

**O/0531/23**

**TRADE MARKS ACT 1994**

**TRADE MARK REGISTRATION No. 3541756**

**IN THE NAME OF LACEHOUSE KITCHEN LTD**

**AND**

**AN APPLICATION BY ECLIPSE LABELS LIMITED**

**FOR AN AWARD OF OFF-SCALE COSTS**

**IN CONNECTION WITH INVALIDATION APPLICATION 504174**

## Decision on costs

1. As a result of an application filed by Lacehouse Kitchen Ltd (“the proprietor”) on 7<sup>th</sup> October 2020 the trade mark **Eclipse Labels** was registered on 12<sup>th</sup> March 2021 in relation to:

Class 16: Adhesive printed labels; Labels of paper; Adhesive labels Adhesive labels of paper; Adhesive stickers.

Class 20: Labels of plastic.

2. On 23<sup>rd</sup> September 2021, Eclipse Labels Ltd (“the applicant”) applied under section 47 of the Trade Marks Act 1994 (“the Act”) for the registration to be declared invalid. The applicant’s grounds for invalidation were, in summary, that:

- i) The applicant was the owner of an earlier unregistered right to Eclipse Labels as a result of trading under that name in the UK since 2003 in relation to a business engaged in the production, design and printing of labels.
- ii) Use of the registered mark would therefore be contrary to the law of passing off.
- iii) Between July 2018 and March 2020, the applicant supplied the proprietor with labels for use in the business it conducts under the name ‘The Sauce Shop’ as a manufacturer and retailer of condiments and seasoning products.
- iv) In March 2020, a dispute arose about the non-payment of invoices which resulted in the applicant launching legal proceedings against the proprietor in May 2020 for debt recovery.
- v) In July 2020, James Digva, a director of the proprietor, posted a negative review of the applicant’s business on Trustpilot. He claimed that during the two years to March 2020 that the proprietor had been a customer of the applicant the proprietor had received poor service, including being supplied with sub-standard printed labels, and had been denied a 20% discount offered to other customers.
- vi) The applicant obtained a default Court Order against the proprietor for the recovery of the unpaid bills, but this was subsequently set aside by way of an

Order dated 6<sup>th</sup> October 2020 after it transpired that the applicant's claim had been served at an old address. The proprietor was permitted to file a late defence. The parties subsequently settled the matter without the need for further proceedings. According to the applicant, the proprietor settled the outstanding invoices.

vii) The parties engaged in further correspondence in July 2021. This included an email dated 7<sup>th</sup> July 2021 from Mr Digva stating:

*“Unfortunately you should have heeded your own advice as I hate injustice and now you're the smaller business in this matter.*

*Strange to see that you didn't own the trademark to Eclipse Labels ... I do now.*

*Trademark*

*'ECLIPSE LABELS' [link to IPO website entry]*

*I'll be launching my own label broker business soon on eclipselabels.co however I'm happy to sell these assets and close the matter once and for all if you'd like to make amends. The price would be all of the costs you incurred us.”*

viii) Solicitors for the applicant subsequently wrote to the proprietor on 22<sup>nd</sup> July 2021 asking it to assign the registered mark to the applicant for the nominal sum of £1. In a reply received on 3<sup>rd</sup> August 2021, Mr Digva refused the applicant's request and asserted that the proprietor had traded under the name 'Eclipse' and 'Eclipse labels' in relation to the provision of labels *“long before [it] had any dealings with the applicant.”* He also asserted that the proprietor operated a website at [www.eclipselabels.co](http://www.eclipselabels.co). The proprietor offered to transfer both to the applicant for £2,000. Mr Digva followed this offer with:

*“Further, I have to insist that I could only hold this offer for 14 days as we are looking to invest in a new website and expand our services into bespoke label printing. Once we pass this point the value invested will be more like £5-10k and so the cost to reassign would have to reflect this.”*

ix) The website [www.eclipsetLabel.co](http://www.eclipsetLabel.co) was created on 8<sup>th</sup> October 2020, the day after the application to register the contested trade mark. Both were filed within a day or two of the Order setting aside the original default judgment in the debt proceedings.

x) The above points indicate that the application to register the contested mark was filed in bad faith to obtain money from the applicant.

xi) Registration of the mark was therefore contrary to sections 5(4)(a) and 3(6) of the Act.

3. The proprietor decided not to defend the applicant's application. In an email dated 4<sup>th</sup> January 2022, Mr Digva stated:

*"Although we disagree with the applicant's comments, we do not put enough value on this trademark to warrant defending it, so without prejudice in the matter, we will accept the request for cancellation."*

4. On 4<sup>th</sup> April 2022, the applicant's solicitors indicated that the applicant wished to pursue its application for invalidation and would seek its costs, and not just those indicated in the IPO's published scale of contributory costs.

5. On 12<sup>th</sup> May 2022, the registrar issued a default decision invalidating the registration on the basis that:

*"As the registered proprietor has not fully responded to the allegations made, I am prepared to infer from this that they are admitted. Therefore, in accordance with Section 47(6) of the Act, the registration is declared invalid, and I direct that it be removed from the register and deemed never to have been made."*

6. On 8<sup>th</sup> June 2022, the proprietor filed an appeal to the Appointed Person against the registrar's decision to invalidate the registration. The thrust of the appeal was directed at the potential costs implications of the registrar's decision. However, the grounds of appeal included the following statement:

*"Our company does have a genuine interest in the mark and has operated under the name Eclipse Labels for a small amount of trade for many years. A separate trading name under a limited company is not uncommon and the*

*majority of documentation is naturally going to be in the name of the company.”*

7. On 17<sup>th</sup> June 2022, the applicant filed a Respondent’s Notice.

8. Following an appeal hearing on 20<sup>th</sup> September 2022, Geoffrey Hobbs KC, acting as the Appointed Person, emailed the parties confirming that the appeal was withdrawn by consent and ordering the proprietor to pay £750 towards the applicant’s costs of the appeal. The appeal was withdrawn following Mr Hobbs determination that the proprietor could not appeal the substantive matter in the invalidation proceedings because it had consented to that outcome. Further, as there had not yet been any decision on costs it followed that it was premature for the proprietor to try to appeal the costs implications of the invalidation decision.

9. The £750 costs awarded by the Appointed Person was in respect of the appeal. Mr Hobbs expressly did not decide on an award of costs in relation to the first instance invalidation proceedings. He also made it clear that the costs of an appeal bundle prepared by the applicant for the appeal hearing could be considered as part of the registrar’s determination of costs if the contents of the bundle proved relevant to the first instance costs assessment.

10. On 9<sup>th</sup> November 2022, the registrar reminded the applicant that if it wished to pursue its case for off-scale costs it would have to provide a bill of costs limited to the costs associated with making the application the application for invalidation and, if resisted, the cost of pursuing its claim for such costs. The applicant was given until 30 November 2022 to provide the same.

11. The registrar’s letter also gave directions as to the future conduct of the proceedings. It stated:

*“Once we have received your amended bill, the proprietor will be set a deadline to provide submissions, should they choose to, based on the justification for, and quantum of off-scale costs sought. If necessary, either party may then request a hearing (to be held remotely) on the application for off scale costs, or make an application to file additional evidence prior to, or instead of, a hearing. Otherwise, a decision will be made from the papers.”*

12. On 24<sup>th</sup> November 2022, the proprietor provided a bill of costs in support of its application for off-scale costs. This amounted to £7,695 already spent and estimated further costs of £1,962 to complete the applicant's case on costs. In total this amounts to £9,657, excluding VAT.

13. The applicant's case for seeking off-scale compensatory costs is, essentially, that registration of the contested mark was purely an attempt to seek commercial revenge on the applicant for launching debt recovery proceedings, and was used in an attempt to extract unjustified consideration from the applicant. According to the applicant, the proprietor's claim to having traded itself as ECLIPSE/ECLIPSE LABELS is false.

14. Mr Digva on behalf of the proprietor gave his reasons for resisting the applicant's application for off-scale costs in an email dated 28<sup>th</sup> December 2022. The main reasons are:

- i) The IPO's Work Manual states that if proceedings are launched against you without warning then no award of costs will be made against you.
- ii) In August 2021, the applicant and the proprietor were in negotiations about a figure to settle the dispute. The applicant choose to start invalidation proceedings rather than to conclude these negotiations.
- iii) On 13<sup>th</sup> August 2021, at the applicant's request, the proprietor provided bills and invoices showing use by the proprietor of the contested mark in relation to printer labels. The applicant did not say the evidence provided was unsatisfactory at the time.
- iv) The applicant's business is a printing business providing printing services; they do not sell labels as such;
- v) Darren Abbott is a director of the applicant and the main protagonist in the dispute with Mr Digva. Another company of which Mr Abbott is the director changed its name to Sauce Shop Co. (i.e. the proprietor's main trading name) on 10<sup>th</sup> August 2021. Therefore, the applicant is the one who set up a sham company, not the proprietor.

vi) Mr Abbott has made continual public attacks on the applicant company and behaved unreasonably.

vii) The applicant has acted with little regard for cost and taken a sledgehammer approach to resolving the dispute.

viii) The email in which Mr Digva referred to having registered Eclipse Labels in the proprietor's name was sent after Mr Abbott threatened Mr Digva following something he had posted about the applicant on a public platform.

15. The absence of any third party identification, and the curious use of "pro-forma" in two of the invoices the proprietor provided to the applicant was pointed out in the applicant's 'skeleton argument' filed on 6<sup>th</sup> January 2023. The applicant maintained that the documents were false and the trade mark application had been filed in bad faith as alleged.

16. At this stage the proprietor had filed no evidence of its own. The only potentially relevant documents before the registrar were those included in the applicant's appeal bundle, which were also attached to its 'skeleton argument'. Accordingly, on 10<sup>th</sup> January 2023 the registrar wrote to the proprietor in these terms:

*"If you wish to rely on the invoices attached to the applicant's skeleton argument as supporting the claim made earlier in these proceedings that the proprietor traded as ECLIPSE LABELS prior to registering the trade mark, you may file a witness statement confirming the authenticity of those documents and such further information you consider shows they demonstrate bona fide trading under that name. Any such witness statement should be filed within 14 days (on or before 24 January 2023) and must include a Statement of Truth, an example of which can be found at the end of the applicant's Statement of Case (attached to form TM26(I)) dated 21 October 2021 (please see attached). The parties are entitled to be permitted to cross examine the makers of such statements under oath."*

17. The proprietor subsequently provided a witness statement by James Digva dated 24<sup>th</sup> January 2023 in which he confirmed the authenticity of the documents he had previously provided to the applicant's representatives. He also provided copies of

two further invoices as further support for the proprietor's claim to have been trading under Eclipse Labels. I return to these documents below.

## **The Law**

18. Section 68 of the Act and Rule 67 of the Trade Mark Rules 2008 give the registrar a wide discretion to award costs. As Anthony Watson Q.C. stated in *Rizla Ltd.'s Application*<sup>1</sup> when considering a very similar provision under the Patents Act 1977:

*“The wording of section 107 could not in my view be clearer and confers on the Comptroller a very wide discretion with no fetter other than the overriding one that he must act judicially.”*

19. The registrar normally awards costs based on a published scale.<sup>2</sup> The scale aims to award costs on a contributory rather than a compensatory basis. This is because the registrar operates an accessible low-cost tribunal with predictable costs. However, the registrar's practice makes it clear that costs may be awarded on a compensatory basis if a party behaves unreasonably. The applicant's case is essentially that the applicant has acted unreasonably in the ways described above.

20. Although the courts have endorsed the registrar's power to award compensatory costs in cases of unreasonable behaviour, it does not follow that compensatory costs must be awarded whenever there is any unreasonable behaviour. Rather, as stated in *Rizla's Application*, the question is whether *“the behaviour in question constituted such exceptional circumstances that a standard award of costs would be unreasonable.”*

### **The applicant's *prima facie* case for off-scale costs**

21. As noted above, the registrar decided to invalidate the contested trade mark on the basis that the applicant's grounds for invalidation were admitted. This includes the allegation that the trade mark was applied for in bad faith. In my view, it would have been more appropriate to characterise the effect of the proprietor's decision not to file a counterstatement as being that the applicant's grounds for invalidation were

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<sup>1</sup> [1993] RPC 365 at 377

<sup>2</sup> See paragraphs 5.3 and 5.6 of the Trade Marks Work Manual on the IPO website



'not denied' rather than 'admitted'. More importantly, although non-denials (or deemed admissions) are relevant to the determination of the substantive issue, they do not constitute an actual admission of having acted in bad faith for the purpose of assessing costs. Further, even if the trade mark application was actually filed in bad faith, such a finding does not necessarily mean that *"the behaviour in question constituted such exceptional circumstances that a standard award of costs would be unreasonable."* Each case must be assessed on its own merits.

22. I therefore turn to the question of whether the applicant's central allegation – that the proprietor filed the application to register the trade mark it knew the applicant was using as revenge for being required to defend the debt recovery proceedings brought by the applicant (and settle the debt), and then demanded payment to hand the trade mark over – would, if true, be sufficient to justify off-scale costs.

23. In my view, behaviour of this kind would amount to a serious abuse of the trade mark registration system. I find that such behaviour would constitute such *"exceptional circumstances that a standard award of costs would be unreasonable."* I see no reason why a victim of this kind of behaviour should receive less than the full reasonable cost of bringing an application to oppose or invalidate the trade mark. Accordingly, if the applicant has established the facts it relies on, I consider it is entitled to an award of off-scale costs sufficient to recover the full reasonable cost of bringing the application for invalidation and recovering the associated costs.

24. I am satisfied that the following facts are sufficient to establish the applicant's *prima facie* case:

- i) The proprietor knew the applicant was running a printing business under the name ECLIPSE LABELS;
- ii) The proprietor was a customer of the applicant;
- iii) There was a dispute between them about non-payment of the applicant's bills for work commissioned by the proprietor;
- iv) The application to register the trade mark was filed one day after the proprietor had succeeded in persuading a court to set aside a default debt recovery Order requiring it to pay the proprietor the money owed, and

permitting it to file a late defence (meaning that the dispute, including the possibility of a negotiated settlement, was still live);

v) The timing of the proprietor's registration of the eclipselabels.co domain name, two days after the Order setting aside the original default debt recovery Order;

vi) The tone and content of Mr Digva's email of July 2021, which appears to have been intended to goad the applicant about that the proprietor having registered the mark the applicant uses, and threatened to launch a "*label broker business soon on eclipselabels.co.*"

vii) When subsequently challenged, the proprietor's request for £2k to hand over the trade mark with the thinly disguised threat that the cost would rise to £5-10k once it had fulfilled its intention to "*invest in a new website and expand our services into bespoke label printing.*"

#### **Has the proprietor rebutted the applicant's *prima facie* case?**

25. The main points of the applicant's rebuttable are set out in paragraph 14 above.

*The IPO's Work Manual states that if proceedings are launched against you without warning then no award of costs will be made against you.*

26. This is irrelevant because the proprietor was given warning that proceedings may be launched and chose to retain the registration until after proceedings were started.

*In August 2021, the applicant and the proprietor were in negotiations about a figure to settle the dispute. The applicant choose to start invalidation proceedings rather than to conclude these negotiations.*

27. The applicant was fully entitled to launch proceedings rather than pay the proprietor for the trade mark.

*On 13<sup>th</sup> August 2021, at the applicant's request, the proprietor provided bills and invoices showing use by the proprietor of the contested mark in relation to printer labels. The applicant did not say the evidence provided was unsatisfactory at the time.*

28. The applicant has made it clear throughout, including in paragraph 15 of the application for invalidation filed in October 2021, that it regards the proprietor's claim to have traded under ECLIPSE LABELS as false.

*The applicant's business is a printing business providing printing services; they do not sell labels as goods.*

29. The proprietor made no distinction between printing services and printed labels in Mr Digva's email of July 2021 when he stated that "...you didn't own the trademark to Eclipse Labels ... I do now." Consequently, unless the proprietor has established that it actually had an ongoing business under ECLIPSE LABELS as claimed, it seems likely that the distinction it is now making, between a trade in labels as goods as opposed to services, has only acquired significance since the proprietor realised it would have to defend an application for costs.<sup>3</sup> In which case it is irrelevant.

*Another company of which Mr Abbott is the director changed its name to Sauce Shop Co. (i.e. the proprietor's main trading name) on 10<sup>th</sup> August 2021. Therefore, the applicant is the one who set up a sham company, not the proprietor.*

30. This was 10 months after the trade mark application was filed. Consequently, it could not have been a reason for filing the trade mark application. In any event, even if true, the unreasonable behaviour suggested on the part of Mr Abbott cannot justify unreasonable behaviour on the proprietor's part. Two wrongs do not make a right.

*Mr Abbott has made continual public attacks on the applicant company and behaved unreasonably.*

*The email in which Mr Digva referred to having registered Eclipse Labels in its name was sent after Mr Abbott threatened Mr Digva following something he had posted about the applicant on a public platform.*

31. As above.

*The applicant has acted with little regard for cost and taken a sledgehammer approach to resolving the dispute.*

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<sup>3</sup> The proprietor has stated it has access to legal advice

32. This is an issue to be considered in the assessment of whether all the costs the applicant incurred were reasonably incurred. It is irrelevant to the issue of whether the applicant is, in principle, entitled to recover the costs it reasonably incurred in invalidating the trade mark registration.

33. Accordingly, none of the proprietor's points set out above are sufficient, either individually or collectively, to rebut the applicant's *prima facie* case that the proprietor appears to have acted in a grossly unreasonable manner.

**The proprietor's claim to have traded under ECLIPSE or ECLIPSE LABELS in relation to labels "*long before [it] had any dealings with the applicant.*"**

34. This claim was first made in a letter from the proprietor to the applicant's representatives on 3<sup>rd</sup> August 2021. It was sent in response to a letter-before-action dated 22<sup>nd</sup> July 2021.<sup>4</sup> The proprietor's response stated that, in addition to its core business of selling sauces under the Sauce Shop brand, the proprietor provided other goods/services, including "*Label design and printing services.*" The proprietor elaborated on this claim stating that:

*"We have undertaken business activities under a number of brand names over the many years we have been in operation. One of those being consulting under the name 'Eclipse'. When we moved into bulk purchasing of thermal printing labels and sheet labels we decided to increase our buying power by reselling those labels and used the name 'Eclipse Labels'. This was long before we had any dealings with your client and had no idea of their existence. We have records to back this up if required in court and we operate the website [www.eclipselabels.co](http://www.eclipselabels.co). We undertake private label manufacturing work for small brands who do not operate their own manufacturing capabilities and since we have existing relationships with label suppliers, we often work as an intermediary between the two entities assisting with design and branding and ultimately label printing. This activity is carried out under the umbrella brand of Eclipse Labels."*

35. Page 68 of the applicant's appeal bundle is a page from the website mentioned in the proprietor's response showing how it looked on 3<sup>rd</sup> August 2021. It shows use

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<sup>4</sup> See pages 53-55 and 60-67 of the applicant's appeal bundle

of a logo including the words ECLIPSE LABELS on a landing page ostensibly offering “*competitive prices for thermal transfer and plain sheet and roll labels*” and announcing that bespoke label printing services would be “*coming soon.*” However, no further details of pricing, products (or anything else) was included.

36. The applicant’s representative responded to the proprietor’s letter of 3<sup>rd</sup> August 2021 on the same day requesting evidence of the proprietor’s business under ECLIPSE and stressing the importance of such evidence.

37. Mr Digva replied to this request on 6<sup>th</sup> August 2021 stating he would “*try to dig out some older documentation where we called ourselves Eclipse*”, adding that “*this was a long time ago now before Sauce Shop was such a significant brand in the market and we were just finding our feet. The partnership was simply named ‘J & P Digva’.*” Mr Digva also sought assurances about the sharing of client information with the applicant itself, and raised the prospect of confidential information having to be redacted.

38. The applicant’s representative responded again on 6<sup>th</sup> August 2021 repeating the request for evidence of the proprietor’s ECLIPSE business.<sup>5</sup> The letter also pointed out that “*It is a matter for you what evidence you have and are prepared to share, and what confidential information should be redacted.*”

39. Mr Digva responded on 13<sup>th</sup> August 2021 attaching some documents which he claimed showed “*buying and selling labels under the trading name Eclipse Labels.*”<sup>6</sup> The four documents attached to this email consist of:

- i) An invoice dated 7<sup>th</sup> March 2018 to the proprietor “*t/a Eclipse Labels*” for about 500 labels at a cost of around £1100;
- ii) An invoice dated 20<sup>th</sup> May 2020 to the proprietor “*t/a Eclipse Labels*” for about 220k labels at a cost of around £11500;
- iii) An invoice dated 16<sup>th</sup> November 2020 to the proprietor “*t/a Eclipse Labels*” for about 250 labels at a cost of around £600;

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<sup>5</sup> See page 76 of the applicant’s appeal bundle

<sup>6</sup> See pages 81 and 92-95 of the applicant’s appeal bundle

iv) A VAT invoice dated 2<sup>nd</sup> March 2021 bearing an Eclipse Labels logo for 12 rolls of labels at a cost of around £160.

40. The first three documents are printed on plain (not headed) paper. The party that sold the labels to the proprietor is not identified by name or address. Unlike the first and second documents, the third document has no account or order number. The place where the order number should be bears the word “*Pro-forma*.” I note that this document is dated after the proprietor applied to register the trade mark and created the eclipselabels.co website.

41. The fourth document is addressed to “*Telephone Order (pro-forma)*.” The buyer of the labels is not identified by name or address. I note that this document is dated six months after the proprietor applied to register the ECLIPSE LABELS trade mark.

42. Mr Digva’s statement of 24<sup>th</sup> January 2023 is the subject of a statement of truth. He says:

*“I write this statement to confirm the authenticity of all documentation previously provided and additional invoices attached along with this statement. These are historic invoices from when the business used to trade in labels using the Amazon platform. It was mentioned that the invoice previously submitted was issued as ‘pro forma’ however I need to confirm that it states pro forma as it was required to be paid in advance however that is a full and final VAT invoice.”*

43. The invoices attached to this statement are dated 24<sup>th</sup> July 2018 and 18<sup>th</sup> November 2018. As with most of the other invoices, they are printed on plain (not headed) paper. They include the proprietor’s name and address, Lacehouse Kitchens Ltd, “*t/a Eclipse Labels*.” This is identified as the ‘remittance address’ indicating that this is the party to whom payment should be sent. Both invoices are for a small volume of labels. The only third party identified on the invoices is “*AMAZON EU, SARL, UK BRANCH*”, which is recorded as the billing address.

44. The same witness statement was resubmitted the following day on 25<sup>th</sup> January 2023 with copies of same 2 invoices. No explanation was provided as to why the statement and attachments had been refiled. After examination and comparison of the documents, it was noticed that the copy of the second invoice attached to the

refiled witness statement showed a delivery date of 18<sup>th</sup> November 2018, whereas the copy of the same invoice filed the previous day showed the number 0764575066976 where the delivery date should have been.

45. Although the cancellation applicant objected that the second-filed witness statement and attachments were filed a day after the deadline for filing evidence, they were admitted.

46. The cancellation applicant responded to this evidence on 3<sup>rd</sup> February 2023 stating that:

*“The Cancellation Applicant has no further comment to make upon the Proprietor’s evidence filed on 24 January 2023. It is respectfully submitted that the Proprietor has not authenticated the documents that it has filed and it is appropriate for this matter to be forthwith referred to the Hearing Officer. We look forward to receiving the Hearing Officer’s decision in due course.”*

47. On 23<sup>rd</sup> March 2023, I wrote to the proprietor in these terms:

*“I have noted that [the documents filed on 24/25 January] are historic invoices. I have also noted that the version of invoice 14595SCR filed on 24th January has the number 0764575066976 against ‘delivery date’, whereas the version of the same invoice you filed the following day has the date 18/11/2018 as the delivery date. In accordance with the power conferred on the registrar by Rule 62(1) of the Trade Mark Rules 2008, I require further information from you. Specifically, please provide your explanation for the discrepancy between the two versions of this invoice you filed in evidence.”*

48. I received a reply from Mr Digva dated 31<sup>st</sup> March 2023 in which he explained:

*“The supplied invoices were generated from the Amazon system, their backend systems are notoriously buggy and temperamental and not very user friendly. With these being historic invoices they weren’t readily accessible. I realised after making the submission that there was an error in one of the documents, it looks as though the field for date had populated with some other information. I thought this would cause confusion and therefore I generated a new version of the invoice which came out correctly and I attached that to my follow up email.”*

49. The ‘other information’ which appeared in the delivery date field in the first-filed version of the invoice of 18<sup>th</sup> November 2018 appears again later in the same invoice as the product code for one of the two label products covered by that invoice.

50. The attempt by the proprietor to substitute the copy of the invoice filed on 25<sup>th</sup> January 2023 for the version filed the previous day, without explanation, adds to the unease and doubts I have in accepting Mr Digva’s evidence about the proprietor having a pre-existing side business trading in labels under the name ECLIPSE LABELS.

51. Neither party has requested a hearing, and the applicant has not sought to cross examine Mr Digva on his evidence. In *Robot Energy Limited v Monster Energy Company*,<sup>7</sup> Ms Emma Himsworth KC, as the Appointed Person, reviewed the case-law about the weight to be given to a witness’s evidence in the absence of cross examination, as set out in *Pan World Brands v. Tripp* (EXTREME),<sup>8</sup> *Williams and Williams v. Canaries Seaschool SLU* (CLUB SAIL),<sup>9</sup> and *Advanced Perimeter Systems Ltd v. Keycorp Ltd* (Multisys Trade Mark).<sup>10</sup>

52. Ms Himsworth noted that where the truth of a witness’s evidence is challenged during the written stage of the proceedings, the requirement set out in EXTREME, to accept evidence that is credible and has not been challenged through cross examination, does not apply. The Appointed Person stated that:

*“73. As was made clear in the decision in CLUB SAIL grounds of opposition cannot be rejected automatically on the basis that the witness who sought to refute them was not cross-examined. It is necessary to form a view as a matter of judgment whether the evidence is sufficient to establish the relevant fact which requires, as the Hearing Officer correctly said, the decision taker to consider the evidence as a whole. That the Hearing Officer took this view is entirely consistent with the guidance set out in CLUB SAIL (and EXTREME and MULTISYS). This includes weighing up in particular (1) the power of one side to produce the evidence and the other to contradict it; and (2) the plausibility of the positions that have been adopted in the context of the*

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<sup>7</sup> BL O/308/20

<sup>8</sup> [2008] RPC 2

<sup>9</sup> [2010] RPC 32

<sup>10</sup> [2012] RPC 14 at paragraphs [17] to [22]



*evidence as a whole which entails where the parties have elected to proceed without cross-examination accepting that the evidence of one witness might be found to have been disproved or displaced by the evidence of another.”*

53. As already noted, the applicant has consistently maintained throughout these proceedings that the proprietor’s claim to have run a pre-existing business under ECLIPSE LABELS is false. Therefore, it cannot be said, as it was in *Extreme*, that the proprietor has not had an opportunity to answer the applicant’s criticisms of Mr Digva’s evidence. On the contrary, the proprietor has had ample opportunity to rebut the applicant’s criticisms about the absence of credible evidence showing that it had a pre-existing or concurrent business under ECLIPSE LABELS prior to filing the trade mark application.

54. I do not regard Mr Digva’s evidence as credible, let alone persuasive, for the following reasons:

i) The proposition that the proprietor used the applicant’s ECLIPSE LABELS printing services between March or July 2018 and March 2020 for printing at least some of its SAUCE SHOP labels, whilst simultaneously buying and selling labels itself as a side business under the same trading name, seems inherently improbable. Such a defence to the applicant’s claim for off-scale costs requires credible and convincing proof.

ii) Mr Digva’s email of 3<sup>rd</sup> August 2021 to the applicant’s representative claimed that the proprietor had been consulting under the name ECLIPSE “*for many years.*” He gave the impression this entailed working as an intermediary between third party brands and the label suppliers with whom the proprietor had contracts, and assisting the former with their design, branding and ultimately label printing. And yet his earlier email of 7<sup>th</sup> July 2021 stated that he would be “*launching my own label broker business soon*”, and the eclipselabels.co website as of 3<sup>rd</sup> August 2021 indicated that bespoke label printing services would be “*coming soon.*”

iii) The copies of four documents for labels provided to the applicant’s representatives on 13<sup>th</sup> August 2021 purporting to be invoices were entered into these proceedings by the applicant in its capacity as the respondent in the appeal proceedings, in support of its claim for off-scale costs.

iv) None of the four invoices provided to the applicant in August 2021 appear to have been redacted, and yet none of them identify the third party that sold labels to, or bought labels from, the proprietor, and no explanation has been provided for this glaring omission.

v) The proprietor made no submissions and filed no evidence about these documents until specifically invited to do so by the registrar. Mr Digva's witness statement of 24<sup>th</sup> January 2023 confirmed their authenticity in general terms but provided no detail or explanation as to what each of the invoices specifically showed, e.g. which showed buying and which showed selling labels, or why the invoice dated 16<sup>th</sup> November 2020 to the proprietor appears to show an unidentified third party sent the proprietor an invoice for £600 worth of labels without including an account number, and (if I have interpreted the document correctly) that third party using the words 'pro-forma' in lieu of an order number.

vi) Mr Digva's witness statement is similarly vague as to what the two additional invoices attached to his statement specifically show. They appear to show the proprietor charging Amazon's "*UK Branch*" for labels during 2018, but no explanation was provided as to why Amazon paid the proprietor for labels.

vii) Mr Digva's explanation for the appearance of a 13 digit product code in the delivery date field of the first version of the invoice dated 18<sup>th</sup> November 2018 is not credible. No matter how "*buggy and temperamental*" the Amazon back-end computer system may be, such systems do not randomly generate different data from one day to another, or populate the same printer export field with data from a different part of the database. Therefore, the discrepancy between the first and second versions of the invoice of 18<sup>th</sup> November 2018 indicate it is probably a fabrication. In which case the other invoice filed at the same time is probably also a fabrication.

viii) If, as it claims, the proprietor was selling labels under the name ECLIPSE LABELS from at least 2018 through to 2021, there is no reason why it could not have produced a proper detailed account of the trade in question and produced credible evidence to support it. It has not done so. Instead it has

made vague and sometimes contradictory assertions and, when asked to do so, supported these claims with documents that raise more questions than they answer and/or appear to be fabrications.

55. I therefore reject this final aspect of the proprietor's defence to the applicant's claim for off-scale costs.

### **The appropriate quantum**

56. It is necessary to decide what the applicant's full reasonable costs are. As indicated earlier, the applicant has provided a bill of its actual costs and seeks £9,657, excluding VAT. The proprietor complains that the applicant has applied a sledgehammer to crack a nut, but makes no specific criticism about the individual elements of the applicant's bill of costs. My analysis of the breakdown of the bill indicates it includes:

£680 spent on a letter before action, which is not recoverable;

£1280 spent on the appeal, for which costs have already been awarded;

£1156 spent on appeal work that included, but was not limited to, preparing the appeal bundle;

£680 set aside for a hearing on the costs application, which neither party requested.

57. No costs are due for the first, second or fourth items. Mr Hobbs indicated that the appeal costs he awarded did not preclude an award of costs in respect of the preparation of the appeal bundle if it subsequently proved useful in making the first instance decision on costs. It has. Some of the itemised costs (not those specified above) were purely incurred on the appeal bundle. Understandably, other such costs were bundled together with other work undertaken at the same time on the appeal. Taking the best view I can of the matter, I find that an appropriate split of the £1156 billed for work partly undertaken on the bundle is that a further £657 should be deducted from the applicant's claimed costs. This is on the basis that it was work on the appeal as such. This leaves £6,360. The applicant has not specifically asked for VAT to be included in the costs awarded or clarified if any of the VAT paid is recoverable. Therefore, I have not included VAT in the calculation. Whilst £6360 is a

large figure, there is nothing about the individual elements of the bill which jumps out at me as unreasonable. Some of it was caused by the proprietor's attempts to resist a costs order.

58. I therefore order Lacehouse Kitchen Ltd to pay Eclipse Labels Limited the sum of £6,360. This sum must be paid within 21 days of the end of the period allowed for appeal.

**Dated this 8<sup>th</sup> day of June 2023**

**Allan James**  
**For the Registrar**