



PATENTS ACT 1977

BETWEEN

IT-ACS Limited

Claimant

and

Federal Agency for Legal Protection of Military,
Special and Dual Use Intellectual Activity Results et
al.

Defendants

PROCEEDINGS

Reference under section 12(1)(a) in respect of
various foreign and convention patent applications
derived from WO 2014/077724 A1

HEARING OFFICER

Phil Thorpe

DECISION ON COSTS

Introduction

- 1 In a decision¹ dated 12th June 2018 I ordered that IT-ACS Limited be named as the applicant and proprietor of a number of patents and patent applications.
- 2 On the matter of costs I made the following observation

“Costs

37. The claimant has requested a contribution towards its costs. Notwithstanding that the defendants were deemed to have withdrawn from the proceedings the claimant is entitled to an award of its costs up to the point of that determination. Having reviewed the proceedings I believe that an on-scale award of £700 is justified to cover the proceedings up until the time that the defendant was deemed to have withdrawn. This sum takes into account the preliminary hearing² held earlier in the proceedings. I will however allow the claimant 2 weeks from the date of this decision to make a submission on

¹ BLO/355/18

² BLO/286/17

costs should it believe that an award in excess of that amount be justified. In the absence of any such submission then the above sum will become payable by the defendants within 7 days of the expiry of the appeal period set out below.”

- 3 In a first submission dated 18th June 2018, the claimant IT-ACS requested full costs to the sum of £85,541.05.
- 4 Notwithstanding that they were treated as no longer a party to the proceedings, the original defendants in these proceedings was copied in on the claimant’s cost submission and given the opportunity to make its own submission on costs. No response from the defendants has been received.
- 5 IT-ACS filed a further submissions on 23rd and 24th July 2018 including evidence to support its cost claim.

Comptroller’s power to award costs

- 6 Section 107(1) of the Patents Act 1977 provides that:

The comptroller may, in proceedings before him under this Act, by order award to any party such costs or, in Scotland, such expenses as he may consider reasonable and direct how and by what parties they are to be paid.

- 7 It is however the established practice of the comptroller to award costs in accordance with a published standard scale of costs, as set out in TPN 4/2007³. The scale costs are not intended to compensate parties fully for the expense to which they have been put, but to represent a contribution to that expense.
- 8 This policy reflects the intention that the IPO be a low cost tribunal for litigants, and builds a degree of predictability as to how much proceedings before the IPO may cost them. The hearing officer retains discretion, however, to depart from the scale if the circumstances warrant it. In *Rizla Ltd’s Application*⁴ it was noted that the wording of section 107 “conferred on the Comptroller a very wide discretion with no fetter other than that he must act judicially. If he felt it was appropriate, an award of compensatory costs could become the norm”.
- 9 There is no hard and fast rule defining circumstances that might justify an off-scale award and each case needs to be considered on its merits. Section 5.47 of the Patents Hearings Manual⁵ does provide some examples of behaviour that might suggest an off scale cost award: These include:
 - delaying tactics, failure without good cause to meet a deadline, or other unreasonable behaviour, particularly where the other side is put to disproportionate expense;

³ <http://webarchive.nationalarchives.gov.uk/20140610184041/http://www.ipo.gov.uk/p-tpn-42007.htm>

⁴ [1993] RPC 365

⁵

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/320984/Hearings_manual_web.pdf

- a claim launched without a genuine belief that there is an issue to be tried;
- seeking an amendment to a statement of case which, if granted, would cause the other side to have to amend its statement or would lead to the filing of further evidence, if the amendment had clearly been avoidable;
- unreasonable persistence in a course of action that has been indicated in a Preliminary Evaluation to be inappropriate;
- costs associated with evidence filed in respect of grounds which are not pursued at the substantive hearing (though a party should not be deterred from dropping an issue which, in the light of the evidence filed by the other side, it now realises it cannot win);
- unreasonable rejection by the party that eventually loses of efforts to settle the dispute before the proceedings were launched or a hearing held;
- unreasonable refusal by that party to attempt alternative dispute resolution;
- failure to attend a hearing;
- breaches of rules;

10 The guidance goes on to note that an off scale award should seek to recompense for any unnecessary costs incurred as a result of any unreasonable behaviour. It is not intended to be punitive.

Argument and discussion

11 IT-ACS raise a number of points as to why an award off-scale is justified. I will deal with them in turn.

Delaying tactics by the defendant

12 IT-ACS submits that the defendants attempted to delay proceedings at any cost and without reason. It refers in particular to a request by the defendants for an extension of time to file its counterstatement. This was opposed by the claimant and was the subject of a hearing before the comptroller. The Hearing Officer found in favour of the defendant and granted an extension of time. I am therefore satisfied that the defendant has not unreasonably delayed proceedings. I also note that IT-ACS itself requested a delay to the substantive hearing due to the unavailability of its preferred counsel.

Claim launched without a genuine belief that there is an issue to be tried

13 As IT-ACS was the claimant in this action, I am taking this point to be an argument by IT-ACS that the defendants knew that their case was hopeless and should therefore not have contested it. Whilst IT-ACS has provided me with emails and letters that it contends supports this, I am not convinced they do. In the absence of more compelling evidence I am not persuaded that the defendants did believe their case to be hopeless.

Costs associated with evidence filed in respect of grounds which are not pursued at the substantive hearing.

- 14 IT-ACS contends that the defendants submitted evidence that was not directed at the matter in issue but rather was aimed at forcing IT-ACS to incur unnecessary expense or to have to withdraw from the case for financial reasons. It also claims that the defendants arranged for two false witness statements and that the defendants placed IT-ACS in a “legally sensitive” position by revealing potentially confidential information. Given that the matter was decided without a full examination of the evidence and without the need for a substantive hearing then I am not in position to determine whether the evidence submitted by the defendants would have been pursued had they not withdrawn. To the extent that any of the evidence related to matters not in dispute then it was of course open to IT-ACS to seek to have that struck out or simply not to respond to it. IT-ACS was also able had it wished to request that certain evidence be treated as confidential. In the event it did not seek any strike-out nor did it seek any confidentiality. Hence I am not persuaded that there is any justification under this head for an off-the-scale award.

Unreasonable rejection by the party that eventually loses to settle the dispute before proceedings were launched.

- 15 IT-ACS contends that for a number of years prior to instigating this action it had sought to discuss its concerns with the defendants. It claims these approaches were rebuffed leaving it no option but to instigate proceedings before the comptroller. This may be true however it does not in my view mean that the defendants acted unreasonably in rejecting these approaches.

The defendants’ failure to attend the substantive hearing

- 16 IT-ACS argues that it incurred unnecessary expense preparing for a hearing that did not happen due to the unreasonable behaviour of the defendants. IT-ACS suggests that this is a further example of the defendants’ attempts to cause it further expense in the hope that it would withdraw. The chronology does not however in my view fully support IT-ACS here. The substantive hearing was initially scheduled for the 21st and 22nd November however as I have already mentioned, IT-ACS requested that this date be pushed back. This request was made on 17th October 2017 some five weeks before the planned hearing. Shortly afterwards the defendants requested and were granted a stay in proceedings whilst they considered whether they wished to continue to oppose the reference. The proceedings were deemed to be unopposed on 13th December 2017. This was therefore not a case where the hearing was cancelled at the last minute. Given the notice both sides had, and that it was IT-ACS who were the first to request a delay in the hearing then I do not believe there is any merit in the request for an off-scale cost award.

Breaches of rules

- 17 IT-ACS’s final point relates to what it claims are numerous breaches of various rules by the defendants. Some of these breaches relate to matters, for example contractual or confidence breaches by the defendants that are not relevant to the issue of costs in these proceedings. Those that relate to apparent breach of the rules

of procedure before the comptroller relate to issues that I have already discussed above.

Other issues

- 18 In its submission on costs IT-ACS included costs associated with factors that do not appear to follow from the any apparent unreasonable behaviour of the defendants during these proceedings. For example the claimant seeks its future expenses to the value of £24,900 associated with “the need of International re-patenting”. Since it would appear that this is a cost that would be incurred by the claimant irrespective of how the defendants had behaved then it is not a cost that can be attributed to any perceived unreasonable behaviour. Similarly the claimant seeks its costs in respect of “return of pay to defendant due to violation of the contract”. This again relates to costs that are unrelated to the defendants’ behaviour in these proceedings. To the extent that the claimant has a claim in this respect, and I give no opinion on that, then it will be presumably for breach of contract. This is not however a matter for me here.
- 19 IT-ACS also refers to costs associated with “delays in company operation during 2016-2018 caused by case preparation”. This again is not a cost that is recoverable even if it were shown that the defendants had behaved unreasonably.

Conclusion and Order

- 20 I am not persuaded that any of the specific points raised by the claimant show a level of behaviour by the defendants that is unreasonable and that would warrant an off scale cost award. Further taking a step back and considering the overall conduct of the defendants throughout these proceedings I am still not convinced that it justifies an off-scale award. There were aspects of their conduct which were less than ideal, in particular the lack of clear information about their intentions towards the end of their involvement in the proceedings. However even here I do not think it crossed the line nor did it clearly result in the other side incurring unnecessary expense.
- 21 Hence overall I am satisfied that an award in accordance the published scale is justified. In my substantive decision I indicated that a sum of £700 would seem appropriate. However whilst the various arguments put forward by the claimant were not sufficient to persuade me to go off-scale, they were in combination with a further review of the proceedings such as to lead me to conclude that my initial figure of £700 might have been on the low side.
- 22 With reference to the scale of costs set out in the Tribunal Practice Notice, I conclude that the following contributions are just:
- i. Preparing a Statement - £300
 - ii. Preparing evidence and considering the other sides’ evidence £700
 - iii. Expenses in particular Official Fees - £400
- 23 **I therefore order that the defendants to pay the claimant, by way of a contribution to its costs, the sum of £1400. This sum should be paid within seven days of the expiry of the appeal period below.**

Appeal

- 24 Any appeal must be lodged within 28 days after the date of this decision.

Phil Thorpe
Deputy Director acting for the Comptroller