

O-429-12

TRADE MARKS ACT 1994

APPLICATION No. 2546477 BY SUN MARK LIMITED

AND OPPOSITION 101085 BY RED BULL GmbH

AND

APPLICATIONS 16192 & 16193 BY SUN MARK LIMITED

TO INVALIDATE THE PROTECTION GRANTED IN THE UK FOR

INTERNATIONAL REGISTRATIONS 969259 & 1064924

IN THE NAME OF RED BULL GmbH

DECISION ON COSTS

1. I was due to hear the parties in consolidated trade mark proceedings on 14 September 2012. These proceedings included an opposition by Red Bull GmbH¹ ("Red Bull") to an application by Sun Mark Limited ("Sun Mark") to register the trade mark shown below in class 32, including for energy drinks.

¹ Opposition 101085



2. Red Bull's opposition was based on three earlier trade marks: Registration No. 961854, RED BULL, International Registration No. 867085, BULL, and International Registration No. 969259, BULLIT. All three marks are registered or protected in the UK in class 32 and all cover energy drinks.

3. Red Bull asserted a reputation in the marks RED BULL and BULL and based certain grounds of opposition on that reputation. This included a claim that the application to register BULLET and device was part of a pattern of behaviour involving the use of various BULL- marks that revealed an intention to take unfair advantage of the reputation associated with the RED BULL mark, and that the application to register BULLET and device mark had been made in bad faith.

4. Sun Mark denied the grounds of opposition and the reputation claimed for the BULL mark. It also refused to admit, without proof, the reputation claimed for the RED BULL mark.

5. Sun Mark applied to invalidate the BULLIT mark² and international registration No. 1064924 for the word BULL³ (to the extent it was protected in the UK) on the basis that Red Bull had applied to register or protect those marks in bad faith. It was said that Red Bull had no intention to use these marks in the UK at the time it applied for registration/protection.

6. Red Bull denied these claims.

7. Because the opposition and the counter applications for invalidation had issues in common, the proceedings were consolidated following a case management conference ("CMC") on 3 May 2012 at which Sun Mark was represented by its Managing Director, Dr Raminder Ranger. By the time the proceedings were consolidated, Red Bull had filed its evidence in the opposition. Although Dr Ranger indicated that Sun Mark was ready to file evidence in support of its applications within 7 days, I allowed Sun Mark until 30 June to file such evidence. Nevertheless, Dr Ranger's indication shows the urgency that Sun Mark attached at that time to

² Invalidation 16192

³ Invalidation 16193

bringing these proceedings to a swift conclusion. To that end, I set a strict timetable for filing evidence which led to a hearing date on 14 September.

8. In the event, Sun Mark's 'evidence' were not filed until 2 July and then had to be returned because it was not presented in proper form as a witness statement. However, Red Bull received a copy of the evidence when it was filed, so I did not adjust the timetable according to which Red Bull had until 31 August to respond to Sun Mark's evidence. Sun Mark's evidence was subsequently re-filed on 31 July in the correct format with a statement of truth.

9. Red Bull's evidence was not served until Tuesday 4 September, 4 days (2 working days) late. I was told that an attempt had been made to serve it the previous day, but no one at Sun Mark would sign for it because it was not addressed to an individual. The evidence consisted of a witness statement by Jennifer Powers with 82 paragraphs and 16 exhibits, one of which was a copy of a relatively short witness statement made by a Sophy Cunningham in related UK IPO proceedings between the parties. Other exhibits included copies of earlier court judgments, extracts from public registers, and a copy of a statement by a witness from Sun Mark in related UK High Court proceedings between the parties.

10. Prior to that, on 20 August, Red Bull's representatives asked for permission to cross examine Dr Ranger on his evidence. Specifically, Red Bull wanted to cross examine Dr Ranger on his evidence that he had not adopted the BULLET & device mark in order to take unfair advantage of the RED BULL mark. On 22 August I wrote to the parties indicating that I was minded to direct that Dr Ranger attend the hearing for cross examination on this issue. Dr Ranger responded by e-mail the same day indicating that he did not agree. Accordingly, another CMC was scheduled for 5 September.

11. On 3 September, the registrar was advised that Sun Mark had appointed Zaiwalla & Co as its legal representative. On 4 September, Zaiwalla & Co asked for the CMC and the main hearing to be postponed. The request to postpone the main hearing was added to the issues for the CMC. The request to postpone the CMC was rejected. It went ahead the next day when Sun Mark was represented by Ms Denise McFarland of Counsel. Red Bull was represented by Joanna Lucas Munce of Keltie LLP. The basis for the postponement request was that a) Red Bull's evidence had been filed late, b) Sun Mark's lawyers had not had time to properly consider it, and c) Sun mark may want to file evidence in response.

12. Red Bull opposed the request for postponement, mainly on the basis that nearly all the evidence in its second round of evidence was covered by its earlier evidence or was already known to Sun Mark because of the related High Court proceedings, or was a matter of public record.

13. After hearing the parties I directed that:

- i) Dr Ranger should attend the main hearing for cross examination on one issue in connection with Red Bull's bad faith claim. Subject to the witness's cooperation, this should not exceed one hour.
- ii) Sun Mark should provide a note by Monday 10 September explaining what further factual evidence it wished to file in response to Red Bull's second round of evidence.
- iii) The request to postpone the main hearing should be deferred until after I had seen the note mentioned above.

14. On 10 September I received a note from Zaiwalla & Co that:

- i) Identified three items of factual evidence that Sun Mark wished to file in response to the second round of evidence from Red Bull.
- ii) Asked for permission to cross examine one of Red Bull's two witnesses, a Ms Sophy Cunningham, about her evidence of some relatively small scale use of the mark BULLIT in the UK since 2010 with Red Bull's consent.
- ii) Asked for permission to add a further ground to Sun Mark's application to invalidate Red Bull's BULLIT mark on the basis of Sun Mark's claimed pre-existing common law rights in the mark BULLET.

15. I responded on 11 September directing that:

- i) The hearing on 14 September should proceed.
- ii) Ms Sophy Cunningham should attend the hearing for cross examination (Keltie having indicated that she was available).
- iii) Sun Mark had permission to file two new pieces of factual evidence. The first was a copy of some exhibits to a witness statement already in evidence and known to the parties from the recent High Court proceedings. I indicated that this should be filed before 14 September (which it duly was). The second consisted of independent evidence about what the trade would consider to be normal for the launch of a new energy drink in the UK. I indicated that this should be filed within 6 weeks and that further submissions could be made about it either in writing or at a reconvened hearing. I rejected the request for permission to file a third piece of evidence because it was seeking to respond to a perceived claim in one sentence of Red Bull's evidence, which on proper examination had not actually been made.
- iv) The request to add a further ground to the application to invalidate the BULLIT registration could be raised as a preliminary point at the main hearing. I indicated that I was not minded to permit the additional

ground for invalidation to be added without further information about the basis and extent of the claimed goodwill. The application to amend the grounds had not been raised at the CMC the previous week, although Sun Mark had evidently been aware of the potential for such an objection for some time. The possibility of such an objection being brought against the BULLIT registration had been mentioned by Sun Mark's Counsel during the related High Court hearing on 17 July 2012⁴. Sun Mark's request to add a new ground (which would clearly have required further evidence) so close to the scheduled hearing was liable to delay the outcome of the proceedings. In these circumstances, I wanted to be satisfied that there was a viable basis for the new ground before ruling on the difficult question of whether Sun Mark's very late application should be allowed despite the likely delay and extra cost for Red Bull.

16. On 13 September I received skeleton arguments from the parties.

17. Whilst travelling to the hearing on 14 September, I was advised that Sun Mark had withdrawn its applications at 22.00 the previous evening.

18. Sun Mark suggested that each side should bear its own costs. It further submitted that the late abandonment of the applications would not have been necessary if Red Bull had agreed to the requested postponement of the hearing. In that connection, it complained that Sun Mark's lawyers had only received the cross examination bundle for Dr Ranger's cross examination at 5pm on 13 September and that it included (unspecified) "*new material in these proceedings*", which it "*had little opportunity to review*". This coupled with the escalating legal costs, a desire to concentrate instead on a pending appeal to the Court of Appeal against the judgment in the related High Court proceedings, and Sun Mark's desire to be "*pragmatic*", had caused it to withdraw the applications at the last minute.

19. Red Bull asks for an order that Sun Mark should pay its whole costs of £55,900 or an award of costs based on the usual contribution based scale, which it asserts entitles it to at least £9300, but with certain additional and unnecessary costs paid in full.

These costs were identified as being:

- i) £3240 to cover the cost of preparing evidence to show the claimed reputation in the RED BULL mark, which it is said that Sun Mark should have accepted from the outset.

⁴ See paragraph 25 of the judgment of Arnold J. dated 24 July 2012 reported as [2012] EWHC 2046 (Ch)

- ii) £3960 to cover the cost of the CMC on 5 September occasioned by Sun Mark's objection to the cross examination of Dr Ranger (and an associated lengthening of the hearing to one full day) and the follow up correspondence about postponement of the main hearing, further evidence and the cross examination of Sophy Cunningham.
- iii) £1500 to cover the cost of Sun Mark's last minute request to add an additional ground for invalidation, which required taking additional advice from Counsel and added to the cost of preparing for the main hearing.
- iv) £14565 to cover the cost of Counsel's fees in preparing for the hearing, including preparing the cross examination and the skeleton argument.

20. All bar the third item are supported by an itemised bill of costs. The cost of the third item is estimated.

21. Zaiwalla & Co responded to this costs application with a detailed 12 page letter, which essentially blamed the late withdrawal of the substantive applications on Red Bull because it had served 'substantial' late evidence on Sun Mark and unreasonably refused to agree to a postponement of the hearing. It argued that only scale costs should be awarded to Red Bull and that these should be limited to £1425.

22. The Registrar normally awards costs on a contribution basis within the limits set out in the published scale. The latest version of the scale is included in Tribunal Practice Notice 4/2007. However, as this Notice indicates, the Registrar has the power⁵ to vary the amounts awarded from those indicated in the scale, to cover matters not mentioned in the scale, or to depart from the scale altogether and award reasonable costs on a different basis where the circumstances justify it. The courts have long recognised this discretion⁶, provided that it is exercised on judicial principles. The Practice Notice recognises that unreasonable behaviour may justify costs on a compensatory basis. And I accept that actions which cause the other side to waste costs may amount to unreasonable behaviour.

23. I do not understand how the whole of Red Bull's costs can be said to have been wasted. It is suggested that in the light of previous proceedings, Sun Mark's applications were an abuse of process and/or vexatious. I do not accept that. Sun Mark appears to have trading under its BULLET and device mark. Although that use has subsequently been found to infringe certain of Red Bull's marks, it cannot be right to say that making an application to register the mark was, in itself, an abuse of process or vexatious. Similarly, the applications to invalidate Red Bull's BULL and BULLIT marks for non-use appear to have been based on a genuinely held belief

⁵ Now under Rule 67 of the Trade Mark Rules 2008

⁶ See *Rizla Ltd's Application* [1993] RPC 365

that RED BULL was registering defensive marks. I therefore reject the claim for full costs recovery.

24. It is clear from the evidence that both parties trade in energy drinks and have known of each other for quite some time. Even without that, RED BULL is so well known for energy drinks that one does not have to be in the trade in order to be aware of it. I therefore agree that it was unreasonable for Sun Mark to have required Red Bull to prove that it had a reputation for energy drinks under the mark RED BULL. It is submitted on behalf of Sun Mark that although Dr Ranger's witness statement contained a statement requiring evidence of the reputation in RED BULL, it also accepted that he was aware of the mark and was therefore really a request for evidence to show that Red Bull had the reputation it claimed in the mark BULL alone. This is not a fair reading of Dr Ranger's statement. He denied any reputation in BULL and wanted proof of the reputation in RED BULL. In any event, Red Bull had already filed its evidence in chief when this statement was made in response to a similar denial and request for proof in Sun Mark's counterstatement.

25. However, Red Bull's claimed reputation was not limited to energy drinks but extended to *"all goods covered by the earlier mark in Class 32"*. This covers a range of soft drinks, including mineral waters and fruit juices (which are also covered by the opposed application). It therefore appears to me that Red Bull brought some of the cost of proving its reputation on to itself by claiming that its reputation went broader than it really did. That did not stop Sun Mark from admitting that RED BULL had a reputation for energy drinks, but it means that the parties share the blame for wasting Red Bull's costs proving that reputation. Consequently, I will award Red Bull half the full cost of preparing evidence to prove its reputation for energy drinks under the RED BULL mark. This amounts to £1620.

26. Sun Mark was entitled to contest my initial direction that Dr Ranger should attend the hearing for cross examination, and to ask to file additional evidence, and for a postponement of the hearing. Although I rejected most of these points, it was not unreasonable or wasteful for Sun Mark to have taken them. Further, I agreed with Sun Mark that Sophy Cunningham should also be cross examined, and Red Bull did not object to that, so the cost of dealing with this request was not wasteful either. I will therefore assess costs for the CMC on 5 September, and for the follow-on correspondence, on the usual scale.

27. I agree with Red Bull that it was unreasonable for Sun Mark to apply to add a further ground for invalidation three days before the main hearing after failing to raise the matter at the CMC the previous week. All the more so when different legal representatives of Sun Mark had identified the potential new ground at least 7 weeks prior to the CMC. There is nothing wrong with amending grounds, but applications for amendment should be made as soon as possible. Having identified the basis for the amendment at least 7 weeks earlier, it was unreasonable to delay making the application until just a few days before the scheduled hearing. I will therefore award

Red Bull its full reasonable cost of dealing with this last minute application. Red Bull estimates these costs at £1500, but has not explained the estimate other than by stating that it covers *“additional costs in advice and Counsel’s submissions in preparation for dealing with the matter at the hearing..”*. So far as I can see, I received no submissions from Red Bull on this point and it was not mentioned in the skeleton argument provided by Red Bull’s Counsel. However, Red Bull must have had to consider what its position would be on the application and make some initial evaluation of the merit of the new ground. I spent about 2 hours doing this and I expect that Red Bull’s advisors would have had to have done the same. And as Red Bull had both attorneys and Counsel, this probably meant at least 3 hours work. The itemised bill indicates that Red Bull paid about £220 per hour for legal advice in this matter. This suggests a cost to Red Bull of around £660. I will therefore award Red Bull that amount to cover the cost of considering the proposed amendment in the days leading up to the hearing.

28. I sympathise with Red Bull that it spent £14565 on Counsel’s fees for a hearing that never took place. The costs would not had been wasted if the hearing had gone ahead, so the real question is whether Sun Mark acted unreasonably in withdrawing its applications as late as it did. As I have already noted, there is nothing to suggest that Sun Mark brought vexatious applications. On the contrary, at the first CMC in May it struck me that Dr Ranger could not even contemplate that there could be any result other Sun Mark’s applications succeeding. It is true that Sun Mark’s enthusiasm to resolve the applications appeared to wane after the High Court found for Red Bull on similar invalidation claims brought against other registrations of the mark BULLIT. However, I do not believe that any of this means that the applications to the Registrar had become vexatious or malicious by the time of the scheduled hearing.

29. Further, the fact that Sun Mark submitted its own skeleton argument on 13 September is consistent with the late withdrawal being the result of genuine change of heart rather than an attempt to antagonise Red Bull. I bear in mind as well that one consequence of granting recovery costs where a party throws in the towel at the last minute, but only contributory costs if the hearing goes ahead, is likely to be that more cases will go ahead, even where one of the parties really wants to withdraw. That would not be in the public interest.

30. Consequently, I have decided to award costs on the usual scale, save for the matters covered in paragraphs 25 and 27 above.

31. Given that Sun Mark withdrew the applications at such a late stage, I will award scale costs on the same basis as if Red Bull had been wholly successful. This includes costs for the hearing. These costs must have been mostly committed by the time it became apparent that Sun Mark was withdrawing.

32. Red Bull claims that it is entitled to £9300 scale costs. It has not explained the basis on which this claim is made. The scale provides that £200- £600 should be awarded towards the cost of preparing and filing an opposition, plus £200 to cover the official filing fee. Sun Mark submits that only £200 should be awarded towards the cost of filing opposition 101085. This is partly because the arguments were straightforward and familiar to Red Bull because they were also being run in infringement proceedings in the High Court. However, it is evident that the opposition included some grounds and marks that were not covered by the High Court action. And although the grounds were conventional, they were not particularly straightforward. I will therefore award Red Bull £400 for preparing and filing opposition 101085, plus £200 for the official fee.

33. The scale provides that £500-£2000 should be awarded towards the cost of preparing evidence and considering the other side's evidence. Sun Mark submits that Red Bull should be awarded only £600 on this basis. It makes a number of valid points in this connection, such as that:

- i) Red Bull's main witness, Ms Powers, first witness statement was filed a week after her evidence was served in the High Court action, which covered some of the same ground;
- ii) Sun Mark's evidence was relatively concise with very few exhibits;
- iii) The witness statement of Sophy Cunningham, filed as an exhibit to Ms Powers' statement, was prepared for separate IPO proceedings and there should not be duplication of costs;
- iv) Much of Ms Powers' statement was not evidence at all, but arguments and documents copied from proceedings between the parties in other jurisdictions, which were of little or no weight.

34. It also makes some irrelevant or makeweight points, such as:

- i) Ms Powers' personal knowledge of the matters covered by her evidence was found to be less than satisfactory in the High Court action;
- ii) There were some mistakes in her evidence, which had to be corrected;
- iii) Ms Powers' second witness statement was not entirely in the nature of reply evidence.

35. At the time Mr Powers' first witness statement was filed the proceedings had not been consolidated. So Red Bull is entitled to normal scale costs for this. However, having decided that Red Bull is entitled to £1620 to cover the full cost of proving Red Bull's reputation in its RED BULL mark, I must be careful not to duplicate that award of costs. The volume of Red Bull's evidence was unexceptional, but more than half of it was directed at matters other than establishing the reputation of the RED BULL

mark. According to the bill of costs submitted on behalf of Red Bull, the cost of preparing this part of the evidence was over £4000.

36. I will award Red Bull £500 towards the cost of filing this evidence (that is, other than the evidence of the reputation of RED BULL for energy drinks) in opposition 101085.

37. According to the scale, Red Bull is entitled to between £200-£600 x 2 for considering invalidation applications 16192 and 16193 and filing defences. The defences were different, but there was some duplication. I will therefore award Red Bull £500 towards the cost of filing these defences.

38. The proceedings were then consolidated and Red Bull had to consider Dr Ranger's statement and file evidence in response covering both the opposition and the invalidation applications. After the cases were consolidated they fell to be treated as a single set of proceedings for all purposes, including costs. Consolidating the cases would have saved some costs, but as the issues were more numerous than in a single conventional case, it could have been expected that the costs would be greater. Nevertheless, given that Red Bull took the position that its second round of evidence introduced few new matters, and little genuinely new material (other than extracts from public documents/records), I find it surprising that Red Bull's bill of costs show that this cost it over £15000. Taking account also of the valid criticisms of Red Bull's evidence, I will award Red Bull £900 toward the cost.

39. The CMC on 5 September was occasioned by Sun Mark's objection to Red Bull's cross examination request and its own request for a postponement. It lost on both points. I will therefore award Red Bull £500 towards the cost of preparing for and taking part in the CMC and dealing with follow on correspondence about postponement of the main hearing/additional evidence.

40. For the reasons given at paragraph 31 above, I will award Red Bull the maximum scale costs of £1500 towards the cost of the aborted main hearing.

41. This comes to £4500. To which I add £2280 for the reasons given at paragraphs 25 and 27 above, bringing the total to £6780.

42. I order Sun Mark Limited to pay Red Bull GmbH the sum of £6780 within 7 days of the end of the period allowed for appeal.

Dated this 30th day of October 2012

**Allan James
For the Registrar**