

O/118/17

TRADE MARKS ACT 1994

**68 APPLICATIONS BY ENTITIES UNDER THE CONTROL
OF MR MICHAEL GLEISSNER
TO REVOKE 68 TRADE MARKS OWNED BY APPLE INC. FOR NON-USE**

AND

**APPLE'S APPLICATION FOR THE REVOCATION APPLICATIONS
TO BE STRUCK OUT AS AN ABUSE OF PROCESS
AND FOR AN AWARD OF COSTS**

Provisional decision

1. My provisional decision dated 18th January 2017 explained why 68 applications¹ filed by Sherlock Systems C.V., American Franchise Marketing Ltd and Fashion International Ltd (“the applicants”) to revoke trade marks owned by Apple Inc. (“Apple”) for non-use should be struck out as an abuse of process.
2. I gave directions to the parties to file written submissions as to costs and indicated that I would issue a final decision after I had reviewed those submissions. I subsequently received submissions on behalf of the applicants and Apple.
3. The submissions filed on behalf of Apple asked for an award of £92,761 in costs, plus £550 to cover the cost of preparing written submissions on costs. Apple submits that the proper course is to divide its costs amongst the 68 applications, which works out as £1364.13 per application. Looked at this way, Apple claims that the costs it seeks are within the boundaries of the registrar’s usual scale of costs. Alternatively, Apple claims that the applicants acted unreasonably and Apple should be awarded its costs, even if that means departing from the registrar’s usual scale of costs. In this connection, Apple reminded me of the well-known *Rizla* decision², in which the court accepted that the registrar has the power to award costs on a compensatory basis. Anthony Watson QC, sitting as a deputy judge, stated that:

“As a matter of jurisdiction, I entertain no doubt that if the Comptroller were of the view that a case had been brought without any bona fide belief that it was soundly based or if in any other way he were satisfied that his jurisdiction was being used other than for the purpose of resolving genuine disputes, he has the power to order compensatory costs. It would be a strange result if the Comptroller were powerless to order more than a contribution from a party who had clearly abused the Comptroller’s jurisdiction.

The superintending examiner in his decision correctly, in my view, framed the issue he had to decide as: “...whether the conduct of the referrer

¹ Set out in annex A

² *Rizla Ltd’s Application* [1993] RPC 365 at 377

constituted such exceptional circumstances that a standard award of costs would be unreasonable.”

4. Apple puts its case on costs like this:

“(a) First, the Applications and each of them were commenced for an ulterior and illegitimate collateral purpose, as the Tribunal has held: see Decision at [49]. That the Applications are an abuse of process is, in and of itself, unreasonable enough to justify an award of off-scale costs: see *Rizla* at 377.

(b) Second, many of the Applications were made against extremely famous marks and were obviously doomed to fail (eg, the Applications against ITUNES, IPHONE and IPAD). Mr Gleissner could not have had any reasonable basis for believing they would have succeeded.

(c) Third, Mr Gleissner filed evidence which was found not to be credible (see Decision at [49]) and which materially misstated the Applicants’ true motivations for filing the Applications.

(d) Fourth, the volume of parallel Applications. To pursue such a large number of claims simultaneously, without pre-action correspondence or any attempt at consolidation, was inherently unreasonable.

(e) Fifth, the unfocussed nature of the Applicants’ claims for revocation. The Applicants barely paid lip service to the Registrar’s eminently practical suggestion at the first CMC that the attacks be confined, making limited changes to just 8 out of 68 Applications.

(f) Sixth, the Applicants continued to file further revocation applications the day before the first CMC, and between the first and second CMCs—all of them afflicted by the same ulterior motive.

(g) Seventh, the late concession by the Applicants (only made during the second CMC) that the Registrar had jurisdiction to strike out the Applications, which needlessly added to the amount of preparation and hearing time at the two CMCs.

(h) Eighth, much of the evidence and written submissions filed by Mr Gleissner on behalf of the Applicants was irrelevant to the issues before the Tribunal, did not comply with directions given by the Registrar, or was found not to be credible. The oral submissions made by Mr Gleissner at the two CMCs were likewise unhelpful and contradicted certain of his earlier statements. To give one example, during the first CMC Mr Gleissner was asked specifically by the Hearing Officer whether the “trigger” for the revocation actions was the SHERLOCK dispute. Mr Gleissner replied that “it is not a trigger for these applications”. However, in his witness statement dated 24 December 2016, Mr Gleissner admitted that the SHERLOCK dispute is what prompted him to review Apple’s trade mark portfolio. Ultimately, the Registrar concluded that Mr Gleissner’s stated reasons were not credible: see Decision at [49].

(i) Ninth, the Applicants have failed to engage with Apple’s repeated offers to settle the global dispute concerning the Sherlock mark: see Olsen 2 at [32]–[34].

(j) Tenth, by interposing three different shell companies within an extremely opaque global network of offshore vehicles, Mr Gleissner has taken a needlessly complicated approach to pursuing claims for revocation which he accepts are ones he would have continued personally. This has resulted in unnecessary costs needed to investigate the position of the Applicants and to manage the actions. For example, the costs of couriering documents to the service address for Sherlock Systems CV in The Netherlands.”

5. Additionally, Apple submits that:

“As the Applications were effectively made by Mr Gleissner, and Mr Gleissner has offered to be joined as a joint applicant, it follows that any costs order should also be made against him personally.”

6. The applicants’ submissions of 22nd January and 21st February essentially asked me to reconsider my provisional decision. The first submission cited the public interest in removing unused trade marks from the register. The second submission brought to my attention a recent decision of the Intellectual Property Office of

Singapore to revoke Apple's registration of SHERLOCK for non-use. Neither submission said anything about costs or Apple's application for Mr Gleissner to be joined as a co-applicant.

Final decision

7. As my previous decision was provisional it is open to me to take account of the applicants' further submissions on the merits of Apple's application for these proceedings to be struck out. However, my provisional decision already took into account the public interest in revoking unused trade marks. The outcome of the Singapore revocation proceedings is irrelevant to these proceedings. Therefore, my final decision will be the same as my provisional one: the 68 UK applications will be struck out because they are an abuse of process.

Application to join Mr Gleissner as a co-applicant

8. As Apple points out, Mr Gleissner indicated at the second CMC that he was prepared to be joined as a co-applicant. His offer was made in response to a question I put to him during a discussion about Apple's application for an order for security for its costs. It was no doubt intended to avoid such an order and the requirement to provide security for costs up-front (which it did). Nevertheless, the offer indicated that Mr Gleissner had no objection, in principle, to being joined as a co-applicant. Indeed he said that he "*would absolutely be amenable to it.*" In that context, Mr Gleissner's silence on Apple's subsequent written application for him to be joined as a co-applicant appears to confirm that he does not object to it. I therefore direct that Mr Gleissner be joined as a co-applicant to the 68 revocation applications.

Consolidation

9. The 68 revocation applications are clearly connected in the sense they go to the same issue and are all between Apple and one or another of Mr Gleissner's companies (and now Mr Gleissner himself). Further, Apple's application for the applications to be struck out covers all of these applications. In these circumstances, it is clear why it is more efficient for the proceedings to be formally consolidated under Rule 62 of the Trade Mark Rules 2008. I direct accordingly.

Costs

10. I do not regard the applicants' apparent silence on costs as an acceptance that costs should be awarded for the amount requested by Apple.

Scale costs

11. I reject Apple's submission that costs should be awarded on-scale but multiplied by 68 applications so as to cover all of Apple's actual costs. Scale costs are meant to result in a contribution towards actual costs, not compensatory costs. There was plainly a very substantial overlap between the work that Apple did to defend the first application for revocation and each of the remaining 67 such applications. It would therefore be artificial to calculate the costs on the basis of 68 separate applications. This is why applying the scale in the way that Apple advocates would, in this instance, result in an award that covers all of Apple's recoverable costs. Artificially inflating scale costs in this way is clearly inappropriate.

Off-scale costs because of the applicants' unreasonable behaviour

12. There is no doubt that Section 68 of the Trade Marks Act 1994 and Rule 67 of the Trade Mark Rules 2008 give the registrar a wide discretion to award reasonable costs. Further, as Apple submits, it seems to follow from my decision that the revocation applications are an abuse of process that it was unreasonable for the applicants to file and pursue those applications. Considering the examples of unreasonable behaviour given in *Rizla's Application*, I accept that this was not "a case [which] had been brought without any bona fide belief that it was soundly based", although I think that description is well suited to parts of some of the applications as filed. For example, the application to revoke IPHONE for non-use in relation to mobile communications devices. Nor is it entirely accurate to say that the registrar's jurisdiction "was being used other than for the purpose of resolving genuine disputes." On the contrary, I am satisfied that there is a real dispute between the parties. However, that dispute is not in the UK and it does not concern any of the marks covered by the 68 applications for revocation. Thus although the facts here are somewhat different to those in *Rizla's Application*, the abuse of process is just as real as in the examples cited in that case.

13. The probability that the applicants saw nothing wrong in their behaviour changes nothing. This is because their behaviour must be judged against an objective standard. Looked at in that way, I have no doubt that the applicants acted unreasonably.

14. However, 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 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.*" This must be assessed taking into account all the relevant factors.

15. Turning to the 10 factors identified by Apple at paragraph 4 above, I accept point (a). I partly accept point (b), although I have no doubt that the applicants had a genuine belief that Apple's marks were not in use in relation to some (or many) of the goods/services for which they are registered. I accept factors (c), (d) and (e). I do not think that factor (f) adds materially to Apple's case, although I accept that filing 68 applications on different dates was no doubt intended to make it more burdensome for Apple to defend the applications. I do not accept that factor (g) is relevant. The applicants are not professionally represented and cannot be expected to be familiar with English law on abuse of process. They were entitled to wait until Apple had fully set out the law in its submissions before conceding that the registrar had the power to strike out the applications. I do not accept that point (h) adds anything to Apple's case. As I have already noted, the applicants were not professionally represented. It is therefore understandable that their case was not presented in a wholly relevant and efficient way. In any event, I saw nothing really out of the ordinary in this respect. It is true that I found Mr Gleissner's evidence about the motivation for the 68 applications lacked credibility. However, this is already covered by factor (c). I regard factor (i) as irrelevant. I accept factor (j). I am satisfied that the use of three different shelf companies in two different countries, all controlled by Mr Gleissner, was intended to complicate Apple's defence of the applications.

16. In my view, factors (b), (c), (d), (e) and (j) are additional factors that compound the basic unreasonableness of filing applications for revocation for non-use with

an ulterior purpose, i.e. factor (a). Collectively they justify awarding Apple the reasonable cost of defending the applications.

What are Apple's reasonable costs?

17. Apple claims costs of £9693 for completing 68 counterstatements on forms TM8N. This is said to cover 46.7 hours of work at an hourly rate of £207. The counterstatements filed in this case were very basic. They essentially consisted of just tick box answers amounting to blanket denials with a short (and unnecessary) narrative describing the on-going procedural applications. They could reasonably have been completed in 20 minutes each. Adding a small amount for the work in entering the various deadlines in a diary, I will allow £5000 for this work.

18. Apple claims £31,963 for preparing its evidence and reviewing Mr Gleissner's statements. This includes £3010 in counsel's fees and £1695 in investigator's fees. The remaining £27,258 is solicitors' fees covering about 102 hours of work. Apple filed 3 witness statements. The statement of Mr La Perle of Apple's legal department was 5 pages. It was an estimate of how much time and how much resource would be required to defend the revocation applications. Mr Olsen filed two witness statements. The first was 6 pages. The second 15 pages. There were 17 exhibits, including lists of the trade marks concerned, the investigator's report into the corporate applicants and their status and financial standing, various legal decisions involving Mr Gleissner or his companies, and copies of internet search results. Mr Gleissner filed two statements. The first was 6 pages long. The second 13 pages. There was one exhibit consisting of publicly available information about Apple's financial position. In my view, Apple's evidence and Mr Gleissner's responses could reasonably have been completed and reviewed, respectively, by one person in a week. I will allow £10,000 for this work. Apple was justified in employing counsel to assist with this work and in instructing investigators to investigate the corporate applicants' financial standing. Therefore, I will also allow the £4705 in disbursements sought by Apple.

19. Apple claims £22,375 for the first case management conference and £16,621 for the second. This includes nearly £27,000 in solicitors' fees, covering a total of 108 hours of work on preparation, research, filing written submissions, attendance on the client and attending the CMCs. The first CMC lasted about an hour. The second about an hour and a half. Given that counsel was instructed, and even

allowing for the relatively novel legal issues involved, I consider that the solicitors' preparation and research could reasonably have been completed in 2 days. Skeleton arguments are not usually required for CMCs, but Apple was justified in filing skeletons in this case. Preparation of the skeletons would have been primarily the work of counsel, but I accept that solicitors would also have been involved in considering the applicants' responses, assisting in the preparation of Apple's skeletons, and in signing them off. One and half days was reasonable for these purposes. The CMCs took place by teleconference. There was no travel involved. Consequently, a half a day was all that was reasonably required for a solicitor's attendance at both CMCs. Costs for "*attendance on the client*" are not recoverable. This amounts to 4 days work (30 hours). I will allow £7380 for this work.

20. Apple claims £12320 in counsel's fees for the work involved in the CMCs. This appears on the high side for two relatively short hearings, even allowing for the relatively novel legal issues and the extra research this would have required. I consider that £10,000 would be a reasonable amount.

21. Apple seeks costs of £8372 for considering a 4 page witness statement by Mr Gleissner filed after the second CMC, attendances on the client, reviewing my provisional decision and preparing submissions on costs. This includes counsel's fees of £3700 and 34.5 hours of solicitors' time. As I have already indicated, "*attendances on the client*" are not recoverable in costs. Mr Gleissner's witness statement contained very little new information. It was mostly argument. The reasonable cost of reviewing this and the provisional decision should correspond to 2 hours work. I assess this as £500. My provisional decision was issued after receipt of Mr Gleissner's witness statement and without Apple having to make any further submissions. Although I understand why Apple may have wished to anticipate the possible next steps in the process, I do not consider it reasonable for the applicants to bear the further cost of doing this, including further work by counsel, when no further action was required.

22. I will also allow £500 for preparing submissions on costs.

23. This amounts to £38,085.

Payment

24. I order Sherlock Systems C.V., American Franchise Marketing Ltd, Fashion International Ltd and Mr Michael Gleissner to pay Apple Inc. £38085. The applicants shall be jointly and severally liable for these costs. The costs should be paid within 21 days of the date of this decision or, if there is an appeal, within 21 days of the conclusion of the appeal proceedings (subject to any order of the appellant tribunal).

Status of this decision

25. This is a final decision. The period for appeal against my decision to strike the applications out and to award costs, starts from the date shown below.

Dated this 15th day of March 2017

Allan James

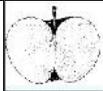
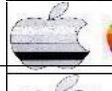
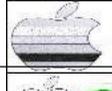
For the Registrar

ANNEX A**OWNER: APPLE INC./CANCELLATION APPLICANT: SHERLOCK SYSTEMS C.V.**

No.	Cancellation number	Trade mark number	Mark	Date of filing TM26N
1	501375	2256997A	SUPERDRIVE	17.10.2016
2	501376	2256997B	APPLE SUPERDRIVE	17.10.2016
3	501377	2254985	APPLE ISERVICES	17.10.2016
4	501378	2194291		17.10.2016
5	501379	2247016	DVD STUDIO PRO	17.10.2016
6	501381	2249936	ITUNES	18.10.2016
7	501382	2246316B	APPLE IPICTURE	18.10.2016
8	501383	2246316A	IPICTURE	18.10.2016
9	501386	2249396	IREVIEW	19.10.2016
10	501367	922669	Apple	10.10.2016
11	501368	2537795		10.10.2016
12	501374	2460664	IPHONE	18.10.2016
13	501388	2529387	IPAD	10.10.2016

OWNER: APPLE INC./CANCELLATION APPLICANT: AMERICAN FRANCHISE MARKETING LIMITED

No.	Cancellation number	Trade mark number	Mark	Date of filing TM26N
14	501385	2114996	COCOA	19.10.2016
15	501387	2460723		19.10.2016
16	501392	2465414		24.10.2016
17	501411	1292930	APPLEWORLD	28.10.2016
18	501415	1286063	APPLECENTRE	28.10.2016
19	501412	1292929	APPLEWORLD APPLE WORLD	28.10.2016
20	501435	2106556	TIME MACHINE TIME/MACHINE	11.11.2016
21	501440	1348454	APPLE	11.11.2016
22	501437	922942		11.11.2016
23	501436	2105968	IPHOTO EXPRESS	11.11.2016
24	501439	2061476	 (Mark text – THE APPLE CAFE)	11.11.2016
25	501438	1384641	IPOD	11.11.2016
26	501447	1419567	APPLELINK	14.11.2014

27	501446	960824		14.11.2016
28	501444	960826		14.11.2016
29	501448	1419566	APPLELINK	14.11.2016
30	501443	960827		14.11.2016
31	501445	960825		14.11.2016
32	501395	2190057	MYAPPLE	26.10.2016
33	501396	1158660	APPLE	25.10.2016
34	501397	1569623	QUICKTIME	25.10.2016
35	501408	1300909		28.10.2016
36	501409	1300907		28.10.2016
37	501410	1300908		28.10.2016
38	501407	1300910		28.10.2016
39	501414	2003089		28.10.2016
40	501416	1300913		31.10.2016
41	501417	1300912		31.10.2016
42	501419	1300911		31.10.2016
43	501393	2216890	VELOCITY ENGINE	24.10.2016

OWNER: APPLE INC. /CANCELLATION APPLICANT: FASHION INTERNATIONAL LIMITED

44	501454	1457422	LASERWRITER	17.11.2016
45	501457	2193436	APPLE CINEMA DISPLAY	21.11.2016
46	501459	940903	ZAPPLE	21.11.2016
47	501458	1459942	MACINTOSH	21.11.2016
48	501463	2193439	FONTSYNC	24.11.2016
49	501464	2194987	IBOOK	24.11.2016
50	501466	1489709	MACINTOSH	25.11.2016
51	501479	1110977	IMAC	25.11.2016
52	501479	1158661		28.11.2016
53	501453	1348427		17.11.2016
54	501452	1348433		17.11.2016
55	501456	1396907	AppleCare	21.11.2016
56	501455	1404273	MACINTOSH	21.11.2016
57	501470	1404275	Mac	24.11.2016
58	501471	1404274	MACINTOSH	24.11.2016
59	501472	1404276	Mac	24.11.2016
60	501467	1479626	APPLEPOINT	25.11.2016
61	501478	1493289	PROCARE	28.11.2016
62	501477	1493290	PROCARE	28.11.2016
63	501475	1479625	APPLEPOINT	28.11.2016
64	501469	2412793	PODGETS	24.11.2016

65	501451	1319972	HYPERCARD	17.11.2016
66	501465	1471773	POWERBOOK	23.11.2016
67	501476	1473431	STYLEWRITER	28.11.2016
68	501474	1473434	POWERBOOK	28.11.2016