

O-330-20

DECISION ON COSTS

TRADE MARKS ACT 1994

**IN THE MATTER OF REGISTRATION NO. 2654977 IN RESPECT OF THE TRADE
MARK**

DOUGLAS OF DRUMLANRIG

IN THE NAME OF HUNTER LAING & COMPANY LIMITED

AND

**IN THE MATTER OF AN APPLICATION FOR INVALIDATION OF THE
REGISTRATION BY THE SHIELING SCOTCH WHISKY HOLDINGS LIMITED
UNDER NO. 502830**

BACKGROUND AND PLEADINGS

1) In my decision (BL O-261-20) following a joint hearing regarding the proprietor's application to strike out the application for cancellation of the contested registration, I found that the application should be struck out in full because it was made in breach of the *res judicata* principle. In respect of the issue of costs, I stated:

"Costs

46) The parties are invited to make written submissions on costs within 28 days of the date of this decision. Any request for off-scale costs should be accompanied by a breakdown of costs. I will then issue a supplementary decision on costs.

47) The period for appeal commences from the date of this decision."

2) The proprietor provided written submissions and a schedule of costs on 22 May 2020 and the applicant sent an email containing written submissions on 26 May 2020.

3) The proprietor's submissions can be summarised as follows:

- It requests off-scale costs in respect of the total costs incurred in contesting the proceedings;
- The request is on the basis that the action was found to be, by its nature, an abuse of process and it was an attempt to relitigate a dispute that had already been finally determined following an evidential hearing and an appeal to the Appointed Person. It submits that, in the circumstances, it was unreasonable for the applicant to bring the action in the first place;
- The proprietor has been vexed twice by the same dispute and the same challenge to its registration and has incurred a significant amount of money in defeating the "vexatious challenge";

- The proprietor incurred costs in the first proceedings of over £57,000 but received a costs award of only £5,250. It submits that if off-scale costs are not awarded in second proceedings, vexatious litigants will be encouraged to bring repeated attacks in circumstances where the dispute has already been decided;
- Consequently, all the proprietor's costs relating to the proceedings are "extra costs" according to the well-known IPO principle on off-scale costs;
- A schedule of costs is provided illustrating that the proprietor has incurred costs totalling £18,167.27.

4) The proprietor also made alternative claims that it wished to rely upon if I did not accept its primary case. I do not detail these claims but I keep them in mind.

5) Before I comment of the proprietor's submissions, I summarise and comment upon each of the applicant's submissions:

Great effort was made by the applicant to engage in good faith for settlement purposes before the proceedings were raised and before any costs were incurred in connection with the strike out application. Therefore, the applicant used its best efforts to avoid the need for proceedings and to keep costs to a minimum

6) The costs award being considered relates to the proceedings solely attached to the subject cancellation action. The issue before me is not whether the applicant undertook its best efforts to avoid the need for proceedings, but rather what is an appropriate award of costs in respect of the proceedings themselves having found that the application breached the principle of *res judicata*. In this case I found in favour of the proprietor. Pre-action activities do not influence such a finding. The applicant may have attempted to reach an amicable settlement but this does not counteract the fact that ultimately proceedings were commenced on a matter that had already been decided.

The applicant was partially successful in that:

- *The applicant's position on the applicable law was agreed with;*

- *The proprietor's overly broad specification was partially surrendered after the proceedings commenced*

7) In respect of the first point, the proprietor agreed that the issues could be decided under Scottish law because, in its view, the outcome would be unaffected. No issue was taken by the applicant regarding the position taken by the proprietor and further, it had no impact upon the outcome, namely that the application for cancellation amounted to an abuse of process. Consequently, I find that because the proprietor did not oppose the claim that the issues should be decided under Scottish law does not tip any aspect of an award of costs in favour of the applicant.

8) In respect of the second point, this is a reference to the applicant's application for partial cancellation based upon non-use (CA 502858). This is outside the scope of the costs award being considered here and may be subject to a separate costs award.

The proprietor made no effort to cap or reduce costs and the applicant cites the proprietor's preference for "premium London rates" despite engaging Scottish lawyers

9) A party is entitled to engage representation of their choosing and to place implicit restrictions on such choice by taking them into account when considering costs awards would fundamentally interfere with this freedom of choice. There is no merit to this submission.

The proprietor's original "threat" regarding seeking advice over strike out referred to abuse of process, res judicata and estoppel, but the first application omitted res judicata and focused on what the applicant characterises as "inapplicable" English specialities

10) The concept of "*res judicata*" relates to the effects of a prior determination upon the same issues or claims raised in later proceedings and overlaps with the broadly applied concept of "abuse of process" and the English law notion of "estoppel". The Registry's preliminary determination that the issues could be determined by way of

reference to Scottish law necessitated the actions complained of to be viewed through the prism of *res judicata*. Consequently, whilst not changing the nature of the complaint against the applicant, it was appropriate and relevant for the proprietor to make reference to the concept of *res judicata*. The introduction of this concept by the proprietor when addressing its primary case under Scottish law is not an issue that should or does impact upon my wider considerations regarding costs.

It appears that the proprietor willingly misled the tribunal when it wrote to the Registry detailing the fact that an attempt to run a section 60(3)(a) ground had been made in the previous proceedings between the parties but later took the position that this was not the case leading the proprietor to label the applicant's inclusion of the section 5(6) ground as "disingenuous" because of the reference to section 60(3)(a) in its pleadings

11) This submission coalesces two distinct circumstances. The first is the proprietor's comment that the applicant attempted to run section 60(3)(a) ground in the previous proceedings. It is correct that the applicant attempted to do this and this is irrefutable. The second is the proprietor's reaction to the applicant running an argument that it should be allowed to rely upon grounds based upon section 5(6) because it is a new provision not available at the time of the previous proceedings whilst, at the same, recognising in its statement of case, that section 5(6) was "previously known" as section 60. The proprietor's comments were made in respect to the possible tension between the two positions. I found for the proprietor in respect of its case in respect of the section 5(6) grounds and find that this submission fails to provide any reason to mitigate costs that may be made against the applicant.

The applicant has already had to carry the asymmetrical cost burden of the Registry's clerical errors

12) This issue is not relevant to the assessment of costs that the proprietor is seeking or entitled. It relates to costs incurred by the applicant as a result of a Registry error and not because of any action by the applicant or by the proprietor. Further, the error related to the wrong applicant's name being recorded by the

Registry. The error was pointed out to the Registry on 9 October 2020 when the applicant refiled its Form 26(1) to correct deficiencies in the original form. The covering email included 3 lines pointing out the error. The Registry letter of 22 October 2020 informed the parties that it had corrected the error. Any additional phone calls or correspondence from the applicant on the issue were unnecessary. I totally reject the notion that the clerical error resulted in circumstances that should result in the parties bearing their own costs.

13) The applicant submits that as a consequence of all the reasons identified and discussed above that, without prejudice to the applicant's position on appeal, each party should bear its own costs. It is clear from my comments regarding each of its submissions that I do not agree and I dismiss all of the applicant's submissions.

14) Rule 67 of the Trade Mark Rules 2008 states:

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

15) This rule provides the Registry with a broad discretion and I am not restricted to making an order only in respect of contributory costs and I may depart from the published scale to make an award of costs that I consider reasonable. The proprietor has requested off-scale costs in respect of the total costs incurred in contesting the proceedings.

16) As referred to by the proprietor in its submissions, paragraph 5.6 of the Tribunal section of the IPO's Trade Mark Work Manual provides the following information on the application of rule 67:

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.

17) The proprietor submits that all the proprietor's costs relating to the proceedings are "extra costs" of the kind referred to above. I concur. I have not been persuaded by any of the potential mitigations relied upon by the applicant. Consequently, the "extra expenditure" that results from the applicant's unreasonable behaviour (of bringing proceedings that fall foul of the *res judicata* principle) must relate to the whole proceedings. As the proprietor submits, it was unreasonable for the applicant to bring the action in the first place and that it should not have been vexed twice by the same dispute.

18) The main items listed in the proprietor's schedule of costs are shown in the table below:

Date	Activity	Solicitor Fees	Counsel Fees	Murgitroyd Fees
Oct-Nov 2019	Review client instructions; various correspondence with other side and review replies; report and advice to client; instructing counsel			£1363.33
Nov-Dec 2019	Review form TM26(i) and correction; discuss case with Chris Aiken's (CA); review application to strike out prepared by CA; draft Counterstatement; prepare TM8		£865	£917.01
Jan 2020	Outlays and services re review IPO letter confirming Invalidity continuing; review response from other side; report to client; review submissions from other side; review comments from Chris Aikens; report to client with advice; review client reply			£438.81
Jan-Feb 2020	Review IPO letter setting deadline for response on Scot's Law aspect; forward to CA; report to client; review CA's comments; search for Dojo case online; request copy from other side; review decision and forward to CA; follow up with CA; review comments from CA; contact MacRoberts LLP ("MacRoberts") in Scotland; review reply from MacRoberts; send details of parties; discuss case with MacRoberts; send papers to MacRoberts; telephone conference with CA and Gillian Craig ("GC"); report to client with advice; review draft submissions; provide input; review revised submissions; follow up with CA; collate and prepare response; file at IPO; update deadline docket; report to client.	£525	£1735	£1873.41
Feb-Mar 2020	Review IPO letter accepting Scottish Law; forward to CA; review reply from CA			£183.77

Mar-Apr 2020	Review provisional decision; report to client with advice; review comments from CA; review other side's submission; reply to CA with suggestions for action; review comments from CA; report to client with advice; prepare request for Hearing and submissions; review reply from CA; reply with comments; review submissions and review selected points from Appointed Person decision; communications regarding moving original hearing date with the IPO, CA, client and other side and Scottish solicitor; review other side's submissions/skeleton argument, own skeleton argument and comments re Scottish Law question; hearing administration tasks; review CA comments re Scottish Law; report to client; review reply from other side insisting on global scope; report to client with advice; discuss case with CA; brief Gillian Craig from MacRoberts; preliminary discussions with MacRoberts and CA; attend hearing; debrief with MacRoberts and CA.	£1250	£5225	£3790.94
Feb 2020	<u>Disbursements</u>			
Apr 2020	MacRoberts LLP – opinion on Scottish Law	As above		
TOTALS		£1775	£7825	£8567.27
GRAND TOTAL				£18,167.27

19) It states that the majority of the work was undertaken by Dewdney Drew of Murgitroyd & Company, its trade mark attorney throughout these proceedings. Mr Drew is a qualified European and UK Trade Mark attorney and, in respect of his work, the schedule was calculated using his hourly rate of £318.80. This amounts to just under 27 hours and strikes me as a reasonable period of time to undertake the progression of these proceedings.

20) As the proprietor has submitted, I have found that the proceedings amount to a breach of the *res judicata* principle and was no more than an attempt to relitigate an earlier dispute. The proprietor has incurred significant costs in defending itself in

these proceedings (as shown in the above summary schedule). I agree with its submission that all of its costs in respect of these second proceedings qualify as extra expenditure it has incurred as the result of unreasonable behaviour on the part of the applicant. Further, I have also dismissed the mitigating circumstances relied upon by the applicant.

21) In light of the above, I award costs for the full amount incurred by the proprietor. I order The Shieling Scotch Whiskey Holdings Limited to pay to Hunter Laing & Company Limited the sum of **£18,167.27**. This sum is to be paid within two months of the expiry of the appeal period or within 21 days of the final determination of this case if any appeal against this decision is unsuccessful.

Dated this 19th day of June 2020

Mark Bryant

For the Registrar

The Comptroller-General