



Neutral Citation Number: [2023] EWHC 2923 (Ch)

Case No: IL-2018-000115

**IN THE HIGH COURT OF JUSTICE**  
**BUSINESS AND PROPERTY COURTS OF ENGLAND AND WALES**  
**INTELLECTUAL PROPERTY LIST (ChD)**  
**INTELLECTUAL PROPERTY**  
**EUROPEAN UNION TRADE MARK COURT**

Rolls Building  
Fetter Lane  
London, EC4A 1NL

**17<sup>th</sup> November 2023**

**Before :**

**THE HONOURABLE MR JUSTICE MELLOR**

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**Between :**

**(1) LIFESTYLE EQUITIES C.V.**  
**(2) LIFESTYLE LICENSING B.V.**  
(both companies incorporated under the laws of the  
Netherlands)

**Claimants**

**- and -**

**(1) ROYAL COUNTY OF BERKSHIRE POLO  
CLUB LIMITED**  
**(2) MR DAVID BAXTER GENTLE AS THE  
PERSONAL REPRESENTATIVE OF THE  
ESTATE OF GRETA MAE MORRISON**  
**(3) JAMES TARA MORRISON**  
**(4) THE PARTNERSHIP (LICENSING) LIMITED**  
**(5) JONATHAN ERIC BOWER TOWNSEND**  
**(6) MAYS ZONA LIBRE S.A.**  
(a company incorporated in Panama)  
**(7) EMPRESAS POLAR S.A.**  
(a company incorporated in Chile)  
**(8) EMPRESAS HITES S.A.**  
(a company incorporated in Chile)  
**(9) TIENDAS PERUANAS S.A.**  
(a company incorporated in Peru)  
**(10) SEARS OPERADORA MEXICO, SA DE CV**  
(a company incorporated in Mexico)  
**(11) ABDUL GHANI MAMOUN TR LLC**  
(a company incorporated in the UAE)

**Defendants**

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**Thomas St Quintin** (instructed by **Brandsmiths**) for the **Claimants**  
**Michael Silverleaf KC** (instructed by **Maitland Walker LLP**) for the **Defendants**

Hearing date: 3<sup>rd</sup> November 2023  
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## **APPROVED JUDGMENT**

This judgment was handed down remotely by circulation to the parties' representatives by email. Once any corrections have been made, it will also be released for publication on the National Archives and other websites. The date and time for hand-down is deemed to be Friday 17<sup>th</sup> November 2023 at 10.30am. This is the revised version (Rev 1).

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THE HON MR JUSTICE MELLOR

**Mr Justice Mellor:**

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## INTRODUCTION

1. This is my judgment from the Consequential/Form of Order hearing which took place on 3<sup>rd</sup> November 2023, following the hand down of my judgment from the trial on 19<sup>th</sup> July 2023 ('the Main Judgment'). Primarily due to the Defendants' application for an anti-suit injunction, but also because I wanted to review some of the materials relating to the suggested deductions from the Defendants' costs, I took time to consider my judgment on the various issues for determination. These were:
  - i) The wording of certain declarations sought by the Defendants.
  - ii) Whether I should grant an anti-suit injunction sought by the Defendants.
  - iii) On costs:
    - a) Whether, as the Claimants contend, there should be a 20% or some other deduction from the Defendants costs.
    - b) The size of the interim payment.
    - c) Whether I should summarily assess a separate body of costs from the first to fifth Defendants for this hearing
  - iv) The Claimants' application for permission to appeal.
2. In this judgment I will address these issues in the order set out above. In general, references to the Defendants are to Defendants 1-5, unless the context indicates otherwise.

### The evidence filed for this hearing

3. The Defendants served evidence in the form of the Third Witness Statement of Ms Virgin, a partner in the solicitors acting for the Defendants, Maitland Walker LLP ('MW'). Her witness statement was dated, filed and served on 19<sup>th</sup> October 2023 in good time before this hearing. It covers various aspects of the costs position of the Defendants in some detail. The response from the Claimants side was contained in a letter from Brandsmiths, the solicitors for the Claimants, dated 31<sup>st</sup> October 2023, and apparently received by the Defendants at 7.30pm. MW responded to the points made the following day. I will address all these points below. The MW letter concluded with an inquiry as to when they might expect to receive the Claimants' evidence on costs. This was not immediately responded to. Instead, Brandsmiths emailed at 6.30pm on 1<sup>st</sup> November, proposing that the following documents would be added to the bundle for this hearing, namely:
  - i) D1's Accounts that were last published at the time of issue (those to 31/12/2016), and at the time of the trial (those to 31/12/2021).
  - ii) Land Registry Title Documents dated 15 June 2018 and 1 November 2023.

4. Early the next morning, MW emailed objecting to the inclusion of these documents. The email noted that Brandsmiths had initially indicated they would put in evidence for this hearing and then indicated they would not.
5. None of these documents were in the trial bundles nor, as far as I am aware, in the case at all. It is unclear why they were not put in evidence by way of exhibits to a witness statement. Although these documents were included in the bundle by Brandsmiths and addressed in the Claimants skeleton, the Defendants asked me not to read them or the paragraphs in the Claimants skeleton discussing them.
6. In fact I did briefly review these documents in advance of the hearing, *de bene esse*, on the basis that I am quite capable of leaving them out of account if I need to do that. These documents were put in the bundle for the purpose of a point which arises on the costs of the joint liability allegations.
7. There are a few points to note from the absence of any evidence from the Claimants:
  - i) First, the documents which the Claimants have added to the bundle are not in evidence.
  - ii) Second, the Claimants do not have evidence to support the various % estimates which they say, by way of submission, should be ascribed to various issues – the support is by way of submission in their Skeleton Argument.
  - iii) Third, precisely because the Claimants' estimates were not the subject of evidence from, for example, the Claimants solicitor, the Defendants have had no opportunity to put in reply evidence.
  - iv) However, fourth, I was not really disadvantaged by the absence of evidence from the Claimants, particularly in relation to the costs issues, where, for example, detailed page counts of various documents in the case can give an impression of precision yet provide an unreliable guide.

## DECLARATIONS

8. Two short points arise on the wording of the first declaration sought, which declares no infringement in the countries the subject of this claim:
  - i) The first is whether the declarations should refer only to D1-5 or to all the Defendants. The claim was stayed against the Sixth to Eleventh Defendants and they took no part in the trial, but their liability was entirely dependent on liability being established against D1 (at least). Notwithstanding that, in the final Order (subject to certain points), I dismiss the Claimants' claim. This dismissal applies to the Sixth to Eleventh Defendants. Accordingly, the declaration of no infringement should apply to all the Defendants.
  - ii) The second point is one of clarification. It is trite that a registered trade mark can only be infringed in the territory to which the registration relates. Accordingly, a declaration of no infringement of a mark can only apply in the territory to which it relates. The declaration I grant reflects this.

## ANTI-SUIT INJUNCTION

9. The anti-suit injunction sought by the Defendants is as follows:

‘The Claimants be restrained from bringing or threatening proceedings in relation to the use of the signs complained of or any other sign differing only colourably therefrom in any of the aforementioned jurisdictions in reliance upon the BEVERLY HILLS POLO CLUB name and logo for infringement of registered trade mark, passing off, unfair competition, conspiracy to injure the Claimants or any other like or equivalent cause of action in any such jurisdiction.’

10. The ‘aforementioned jurisdictions’ are those in the declaration, namely, the UK, the EU, Panama, Mexico, Chile, Peru and the UAE.

### Applicable principles

11. In his skeleton argument, Mr Silverleaf KC for the Defendants acknowledged that the anti-suit injunction sought was of a ‘slightly unusual kind’. He explained that the injunction seeks to prevent the Claimants from asserting again the claims which have been heard and determined in this action (which I will call ‘the Claims’), whether in this jurisdiction or in the other jurisdictions covered by the Claimants’ claims of infringement. The legal basis for the grant of injunctive relief was said to be to restrain an abuse of process because the Claims are *res judicata*. Mr Silverleaf drew an analogy with a claim brought in breach of an agreement as to jurisdiction. He submitted the underlying principle applied with at least as much force in the present circumstances.

12. For the Claimants, Mr St Quintin drew my attention to the following principles which I did not understand to be in dispute:

i) There is longstanding authority that protection of the jurisdiction of the English court, its process and its judgments by injunction is a legitimate ground for the grant of an anti-suit injunction (see e.g. the conclusion in *Masri v Consolidated Contractors* [2009] QB 503 (CA) at [100] following extensive review of the authorities).

ii) However, the discretion to grant anti-suit injunctions should not be exercised without full knowledge of the relevant circumstances (including what is sought to be restrained). In *Donohue v Armco Inc* [2001] UKHL 64; [2002] CLC 440, HL, at [16] Lord Bingham described the approach to be taken to anti-suit injunctions as follows:

“The grant of an anti-suit injunction, as of any other injunction, involves an exercise of discretion by the court. To exercise its discretion reliably and rationally, the court must have the fullest possible knowledge and understanding of all the circumstances relevant to the litigation and the parties to it. This is particularly true of an anti-suit injunction because, as explained below, the likely effect of an injunction on proceedings in the foreign and the domestic forum and on parties not bound by the injunction may be matters very

material to the decision whether an injunction should be granted or not.”

- iii) The general principles applicable to cases where there is no contractual restriction on jurisdiction have been explained as follows in the authorities e.g. *Seismic Shipping Inc v Total E&P UK Plc (The Western Regent)* [2005] EWCA Civ 985, [2005] 2 CLC 182, at [44]. The White Book 2023 summarises those principles as follows at Vol 2 15-98:

(1) A person may show a right not to be sued in a particular forum if he can point to clearly unconscionable conduct (or the threat of unconscionable conduct) on the part of the party sought to be restrained.

(2) There will be such unconscionable conduct if the pursuit of foreign proceedings is vexatious or oppressive or interferes with the due process of this Court.

(3) The fact that there are such concurrent proceedings does not in itself mean that the conduct of either action is vexatious or oppressive or an abuse of court, nor does that in itself justify the grant of an injunction.

(4) However, the court recognises the undesirable consequences that may result if concurrent actions in respect of the same subject matter proceed in two different countries: for example, conflicting judgments of the two courts concerned, or that there may be an “ugly rush” to get one action decided first to create a situation of *res judicata* or issue estoppel.

(5) The Court may conclude that a party is acting vexatiously or oppressively in pursuing foreign proceedings and that he should be ordered not to pursue them if (a) the English court is the natural forum for the trial of the dispute, and (b) justice does not require that the action should be allowed to proceed in the foreign court, and specifically, that there is no advantage to the party sought to be restrained in pursuing the foreign proceedings of which he would be deprived and of which it would be unjust to deprive him.

(6) In exercising its jurisdiction to grant an injunction, “regard must be had to comity and so the jurisdiction is one which must be exercised with caution.” The court will generally be reluctant to take upon itself the decision whether a foreign forum is an inappropriate one.

13. Finally, since what is sought is a *quia timet* injunction, Mr St Quintin relied on the explanation in the White Book at Vol 2 15-8 (page 3029):

‘A claimant seeking a “quia timet” injunction must show that there is a serious issue to be tried as to there being a real risk that the defendant intends, unless restrained, to undertake the activities sought to be enjoined. The court will not grant an injunction on the principle

that if the defendant does not intend to violate the claimant's rights, the injunction would do no harm (*Rafael Advanced Defense Systems Ltd v Mectron Engenharia Industria E Comercio SA* [2017] EWHC 597 (Comm) (Teare J)). As explained by Smith J in *Vastint Leeds B.V. v Persons Unknown* [2018] EWHC 2456 (Ch), there are at least two necessary ingredients for a quia timet injunction application: (i) there must, if no actual damage is proved, be proof of imminent danger, in other words, a strong probability that, unless restrained by injunction, the defendant will act in breach of the claimant's rights; and (ii) there must be proof that the damage will, if it comes, be very substantial: *Fletcher v Bealey* (1885) 28 Ch. D. 688 at 698. The harm must be so serious that, if it occurs, it cannot be reversed or restrained by an immediate interim injunction and cannot be adequately compensated by damages: *Lloyd v Symonds* [1998] EWCA 511 per Chadwick LJ.'

### The facts

14. As to the factual basis, Mr Silverleaf put forward the following reasons as justifying the relief sought:
  - i) First, the Claimants are extremely litigious, using litigation as a weapon which they pursue relentlessly, having repeatedly threatened and sued not only the Defendants but also their licensees.
  - ii) Second, he submitted there is every reason to expect the Claimants to make further infringement claims if they consider them to be to their commercial advantage.
  - iii) Third, he submitted that there can be no possible justification for further litigation in the relevant jurisdictions.
  - iv) Fourth, he submitted it is not appropriate for any of the defendants to be forced to deal with any proceeding covered by the injunction. He says the Claimants chose to sue here on the Claims brought in this action. Therefore, it should be possible for all the defendants to obtain relief in the Claimants' chosen court.
  - v) Fifth, he submits that the defendants are particularly at risk because of the threats made by the Claimants against actual and prospective licensees. By pursuing D1's licensees, the Claimants can effectively undermine any attempt by the defendants to exploit their rights. He submits this is demonstrated by what has happened in recent years – the exploitation of D1's mark has been greatly inhibited by the Claimants' litigious behaviour. He suggests that the defendants should be able to obtain immediate relief from this Court if the Claimants do seek to pursue licensees in other jurisdictions. He says, without the availability of immediate relief, the defendants will find it difficult to protect their licensees from threats of vexatious litigation and licensees will be likely to back off.
  - vi) Sixth, Mr Silverleaf points out that the Claimants have provided no explanation as to why they are not prepared to give an undertaking not to sue in the relevant jurisdictions. He says that, given the Claimants' litigious record, it is to be



inferred that the Claimants do not wish to be inhibited by a formal Court order. He says that underlines the need for protection since the defendants should not have to wait until something happens and then have to return to court to address it. He says the problem should be addressed now.

15. Overall, Mr Silverleaf submits that the present circumstances are unusual and call for an unusual response.
16. In response, Mr St Quintin made the following submissions:
  - i) The Claimants have not threatened to bring any further infringement proceedings on the subject matter of this case in the foreign jurisdictions complained of in this case. Nor have the defendants suggested that they do. In those circumstances, there is not even basis for a *quia timet* injunction.
  - ii) What is sought is not an injunction to restrain a specific act, but a general injunction to restrain all future actions in those foreign jurisdictions, whenever commenced. The defendants seek the grant of such an injunction without the court having the opportunity to consider the specific circumstances in which any unconscionability may or may not arise. There are myriad future circumstances in which another action might be legitimate (for example, if the defendants cease trade for a period during which the circumstances of the market change, and then recommence their trade, or if they make serious changes to the context in which they trade, or if they commence trade for services dissimilar to the goods in issue in this claim). At this juncture it is impossible to assess whether or not any future claim may or may not be legitimate.
  - iii) As a consequence, the order the defendants seek is premature and unjustified. The appropriate thing for the defendants to do is to apply for an order restraining foreign proceedings if an actual future threat were ever to arise, if they consider there are grounds to obtain one. The exercise of the court's discretion can then be considered in light of the particular circumstances that exist. Such an application may be made by the defendants in these proceedings, despite this order otherwise drawing them to a conclusion (see e.g. *Masri* at [58] and [59], and the conclusions at [99]). No order of the type sought should be made now.

### Analysis

17. I am unimpressed by the Claimants' submission to the effect that there are myriad future circumstances in which another action might be legitimate. The examples given seem to me to be rather far-fetched. I agree that this Court has the jurisdiction to grant this type of relief, whether now or in the future. However, the points which have caused me most pause are (a) whether there is a sufficient threat to justify *quia timet* relief and (b) of the breadth sought.
18. It is true that the Claimants are very litigious, and that Mr Haddad appears to treat litigation as a central part of the Claimants' commercial strategy. It is also true that the Claimants' strategy appears to have inhibited significantly the development of the exploitation of the Defendants' brand.

19. However, this application has caused me to review again the evidence from Mr Amooore (to which I referred at [175] & [178] of the Main Judgment) as to the various proceedings brought by the Claimants with respect to the Defendants' brand. He refers to two specific threats: a request from Mr Haddad to the Sixth Defendant for a large financial payment to 'allow' it to continue trading in Chile and 'highly aggressive threats' made to a sub-representative in Russia of D1's licensing agent. Those threats and this action aside, all the other proceedings have been oppositions filed by the Claimants to applications to register the defendants' branding. Due to the territorial nature of registered trade marks, if a trade mark owner wishes to protect their brand, they have little option but to oppose in each territory where what they perceive to be a confusingly similar mark is sought to be registered. Whilst the Claimants have brought a number of actions for infringement in recent years against different marks and activities, the general picture as regards the Defendants' brand is this single action for infringement but oppositions wherever D1 has sought registration. (As Mr St Quintin correctly pointed out, the injunction would impose no prohibition on trade mark oppositions). This indicates that Mr Haddad via the Claimants has pursued an effective and cost-effective strategy from the perspective of the Claimants, the corollary being that Mr Haddad does not pursue litigation irrationally.
20. Whilst, in the Main Judgment, I have ruled that there is no conflict between the Claimants' Marks and the Defendants' branding, this is the first definitive ruling on the point since, as I pointed out, in none of the Claimants' successful oppositions has proper account been taken of the actual circumstances in the real world.
21. In the present circumstances, I am not persuaded that there is a sufficient threat from the Claimants to bring an action for infringement against the Defendants' mark in one of the jurisdictions covered by the present claim which would constitute an abuse. The Claimants will know that if they do bring such an action, three consequences are highly likely to follow: first, the Defendants will seek an injunction here in short order to restrain the continuation of such an action; second, the Defendants will also seek the wider relief sought on this occasion; third, the Claimants will have to pay costs.
22. Of course, I understand that the Claimants disagree with the Main Judgment and are highly likely to pursue their Appeal against it. But, during the pendency of the Appeal, the Claimants are likely to behave, in the sense of not commencing a claim which the English Court would regard as an abuse of process. If the Claimants 'misbehave' after the Appeal process is completed, this Court retains the ability to restrain abuse.
23. For all these reasons, I decline to grant the anti-suit injunction sought by the Defendants.

## COSTS

24. The Claimants realistically accept that the Defendants are the winners, but they contend that I should reduce the Defendants' costs recovery by 20%. The Claimants have put forward two different routes to reaching that 20% figure, albeit both rely on the same four issues, as follows:
  - i) The Defendants' claims in abuse and threats which were dropped in the course of the trial. The Brandsmiths letter asserts that these issues accounted for the

majority of the Claimants costs in preparing reply pleadings to the Defendants counterclaims, plus further costs on disclosure, the witness evidence of Mr Haddad and preparation for the trial of these issues.

- ii) A complaint that the Defendants refused to engage appropriately with agreeing the characteristics of the average consumer, necessitating the service of a Notice to Admit Facts by the Claimants and numerous rounds of correspondence.
  - iii) The denials of joint liability by D2, D3 and D4 in respect of the liability of D1. On these issues I found in the Claimants favour. The Claimants contend that a substantial proportion of pleadings, disclosure, the witness evidence of Mr Haddad, preparing these issues for trial, including the cross-examination of various witnesses, with submissions both in opening and closing.
  - iv) The evidence of Señor Garcia, in respect of which the Claimants appear to claim the whole of the costs incurred in preparing and conducting the cross-examination of Señor Garcia at trial, which, it is said, took the most time of any of the witnesses.
25. So far as quantification is concerned, in the Brandsmiths letter of 31<sup>st</sup> October, the explanation was as follows:
- ‘6. The costs incurred by our clients in respect of those issues, we estimate, amount overall to 20% of our clients’ total budget (being approximately 20% of pleadings, 10% of disclosure, 20% of witness evidence, 20% of trial preparation and 15% of trial. Our clients’ overall budget was £1,366,979.02). Additionally, our clients incurred unbudgeted costs in preparing the Notice to Admit Facts and the associated correspondence.
7. Taking into account a costs order in our clients’ favour in respect of those issues and setting off that amount against a costs order in your clients’ favour for the remaining aspects of the case, we consider an order that our clients pay your clients 80% of their costs of the proceedings is the correct one.’
26. This reasoning would appear to justify a reduction of 40% not 20%, but it was overtaken by the submissions set out in the Claimants’ Skeleton Argument which identifies the same four issues as in the letter, but adds further detail of, for example, the relevant paragraphs in the Opening and Closing Submissions
27. When it comes to quantification, the submission was as follows. The Claimants consider that these 4 issues were responsible for at least 10% of each party’s costs:
- i) The Claimants consider that the joint tortfeasance issue is of greatest significance and is likely to have accounted for around 7.5% of each side’s total costs of the proceedings. If Claimants are correct that Defendants should pay their costs of that issue (as well as not recovering their own), then that should be set off against Defendants’ recovery. The net effect (assuming broadly the same overall costs) would be to reduce Defendants’ recovery by around 15%.

- ii) The other issues are each smaller, likely amounting together to 5% of the total costs of each side (the Claimants' estimate that threats and abuse of process are likely to have accounted for around 3% of the Claimants' costs but a lower amount – the Claimants estimate 2% - of Defendants' costs; Señor Garcia's witness statement expressing his opinions is likely to have amounted to 2% of each side; the costs of the characteristics of the average consumer are perhaps 1% on each side.)
28. The Claimants therefore proposed that the correct order is for Defendants to recover 80% of their costs, to be assessed.
29. The final part of the background concerns the total costs incurred by each side.
- i) The Claimants total budget was £1,366,979.
  - ii) The Defendants total budget was £953,051. This figure was offered by the Claimants in their Precedent R. The total figure was made up of incurred costs of £445,706 and budgeted costs of £507,345 (the claimed budgeted costs were only some 2,500 higher)
30. In her evidence, Ms Virgin sets out an analysis of the Defendants' costs expenditure in different phases of the action. Some phases came in under budget, but only by small amounts, generally less than £3k. On disclosure the Defendants overspent by £16,390 and the Defendants trial costs were £13,807 over budget, and Ms Virgin explains how those overspends occurred. Having reviewed her explanations, two points arise:
- i) Her explanations appear entirely reasonable, such that the additional costs appear to have been reasonably incurred.
  - ii) No attempt was made to secure agreement from the Claimants to revise the Defendants' budget upwards to account for those overspends, albeit I can well understand why the Defendants' solicitors may have had other priorities.
31. Ms Virgin also explains the net result. The Defendants Total Actual costs to trial were £966,431 against Total Budgeted Costs to trial of £957,951, an overspend of £8,479 or less than 1% of the Total Budgeted Costs. She comments that managing to estimate the costs to within a margin of less than 1% of the actual costs is a particularly good achievement. I agree.
32. I will address the Claimants' arguments for the reduction in more detail later, but the arguments require me to remind myself of the relevant legal principles.

### **Applicable legal principles**

33. The principles for an award of costs are well-known. Rule 44.2(1) gives the Court a discretion as to what order to make in relation to costs. The general rule is that the unsuccessful party should be ordered to pay the costs of the successful party (CPR 44.2(2)).
34. Rule 44.2(4) says in deciding what order to make the Court will have regard to all the circumstances, including the parties' conduct, whether a party succeeded on part of its case, even if not wholly successful, and whether it was reasonable for that party to

contest a particular allegation or issue, and (not raised here) any admissible offer to settle.

35. In IP cases, it is increasingly the standard practice to also consider an issue-based approach following on from this starting position, from *Specsavers v Asda* [2012] EWCA Civ 494 and *Hospira v Novartis* [2013] EWHC 886. This approach involves asking three questions:
- (a) Who is the overall winner? There is then the assumption that the overall costs should be awarded to the winner.
  - (b) Are there any suitably circumscribed issues which it is appropriate in the circumstances for the winner to be deprived of their costs of?
  - (c) Is it appropriate to go further and award the losing party their costs of that issue from the winning party?
36. The use of these questions and their application to costs in that sequence has now been applied over and over again in case law (see e.g. *Monsanto v Cargill* [2007] EWHC 3113, [2008] FSR 16, *Hospira v Cubist* [2016] EWHC 2661 (Pat), *Chugai v UCB Pharma* [2018] EWHC 2705 (Pat), *TQ Delta v ZyXEL* [2019] EWHC 745 (Pat), *Sky v Skykick* [2020] EWHC 1735 (Ch) .
37. Further guidance on the application of the three stage test, and what amounts to a “suitably circumscribed issue” is found in *Unwired Planet v Huawei* [2016] EWHC 410 (Pat) at [5] – in patent cases (of which that was one) the appropriate granularity is often at the level of individual items of cited prior art, but it may be possible for a sub-issue to be suitably circumscribed in a particular case.
38. In general, where there is a suitably circumscribed issue on which the overall winner has lost, the Court will be more ready to make a “no order as to costs” type order (*Unwired Planet v Huawei* at [9]) in relation to that issue.
39. Further, the approach to issue-based costs in general was set out helpfully in *Pigot v Environment Agency* [2020] Costs LR 825 at [6]:
- “6. ... (1) The mere fact that the successful party was not successful on every issue does not, of itself, justify an issue-based cost order...
  - (2) Such an order may be appropriate if there is a discrete or distinct issue, the raising of which caused additional costs to be incurred. Such an order may also be appropriate if the overall costs were materially increased by the unreasonable raising of one or more issues on which the successful party failed.
  - (3) Where there is a discrete issue which caused additional costs to be incurred, if the issue was raised reasonably, the successful party is likely to be deprived of its costs of the issue. If the issue was raised unreasonably, the successful party is likely also to be ordered to pay the costs of the issue incurred by the unsuccessful party...

(4) Where an issue based costs order is appropriate, the court should attempt to reflect it by ordering payment of a proportion of the receiving party's costs if that is practicable.

(5) An issue based costs order should reflect the extent to which the costs were increased by the raising of the issue; costs which would have been incurred even if the issue had not been raised should be paid by the unsuccessful party.

(6) Before making an issue-based costs order, it is important to stand back and ask whether, applying the principles set out in CPR r.44.2, it is in all the circumstances of the case the right result. The aim must always be to make an order that reflects the overall justice of the case.”

40. In some of the earlier cases, the third question was phrased differently, and it is helpful to note how the phrasing of that question has changed as a result of further analysis in intervening cases. In *Hospira UK Ltd v Novartis AG* [2013] EWHC 886 (Pat) at [2]-[4], Arnold J (as he then was) set out the earlier version of the third question in this passage, along with some additional explanation, as follows:

‘2. The principles to be applied in these circumstances are familiar subject to one small qualification. The Court generally approaches the matter by asking itself three questions: first, who has won; secondly, has the winning party lost on an issue which is suitably circumscribed so as to deprive that party of the costs of that issue; and thirdly, are the circumstances (as it is sometimes put) suitably exceptional to justify the making of a costs order on that issue against the party that has won overall. ...

4. The origin of the phrase ‘suitably exceptional’ is the judgment of Longmore J in *Summit Property v Pitmans (a Firm)* [2001] EWCA Civ 2020 ...

Longmore LJ was not intending when using the words ‘suitably exceptional’ in the particular circumstances in which he did to impose a specific requirement of exceptionality. The question rather is one of whether it is appropriate in all the circumstances of the individual case not merely to deprive the winning party of its costs on an issue in relation to which it has lost, but also to require it to pay the other side's costs.’

41. To similar effect, in *Hospira UK Limited -v- Cubist Pharmaceuticals LLC* [2016] EWHC 2661 (Pat), Henry Carr J noted that there was a tension between the requirement, expressed in some judgments, for a “*suitably exceptional*” case before costs are ordered against a successful party, and the express rejection of such a requirement for issue-based costs orders generally in *F&C Alternative Investment (Holdings) Ltd v Barthelmy* [2012] EWCA Civ 843. Henry Carr J said,

‘In my view, this apparent dichotomy may be resolved by a proper understanding of the phrase “suitably exceptional”. It is intended to indicate that if the unsuccessful party succeeds on a particular issue, that is not, on its own, sufficient to award costs against the successful party. There must be something which makes it appropriate and just to order not only that the successful party does not recover his costs, but also that it should pay the costs of the relevant issue. On the other hand, it is not intended to imply that such awards of costs will be

extremely rare. Where there is a discrete issue, which required substantial expenditure of costs, it may be just in all the circumstances to order payment of costs.’

### **Application to the facts.**

42. I turn to consider each of the four issues relied upon by the Claimants. Of the four issues relied upon by the Claimants, only three of the four are capable, in my view, of amounting to suitably circumscribed issues. The complaint about the average consumer issue is, in my view, relatively trivial in the overall scheme of things and does not constitute a ‘suitably circumscribed issue’. In addition, the Claimants’ criticism of the Defendants’ conduct was exaggerated.
43. As for the remaining three, the Claimants contend they account for the following percentages of the overall costs:
  - i) The Claimants say 7.5% for the joint liability issues.
  - ii) Threats and abuse of process around 3%.
  - iii) The complaint about Señor Garcia’s evidence is said to have accounted for 2% of the Claimants costs: i.e. around £27k
44. As I understand the Claimants reasoning, the 7.5% is doubled to 15% (on the basis that the Defendants should pay the Claimants costs of the joint liability issues), then the additional 5% deduction is applied (without the Defendants paying the Claimants costs in relation to that).

### Joint liability issues

45. In the course of his submissions on this point, Mr Silverleaf invited me to review the pleadings on joint liability. His point was that all the primary facts were admitted in the Defence. What was put in issue by way of non-admission or denial were the inferences which the Claimants sought to draw from the primary facts. The consequences were, he submitted, that (a) there was no need for the extensive and expensive disclosure which was sought and obtained and (b) there was no need for all the cross-examination on these issues because the answers obtained were entirely in line with the admissions already made. Overall, he submitted, that the Defendants dealt with the joint liability allegations in a sensible and proportionate way such that the notion that the Defendants should pay the Claimants’ costs of these issues was clearly not justified. He also submitted that if any deduction was appropriate, it would not be more than 1 or 2% of the overall costs at the most.
46. In reply, Mr St Quintin submitted that the disclosure was sought and given precisely because of the denial of joint liability. The disclosure was used in cross-examination, leading to extensive submissions being made in closing. He defended the 7.5% estimate by reference to the closing submissions.
47. A side issue arose due to my comment at [332] in the Main Judgment that it was hardly likely that D1 would disappear by way of the response to this action. Mr St Quintin suggested that the Claimants had a realistic fear that D1 would be allowed to go under due to what he claimed to be D1’s precarious financial position, justifying the joint

liability claims. It is true that D1's survival was dependent on the support from the late Mrs Morrison. However, my point was not so much financial but emotional. D1 was established and built up by the late Mr Morrison, so it was hardly likely that his widow and son (D2 & D3) would allow the club to go under.

48. Whilst Mr Silverleaf's point was not entirely correct, it is true that the joint liability issues I had to decide were relatively straightforward, and they were founded on inferences drawn from the primary facts.
49. Overall, I formed the view that Counsel's estimate that joint liability accounted for 7.5% of the costs was somewhat exaggerated – I doubt that the Claimants really spent over £100k just on joint liability issues. Even if the 7.5% proportion of the Defendants' costs was accurate, I do not think an order requiring the Defendants to pay the Claimants' costs of the joint liability issues would have been justified.

#### Threats and abuse of process

50. Although pleaded and responded to, these points occupied very little time. In the overall expenditure on costs, these costs must have been minimal. I therefore decline to make any deduction from the Defendants' costs on this ground.

#### Señor Garcia's evidence

51. The Claimants' submission was that the evidence of Señor Garcia was 'largely rejected', that I relied on documents that he referred to but had not collated such that his evidence caused costs to be incurred needlessly. I do not think this reflects accurately the findings I made in the Main Judgment at [201]-[202], where I relied on his 'evidence, but largely the documents he exhibited'. Whilst the cross-examination exposed certain mistakes, the documents he exhibited provided important information as to the position in the LatAm markets addressed in his evidence.
52. To the extent that any costs were wasted due to the time spent in cross-examining Señor Garcia, these were offset by the occasional speeches made by Mr Haddad in his cross-examination, but also would have been offset by the time required to examine the content of his exhibit in submissions.
53. Overall, I see no reason to make any deduction from the Defendants' costs due to Señor Garcia's evidence.

#### Other factors

54. There are some other factors to take into account:
  - i) First and foremost, the fact that, as I held in the Main Judgment, Mr Haddad's evidence was misleading in important respects.
  - ii) Second, there is the presentation of the material in Bundle F. This was not properly put in evidence, the documents were not explained and there was much repetition. All in all, Bundle F, whether intentionally or not, was presented in such a manner as to bolster the misleading nature of Mr Haddad's evidence. On this point, I include the unjustified marginal annotations which were added to Mr Haddad's witness statement.



- iii) Third, the Particulars of Claim contained a number of paragraphs pleading the relevant provisions of foreign law and their application in the territory concerned, from Panama, Chile, Peru, Mexico and the UAE. Although the relevant provisions of foreign law were largely admitted, these pleas no doubt required the Defendants to investigate the relevant foreign laws. All this was rendered irrelevant by the eventual but sensible agreement that UK/EU law should be applied to the infringements of registered trade marks in the foreign territories.
55. These, in my view, are matters of conduct which should sound in costs. The first two are sufficiently out of the norm such as to justify a proportion of costs being awarded on the indemnity basis. However, I am not asked to do that, and, in any event, it would be difficult to assess the relevant proportion. Those points do not mean I should ignore these matters of conduct.
56. In the exercise of my overall discretion, taking due account of (a) the issues on which the Claimants rely: joint liability, abuse and threats, Señor Garcia's evidence and (b) the matters of conduct which I have mentioned, I have come to the conclusion that, in all the circumstances, I should make no deduction from the Defendants' costs. Therefore, the order for costs will be that the Claimants pay the Defendants' costs of these proceedings.

## INTERIM PAYMENT

57. On this issue, the Claimants reminded me of the following applicable principles, which the Defendants did not dispute and which I will apply:
- i) CPR r 44.2(8) provides: "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 good reason not to do so".
  - ii) C does not argue that there is good reason not to make such an order. The question is what the "reasonable sum on account of costs" should be.
  - iii) In *Dana Gas PJSC v Dana Gas Sukuk* [2018] 2 Costs LO 189 Leggatt LJ (completing a first instance trial) said at [6]:  

"A logical approach is to start by estimating the amount of costs likely to be recovered on a detailed assessment and then to discount this figure by an appropriate margin to allow for error in the estimation."
  - iv) As this is a case in which costs budgeting has taken place, the impact of CPR rule 3.18 must be taken into account:  

'3.18 In any case where a costs management order has been made, when assessing costs on the standard basis, the court will –

    - (a) have regard to the receiving party's last approved or agreed budgeted costs for each phase of the proceedings;

- (b) not depart from such approved or agreed budgeted costs unless satisfied that there is good reason to do so; and
- (c) take into account any comments made pursuant to rule 3.17(3) and recorded on the face of the order.’
- v) While this court is not on this hearing being asked to assess costs (and so r.3.18 does not directly arise), it is a factor to be taken into account when assessing the level of a payment on account.
- vi) In *Thomas Pink v Victoria’s Secret* [2015] Costs LR 463 Birss J concluded at [60] as follows:
- ‘It seems to me that the impact of costs budgeting on the determination of a sum for a payment on account of costs is very significant although I am not persuaded that it is so significant that I should simply award the budgeted sum. Bearing in mind that unless there is good reason to depart from the budget, the budget will not be departed from, but also taking into account the vagaries of litigation and things that might occur and the fact that it is, at least, possible that the assessed costs will be less, although no good reason why that is so has been advanced before me, I will make an award of 90% of the sum in the claimants budget (£644,829.10) rounded up to the nearest thousand.’
- vii) Other cases have followed the same approach of awarding 90% of the budgeted sum as a payment on account to take account of “the vagaries of litigation”. See e.g. *MacInnes v Gross* [2017] 2 Costs LR 243; *Bates v Post Office* [2019] Costs LR 857; *Lifestyle v Amazon* [2021] EWHC 721 (Ch).
- viii) Further, by rule 3.15A(1), a party “must revise its budgeted costs upwards or downwards if significant developments in the litigation warrant such revisions”, and by 3.15A(2) must “submit a revised budget promptly...to the other parties and subsequently to the court”. In *Persimmon Homes v Osborne Clarke* [2021] EWHC 831 (Ch) Master Kaye analysed that rule and concluded that it meant that there were two threshold conditions before a budget could be revised: first that there was a significant development, and secondly that there must have been prompt submission of a revised budget. She further held (see [134]-[136]) that if the costs for which a party sought to revise its budget had been incurred, the court had no power to then amend the budget to provide for them. It is not open to a party therefore to seek to increase its budget to provide for costs that it has already spent.
- ix) Rule 3.18(b) provides that a budget may be departed from if there is good reason to do so. In *Harrison v University Hospitals Coventry and Warwickshire Hospital NHS Trust* [2017] 1 WLR 4456 the Court of Appeal held at [44] that this places “a significant fetter on the court’s discretion: it is deliberately designed to be so.” It decided not to proffer any guidance as to what will constitute a “good reason” for departing from an agreed or approved budget, stating that this “can safely be left to the individual appraisal and

*evaluation of costs judges by reference to the circumstances of each individual case.*” In doing so, costs judges should be expected not to adopt a lax or over-indulgent approach to the need to find “good reason”. Costs judges should approach this topic having in mind the *Denton* principles.

- x) While those cases give guidance about the budgeted sums, the approach in respect of incurred costs (“which are, by definition, not approved costs” per Joanna Smith QC, as she then was, sitting as a deputy judge of the TCC, in *Cleveland Bridge v Sarens* [2018] EWHC 827 (TCC)) must be different. In respect of those costs, the appropriate discount is greater than that for budgeted costs, which have a degree of pre-approval.

### **The scope of the debate on interim payment**

58. The Defendants submit the interim payment should be £880,951. This figure is said to be made up as follows:

- i) 85% of the Defendants incurred costs (which were £445,706).
- ii) 95% of the Defendants budgeted costs (which were £507,345).

59. The Defendants reason as follows:

- i) In relation to incurred costs, the usual practice is to award 70% of those costs, unless there is a reason to depart from that measure. The Defendants justify the higher percentage on the basis that:
  - a) First, the Defendants costs are significantly lower than those of the Claimants – 70% of the Claimants Budgeted costs.
  - b) Second, they say the Claimants accepted the Defendants’ incurred costs were reasonable in the Precedent R.
- ii) Overall, the Defendants suggest it is unlikely that there will be a substantial reduction in those incurred costs.
- iii) The Claimants dispute the second point, but it is clear from the Precedent R that the Claimants offered the totality of the Defendants incurred costs. It is reasonably obvious why the Claimants agreed the whole of the Defendants budget – simply because the Claimants budget was significantly higher.
- iv) In relation to the recovery of budgeted costs, the Defendants point to the 90% recovery in *Thomas Pink*, and in other cases. They say there is good reason to go higher than that 90% figure in the circumstances of this case:
  - a) First, because the Claimants agreed the Defendants budget.
  - b) Second, because they say that Ms Virgin’s analysis shows the budget was entirely reasonable, even if the costs actually incurred were incurred in a slightly different way to the allocations in the budget.

60. The Claimants submit the interim payment should be £552,800. They reach that figure by taking £260K for incurred costs and £431k for budgeted costs totalling £691k, of which 80% takes the figure to their suggested sum.
61. For the incurred costs, £260k is 41% of the Defendants incurred costs. The Claimants level various criticisms at the Defendants incurred costs but the volte face in the Claimants approach (agreeing 100% of the incurred costs to the percentage now offered of 41%) is remarkable.
62. For the budgeted costs, the Claimants chip away at the total, on the basis that (a) the Defendants cannot recover costs that were not actually incurred (e.g. where they went under budget in certain phases) and cannot recover where they overspent (on disclosure and trial). In this way, the total comes down to £478,851 from £509,845.
63. The Claimants stick to the 90% recovery figure from Thomas Pink, which yields a total for budgeted costs of £431k.

### Analysis

64. The assessment of the sum to award by way of an interim payment is not an exact science. In the circumstances, I am inclined to believe that the likely costs recovery for the Defendants will be relatively high. An award of 80% of the incurred costs of £445,706 is around £356k. 90% of the budgeted costs which the Defendants are entitled to (i.e. the £478,851 figure above) amounts to just under £431k. Those two figures total £787k.
65. In all the circumstances, the interim payment which the Claimants must pay to the Defendants is £750,000.

### **The costs of this FOO hearing**

66. The Defendants served an N260 Statement of their costs for this FOO hearing, yielding a total of £58,551.35, with a request that I summarily assess these costs. These costs were in addition to their budgeted costs.
67. The Claimants objected to the Defendants recovering any of these costs on the basis that these costs were already included in the Defendants' costs budget. The Claimants submit that a consequential hearing is an entirely normal aspect of a trial and is automatically included in a budget for the Trial phase of a costs budget. This is correct. CPR PD3D paragraph 10 and the table beneath it list out the assumptions as to what is included and excluded in each phase. The trial phase automatically includes 'Dealing with draft judgment and related applications'.
68. The Defendants made no application (formal or informal) to vary their costs budget to include these costs. I note that CPR 3.18 provides that, where a costs management order has been made, when assessing costs on the standard basis, the court will (a) have regard to the receiving party's last approved or agreed budgeted costs for each phase of the proceedings; (b) not depart from such approved or agreed budgeted costs unless satisfied that there is a good reason to do so; and (c) take into account any comments made pursuant to rule 3.17(3) and recorded on the face of the order. Although my task

is not to conduct an assessment on the standard basis, implicitly the request for summary assessment entails the application of the standard basis of assessment.

69. In the majority of cases, the consequentialia are likely to be dealt with on the giving or hand-down of the judgment. It is only in more substantial cases (particularly in IP and Patent cases) where the practice has grown up of a separate FOO hearing which often takes place far too long after the substantive judgment has been handed down. The assumption that the Trial phase includes 'Dealing with draft judgment and related applications' creates something of a trap for the winning party (assuming that the winner is readily apparent) in cases where the losing party contends that certain deductions should be made from the winning party's costs. The proposed deductions almost never relate to an entire phase in the costs budget. Thus, it is frequently the case that the winning party has to carry out an analysis of its actual incurred costs, dividing them (as best it can estimate) between various issues. This was part of the analysis conducted in Ms Virgin's third witness statement. By contrast, the losing party frequently incurs far less cost in addressing the costs issues. This case is a good example, where the Claimants proposed, in Counsel's Skeleton Argument, three % deductions amounting to an overall 20% deduction, justified on the basis of observations based on the pleadings and the opening and closing skeleton arguments, but without the provision of any evidence akin to that provided by Ms Virgin.
70. I observe that it is very difficult to anticipate in advance how much work will be involved in the costs analysis which the winning party carries out because it depends on precisely which issues the winning party has succeeded and lost and the significance of these issues as regards costs as a whole, and, indeed, on which party actually emerges as the winner.
71. These considerations indicate to me that parties ought to consider when preparing their costs budgets for substantial cases where a FOO hearing is likely to be heard after hand-down of the substantive judgment, a contingent set of costs of carrying out an analysis of their costs to permit the Court to make an issue-based costs order, the contingencies being (a) the party is the winning party and (b) it is apparent in the lead up to the FOO hearing that the case is one where an issue-based costs order is likely to be made. Of course, in some substantial cases, contingency (a) may not be appropriate, in the sense that the losing party may find it necessary to prepare its own costs analysis.
72. Reverting to this case, I also observe that it is likely to have been difficult, at the costs budgeting stage, to anticipate the application which was made at this hearing for an anti-suit injunction. However, I should add that this is an aspect of this hearing on which the Defendants have not succeeded.
73. Speaking generally, I have some sympathy for the Defendants because, as I related above, the costs they actually incurred were very close indeed to their budget, save for their costs of this FOO hearing. However, on closer analysis, I note that the Trial phase of the Defendants' costs budget assumed a 9 day trial (which included 1 day pre-reading), comprising 1 day of opening submissions, 7 days of evidence, 2 days preparation for closing submissions and 2 days of oral closing submissions). Although these figures add up to more than 9 days in court, in fact the trial occupied 7 days in court. Thus, it appears the Defendants underestimated their Trial costs (including consideration of the draft judgment and related applications), even though they have spent their budget.

74. I have considered whether the length of time which I took to deliver judgment provides a good reason to depart from the costs budget, but I am not persuaded that the costs of the FOO hearing were increased to any material extent by that. I have also borne in mind that the interim payment I have ordered is on the high side, and the fact that the Defendants did not succeed in their application for anti-suit relief. In all the circumstances therefore, I decline to summarily assess the Defendants' FOO costs as set out in their N260. However, I leave open the question of whether, on any assessment which is conducted on the standard basis of the Defendants' costs, the Costs Judge considers there is good reason to depart from the costs budget as regards these FOO costs or some part of them.

## PERMISSION TO APPEAL

75. The Claimants presented draft Grounds of Appeal which raised three main grounds. The first concerns the 'crowded marketplace' issue, the suggestion being that I was wrong to take into account *anything* extrinsic to the mark and the accused sign and in particular, the existence of other polo-themed brands and the co-existence agreements mentioned in the Main Judgment. Overall, I accept that this issue raises a question of law which the Court of Appeal should have the opportunity to consider.
76. The second ground concerns post-sale confusion. At [313] of the Main Judgment I mentioned that the Claimants had raised this issue in their Opening, citing *Anheuser Busch* at [60], and that this citation did not cause me to alter my conclusions. I dealt with this point succinctly precisely because I did not recall that any attention had been paid to it.
77. Post-sale confusion was not identified as an outstanding matter in dispute in the Claimant's written closing. I will be corrected if wrong, but I don't recall anything that was said in oral closing which signified this issue had life independent of the main infringement arguments. In any event, it seems to me that if I was right to take account of the 'crowded marketplace' (by way of a shorthand for all the consideration in my Main Judgment), those considerations would also mean that no post-sale confusion has occurred. For those reasons, I do not regard this point as justifying permission to appeal being granted independently of the first ground, but it is right to note it may be subsumed in the first ground anyway.
78. The third ground concerns my decision at the PTR refusing to strike out the 'trade' evidence sought to be adduced by the Defendants. The Claimants contend that the provisions of CPR PD 57AC exclude the statements of opinion of the sort included in the witness statement of Señor Garcia. This was not an argument made at the PTR and so not addressed in my judgment from that hearing [2022] EWHC 1244 (Ch), although at [33]-[34] I considered, by way of example, an expression of opinion by Señor Garcia that '*This is a crowded market... in the LatAm Territories and these brands co-exist with each other well without customer confusion.*' I concluded that this was a way of him conveying relevant facts perceived by him and these are matters of fact of which he had personal knowledge. If that conclusion was correct, then this sort of evidence is not precluded by PD 57AC. Those assessments are not affected by anything said in my Main Judgment, following cross-examination of Señor Garcia at trial.

79. The Claimants' argument is that PD57AC made an important but unintended change as to the admissibility of 'trade' evidence in trade mark and passing off cases. I do not regard this argument as having a realistic prospect of success and so refuse permission to appeal on this ground. It is a novel but short point on which the Court of Appeal can grant permission if it interests them.

## **CONCLUSION**

80. I ask the parties to provide a suitably amended version of the draft Order in Word to reflect the findings I have made in this judgment.