



BL O/370/06

19 December 2006

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ACT 1988

PARTIES

P J International Leathercrafts Limited Applicant

and

Peter Jones (ILG) Limited Licensor

PROCEEDINGS

Application under section 247 to settle the terms of a licence of right available
under section 237 in respect of certain design rights

HEARING OFFICER P Hayward

DECISION ON COSTS

Introduction

- 1 In a decision dated 25 August 2006¹ I settled the terms of a licence of right available under section 237 of the Copyright, Designs and Patents Act 1988 (the Act) in respect of certain design rights for which Peter Jones (ILG) Limited ("Peter Jones") claimed ownership. In that decision I deferred the question of costs pending further submissions from the parties. I did however indicate that any submissions should provide argument why I should depart from the general presumption in licence of right cases that each side bears its own costs.

- 2 Each side subsequently filed two sets of submissions on costs. PJ International Leathercrafts ("PJL") in its submissions put forward arguments supporting its request that I make an award of full compensatory costs or

¹ BL O/239/06

alternatively an award of a contribution to its cost. Peter Jones argued instead that no award of costs be made.

- 3 In a second decision dated 16 October 2006² I dealt with a request by Peter Jones to extend the period for appealing my earlier decision. Having found against Peter Jones I indicated that I was minded to make a cost award to the applicant in relation to the costs of dealing with that request, such an award being in accordance with the comptroller's normal scale. I did however give the parties an opportunity to make submissions to the contrary. Neither did.
- 4 In that second decision I also gave leave to PJL to file a further submission strictly limited to responding to certain issues raised by Peter Jones in its second submission on costs. Both sides have indicated that they are content for me to decide the issue of costs on the basis of these five sets of submissions. That is what I will now do.
- 5 In its first submission dated 23 September 2006, PJL contends that Peter Jones has "abused the process of the Patent Office and has acted dishonestly". It particularises its claim by listing nine aspects of Peter Jones' behaviour that, in its opinion, justify a costs award. It concludes by seeking a full compensatory costs award or alternatively an award of a contribution to its costs. It provides further argument in its second submission dated 25 September. This submission also refers me to an earlier decision of mine, *Stafford Engineering Services Limited's Licence of Right Application* [2000] RPC 797, by way of support for PJL's argument that I am free to award costs on a compensatory basis.
- 6 Peter Jones, in its two submissions dated 22 and 28 September 2006, does not appear to contest that I am indeed free to depart from a no-costs award. Rather it contends that the circumstances here are not such as to justify any such award and that in line with normal Office practice each side should bear its own costs. It does however ask that any consideration of a cost award should also take PJL's conduct into account. It goes on to particularise aspects of the PJL's behaviour that it believes were not helpful to the prosecution of the case.

What approach should I adopt?

- 7 Before I look at the conduct of the parties I need to consider the basis on which I should make my decision. As Peter Jones notes, Tribunal Practice Notice TPN 2/2000³, which deals with costs in proceedings before the comptroller, includes the following:

15. It has been customary in licence of right cases for the Comptroller not to make an award of costs unless one side pursues unreasonable

² BL O/291/06

³ <http://www.patent.gov.uk/patent/p-decisionmaking/p-law/p-law-tpn/p-law-tpn-2000/p-law-tpn-2000-tpn22000.htm>

terms or the circumstances of the particular case are sufficiently unusual to warrant a departure from that practice. It is not intended to alter that approach, except to the extent that the flexibility to address procedural difficulties may bite.

- 8 This is reiterated in the Patents Hearing Manual⁴ which notes at paragraph 5.39:

In licence of right cases, usually neither side can be described as the “winner”. Accordingly it is customary for the comptroller not to make an award of costs in respect of the substantive issues unless there are some exceptional circumstances, eg one side pursuing unreasonable terms.

- 9 The manual goes on in paragraph 5.47 to provide examples of certain circumstances that might be considered exceptional. This is in the context departing from the scale that the comptroller would normally apply in cases other than licences of right, but I feel it is equally appropriate in deciding whether to award costs at all in a licence of right case. The list of examples in this paragraph is not exhaustive, and indeed, arguably none of the examples reads on to the present circumstances. However, in very general terms one could say that what characterises all the examples is behaviour that could be considered unreasonable, I shall use that principle for deciding whether I should award costs in the present case. Note, though, that as paragraph 5.47 goes on to say, merely because a party has lost does not of itself mean that their behaviour in fighting the case was unreasonable.
- 10 On quantum, paragraph 5.47 says that where costs differing from the scale are awarded, the increase or decrease should be commensurate with the extra expenditure incurred by the other side as a result of the behaviour. That must, I believe, be the appropriate approach. It is the approach I adopted in *Stafford Engineering* after finding that one of the parties had acted in a way that constituted an abuse of process, and it is also the approach I adopted more recently in *Statoil v University of Southampton*⁵.

Assessment of the present case

- 11 I need now to look at the conduct of the parties in this case. Each side has pointed to aspects of the other side’s behaviour that it believes were unreasonable. I will look first at the behaviour of Peter Jones.
- 12 P JL claims first that Peter Jones challenged its right to make any application for a licence of right on the basis that there was no dispute between the parties. This it claims gave rise to unnecessary delay and expense before Peter Jones ultimately withdrew its request to have the application struck out.

⁴ <http://www.patent.gov.uk/hearings-chapter05.pdf>

⁵ BL O/268/05

Peter Jones however contends that it was entirely justified in raising the issue and that if anything, its agreement to allow the application to proceed, even though it maintained that the application was made in breach of the requirements of the Act, was to its credit. Having reviewed the correspondence, I am satisfied that the behaviour of Peter Jones in this respect was not unreasonable. I should add that even though PJJ was perhaps a little quick off the mark with its application, I also do not believe that it acted in an unreasonable way.

- 13 I turn now to the issue of the evidence filed by the parties. It is not necessary for me to repeat here the detailed submissions of PJJ on this point. This is because I discussed the evidence submitted at some length in my original decision. For reasons that are adequately set out in that decision, I found the main evidence submitted by Peter Jones, especially the evidence submitted by its Managing Director, Mr Morgan Jones, to be wholly unreliable. Indeed I went further and said that it had “clearly been put forward to mislead, not help.” Peter Jones has tried to counterbalance this by questioning whether PJJ was wholly above board in terms of its evidence. For example it draws my attention to evidence that it believes PJJ could or should have submitted. In response, PJJ does concede that with hindsight it could have filed better evidence but this, it argues, should not affect my consideration here since there is no suggestion that it acted in any way dishonestly. I agree.
- 14 But was Peter Jones’ conduct in respect of its evidence such as to justify an adverse award of costs? To merely put in unhelpful evidence through carelessness or ignorance, or indeed to put in no evidence at all is one thing, but to put in deliberately misleading evidence is in my view something completely different. It is a clear attempt to mislead the tribunal and as such is an abuse of process. Indeed if that isn’t an abuse of process then frankly I don’t know what would be. On this point alone I am satisfied that a departure from the normal practice in relation to costs is justified. I still however need to consider the other allegations made by the PJJ and also those by Peter Jones before I can go on to consider the nature of any award.
- 15 I turn next then to the claim that Peter Jones was unreasonable in maintaining, up until the day of the hearing, that it was entitled to a royalty on spin-off sales of leather cases fitted with the quick release system in which the design right subsisted. As I made clear in my original decision, both parties primary business is selling leather cases. The evidence also pointed to the particular quick release system having a positive impact on sales of such cases. Therefore it was not in my view unreasonable for Peter Jones to seek a royalty in respect of any increased sales of leather case by PJJ resulting from the licence. That ultimately I decided against awarding any significant royalty on spin-off sales of leather cases, or in providing in this respect any significant uplift to the royalty on the parts of the quick release system, does not make Peter Jones’ behaviour in fighting this point unreasonable.
- 16 Equally I do not think that it was unreasonable, as PJJ claim, that Peter Jones

failed throughout the proceedings to accept that features of the design which are designed to facilitate interoperability must fall within the must fit must match exception. Again, that I found that some features of the design did fall within this exception alters nothing. I would add that I also do not believe that PJJ behaved unreasonably in not addressing the issue of must-match must-fit by commencing a subsistence action under section 246 of the Act.

- 17 I turn now to the final assertion made by PJJ, namely that Peter Jones failed to accept an offer it made earlier in the proceedings and which it maintained right up to the hearing. This offer it argues, at least in terms of the royalty rate, was consistent with what I ultimately decided. In contrast Peter Jones submits that there were many terms of the licence other than the royalty figure that needed to be agreed. It adds that even on the royalty figure, my reasoning and justification for reaching the figures I did, were significantly different to those on which PJJ had based its offer. It is not I believe necessary for me to look too deeply into any of this for the simple reason that offers and counter-offers are the norm in disputes like this. Often there is considerable difference between the parties especially on the central question of the royalty rate. This case was no exception. Again the fact that I decided on a royalty rate that was in line with what PJJ had proposed is not an indication that Peter Jones acted unreasonably. I think Peter Jones is also right in highlighting other aspects of the offer that were neither clear nor agreed on, although I have to say I can't believe this case would have rumbled on if these other aspects had been the only points in issue.
- 18 There is also one final assertion by Peter Jones that I need to consider concerning the behaviour of PJJ. This is that the whole application for a licence was in a sense a "bit of a waste" since PJJ continued to maintain that it did not actually need a licence. This again was something I covered in my original decision. I indicated there that I was satisfied that PJJ had given a plausible reason for seeking a licence. In addition PJJ has since also indicated that it has made royalty payments to Peter Jones thus proving further the need for the licence.
- 19 So what can I conclude about the behaviour of the parties? I believe that with one notable exception their behaviour was not unreasonable for parties involved in contentious proceedings. The one exception was Peter Jones' deliberate attempt to mislead the tribunal with its evidence. This to me was clearly an abuse of process and as such I am minded to depart from the normal practice and make a cost award in favour of PJJ. But what should that award be? PJJ seeks either full compensatory costs, which based on its last submission works out as £18,530, or a significant award of the order of £7000 as a contribution to its costs. If I decide on either of these then I will not only be departing from the normal practice of not awarding costs in licence of right cases, I would also be going beyond the comptroller's published scale in relation to costs. This would be, as Peter Jones recognises, "two steps" away from the usual order. Is this justified here? I believe it is.

- 20 However, that does not mean PJJ is entitled to the full amount it claims. It is only entitled to the additional expense incurred as a result of the behaviour I have identified as unreasonable. I therefore need to consider what unnecessary expense PJJ has been put to as a result of Peter Jones filing deliberately misleading evidence.
- 21 I have looked carefully through all the submissions on costs but have been unable to find any indication by either side of how much unnecessary expense has been incurred due to Peter Jones' misleading evidence. It is of course open to me to go back to the parties on this however given the number of submissions that have already been filed, and the extra expense this will involve, I simply do not consider that to be a proportionate or sensible thing to do. I will therefore seek to arrive at a figure on the basis of the material before me, accepting that as with any cost order before the comptroller there will be a degree of subjectivity.
- 22 Peter Jones filed its first round of evidence in June 2005. This included much of the material I subsequently found to be misleading. PJJ filed evidence in response in September 2005. Much of this evidence, which was in the form of a second witness statement by Philip Parker, went to the misleading evidence filed by Peter Jones. As such I think it entirely reasonable that the costs incurred by PJJ in preparing this evidence should be compensated in full. I have examined the various invoices from PJJ's legal advisors and am satisfied that a figure of around £1000 would be reasonable compensation in respect of the costs of preparing this evidence.
- 23 In terms of the subsequent prosecution of the case, it is possible that events might have taken a different course with more reliable evidence from Peter Jones. I doubt however that it would have been possible to resolve this dispute without a hearing. Equally I do not think that what was in the end a fairly brief hearing, would have been briefer still with more reliable evidence. Indeed looking at the transcript of the hearing it is clear that the weaknesses in Peter Jones' evidence were so obvious that it did not take PJJ's representative long to completely undermine it.
- 24 Therefore in relation to events up to and including the main hearing, the only unnecessary costs that I have identified are those relating to PJJ's second round of evidence.
- 25 There is however also the matter of costs incurred subsequent to the main hearing and in particular the costs associated with PJJ pursuing its claim for a costs award. This claim was based in a not insignificant part on Peter Jones' behaviour in submitting misleading evidence. Having found that evidence to be deliberately misleading, it is therefore only right and proper that I should award full compensation to PJJ in respect of this action for costs. PJJ has submitted an invoice from its representative that is dated 30 September 2006 and which appears to cover their fees in respect of its costs application. A fee of

£1185.47 is quoted, which seems entirely reasonable.

- 26 Adding all this up, with a little rounding up brings me to a figure of £2200. This is obviously some way short of either of the amounts sought by P JL, but I consider it to be a fair assessment of the unnecessary expense incurred by P JL as a result of the unreasonable behaviour of Peter Jones.
- 27 I turn finally to the costs arising from Peter Jones' request that I extend the period for appealing the substantive decision. I refused this request on the basis of fairly brief submissions made by both sides and without the need for a hearing. Both sides are content that an award in accordance with the published scale should be made to P JL and therefore I award P JL the sum of £300 which I will add to the award arising from the abuse of process.

Order

- 28 I order Peter Jones to pay P J International Leathercrafts Limited the sum of £2500 within 7 days of the expiry of the appeal period below. If an appeal is lodged, payment will be suspended pending the outcome of the appeal.

Appeal

- 29 Under section 249 of the Act, any appeal lies to the Registered Designs Appeal Tribunal. This decision is not a matter of procedure and therefore any appeal must be lodged within 6 weeks.

P HAYWARD

Divisional Director acting for the Comptroller