

## O-056-16

TRADE MARKS ACT 1994  
IN THE MATTER OF REGISTRATION No. 3068832  
STANDING IN THE NAME OF  
TOOK US A LONG TIME LIMITED  
AND  
IN THE MATTER OF A REQUEST FOR A DECLARATION  
OF INVALIDITY THERETO UNDER No.500730  
BY DE GREY'S LIMITED

### SUPPLEMENTARY DECISION

1) On 1 December 2015 I issued decision O-557-15 in which I found in favour of De Grey's Ltd (DG). In its written submissions DG requested that the decision be issued and that both parties then be given the opportunity to provide written submissions on costs. I agreed to this course of action.

2) The parties were originally given until the 15 December 2015 to provide written submissions on costs but this was extended until 22 December 2015 after it became apparent that there had been a problem with the post and DG had not received the initial decision. I therefore rejected the submission by Took Us a Long Time Limited (TULT) that the submissions of DG were filed out of time. They were received within the revised deadline and are therefore acceptable.

3) In the original decision I said "DG requested costs above the normal scale. Given the finding of bad faith I am willing to consider such an award." TULT state that such a position is misconceived as the Registrar has discretion to award off the scale costs in order to sanction parties who have engaged in unreasonable behaviour during the course of the proceedings themselves. They referred me to the Trade Marks Manual, which states:

#### **"5.6 Costs off the scale**

It is vital that the Tribunal has the ability to award costs off the scale, approaching full compensation, to deal proportionately with wider breaches of rules, delaying tactics or other unreasonable behaviour. In *Rizla Ltd's application* [1993] RPC 365 (a patent case) it was held that the jurisdiction to award costs, derived from section 107 of the Patents Act 1977, conferred a very wide discretion on the Comptroller with no fetter other than to act judicially. It is considered that the principles outlined in *Rizla's application* apply also to Tribunal proceedings. Thus, if the Tribunal felt that a case had been brought without any bona fide belief that it was soundly based or, if, in any other way, its jurisdiction was being used for anything other than resolving genuine disputes; it has the power to award compensatory costs. It would be impossible to outline all of the situations which may give rise to such an award; however, Hearing Officers have stated that the amount should be commensurate with the extra expenditure a party has incurred as the result of unreasonable behaviour on the part of the other side. This "extra costs" principle is one which Hearing Officers will take into account in assessing costs in the face of unreasonable behaviour. Hearing Officers should act judicially in all the facts of a case. It is worth clarifying that just because a party has lost, this is not indicative, in itself, of unreasonable behaviour. Any claim for costs approaching full compensation or

for "extra costs" will need to be supported by a bill itemising the actual costs incurred."

4) And TPN4/2007 which states:

**"Off scale costs**

5. TPN 2/2000 recognises that it is vital that the Comptroller has the ability to award costs off the scale, approaching full compensation, to deal proportionately with wider breaches of rules, delaying tactics or other unreasonable behaviour. Whilst TPN 2/2000 provides some examples of unreasonable behaviour, which could lead to an off scale award of costs, it acknowledges that it would be impossible to indicate all the circumstances in which a Hearing Officer could or should depart from the published scale of costs. The overriding factor was and remains that the Hearing Officer should act judicially in all the facts of a case. It is worth clarifying that just because a party has lost, this in itself is not indicative of unreasonable behaviour

6. TPN 2/2000 gives no guidance as to the basis on which the amount would be assessed to deal proportionately with unreasonable behaviour. In several cases since the publication of TPN 2/2000 Hearing Officers have stated that the amount should be commensurate with the extra expenditure a party has incurred as the result of unreasonable behaviour on the part of the other side. This "extra costs" principle is one which Hearing Officers will take into account in assessing costs in the face of unreasonable behaviour.

7. Any claim for cost approaching full compensation or for "extra costs" will need to be supported by a bill itemizing the actual costs incurred.

8. Depending on the circumstances the Comptroller may also award costs below the minimum indicated by the standard scale. For example, the Comptroller will not normally award costs which appear to him to exceed the reasonable costs incurred by a party."

5) They also referred me to the Registrar's decision in *Rizla Limited's Application* [1993] RPC 365 where it was observed:

"I find that the referrer's conduct was such that it would not be reasonable to apply the comptroller's normal practice on costs. It is important to note that no proper explanation has been given of the decision to abandon the case, such as might show that the referrer had behaved reasonably. With due respect to Mr Low, he only made submissions on the reasons that commonly motivate litigants to withdraw. Likewise, there has been no explanation of the lengthy delay, while action was taken by the referrer which increased costs, between the time when the conflict of evidence came to light and the date of withdrawal. Nor has Mr Frgacic's unavailability for cross-examination been explained."

6) TULT comment:

“Clearly the referrer had engaged in unreasonable behaviour during the course of the action itself: (i) the action was abandoned late and without explanation (indicative perhaps of the fact that the case was something of a “try on”), (ii) the referrer engaged in lengthy delay, and (iii) the referrer never explained why he did not make himself available for cross examination.

7.2 The approach of the Appointed Person (Daniel Alexander QC in *An Application for a Declaration of Invalidity Thereto Under No 83459 by Alloro Restaurants Limited* (0-116-13, 9 January 2013)), where the learned Queen's Counsel held (emphasis added):

“16. The decision maker is therefore entitled to take into account a wide range of factors in considering the costs to be awarded and whether they should be off-scale.

17. These include the conduct of the parties, the nature of the case and whether it is self-evidently without merit, whether there have been abuses of procedure, the extent to which offers made to settle the case were unreasonably rejected and could have resulted in costs being avoided. There is no rigid formula, although the paradigm case for off- scale costs will involve breaches of rules, delaying tactics or unreasonable behaviour. Reasonable people can differ as to how unreasonable behaviour must be before it is appropriate to depart from the usual scale of costs.”

8. In the present action absolutely no criticism can be (nor has been) levelled at TULT regarding its approach to or conduct during the action. For example, at no stage has TULT engaged in any delay, breached any rules, behaved inappropriately or acted disproportionately or oppressively. Indeed, we respectfully submit that TULT has been a model litigant - it has complied with deadlines, acted proportionally and behaved with good grace. Further, there is not a scintilla of evidence to indicate that TULT did not defend these proceedings in anything other than good faith (indeed, everything points the other way i.e. that TULT acted appropriately and had a good faith belief as to the validity of its defence).

9. Therefore, as a matter of first principles the notion that TULT should be liable for off scale costs is misconceived and DG's request should be dismissed: as the case law and Tribunal Practice Notices have repeatedly confirmed, losing in and of itself is not unreasonable behaviour.

10. Notwithstanding, and strictly without prejudice to TULT's principal submission set out above, we seek to address, as best we can understand it, DG's position on the question of costs.

11. DG's position appears to be that it is entitled to off scale costs because, so it alleges, TULT has misused the trade mark system (para. 10 of DG's amended Statement of Grounds). The misuse appears to lie in the alleged filing of the mark in suit at a time when, according to DG, TULT allegedly knew that DG had better rights to the DE GREY'S mark. Those allegations were

addressed (and denied) in a fully pleaded Counter Statement dated 10 April 2015.

12. In his decision of 1 December 2015 the Hearing Officer upheld both the section 5(4) and section 3(6) objections. The section 5(4) claim centred around the question of whether DG owned residual goodwill in the DE GREY'S mark even though it had ceased trading prior to the date of application of the mark in suit. TULT's submission was that there was no such goodwill and relied upon the evidence of Mr Underhill that DG ceased trading in January 2014 from the only premises that DG had ever traded from (see point 2.5 of TULT's written submissions of 5 October 2015). Notwithstanding TULT's submissions, the Hearing Officer found that DG owned the necessary goodwill as of August 2014. However, it is inconceivable that the incorrect (in the eyes of the Hearing Officer) assessment by TULT as to the existence of goodwill in August 2014 amounts to an abuse of the trade mark system.

13. As regards bad faith, the Hearing Officer held that TULT had acted in bad faith (i.e. dealings which fall short of the standards of acceptable commercial behaviour) because it applied for the mark in suit at a time when it was in the midst of seeking to acquire the rights from DG. Inevitably TULT has difficulty with this finding because the first evidence of discussions about the mark (as opposed to the use of the physical sign at the Ludlow property) postdates the filing in August 2014. That of course is an issue which will have to be addressed on any appeal. Fundamentally, however, as reflected in DG's amended Statement of Grounds (see footnote 1 herein), the finding of bad faith is wrapped up in the passing off case and whether DG had residual goodwill as at August 2014 - if there was no residual goodwill there could have been no finding of bad faith (it cannot be bad faith on any level to seek to protect a name where a party has no rights even if it once did so). As noted, the Hearing Officer concluded that TULT called it wrongly on the question of residual goodwill. That is not misuse of the trade mark system (let alone abusive).

14. Finally, TULT addresses two specific issues which the Hearing Officer refers to in the decision, either or both of which may have a bearing on the issue of costs:

#### Unchallenged evidence

14.1 The Hearing Officer addresses the issue of unchallenged evidence at some length even though it was not an issue which DG raised in its brief written submissions. For example at paragraph 37, the Hearing Officer refers to Mr Mondon's evidence and a claim by TULT (in email correspondence exhibited to the evidence) that it did not agree with Mr Mondon's characterization of an email exchange. The Hearing Officer notes that TULT decided not to file evidence on this or any other issue. With respect to the Hearing Officer, we do not understand the issue here. First, the burden of proof is on DG not TULT. Second, as is abundantly clear from its written submissions, TULT actually relied upon DG's evidence, notably that of Mr Underhill. Paragraph 10 of Mr Underhill's statement (cited at paragraph 20 of the decision) is a case in point. In his evidence Mr Underhill unequivocally confirmed that DG ceased trading in

January 2014. Whilst Mr Underhill goes on to state that DG was still "very much trading" there was no evidence whatsoever of this - we submit that such self-serving statements fall very much into the "incredible" (i.e. not credible) bucket referred to by Mr Arnold QC (as he then was) in *Extreme* BL/161/07 (cited in the decision at paragraph 17). Furthermore statements of opinion from fact witnesses such as Mr Mondon (such as paragraph 10 of his statement) do not need to be challenged; it is inadmissible opinion evidence on a question of law (i.e. as to whether there will be passing off). Questions of law are for the tribunal alone to assess by reference to the evidence (as the Court of Appeal held in *Specsavers International Healthcare Ltd v Asda Stores Ltd* [2012] EWCA Civ 24, paragraph 115: "... it must be kept firmly in mind that the ultimate question whether or not the similarity between the trade mark and the sign is such that there exists a likelihood of confusion is one for the court to determine in the light of its global assessment of all material factors, of which the intention of the defendant, as a person who knows the market in which he is offering his goods or services, is only one.") Accordingly, TULT fails to see how it can be criticized for not seeking to cross examine DG's factual evidence.

#### Without Prejudice Communications

14.2 The Hearing Officer's findings on the issue of both passing off and bad faith rely upon certain communications which took place between the parties. Those communications were without prejudice (see for example the email from Mr Plant of 9 February 2015 which is expressly headed up as "Subject to contract and without prejudice"). TULT's written submissions (at 3.2) flagged that such communications were privileged and could not be taken into account. Nonetheless, and in spite of this clear submission by TULT, the Hearing Officer decided to override the without prejudice privilege. His justification is that the circumstances of the case merited privileged communications being referred to (paragraph 9). TULT submits that the Hearing Officer was wrong to take into account these privileged communications. First, the communications do not fall within any of the Unilever exceptions (which the Hearing Officer omitted to consider) which are set out in the Work Manual as follows:

"The without prejudice rule can be excluded in very limited circumstances which are set out in Unilever and the CPR. They are as follows:

Where the issue is whether a concluded compromise agreement was reached.

Where the issue is whether an agreement between the parties should be set aside on grounds of misrepresentation, fraud or undue influence.

Where a statement made might give rise to an estoppel.

Where the exclusion of evidence would act as a cloak for perjury, blackmail or other ambiguous impropriety.

14.3 Second, once the Hearing Officer had determined that he was minded to make reference to privileged material he should have addressed TULT's

objection as a preliminary issue. In this regard we refer to the guidance of the Court of Appeal in *Somatra Ltd v Sinclair Roche & Temperley (A Firm)* [2000] EWCA Civ 229 (26 July 2000) where the Court held as follows:

*"29. In an earlier part of his judgment (at p 538) Templeman U approved this statement of principle by Mustill J in Nea Karteria Maritime Co Ltd v Atlantic and Great Lakes Steamship Corporation, a decision made on the 11th December 1978 and only reported at [1981] Com LR 138 at 139:*

I believe that the principle underlying the rule of practice exemplified in *Burnell v British Transport Commission* [1956] 1 QB 187 is that where a party is deploying in court material which would otherwise be privileged, the opposite party and the court must have an opportunity of satisfying themselves that what the party has chosen to release from privilege represents the whole of the material relevant to the issue in question. To allow an individual item to be plucked out of context would be to risk injustice through its real weight or meaning being misunderstood.

30. I recognise that in those cases the court was considering waiver of privilege and not the use of without prejudice communications, but I do not think that the principle can be any different in such a case. Fairness requires that where a party deploys privileged or without prejudice material as part of its case at a trial the other party should be entitled, in the one case, to see the whole of the privileged document and, in the other case, to rely upon the other without prejudice material which came into existence as part of the same without prejudice process. The question here is whether the same is true where the without prejudice material is deployed, not at the trial, but at an interlocutory application. "

14.4 Therefore, the Hearing Officer has, contrary to clear guidance: (i) failed to address whether the without prejudice privilege should be waived (which we respectfully submit would have required the parties to make submissions on the issue); and (ii) (even if without prejudice material was before the tribunal) failed to satisfy himself that *"the party has chosen to release from privilege represents the whole of the material relevant to the issue in question. To allow an individual item to be plucked out of context would be to risk injustice through its real weight or meaning being misunderstood."*

14.5 The reality is that there have been other without prejudice communications between the parties which DG chose not to put before the Hearing Officer. Therefore the Hearing Officer has only a partial view of the exchanges between the parties. Yet, based upon those partial exchanges he concluded that TUTL had acted in bad faith and accordingly has indicated his willingness to consider the making of an off scale cost award. Such procedural irregularities of themselves mean that the whole premise upon which the Hearing Officer is prepared to consider an off the scale award is misplaced.

15. In light of the above facts and matters TULT requests that to the extent any cost award should be made in favour of DG it should not only not be off the scale but should be at the lower end of the scale.”

7) TULT is quite correct in stating that a finding of bad faith *per se* does not justify an award of costs off the scale. However, the factors that lead to the finding can be sufficient to warrant such action. In the instant case I felt that the actions of TULT were such that consideration should at least be given to an award off the scale. TULT maintained that DG had no goodwill in the mark as it had abandoned its business. The fact that it closed its business in what would appear from the exhibits to be a large old building does not necessarily amount to an abandonment of the business. It could quite conceivably re-opened elsewhere in the town in newer smaller more economical premises, requiring fewer staff and less upkeep. Shortly after the closure, TULT began negotiations with DG regarding the premises and quickly realised that the name DE GREY’S still had resonance within the town as well as with customers based much further afield. As I postulated in the main decision “Indeed, if the mark had no residual goodwill why would TULT wish to use it?” It was clear from the newspaper article, dated 3 August 2014, which included an interview with the Chief Executive of TULT that the name DE GREY’S was still valuable as there was an “outpouring of love for De Grey’s from former customers”. Hence the negotiations to purchase the mark in suit. Despite this TULT decided to apply for the mark in suit and then to deny that there was any residual goodwill in the mark, when their own actions were contrary to this position. To my mind, TULT did not have a bona fide position in respect of the residual goodwill and so their actions in forcing DG to provide proof of the same could be construed as unreasonable and causing additional costs to DG. I therefore take issue with the contention made at paragraph 8 of its submissions that “TULT did not defend these proceedings in anything other than good faith”.

8) Much is made in the submissions regarding unchallenged evidence. It is clear from the main decision that comments regarding negotiations between the parties were made which were not countered by TULT either by evidence or cross examination. Reference is made to paragraph 10 of Mr Mondon’s statement, although even a cursory glance at the evidence summary in the main decision will show that paragraph ten and the opinions of Mr Mondon were not relied upon. The fact is that in his earlier paragraphs he made a number of statements regarding the negotiations which were not countered. These statements were not “incredible” and were entirely believable, even without the corroboration of the “without prejudice” correspondence.

9) Moving onto the issue of “without prejudice” correspondence I note with interest that TULT omitted from its quote from the Tribunal Practice Manual the final paragraph in relation to without prejudice communications which states:

“Where the statement made would explain delay or apparent acquiescence In Tribunal proceedings, for example, evidence of the fact that negotiations have taken place (and their state of play, insofar as this may be relevant to an application for an extension of time) would be admissible.”

10) I note TULT's concern that the correspondence could be "plucked out of context". I do not believe that the email exchange is capable of being misconstrued or has been taken out of context. In any event TULT was clearly in a position to put the matter firmly in context by commenting upon the emails or providing the surrounding emails which would have shown that the exchange filed by Mr Mondon was cherry picked and did not accurately reflect events. In any event, as I have made clear, the finding of bad faith would have been made without the emails, they merely confirmed my view.

11) DG provide the following breakdown of costs:

Application for cancellation	£200
Statement of grounds	£2,400
Preparing and filing evidence in answer to TULT's defence and counterstatement	£6,420
Preparing and filing final written submissions	£1,430
<b>TOTAL</b>	<b>£10,450</b>

12) TULT comment that this is not "a bill itemising the actual costs incurred" and state that it does not conform to CPR Practice Direction 47 paragraph 5.7 in that it does not give charge out rates, time spent and specific work undertaken. I do not accept the criticism of the breakdown. However, I do not intend to award the costs in full as despite the behaviour of TULT many of the costs would still have been incurred. Under normal circumstances I would be looking to award approximately £2,500 on the scale costs. I therefore propose to simply add an additional £1,500 for the work caused by the behaviour of TULT.

13) I order Took Us A Long Time Limited to pay De Grey's Limited the sum of £4,000. This sum to be paid within fourteen days of the expiry of the appeal period or within fourteen days of the final determination of this case if any appeal against this decision is unsuccessful.

**Dated this 2<sup>nd</sup> day of February 2016**

**George W Salthouse  
For the Registrar,  
the Comptroller-General**