 2001/29 and 2009/24. The question of how EU law influences the interpretation of that provision lies at the heart of this request for a preliminary ruling.
- 23 The court points out that the questions raised here are raised in a large number of its proceedings. In addition, there are a wide range of decisions with different outcomes in German case-law. There is therefore a significant interest in obtaining clarification from the Court of Justice.

First question referred

- 24 By the first question referred, the referring court seeks to ascertain whether the lawyers' fees for the warning notice are covered by the legal costs or other expenses pursuant to Article 14 of Directive 2004/48 or by the damages pursuant to Article 13 of the directive, or are not actually covered by the directive.
- 25 In its judgment of 28 July 2016, *United Video Properties* (C-57/15, EU:C:2016:611), the Court of Justice interpreted Article 14 of Directive 2004/48 in relation to, inter alia, a system of flat rates.
- 26 It has not interpreted Directive 2004/48 in relation to the question of whether out-of-court lawyers' fees incurred to enforce a right to obtain a prohibitive injunction are covered by Article 13 of Directive 2004/48, Article 14 of Directive 2004/48, or neither provision.
- 27 The referring court takes the view that it is possible that the costs of the warning notice served prior to court proceedings are other expenses incurred by the successful party within the meaning of Article 14 of Directive 2004/48.
- 28 It also considers the possibility that those costs fall within the scope of Article 13 of Directive 2004/48, as damages. This is because the costs required to enforce a right to obtain a prohibitive injunction appear to constitute damage with a causal link to the infringement.
- 29 According to other views taken in the case-law, neither Article 13 nor Article 14 of Directive 2004/48 is applicable, on the ground that the costs of asserting a right to obtain a prohibitive injunction prior to court proceedings were not connected with court proceedings to a sufficiently direct and close degree.

Second question referred

- 30 By the second question referred, the referring court seeks to ascertain which provisions of EU law are applicable to the ceiling on the value in dispute and to the exception to that ceiling. In particular, it asks whether the relevant directives are to be interpreted in such a way that, even in the case of infringements by natural persons, the costs of a warning notice must in principle be reimbursed in full. Moreover, it seeks clarification as to whether the costs are not to be reimbursed in full and, if that is the case, what factors lead to that outcome.
- 31 In the *United Video Properties* judgment (C-57/15), the courts of the European Union also took a position on this question, namely the extent to which reimbursement of only a small part of the costs of the warning notice is compatible with EU law, in particular with the second sentence of Article 3(1) of Directive 2004/48. The Court of Justice ruled, inter alia, that legislation intended to exclude the reimbursement of excessive costs may be justified under certain circumstances.

- 32 For the assessment of the present case, however, it is decisive whether the principles developed in that judgment also apply if the party against whom the claim is asserted is a natural person who does not act in a commercial or professional capacity.
- 33 With the provision in the fourth sentence of Paragraph 97a(3) UrhG, the German legislature has reversed the rule/exception relationship of Article 14 of Directive 2004/48. According to the wording of the provision of German law, if the party against whom the claim is asserted is a natural person, full reimbursement of the costs can therefore be considered only in the event that the outcome would be inequitable.
- 34 One view is that an interpretation of the fourth sentence of Paragraph 97a(3) UrhG in accordance with the directive would be that, contrary to its wording, it is to be understood as meaning, with regard to the rule/exception relationship, that the ceiling on the value in dispute is dispensed with as a rule. The opposite view is that, if the party against whom the claim is asserted is a natural person who does not pursue any professional or commercial interests, this constitutes a ground for applying, as a rule, the ceiling on the value in dispute.

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