

## II. *Legal costs as an important procedural factor in view of Article 14 of the Directive*

### 1. National procedural rules on legal costs

Legal costs in civil proceedings (as a rule, covering costs and other civil proceedings-relevant expenses) are an aspect which cannot be omitted while referring to civil IP litigation. Practical relevance of this aspect for civil enforcement of IP rights is unquestioned. Before starting any legal action against an infringer of IP rights, be it pre-trial measures or civil procedural or substantive measures, the aggrieved party should project expenses which can be presumably incurred in order to achieve the desired legal result. Such estimation should cover payments that can occur during civil proceedings and, importantly, honorary fees that will need to be paid to the attorneys who would be able to assess any of the above listed actions.

Needless to say, costs and expenses are not, as a rule, limited to the ones which are incurred during civil proceedings. They can similarly cover relevant payments for actions before submitting a civil claim to the court, for example, expenses regarding pre-trial collection of evidence (for an expert's opinion, etc.), communication with the infringer (phone conversations, letters, etc.), preparation of a warning letter, drafting a settlement agreement. Given that a civil case is submitted to the court, costs and expenses can increase due to unexpectedly lengthy civil proceedings, necessity to provide additional expertise or repeatedly examine certain factual aspects of the case.

Article 14 of the Enforcement Directive is namely designed to harmonize prior-to-Directive practice regarding legal costs which, as it can be presumed, differed from country to country. It is not, however, indicated in Article 14 of the Directive how exactly such legal costs are to be estimated nowadays, what "*legal costs and other expenses*" mean. Hence, it is left for the national legislators to define. The requirement that needs to be borne in mind is that legal costs and expenses are to be *reasonable* and *proportionate*. They should, as a general rule, be borne by the unsuccessful party, unless equity does not allow this<sup>850</sup>. Thus, the Directive leaves quite vague terms for the national legislators to follow. Practical application of such terms, especially of the term "*equity*", can be very complex and based on very different reasoning by the national courts.

As far as the national legislation on civil procedure of the Baltic countries is concerned, the legislative regulation on allocation of so-called litigation costs, which are to be paid by the parties in the civil proceedings, generally reflects the provision set out in Article 14 of the Directive<sup>851</sup>. As a general rule, the national rules on allocation of litigation costs, which cover a stamp duty and other case-related costs and which were incurred by the winning party, should be reimbursed by the losing par-

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<sup>850</sup> See examination of Art. 14 of the Directive in *supra* § 5A.II.2.d).

<sup>851</sup> The allocation of legal costs and other expenses related to the civil case is regulated by Art. 93 of the Lithuanian CCP, also Art. 41 of the Latvian CCP and Arts. 162, 163 of the Estonian CCP.

ty. Other case-related costs cover payments to specialists, experts, witnesses, translators, also payments regarding provisional measures, etc. In Lithuania the loosing party is obliged to cover litigation costs incurred by the winning party, even if the loosing party was exempted from paying the legal costs to the state budget<sup>852</sup>. They also establish that such litigation costs should be estimated due to reasonable and proportionate factors, by referring to a proportionate part of the adjudicated or denied amount of the claim. Such procedural provisions on litigation costs were already embodied before the adoption of the Enforcement Directive; therefore, they did not require any additional legislative amendment due to the implementation of the Directive.

## 2. Practical aspects regarding covering of legal costs

Taken practical application of the rules on litigation costs in IP infringement cases into account, it should be noted that the parties in the civil proceedings usually provide all documents proving their expenses due to the civil case in question, including honorary fees that have been paid to the attorneys-at-law or other representatives. Requests to cover those expenses also include a request to reimburse the stamp duty which has been paid for the submission of the civil claim<sup>853</sup>. The parties are, as a rule, requested to provide the corresponding documents before starting to hear the case on its substance, and not later than the decision on the merits takes place<sup>854</sup>. On the other hand, the parties can still apply to the court with after-trial request to recover certain expenses, but this should be accomplished by the strict time requirements as established in the CCPs.

While referring to litigation costs, fees for legal services that can be adjudicated to attorneys-at-law or assistant attorneys-at-law (honorary fees) in civil cases for providing legal services are to be especially noted<sup>855</sup>. By virtue, for example, to Article 98 of the Lithuanian CCP, the adjudicated party's expenses related to legal services provided by attorneys-at-law or assistant attorneys-at-law in civil proceedings should not exceed the maximum amounts which are listed in the recommendations prepared by the Ministry of Justice together with the Chairman of the Lithuanian Bar<sup>856</sup>. Following the recommendations, for instance, a maximum amount for a preparation of the claim or an appeal is 2,400 Litas, for a cassation appeal to the Su-

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852 E.g., these can be the cases, *inter alia*, when the party is exempted to pay a stamp duty in cases regarding pecuniary damage suffered due to the criminal activities established by the court in a criminal case, according to Art. 83(1)(4) of the Lithuanian CCP.

853 Amounts of stamp duties to be paid are regulated under the provisions of the national CCPs.

854 This has been especially noted in Decision of 21 June 2006, Lithuanian Supreme Court, Civil Case No. 3K-3-422/2006, *Autodesk, Inc. vs. UAB "Arginta"*.

855 See also discussion on the role of the practitioners in IP infringement cases in *supra* § 3C.V.

856 Order No 1R-85 of the Ministry of Justice of the Republic of Lithuania regarding "Recommendations on Maximum Amount of Fees Adjudged in Civil Cases to Attorneys-at-Law and Assistant Attorneys-at-Law for Provision of Legal Services" (hereinafter – the "Recommendations"), as of 2 April 2004. Maximum amounts for specifically listed legal services provided in civil cases are based on minimal monthly salary which is 800 Litas (232 Euro).

preme Court is 2,800 Litas, for a representation in the court 120 Litas<sup>857</sup>. The issue is differently regulated in Estonia, where legal costs are partly regulated under the national secondary legislation, and in Latvia, where there are no specific regulations or recommendations<sup>858</sup>.

The recommendations and their actual application in practice<sup>859</sup> seemed to reflect *equity* requirement which is pursued by Article 14 of the Directive, as the recommendations refer to many circumstances that are to be considered by the courts such as complexity of the case, necessity of specific knowledge, economic status of the parties, the amount of the claim, character and consistency of legal services, etc. The listed criteria are considered by the national courts<sup>860</sup>. However, given that the aims of the Directive focus on ensuring protection of IP rights with a due balance of rights and interests of other persons, it should be stressed that recommended maximum amounts are much less than the actual honorary fees that can be paid by the parties to their lawyers<sup>861</sup>. An actual litigation cost sometimes equal to the amount of the claims or even exceeds them, which makes enforcement of IP rights practice in some cases paradoxical.

### *III. Application of corrective and alternative measures*

#### 1. Corrective measures in view of Article 10 of the Directive

The implementing legislation of Lithuania, both national copyright law and laws on industrial property rights, embody provisions regarding corrective measures<sup>862</sup>, as set out in Article 10 of the Enforcement Directive pursuant to Article 46 of the

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857 Respectively, ca 695 Euro, ca 811 Euro and ca 35 Euro.

858 The Estonian Government adopted Regulation with respect of limits of legal costs that can be claimed from the other party in court proceedings (Regulation No 137 of the Government of 4 September 2008), whereas in Latvia, under Art. 44 of the CCP, the losing party in civil proceedings may be adjudicated by the court to reimburse the costs for the assistance of an advocate – the actual amount thereof, but not exceeding 5 % of that part of the claim which has been allowed and in claims which are not financial in nature, not exceeding the normal rate for advocates.

859 Notably, the courts actually refer to the Recommendations, as observed in Lithuanian Supreme Court, Civil Case No. 3K-3-200/2005, *Microsoft Corp., Autodesk, Inc., Electronic Arts Inc. et al. vs. UAB "Tūris"*.

860 The criteria are listed in, e.g., Decision of 21 June 2006, Lithuanian Supreme Court, Civil Case No. 3K-3-422/2006, *Autodesk, Inc. vs. UAB "Arginta"*.

861 E.g., hourly rates at the leading Baltic law firm Lideika, Petrauskas, Valiunas ir partneriai LAWIN, which also represent their clients in a number of IP infringement cases as well, are: 160 Euro for lawyers, 180 Euro for associate lawyers and associate advisors, 220 Euro for associate partners and 240 Euro for partners and advisors (note: data of the year 2008).

862 Art. 82(1) and (2) of the Copyright Law; Art. 41(4) of the Patent Law; Art. 50(4) of the Trademark Law; also Art. 47(4) of the Design Law of Lithuania.