0/609/19

TRADE MARKS ACT 1994

DECISION ON COSTS

TRADE MARK APPLICATION 3232605 BY ACQUISITION 395215436 LIMITED

AND

OPPOSITION No. 409964 BY WESTAR INTERNATIONAL CORPORATION

AND

TRADE MARK REGISTRATION No. 3180687 IN THE NAME OF WESTAR INTERNATIONAL CORPORATION

AND

APPLICATION 501670 BY ACQUISITION 395215436 LIMITED

FOR THE REGISTRATION OF TRADE MARK No. 3180687

TO BE DECLARED INVALID

Background and pleadings

1. On 5th August 2019, I issued a decision in consolidated proceedings between Westar International Corporation ("Westar") and Acquisition 395215436 Limited ("Acquisition") in which I decided that:

> (i) Acquisition's application to invalidate Westar's trade mark 3180687 succeeded in full, and
> (ii) Westar's opposition to Acquisition's application 3232605 also succeeded in full.

2. I gave a provisional view that each side should bear its own costs, save for the costs associated with a case management conference ("CMC") held on 31st August 2018 at which Acquisition was refused permission to expand its pleadings for the invalidation of Westar's trade mark registration No. 3180687.

3. However, Acquisition indicated that it wished to make an application for costs to be awarded to it on an exceptional basis, i.e. above the level indicated in the registrar's published scale of costs. I therefore allowed the parties 14 days within which to provide written comments about costs. Both parties did so.

4. The submissions received from Cloch, Solicitors, on behalf of Acquisition, accepted that the registrar awards costs within the parameters set out in the published scale, unless there is unreasonable behaviour. It was also accepted that the mere fact that a party loses does not mean that they acted unreasonably.

5. Nevertheless, Acquisition maintains that Westar and its sole director, Mr Jim McAllister, acted unreasonably. Acquisition makes three points in this regard. Firstly, that the registrar found that Mr McAllister had stripped his former company, Greetings (International) Limited (now Acquisition), of its IP assets before it went into liquidation. Secondly, that Westar filed false evidence in the form of a purported Share Purchase Agreement dated 1st October 2016, according to which Rigel Kent Acquisitions Limited purchased the shares of Greetings (International) Limited but Westar retained the IP and goodwill of the business the company carried on under

the trading name Cardland. Thirdly, that Mr McAllister had recently signed a [Company Director] Disqualification Undertaking, indicating that he no longer disputed that he had breached his duties as a director of Greetings (International) Limited.

6. The submissions received from Trade Mark Direct, on behalf of Westar, indicated that Westar was content for costs to be awarded in line with my provisional assessment. However, if Acquisition was permitted to advance its case for off-scale costs, Westar would do the same.

7. Westar makes five points in support of its position on costs:

(i) Acquisition unsuccessfully applied to amend and amplify its bad faith ground for invalidating Westar's trade mark;
(ii) Acquisition also filed an unsuccessful and unfounded rectification application in which it sought to be substituted as the registered proprietor of trade mark No. 3180687;
(iii) That Acquisition filed an application to change the attorney of record for trade mark No. 3180687 to Cloch, Solicitors;
(iv) That Acquisition's solicitors continually contacted Westar directly during the proceedings and made threats and demands for payment;
(v) That Acquisition continually confused and conflated the trade mark proceedings with ongoing insolvency proceedings even though Trade Mark Direct was not acting for Westar in the insolvency proceedings.

8. These matters were the subject of further discussion at a CMC held on 20th September via a teleconference link. As before, Acquisition was represented by Mr Philip Hannay of Cloch, Solicitors and Westar was represented by Ms Kate McCormick of Trade Mark Direct. At the CMC, Ms McCormick confirmed that Westar also applied for an award of costs above the usual scale.

9. So far as point (ii) in paragraph 7 above is concerned, the registrar decided the rectification application, including appropriate costs, in a decision dated 10th July

2018[1]. There was no appeal against that decision. It is therefore irrelevant to the issue of costs for these consolidated proceedings.

10. The application to record Cloch, Solicitors, as the address for service for trade mark 3180687 was connected to Acquisition's application to rectify the name of the proprietor of that trade mark to the previous name of its own client, i.e. Greetings (International) Limited. There was no application to record Cloch, Solicitors, as the attorney for Westar. The application to rectify the register was misconceived (which is why it was refused). Although it caused confusion, I am satisfied that the application to record Cloch, Solicitors, as the address for service for Greetings (International) Limited was not a malicious act. I am not therefore persuaded to award off scale costs for point (iii) in paragraph 7 above.

11. So far as points (iv) and (v) are concerned, the fact that Trade Mark Direct was acting for Westar in the trade mark proceedings, but not in the related insolvency proceedings, may explain why some communications were sent direct to its clients. There may be something in the complaint that Acquisition tried to intimidate Westar and Mr McAllister with threats of further litigation. However, based on what I have seen, I do not consider that this went to a level that requires me to depart from the registrar's usual approach to costs. At the CMC, Ms McCormick told me that Trade Mark Direct itself had been threatened with proceedings, which she considered intimidating and, so far as Cloch, Solicitors was concerned, contrary to professional standards of behaviour. This complaint is one for the regulatory body that oversees solicitors' practices in Scotland to consider. I do not intend to investigate this matter under the guise of dealing with costs between the parties in these proceedings.

12. I accept point (i) in paragraph seven above.

13. Turning to Acquisition's case for off-scale costs, the information that Mr McAllister has recently signed a declaration which disqualifies him from acting as a company director does not seem to have any relevance to the issue of costs in these proceedings.

[1] See BL O/417/18

14. I found that Mr McAllister stripped Greetings (International) Limited of its IP assets before it went into liquidation. The issue that arises now in the context of costs is whether it was unreasonable for Westar to defend the invalidation application in relation to trade mark 3180687 and/or oppose the trade mark application apparently filed on behalf of the liquidators of Acquisition (previously Greetings (International) Limited).

15. As regards the latter, anyone was entitled to oppose Acquisition's trade mark application on the (successful) ground that the applicant had no intention of using the mark applied for.

16. In the context of costs, the key issue in the invalidation is whether the legal ownership of the goodwill in the business conducted by Greetings (International) Limited was so clear that it was unreasonable for Westar to deny that this company (now Acquisition) owned the goodwill in the Cardland business (and, therefore, that Westar was not disentitled to apply to register the trade mark Cardland). The dividing line between company property and the personal property of its director/shareholder is the subject of numerous disputes. These sorts of disputes are particularly prevalent where a company is (or was) a one-man band. In these circumstances, the dividing line between personal and company property is sometimes easier to appreciate as a matter of law than it is from the way that the business operates. Therefore, although I have found that Greetings (International) Limited, rather than Mr McAllister or Westar, was the legal owner of the goodwill under Cardland, I do not consider that the matter was so clear cut that it was unreasonable for Mr McAllister (and therefore Westar) to contest otherwise.

17. The allegation that Westar filed false evidence is a serious allegation and clearly capable of justifying an award of off-scale costs. The allegation is based on an anomaly between the date of the Share Purchase Agreement between the shareholders of Greetings (international) Limited and Rigel Kent Acquisitions Limited (1st October 2016) and the date of the registration certificate for trade mark 3180687 (18th November 2016), which is an annex to the agreement. The written submissions filed on behalf of Acquisition in lieu of a hearing drew attention to this anomaly.

However, this was in the context of numerous other attacks on the validity of the agreement and set amongst arguments about why it was not legally effective. The net effect of these deficiencies and arguments was that the agreement was claimed to be a *"sham",* drawn up without adequate professional advice and incapable of having the legal effects contended for by Westar.

18. I dealt with what I considered to be the most serious attacks on this agreement in my decision of 5th August, but not the allegation that the whole agreement had been fabricated for these proceedings. This was because I did not understand Acquisition's allegations to go that far. Indeed, if this had been Acquisition's position I would have expected it to have asked to cross examine Mr McAllister on this part of his evidence. This is particularly the case because Mr McAllister confirmed in a subsequent witness statement dated 29th March 2019 that the Agreement he had put in evidence was a complete and accurate record of the transaction.

19. Therefore, although I accept that there is an anomaly between the date of the agreement and the date of the first annex to it, I am not prepared to infer that the explanation for this anomaly is that the whole agreement is a fabrication. The agreement was the basis for a share transfer, the fact of which does not appear to be in dispute. It is signed on behalf of the assignee of the shares. These are further reasons to doubt whether the agreement is a fabrication. After all, if the whole agreement is a fabrication this would mean that the signature of the person who signed on behalf of Rigel Kent Acquisitions Ltd was forged or copied from another document. This is something which could be checked with the person concerned. Fabricating the agreement would, therefore, appear to be a such a high-risk strategy as to make it an unlikely explanation for the anomaly identified in the dates.

20. I do not accept that Acquisition has established that Westar filed false evidence. It follows that this is not a reason to award off-scale costs.

21. At the CMC mentioned two further matters which he considered justified off-scale costs. Firstly, that Westar had not followed the pre-action protocol required by the courts before starting (presumably opposition) proceedings. Secondly, the delay in Westar providing Acquisition with a copy of the Share Purchase Agreement.

22. As Ms McCormick pointed out at the CMC, the registrar operates under the Trade Mark Rules 2008, rather than the rules of the courts. There is no rule-based requirement to follow a pre-action protocol before filing an opposition. It is true that the registrar encourages would-be opponents to give applicants an opportunity to withdraw or amend their applications before filing formal opposition. However, it is obvious that Acquisition would not have withdrawn its application if it had been given an opportunity to do so. Consequently, any failure on Westar's part to give Acquisition prior notice of its opposition made no difference.

23. I am satisfied that there was no delay in Westar providing Acquisition with a copy of the Share Purchase Agreement. There is nothing in this part of Acquisition's case for off-scale costs.

24. I indicated in my decision of 5th August that as both parties' oppositions had succeeded against the other side's application, I was minded to direct that each side should bear its own costs, subject to Acquisition paying Westar a contribution towards the cost of dealing with Acquisition's unsuccessful attempt to expand its pleadings under s.3(6) of the Act. Having heard the parties, that still seems like the correct thing to do.

25. Ms McCormick asked for Westar to be awarded a contribution towards the cost of the recent CMC held on 20th September. That would have been justified if the outcome was that Westar successfully resisted Acquisition's application for off-scale costs. However, as Westar also decided to pursue an application for off-scale costs, the outcome of the CMC was that both sides' applications failed. Therefore, each side should bear its own costs.

26. I therefore order Acquisition 395215436 Limited to pay Westar International Corporation the sum of £300 towards the cost of dealing with its unsuccessful application to amend and expand its pleadings under s.3(6) of the Act. This should be paid out of the £5k I understand that both sides have provided to the registrar as security for costs.

27. This means that £5300 should be returned to Westar and £4700 to Acquisition.

09 October 2019

Allan James
For the Registrar