

O-0135-23

TRADE MARKS ACT 1994

SUPPLEMENTARY DECISION ON COSTS

IN THE MATTER OF TRADE MARK APPLICATION NO. UK00003591301  
IN THE NAME OF HULA ONE LTD.

AND

IN THE MATTER OF OPPOSITION THERETO  
UNDER NO. 425869 BY NORTHERN HOSPITALITY (MCR) LIMITED

AND

IN THE MATTER OF UK REGISTRATION NO. UK00003375139  
IN THE NAME OF NORTHERN HOSPITALITY (MCR) LIMITED

AND

AN APPLICATION FOR A DECLARATION OF THE INVALIDITY THEREOF  
UNDER NO. 504204  
BY HULA ONE LTD.

1. On 21 October 2022, my decision (BL O/917/22) was issued regarding the above mentioned proceedings. In that decision, Northern Hospitality (MCR) Limited were identified as NH and Hula One Ltd as HO. On the issue of costs, I stated:

“163. At the hearing the parties requested to make submissions on costs after I have issued my decision. This request was prompted by Mr Wood’s invitation to be awarded costs off the scale in view of the allegations about the untruthfulness of Mr Blackburn’s evidence. He stated:

We do not seek to press any broader point about the non-financial consequences of any finding of untruth: if your concerns are suitably raised then we believe that the matter would need to be referred onwards. It is simply inappropriate to make any further comment at this stage (in the absence of clear findings by you regarding the falsity of NH’s evidence and any concerns you may have as to how this was not noted and corrected by its representatives).

164. I have already commented on HO’s allegations that Mr Blackburn deliberately gave false evidence. For the reasons I gave above, I do not think the point is proven.

165. Another point raised by Mr Tidman in his evidence relates to Mr Stansfield’s evidence. Mr Stansfield gave evidence that he is the director of Unique Specialist Service Group, that he has been involved in the security industry for 30 years and that he has provided security services to NH and its predecessor in title for the ‘HULA’ venue in West Didsbury from December 2005. Mr Stansfield also provides a contract dated 23 December 2018 between his company and HNQ, i.e. NH’s predecessor in title. Mr Tidman filed evidence to show that Unique Specialist Service Group was incorporated in 2019 and that Mr Stansfield was appointed as director of other companies with the earliest appointment being dated 2009.

166. Whilst it is now obvious that in 2005 the venue in West Didsbury was not called ‘HULA’ and Mr Tidman has demonstrated that the name ‘HULA’ was adopted only in 2015, this is not sufficient to conclude that Mr Stansfield

deliberately fabricated misleading evidence to support NH's case that the mark 'HULA' was used as early as 2005. Whilst I would expect Mr Stansfield to have remembered that back in 2005 the venue in West Didsbury had a different name, I do not know what he was told when the evidence was sought and whether it was explained to him (or he thought) that it was important to clarify the point about the venue not being called 'HULA' in 2005.

167. On the other hand, I have noted that HO's evidence also presents some inaccuracies, for example, HO filed a copy letter from a supplier of food dated 16 February 2022 (which, it is apparent, has been prepared for these proceedings), stating that the supplier has been supplying the 'HULA' Juice Café in Edinburgh since prior to 2007. However, that cannot be accurate because HO's evidence proves that the mark 'HULA' was first used by HO's predecessor in title in 2007.

168. Whilst both parties' evidence presents a degree of inaccuracy, I do not think there is enough here to conclude that NH's evidence was deliberately falsified or fabricated to mislead the Tribunal.

169. The above decision concludes my determination of the substantive issues in these proceedings. It will take effect as a decision when the question of costs is decided, and at that point but not before, the provisions relating to the right of appeal will come into operation. The parties are invited to make submissions as to the costs of these proceedings and a letter accompanying this decision sets out the procedure for submissions in writing."

2. HO filed submissions on costs on 28 October 2022 and NH filed its submissions on 31 October 2022. HO also filed another set of submissions on 4 November 2022 in response to NH's submissions.

3. Section 68 of the Trade Marks Act 1994 ("the Act") states:

"68. - (1) 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.”

4. Rule 67 of the Trade Marks Rules 2008 states:

**“Costs of proceedings; section 68**

67. 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.”

5. Tribunal Practice Notices (“TPN”) 2/2000, 4/2007 and 1/2023 are also relevant. Having referred to the leading case, *Rizla Ltd’s Application* [1993] RPC 365, TPN 2/2000 goes on to state:

“5. In the light of *Rizla*, the Office considers that the existing legislation provides the power to operate a nominal cost regime or a full cost recovery regime - or anything in between - and that no legislative change is necessary to put in hand any revision of that sort.”

6. TPN 4/2007 includes the following regarding off-scale costs:

“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 itemizing 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."

7. TPN 1/2023 also includes similar paragraphs regarding off-scale costs:

"Off-scale costs

5. Notwithstanding the published scale, the Tribunal retains the discretion to award costs "off the scale" to deal proportionately with unreasonable behaviour. It is not possible to set out all the circumstances in which a Hearing Officer might depart from the scale. It is worth clarifying though that just because a party has lost, this in itself is not indicative of unreasonable behaviour. Some examples of what might constitute unreasonable behaviour include a party seeking an (avoidable) amendment to its statement of case which, if granted, would cause the other party to have to amend its statement or would lead to the filing of further evidence. Other examples include behaviour designed to delay, frustrate or unreasonably increase the costs/burden on the other party and/or repeated breaches of procedural rules. Off-scale costs may also be awarded 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.

6. The level of off-scale costs will, generally speaking, be commensurate with the extra expenditure a party has incurred as a result of the unreasonable behaviour. Any claim for costs approaching full compensation or for “extra costs” will need to be supported by a bill itemizing the actual costs incurred. There may be some circumstances where costs below the minimum indicated by the published scale are awarded. For example, a party who does not follow a suggestion from the Hearing Officer as to the most efficient means of managing the case, may only be entitled to whatever award they would have received if they had followed the Hearing Officer’s suggestion”.

8. The outcome of the case was that both parties were partially successful in their actions. However, overall HO was more successful than NH. This is because whilst HO managed to invalidate NH’s mark in respect to an entire class, NH’s opposition against HO’s application was only partially successful in relation to a limited list of services in one class and failed in relation to the remaining classes. Further, NH’s skeleton arguments withdrew the opposition in relation to some of the classes originally opposed.

9. In normal circumstances, I would order that each party bear their own costs in relation to the invalidity action, since the final outcome of these proceedings is an equal split between the services in relation to which the invalidity was successful and those in relation to which the invalidity failed.

10. As regards the opposition, in normal circumstances, given the final outcome of the opposition, which saw HO being largely more successful than NH, I would award costs to HO in relation to the opposition, applying a small reduction to reflect NH’s partial success.

11. HO requests costs off-the-scale amounting to £8,150 particularised as follows:

Stage	Amount incurred
Preparing Defence to Opposition (including reviewing Opposition)	£750
Preparing Invalidation Action	£750
Reviewing defence to Invalidation Action	£750
Evidence Rounds	£2600
Preparing and Attending Final Hearing	£3300

12. HO's submissions indicates that an award of costs off-scale is requested on the following basis:

- The last-minute withdrawal of the opposition in relation to some the contested goods meant that HO was put to the work of preparing its case against all of the goods and services of its application. HO's costs were unreasonably increased, and it was generally inappropriate to press the case against the items that were subsequently withdrawn when it was clearly not intended to be run;
- Although there was no finding that NH intended to mislead the Tribunal, part of NH's poor behaviour stems from the failure to address HO's evidence. HO stated (emphasis added):

*“Faced with clear evidence that Mr Blackburn had misled the Tribunal, into believing that the license was originally granted to a premises using the name HULA (even if innocent), [NH] did nothing: it did not present evidence in reply, it did not explain how the false misunderstanding arose, it did not put forward positive evidence that Mr Blackburn did not know or explain how Mr Blackburn went about his evidence gathering. Most importantly, it did not withdraw the claim to use and goodwill. The failures in paragraph 6 are unreasonable. Even in its submissions in reply on costs it seems to maintain that it was reasonable on the basis of the evidence to present itself as having commenced use in 2006 or 2005. It is entirely unrepentant.”*

13. NH submitted that since both parties were partially successful, each should bear their own costs.

*The withdrawal of part of the opposition*

14. NH's partial withdrawal of the opposition does not exempt NH from bearing all the costs incurred by HO to defend the opposition against the withdrawn goods until the decision to withdraw was communicated. As regards HO's request to be awarded costs off-the-scale based on NH's last-minute withdrawal, I bear in mind that no reason has been given by NH for not withdrawing (part of) the opposition earlier, and that the only reason given by NH for withdrawing (part of) the opposition was that it was "*of no commercial interest*" to it.

15. Given that NH admitted that it had no commercial interest in the withdrawn goods, I have to conclude that it chose to bring the opposition against the withdrawn goods only for tactical reasons before conceding the withdrawal. Whilst a party is the master of its own case, that does not mean that a party can do what it likes. I am sympathetic to HO on this point. It is highly inconvenient and often a waste of costs for a party to make a last-minute withdrawal especially if it is admitted that there was no commercial interest in bringing that part of the claim in the first place. However, I am being asked to conclude that NH's withdrawal was "unreasonable behaviour" of a kind capable of resulting in an off-the-scale costs award.

16. Whilst NH could have taken the decision to withdraw sooner, the part of the claim that was withdrawn (the opposition against all the goods in class 29 and some of the goods in classes 30 and 32) was not crucial to the case (the main issue being about the parties' respective claims under Section 5(4)(a) and the competing services in classes 41 and 43) and, I agree with NH's submissions on the point, that it did not generate any additional work for HO above and beyond that of defending the opposition, since HO did not file any specific evidence or submissions to address the opposition in relation to the withdrawn specification.

17. There is no specific definition of unreasonable behaviour in the Tribunal's TPNs, although there is a reference to breaches of rules and delaying tactics as examples of



unreasonable behaviour. It is true that NH's change of position came at a late stage, but trade mark proceedings (in the same manner as other types of litigation) are dynamic processes. Late developments do sometimes happen and are an inherent feature of the process and parties should be able to reconsider their position during the course of the proceedings, unless the approach is wholly unreasonable. Further, parties should not be put off trimming their claim by the costs risks of doing so.

18. Having considered all of the above, in my view, the late withdrawal of part of the opposition by NH, although not ideal, cannot properly be said to be sufficiently unreasonable so as to justify the making of a costs order off-the-scale.

*The allegations that NH intended to mislead the Tribunal*

19. In my decision I have already rejected HO's allegations that NH's intended to mislead the Tribunal and I concluded that it was not obvious from the premises licence that in 2005 the premises were not called 'HULA'. The fact that NH did not comment on HO's evidence which discredited its own evidence, again, although not ideal, cannot bring HO's allegations any further.

20. As regards HO's submissions that NH should have essentially dropped its claim to use and goodwill once HO filed evidence that discredited NH's claim of use since 2005, I make the following observations:

- (a) although in my decision I concluded that the evidence filed did not support NH's defence to an earlier use from 2005, in order for HO to succeed in its invalidity action, it still needed to show that it had sufficient goodwill both at the earliest relevant date in November 2009 (when I found the behaviour complained about started) and at the date when NH applied to register its mark, i.e. on 13 February 2019. Consequently, I do not think that it was unreasonable for NH to maintain its defence to an earlier use in the invalidity proceedings, even if, after HO filed its evidence, it became apparent that the earliest relevant date could not have been as earlier as it was originally claimed;

(b) As regards the approach taken by NH in the opposition to maintain the claim that it used the sign 'HULA' from "*at least January 2009*", the reason why I rejected NH's passing off claim is that HO relied on an earlier date which – having assessed HO's evidence - I found to be proven, and NH did not have sufficient goodwill when HO's use began, namely in November 2007 (because NH started using the sign in 2009).

21. It is therefore apparent that the fact that HO's evidence discredited NH's claim to use of the sign since 2005, did not automatically mean that NH had, at that point, no chance of succeeding in the consolidated actions. This is because had I found, for example, that HO's goodwill was no more than trivial rather than sufficient – at any relevant date – HO's passing off claim (in the invalidity) would have failed regardless of whether NH's use began in 2005 or 2009. Hence, notwithstanding the discrediting evidence, the onus remained on HO to prove (i) that it owned sufficient goodwill to sustain a claim for passing off at the relevant dates (whatever they were) in the invalidity proceedings and (ii) that it had a good defence based on earlier use of the applied for mark in the opposition proceedings. That the outcome of the case was not obvious, notwithstanding HO's evidence discrediting a specific point of NH's evidence, is demonstrated by the fact that I had to issue a 59 page-long decision to decide who won and who lost.

22. Finally, although I found that NH's conduct did not cross the line of unreasonable behaviour, it was not ideal for two reasons. First, because when giving evidence, a witness should make every effort to ensure that it is as accurate as possible, especially if the evidence addresses a point that is relevant to a primary issue, as it was NH's evidence of use since 2005. Second, because bringing an opposition against goods and services only for tactical reasons, although not strictly banned, is not an ideal conduct of the case.

23. For all of the above reasons, I am of the view that it is proportionate (a) to make an order for costs in HO's favour in relation to the opposition proceedings without applying any reduction in NH's favour and (b) to order that costs are awarded to the

top-end of the scale<sup>1</sup> in respect of the evidence filed, and towards the top-end of the scale in respect of the other items. I therefore make the following award:

Preparing a statement and considering the other side's statement:	£500
Preparing evidence and considering and commenting on the other side's evidence:	£2,200
Preparing for and attending a hearing:	£1,300
Submissions on costs:	£200
<b>Total:</b>	<b>£4,200</b>

24. I therefore order Northern Hospitality (MCR) Limited to pay Hula One Ltd. the sum of **£4,200**. The above sum should be paid within twenty-one days of the expiry of the appeal period or, if there is an appeal, within twenty-one days of the conclusion of the appeal proceedings.

**Dated this 7<sup>th</sup> day of February 2023**

**Teresa Perks**  
**For the Registrar**

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<sup>1</sup> See TPN 2/2016. The new TPN 1/2023: *Costs in proceedings before the Comptroller* only applies in proceedings commenced on or after 1 February 2023.