

O-006-09

TRADE MARKS ACT 1994

**IN THE MATTER OF TRADE MARK APPLICATION
NO. 2382275 IN THE NAME OF THE PROCTER & GAMBLE COMPANY
TO REGISTER A TRADE MARK IN CLASSES 3 AND 16**

AND

**IN THE MATTER OF OPPOSITION THERETO
UNDER NO. 93533 IN THE NAME OF
O2 HOLDINGS LIMITED**

Trade Marks Act 1994

**IN THE MATTER OF trade mark application
No. 2382275 in the name of The Procter & Gamble Company
to register a trade mark in Classes 3 and 16**

And

**IN THE MATTER OF opposition thereto
under no. 93533 in the name of O2 Holdings Limited**

BACKGROUND

1. On 18 January 2005, The Procter & Gamble Company made an application to register the trade mark ABSORBUBBLES in Classes 3 and 16 in relation to the following specifications of goods:

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| Class 03 | Wipes pre-impregnated with personal cleansing or cosmetic preparations. |
| Class 16 | Disposable diapers made of paper and/or cellulose; paper products for personal and household use such as paper towels, paper napkins, toilet tissues, facial tissues and other soft paper products. |

2. On 1 July 2005, O2 Holdings Limited filed notice of opposition to the application, the ground of opposition being as follows:

- 1. Under Section 3(1)(b)** the mark consists essentially of a word that is directly descriptive of a product intended to ABSORB BUBBLES and is therefore devoid of distinctive character.
- 2. Under Section 3(1)(c)** because the mark consists of the words ABSORB and BUBBLES which denotes one characteristic of the goods for which it is sought to be registered.
- 3. Under Section 5(2)(b)** because the mark applied for contains the word BUBBLES. It is therefore conceptually similar to the opponent's earlier trade marks, and may be referred to as a BUBBLE mark in speech. The mark applied for is sought to be registered in respect of goods that are similar to the services covered by the opponent's earlier marks such that there exists a likelihood of confusion on the part of the public.

4. Under Section 5(3) because there is a close association between the goods covered by the opponent's earlier trade mark and those covered by the later application and the distinctive character of the earlier trade mark is likely to be eroded by the use of the opposed mark.

The opponents relied on fourteen earlier marks, details of which were shown as an annex to the substantive decision.

3. The applicant's Counterstatement admitted that the opponents are well known in the field of mobile telecommunications and that they are the proprietors of earlier trade marks for colour device marks depicting bubbles. They challenge that possessing a colour device depicting bubbles gives the opponents monopoly rights in all, or indeed any formulations of trade marks containing the word bubbles, in support attaching a schedule of UK and CTM trade marks in Classes 3 and 5 that incorporate the word. They otherwise denied the grounds on which the opposition is based.

4. Both sides filed evidence and the matter came to be heard on 7 August 2007, when the Opponents were represented by Mr Julius Stobbs of Boulton Wade Tenant, their trade mark attorneys. The applicants were represented by Ms Denise McFarland of Counsel, instructed by D Young & Co, their trade mark attorneys.

5. After giving the usual consideration to the facts and circumstances of the case, and taking into account the established case law, and the very useful submissions made at the hearing, on 21 January 2008 I issued my decision. In this I found the opposition to fail on all grounds.

6. In paragraph 81 of my decision I stated that the applicants were entitled to a contribution towards their costs, and in line with my decision at the hearing, I directed that both parties would be allowed two months from the date of the substantive decision in which to make submissions on this matter. Both sides submitted detailed written submissions which I will take into account in this decision.

DECISION

7. It is the long-established practice that costs in proceedings before the Comptroller are awarded by reference to a standard published scale and are not intended to compensate parties for the expense to which they may have been put. Rather, an award of costs is intended to represent only a contribution to that expense. This provides access to a low cost tribunal for all litigants, and a degree of predictability as to the amount that the proceedings, if properly pursued, may cost.

8. The applicants state that as they have been wholly successful they are entitled to all of their costs. The schedule provided shows the amount spent in defending the opposition as being over £17,000 (excluding VAT), later stating the amount to be £17,674.99. The basis for the claim is that the conduct of the opponent has increased the costs incurred, and also caused wasted costs, and it is therefore proper that an award off-the-scale be made and that real costs be awarded. Having lost their case the opponent's accept that a costs award should be made against them. They do not,

however, accept that this should be outside of the usual scale stating that, if anything, the award should be reduced on the basis of the applicant's conduct.

9. Ms Thornton-Jackson referred me to the decision in *Rizla Ltd's Application* [1993] RPC 365, a patents case, in which Mr Anthony Watson QC sitting as a Deputy Judge of the High Court held at paragraph 374, that:

"The wording of section 107 could not in my view be clearer and confers on the Comptroller a very wide discretion with no fetter other than the overriding one that he must act judicially. I see no reason why the previously adopted practice could not be altered by the Comptroller in the same way as from time to time an important decision leads the courts to adopt a different attitude to what had previously been accepted practice. Thus, if the Comptroller felt it was appropriate, a form of compensatory costs could become the norm."

The Deputy Judge went on to say:

"As a matter of jurisdiction, I entertain no doubt that if the Comptroller were of the view that a case had been brought without any *bona fide* belief that it was soundly based or if in any other way he were satisfied that his jurisdiction was being used other than for the purpose of resolving genuine disputes, he has the power to order compensatory costs."

On page 377, towards the end of his judgment he said:

"Counsel was unable to refer me to any reported case where such a strong order for costs had been made by the Comptroller and therefore there is no established yardstick to measure what might be regarded as exceptional. I believe a case such as the present can only be regarded as exceptional if it can be shown that the losing party has abused the process of the Comptroller by commencing or maintaining a case without a genuine belief that there is an issue to be tried. In my view, this is not shown to be such a case."

Significantly, the Deputy Judge added:

"There are of course a large number of other circumstances such as deliberate delay, unnecessary adjournments etc. where the Comptroller will be entitled to award compensatory costs, but it is unnecessary to define what is clearly a wide discretion."

10. Whilst *Rizla* is a Patents case, under Section 68 of the Trade Marks Act 1994, the Comptroller and hence Hearing Officers acting for him have a similarly wide discretion to award costs. That Section and the associated Rule 60 read as follows:

“ 68.- (1) Provision may be made by Rules empowering the registrar, in any proceedings before him under this Act —

(a) to award any party such costs as he may consider reasonable, and

(b) to direct how and by what parties they are to be paid."

Rule 60 states:

"60.- The registrar may, in any proceedings before her under the Act or these Rules, by order award to any party such costs as she may consider reasonable, and direct how and by what parties they are to be paid"

11. Hearing Officers will be prepared to exercise that discretion and exceed the scale when circumstances warrant it, in particular but not exclusively, to deal proportionately with breaches of rules, delaying tactics and other unreasonable behaviour. In the *Rizla* case, Anthony Watson QC stated that the Act conferred no fetter other than in making an award of costs the Comptroller must act judicially, and that in deciding whether an award beyond the scale of costs was appropriate, the question to be asked is whether the conduct of the losing party constituted such exceptional circumstances that a standard award would be unreasonable. Conduct that is considered to be wholly unreasonable will frequently be a significant deciding factor in determining whether costs on an indemnity basis are appropriate, and that is the case here.

12. In her submissions, Ms Thornton-Jackson also mentions the decision of the Registrar's Hearing Officer in *Statoil ASA* (BL 0/268/05) in which it was stated that

"It is right to depart from scale if the behaviour of a party was such that it unreasonably caused the other side to incur costs."

And

"It also seems to me a correct principle that if there is a departure from the scale, the extent of the departure should reflect the extra costs that the other side has incurred as a result of what I might call the bad behaviour."

13. I do not see that *Statoil* adds much, if anything to the guidance to be gained from the *Rizla* case.

14. The position, therefore, is that in making an award of costs the Comptroller will adhere to the published scale, but where he considers that the particular facts of the case are such that an award on this basis would not be just, he has the power to make a higher award but in doing so must be fair, and award an amount proportionate to the circumstances. Accordingly, each case will be decided and turn on its own particular facts. Part 44.5 of the Civil Procedure Rules (CPR) set out the following factors to be taken into account in assessing the amount of costs:

**"Factors to be taken into account in deciding the amount of costs
44.5**

(1) The court is to have regard to all the circumstances in deciding whether costs were –

(a) if it is assessing costs on the standard basis –

(i) proportionately and reasonably incurred; or

- (ii) were proportionate and reasonable in amount, or
- (b) if it is assessing costs on the indemnity basis –
 - (i) unreasonably incurred; or
 - (ii) unreasonable in amount.
- (2) In particular the court must give effect to any orders which have already been made.
- (3) The court must also have regard to –
 - (a) the conduct of all the parties, including in particular –
 - (i) conduct before, as well as during, the proceedings; and
 - (ii) the efforts made, if any, before and during the proceedings in order to try to resolve the dispute;
 - (b) the amount or value of any money or property involved;
 - (c) the importance of the matter to all the parties;
 - (d) the particular complexity of the matter or the difficulty or novelty of the questions raised;
 - (e) the skill, effort, specialised knowledge and responsibility involved;
 - (f) the time spent on the case; and
 - (g) the place where and the circumstances in which work or any part of it was done.”

15. Under Part 44.4 of the Civil Procedure Rules, the Court will generally not allow costs that have been unreasonably incurred or which are unreasonable in amount. Any doubt will always be resolved in favour of the paying party. I believe the same position must apply where it cannot be seen that the costs have been reasonably incurred. The CPR do not make it clear exactly when indemnity costs orders are appropriate. In the case of *Bowen Jones -v- Bowen Jones* [1986] 3 All ER 163 it was suggested that indemnity costs should only be awarded in "exceptional circumstances" but did not give any direction as to what "circumstances" should be considered "exceptional". Other circumstances in which an order for costs on an indemnity basis may be appropriate will include where a party makes an offer to settle a case and beats that offer at a subsequent trial or assessment.

16. On the latter of these points, there were offers to settle initiated by the opponents, albeit not accepted by the applicants. The first relates to a request for an undertaking regarding the applicant's intentions in using the mark. I will say more about this later. The second offer made by the opponents was that in return for withdrawing the opposition, each party would bear its own costs. In my view this is not a serious attempt to settle the matter by agreement. There is also evidence in the letter of 21 June 2006, over a year prior to the hearing, the opponents sought to resolve the matter using the Patent Office mediation service. In their letter in response the applicants refer to having reviewed the opponent's evidence and declined the offer as not appropriate, stating that there is no prospect of confusion and that they intended to proceed. Whilst there is no onus on a party to settle, as can be seen from Section (3)(ii) of the CPR, an effort to try to resolve the dispute is relevant in the determination of whether exceptional costs are warranted.

17. So what are the facts or circumstances that the applicants say justifies an award off the scale? The opponents criticise the applicant's claims stating that the letter setting out the basis for exceptional costs does little more than explain how the applicant's costs were incurred. That is a reasonable criticism. They also take issue with the applicant's claim to having conducted the proceedings in a timely and efficient manner, highlighting that despite bearing the onus of proving their case, their own costs were less. This last point may well be true, but it is open to the applicants to do what they consider necessary and appropriate to make their case, including making sure that the evidence is both relevant and proportionate.

18. Ms Thornton Jackson says that the applicants have always maintained that the opposition filed by O2 Holdings was unfounded, but had no choice other than to defend the application. The CPR in relation to indemnity costs states that advancing a case which is unlikely to succeed or which fails in fact is not a sufficient reason for an award of costs on the indemnity basis (*Shania Investment Corp v. Standard Bank London Ltd*, 2 November 2001 (unreported)). It is, the nature of litigation that one party attacks and the other must choose whether and how best to defend themselves. If the opponent's case had been so obviously without substance the applicants could have sat back and let matters take their course, but in law there is usually some room for uncertainty. So the applicants were put in a position of having to defend themselves, and incurred costs in doing so, but that is catered for in the assessment of any scale costs awarded.

19. Ms Thornton Jackson further alleges that the opponents did not conduct the proceedings "in a timely and efficient manner" saying that the applicants incurred costs of over £670 in dealing with requests to extend the period for the opponent to file their evidence. The opponents took around 10 months to prepare and file their evidence, which is not quick but neither is it excessive. More importantly, there is no reason to suspect that they took more time than they needed to delay matters or to cause expense or inconvenience for the applicants.

20. Ms Thornton-Jackson further says that the vast majority of what was received went to the opponent's reputation in the telecommunications field and had no relevance for issues in these proceedings, and that dealing with this evidence incurred costs of over £1,000 for the applicants. There is substance in the argument that the evidence went to the opponent's reputation in the telecommunications field, but that is

not surprising given that this is where they operate. What the opponents set out to do is show that bubble imagery was indicative of them and their reputation, and of such a scale that use in an unconnected area would cause confusion, or at the very least an association that would give the applicants advantage or inflict detriment on the opponent's reputation. The latter situation can result from a reputation established in a distinct field of activity so it is difficult to say that the evidence was irrelevant.

21. The final expense highlighted by Ms Thornton-Jackson is over £12,000 in preparing for and attending the hearing, noting that the applicants had been prepared to accept a decision from the papers on file. Whether or not I agree that this is a case that could, or more significantly should, have been disposed of through a decision from the papers, the fact remains that the opponent's have the right to their day in court. Again, this is something that should be expected and is a normal expense. Was it necessary or justified that counsel be used? I would expect any competent attorney to be able to adequately handle the issues in this case. That said, the option to use counsel is a matter for the parties, but they do so knowing that if scale costs are applied, much of the expense will be borne by them even if they should win.

22. Ms Thornton-Jackson provides a number of letters that show the opponents as having offered to withdraw the opposition on the basis that each party bear its own costs. The opponents provide other correspondence that shows that nearly 2 years prior to the Hearing they sought an assurance from the applicants that they did not intend to use the mark in a style similar to that of the opponents, namely, in conjunction with the representation of bubbles, the colour blue, the O2 name, or to apply for registration of trade marks consisting of bubble imagery. This request was repeated on a number of occasions. The opponents say that these assurances were not given. This doesn't explain why the offer to withdraw on an own-costs basis was made just prior to the hearing, but neither does it impact upon the decision on whether exceptional costs are justified.

23. Other factors that the CPR say should be taken into account include the amount or value of any money or property involved, the importance of the matter to all the parties, the particular complexity of the matter or the difficulty or novelty of the questions raised, the skill, effort and the specialised knowledge and responsibility involved.

24. The trade mark is obviously of value and importance to the applicants, otherwise they would not seek to register and defend it, but as to the monetary value or what part it plays in their business as a whole I have no way of gauging. The issues in this case were not overly complex, but neither were they straightforward. Comparing a word against visual imagery requires a degree of skill and understanding of the law, particularly in establishing a case under Section 5(3), but even that area is now fairly well trodden. I do not think that I can rely on any of these factors as justifying an exceptional costs award.

25. Taking all of the above into account, I consider that the facts and circumstances of this case are such, that an award beyond the usual scale is not appropriate.

26. The opposition having failed on all grounds the applicants are clearly entitled to a contribution towards their costs. I therefore order that the opponent pay the applicants the sum of £3,250 towards their costs. This sum to be paid within seven days of the expiry of the appeal period relating to this decision, or within seven days of the final determination of this case if any appeal against this decision is unsuccessful.

Dated this 8th day of January 2009

**Mike Foley
for the Registrar
the Comptroller-General**