

## O-116-13

TRADE MARKS ACT 1994

IN THE MATTER OF APPLICATION NO 2454142

BY ALLORO RESTAURANTS LIMITED TO REGISTER THE MARK

ALLORO IN CLASS 43

AND IN THE MATTER OF OPPOSITION THERETO UNDER NO 96511

BY ALLORI LIMITED

AND IN THE MATTER OF REGISTRATION NO 2416357 IN THE NAME OF

ALLORI LIMITED IN RESPECT OF A DEVICE MARK ALLORI IN CLASSES 17,

35, 37, 39 AND 43

AND AN APPLICATION FOR A DECLARATION OF INVALIDITY THERETO

UNDER NO 83459 BY ALLORO RESTAURANTS LIMITED

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### DECISION

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#### INTRODUCTION AND BACKGROUND

1. This appeal is brought from the Supplementary Decision on Costs dated 20 February 2012 whereby Mr Mark Bryant, the Hearing Officer, for the Registrar ordered that Allori Limited (AL) should pay Alloro Restaurants Limited (ARL) the sum of £2900 by way of costs in respect of the respective oppositions and applications for invalidity. The Hearing Officer, who, in his main substantive decision, had invited written submissions on the issue of off-scale costs, decided that the circumstances did not warrant such an award. ARL appeals.

2. The underlying dispute may be briefly summarized. ARL is part of the A-Z Restaurants Limited group. A number of well-known restaurants in London are part of this group including, Aubergine, Zafferano and Memories of China. Alloro, now part of the group, has been an up-market Italian restaurant in Mayfair since about 2000. It has developed a good reputation among critics (to such an extent that there is some surprise in one of the reviews that it has not yet received a Michelin star). The restaurant did not apply for registration of the mark ALLORO when it started trading but only did so (in respect of restaurant café bar and catering services) following new management on 30 April 2007.

3. The fact that registration was not obtained earlier has, in a sense, been the ultimate source of this dispute because over a year before ARL's application, AL had itself registered the mark ALLORI (as of 11 March 2006) in respect of, *inter alia*, "Services for providing food and drink" in class 43 and certain other food retail services in class 35. Indeed, there is a continuing dispute concerning alleged non-use of the ALLORI mark.

4. However, the trade mark applications and registrations led to AL opposing ARL's ALLORO application on the grounds of confusing similarity with AL's earlier ALLORI registration. AL's reasons for opposing the mark as given in its grounds of opposition were that, even though ARL was not presently trading in the area of AL's Shipston-on-Stour retail food outlets "the situation could change and the manifest similarity between "Alloro" and "Allori" would cause confusion in the minds of the public generally and our customers in particular". They also said that if they were to open outlets in the area in which the applicant traded (Mayfair) "similar confusion would arise."

5. Unsurprisingly, this opposition was therefore met by ARL subsequently applying partially to invalidate AL's ALLORI registration on the s.5(4) grounds (passing off), relying on the earlier goodwill built up mainly from running the ALLORO restaurant well before the ALLORI registration.

6. The Registrar indicated informally that AL's opposition to ARL's earlier ALLORO registration was likely to succeed. In consequence, to protect its position ARL would have had to put some effort into trying to get AL's ALLORI mark invalidated. It appears that they did so. ARL filed evidence concerning its good will, exhibiting restaurant reviews and directory entries. Its evidence included a statement from the Evening Standard's well known restaurant critic, Fay Maschler, who spoke to the goodwill attaching to the ALLORO restaurant and exhibited an early review of the restaurant while under previous management.

7. AL's main answer to ARL's s.5(4) case was to say that ARL had not adequately proved its goodwill. AL observed that the evidence from members of the public was wanting and made certain observations on the review evidence. AL's evidence and submissions also expressed concern as to the impact on AL's business of the ALLORO registration.

8. The Hearing Officer found ARL's evidence of goodwill and reputation persuasive up to a point and, in his substantive decision, he summarized his conclusion on the evidence of good will in the following way:

42) To summarise, I find that the restaurant business identified by the ALLORO name has a protectable goodwill in at least the London area. This goodwill is in relation to *restaurant services* and I find it does not extend to *bar services* or to the broader services of *provision of food and drink*, other than those covered by the description *restaurant services*. This was the position at both of the material dates.

9. He went on to consider the s.5(4) objection in respect of the particular services of AL's registration as follows:

45) I find it convenient to consider the level of similarity between the services in which ARL has goodwill, namely *restaurant services*, and the services that it attacks in AL's application, by splitting AL's services into the following three groups:

i) *Services for providing food and drink*

ii) *wholesale services connected with the sale of meat, fish, poultry and game; retail services connected with the sale of meat, fish, poultry and game; wholesale green grocery services connected with the sale of vegetables, fresh fruits, garden, market garden and farm produce; retail green grocery services connected with the sale of vegetables, fresh fruits, garden, market garden and farm produce*

iii) *Temporary accommodation*

46) In respect of AL's *services for providing food and drink*, such services include the provision of food and drink in a restaurant. As such, the term must be considered as including the services for which ARL has demonstrated a protectable goodwill. Whilst there is no need for common field of activity (*Lego Systems A/S v Lego M Lemelstrich Ltd* [1983] FSR 155), it is significant that these respective services overlap.

47) In respect of the various wholesale and retail services, Mr Longstaff referred me to Mr Singer's comments, in his second witness statement, where he claimed that because of developments in the food and drinks industry, it more likely that associated businesses will be assumed to come from same undertaking. This comment was supported by highlighting *Carluccio's* as an example of a business providing both restaurant services and the services of a delicatessen and also the fact that one of ALLORO's sister restaurants ZAFFERANO also has a delicatessen of the same name. Whilst I accept that such business models exist, I do not believe it is a model commonly adopted by the restaurant trade. Certainly, these two examples are insufficient to demonstrate otherwise. With this in mind, and acknowledging that there are some differences between the marks, leads me to conclude that there would be no misrepresentation and no damage if AL were to conduct wholesale or retail activities relating to food and drink in the same locality in which ARL's goodwill extends.

48) In respect of AL's *temporary accommodation*, Mr Longstaff argued that there is a long standing association between hotels and restaurants and many private members' clubs offer both restaurants and bedrooms. Whilst I accept that the great majority of hotels also provide restaurant services, it does not follow that the consumer familiar with the goodwill associated with the ALLORO restaurant business will, upon seeing temporary accommodation services identified by the ALLORI mark, will assume that the businesses are linked. In fact, I do not believe this is the case. The business identified by the ALLORO mark has no goodwill or reputation in respect of temporary accommodation, it is a standalone restaurant. There is no evidence to demonstrate that it is common for such individual restaurants also to include the provision of temporary accommodation in its business model. As such, and taking account of the respective marks involved, I conclude that AL's use of its mark in respect of temporary accommodation would be unlikely to result in misrepresentation and damage to ARL.

49) In summary, taking account of the similarity between the marks and that, in relation to ARL's *restaurant services* and AL's *services for providing food and drink* the respective services are, in part, identical, I find that AL's use of its mark ALLORI (and device) in London would constitute a misrepresentation and that such misrepresentation would be liable to cause damage to ARL's local goodwill. Consequently, such use would have been contrary to law. In the absence of a voluntary restriction, this finding is sufficient to engage the ground of refusal set out in Section 5(4)(a) of the Act. The application for invalidation is therefore successful in respect of AL's *services for providing food and drink*. However, it fails in respect of the other services attacked by ARL.

10. The nub of the case was therefore that ARL had shown that it had goodwill in restaurant services which (being an aspect of the provision of food and drink) would have led to passing off if the mark ALLORI were used for those specific services. The overall consequence of this decision was that, while the application for invalidation was only partially successful, it sufficiently limited the scope of AL's earlier mark so that it no longer acted as a bar to registration of ARL's ALLORO mark.

11. However, the argument that ARL had shown that it had goodwill in services for providing food and drink generally was rejected: the application for invalidation related to a wide range of the services for which AL had registered its ALLORI mark, whereas ARL's was only able to show goodwill and reputation with respect to restaurant services. AL was legitimately entitled to argue that even if the application for invalidation succeed for some, it should not succeed for all of the services in issue. This is not therefore a case in which AL's stance overall was manifestly unsustainable.

12. Without prejudice proposals were made to settle the dispute at an earlier stage but they came to nothing. ARL contends that one of its proposals for resolving the matter would have been more favourable to AL had it been accepted than the ultimate substantive decision. This gives rise to one of the grounds upon which off-scale costs are sought.

**LAW**

**Off-scale costs**

13. Rule 67 of the Trade Mark Rules 2008 provides:

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

14. Tribunal Practice Note TPN 2/2000 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 the 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 proportionately 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 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.

15. Tribunal Practice Note TPN 4/2007 refers to TPN 2/2000 and 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 publishes 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.

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.

16. The decision maker is therefore entitled to take into account a wide range of factors in considering the costs to be awarded and whether they should be off-scale.

17. These 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. There is no rigid formula, although the paradigm case for off-scale costs will involve breaches of rules, delaying tactics or unreasonable behaviour. Reasonable people can differ as to how unreasonable behavior must be before it is appropriate to depart from the usual scale of costs.

**Appeals from decisions on costs**

18. In my view, the cautious approach to appellate review of decisions of Hearing Officers involving multi-factorial evaluations applies just as much to awards of costs. Robert Walker LJ (as he then was) said of such substantive appeals:

"...an appellate court should in my view show a real reluctance, but not the very highest degree of reluctance to interfere in the absence of a distinct and material error of principle" (*Reef Trade Mark* [2003] RPC 5 at [28]; see also *BUD Trade Mark* [2003] RPC 25).

**THE DECISION ON COSTS AND THE GROUNDS OF APPEAL**

19. The Hearing Officer considered ARL's application for costs under three heads: (i) the interlocutory hearing concerning without prejudice material; (ii) the impact of earlier offers and (iii) the costs of the main hearing.

**(i) Interlocutory Hearing**

20. First, as to the costs of an Interlocutory Hearing to determine whether reference that had been made to without prejudice material in AL's evidence should be excised, the Hearing Officer held that AL's stance had been misguided but that it was motivated by a genuine intention to show ARL in a true light. He held that this had not been done because of an intention to delay proceedings or increase costs. He therefore held that scale costs were appropriate and he awarded a total of £400 in respect of the interlocutory hearing.

21. ARL contends that AL's representative should have known what constituted without prejudice (and without prejudice save as to costs) matter which should not have been included. ARL contends that Langard Lifford Hall, a firm of accountants who were helping AL in the case should have known about the distinction bearing in mind the legal experience which it was said that the firm had.



22. I am not persuaded that the precise status or experience of AL's representative is a particularly relevant factor in this case. Of greater relevance is whether, on the facts, the applicant's conduct, including that of its representative in including this material and not conceding that redactions should be made to the evidence to excise it, with the result that a telephone hearing was necessary was so unreasonable as to attract off-scale costs.

23. On this issue, reasonable people may differ. However, as an appellate tribunal, I pay particular attention to the findings of the Hearing Officer that there was no intention to delay or to increase costs, a matter not challenged on this appeal. I also have regard to the fact that ARL itself referred at least to the existence of without prejudice communications in certain of its submissions to the IPO and that, from the unredacted material provided, AL appears to have been in some doubt as to whether certain documents were properly to be regarded as without prejudice. I also have regard to the fact that the Tribunal Practice Notes are clear in saying that merely being held to be wrong does not justify off scale costs. The Hearing Officer did not regard AL's conduct in defending the application to remove the without prejudice material as so obviously wrong as to merit off-scale costs and I am unable to say that he erred in principle or was plainly wrong in that assessment. While others may have exercised their discretion more adversely to AL, his decision was within reasonable bounds of discretion. I therefore reject this ground of appeal.

**(ii) Settlement proposals**

24. The second basis upon which it was contended that off-scale costs should be awarded was that ARL had made settlement offers at an early stage of proceedings which, overall, were more favourable to AL than the ultimate decision of the Registrar. ARL does not contend that this is a core issue but invites some consideration of the point.

25. The Hearing Officer considered this argument in his decision and said, at paragraph 11, that while AL's representative may have been misguided in its dismissal of ARL's settlement proposals, he was "satisfied that it was done in the belief that AL

would ultimately be successful in the proceedings.” He went on to say that having regard to AL’s belief in the arguability of its position, “AL’s rejection of the settlement proposals was not unreasonable” even if possibly misguided. He therefore declined to award off scale costs.

26. ARL contends that the Hearing Officer failed adequately to take account of the fact that the settlement proposal from ARL was more favourable than the ultimate decision. I am unpersuaded that he took no account of this since he specifically referred to this in his Decision. ARL also contends that AL ought to have appreciated that the material concerning its reputation would have resulted in its mark being invalidated. While it is true that it was invalidated, that application was only successful in part and only on the basis of a relatively narrow and specific reputation, a more modest position than that contended for by ARL.

27. ARL also submits that an analogy should be made with CPR Part 36 which sets out specific cost consequences where a without prejudice save as to costs offer is rejected but the offeror ultimately does better at trial. While there is force in ARL’s argument that weight may be given in assessing costs, in an appropriate case, to an offer which avoids proceedings altogether, I am not persuaded that it would be right, in general, to award off scale, compensatory costs, wherever an offeror beats its without prejudice save as to costs offer in proceedings before the Registrar. TPN 2/2000 suggests that off-scale costs may be appropriate where an offer is “unreasonably” rejected. To adopt an approach generally similar to CPR Part 36 (where higher costs may be awarded if a without prejudice offer is beaten even if it was not unreasonable to reject it) would risk undermining the principle that proceedings in the Registry are designed to offer a predictable, relatively low-cost recovery forum all round, provided that the parties’ conduct of the proceedings is reasonable. CPR Part 36 is also subject to numerous conditions and qualifications which are not provided for by rules before the Registrar.

28. Again, this is a situation in which reasonable tribunals may take different views. However, in my judgment, the Hearing Officer, who was involved with every aspect of

the case, was best placed to determine whether AL's rejection of ARL's offers was unreasonable so as to justify off scale costs. I have not been provided with the details of them and such information as I have about them is taken from the decision on costs itself. Moreover, it does not appear, from ARL's submission that in this case the offers would necessarily have resulted in all proceedings being avoided since revocation proceedings in relation to the ALLORI mark for non-use remain on foot. From the material, I have seen, the Hearing Officer's evaluation was within the bounds of his discretion and he committed no error of principle. I therefore reject this ground of appeal.

**(iii) Attendance at the Main Hearing**

29. The third argument for seeking off-scale costs relates to the main hearing. ARL points out that AL did not attend that hearing despite receiving an invitation from the Registrar to do so. ARL had previously indicated, by letter dated 23 May 2011, that they were content for the decision to be made on the papers.

30. ARL points out that the Registrar's subsequent letter dated 7 July 2011 which referred to Rule 62(1) stated that he "direct[ed] the parties to attend a hearing in this case". ARL's representatives took this as the Registrar indicating that he was not content to determine the matter on the papers alone and required attendance. This, it is said, arose out of its interpretation of TPN 6/2009 which suggests that hearings were automatic in cases of this kind (cf. the later guidance).

31. AL decided not to attend the hearing and ARL only became aware of this very shortly beforehand after its preparations for the hearing were complete. ARL's basic complaint is that, had they known AL's stance earlier, they too might not have gone to the trouble and expense of instructing counsel and attending the hearing. They did so because of a concern that a failure to attend, following the Registrar's letter of 7 July 2011, might itself result in adverse costs (for failure to comply with a Registrar's direction). AL had, however, written to the Registrar's saying that they were not proposing to attend the hearing in good time (23 August 2011) for a hearing in October.

That letter may not have been copied to ARL which was, as the Hearing Officer said, unfortunate.

32. In my judgment, the Registrar could have been clearer in its letter of 7 July 2011 in indicating that the parties would not be penalized for not attending the directed hearing. AL could have been clearer in ensuring that the letter they had sent to the Registrar saying that they were not proposing to attend was also received by ARL's representatives. On the other hand, particularly in the light of the earlier issues with the without prejudice communications (which would have suggested that ARL was not dealing with the most well-versed representatives), ARL could themselves have tried to find out directly from AL what their intentions were as regards the hearing before instructing counsel.

33. Although instructing counsel and attending the hearing, doubtless involved some cost, it is unclear to what extent some of this cost would have had to be incurred in any event possibly in preparing further written submissions in lieu of attendance. Moreover, it is clear from the substantive decision that ARL's arguments were not accepted in their entirety and the tenor of the decision is that, while perhaps unnecessary, it was at least prudent to send a representative along. I do not have the impression from the substantive decision or the skeleton submitted on behalf of ARL that instructing counsel for that hearing was a waste of time or money.

34. The Hearing Officer held that the facts did not merit off-scale costs in respect of the main hearing. I agree. In my judgment, the conduct of AL in not attending a hearing was not unreasonable. Hearings are directed in contested cases primarily to enable the parties to put their best case forward and answer the points of other parties (and any questions from the Registrar). A party is not (in general) obliged to attend such a hearing. Moreover AL did notify the Registrar of its intention in this respect in good time and the Registrar raised no objection to that course: it did not simply fail to turn up unannounced. It would not, in those circumstances be just to impose an order for off-scale costs upon it. So far as AL was concerned, its non-attendance was saving money overall not increasing

the costs. It would, in my judgment, be wrong to order a party to pay the other side's costs off-scale – which might far exceed the costs that party had attempted to save by non-attendance at a hearing - without it being made very clear to that party in advance of the hearing that this was the order that would be sought and there being very good grounds for insisting that the party who did not attend had to be at the hearing. I therefore reject this ground of appeal.

**Final observations**

35. First, in the light of these conclusions on the specific grounds of appeal, it is unnecessary to consider a further potential objection to the award of off-scale costs in this case namely the absence of sufficiently detailed information as to the costs claimed. The importance of such information is emphasized in TPN 4/2007, where it is said that claims should be supported by a bill itemising the actual costs incurred.

36. Second, it is possible to have sympathy for ARL and its representatives, who went to the trouble and expense of preparing a well-constructed and successful case, in the face of more limited engagement by AL. However, that is not, in my judgment, sufficient to justify overturning the Hearing Officer's exercise of his discretion in this case not to depart from the normal approach to costs before the Registrar.

**OVERALL CONCLUSION**

37. For the reasons given, this appeal will be dismissed.

38. In the absence of any submissions from AL, I make no order as to the costs of this appeal.

DANIEL ALEXANDER QC

Appointed Person

9 January 2013

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Representation:

Kilburn & Strode made written representations on behalf of ARL

No representations were received from AL