

Managing Intellectual Property

The Global IP Resource

THE RULES ON RECOVERING COSTS

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The possibility to recover costs in IP cases can be an important consideration in your litigation strategy. Correspondents in Brazil, Canada, China, France, Germany, India, the United Kingdom and United States answer six questions about their jurisdictions

BRAZIL

1 This is not a favourable moment to write about any civil procedure issue in Brazil, since the Brazilian Civil Procedure Code is due to be modified at the beginning of 2016. We are awaiting the president's decision on whether she will accept the alterations suggested by the House of Representatives. If she accepts the modifications, the execution action will become faster and more efficient.

In the meantime, the law establishes that once the winning party obtains a final judgment, he has the right to start the executory action to enforce the judgment in his favour. This motion starts when the winning party's lawyer files a petition before the same court that has decided the merits of the case.

The winning party will state the amount he claims to be paid but, in many cases, the judge states what damages should be paid and on what basis they have to be calculated, and, therefore, the actual recovery will have to be determined by a discussion of the parties in respect to the basis of the calculation of the recovery. The debtor will be then notified through his counsel. The debtor may file objections he deems necessary, but in any event he must either deposit with the court the amount due or file a request to record an asset to guarantee the payment to be established by the courts.

2 The costs that can be recovered are court fees, expert fees, and technical assistant's fees. There are judges that understand that translator's fees should not be reimbursed. Lawyers' fees are not reimbursed by the defeated party. Judges usually determine the payment of a defeat fee directly to the winning party's attorney as an award. Such defeat fee is not due to the winning party, but for his attorneys.

3 The creditor will state the amount he claims to be paid but, in many cases, the judgment only states that damages have to be paid and on what basis they have to be calculated, and, therefore, the actual recovery will have to be determined by a discussion of the parties in respect of the basis of the calculation of the recovery.

4 In case of an executory action, whenever the debtor does not pay the debt and does not appeal within 15 days as of the notification to his attorney, the compensation award will be

COSTS RECOVERY

- 1** Can costs be recovered from a party to litigation? Does the losing party generally pay the winner's costs?
- 2** On what basis are costs recoverable? Does the amount of recoverable costs relate to the sum in dispute?
- 3** If costs can be recovered, what exactly can be recovered? What about interest?
- 4** Where costs are determined by the Court, how does it assess costs and what factors are taken into account? Can the Court's decision on costs be appealed?
- 5** Can an award of costs be increased or decreased as a result of a party's conduct of the litigation? How do you enforce a costs order if it is not paid?
- 6** Are there any other issues or tips relating to costs that parties should bear in mind when embarking on litigation?

increased by 10%. In this case, the creditor will be allowed the opportunity to appoint the assets owned by the debtor that he wishes to be recorded.

Once the record and evaluation of these assets are realised, the debtor will once again be notified through his attorney in order to, if desired, present a counter-brief.

This counter-brief does not affect the enforcement proceedings, unless the judge, based on his conviction, determines otherwise. Even in instances where a suspensive effect is granted to the counter-brief, the enforcement can temporarily proceed, if the creditor presents a guarantee in the amount of the debt.

5 As mentioned above, an award of costs can be increased by 10%, if the defeated party does not pay the amount within 15 days after the termination of the lawsuit. An award of costs can be also increased if the judge believes that the defeated party has acted in bad faith.

If at the end the defeated party is not able or is not willing to pay the recovery or to perform the action required by court, the recorded asset shall be evaluated and sold in public auction and the money used to pay the winning party.

The Brazilian legal system does not have any criminal sanction against debtors. Only alimony debtors and negligent bailees may be imprisoned if they do not pay their debts. The imprisonment of negligent bailees has been challenging due to the ratification of an international treaty.

If the president decides to accept the modifications suggested by the House of Representatives for the new Civil Procedure Code, the execution action will be faster and more efficient.

One of the modifications that will make the procedure more efficient is that the debtor's attorney will be summoned through the official gazette to pay the amount indicated by the creditor within a 15-day deadline, under penalty of paying a 10% fine, if the deadline is not respected. If a debtor does not make the payment within 15 days, it will be issued a warrant of recordal and evaluation, beginning the expropriation of the debtor's assets immediately.

6 The creditor should take all necessary measures to summon the debtor in person, and, if the debtor does not make the payment within 15 days, the creditor should ask for the beginning of a warrant of recordal procedure, which slows all the steps necessary for the creditor to receive what is due to him.

The new law brings remarkable advances, especially considering certain amounts where the money attachment is preferred over any other form of money transfer since it facilitates the conduct of such seizure. However, we have to wait to see if the president will accept and approve the new law and, if it comes into force, its effectiveness can be experienced only in daily practice.



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CANADA

1 Yes, costs can be recovered from a party to litigation, and the losing party generally pays the winner's costs. As discussed below, the amount typically recovered is not the full amount of the winner's actual costs.

2 The amount of costs recoverable is determined based on a set tariff provided by the court. Depending on the complexity of a case, particular steps in a case have different amounts associated with them. The total of all amounts for all steps, plus the total of all reasonable disbursements, represents the total amount of costs payable by a losing party to a winning party. Parties sometimes agree on an acceptable total amount of costs and settle the issue of costs without court intervention. However, where the issue is not settled, the court may conduct an assessment of costs.

While there is no direct or mandatory relationship or dependency between the amount of recoverable costs and the amount in dispute, generally, costs awarded by the court will be greater in cases where the amount in dispute is greater, as such cases are typically harder fought and/or more complex. Moreover, one factor the court may consider in assessing costs is "the amounts claimed and the amounts recovered".

3 Lawyer fees, third-party costs (such as process servers, IT forensics and translators), court fees, travelling expenses and other expenses are all recoverable. With respect to lawyer fees, only a portion of actual fees are recoverable in accordance with the court's tariff as

discussed above. Very roughly speaking, about 20% to 30% of actual lawyer fees are typically recoverable, depending on the case. With respect to all other costs and expenses, these are recoverable provided the amounts are reasonable. With respect to interest, both pre-judgment and post-judgment interest are recoverable. Depending on the case, either simple interest or compound interest may be awarded.

4 Generally, the court will assess costs by reviewing a bill of costs submitted by the winning party, and assessing the reasonableness of the amounts claimed for both lawyer fees and other expenses. The court shall have full discretionary power over the amount and allocation of costs and the determination of by whom they are to be paid. A number of factors may be taken into account by the court in assessing its discretion, including: the result of the proceeding; the amounts claimed and the amounts recovered; the importance and complexity of the issues; the apportionment of liability; any written offer to settle; the amount of work; whether the public interest in having the proceeding litigated justifies a particular award of costs; any conduct of a party that tended to shorten or unnecessarily lengthen the duration of the proceeding; the failure by a party to admit anything that should have been admitted or to serve a request to admit; whether any step in the proceeding was (i) improper, vexatious or unnecessary, or (ii) taken through negligence, mistake or excessive caution; whether the expense required to have an expert witness give evidence was justified given (i) the nature of the litigation, its public significance and any need to clarify the law, (ii) the number, complexity or technical nature of the issues in dispute, or (iii) the amount in dispute in the proceeding; and any other matter that it considers relevant.

A court's decision on costs may be appealed.

5 A party's conduct during litigation may cause the court to increase or decrease an award of costs from an amount that would have otherwise been awarded.

Enforcement of a costs judgment is done in the same way as any other monetary judgment. For example, one or more of the following may be pursued by the enforcing party: writ of seizure and sale; garnishment proceedings; charging order; appointment of a receiver; writ of sequestration; and examination of judgment debtor.

In addition, in some cases a party may have been required to post security for costs during the course of the litigation. In those cases, the enforcing party may be able to call upon such security to satisfy some or all of the costs judgment in its favour.

6 Courts often use their discretion with respect to costs to punish parties that may have behaved unreasonably during the course of litigation. For example, where parties made arguments that were doomed to failure, or engaged in litigation tactics that unnecessarily delayed a case or drove up expenses, courts will often take these factors into account in order to reduce or increase any amounts to be awarded, or to not award any costs at all. Therefore, parties should be mindful of this possibility when deciding which arguments to pursue and how they conduct themselves in the litigation.

In addition, parties should consider the option of making an offer to settle to trigger an increased costs award. In this regard, where a party makes an offer prior to trial, and in the final judgment does better than the offer it previously made, the court will award the party "double" its tariff-based lawyer fees from the date of the offer through to final judgment.



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CHINA

1 Under the laws of the People's Republic of China it is a basic principle that the losing party shall pay the litigation costs. As stipulated in the Measures for Payment of Litigation Costs, this principle applies to both civil and administrative litigations. However, the extent that litigation costs can be recovered is subject to a number of factors, such as the nature of the costs and their reasonableness.

2 In China, the parties are not prohibited from reaching an agreement on determining and allocating acceptable litigation costs, but this is not common practice. Where the parties agree to settle a case, it is not unheard of that they reach an agreement on the determination and allocation of the litigation costs. In most litigation, however, the court will determine those costs that are recoverable and the allocations in accordance with the Measures and other relevant procedural rules. Court fees, which are recoverable from the losing party, are directly related to the amount in dispute. The case acceptance fee and application fee are charged on a cumulative basis subject to the amount or value of the damage claims raised in the litigation. Where a case does not involve a property dispute, the fees will be charged based on a fixed amount

pursuant to those standards sets forth in the Measures. As for other expenditures incurred during the proceedings, the Court will assess a reasonable amount of recoverable costs after taking into account of a variety of factors. If a party prevails in some claims and loses others, the court will allocate the litigation costs between or among the parties on a case-by-case basis.

3 In general, court fees and those reasonable fees and expenses paid to third parties are recoverable, though the court will not consider interest in its calculations. Court fees mainly consist of two components: case acceptance fees and application fees. Acceptance fees are required to be paid for the court to accept the case, while application fees must be paid when applying for court orders, such as orders of enforcement, preservation, bankruptcy, public notice of claim among others.

According to the Measures, the following expenditures incurred by third parties are recoverable:

- travel and accommodation expenses and compensation for forgone wages of witnesses, experts, translators, and adjustors for appearing before the court; and
- expenses arising from the case such as the appraisal, announcement, inspection, interpretation, evaluation, auction, sell-off, warehousing, custody, transportation and ship supervision as carried out during the proceeding.

Unlike in certain other jurisdictions, lawyers' fees are usually not recoverable in China. It is not a mandatory requirement for parties to be represented by lawyers in litigation and thus, lawyers' fees are not included in the general scope of litigation costs in terms of recoverable expenses. However, according to the relevant Supreme Court judicial interpretations relating to the application of the Trademark Law, Copyright Law and the Patent Law, when the IP rights holder prevails in an infringement case, the court may include lawyers' fees as deemed reasonable under the statutory law. Furthermore, in IP litigation matters, the reasonable expenses of the rights holder or an appointed agent in investigating and collecting evidence regarding the infringing act may be recoverable from the infringer.

4 The court has the discretion to decide whether the litigation costs claimed, including but not limited to lawyers' fees, costs to collect infringement evidence and expenditures of third parties, are reasonable. In assessing the reasonableness of the amount claimed, the court will take into account various factors such as:

- whether the expenditure was necessary;
- whether the claimant can provide receipts, invoices, or other relevant evidentiary documentation to demonstrate actual expenditures;
- whether the incurred costs comply with the price guidelines stipulated by relevant authorities; and
- the local economic environment and the burden of such costs on the respective parties.

Court fees and those fees paid to notarisation institutions or appraisal institutions are often recoverable in IP litigation. However, courts will seldom award substantially above-market lawyers' fees to the winning party.

The court's decision on litigation costs is not appealable to a higher court, but if a party objects to the court's decision on litigation costs it may file an application with that court itself for review.

5 Under the Civil Procedure Law, the courts in litigation matters have no general discretion to adjust the award of costs based solely upon what they believe was a party's inappropriate conduct during the litigation. However, under certain circumstances, a party may request that the court rule that the counter-party shall bear its additional expenditures resulting from the counter-party's conduct during the litigation. Specifically, in the recently promulgated Interpretation of the Supreme People's Court on the Application of the Civil Procedure Law of the People's Republic of China, Article 102 provides that "if one party's submission of evidence exceeds the time limit, it shall reimburse the counter-party for those necessary expenses of transportation, board, lodging, absence from work, witness appearance at court to give testimony and other expenses resulting from the delay of the production of evidence".

As per the Civil Procedure Law, a written judgment must clearly state the decision and the apportionment of litigation costs. Therefore, there is no need for the winning party to seek enforcement of a separate cost order in addition to the enforcement of the judgment.

Article 207 of the Interpretation of the Civil Procedure Law, which took effect on February 4, provides that "after a judgment takes effect, the court shall return litigation costs which the winning party has prepaid but shall not bear, unless the winning party is willing to bear the litigation costs or agrees that the losing party shall directly repay the litigation costs thereto". In practice, the courts often direct the losing party to pay the litigation costs to the winning party. If the losing party refuses to pay the litigation costs as stated in the judgment, the winning party may request that the court enforce the unperformed portion of the judgment.

6 In terms of recovering litigation costs, parties contemplating bringing IP litigation in China may consider:

- If you are a rights holder seeking to initiate a lawsuit against an alleged infringer, you may claim for compensation for reasonable lawyers' fees.
- Do remember to collect and preserve invoices relating to litigation costs. If you prevail, unless you provide evidentiary documentation to demonstrate actual litigation costs, the Court will not impose such costs on the losing party.
- If a case is closed through mediation or if the plaintiff withdraws the complaint, the case acceptance fees will be halved.
- The case acceptance fees are calculated based upon the amount of the damages claimed, so such should be given due consideration when determining the amounts to be claimed.



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FRANCE

In France, litigation costs are composed of (i) expenses (*dépens*) which, in patent litigation, include essentially the fees of the bailiffs and of possible court-appointed experts, that are set according to a rate or a scale, and (ii) the representation costs (*frais*), that is fees of the attorney-at-law (*avocat*), the patent attorney (if any) and the party's expert (if any).

The involvement of the court is entirely free: no fees are to be paid to the court contrary to what is required in particular in Germany, Italy and England and Wales.

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 between them.

The party ordered to pay the legal costs or, in the alternative, the losing party, may be ordered to pay all or part of the other party's representation costs.

2 The expenses that are recovered correspond to those that have been supported by the winning party or are set according to a scale (see below for details on these costs). The court has a discretionary power to set the portion of the representation costs that will be borne by the losing party.

3 Recoverable expenses are dealt with as follows:

- costs for translations of summons and pleadings necessary to serve summons or pleadings abroad pursuant to international agreements can be considered as expenses (the costs of translations prepared for mere convenience of the parties who do not work internally in the language of the court proceedings are not considered as expenses);
- costs of interpreting and translation required in the course of a court-ordered enquiry to obtain evidence carried out in another EU member state pursuant to EC Regulation 1206/2001 can be recovered;
- allowance for witnesses (although French courts very seldom hear witnesses in patent matters);
- fees of the experts who may be appointed by the court; the fees of the party's experts are considered as representation costs (see below);
- costs of public officers (*émolument*) and expenses paid for the notification abroad: expenses, which comprise the fees of the bailiff for service of the summons and of the judgement, including the costs for service abroad. These costs are nominal since the official rate according which they are calculated has been set at a low level. In first instance, they reach €200 to €300. If a *saisie-contrefaçon* (search and seizure) is performed to secure evidence of the alleged infringement, these costs can be increased by the bailiff's costs for performing the *saisie* reaching €1,500 to €3,000 in most cases;
- costs of *avocats* (attorneys-at-law), which are based on a scale. They are in the region of €3,000 to €5,000. They are different from (and should be added to) the lawyers fees falling under the category of representation costs;

Representation costs mainly consist of the lawyers' fees, the patent attorneys' fees (if one has been appointed to assist the lawyer), the party's expert fees (if any) and the costs of the translations prepared for the convenience of the party.

4 The amount granted with respect to representation costs does not relate to the claimed damages or to the value of the case but rather to the work that has been needed to put forward the winning party's arguments.

In practice, the sums awarded in patent litigation remain below the actual amount of the

representation costs: the highest amount granted to a claimant as a contribution to its representation costs between 2000 and 2011 was €315,000 (when the median amount out of the 30 highest ones was €50,000). The highest amount granted to a defendant as contribution to its representation costs during the same period of time was €300,000 (when the median amount out of the 30 highest ones was €107,500).

The first instance decision on the obligation to carry the 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. The judgement on costs can be provisionally enforceable pending an appeal if the court so decides.

5 French courts may be inclined to grant a higher award of representation costs to a party if the opposing party's conduct of the litigation gave rise to unreasonably burdensome work, for example it raised many inadmissibility arguments knowing these were unlikely to be successful. But judgements granting an award of costs seldom include detailed reasons on the amount that is granted.

The decision on costs can be enforced in the same way as any decision on the merits: the party that has been awarded an amount as to costs can distrain on the losing party's assets for the corresponding debt.

6 French courts have been more inclined to grant a higher amount as a contribution to a party's representation costs if these are evidenced. However, filing the debit notes of the attorneys-at-law, patent attorneys and party's expert as exhibits may raise confidentiality issues.

Alternatively, these debit notes can be submitted to an independent third party who will draft a report to be filed in the proceedings to evidence the actual amount of costs supported by the party without disclosing any related confidential information.



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GERMANY

1 Yes: the general rule is that the losing party has to bear the costs of the winning party pursuant to Section 91 (1) German Civil Procedure Code (CPC). In case of a split decision, the court may determine that the costs will be (a) cancelled against each other, or (b) shared proportionately (for example, 60/40) pursuant to Section 92 (1) CPC. If the costs have been cancelled against each other, the parties shall bear their own costs and half of the court fees.

Furthermore, the court may impose the entire costs on one of the parties pursuant to Section 92 (2) CPC if: (i) the amount the other party claimed in excess was relatively small, or has resulted in only slightly higher costs; or (ii) the amount of the claim brought by the other party depended on the judges' determining it at their discretion, on the assessment by experts, or on the parties settling their reciprocal claims.

2 Generally, the recoverable costs are determined by the court pursuant the provisions of the German Law on Court Costs and the German Act on Legal Fees for Lawyers. The amount of court fees and lawyers' fees relate to the value of the dispute (see below). Thus, each party generally can calculate the cost risk, due to the transparency of the statutory fees. However, it is of course possible for the parties to submit to the court an agreement regarding the costs. Generally, the court will accept such joint declarations.

According to Section 91 CPC the costs are subject to recovery to the extent these costs were *necessary* in order to bring an appropriate action or to appropriately defend against an action. Which costs are required has to be assessed by the court in each case individually.

3 Generally acknowledged are the following costs: court fees; attorneys' fees (limited to the amount pursuant to the German Act on Legal Fees for Lawyers. Therefore, if the clients have agreed to pay their lawyers on hourly rates or on a flat-fee basis, the cost reimbursement might only cover part of the actual costs); travel and accommodation expenses; and costs for experts' opinions (if requested by the court).

The claim for cost recovery does not include the costs for sending a cease and desist letter to the other party before starting the litigation. Such costs have to be claimed as part of damages in the main proceedings.

4

The determination of the recoverable costs is divided into two phases in Germany:

- In a first step, the judges determine the allocation of the costs (see question 1 above) as part of the judgment (so-called "basic decision on costs").
- Such decision on costs can only be appealed within the scope of an appeal against the judgment itself and not separately.

Furthermore, the judges determine the value of the dispute at their sole discretion on basis of the information received from the parties pursuant to Section 3 CPC in conjunction with Section 39ff German Act on Court Fees. Standard values for claims of cease and desist in IP matters in Germany are €100,000 (equals about €3,000 court fees for the first instance) up to €500,000 (equals about €10,000 court fees for the first instance). For claims for payment or damages, the claimed amount is relevant.

The decision regarding the value of the dispute can be appealed separately.

On basis of the basic decision on costs, the court clerks decide on the precise amount of cost recovery in a separate procedure pursuant to Section 104ff CPC at the request of at least one party. The court clerk calculates court fees and lawyer's fees on the basis of the value of the dispute, adds the required costs for an appropriate action or an appropriate defence against an action (see question 3), and issues a so-called decision on determination of costs. From the date on which the request for determination of costs was filed, the costs assessed are to bear interest at five percentage points above the base rate of interest in accordance with Section 247 of the German Civil Code.

The decision on determination of costs can be appealed separately.

5

The award cannot be increased or decreased. The only chance for the court is to use its discretion when assessing the cost ratio or the reimbursement of specific costs items.

The decision on the determination of costs is an enforceable title and can be immediately enforced against the losing party, for example by attachment of bank accounts. Furthermore, the decision can be used to apply for a European Enforcement Order according to Regulation (EC) 805/2004 of April 21 2004 to enforce the decision in other EU member states.

6

As a claimant, you are required to pay the provisional court fees when filing the lawsuit (except in preliminary injunction proceedings). Claimants without residence or a

registered office within the EU/EEA are further obliged to provide security for the costs of the proceedings at the request of the defendant, pursuant to Section 110 CPC. However, this obligation does not apply where, due to international treaties, no such security deposit may be demanded or where the decision as to the defendant's reimbursement of the costs would be enforced based on international treaties. Nevertheless, defendants may use such a request to delay the proceedings.



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INDIA

1

Yes, costs can be recovered from the losing party to the litigation. The general rule is that the unsuccessful party would be ordered to pay the costs to the successful party. Courts follow the principle that costs follow the event, and usually the party losing the litigation is ordered to pay the winner's costs. However the court has the discretion to award or not to award costs.

Also if the court does not specify the amount of costs, they are determined by the Registry, taking advocates' fees, court fees and expenses into account. A party is sometimes required to pay costs during the course of the litigation for failing to comply with the court's directions.

2

In India, wide discretion is given to courts to grant or withhold costs as they think fit. Courts exercise this discretion taking into account factors such as the conduct of the parties, the nature of the claim raised in the proceeding and whether the party has been wholly or partly successful.

Further, though Section 35 A of the Civil Procedure Code (CPC) sets a ceiling of R3000 (\$48) on costs that may be awarded in cases of false or vexatious claims or defence, there have been many instances where high courts and the Supreme Court have awarded exemplary costs beyond the ceiling.

While the basic purpose of costs is to reimburse the successful party for expenses incurred in litigation, exemplary costs are awarded to penalise the conduct of the party who has set up a false or

vexatious claim.

3 Usually, the following are recoverable as costs: advocate's fee; court fees; expenditure incurred during the course of the case, including but not limited to giving notice, producing witnesses, inspecting the records of the court, typing and photocopying; and other costs including transportation and lodging. Interest is not levied on cost.

4 In India there are no set norms for the award or quantification of costs. Costs are mostly ascertained by the court based on its discretion. The following factors are taken into consideration by the Courts while awarding costs: conduct of the party; time spent in the litigation; nature of the claim; and delay caused in the litigation.

A decision on costs can be appealed. However the decision to exempt or reduce costs is discretionary.

5 Yes an award of costs in litigation can be increased or decreased as a result of a party's conduct in the litigation. The Supreme Court of India made two observations in the 2010 *Vinod Seth* case about the awarding of costs. First is that a costs award should act as a deterrent to vexatious, frivolous and speculative litigations or defences. The liability to pay actual costs should be such as to make every litigant think twice before putting forth a vexatious, frivolous or speculative claim or defence. The second is that costs should ensure that the provisions of the CPC, the Evidence Act and other laws governing procedure are scrupulously and strictly complied with and that parties do not adopt delaying tactics or mislead the court.

In some recent cases, where the parties have apparently filed frivolous cases, the courts have awarded exemplary costs to the successful party. Similarly, wilful delaying tactics by litigants or litigators are meeting similar consequences and the courts are not taking such tactics lightly and awarding cost against the party in fault. We have also experienced cases where the courts have substantially increased the award of costs when the party against whom the nominal cost was awarded had made attempt to get away from timely payment of cost on some pretext or the other.

If the cost is not paid within the stipulated period, execution proceedings may be initiated to recover it. The execution petition is filed before the same court that passed the cost order.

However we still lack a stringent way to execute the decrees. In reality these execution decrees fail to provide relief to the aggrieved party in an efficient and expeditious manner, as the defaulter will often attempt to keep escaping his liability through unnecessary appeals, applications and objections or by intentionally avoiding the payment of cost. The concern was even addressed by the Supreme Court of India in the 2013 case of *Satyawati v Rajinder Singh*, where the Court held: "There should not be unreasonable delay in execution of a decree because if the decree holder is unable to enjoy the fruits of his success by getting the decree executed, the entire effort of successful litigant would be in vain. The Decree Holders must enjoy the fruits of the decree obtained by them in an expeditious manner."

The Law Commission of India has recommended an amendment to Order LXI of the CPC in order to facilitate easy recovery of costs. The change would make it obligatory to file proof of payment of costs before an appeal related to payment of cost is entertained by the Court, subject to the discretion vested in the appellate Court to dispense of up to half the costs for special reasons. This point is also being discussed at many other forums and we expect soon to have rules related to award of realistic and exemplary cost on the statute and also rules for expeditious execution so that the cost is reimbursed to winning party in letter and spirit.

6 Parties should not initiate action on false claims and should refrain from seeking unnecessary adjournments or they may end up paying exemplary costs later.



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UNITED KINGDOM

1 Yes, costs can be recovered

2 The general rule is that the loser pays the costs of the successful party. However, costs are awarded in the court's discretion and it can make a different order if it sees fit.

3

There are various factors that influence: (1) the costs order the court makes; and (2) the amount of costs recoverable.

Agreement between the parties: The parties can agree an amount to be paid.

Assessment by the court – considerations: when exercising its discretion to award costs, the court has regard to all the circumstances, including the parties' conduct, compliance with Civil Procedure Rules (see below), success and any offers to settle.

Basis of assessment of costs: costs are usually assessed on a standard basis. This means that only those costs that are proportionate to the matters in issue in the case (see 5 below) and have either been reasonably incurred, or are reasonable in amount, will be awarded. This will invariably not reflect the costs that have been paid. In assessing costs on the standard basis, the court will resolve any doubt as to whether costs were reasonably incurred, or reasonable and proportionate in amount, in favour of the paying party. This means that the party seeking to recover its costs has to prove the reasonableness of the amount claimed. A successful party will rarely ever be fully reimbursed for its costs; under standard assessment a party can typically expect to recover around 60% to 70% of the costs claimed.

In certain cases, the court can award costs on an indemnity basis and can compensate a party following wrongful conduct/abuse of process of the proceedings. These are essentially penal in nature. Where a judge assesses costs on the indemnity basis he will resolve any doubt as to whether the costs were reasonably incurred, or were reasonable in amount, in favour of the receiving party. There is no requirement for the costs to be proportionate.

Set scales and fixed costs: There are certain fixed costs and scales that apply, but vary depending on the particular court where a claim is brought. In IP cases there are three principal forums:

- The Intellectual Property Enterprise Court, small claims – claims up to £10,000: This is intended to cover relatively simple cases. The winning party can typically only recover court fees and each party has to bear its own legal costs.
- The Intellectual Property Enterprise Court – claims from £10,000-£500,000: This is intended to provide a less costly and complex forum compared to the Chancery Division of the High Court. It offers a streamlined litigation procedure and is intended for cases that are not overly complex, do not require detailed cross-examination and where trial will not last longer than two days. The IPEC has a cap on costs such that the maximum that a successful party can recover is £50,000. A fixed scale of costs also applies in relation to the costs that can be recovered for each stage of a case (for example, providing or inspecting disclosure, preparing witness statements and preparing for and attending trial).
- High Court, Chancery Division – complex and high-value claims: This is the forum for more complex IP cases. There is no cap on costs, save that the costs that can be recovered will be determined in accordance with the considerations set out above.

The amount recoverable relates to the sum in dispute, and this forms part of the court's discretion. The CPR state that in assessing costs to be awarded, the court must have regard to the amount or value of any money or property involved when deciding the amount of costs. The principal of proportionality comes into play, discussed below more detail.

4

The following can be recovered:

- Lawyer – client fees. Additional lawyer fees, for example, counsel (trial advocate) fees, foreign lawyer costs (provided such costs do not duplicate the work done by local lawyers) can be recovered. In-house lawyer costs can also be recovered in certain specified circumstances: the nature of the work carried out must be legal (as opposed to the work carried out in the role of the client), a record must be kept of the work done and time spent and there must be no duplication with the work of external lawyers.
- Court fees.
- Disbursements; this would include: photocopying, expert witness travel, translation, notarial services, IT forensics, process servers.

Interest is payable on costs, at the court's discretion. It can be awarded at the rate of 8% per annum from the date on which judgment is given until the costs are paid, unless the court orders otherwise. Separate interest provisions apply where offers to settle have been made by the parties.

5

The concept of proportionality underpins the assessment of costs. When assessing costs the court will only allow costs which are proportionate to the matters in issue, even if those costs have been reasonably and necessarily incurred. Costs incurred are proportionate if they bear a reasonable relationship to: the sum in issue in the proceedings; the value of non-monetary relief in issue; the complexity of the litigation; any additional work generated by the conduct of the paying party; and any wider factors such as reputation or public importance.

In relation to claims with a value of less than £2 million, parties must prepare and exchange litigation budgets, against which recoverable costs will be assessed at the end of the case. Budgets have to be prepared and approved by the court. Courts have reduced budgets put forward by parties where they consider the costs to be too high and if a party exceeds its budget without approval of the

court, it runs the real risk that it will not be able to recover any additional costs beyond the estimate.

In assessing costs the court is required to have regard to all circumstances, and in particular the following matters: the extent to which the parties followed any applicable pre-action protocols; the extent to which it was reasonable for the parties to raise, pursue or contest each of the allegations or issues; the manner in which the parties pursued or defended the action or particular allegations or issues; whether the successful party exaggerated the value of the claim; whether a party was only partly successful; and any payment into court or admissible offer to settle.

The courts are obliged by CPR to be open to arguments for orders for costs to be split, and particularly to make percentage orders that require a party to pay a proportion of the total costs. Courts are encouraged to make percentage orders as opposed to issue-based orders where practicable.

5 Yes. A party's conduct both before and during the proceedings can be taken into account. Unreasonable conduct by a party can lead to it being deprived of some or all of its costs. The court can also assess costs on an indemnity rather than standard basis to reflect the conduct of a party (see above)

Costs are enforced in the same way as any other money claim. The following methods are available: writ of control or warrant of execution; third party debt order; charging order or order for sale; attachment of earnings; the appointment of a receiver; and writ of sequestration

6

There are several tips to bear in mind:

- Comply with pre-action protocols.
- When scoping your claim, avoid the temptation to throw in the kitchen sink with every potential cause of action. Pursue those claims you are most likely to win as even if you succeed at trial, if you lose on a single cause of action then you risk losing your costs on that issue.
- Ensure work is carried out at the appropriate level and according to expertise.
- Ensure detailed time notes are kept so that work can be justified.
- File base budgets on time and monitor budgets; if costs increase beyond what has been agreed, seek to agree the increase with your opponent or to obtain the court's consent.
- Consider Part 36 Offers to settle that offer certain costs protection.



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1

With respect to costs, under Rule 54(d) of the Federal Rules of Civil Procedure, "costs other than attorneys' fees shall be allowed as of course to the prevailing party unless the court otherwise directs". A district court may impose sanctions in the form of reasonable expert fees in cases involving bad faith, vexatious litigation, or other litigation misconduct.

Attorney fees are dealt with separately from other litigation costs. Section 285 of the Patent Act provides: "The court in exceptional cases may award reasonable attorney fees to the prevailing party." Prior to 2014, it was difficult for a prevailing party to prove that a case was "exceptional" because of a previously established framework. However, on April 29 2014, in *Octane Fitness v Icon Health & Fitness*, the US Supreme Court rejected the prior framework as unduly rigid, and clarified that a district court may award fees even where the losing party's conduct is not "independently sanctionable", such as where a case or defence is brought in subjective bad faith or is exceptionally meritless. The Court also lowered the standard of proving an exceptional case to a "preponderance of evidence" standard. In short, *Octane Fitness* expanded the scope of cases in which fee-shifting may be appropriate. The district court still has discretion to deny fees even in an exceptional case.

2

Costs are recoverable for the actual costs of certain items provided for by statute and do not necessarily relate to the sum in dispute. The prevailing party must complete a bill of costs, which is a form that tabulates the costs for which the party is seeking recovery. Typically, the form requires itemisation and documentation of each category of cost requested.

With respect to attorney fees, the district court has considerable discretion in determining the amount of reasonable attorney fees recoverable under 35 USC §285. Typically, attorney fees are calculated by multiplying the number of hours reasonably expended on the litigation by a reasonable hourly rate. The prevailing party must submit evidence supporting the hours reasonably worked, usually in the form of invoices submitted to the client. The reasonable hourly rate can be established using monthly invoices submitted to the client and/or by demonstrating the prevailing market rates for similar services. One source of prevailing market rates is AIPLA's annual survey.

3 Aside from attorney fees and expert fees, costs that may be taxed are specified in 28 USC § 1920: fees of the clerk and marshal; fees for printed or electronically recorded transcripts necessarily obtained for use in the case; fees and disbursements for printing and witnesses; fees for exemplification and the costs of making copies of any materials where the copies are necessarily obtained for use in the case; docket fees under 28 USC § 1923; and compensation for court-appointed experts. Some district courts' local rules and case law provide further guidance as to what is taxable within these general categories. Courts have held that post-judgment interest applies to costs.

4 A decision on costs can be appealed. It is reviewed for abuse of discretion; however the court's discretion is limited to awarding costs that are within the scope of 28 USC § 1920. Whether a particular expense may be recovered is an issue of statutory construction which is subject to *de novo* review.

For attorney fees, the court typically considers the number of hours reasonably expended on the litigation and the reasonableness of the hourly rates. To the extent a losing party challenges those two criteria, it is not uncommon for the prevailing party to request that the losing party submit its hourly billing rates and hours to allow for an appropriate comparison.

The award of attorney fees can be appealed. As of April 29 2014, all aspects of a district court's §285 determination are reviewed under an abuse of discretion standard, which makes it relatively difficult for the Federal Circuit Court of Appeals to reverse a district court's decision.

5 Costs are not dependent upon a party's conduct during the litigation. However, a party's conduct is relevant to whether a case is deemed exceptional and whether a district court ultimately exercises its discretion to award attorney fees.

6 Maintain thorough records and keep copies of all receipts or invoices for costs and expenses that are potentially covered under 28 USC § 1920. Additionally, a party seeking costs should carefully assess each invoice and parse out the necessary expenses from the unnecessary expenses. It is also advisable to clearly mark the invoices to identify the items for which costs are being sought.

With respect to attorney fees, it is important to track hours expended with sufficient detail to justify the work being done. This is not only important from a client relations standpoint, but also when determining the number of hours reasonably expended in a litigation for purposes of a fee petition. Moreover, it is not uncommon for a district court to award fees only with respect to certain claims or defences. A prevailing party will want to have the flexibility to parse out appropriate hours in the event that fees are awarded only with respect to certain issues.



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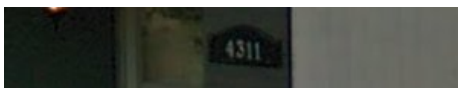
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