

O/602/22

TRADE MARKS ACT 1994

SUPPLEMENTARY DECISION ON COSTS

**IN THE MATTER OF THE APPLICATION BY SWATCH AG TO
DESIGNATE INTERNATIONAL REGISTRATION NO. 1280843 FOR
PROTECTION IN THE UNITED KINGDOM AND THE OPPOSITION
THERE TO UNDER NO. 406436 BY APPLE INC.**

AND

**IN THE MATTER OF THE APPLICATION BY APPLE INC TO
DESIGNATE INTERNATIONAL REGISTRATION NO. 1210085 FOR
PROTECTION IN THE UNITED KINGDOM AND THE OPPOSITION
THERE TO UNDER NO 408364 BY SWATCH AG**

AND

**IN THE MATTER OF THE DESIGNATION OF INTERNATIONAL
REGISTRATION NO. 1279757 FOR PROTECTION IN THE
UNITED KINGDOM BY SWATCH AG AND
THE APPLICATION FOR CANCELLATION THEREOF
UNDER NO. 501645 BY APPLE INC.**

BACKGROUND

1. On 7 June 2022, I issued a decision in these proceedings (BL O/486/22). The outcome was as follows:

“143. The opposition to the application to designate IR 843 has failed and the IR will be designated for protection in the UK.

144. The application for a declaration of invalidity against IR 757 has failed and the IR will remain designated for protection in the UK.

145. The opposition to the application to designate IR 085 for protection in the UK has succeeded and the application is refused.”

2. I went on:

“146. Swatch has been successful in these proceedings and is entitled to a contribution towards its costs. Before the hearing, both parties requested an award of off-scale costs. Consequently, at the hearing I communicated my intention to seek submissions on costs following the issue of my decision on the substantive matters. Swatch should provide its submissions within fourteen days of the date of this decision and Apple has a further fourteen days to provide its submissions. I will then issue a costs decision and set the appeal period.”

3. The history of these proceedings is set out fully in my decision referenced above.¹ For the purposes of this supplementary decision, I note that a Case Management Conference (“CMC”) was held on 9 July 2021 to consider an application by Apple to amend its pleadings following the decision of the High Court in *Swatch AG v Apple Inc (ONE MORE THING Trade Marks)* [2021] EWHC 719 (Ch). I wrote to the parties on 13 September 2021 to inform them of my decision to allow Apple’s amendments and that costs for the CMC would be considered at the conclusion of the proceedings.

¹ Paragraphs 17-21.

4. On 21 June 2022, the Tribunal received submissions on costs from Swatch. It sought an award amounting to £20,650.86, consisting of an element based on the standard scale set out in Tribunal Practice Notice (“TPN”) 2/2016 and an element of off-scale costs. Apple filed its observations in reply on 5 July 2022. It submitted that off-scale costs were not warranted, made observations on the detail of Swatch’s suggested on-scale costs, and requested an award of costs relating to the CMC. I shall refer to the submissions of both parties as appropriate during the course of my decision.

Decision

5. Section 68(1) of the Trade Marks Act 1994 (“the Act”) is as follows:

“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.”

6. Rule 67 of the Trade Marks Rules 2008, SI 2008 No. 1797, states that:

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

7. Tribunal Practice Notice (“TPN”) 2/2000 sets out the Tribunal’s practice in awarding costs. It states:

“8. Users’ comments taken as a whole supported the general thrust of the present policy based upon fixed reasonable costs, provided that there is flexibility to award costs off the scale where the circumstances warrant it. The Office also believes this is the way to proceed, since it provides a low cost tribunal for all litigants, but especially unrepresented ones and SMEs,

and builds in a degree of predictability as to how much proceedings before the Comptroller, if conscientiously handled by the party, may cost them. The present policy of generally awarding costs informed by guidance drawn from a scale will therefore be retained. However, the Office envisages the necessary flexibility as going beyond the criterion of 'without a genuine belief that there is an issue to be tried' developed in the *Rizla* case. It is vital that the Comptroller has the ability to award costs off the scale, approaching full compensation, to deal appropriately with wider breaches of rules, delaying tactics or other unreasonable behaviour. The fact that this flexibility and the Comptroller's willingness to exercise it in suitable cases has been the subject of consultation and publicity means that there will have been 'an established yardstick' underpinning a change in the previous practice.

9. It would be impossible to indicate all of the circumstances in which a Hearing Officer could or should depart from the scale of costs; indeed it would be wrong to attempt to fetter his or her discretion in such a way. The overriding factor is to act judicially in all the facts of a case. That said, it is possible to conceive of examples. A party seeking an amendment to its statement of case which, if granted, would cause the other side to have to amend its statement or would lead to the filing of further evidence, might expect to incur a costs penalty if the amendment had clearly been avoidable. In another example, the costs associated with evidence filed in respect of grounds which are in the event not pursued at the main or substantive hearing might lead to an award which departs from the scale. Costs may also be affected if a losing party unreasonably rejected efforts to settle a dispute before an action was launched or a hearing held, or unreasonably declined the opportunity of an appropriate form of Alternative Dispute Resolution (ADR). A party's unnotified failure to attend a hearing would also be a relevant factor."

8. TPN 4/2007 updated and supplemented TPN 2/2000. It states:

"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 the 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."

9. In *Goya Foods Inc. v Asnakech Thomas (AMARO GAYO)*, BL O/257/18, Geoffrey Hobbs QC, sitting as the Appointed Person, considered an off-scale costs request for a withdrawn appeal. He said:

"The long established practice in Registry proceedings is to require payment of a contribution to the costs of a successful party, with the amount of the contribution being determined by reference to published scale figures. The scale figures are treated as norms to be applied or departed from with greater or lesser willingness according to the nature and circumstances of the case. The use of scale figures in this way makes it possible for the decision taker to assess costs without investigating whether or why there are: (a) disparities between the levels of costs incurred by the parties to the proceedings in hand; or (b) disparities between the levels of costs in those proceedings and the levels of costs incurred by the parties to other proceedings and the levels of costs incurred by the parties to other proceedings of the same or similar nature. The award of costs is required to

reflect the effort and expenditure to which it relates without inflation for the purpose of imposing a financial penalty by way of punishment on the paying party.”²

Swatch’s claim for on-scale costs

10. Swatch submits that the on-scale element of the award should be towards the top end of the scale, to reflect the number of grounds run by Apple, the fact that there were three interrelated proceedings, and the complexity of the issues. It suggests the following award would be appropriate:

Preparing a statement and considering the other side’s statement	£650 x 3 [i.e. pertaining to the three sets of proceedings] = £1,950
Preparing evidence and considering and commenting on the other side’s evidence	£2,200
Preparing for and attending a hearing	£1,600 (since the hearing lasted a full day)
Expenses	£100 [reimbursement of official fee in opposition no. 408364]
SUB-TOTAL (SCALE COSTS)	£5,850

11. Apple makes the following observations on Swatch’s submissions relating to on-scale costs:

- The three sets of proceedings were interrelated and had been consolidated from the outset. This meant that there was a single set of evidence, a single set of submissions and a single hearing. Therefore, there should be only one set of scale costs;
- £650 was reasonable for preparing and considering the statement of grounds;
- £1600 was reasonable for preparing for and attending the main hearing;
- £2200 was not reasonable for preparing evidence and considering and commenting on the other side’s evidence, given that Swatch’s evidence consisted of the results of internet searches. Apple proposed £500.

² Paragraph 13.

12. The proceedings consisted of an opposition and application for invalidation brought by Apple against Swatch, and an opposition brought by Swatch against Apple. The first two of these were based on the same grounds and claims, with the exception of a section 56 claim that was only brought in the opposition to Swatch's trade mark application. The remaining grounds were sections 5(2)(b), 5(3), 5(4)(a) and 3(6). The statement of grounds in each action was largely identical, as was Swatch's counterstatement. Swatch's opposition to Apple's application was brought under section 5(2)(b) only. The current scale for costs for preparing a statement and considering the other side's statement is £200-£650.³ I consider that it is not reasonable to award three sets of costs at the top of the scale, as two statements were largely identical and the third considerably less complex. In its TM7, Swatch, as it was entitled to do, did nothing more than fill in the required identifying details and tick the relevant boxes. I will therefore award one portion of costs at the top of the scale in respect of the first and second statement of grounds, and another at the bottom for Swatch's opposition. I award **£850** as a contribution to the costs of preparing statements and considering the other side's statements.

13. I agree with Apple that, in light of the evidence filed by Swatch, £2200 is excessive. I also note that Swatch made no submissions during this stage of the proceedings. I award **£500** as a contribution to the cost of preparing evidence and considering and commenting on the other side's evidence.

14. As the hearing was lengthy, I will award **£1600** as a contribution to these costs.

Swatch's claim for off-scale costs

15. Swatch's request for off-scale costs is based on its submissions that Apple's application to make what it describes as extensive amendments to its bad faith pleadings "*at a very late stage in the proceedings*" resulted in substantial cost and inconvenience to Swatch and constituted unreasonable behaviour. It submits that it would be appropriate to issue an award approaching full compensation in respect of the following costs it states were directly incurred as a result of the amendments:

³ TPN 2/2016.

Date	Description of work done	Hours + rate	Charge
14 July 2021	Review and consider Apple's application for amendment to pleadings, discuss strategy with counsel; advise; reply to client	2.9 hours @£398	£1,154.20
16 July 2021	Reply to client with outline of expected next steps in proceedings	0.3 hours @£398	£139.30
23 July 2021	Prepare written submissions to the UKIPO; forward draft for client's review and approval; file at UKIPO; report to Swatch	2 hours @£398	£796
11 August 2021	Report CMC appointed to further discuss pleadings amendments	0.70 @ £398	£278.6
12 August 2021	Consider, prepare reply; discuss with counsel and consider possible attendance at CMC	0.90 @ £398	£358.20
16 August 2021	Review UKIPO correspondence; report to client; reply to UKIPO confirming attendance at hearing	0.65 @ £398	£258.10
7-8 September 2021	Reviewing Apple's skeleton argument; preparing for and attending CMC	7.80 @ £398	£3,104
14 September 2021	Review UKIPO correspondence, report outcome of CMC and recommended next steps	2.05 @ £398	£815.90
30 September 2021	Consider evidence filed in case; review and consider potential evidence strategy after amends to Apple's pleadings; advise client	3.20 @ £398	£1,273.60
18 & 30 November 2021	Advise further in relation to potential evidence strategy	2.02 @ £398	£805
	SUB-TOTAL		£8,982.90
	VAT @ 20%		N/A
	GRAND TOTAL		£8,982.90

16. It also submits that the amendment of the bad faith grounds required significant additional time to be spent on preparation for the hearing and at the hearing itself. Swatch calculates the time spent on bad faith by taking the proportion of the skeleton arguments devoted to this ground: 41% of Apple's, 53% of Swatch's. It also acknowledges that some of this argument would have been necessary if Apple's amendments had not been accepted or if, it submits, they had been more focused, and so considers that 30% of its actual costs would be an appropriate award.

Date	Description of work done	Hours + rate	Charge
1-8 March 2022	Instructing counsel and assisting counsel with skeleton argument	4.1 hours @ £398	£1,631.8
16 July 2021	Reviewing Apple's skeleton argument, liaising with counsel and preparations for hearing	3 hours @ £398	£1,194
23 July 2021	Attendance at substantive UKIPO hearing	6.3 hours @ £398	£2,507.40
	SUB-TOTAL		£5,333.20
	VAT @ 20%		N/A
	APPORTIONED AT 30%		£1,599.96

Counsel (Jonathan Moss [year of call: 2009])

Brief fee for attendance at UKIPO hearing, including preparation of skeleton arguments		£14,060
VAT @ 20%		N/A
SUB-TOTAL		£14,060
APPORTIONED AT 30%		£4,218

17. Apple submits that there should be no award of off-scale costs. It argues that such an award requires unreasonable conduct or an abuse of process to be demonstrated. In particular, Apple submits that it has not breached any applicable rules or behaved unreasonably, that it made good faith attempts to settle the proceedings, the grounds of opposition were of “*an entirely normal and standard kind*” and that its case was not self-evidently without merit.

18. Apple further notes that it had been successful in its application to amend its statement of grounds following the decision of the High Court in *Swatch AG v Apple Inc* [2021] EWHC 719 (Ch) and that, although Swatch had been offered the opportunity to file evidence and submissions in response to the amendments, it had declined to do so. Apple continues:

“If anything, what is unreasonable is Swatch’s attempt to argue against the pleading amendments a second time. Indeed, Swatch is transparent about this, accepting in the Swatch Observations (p. 4) that: ‘*The basis on which we submit the manner in which Party B sought to amend its pleadings constituted “unreasonable behaviour” was essentially already set out in our*

written submissions dated 23 July 2021". That refers to Swatch's submissions opposing the amendments, which were already rejected by the Hearing Officer.

The criticisms of the pleading on bad faith were already rejected in the CMC Decision: and the inferential pleading was only necessary because Swatch refused to adduce any positive evidence or pleading as to its own knowledge and intentions There was nothing unreasonable about pleading an inferential (and well-particularised) case of bad faith in these circumstances."

19. I do not consider that Apple's conduct in these proceedings was unreasonable. As I explained in my letter after the CMC of 9 July 2021, it was the Tribunal that suspended these proceedings to await the outcome of the appeal to the High Court. At the CMC, Swatch did not give me any examples of the prejudice that they would be likely to suffer if the pleadings were amended as requested. I noted that I could not conceive of any that could not be compensated for, if appropriate, in any costs award.

20. I acknowledge that one of the examples given in TPN 2/2000 as potentially warranting an award of off-scale costs is the amendment of pleadings, if this causes the other side to amend its statement or file further evidence. These were options that I extended to Swatch but it chose not to do either of them.

21. The table reproduced in paragraph 15 above is an itemised list of costs associated with the CMC and considering whether to file any evidence. I accept that the amendments made to the pleadings were extensive and had to be considered by Swatch, but in my view this does not warrant going off the scale. I therefore award Swatch a further **£500** in scale costs for considering Apple's statement.

22. I also accept that the amendments resulted in a significantly longer hearing than might have originally been expected and that this required additional preparation on the part of Swatch. I have already awarded £1600 to cover the costs of preparing for and attending the hearing. Without the amendments, it is unlikely that the hearing

would have lasted longer than the half day originally scheduled, and so this sum already takes the impact of the amendments into account.

23. I have considered Swatch's submissions that the lack of focus in Apple's bad faith arguments increased its costs. Swatch made a choice about its approach to the amendments, as I have already noted. It was open to it to amend its own pleadings and file evidence, which may have assisted in focusing the submissions at the time of the hearing.

Apple's request for costs covering the CMC

24. I had reserved the question of costs for the Case Management Conference ("CMC") until the end of the proceedings and Apple submitted that, as it had been successful, it should be awarded the costs of that hearing and of the application to amend its pleadings. It seeks the sum of £1450, which is comprised of £800 for preparing and attending a hearing and £650 for the preparation of the amended statement. Alternatively, it submits that Swatch should not be awarded any of its costs for the CMC, and which are outlined in the table reproduced in paragraph 15.

25. While I accept that Apple was the successful party at the CMC, I do not think that it follows that it should receive an award of costs in relation to the preparation of the amended statement. Swatch was, after all, successful on the substance of all the grounds pleaded. However, I will make an award of **£400** in favour of Apple as a contribution towards the work required in preparation for, and attendance at, the CMC.

Costs award

26. I make an award to Swatch of £3150, which is calculated as follows:

<i>Official fee for Opposition No. 408364</i>	<i>£100</i>
<i>Preparing statements and considering Apple's statements</i>	<i>£850</i>
<i>Considering Apple's amended statements</i>	<i>£500</i>

<i>Preparing evidence and considering Apple's evidence</i>	<i>£500</i>
<i>Preparing for and attending the main hearing</i>	<i>£1600</i>
<i>Offset by award to Apple for CMC</i>	<i>-£400</i>
<i>TOTAL</i>	<i>£3150</i>

27. I order Apple Inc to pay Swatch AG the sum of **£3150**. This sum is to be paid within twenty-one days of the expiry of the appeal period, which I hereby set to begin on the date of this supplementary decision, or within twenty-one days of the final determination of this case if any appeal against this decision is unsuccessful.

Dated this 13th day of July 2022

**Clare Boucher
For the Registrar,
Comptroller-General**