Neutral Citation Number: [2020] EWHC 3363 (Ch)

Case No: IL-2019-000148

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

Date: 8 December 2020

Before :

MASTER TEVERSON

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Between :

SHAZAM PRODUCTIONS LIMITED	**Claimant**
- and -	
(1) ONLY FOOLS THE DINING EXPERIENCE LIMITED	**Defendants**
(2) IMAGINATION WORKSHOP PTY LIMITED (a Company incorporated in Australia)	
(3) ALISON GAY POLLARD-MANSERGH	
(4) PETER GORDON MANSERGH	
(5) KATHERINE MARY GILLHAM	
(6) IMAGINATION WORKSHOP LIMITED	
(7) IMAGINATION WORKSHOP FESTIVAL LIMITED	
(8) JARED HARFORD	

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Jonathan Hill (instructed by **Ashfords LLP solicitors**) for the **Claimant**
Thomas St Quintin (instructed by **Brandsmiths**) for the **1st, 2nd, 3rd and 5th Defendants**
The 4th Defendant as a litigant in person
The 6th, 7th and 8th Defendants added as additional Defendants after the applications

Costs Judgment on written submissions

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Approved Judgment

I direct that pursuant to CPR PD 39A para 6.1 no official shorthand note shall be taken of this Judgment and that copies of this version as handed down may be treated as authentic.

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MASTER TEVERSON

Covid -19 Protocol: This judgment was handed down by Master Teverson remotely at 10.00 am GMT on Tuesday 8th December 2020. The Approved Judgment was circulated to the parties' representatives and released to Bailii.

MASTER TEVERSON:

1. On 19 October 2020 I handed down my reserved judgment on an application made by the Fourth Defendant and on an application made by the First, Second, Third and Fifth Defendants (together the "Brandsmiths Defendants") for this claim to be transferred to the Intellectual Property Enterprise Court ("the IPEC"). The outcome of the applications was that I directed the claim to be transferred to the IPEC. This Judgment should be read in the context of my earlier judgment handed down on 19 October 2020: neutral citation number [2020] EWHC 2799 (Ch).

2. At paragraph 43 of my judgment, I expressed the provisional view without having heard argument on costs that the costs of the applications should be costs in the claim. I directed that if any party wished to argue for a different costs order they were to file and serve short written submissions on costs by 4pm on 23 October 2020.

3. Submissions were filed on behalf of the Brandsmiths Defendants. They submit the appropriate costs order is that the Claimant pay their costs of their transfer application, to be summarily assessed on the standard basis. That is their primary position. As a first alternative, they submit the costs should be reserved to the end of the trial. As a second alternative, they submit the correct costs order is Defendants' costs in the case.

4. Submissions in answer were filed on behalf of the Claimant inviting the Court to make the costs order provisionally envisaged i.e. costs in the case. In the event the Court awarded the Brandsmiths Defendants their costs, the Claimant invited the Court to make reductions from the costs sought taking into account specific factors.

5. Submissions were filed by the Fourth Defendant prepared with assistance on a pro bono basis from Mr Philip Partington, formerly a director of Virtuoso Legal, who previously acted for the Fourth Defendant, but now a partner and head of intellectual property at JMW solicitors. The Fourth Defendant seeks the costs of his application to be summarily assessed. In the alternative he seeks a wasted costs order against the Claimant's solicitors and/or counsel, pursuant to section 51(6) of the Senior Courts Act 1981. The Fourth Defendant seeks to recover £5,000 "capped" legal fees invoiced to him by Virtuoso Legal and compensation at the rate of £100 per hour for 75 hours as a litigant in person amounting to "around £7,500" after Virtuoso Legal ceased acting for him.

6. The Court received an email sent on 29 October 2020 at 17.20 from Counsel for the Brandsmiths Defendants taking issue with the assertion in paragraph 4(a) of the Claimant's submissions that the claim was issued in a specialist list and an email in response to that email from the Claimant's Counsel sent on 30 October 2020 at 10.45 taking issue with the statement in paragraph 4 c. of the Brandsmiths Defendants submissions that the claim was issued in the High Court by the Claimant in breach of the rules governing the issue of claims in the High Court. On 2 November 2020, Frances Mansergh emailed the Court on behalf of the Fourth Defendant in response to the Claimant's costs submissions. Those are the written submissions before me.

7. My discretion as to costs is to be exercised in accordance with CPR r. 44.2. CPR r. 44.2 provides:-

(1) The court has discretion as to-

(a)whether costs are payable by one party to another;

(b)the amount of those costs;

(c)when they are to be paid.

(2) If the court decides to make an order about costs-

(a)the general rule is that the unsuccessful party will be ordered to pay the costs of the successful party; but

(b)the court may make a different order.

(3) [not material]

(4) In deciding what order (if any) to make about costs, the court will have regard to all the circumstances including-

(a) the conduct of all the parties;

(b)whether a party has succeeded on part of its case, even if that party has not been wholly successful; and

(c) any admissible offer to settle made by a party which is drawn to the court's attention, and which is not an offer to which costs consequences under Part 36 apply.

…(5) The conduct of the parties includes-

(a)conduct before, as well as during the proceedings and in particular the extent to which the parties followed the Practice Direction-Pre_Action Conduct or any relevant pre-action protocol;

(b)whether it was reasonable for a party to raise, pursue or contest a particular allegation or issue;

(c)the manner in which a party has pursued or defended its case or a particular allegation or issue; and

(d) whether a claimant who has succeeded in the claim, in whole or in part, exaggerated its claim.

(6)The orders which the court may make under this rule include an order that a party must pay-

(a)a proportion of another party's costs;

(b) a stated amount in respect of another party's costs;

(c) costs from or until a certain date

(d) costs incurred before proceedings have begun

(e) costs relating to a particular step taken in the proceedings

(f) costs relating only to a distinct part of the proceedings; and

(g) interest on costs from or until a certain date, including a date before judgment."

8. Although not expressly stated in the rule itself, it is clear from Practice Direction 44 that the Court's discretion as to costs under rule 44.2 applies to the costs of applications. Practice Direction 44 paragraph 4.1 provides:-

"4.1 The court may make an order about costs at any stage in a case.

Rule 9.2 expressly refers to the costs of applications when stating the general rule as to the circumstances in which the court should make a summary assessment of the costs. This includes:-

"(b) at the conclusion of any other hearing, which has lasted not more than one day, in which case the order will deal with <u>the costs of the application or matter to which the hearing related</u>" (underlining added).

<u>The costs as between the Claimant and the Brandsmiths Defendant</u>

9. The Brandsmiths Defendants submit the starting point under rule 44.2 is that the Claimant should be ordered to pay their costs as the successful party. They submit that wider discretionary factors support such an outcome. They submit it would be unjust if an impecunious party, in fighting and winning a contested application to obtain access to justice, had the resources it could direct to fighting the case significantly reduced or exhausted without immediate repayment of the costs reasonably and properly spent on the application.

10. The Claimant contends that the overall circumstances do justify the court making a different order to the general rule. They submit by reference to paragraph 40 of the Judgment that the decision to transfer was finely balanced. They refer to the fact that in paragraphs 40 and 41, the Court raised the possibility that the proceedings might have to be transferred back from the IPEC if the Defendants did not tailor their defences of the claim and participate in the process of focusing the issues between the parties.

11. The Claimant points to the conclusion in paragraph 35 of the Judgment that on *"the totality of the evidence <u>now</u> before the Court"* (emphasis added) it was shown that the Defendants including the proposed Additional Defendants would only be able to defend the claim if it was transferred to the IPEC. The Claimant submits this reflects the fact that the evidence of means initially provided was inadequate. The Claimant submits it was reasonable to have issued the claim in the High Court, Intellectual Property List.

12. There is no lower limit on the value of claims that may be commenced in the Intellectual Property List. Where, however, the damages or sums payable on account

of profits are likely to be £500,000 or less, consideration should be given to issuing the claim in the IPEC.[1]

13. In determining the costs issue as between the Claimant and the Brandsmiths Defendants, I do not think it right to proceed on the basis that the Claimant was required by the Civil Procedure Rules to issue its claim in the IPEC. In my view, the obligation of the Claimant was to give consideration to issuing the claim in the IPEC. I do not consider that this claim was a money claim within CPR 16.3 or a claim for damages or for a specified sum within paragraph 2.1 of PD 7A. This would only become the position when an election for damages was made: *Lifestyle Equities v Sportsdirect.com* [2016] EWHC 2092 (Ch) Master Clark.

14. Competing submissions were made before me at the hearing as to the complexity of the issues and the likely length of the trial. In my view, there were arguments to be made either way on these issues. I concluded that the most important consideration was to ensure access to justice for all parties.

15. In paragraphs 20 to 34 of my Judgment, I reviewed the evidence filed on behalf of the Brandsmiths Defendants relating to their financial circumstances. I said in paragraph 33 that the evidence (Mr Lee's 1st witness statement) first filed in support of the Brandsmiths Defendants was incomplete, in particular, so far as it related to the shareholdings of the Third Defendant. I considered that the Claimant was entitled to draw attention in its evidence in answer to the existence of the High Court litigation involving the FTTDE show and to the Third Defendant's presumed entitlement to the profits made from that show through the co-Claimants in Claim Number IL-2019-000006.

16. I concluded that it was not until the service of Mr Lee's second witness statement that it was shown with sufficient supporting evidence that unless the claim was transferred to the IPEC the Brandsmiths Defendants would be unable to afford to defend the claim.

17. The evidence in reply of Mr Lee was served relatively close to the hearing. By letter dated 2 June 2020 the Claimant by its solicitors proposed that the claim remain in the Intellectual Property List on terms that the Claimant would not in respect of costs and expenses incurred after 3 June 2020 seek costs against the Fourth, Fifth or proposed Eighth Defendant for sums which it would obtain in the IPEC, if the case were transferred to the IPEC on 3 June 2020. No costs protection was offered to the First, Second or Third Defendants or to the proposed Sixth and Seventh Defendants. In my view, that proposal was not one which worked.

18. The application before me was hard fought with both sides instructing specialist counsel. I accept the submission made on behalf of the Brandsmiths Defendants that the decision on the application was not in the nature of a case management decision which might ordinarily be the subject of an order for costs in the case. It required a separate application and a separate hearing. It did not address or determine any issue that would otherwise have been determined at trial.

[1] The Business and Property Courts Advisory Note para. 14(7).

19. In exercising my discretion as to costs I consider the starting point must be that this was a contested interim application in which costs could be expected to follow the event. Having regard to all the circumstances, as required by CPR rules 44.2(4) and (5), it is in my view an important consideration that there was an asymmetry of information regarding the financial circumstances of the Brandsmiths Defendants. The critical evidence related to the financial position of the Second Defendant and indirectly that of the Third Defendant through her shareholding.

20. I do not consider that is would be right in those circumstances to order the Claimant to pay all the costs of the Brandsmiths Defendants of the application. I should in my view take into account that a proportion of the Brandsmiths Defendants costs were caused by the need to provide further evidence relating, in particular, to the financial position of the Second and Third Defendants and the fact that the incompleteness of the initial evidence was reasonably the subject of review and further evidence by the Claimant which in turn required further work and evidence by the Brandsmiths Defendants.

21. Having regard to all the circumstances, I will order the Claimant to pay 50% of the costs of the Brandsmiths Defendants of the application. On balance, I do not consider it right to order any of the remaining costs to be costs in the case. I accept the submission made on behalf of the Brandsmiths Defendants that this should be regarded as a free-standing application.

Summary assessment of the costs of the Brandsmiths Defendants.

22. I consider that, in accordance with PD 44 paragraph 9.2, I should carry out a summary assessment. The statement of costs of the Brandsmiths Defendants lodged on 2 June 2020 prior to the hearing on 3 June 2020 totalled £20,896.50. This included costs relating to the Claimant's Part 18 request.

23. Following the handing down of my reserved judgment, a revised statement of costs was filed dated 23 October 2020 totalling £25,278.00. This is said to have taken out costs relating to the Part 18 application but to have added costs of around £4,400 incurred since the previous statement.

24. I consider the amount of added costs to be excessive. The revised Statement is £4381.50 higher after taking out "negligible costs" relating to the Part 18 application.

25. Looking at the original Statement of Costs, I consider that the hourly rates claimed for Grade A at £500 are too high. I would allow £400. I would allow the rates claimed for the Grade C fee earners.

26. On behalf of the Claimant it is submitted that the Claimant's application under Part 18 should be regarded as occupying approximately one third of the preparations for the hearing. That application occupied about 10 out of 50 paragraphs of the skeleton argument of counsel for the Brandsmiths Defendants.

27. Whilst it was proposed on behalf of the Brandsmiths Defendants at the hearing to postpone that application until after transfer to the IPEC, some costs must have been incurred in preparing to oppose the Claimant's application. I think it fair to apportion 10% of the budget as relating to or including those costs.

28. After making adjustments for hourly rates and costs apportioned to the Claimant's application, the costs under the first schedule come out at around £17,200. I consider extra costs of £3,000 for post judgment work including the preparation of written costs submissions to be reasonable and proportionate. Standing back and looking at the total of £20,200 I consider that it is proportionate to allow those costs in relation to the transfer application. The application was of importance to the Defendants. The total costs of the Brandsmiths Defendants are assessed at £20,200.

Costs as between the Claimant and the Fourth Defendant

29. On behalf of the Fourth Defendant, it is submitted that costs should follow the event. It is submitted that the Claimant was warned pre-issue by the Fourth Defendant's solicitors that the claim should be issued in the IPEC. It is submitted that an adverse costs order should be made in order to deter proceedings being issued by a claimant in the wrong court.

30. In my view, the application of the Fourth Defendant could not be dealt with in isolation to that of the Brandsmiths Defendants. The need for a separate application by the Fourth Defendant was the result of his being separately represented in the proceedings. I consider that the same costs order should be made in his case as in the case of the Brandsmiths Defendants. That would have been the position had one combined application been made to the court by the Defendants for transfer to the IPEC.

31. I see no basis for making a wasted costs order against the Claimant's solicitors or counsel. The fact that the claim was ordered to be transferred to the IPEC is not a basis for any such order.

Summary Assessment of the Fourth Defendant's costs

32. The Fourth Defendant has not supplied a Statement of Costs. I will not decline to assess costs on that basis but I proceed with caution in the absence of a verified statement. The Fourth Defendant says he was invoiced by Virtuoso Limited for capped fees of £5,000 relating to the application. He also paid the application fee of £255. He says that since Virtuoso Limited stopped acting for him he spent around 75 hours of his own time reviewing the documents from the Claimant. I proceed on the basis that this is all factually correct.

33. Having reviewed the Fourth's Defendant's application and the witness statement filed in support with its exhibits, I will summarily assess the Fourth Defendant's costs when represented in relation to his application at £2,500 plus the application fee of £255. The scope of the evidence in support of the Fourth Defendant's application was fairly narrow. I consider £2,500 plus the application fee of £255 a proportionate figure to allow on summary assessment without a Statement of Costs showing hourly rates or work claimed in detail.

34. The Fourth Defendant's costs as a litigant in person are governed by CPR 46.5. CPR 46.5(4) provides:-

"(4) The amount of costs to be allowed to the litigant in person for any item of work claimed will be-

(a)where the litigant can prove financial loss, the amount that the litigant can prove to have been lost for time reasonably spent on doing the work; or

(b)where the litigant cannot prove financial loss, an amount for the time reasonably spent on doing the work at the rate set out in Practice Direction 46."

35. Practice Direction 46 provides at paragraph 3

"3.2 Where a self represented litigant wishes to prove that the litigant has suffered financial loss, the litigant should produce to the court any written evidence relied on to support that claim, and serve a copy of that evidence on any party against whom the litigant seeks costs at least 24 hours before the hearing at which the question may be decided.

3.4 The amount, which may be allowed to a self represented litigant under rule 45.39(5)9b) and rule 46.5(4)(b), is £19 per hour."

36. The evidence filed in support of the Fourth Defendant's application stated that he continued to work as an Uber driver. The email from Frances Mansergh states that the Fourth Defendant later notified Ashfords that his work as an Uber driver had dried up due to Coronavirus.

37. The Fourth Defendant has not produced written evidence in support of his claim to be compensated at the rate of £100 per hour. The fact that £100 is less than the rate that would have been charged had the Fourth Defendant continued to be legally represented is not to the point. The fact is the Fourth Defendant ceased to instruct solicitors and was unable to work. I will assess his costs as a litigant in person at £1,500. The total of the Fourth Defendant's costs are assessed at £4,255 (£2,500 + £255 + £1500).

Outcome

38. The Claimant is to pay 50% of the costs of the Brandsmiths Defendants of £20,200 (100%) being £10,100 (50%) within 14 days of this judgment being handed down.

39. The Claimant is to pay 50% of the costs of the Fourth Defendant £4,255 (100%), being £2127.50 (50%) within 14 days of this judgment being handed down.