

IN THE HIGH COURT OF JUSTICE
BUSINESS AND PROPERTY COURTS OF ENGLAND AND WALES
INTELLECTUAL PROPERTY LIST (ChD)
INTELLECTUAL PROPERTY ENTERPRISE COURT

Rolls Building
New Fetter Lane
London

Neutral Citation Number: [2018] EWHC 2728 (IPEC)
Date: 17 October 2018

Before :

HER HONOUR JUDGE MELISSA CLARKE
Sitting as a Deputy Judge of the High Court

BETWEEN :

Claim No: IP-2017-000049

(1) LINK UP MITAKA LIMITED trading as **Claimant**
THEBIGWORD

- and -

(1) LANGUAGE EMPIRE LIMITED **Defendants**
(2) YASAR ZAMAN

Mr Nick Zweck (instructed by **Virtuoso Legal**) for the **Claimant**
Mr Richard Carter (instructed by **JMW Solicitors**) for the **Defendants**

Hearing date: 10 October 2018

JUDGMENT ON COSTS

Her Honour Judge Melissa Clarke:

INTRODUCTION

1. On 10 October 2018 I handed down my judgment following the trial of an inquiry into damages payable to the Claimant in respect of its losses suffered as a result of the Defendants’ trade mark infringement and passing off by setting up, maintaining and using two websites which were specifically designed to capture potential customers searching online for the Claimant’s services, provided under the trade marks ‘thebigword’ (“the Websites”) ([\[2018\] EWHC 2633 \(IPEC\)](#)). The Defendants’ liability to pay damages arose from a judgment in default being entered against them, the Defendants having failed to file an acknowledgment of service or a defence to the Claimant’s claim. Following that handing down, I heard submissions on costs and consequential orders. The Claimant sought an award of costs, interest and an order for publication of the judgment.
2. In relation to costs, the Claimant contended that the Defendants’ conduct in the proceedings was so exceptionally unreasonable that: (i) it amounted to an abuse of process such that the ordinary IPEC scale costs, which are subject to specified phase caps and an overall cost cap for a quantum inquiry of £25,000, should not apply; and (ii) costs should be awarded on the indemnity basis.
3. I agreed with the Claimant and disappplied the IPEC scale costs. I also summarily assessed the Claimant’s costs on the indemnity basis at £98,260 plus interest of £1446.98, being £99,706.98 in total. I dealt with the summary assessment and other consequential matters (including making an order for publication of the judgment, and dealing with an issue in relation to offers of

settlement which I determined in favour of the Defendants) for reasons which I gave orally during the hearing. However, I decided to provide my reasons for disapplying the IPEC scale costs scheme in writing, in order to do justice to the quality of the written and oral submissions on the point made by Mr Nick Zweck for the Claimant, and Mr Richard Carter for the Defendants, and because there is likely to be wider interest in this decision, which is a rare one in this court. These are my reasons.

The applicable rules

4. The IPEC scale costs scheme is set out at Part 45, Section IV of the Civil Procedure Rules (“CPR”) (“Scale Costs Scheme”).

5. The scope of Section IV is set out in CPR 45.30, which provides:

45.30 (1) Subject to paragraph (2), this Section applies to proceedings in the Intellectual Property Enterprise Court.

(2) This Section does not apply where –

- a) the court considers that a party has behaved in a manner which amounts to an abuse of the court’s process;
- b) the claim concerns the infringement or revocation of a patent or registered design or registered trade mark the validity of which [has been previously certified]

(3) The court will make a summary assessment of the costs of the party in whose favour any order for costs is made. Rules 44.2(8), 44.7(b) and Part 47 do not apply to this Section.

(4) “Scale costs” means the costs set out in Table A and Table B of the Practice Direction supplementing this Part.

6. As well as the two exceptions contained in CPR 45.30(2), the mandatory application of the Scale Costs Scheme is subject to the Court's discretion to award additional amounts above the costs cap in respect of applications where a party has behaved unreasonably (CPR 45.32).

7. Where the Scale Costs Scheme does not apply, for example because the court finds that a party has behaved in a manner which amounts to an abuse of the court's process, then the general rules about costs found in Part 44 apply. These include the wide ranging discretion as to costs contained in CPR 44.2, and the rules relating to assessment of costs contained in CPR 44.3, CPR 44.4 and CPR 44.6.

Authorities

8. Counsel have been unable to locate any IPEC authority in which the Scale Costs Scheme has been disapplied under CPR 45.30 for a party's abuse of process. Mr Zweck has found a reference at 9-046, page 349 of *Intellectual Property Enterprise Court: Practice and Procedure* by Angela Fox, 2nd edition (London, Sweet & Maxwell 2016) to such a decision being made by His Honour Judge Birss QC (as he then was) in an unreported costs decision of unknown date in a case called *Xena Systems v Cantideck*. HHJ Birss QC's previous judgment in the same matter following the inquiry into damages for patent infringement can be found at [2013] EWPC 1, [2014] F.S.R., but Mr Zweck has been unable to locate a written judgment, transcript or law report of the costs judgment. Ms Fox described the *ratio* as follows:

“...the defendants failed to give certain required disclosure and stated in pre-inquiry correspondence with the claimant's solicitors that the total

number of infringing platforms was 17 rather than 38 which was the later, corrected figure supplied. There was no adequate explanation for these failures and the court concluded that the defendant's conduct rose to the level of an abuse of process. Consequently, r.45.30(2) was engaged and the costs caps and limits were disapplied. The court ordered the defendants to pay the claimant's full assessed costs of the inquiry on the indemnity basis, and although at the parties' agreement these costs were summarily assessed it appears that the court could have allowed detailed assessment if the claimant had sought it."

9. I have also made enquiries, which have been unsuccessful in locating a judgment or transcript. Ms Fox's reference is therefore a useful pointer to such a decision being made, but takes me little further.
10. Mr Zweck submits that the Court's power to determine whether a party's conduct is abusive of its process is a very broad one. I accept that it is. He identifies Lord Diplock's statement in *Hunter v Chief Constable of the West Midlands Police* [1982] A.C. 529 at page 536C as the classic statement on the subject:

"My Lords, this is a case about abuse of the process of the High Court. It concerns **the inherent power which any court of justice must possess to prevent misuse of its procedure in a way which, although not inconsistent with the literal application of its procedural rules, would nevertheless be manifestly unfair to a party to litigation before it, or would otherwise bring the administration of justice into disrepute among right-thinking people.** The circumstances in which

abuse of process can arise are very varied; those which give rise to the instant appeal must surely be unique. It would, in my view, be most unwise if this House were to use this occasion to say anything that might be taken as limiting to fixed categories the kinds of circumstances in which the court has a duty (I disavow the word discretion) to exercise this salutary power.” (my emphasis)

11. Lord Diplock’s statement was recently cited with approval in the Supreme Court by Lord Clarke, who referred to it as ‘classic’ and ‘much-followed’, at paragraph 35(ii) of his judgment of the court in *Fairclough Homes Ltd v Summers* [2012] UKSC 26; [2012] 1 WLR 2004.

12. Mr Carter for the Defendants draws my attention to the commentary to CPR 45.30 in Volume 1 of the White Book 2018 at page 1048, which states:

“The exceptions to the application of Section IV stated in r. 45.30(2) are self-explanatory. The exceptions are limited and narrow, and there is no doubt that they are intended to be so. The purpose of the scale costs regime is to provide certainty, and if the exceptions were anything other than limited and narrow, then that purpose could be defeated. For example, unreasonable behaviour is not a reason for raising or disregarding the scale costs – the behaviour in question must amount to an abuse.”

13. To the extent that note states that behaviour amounting to an abuse is exception to the application of scale costs, of course I agree. That is what CPR 45.30(2)(a) provides. To the extent it states that behaviour amounting to an abuse provides the only reason for raising or disregarding the scale costs, I

must disagree. That would be to fail to take into account of the line of authorities starting at *Westwood v Knight* [2011] EWPC 11 and continuing through *Henderson v All Around the World Recordings Ltd* [2013] EWPC 19 and *F H Brundle v Richard Perry and Ors* [2014] EWHC and beyond, and which are acknowledged later in that note, by its reference to *Brundle*. These authorities make clear that the court retains an overall discretion as to costs under CPR 44.2 which includes a discretion to lift the phase caps and the overall cap on costs in IPEC. However, it should only be exercised in truly exceptional cases because, as HHJ Birss QC put it in *Henderson* in paragraph 12: “to exercise it to depart from the cap in anything other than a truly exceptional case would undermine the point of the costs capping system”.

14. Mr Carter submits that this is also the test that I should apply when considering whether or not to lift the cap for conduct by the Defendants which amounts to abuse. He submits that I should not differentiate the lifting of the cap in the court’s overall discretion (per *Westwood*, *Henderson*, and *Brundle*) from the disapplication of scale costs pursuant to CPR 45.30(2)(a). I respectfully disagree. CPR 45.30(2)(a) is not a matter of discretion. The court must determine if there is conduct by the Defendants amounting to an abuse, and if there is, CPR 45.30(2)(a) provides that the Scale Cap Scheme does not apply. There is no intermediary stage in which the court must decide as a matter of discretion whether or not to lift the cap.
15. *Westwood*, *Henderson* and *Brundle* are not cases where disapplication of the cap for abuse under 45.30(2)(a) was considered. Indeed, at para 16 of *Brundle*, His Honour Judge Hacon draws the distinction between truly exceptional

circumstances necessary to lift the cap in the general discretion on the one hand, and abuse of process on the other, in his discussion of the possibility of lifting of stage caps only (while leaving the overall cap intact):

“I think it is open to the court not to apply scale costs for one or more stages of the claim while still keeping the total award within the overall cap. This will seldom happen but it does not require the truly exceptional circumstances necessary for the overall cap to be disregarded (**leaving aside an abuse of process or an earlier certification of validity of a registered right**).” (my emphasis).

16. This may be a species of quibbling, because I think few would disagree that a finding of abuse is exceptional in itself. However whether or not it is truly exceptional is not, in my judgment, the test. Where the court, following the guidance of Lord Diplock in *Hunter*, finds that the conduct of a party amounts to an abuse of the court’s process (and he makes clear this is a matter of duty and not of discretion), CPR 45.30(2)(a) has the effect that the Scale Costs Scheme in Section IV no longer applies.

The parties submissions

17. Mr Zweck for the Claimants submits that the Defendants’ conduct in this inquiry amounts to an abuse of process. He points to, *inter alia*:
 - i) the serious findings of dishonesty I made against the Second Defendant at paragraphs 33, 34, 35 and 50 of my judgment, culminating in an assessment at paragraph 51 that I could not rely on his evidence unless it was supported by other credible evidence;

- ii) my findings that the Defendant's case in relation to Mr Rajeev Singh's involvement was inherently implausible (para 47) and the questions the Second Defendant asked of Mr Singh were asked in the way they were in order to lead Mr Singh and elicit the answers he wanted from him (para 45);
 - iii) my findings that the Defendants sought to obfuscate the true number of enquiries and sales arising from the Websites:
 - a) in the manner in which they conducted discovery and in the evidence they gave about it (para 50); and
 - b) in their reliance upon document YZ8 which I found was a cherry picked list of a small number of lesser quality enquiries constructed for the proceedings with the intention of hiding the true number of enquiries and sales arising from the Websites (paras 57 and 58).
18. Mr Zweck also points to other criticisms of the Defendants' conduct made by Mr Partington in his third witness statement, which he submits further support his submission that, taken as a whole, the Defendants' conduct amounts to an abuse. These include the Defendants' attempts to divert blame to Mr Singh and the Second Defendant's brother Mr Nasir Zaman; the Defendants' attempts to minimise their exposure to damages and costs by applying to have the matter transferred to the Small Claims Track; the Defendants' resistance to disclosure and the Claimant's application for specific disclosure; and the Defendants' low offer to settle of just £2000.

19. Mr Carter for the Defendants accepts that he is hamstrung by the criticisms contained in my judgment; he accepts that the Defendants lost and lost badly; but submits that despite the court's findings and the Claimant's further criticisms arising from the additional issues identified in the third witness statement of Mr Partington, the behaviour of the Defendants does not amount to an abuse. He submits that in this inquiry, as in many others, the Defendants put their case and were not believed, but that is insufficient to be an abuse of process. So, too, he submits, is the fact that the Defendants sought to minimise the scope of the claim against them. Mr Carter argues that is something that can be said of all defendants.
20. Also insufficient to amount to an abuse, Mr Carter submits for the Defendants, are the various complaints raised by Mr Partington: (i) the Claimant's application for specific disclosure was legitimately resisted on the grounds of commercial confidentiality; (ii) the Defendants' application to re-allocate to the Small Claims Track was an appropriate application to make given their defence albeit now known unsuccessful, that there had been no sales arising from use of the Websites. That application to reallocate was considered and rejected by HHJ Hacon but the making of it was not an abuse; (iii) offers to settle were made on the basis of their case there were no sales.
21. I accept Mr Carter's submissions that the Defendants' resistance to the Claimant's application for specific disclosure, their attempts to reallocate to the Small Claims Track and their low settlement offer are, without more, insufficient to lead to a finding of abuse. But there was more. I found that the Defendants indulged in dishonest and obfuscatory conduct both at trial and

during the inquiry process which, in my judgment, was intended to and did hinder not only the Claimant's efforts to quantify the claim, but also the court's attempts to fairly and justly assess damages. The court was left in the position, as stated at paragraph 71 of my judgment, of having to assess the quantum of lost sales arising from the 34 month operation of the Websites on the basis of a list of 38 enquiries from 9 months of that period, specifically constructed and cherry-picked to be made up of low quality enquiries that did not convert to sales, when the best quantitative evidence before it was that the Websites were successful in diverting up to 3,500 hits per month from the Claimant's website. As I found at paragraph 81 of my judgment, on the balance of probabilities that significantly undervalued the lost sales arising from the Defendants' wrongdoing.

22. The Defendants' conduct is an abuse, in my judgment, on both limbs of Lord Diplock's guidance in *Hunter*, because:
- i) it is manifestly unfair to the Claimant as it obscured the true scale of the effect, or 'success', of the Defendant's infringements in diverting web traffic away from the Claimant's website, and so obscured the sales they were able to convert arising from those infringements;
 - ii) it is manifestly unfair to the Claimant because left it with no option but to pursue the Defendants to a quantum trial and to incur significant additional costs over and above those that would normally be incurred in an ordinary case where such dishonesty and obfuscation was not a feature;

- iii) it has, inevitably in my judgment, brought the administration of justice into disrepute amongst right thinking people by seeking to obscure the truth from the court and, in so doing, preventing the court from fully and justly assessing damages from the infringements.
23. Those are my reasons for deciding last week that CPR 45.30(2)(a) is engaged such that the costs caps and limits are disapplied.
24. I did not make this decision lightly. I accept and understand that the costs cap is a key feature and benefit of litigation in IPEC, and that certainty about the application of the Scale Costs Scheme is extremely important to facilitate access to justice for litigants in lower value intellectual property claims. However, where there is an abuse of the processes of the court, as Lord Diplock guides us, the court has a duty to identify it. If the court does not protect the integrity of the court processes to ensure that it meet the overriding objective to deal with cases justly and at proportionate cost, who will?
25. Litigants in IPEC must understand that conduct which amounts to an abuse of the processes of the court will cause them to lose the benefit of the protection that the Scale Costs Scheme gives them.

Note: These reasons have been provided to the parties in writing. They are not expected to attend the handing down which I have listed at 2pm today in Oxford Combined Court.