O-342-11

TRADE MARKS ACT 1994

SUPPLEMENTARY DECISION IN RELATION TO COSTS

IN THE MATTER OF APPLICATION NOS 2512392 AND 2512470
BY ALISON J HENDRICK
TO REGISTER THE TRADE MARKS:

AND

Artjunkie

IN CLASSES 24 AND 25
AND
THE CONSOLIDATED OPPOSITIONS THERETO
UNDER NOS 99597 AND 99437
BY TONY KNIGHT
AND
REGISTRATION NO 2518310 OF THE TRADE MARK:

Death before Dishonour

IN THE NAME OF TOO FAST TO LIVE TO YOUNG TO DIE APPAREL CO
AND THE APPLICATION FOR INVALIDATION THERETO UNDER NO 83630
BY ALISON J HENDRICK

1) On 1 September 2011 a substantive decision was issued in relation to these proceedings. In that decision, in relation to costs, it was decided as follows:

> "305) Ms Hendrick having been successful in all three cases is entitled to a contribution towards her costs. Ms Bashir considered that owing to the behaviour of Mr Knight the costs awards should be outwith the scale. Tribunal Practice Notice 4/2007 states:
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> > "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
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> > 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.
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> > 7. Any claim for cost approaching full compensation or for "extra costs" will need to be supported by a bill itemizing the actual costs incurred.
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> > 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."
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> The Civil Procedure Rules considers the criteria that have to be considered in relation to an award of costs on an indemnity basis:
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> > "Rule 44.4(3)—Costs on the Indemnity Basis The Court of Appeal declined to give guidance to judges intending to make orders for costs on the indemnity basis. There was an infinite variety of

situations that might go before a court justifying the making of such an order. The court could do no more than draw the judge's attention to the extensive width of the discretion provided in CPR Pt 44. Issues of costs ought to be left to a judge's discretion following the rules provided in the CPR. The words of the CPR should not be replaced or supplemented with guidance notes from the Court of Appeal. The making of a costs order on the indemnity basis would be appropriate in circumstances where the facts of the case and/or the conduct of the parties was such as to take the situation away from the norm: Excelsior Commercial and Industrial Holdings Ltd v Salisbury Ham Johnson and Betesh & Co v Salisbury Hammer Aspden & Johnson [2002] EWCA Civ 879. Following Excelsior Commercial and Industrial Holdings it is appropriate to award costs on the indemnity basis where the conduct of a party has taken the situation away from the norm. It is not always necessary to show deliberate misconduct, in some cases unreasonable conduct to a high degree would suffice. The claimant's refusal of two reasonable offers to settle would have been enough in itself to warrant an order on the indemnity basis (Franks v Sinclair (Costs) [2006] EWHC 3656 (Ch) David Richards J.). Where the court is considering whether a losing party's conduct is such as to justify an order for costs on the indemnity basis, the minimum nature of the conduct required is, except in very rare cases, that there has been a significant level of unreasonableness or otherwise inappropriate conduct in its wider sense in relation to that party's pre-litigation dealings with the winning party, or in relation to the commencement or conduct of the litigation itself. In a case where a counterclaiming defendant alleged fraud which was shown to be deeply flawed from the very commencement of the counterclaim, and where the allegation rested on an assumption which was so improbable as to be far fetched, the court made an order for costs on the indemnity basis: National Westminster Bank Plc v Rabobank Nederland [2007] EWHC 1742 (Comm),Sir Anthony Colman. A losing claim where the claim had a solid basis and was not a frivolous one, and where the claimant's pre-action activity had not overstepped the mark, did not result in an award of costs on the indemnity basis. The claimant's expert evidence however, was deficient and led to unnecessary costs being incurred by the defendant. The court ordered that the costs incurred in respect of counsels' and solicitors' attendance on specific days, and the costs attributable to dealing with the expert evidence were to be assessed on the indemnity basis. Balmoral Group Ltd v Borealis (UK) Ltd [2006] EWHC 2531 (Comm) Christopher Clarke J. Following Excelsior v Salisbury the suggestion that an award of costs of an interlocutory application had to follow the event unless the matters specially set out in r.44.3(4) took the case outside the general rule was rejected:

Lifeline Gloves Ltd v Richardson [2005] EWHC 1524, Ch, Pumfrey J. An order for indemnity costs does not enable a claimant to receive more costs than he has incurred, its practical effect is to avoid the costs being assessed at a lesser figure. Even on the indemnity basis the receiving party is restricted to recovering only the amount of costs which have been incurred. (Petrotrade Inc v Texaco Ltd [2001] 4 All E.R. 86; [2002] 1 W.L.R. 947 (Note), CA). A party who has acted throughout on professional advice is not guilty of conduct such as to merit an award of indemnity costs. There is no sound reason why parties litigating on issues of costs should be more vulnerable to an order for costs on the indemnity basis: Zissis v Lukomski [2006] EWCA Civ 341.When considering an application for the award of costs on the indemnity basis the court is concerned principally with the losing party's conduct of the case rather than the substantive merits of the position. The Guide to the Summary Assessment of Costs helps to clarify the distinction for the purposes of CPR Pt 44 between proportionality and reasonableness. Proportionality concerns the relationship of the costs claimed for such things as the amount of money at stake in the proceedings, the importance of the case, the complexity of the issues and the means of the parties. Whether the costs, proportionate or not, were reasonably incurred is therefore a different question. Although the two may overlap, the object of an indemnity costs order is to take proportionality out of the picture and to place on the paying party the burden of persuasion as to reasonableness: Simms v Law Society [2005] EWCA Civ 849; (2005) 155 N.L.J. 1124.The Court of Appeal has held that it is incorrect for a judge to be guided by the many pre CPR cases. The award of costs on the indemnity basis is normally reserved to cases where the court wishes to indicate its disapproval of the conduct in the litigation of the party against whom the costs are awarded: Reid Minty v Gordon Taylor [2001] EWCA Civ 1723; [2002] 2 All E.R. 150, CA. In group litigation where the defendants mounted a full frontal attack on medical evidence underpinning field research programmes which they themselves had helped to set up, the judge found that the defendants' experts, had lost intellectual and professional credibility. The court found that the decision to continue the challenge through the defendants' experts after the claimant's experts had completed their evidence amounted to unreasonable conduct of the litigation. Therefore on the generic medical issues it was directed that the defendants should pay the costs on the indemnity basis, whereas in respect of all other issues, in the cases where the claimants succeeded, costs should be on the standard basis: The British Coal Respiratory Disease Litigation, Re, January 23, 1998, unrep., Turner J. Where cross-examination of a claimant took the form of a totally uncalled for personal attack, the court

made an order for costs on the indemnity basis in favour of the claimant for that portion of the trial, Clark v Associated Newspapers Ltd [1998] 1 W.L.R. 1558; The Times, January 28, 1998, Lightman J.Where a party to litigation acted in a way that could be described as disgraceful or deserving of moral condemnation an order for costs on the indemnity basis could be made: Wailes v Stapleton Construction & Commercial Services Ltd; Wailes v Unum Ltd [1997] 2 Lloyds' Rep. 112, Newman J. Where claimants brought proceedings for an account of the defendant's dealings with the estate of the deceased and abandoned 9 out of 13 claims for damages during the course of the proceedings, the remainder of which were lost, it was held to be appropriate to order costs on the indemnity basis. Mahmey Trust Reg v Lloyds TSB Bank Plc [2006] EWHC 1782, Ch, Evans-Lombe J.A judge was wrong to award costs on the indemnity basis against a claimant who had not acted improperly in availing himself of the opportunity presented by statute to apply to the court. The claimant had made an application under the provisions of s.263 of the Insolvency Act 1986. The application had failed on the basis that the claimant had no sufficient interest to make the application. The Court of Appeal found the claimant had not acted improperly and that the costs should be on the standard basis; Raja v Rubin [2000] Ch. 274; [1999] 3 W.L.R. 606, CA.If a judge considers that a party has acted unreasonably in connection with the litigation in breach of a direction of the court, it might be appropriate to make an order for costs on the indemnity basis against that party, or to exercise the power to award interest on damages at a much higher rate than usual. Baron v Lovell [2000] P.I.Q.R. P20; The Times, September 14, 1999, CA.The decisions of the Court of Appeal in Raja v Rubin and Baron v Lovell (above) show that the court had been concerned with some part of the paying party's conduct of the litigation which merited the disapproval of the court. The usual order on the standard basis should be made unless there is some element of a party's conduct of the case which deserves some mark of disapproval. It is not just to penalise a party for running litigation which it has lost. Advancing a case which is unlikely to succeed or which fails in fact is not a sufficient reason for an award of costs on the indemnity basis: Shania Investment Corp v Standard Bank London Ltd November 2, 2001, unrep.Failure by a claimant to send a letter before action to the defendant, or to give any other warning of the intention to commence proceedings resulted in an order for costs on the indemnity basis against the claimant. The court stated that the letter before action is at least as necessary under the CPR as under the former rules: Phoenix Finance Ltd v Federation Internationale de L'Automobile [2002] EWHC 1242 (Ch), Sir Andrew Morritt V.-C. A party who presented a

petition to wind up a company without first presenting a statutory demand in circumstances, where the petitioner knew there was a serious dispute over the quality of the goods supplied, was ordered to pay the costs on the indemnity basis. The presentation of a petition in those circumstances was an abuse of process (Company (No.2507 of 2003), Re [2003] EWHC 1484 (Ch)). A claimant who sought to "park" the proceedings, while attempting to negotiate a settlement, by pursuing the hopeless appeal was ordered to pay costs on the indemnity basis as the claimant's conduct was an abuse of process: Sodeca SA v NE Investments Inc [2002] EWHC 1700 (QB), Toulson J. Where a judge made an order for costs on the indemnity basis, having been misled as to the status of a Pt 36 offer the Court of Appeal intervened to substitute an order for costs on the standard basis: Nash (t/a Elite Carcraft) v Daniel [2002] EWCA Civ 1146.The court also had the power, in attempting to achieve pragmatic fairness, to order that interest on costs should run from a date before the principal judgment in the action. The court could find no power in CPR to adjust the rate of interest that fell to be awarded: ABCI v Banque Franco-Tunisienne (Costs) [2002] EWHC 567 (Comm) HHJ, Chambers QC.If a (commercial) party embarks upon, or brings upon itself and pursues, large scale litigation which results in a resounding defeat involving the rejection of much of the evidence adduced in support of its case that provides a proper basis on which to award costs on the indemnity basis. In the particular case the claimant had conducted itself throughout the relevant events on the basis that its commercial interest took precedence over the rights and wrongs of the situation and it was prepared to risk the outcome of the litigation: Amoco UK Exploration Co v British American Off-Shore Ltd, November 22, 2001, unrep., Langley J.Accountants who successfully defended an action sought to rely on a clause in the claimant's articles of association, indemnifying auditors of companies against any liability incurred in defending any proceedings, as entitling them to an order for costs on the indemnity basis in those proceedings. The court held that any contractual right which the defendant might have was not formally an issue in the proceedings and they were not therefore entitled to their costs on the indemnity basis: John v PricewaterhouseCoopers (formerly Price Waterhouse) [2002] 1 W.L.R. 953, Ferris J.; Gomba Holdings Ltd v Minories Finance, [1993] Ch. 171, CA, distinguished.Following the above judgment the defendants submitted that they were contractually entitled to be indemnified from the assets of each of the companies against the costs incurred in defending the proceedings. The court refused the application since no such application had been made at the time the judgment had been handed down. As to deferment of the issue of costs the court's jurisdiction under s.51 of the Supreme Court Act

> 1981 [>>Text] was exhausted. It was open to the defendant to seek to recover the costs in separate proceedings: John v PriceWaterhouseCoopers (Costs) [2002] 1 W.L.R. 953, Ferris J."
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> 306) Mr Knight has constantly flouted the rules and directions. He has falsified evidence. His behaviour throughout the proceedings is such that an award of costs on an indemnity basis is considered appropriate.
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> 307) Consequently, Murgitroyd & Company have three weeks from the date of this decision to give a breakdown of the costs incurred by Ms Hendrick in these proceedings. If possible the costs in relation to the application for invalidation and the consolidated oppositions should be separated. However, if this is not possible an estimate as to the proportion of costs relating to the application for invalidation and the opposition proceedings should be given.
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> 308) A copy of the breakdown should be sent to Mr Knight, who will have two weeks from the date of sending of the breakdown to comment upon the quantum of costs and the quantum of costs only. Owing to the problems that have arisen with the sending of correspondence and documentation to Mr Knight, the copy of the breakdown should be sent by e-mail, ordinary post and recorded delivery.
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> 309) Once the time for Mr Knight to comment upon the quantum of the costs has expired a supplementary decision will be issued in relation to the costs. The appeal period for the substantive decision will run from the date of the issue of the supplementary decision."

2) On 21 September 2011 a breakdown of costs was received from Murgitroyd & Company, a breakdown which was copied to Mr Knight. No comment upon the quantum of costs has been received from Mr Knight in the time allowed.

3) An enquiry was sent to Murgitroyd & Company by the Intellectual Property Office in relation to whether Ms Hendrick could reclaim VAT; which would affect the amount of the costs awarded. Murgitroyd & Company advised that Ms Hendrick could not reclaim VAT. Consequently, the VAT element of the costs will be included in the award.

4) Murgitroyd & Company have not given an estimate of the proportion of costs arising separately from the opposition and invalidation proceedings. Viewing the breakdown of costs it does not seem possible to separate the proceedings in terms of costs. Consequently, it is considered appropriate to divide the costs of the proceedings by two, after taking into account the fee for invalidation paid by Ms Hendrick.

5) In the substantive decision the status of Mr Knight in the invalidation proceedings was considered:

> "271) I wrote to the parties prior to the hearing re the legal status of the registered proprietor:
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> > "In relation to the invalidation the registration is in the name Too Fast To Live To Young To Die Apparel Co, this does not appear to be a legal entity. Only a legal entity can hold property and only a legal entity can be a party in proceedings. It is noted that there is now a registered company with the name Too Fast To Live Too Young To Die Ltd but this has a date of incorporation of 12 November 2010, so cannot have been the applicant for registration; the application having been made on 11 June 2009. It would appear, therefore, from all of the correspondence and evidence, that Too Fast To Live To Young To Die Apparel Co is a trading name of Mr Knight and should be treated as such. (It is also noted that in the statement of grounds in respect of opposition no 99437 Mr Knight states that he owns and manages the Death Before Dishonour brand.) The parties are invited to make submissions on this matter at the hearing."
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> At the hearing Mr Knight accepted that Too Fast To Live To Young To Die Apparel Co was him. Mr Knight will be treated as the registered proprietor and Too Fast To Live To Young To Die Apparel Co as a trading name. (A non-legal entity could neither apply for a trade mark nor defend an application for invalidation.) This means that Mr Knight is a party to the invalidation proceedings and will be liable for any costs award made against him."

Consequently, the award of costs in relation to the invalidation application is made against Mr Knight.

6) Having considered the breakdown of costs, it is considered appropriate to award the full amount requested by Murgitroyd & Company, £22,312.09.

7) In relation to the application for invalidation Mr Tony Knight is ordered to pay Ms Alison J Hendrick the sum of £11,256.04. In relation to the opposition proceedings Mr Tony Knight is ordered to pay Ms Alison J Hendrick the sum of £11,056.05. These sums are to be paid within seven days of the expiry of the appeal period or within seven days of the final determination of the cases if any appeal against this decision is unsuccessful.

8) The period for appeal against the substantive decision runs concurrently with the period for appeal against this supplementary decision.

Dated this 10 day of October 2011

David Landau
For the Registrar
the Comptroller-General