

COSTS JUDGMENT : MR DAVID YOUNG (sitting as a deputy judge) Patents Court. 12th August 2004.

1. In my Judgment dated 28th July 2004 I held that the Claimant's claim for passing off be dismissed and the declaration of invalidity of UK - Registered Trade Mark No. 2,298,286 be refused. I also held that the Claimant's declaration that its use of the name Richard T. Adlem Funeral Director as the name of its funeral business did not infringe such Registered Trade Mark. Having heard full argument on the question as to the appropriate order as to costs, I ordered that

(1) the Defendant pay the Claimant one third of its costs of action (2) As regards the two matters reserved to the trial Judge by Master Wragge

(a) that the Defendant pay the Claimant its costs of the Defendant's application for Summary Judgment which Master Wragge dismissed.

(b) that there should be no order as to costs of the Claimant's application for disclosure of certain documents which Master Wragge allowed in part.

This Judgment sets out the reasons for making the above orders. Principles to be applied

2. In accordance with the provisions of CPR Rule 44.3, the starting point is the general rule that the unsuccessful party will be ordered to pay the costs of the successful party (Rule 44.3(2)). Nevertheless the court will have regard to all the circumstances and in particular the matters set out in Rules 44.3(4) and (5) namely the conduct of the parties (both before and during the proceedings), the extent that a party has succeeded if not wholly successful and any admissible offer to settle made by a party which is drawn to the court's attention.
3. In this case there is a requirement to consider the Claimant's Part 36 offers. In particular the provisions of Rule 36.10 and Rule 36.21.

Rule 36.10 provides as follows:

(1) If a person makes an offer to settle before proceedings are begun which complies with the provisions of this rule, the court will take that offer into account when making any order as to costs.

(2) The offer must

(a) be expressed to be open for at least 21 days after the date it was made

(b) otherwise comply with this Part

Rule 36.21 provides:

(1) This Rule applies where at trial -

(a) a Defendant is held liable far more; or

(b) the judgment against a Defendant is more advantageous to the Claimant,

than the proposals contained in a Claimant's Part 36 offer. Rule 36.21 (3) and (4) require that when this Rule applies the court should make an order entitling the Claimant to costs on an indemnity basis and payment of interest unless it considers it unjust to do so.

4. The philosophy behind these provisions is to encourage litigants to settle their disputes rather than litigate the matter thereby saving costs and the court's time. Failure by a Defendant to accept terms which are offered by a Claimant less advantageous to the Claimant than that obtained after Judgment generally requires the court to sanction such refusal with a more onerous costs order (indemnity costs and interest).
5. Mr Sherman (acting as litigation friend for the Defendant) referred me to the case of **Mitchell. v. James** (2002] EWCA Civ 997 where the Court of Appeal considered whether the inclusion in an offer by a Claimant of a concession as to costs is a matter to be taken into account when deciding whether the Judgment against a Defendant is more advantageous to the Claimant in accordance with Rule 36.21 (1) (b). Lord Justice Gibson held that such a term as to costs was not within the scope of a Part 36 offer. However he went on to state that the court will nonetheless have regard to such a term in exercising its usual discretion.
6. Finally Rules 44.3(6)(f) and 44.3(7) provide that, where the court wishes to make an order for costs relating to a distinct part of the proceedings then it is appropriate to make an order that one party must pay a proportion of the other party's costs. As Lord Woolf made clear in **Phonographic Performance Ltd. v. AIE Rediffusion Music Ltd** [1999] 1 WLR 1507, the most significant change of emphasis of the new rules is to require courts to be more ready to make separate orders which reflect the outcome of different issues. Lord Woolf goes on to state: "*It is now clear that too robust application of the follow the event principle' encourage litigants to increase the costs of litigation since it discourages litigants from being selective as to the points they take.*"

Relevant facts

7. It is necessary to set out some of the pre-action history as well as the course followed leading up to the hearing.

On the 14th May 2001 the Claimant's solicitors wrote to Mr Adlem requesting that he immediately refrain from trading as Richard T. Adlem and provide an undertaking to that effect within seven days. Failure to comply it was stated would result in an application for an injunction and damages in respect of the unauthorised usage of such trading name or similar trading name. A without prejudice letter of the same date also demanded the immediate cessation by the Defendant trading under the name of Richard T. Adlem.

8. The Defendant's response to this was a letter from Mr Adlem's solicitors, Traill & Co, in which they stated that whilst Mr Adlem could not stop the Claimant trading as "*Stephen Beckwith Funeral Director (also trading as Richard T. Adlem)* nor can the Claimant stop Mr Adlem using his own name to trade."

The Claimant's solicitors repeated their complaint of the use of the trading name Richard T Adlem in their letters dated 1st and 18th June 2001.

9. Nothing further seems to have happened until April 2002 when Mr Adlem in a letter to the Claimant dated 22nd April 2002 complained about the Claimant's use of the name Richard T. Adlem with a threat to seek an injunction and damages for passing off unless the Claimant was prepared to undertake not to use the name.

This letter coincides with Mr Adlem's complaint about the Claimant's advertisement in a local parish magazine called Focus (referred to in my earlier Judgment at paragraph 32). It also coincides with Mr Adlem's application for the trade mark in suit which was applied for on the 18th April 2002 and his letter of 22nd April to the Dorset County Council Trading Standards Service requesting them to stop the Claimant from trading under the Defendant's name.

10. In response to Mr Adlem's letter of the 22nd April, Mr Newman wrote to Mr Adlem on the 7th May 2002 stating that he was entitled to use the name Richard T. Adlem as part of his business and assuring Mr Adlem that he makes it clear to members of the public that the name is a trading name of his company. Mr Newman also stated (significantly) that he cannot stop Mr Adlem trading under his own name.

11. The application for Mr Adlem's trade mark was granted on the 4th October 2002 and on the 15th December 2002 Mr Adlem wrote to the Claimant's solicitors drawing attention to the registration of the mark and stating that unless the Claimant desisted in trading under the Richard T. Adlem name he had no alternative but to obtain an injunction in the Salisbury County Court. He also demanded an undertaking not to infringe his mark.

12. On 21st January 2003 the Claimant's solicitors wrote to Mr Adlem requesting him as one last chance to sign an undertaking in effect not to trade under the name Richard T. Adlem or any colourably similar name. A without prejudice letter save as to costs - Part 36 Offer of the same date was enclosed with the open letter. The terms of the offer were as follows: "*Our client is prepared to settle all of its said claims upon you giving the following undertakings and acknowledgements*

1. *you will acknowledge that our client has, to the best of your knowledge, the absolute right to trade as an undertaker, funeral director, and memorial service director [NB not gravestone and monumental mason] under or by reference to the names "Richard TAdlem ", "Richard TAdlem Funeral Director" and/or "Adlem and Beckwith" and/or any name or names colourably similar thereto;*
2. *In particular you will acknowledge that the carrying on by our client of business as an undertaker, funeral director, and memorial service director [NB not gravestone and monumental mason] under or by reference to the names "Richard TAdlem ", "Richard TAdlem Funeral Director" and/or*
3. *"Adlem and Beckwith" and/or any name or names colourably similar thereto does not infringe UK registered Trade Mark no 2298286 and does not constitute the passing off of its goods and/or services as being those of (or authorised by or associated with) you.*
4. *our client undertakes to grant to you a perpetual irrevocable assignable licence under its goodwill to trade as an undertaker, funeral director, memorial service director, and gravestone and monumental mason under or by reference to the names "Richard TAdlem ", "Richard TAdlem Funeral Director";*
5. *you undertake to grant to our client a perpetual irrevocable assignable royalty free licence under UK registered Trade Mark no 2289286 and under your goodwill in the names Richard T Adlem and Richard T Adlem Funeral Director to trade as an undertaker, funeral director, and memorial service director [MB not gravestone and monumental mason]*

under or by reference to the names "Richard T Adlem"; "Richard T Adlem Funeral Director" and/or "Adlem and Beckwith" and/or name or names colourably similar thereto

6. *save as aforesaid both our client and you will waive any right to claim costs, damages, an account or profits, the delivery up of documents, an injunction and / or any other common law, statutory or equitable relief that they might have against each other in relation to the said claims, counterclaims, and/or setoffs.*

This offer is made within the spirit of Part 36 Civil Procedure Rules 1998 will remain open for acceptance for 21 days expiring on 13th February 2003.

13. Mr Adlem's response was set out in a letter dated 16th February 2002 (sic) insisting that the Claimant ceased to breach his registered trade mark otherwise he would not hesitate to seek an injunction. Mr Adlem also pointed out that the assertions about passing off were inconsistent with (1) the Claimant's claim only to a non-exclusive right to the name Richard T. Adlem. and (2) the letter of 7th May 2002 in which Mr Newman had stated that he could not stop Mr Adlem trading under his own name.
14. On the 28th April 2003 the Claimant repeated its earlier Part 36 Offer Without Prejudice to expire on the 21st May 2003. In the letter attention was drawn to the fact that if the matter went to court and the Claimant secured a result better than that which was offered, the consequences would likely to be an indemnity costs order plus penal interest against the Defendant. The letter enclosed a copy of the proposed Particulars of Claim which was issued shortly and warned Mr Adlem that if he was in any doubt as regards the scope of Part 36 he was strongly advised to secure independent legal advice.
15. In his letter dated 6th May in response to this second offer Mr Adlem repeated his demand for an undertaking from the Claimant not to use the name Richard T Adlem.
16. On the 4th July 2003 proceedings were commenced by the Claimant seeking to restrain the Defendant from the use of the name Richard T Adlem. The Claimant also sought declarations firstly as to the invalidity of the trade mark Richard T Adlem Funeral Director in so far as it related to "funeral services, undertaking services, memorial services" in class 45 and secondly that the Claimant did not infringe such trade mark because of its earlier right to use the mark.
17. On the 7th November 2003, Mr Sherman on behalf of but unbeknown to Mr Adlem approached Mr Newman off the record with a view to initiating some sort of mediation either via ADR or some sort of intermediary such as a vicar. Nothing materialised from this approach. Certainly neither Mr Sherman nor Mr Aldem put forward any counter proposals to those offered by the Claimant.

Indeed on the 14th November 2003 the Claimant repeated its Part 36 offer in an open letter in the same terms as its previous two without prejudice offers. The offer was to remain open for 21 days until the 8th December 2003. The letter pointed out that the costs at trial were likely to be in the region of £40,000 to £50,000 which if successful the Claimant would be looking to recover.
18. Mr Adlem in his letter of the 15th November in response stated that his position had not changed and that the only terms on which he would be prepared to settle were that the Claimant acknowledged that it had no right to use the name and various other terms including the payment of his costs in full. The letter concluded that if the Claimant did not comply with the terms sought, Mr Adlem would proceed to apply for Summary Judgment reserving the right to bring proceedings for passing off.
19. On the 13th February 2004 the Defendant applied for an order for Summary Judgment in respect of the whole of the Claimant's claim on the ground that the Claimant had no real prospect of succeeding.
20. This application was heard by Master Bragge on the 18th March 2004 (together with the Claimant's application dated 15th January 2004 for further disclosure). Master Bragge dismissed the Defendant's application for Summary Judgment but allowed in part the Claimant's application for disclosure of certain sales invoices and accounts (suitably redacted). Master Bragge reserved the costs of both applications to the trial Judge which I shall deal with hereafter.
20. Finally on the 29th June 2004 (the second day of the trial) the Claimant in a without prejudice save as to costs letter to Mr Adlem for the fourth time offered to settle the action on the same terms that first appeared in the letter of the 21st January 2003 save that the offer was conditional on payment of the Claimant's reasonable costs to be assessed on a standard basis. The offer was open until 10am the following day.

Costs of the action

21. As stated above the Claimant's claim for passing off and a declaration of invalidity of the mark (which it was conceded stood or fell with the passing off action) were both unsuccessful.

On the other hand the Claimant's claim for a declaration that its use of the name Richard T Adlem Funeral Director did not infringe the Defendant's trade mark was successful.

Mr Chacksfield counsel for the Claimant characterised the result as a "score draw" and I agree with him given that the defendant has persistently maintained that the Claimant was not entitled to use the Richard T Adlem name..

Leaving aside the Part 36 offers, I would have considered that the fair order for costs would have been no order. Each side had established their right to continue to use the name in question.

The Part 36 Offers

22. None of the offers complied with Rule 36.5(6)(b) which stipulates that the offer must state that after 21 days the offeree may only accept the offer if (1) the parties agree the liability for costs or (2) the court gives permission. This rule is subject to Rule 36.1 (2) which gives the court power to treat an offer as a Part 36 offer notwithstanding a failure to comply with a requirement of Part 36. Given the repeated refusal of the Defendant to accept the offers I do not consider the omission from the offers of the above words mislead the Defendant. In the case of Mitchell v. James (supra) the omission of such words was held on the facts of that case to be a purely technical defect causing no injustice. Likewise in this case I so hold.

23. The first and second offers both predated the issue of proceedings. Rule 36.10 effectively brings such offers into line with a true Part 36 offer which is one made after proceedings have commenced.

The first question is whether such offers made by the Claimant were offers that were bettered by the terms of my Judgment. Mr Chacksfield did not contend that the offers were bettered apart from the issue of costs. As to that issue firstly the case of Mitchell v. James is authority that costs are not to be taken into account when considering Rule 36.21 and secondly in any event in this case leaving aside the Part 36 offers, I would have concluded that the fair costs order would have been no order as to costs.

24. Mr Chacksfield's main contention was that the terms of the Part 36 offers were matched by the terms of my Judgment and not that the Judgment is more advantageous to the Claimant. It follows that the provisions of Part 36.21 do not apply and the Claimant's contention that they should have the whole of the costs of the action to be assessed on an indemnity basis and at a higher rate of interest fails.

25. Nevertheless the Defendant's refusal to accept, indeed outright objection to the Claimant's Part 36 offers is a factor as to the Defendant's conduct which I must now examine. Mr Chacksfield contended that the question the court should consider is what has Mr Adlem achieved above the terms offered to justify the time and expense of taking this matter to trial. The Claimant's contended that the answer is nothing.

26. Mr Sherman on the other hand contended that under the terms of the offer the Claimant had carte blanche to use the name Richard T Adlem however it so chose and that an important part of the Defendant's complaint was the misleading manner in which the Claimant was using the name.

Mr Sherman also contended that the offer allowed the Claimant to trade not only as an undertaker, funeral director but also a memorial service director. There was certainly some confusion as to what was the ambit of the term memorial services for which the trade mark Richard T Adlem Funeral Director was registered under class 45. In particular it was not clear as to what constituted "*memorial services*" in class 45 in contrast to "*gravestone and monumental masonry services*" in class 37 in respect of which the trade mark was also registered. The Part 36 offers explicitly excluded "*gravestone and monumental mason*", namely the class 37 registration matters but not memorial services the subject of the class 45 registration. In paragraph 44 of my Judgment I found that the Claimant's use of the trade mark for funeral and/or undertaking services (but not memorial services) does not infringe the trade mark. The finding was based on the fact that memorial services included the supply of plaques, tombstones or other similar commemorative artefacts, a business which the Claimant trading under the Richard T Adlem name was not engaged in. Taken alone this latter point is perhaps of less significance as there is no doubt considerable overlap between funeral and undertaking services on the one

hand and memorial services of the other hand because both funeral services and memorial services include commemorative services.

27. Whilst looked at broadly the Part 36 offers matched the conclusions in my Judgment that both parties should be allowed to use the mark in question in respect of funeral and undertaking services, I consider the Part 36 offers went further in requiring the Defendant to grant a "perpetual irrevocable assignable royalty free licence" under the Trade Mark and under the Defendant's goodwill in the names Richard T Adlem and Richard T Adlem Funeral Director.
28. Following the costs hearing on the 28th July, Mr Sherman has provided me with yet further written submissions regarding the Claimant's Part 36 offers (copied to Mr Chacksfield). He points out that in the offers of the 21st January and the 28th April 2003, reference was made to "*Part 36 of the Civil Procedure Rules 1998*". Mr Sherman states that he obtained from the library Statutory Order ISBN 011080378 7 issued by HMSO which related to the 1998 Rules. Having read these Rules it was his understanding that Rule 36.20 applied to the Claimant's Part 36 offers, namely that where a Claimant fails to obtain a Judgment which is more advantageous than a Part 36 offer, then unless the court considers it unjust to do so, it will order the Claimant to pay any costs incurred by the Defendant. Mr Sherman points out that amendment to this Rule in 1999 (not then known to him) makes it clear that this Rule only applies to the case of a Defendant's offer and not to a Claimant's offer.

Mr Sherman goes on to contend that had he and Mr Adlem have realised Rule 36.20 did not apply "*it would inevitably have influenced our decision and our subsequent action*".

29. Taking account of the fact that neither Mr Adlem nor Mr Sherman were legally qualified, whilst the offer of the 21st January did not spell it out, the offer of the 28th April 2003 expressly warned Mr Adlem to take independent legal advice. Mr Adlem had in the past used Traill & Co when it suited him to do so. Given that the letter of the 28th April enclosed the Particulars of Claim which were to become the subject of the action and the warning to seek legal advice, I do not consider that the Defendant's conduct in steadfastly rejecting all subsequent offers made by the Claimant to settle the matter was reasonable.

Furthermore even had Mr Sherman and Mr Adlem been aware that Rule 36.20 only applied to a Defendant's offer, I do not believe that Mr Adlem would have conceded that the Claimant was entitled to use the name Richard T Adlem, Funeral Director for one of its funeral/undertaking business. Throughout the course of the trial and in giving evidence he has denied any such right.

30. Taking the above into consideration, at the latest date from the expiry of the second Part 36 offer namely the 21st May 2003, I consider that the Claimant's offer was one which the Defendant should have positively responded to with a view to settlement rather than the outright rejections that followed.
31. Given that the declaration for non infringement of the trade mark formed a discrete issue albeit based on a factual background common to all three issues, namely passing off and validity of trade mark, I conclude that the Defendant should pay the Claimant's one third of their costs of the action as from the 21st March 2003 and that there should be no order as to any costs incurred before such date.

In so ordering I reject Mr Chacksfield's contention that he is entitled to all his costs or alternatively 50% of his costs. The Claimant throughout has pursued its unsuccessful claim to passing off which has substantially increased the time taken both with regard to the evidence and the submissions (e.g. own defence) and doing what I consider the best to come to a fair but no doubt rough apportionment, I do not consider that the Claimant is entitled to more than one third of its costs from the 21st May 2003, such costs to be taxed if not agreed.

Summary Judgment and Disclosure Application

32. As stated above Master Wragge on the 18th March 2004 dismissed the Defendant's application (dated 13th February 2004) for Summary Judgment. Mr Sherman contended that such an application was justified on the grounds that the Claimant had failed to provide witness statements and therefore the whole action should be struck out. Mr Sherman referred to Master Bragg's order of 29th October 2003 which required exchange of witness statements by 16th January 2004. The Claimant in an exchange of correspondence proposed an extension of one month and that there should be disclosure of certain documents prior to exchange. This request was the subject of the Claimant's application dated 15th January 2004 for specific disclosure and

directions in relation to "*modifying the directions timetable as a result of this application*". This disclosure application was heard on the 18th March at the same time as the defendant's Summary Judgment application.

The grounds on which the Summary Judgment application were based was that there was no real prospect that the claim would succeed. Master Wragge dismissed the application but reserved the costs to the trial Judge. I was told by Mr Chacksfield that the reason given for reserving the costs of this application (and the Claimant's application for specific disclosure) was there was no time at the hearing or thereafter to discuss the costs issue.

Whatever the reason for reserving the costs, there seems no reason to depart from the general rule that the costs should follow the event.

As the Claimant was out of time for providing its witness statements the defendant's appropriate course was simply to ask the court either to strike out the action for failure to comply with the court's order or to impose an order that unless it produced its witness statements within a fixed further time the claim should be struck out. Instead the Summary Judgment application involved evidence and an examination of the merits of the Claimant's claim by the Master as to whether the Claimant had any real prospect of success based no doubt on the pleadings as they stood. Such an application was clearly an inappropriate one to have made if all that the defendant was concerned about was the late provision of witness statements.

Bearing the above in mind I consider that the defendant must pay the Claimant its costs of the application to be taxed if not agreed.

33. I should add for the sake of completeness I was informed that the lateness of the exchange by the Claimant of its witness statements was dealt with by Mr Nicholas Warren QC acting as a Deputy High Court Judge on the 8th June 2004 who dismissed the Defendant's application that the Claimant should not be allowed to rely on such evidence and awarded costs against the Defendant which I was told by Mr Sherman is subject to an appeal.
34. As regards the Claimant's disclosure application also heard by Master Wragge on the 18th March 2004, whilst the Claimant was partially successful in that the Master ordered that the defendant disclose certain sale and/or purchase invoices and all trading accounts made in connection with the Defendant's undertaking business subject to redaction of certain sensitive matter, the Claimant's application was much broader covering Tax and VAT returns. None of the documents that were disclosed were relied upon at trial and I consider that the appropriate order is that there should be no order as to the costs of the Claimant's application.

Conclusion on Costs

35. (1) For the reasons set out above, the Defendant must pay the Claimant one third of its costs of the action as from the 21st May 2003 subject to paragraphs (2) to (4) below and to any orders as to costs dealt with in the course of the preparation for the trial.
- (2) The Defendant must pay the Claimant its costs of the Defendant's Summary Judgment Application dated 13th February 2004.
- (3) There will be no order as to the costs of the Claimant's Disclosure Application dated 15th January 2004.
- (4) There will be no order as to the costs of the costs hearing before me on the 28th July 2004

Permission to Appeal from this Order

36. I have reconsidered Mr Sherman's application for leave to appeal this costs order (as requested by Mr Sherman in his further written submissions) and reaffirm that I refuse leave to appeal to the Court of Appeal.

The matters dealt with in this Costs Judgment are purely discretionary matters and it is my view that they do not involve any principle of law in the application of either Rule 44.3 or Rule 36.20 or 21.

MR M CHACKSFIELD (instructed by Messrs Whitehead Vizard) appeared as Counsel on behalf of the Claimant
MR N SHERMAN appeared as Lay Advocate for Mr R Adlem (Litigant in Person)