

BL O/513/21

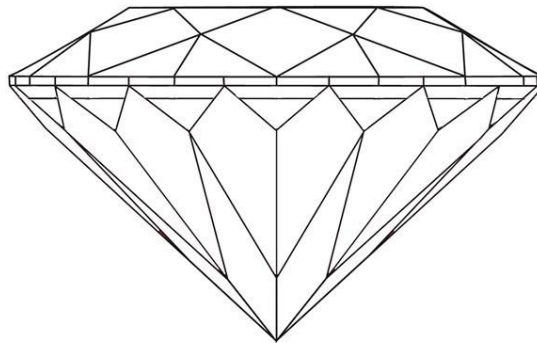
REGISTERED DESIGNS ACT 1949 (AS AMENDED)

COSTS DECISION

IN THE MATTER OF REGISTERED DESIGN NO. 6065216

IN THE NAME OF SCHMUEL COHEN

IN RESPECT OF THE FOLLOWING DESIGN:



AND

A REQUEST TO INVALIDATE (NO. 70/19)

BY UTOPIA DIAMONDS LTD

Background and pleadings

1. On 13 April 2021, I issued a decision rejecting an application to cancel the design shown on the cover page of this decision. The application was made based on grounds under sections 1B and 11ZA(2) of the Registered Designs Act 2001 (the Act).

2. The last paragraph of that decision dealt with the matter of costs and read as follows:

“144. At the conclusion of the hearing both sides asked that a decision on costs not be issued at the point when this decision is handed down as they wanted the opportunity to make separate submissions on costs. I agreed. The parties have four weeks from the date of this decision to file their submissions. I will then issue a costs decision and set the appeal period.”

3. On 13 May the applicant sent a letter to this tribunal which read as follows:

“With reference to paragraph 144 of the Hearing Officer’s decision O/265/21, we submit that costs should be awarded in line with the standard scale. For the avoidance of doubt, we consider that there is no case for awarding costs off the standard scale, since the Applicant has not breached any rules, used delaying tactics or behaved unreasonably during these proceedings.”

4. On the same day the proprietor filed submissions which amount to sixteen pages of submissions and supporting documents. In essence the proprietor’s case is as follows:

“3. We submit that this is a case in which “off the scale” costs should be awarded to the Proprietor in relation to its preparing evidence, considering the other side’s evidence, and preparing for and attending the oral hearing, and in support of this we will reference the following aspects of the Applicant for Invalidity’s conduct during its application:

a. *The Applicant for Invalidity's failure properly to delineate its case in its Statement of Case;*

b. *The Applicant for Invalidity's production of various evidence provided by the wrong persons, and its failure to provide evidence from the relevant persons;*

c. *The majority of the Applicant for Invalidity's evidence being filed as evidence in reply and not as evidence in chief;*

d. *The Applicant for Invalidity's submission at a late stage of new evidence including evidence containing serious and unjustified accusations of false statements and fraudulent and criminal activity aimed at both of the Proprietor's witnesses;*

e. *The Applicant for Invalidity's calling of a main witness who was, in the Hearing Officer's finding, an "evasive witness", and the Hearing Officer's decision to reject much of the Applicant for Invalidity's witness evidence;*

f. *The Applicant for Invalidity's production of evidence not written by the witnesses and with which the witnesses were unfamiliar, and the witnesses' failure to openly acknowledge this fact during cross-examination;*

g. *The failure of the Applicant for Invalidity to react to evidence (such as the Proprietor's recording of a call with Mr Shilon) by refining its case, but rather to fight all the heads leading to a two-day hearing with both parties represented by counsel. Only during cross-examination did Mr Shilon concede points; and*

h. *The application being fundamentally misconceived and without any basis in fact, this being a case decided on the facts. The Proprietor's*

success in defeating all grounds raised by the Applicant for Invalidity, both in terms of proprietorship and invalidity, leads to the conclusion that the whole application was improperly brought and prosecuted.”

5. Guidance concerning off scale costs is provided by tribunal practice notice (TPN) 4/2007, as follows:¹

“5. TPN 2/2000 recognises that it is vital that the Comptroller 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. Whilst TPN 2/2000 provides some examples of unreasonable behaviour, which could lead to an off scale award of costs, it acknowledges that it would be impossible to indicate all the circumstances in which a Hearing Officer could or should depart from the published scale of costs. The overriding factor was and remains that the Hearing Officer should act judicially in all the facts of a case. It is worth clarifying that just because a party has lost, this in itself is not indicative of unreasonable behaviour

6. TPN 2/2000 gives no guidance as to the basis on which the amount would be assessed to deal proportionately with unreasonable behaviour. In several cases since the publication of TPN 2/2000 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.

7. Any claim for cost approaching full compensation or for ‘extra costs’ will need to be supported by a bill itemising the actual costs incurred.

¹ TPN 2/2016 simply updated the scale values for costs and did not alter the guidance in TPN 4/2007 concerning costs above the usual scale.

8. Depending on the circumstances the Comptroller may also award costs below the minimum indicated by the standard scale. For example, the Comptroller will not normally award costs which appear to him to exceed the reasonable costs incurred by a party.”

The proprietor draws my attention to some examples of conduct which would amount to an award of costs above the usual scale:

“12...Some of these examples are set out at pages 214-215 of Chapter 7.5 of Michael Edenborough QC’s textbook, Contentious Trade Mark Proceedings (which is provided by way of further reading). For example, as Daniel Alexander QC outlined, in Alloro Trade Mark Application BL O/116/13, factors to consider when determining whether or not to make an off-scale costs award can include:

“the conduct of the parties, the nature of the case and whether it is self-evidently without merit, whether there have been abuses of procedure, the extent to which offers made to settle the case were unreasonably rejected and could have resulted in costs being avoided”.

6. The applicant for invalidity has made no comment with regard to the proprietor’s cost request.

7. I will take the proprietor’s points in order.

8. At (a) the proprietor submits that the applicant failed to properly outline its case until very late in the proceedings. I agree. The applicant sought to rely on eight pieces of prior art in respect of its claim under s.1B of the RDA. Just before the hearing it was reduced to three, without explanation.

9. At (b) the proprietor points to the first witness statement of Victor Jamgotchian, a witness who gave evidence of sales made to the registered design by the applicant. It was clear under cross-examination that the witness was not the person who should

have given this evidence and as a result, cross-examination was futile. I agree. The relevant person would have been the head of marketing during the period. He did not provide a witness statement and, as a result was not made available for cross-examination.²

10. At (c), the proprietor submits that the applicant provided most of its evidence as reply evidence and not as part of its substantive case. I agree. As the proprietor says:

“c...Having only provided 6 pages of witness statement evidence (with various supporting documentation) in the first round of evidence, in the second round the Applicant for Invalidity provided a further 61 pages of evidence, of which a full 42 pages were witness statement evidence.”

11. The reply evidence contained new information including the applicant’s claim that the it had arrived at the contested design, at its factory, on one particular Sunday. This was the main claim which the applicant pursued at the hearing.

12. The proprietor submits that this led to further cross-examination of an additional witness and the requirement for it to file further evidence. I agree.

13. At (d) the proprietor points to the applicant’s accusations of false statements made by the proprietor. This line of questioning concerned matters which are under the jurisdiction of the Thai Patent Office and were not matters relevant to the matter to be decided. This line of questioning was stopped at the hearing. I am not prepared to consider an off scale or higher scale award on this point as both sides made allegations about the behaviour of the other side’s witnesses. In the proprietor’s case, allegations were made concerning the conduct of the applicant’s first witness in bankruptcy proceedings in Canada. Both concerned matter extraneous to the matters to be decided and neither had convincing supporting evidence.

14. At (e) the proprietor points to my comments in the decision concerning Mr Shilon, the applicant’s witness, who I found to be evasive and of whom I said he had changed

² Paragraphs 37 and 97 of my decision refer.

his versions of events several times. It also points to inconsistencies in Mr Jamgotchian's evidence. Inconsistencies in witness testimony are not uncommon in registry proceedings and are not in and of themselves a reason for awarding off-scale costs. However, I will of course bear in mind the conduct of the applicant in this case in determining the appropriate award of costs.

15. At (f) the applicant submits that parts of the applicant's witnesses' statements were shown under cross-examination to have been written by their legal representatives. I agree, but the same can be said of the proprietor's witnesses - a point made by Mr Davis in his summing up.³ All of the witnesses on both sides had clearly had considerable assistance from their legal teams. I do not intend to make an exceptional award on this basis.

16. At (g) the proprietor relies on the following:

“g. Under cross-examination, Mr Shilon abandoned significant parts of what he said in his witness statements. For instance, at paragraphs 115 and 133, the Hearing Officer notes that, contrary to his repeated assertions in his witness statements, under cross-examination Mr Shilon accepted that Mr Cohen owned the rights in the V design for an 88-facet diamond. It became clear to the Applicant for Invalidity that key factual tenets of its case were no longer viable arguments following the adducing by the Proprietor of the recording of the meeting between Mr Shmuel Cohen and Mr Joseph Shilon in February 2019 – in particular the ownership of the V Design, but also the fact that an 88-facet diamond design was mentioned at that meeting at all. One potential justification for the awarding of ‘off the scale’ costs as set out by Michael Edenborough QC at page 214, is where there was “no commercial rationale for pursuing or continuing the proceedings”. The insistence by the Applicant for Invalidity to press ahead with arguments without rationale or justification, in the face of clear evidence to the contrary, and only to withdraw these elements during cross-examination, is another example of its unreasonable conduct in this application.”

³ See the second day transcript, Mr Davis's closing submissions – page 213, line 21 – page 216, line 9.

17. Under (h) the proprietor claims that the proceedings were improperly brought. It draws my attention to the decision in *Pooja Sweets Limited*⁴ in which the hearing officer awarded costs outwith the scale where the applicant for invalidity submitted confused and unclear pleadings and largely irrelevant evidence and where an unreasonable burden had been put on the other side and where the party had lost all of its grounds.

18. It is important to remember that simply losing a case does not warrant costs above the usual scale being awarded as a matter of course. However, I do find that the applicant's case was poorly pleaded from the outset. The case against the proprietor which was subsequently pursued was made very late in the day. Five pieces of prior art were abandoned just before the hearing. The wrong witness was put forward to answer questions regarding sales made under the contested design. The actual person responsible for this area of work was referred to at the hearing by both of the applicant's witnesses and yet was not asked to file a witness statement in support of its case and could not, therefore, be cross-examined by the proprietor. I have no doubt that the manner in which the applicant for invalidity has conducted these proceedings has led to unnecessary additional work for the proprietor.

19. The proprietor has requested costs totalling £108,024. I do not find myself in agreement with all of the reasons claimed by the proprietor as to why costs off the scale are appropriate. In a couple of cases, both sides have behaved in the same way, particularly with regard to allegations of misconduct which are in any case, outside my jurisdiction; and also on the point concerning the degree of help given to witnesses by legal advisors.

20. I do not intend to award costs on an indemnity basis. The costs will be in excess of the usual scale, but it is not appropriate to award actual costs. I find that an appropriate award in this case is £27,006. This is 25% of the costs claimed by the proprietor.

⁴ BL O/384/13

21. I order Utopia Diamonds Limited to pay Schmuel Cohen the sum of £27,006. This sum is to be paid within 21 days 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.⁵

Dated this 6th day of July 2021

**Al Skilton
For the Registrar,
the Comptroller General**

⁵ I note that an appeal has already been filed in this case.