

O-0526-23

TRADE MARKS ACT 1994

SUPPLEMENTARY DECISION ON COSTS

IN THE MATTER OF REGISTRATION NO. 3648018

IN THE NAME OF CHRISTOPHE PETETIN

AND

IN THE MATTER OF AN APPLICATION FOR RECTIFICATION THERETO

UNDER NO. 84856

BY SYSTEMA NOVA LTD

1. On 5 April 2023, my decision (BL O/0341/23) was issued regarding the above-mentioned proceedings. The applicant for rectification, Systema Nova Ltd (hereafter “the applicant”) applied to correct the recent change of the recorded proprietor from the applicant to Christophe Petetin (“the proprietor”) because it claimed that the change of proprietor was an error that should be rectified.

2. Subsequent to the receipt of Mr Petetin’s defence the applicant made an application for summary judgment/strike out on the grounds that the proprietor’s defence had no prospect of success.

3. In the absence of a written instrument of transfer, I also drew attention to the requirement contained in section 24(3) of the Trade Mark Act 1994 (“the Act”) and that a Form TM16 was not such an instrument. In response, the proprietor stated that it was both parties’ intention that the Form TM16 was to be the instrument of transfer and that there was no separate assignment document.

4. At the hearing held on 29 March 2023, I gave an oral decision that the Form TM16 was not an instrument of transfer and, consequently, the change of proprietor was made in error and must be rectified to record the applicant as the proprietor. In light of this decision, I declined to take further submissions regarding the applicant’s request for summary judgment/strike out.

5. I confirmed my oral decision in my written decision. At the hearing, I agreed to the applicant’s request to provide written submissions regarding costs after they had had time to consider the written decision.

6. Against this background, on 6 April 2023, the applicant provided detailed submissions and a schedule of actual costs amounting to £122,063.50. In contrast, on 19 April 2023, the proprietor provided short written submissions arguing that there should be no order of costs.

7. The proprietor draws my attention to the following comments in my written decision:

“22. It is the applicant’s position that the Form TM16 was signed on its behalf by someone who did not have authority and was done so under duress. However, in light of the above, it is not necessary that I consider this issue. ...

26. This decision terminates the proceedings, and it is not necessary that I also consider the applicant’s claim to summary judgment/strike out or set future dates to decide outstanding procedural issues or the other substantive issues.”

8. Further, it refers to the applicant’s Form TM26R where, at paragraphs 7 and 8 of the pleaded case, it states that the mark was assigned/transferred to the proprietor but that the transfer was invalid because Mr Holding did not have authority to sign the Form TM16 on behalf of the applicant and/or that he was coerced into signing it. It is also submitted that the applicant’s evidence is consistent with an attempt to support the claim and also addresses the issue of who created the contested mark. It makes no mention to the fact that there was no instrument of transfer. The proprietor submits that these issues were not relevant to the basis for my decision (that there was no instrument of transfer).

9. The proprietor concludes that my decision was not based upon the applicant’s case but, rather, it was based on an issue raised by the Registry under its general powers under rule 62 and, therefore, “the only just outcome on costs must be that there is no order to costs.” Therefore, it is necessary that I begin by looking more closely at the case relied upon by the applicant.

The proprietor’s claim that there should be no costs awarded and scope of the applicant’s case

10. The relevant time line and documents are as follows:

18 October 2022: Form TM26R received

The proprietor is correct when it asserts that the absence of an instrument of transfer does not form part of the applicant’s pleadings. The Form TM26R

pleading is limited to a claim that the contested mark “was transferred without consent”. On 15 September 2023, there was a change of representation of the applicant and the new representative, Decisis Limited, provided a further amendment to the TM26R explaining that it was “a more complete account of the grounds”. This addendum to the Form TM26R repeats the claim that the contested mark “was transferred without consent” but, again, does not make any claim to an absence of an instrument of transfer.

12 December 2022: Defence filed by the proprietor

The proprietor’s defence was that he was the correct owner pursuant within the terms of a profit share agreement (hereafter “the PSA”).

30 January 2023: The applicant requests summary judgment.

It cites a number of reasons and argued that the proprietor’s reliance upon the PSA had no prospect of success. It then went on to state “[n]o other intellectual property/assignment is relied upon by either party”

7 February 2023: Registry’s preliminary view to refuse the request for summary judgment

This was based on whether the proprietor’s reliance upon the PSA had any prospect of success.

16 February 2023: The applicant’s written skeleton arguments (“SA1”)

A case management conference (“CMC”) was appointed but later postponed. SA1 was produced for the original date of this CMC. It sought to demonstrate that there was no scope for interpretation of the PSA such as the proprietor’s case had any chance of success. However, at paragraph 8, it also noted that the proprietor’s reliance upon the PSA was presumably “without the need of an assignment of the [contested mark] to him”. The absence of an instrument of transfer is then discussed from paragraph 32 - 34 where it is asserted that

(a) the PSA was insufficient to comply with section 24(3) and (b) box 7 of the Form TM16 was wrongly ticked to confirm that a written assignment existed.

20 February 2023: Registry's letter directing that the proprietor provide a written instrument of transfer

I reviewed the papers and in line with my instructions, the Registry directed that the proprietor provides the instrument of transfer relied upon.

24 February 2023: Proprietor writes to confirm there is no separate instrument of transfer

In reply, the proprietor's position is clarified. It submitted that the parties clearly intended that the Form TM16 itself was to be the assignment document.

26 March 2023: The applicant's updated written skeleton arguments ("SA2")

The CMC was rescheduled as a hearing to take submissions in respect of (i) the absence of an instrument of transfer and (ii) the claim for summary judgment/strike out.

11. Relevant to whether the applicant relied upon an absence of an assignment document, it claimed that the proprietor made a false declaration when ticking a box on the Form TM16 declaring the existence of a written assignment when none existed. It was claimed that this amounted to perjury under section 9(b) of The Perjury Act 1911. In its submissions on costs, the applicant refers to my comments at paragraph 20 of my decision. The full paragraph reads:

"The proprietor claims that it was the intention of the parties that the Form TM16 was to be the instrument of transfer and Mr Rawkins reiterated this at the hearing. When pressed he conceded that he was not, in fact, in a position to say what Mr Holding's thoughts were but pointed to the amendment page

to the Form TM26R where the applicant accepted (at paragraph 7) that the mark “was transferred” (but went on to say that this was without consent). However, there is inconsistencies in the applicant’s case because in its evidence it also states that Mr Holding’s intention was to record a change of ownership (and, further that he was not the authorised to sign the form). During the hearing it became clear that based on the factual evidence (including the fact that the Form TM16 was signed by lay-persons and that it is the proprietor’s position that he was always the owner of the mark), that the actual intention may have been to rectify the trade mark register rather than assign the mark. Mr Rawkins’ assessment of how the proceeding should go forward (set out at [10] of his skeleton argument) assumed I could still find it appropriate to reject the rectification and for the owner of the mark to remain recorded of the trade mark register as Mr Petetin even if I found that the Form TM16 must be rejected. This suggests some confusion as to whether Mr Petetin was relying on a request to rectify the register or to record an assignment. The only issue before me is whether the Form TM16 is valid. There is no application from Mr Petetin to rectify the register and if there was, it would contradict his position that there was a valid assignment in place. I only have before me an application to record an assignment. This is what is subject to challenge by the applicant and subject to a request by the Registry to provide evidence of the assignment. In short, it is not clear to me that it is correct to classify the parties’ intention that the Form TM16 was an assignment in itself, as opposed to it being mistakenly filed as an attempt to rectify the Register.”

12. Therefore, I considered that the proprietor did not clearly have in mind the distinction between rectification of the trade mark register and a recordal of an assignment on the register. Such confusion is a mitigation against a claim of perjury. Consequently, I do not consider that the applicant’s perjury claim supports a claim for off-scale costs. However, it does illustrate that the applicant was alert to the absence of an instrument of transfer and, whilst not relied upon in its statement of case, it is clear that by the time it raised its claim for summary judgment/strike out, it had this firmly in mind and was a reason why it raised its claim to summary judgment/strike out.

13. As I refer to in paragraph 16 and 17, below, it appears that the applicant was also confused regarding the distinction between an assignment and rectification of the trade mark register. Insofar as both parties were confused, it undoubtedly resulted in lack of clarity of thought at the outset of proceedings and resulted in some increased costs in navigating progress of the case, but both parties are responsible for this. I, therefore, consider that the impact of this confusion on costs lies equally with each party.

14. Returning to the proprietor's claim that the applicant did not rely upon an absence of an instrument of transfer in its statement of case, in its written submissions on costs, the applicant claims that this had been pointed out to the proprietor on numerous occasions, namely:

Event 28 (identified in the "Chronology to accompany the Costs submissions") in an unspecified communication of 17 January 2023 to the proprietor's representative (Taylor Wessing). It is not possible to verify this from the papers provided.

Event 30, the application for summary judgment/strike out dated 30 January 2023. These submissions focus on addressing the then claim of the proprietor that he created the mark and pursuant to the terms of the PSA and that this gave him ownership of the mark. As noted earlier, the application did go on to state "[n]o other intellectual property/assignment is relied upon by either party"

Event 36, Professor Engelman's SA1 (of 16 February 2023 and prepared for the postponed hearing). SA1 sought to demonstrate that there was no scope for interpretation of the PSA such as the proprietor's case had any chance of success. However, at paragraph 8, it also noted that the proprietor's reliance upon the PSA was presumably "without the need of an assignment of the [contested mark] to him". The absence of an instrument of transfer is then discussed from paragraph 32 - 34 where he asserts that (a) the Profit Share Agreement was insufficient to comply with section 24(3) and (b) box 7 of the Form TM16 was wrongly ticked to confirm that a written assignment existed.

Event 63, Professor Engelman’s SA2 (of 26 March 2023 and prepared for the re-arranged hearing following my raising of the absence of an instrument of transfer point). The absence of a written assignment is listed as the sixth and last points relied upon in support of summary judgment. The reasons are expanded in paragraphs 16 – 38.

15. I have not had sight of the document to which Event 28 refers and without knowing exactly what was said, I am unable to place any weight on this. As noted earlier, in the application for summary judgment/strike out (Event 30) there was a passing reference to “[n]o other intellectual property/assignment is relied upon by either party” following the criticism of the proprietor’s reliance upon the PSA. Despite, no such claim being part of the applicant’s pleaded case, the point was developed in the applicant’s SA1. Following this, the Registry directed that the instrument of transfer be provided.

16. Further, the applicant’s evidence (in the form of the witness statement of Stephane Mardel dated 6 January 2023) provided a very detailed background to the dispute that included the following (with my emphasis):

“107. ... Matt incorrectly ticked a box in the method of transfer section of the TM16, suggesting that there was an assignment in existence. In my opinion, Matt was coerced and forced to act quickly. ... There was no such formal agreement that was executed between Christophe and myself, not even a simple discussion concerning the TM16.”

108. Of course, Christophe himself also signed the TM16 in the knowledge that no assignment agreement had been entered into between Systema Nova Ltd and himself. ...”

and:

117. I asked Matt Holding to rectify the TM16 recordal he had signed. I reiterate, with reference to paragraphs 105-6, that despite the TM16 stating that the “Method of Transfer” was by assignment, no such document was ever

executed I sought to rectify the recordal on the 10th of June 2022 when I filed a TM26R for the Company. Following an Office request of the 28th of June 2022, an amended TM26R was filed on that same day stating:

“We would like to rectify an error. We were alerted to a transfer on the 23rd of May 2022 of the Systema trademark (UK00003648018) from Systema Nova Ltd to Christophe Petetin. To clarify, the Systema.vc trademark (UK00003648018) must remain under the ownership of Systema Nova Ltd as the entity rather than an individual. The trademark was transferred without consent from the CEO and director of Systema Nova Ltd so was not the correct representative of the entity filling in the TM16 form. Said form was used to record the change in ownership.”

17. Therefore, Mr Mardel was aware of the absence of an instrument of transfer but appears to then become confused regarding the difference between an assignment and the recordal of an assignment. The applicant’s pleadings refer to the trademark being transferred without consent in the same way that I observed that the proprietor had also appeared to do (in paragraph 20 of my decision) whilst simultaneously noting that there was no assignment document.

18. Taking all of the above into account, it is clear that the applicant’s pleadings do not include any claim that there was an absence of an instrument of transfer. Rather, this was first introduced in a somewhat confused way by Mr Mardel’s witness statement and then briefly referred to in the application for summary judgment/strike out before being developed by Professor Engelman in his two sets of skeleton arguments prepared for the hearing.

19. In light of the above, I must first consider whether the proprietor’s claim, that no costs should be awarded, is the correct approach when considering the factual matrix. My view is that, despite the absence of an instrument of transfer being relied upon in its pleadings, the applicant raised the issue as part of its application for summary judgment/strike out and developed its reasonings in SA1 and SA2 ahead of the hearing on the issue. After receiving the SA1, I directed that the instrument of

transfer be provided. This led to an admission from the proprietor that it was relying upon the Form TM16 itself as the instrument of transfer. My findings in the substantive decision (that there was no instrument of transfer) was in line with the applicant's position set out in its application for summary judgment and subsequent skeleton argument. Therefore, it is clear that, as soon as this deficiency in the proprietor's case (as set out in its defence) was identified by the applicant, it was raised, and submissions provided. This was BEFORE I directed the proprietor to provide the instrument of transfer.

20. Taking all of this into account, whilst the applicant's statement of case did not include a claim that there was no instrument of transfer, it was raised and arguments developed by the applicant before the date of the postponed CMC. I consider that this provided ample opportunity for the proprietor to address the issue and it was not disadvantaged in any way by the issue not being raised in the statement of case. It would have been open to the applicant at that stage to make an application to amend its statement of case, but the mere fact that it did not do so is not fatal in respect of an award of costs.

21. In light of the above, I reject the proprietor's submission that the applicant did not rely upon a claim that there being no instrument of transfer. Insofar as this is relevant to the issue of costs, I reject the claim that there should be no award of costs.

The applicant's claim for off-scale costs

22. In light of this finding, it is necessary that I consider the merits of the applicant's claim to off-scale costs.

23. I have already noted that there appears to have been confusion on the part of both parties regarding the distinction between (i) an assignment and (ii) the recordal of an assignment on the trade mark register. This undoubtedly led to some additional communications until the impact of the absence of an instrument of transfer was brought into sharp focus by the Registry's direction to provide a copy of the document. As I have already commented, it would not be correct to penalise the proprietor by way of an increased costs award because he demonstrated this

confusion. This is especially so because the applicant also demonstrated similar confusion.

24. Whilst I also note that the applicant's evidence made reference to there being no assignment document, it was merely a single unsupported statement. The majority of this evidence addressed the interpretation of the PSA that formed no part of my decision and the evidence did not assist me in reaching the decision to rectify the register. Consequently, I consider costs at the lower end of the scale is appropriate.

25. In respect of costs in respect of other elements of the case, I keep in mind that these proceedings involved an application for rectification based on a challenge to a claimed assignment. With the exception of the confusion shown by the parties regarding the distinction between an assignment, these proceedings were straight forward. Further, they have been dealt with in a relatively short space of time with the Form TM26R being filed in October 2022 and the substantive decision being issued in April 2023. Therefore, on the face of it, there is nothing to suggest that off-scale costs are appropriate.

26. The applicant's claim is for a total of just over £122,000 made up of the following:

- £28,140 costs associated with the applicant's representative, Mr Michael Bilewycz of Decisis;
- £8,160 costs in respect of the applicant's solicitor, Wiggins, concerning the recovery of the sustema.vc domain name registration, and;
- £85,763.50 costs in respect of costs associated with the work undertaken by the applicant's counsel, Professor Engelman.

27. The applicant claims that these costs were reasonably incurred and are not unreasonable in amount.

28. Firstly, it is submitted that the proprietor, when signing the Form TM16, made a false declaration that a written assignment existed and to do so constitutes perjury. I have already discussed the fact that both parties appeared to be confused regarding

the difference between an assignment per se and the recordal of an assignment of the trade mark register. The proprietor appears not to have understood the distinction between the two. After his representative's intervention, it was acknowledged that there was no separate assignment document but there was a reliance on a claim that the proprietor considered that the Form TM16 itself formed the instrument of transfer. Whilst clearly this could not be the case, as a lay person, it is feasible that the proprietor believed this to be the position. The circumstances support this and, further, there is nothing in the evidence to counter what the claimed belief of the proprietor was. Consequently, I cannot reach a conclusion that his declaration on the Form TM16 was knowingly or wilfully made as opposed to it resulting from a genuine, if misplaced, belief that the Form TM16 was the instrument of transfer.

29. In summary, to the extent that the applicant justifies a claim for actual costs based upon the proprietor's incorrect completion of the Form TM16, I dismiss the claim. This addresses one of the primary points relied upon the applicant for its claim of off-scale costs.

30. The applicant also claims that the following also demonstrate behaviour that departs from the normal conduct and, therefore, justifying compensatory costs:

- (i) an alleged threat by the proprietor of adverse publicity in exchange for money;
- (ii) the proprietor ignored the applicant's requests for mediation;
- (iii) contrary to the proprietor's first two stated positions regarding his right to ownership of the contested mark he adopted a third position.

31. In respect of the first of these, to the extent that it may be correct, this is an action that can be frowned upon, but it has no bearing upon the costs incurred in the proceedings before the Registrar. I reject this as a reason for awarding off-scale costs.

32. In respect of the claim that the proprietor ignored requests for mediation, the applicant referred me to the following comments taken from the Registry's tribunal practice notice (TPN) 1/2023:

"5. Notwithstanding the published scale, the Tribunal retains the discretion to award costs "off the scale" to deal proportionately with unreasonable behaviour. Some examples of what might constitute unreasonable behaviour include ... behaviour designed to delay, frustrate or unreasonably increase the costs/burden on the other party 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." (my emphasis)

33. The applicant also referred to the comments of Watson J. in Rizla's Application [1993] R.P.C. 365 where he stated:

"I believe a case such as the present can only be regarded as exceptional if it can be shown that the losing party has abused the process of the Comptroller by commencing or maintaining a case without a genuine belief that there was an issue to be tried"

34. I do not consider the proprietor's actions amount to an abuse of process in this case. It is clear to me that he misunderstood the distinction that exists between an assignment and the recordal of an assignment. His position as set out in his defence is that he was the rightful owner of the mark. His position later shifted to claiming the Form TM16 evidence of an assignment. There is clear tension between these two positions because, if he believed he was the owner by virtue of the PSA, then there was no need to assign the mark into his name. This shows confusion rather than an abuse of process.

35. The TPN also makes reference to where *"a losing party unreasonably rejected efforts to settle a dispute"*. The key here is whether the rejection was "unreasonable". It is not clear to me that this is the case here. The proprietor asserts that he invented

the mark (something which I acknowledge is disputed) and that, therefore, by virtue of the terms of the PSA, he is the owner of the mark. To continue the proceedings where this was his belief is not “unreasonable”. I reject this as a reason for considering off-scale costs.

36. The applicant also cited two cases¹ where a party made false statements resulting in off-scale costs. I keep these in mind but I have already dismissed the “false statement” claim on the grounds that it appears to be a misunderstanding rather than any abuse of process.

37. Going from the papers in these proceedings, the proprietor was first notified by the applicant on 30 January 2023 that it believed there was no instrument of transfer (see paragraph 10, above) and the applicant only expanded on this point in SK1 on 16 February 2023. The applicant submits that the proprietor increased the cost burden because of its changing case requiring the applicant to change its attack. I consider this argument has some merits from 16 February when it would have become clear to the proprietor that there was a fundamental and fatal flaw to his case. This was clearly brought into focus when the proprietor was unable to provide the requisite instrument of transfer after being directed to do so. At this point the evidence rounds were complete and the case was awaiting a hearing. I, therefore, consider it appropriate to award off-scale costs in respect of the hearing only. No figure for the hearing and preparation of the SK2 is discernible from the submissions on costs and I, therefore, estimate the level to be £2000.

38. The applicant also identifies two other reasons in support of its off-scale costs claim. Firstly, it claims that the proprietor was maintaining its case without an honest belief that an instrument of transfer existed. This overlaps with what I have already said regarding the lack of clarity in the mind of the proprietor regarding the difference between an assignment and a recordal of an assignment. Such a lack of clarity points to a misunderstanding rather than maintaining a case without an honest belief that it could succeed. I reject this submission.

¹ *The Huqqa Trade Mark* Case BL O/189/16 and *Abu Kass UK Ltd*, Case BL O/140/15

39. Secondly, the applicant claims that the proprietor was lying about the facts that underpinned his defence. It was not necessary that I considered this point in order to dispose of the case. However, the misunderstandings in the statement of grounds and the proprietor's subsequent defence provides a rebuttal to such a claim. I reject this submission insofar as it impacts upon my consideration of costs.

40. Finally, I comment briefly upon the claimed costs (provided in a detailed table of events and a costs schedule) as invoiced by its representative, Decisis. There is nothing listed that suggests to me that off-scale costs are appropriate. Further, itemised costs relating to the following are provided but these activities do not relate to these proceedings and so form no part of my considerations:

- work in respect of the issuance of IPEC proceedings;
- work in respect of without prejudice communications with the proprietor, and;
- work in respect of terminating the PSA.

Summary

41. Taking all of the above into account, I award an estimated actual amount of costs in respect of the hearing but otherwise scale costs in favour of the applicant and as follows:

Preparing and filing statements of case and considering defence	£500
Preparing evidence and considering other party's evidence:	£500
Preparing for, and attending hearing:	£2000
Total:	£3000

42. I therefore order Christophe Petetin to pay Systema Nova Ltd the sum of **£3000**. 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 7th day of June 2023

Mark Bryant
For the Registrar