

## Taxation of costs

### Award of costs

In proceedings before the Registrar, costs are at the discretion of the Registrar, who has the power under section 87 of Cap. 559 to award such costs, as he may consider reasonable, to any party and direct how and by which parties they are to be paid.

The successful party in contested proceedings is usually entitled to an award of costs. Where an opposition or rectification is pursued to a hearing, it is open to the parties to submit arguments on costs, and this should always be done if it is claimed that costs should not follow the event. Even if costs are not mentioned at the hearing, the written decision normally concludes with a statement that the successful party is entitled to an award of costs and states the basis of calculation of the amount awarded.

In the event of an uncontested opposition, representation for costs will have to be made to the Registrar. The Registrar in deciding whether costs should be awarded to the opponent, will consider whether proceedings might have been avoided if reasonable notice had been given by the opponent to the applicant before the notice of opposition was filed (rule 85(2) of the Trade Marks Rules). There are circumstances in which an application for costs would not be warranted, eg the applicant had consented to a request for extension of time to file a notice of opposition and the extension of time is granted without a hearing.

“Costs” includes fees, charges, disbursements, expenses and remuneration.

## Types of orders that may be made

If in exercising his discretion, the Registrar sees fit to make any order as to costs, then, subject to the rules relating to costs, the Registrar should order the costs “to follow the event”, i.e. the successful party will be awarded his costs, except where it appears to the Registrar that in the circumstances of the case, some other order should be made as to the whole or any part of the costs. Failure by a party to comply with the requirements in Cap. 559A relating to the contents of pleadings may be a factor to be taken into account by the Registrar when considering an award of costs.

In relation to orders made in respect of costs in interlocutory proceedings :

- **“Costs in the cause”** means that the costs of those interlocutory proceedings are to be awarded according to the final award of costs in the action.
- **“Costs of the interlocutory application be to the applicant/opponent”** means that the applicant (or opponent) is to have the costs of the interlocutory proceedings, subject to immediate taxation, without waiting for a final decision in the action.
- **“Costs of the interlocutory application be to the applicant/opponent in any event”** means that, no matter who wins or loses when the case is finally decided or settled, the applicant (or opponent) is to have the costs of those interlocutory proceedings although it does not confer upon him a right to tax the costs until the case is finally decided or settled, unless the Registrar expressly states that costs are to be taxed and paid forthwith.
- **“No order as to costs”** means that each party must bear his own costs.

- **“Reserved costs”** are costs which will not be allowed on taxation unless the Registrar makes a specific order dealing with them, and are not included in the costs of the action.
- **“Taxed costs”** means costs taxed (as mentioned below).

## **What is taxation?**

The usual costs orders direct the costs to be taxed if not agreed. Unless they are agreed, no costs are payable unless they have been taxed. The Registrar has the power to tax any costs awarded by him under rule 85(1) of the Trade Marks Rules. In the taxation of costs, the Taxing Officer has the discretion to allow any particular item of costs, and to determine the amount recoverable by the receiving party in respect of that item.

## **Who can apply for taxation?**

The paying party or the receiving party under a costs order is entitled to require any costs to be taxed.

## **How to apply for taxation?**

The parties should first try to make their own settlement about costs. If agreement cannot be reached, a bill of costs should be drawn up by any party entitled to taxation and submitted to the Registrar, with a copy of it and the correspondence requesting that taxation be served on the other party. The purpose is to abide by the rules of natural justice and to encourage the parties to reach agreement on the whole of the bill or on as many items as possible before the taxation.

## When can a bill be taxed?

Upon receiving a bill of costs submitted to him, the Registrar will first make a provisional assessment of the bill and determine the amount recoverable by the receiving party. He will then communicate his preliminary decision to the parties by stating that “the bill of costs submitted be allowed as drawn, with the exception of the items listed in the attached table entitled “Summary of Proposed Reductions”. The table entitled “Summary of Proposed Reductions” is a table setting out the relevant items of the bill in respect of which the whole or part of the costs is not allowed. A taxing fee will also be calculated on the provisionally determined amount and notified to the parties concerned. The amount of taxing fee is, in accordance with the usual rule, payable by the party applying for taxation, but may be recoverable from the other party as an allowable disbursement. The provisional determination is subject to the right of either party to call for a hearing within one month from the date of the notification of the provisional determination. If no request for hearing is received, a final order will be issued. A hearing taking place shall be *inter partes* to dispute any items of the bill provisionally allowed or provisionally disallowed in whole or in part. A final order will be issued after the hearing.

## Basis of taxation

As far as proceedings before the Registrar is concerned, taxation of costs is usually conducted on a “party and party” basis.

**“Party and party basis”** – there shall be allowed all such costs as are necessary or proper for the attainment of justice or for enforcing or defending the rights of the party whose costs are being taxed. The “party and party costs” chargeable under a taxation are all that are necessary or proper to enable the adverse party to conduct the litigation, and no more. Unless the costs order specifies taxation on some other bases, the costs should be taxed on the party and party basis.

## How a bill is taxed

Subject to any representations as to the amount of costs calling for special treatment, costs will be calculated with reference to the usual scale in Part I of the First Schedule to Order 62 of the Rules of the High Court (Cap. 4A) as applied to trade marks matters, unless otherwise agreed between the parties.

A bill will be taxed on an item by item basis rather than on a global basis. In exercising his or her discretion in relation to any item, the Taxing Officer will regard all relevant circumstances, and in particular :

- the complexity of the item or of the cause or matter in which it arises and the difficulty or novelty of the questions involved;
- the skill, specialised knowledge and responsibility required of, and the time and labour expended by, the solicitor or counsel.

Solicitor's profit costs shall be calculated on an hourly rate basis. From time to time, the Law Society, after consultation with the Registrar of the High Court, will circulate the hourly rates of solicitors, with different seniority and unqualified staff, that may be allowed on taxation.

In fixing the hourly rate of a solicitor, the seniority of the solicitor will be determined not by reference to the date of his/her admission in any other jurisdiction, but by the date of his/her admission in Hong Kong.

## General rules of taxation

As a general practice, on taxation *inter partes*:

- Work which can be and should have been properly done by a more junior solicitor will only be allowed at his/her rate.
- Only one fee earner will be allowed for a particular item of work, e.g. drafting pleadings or attendance at a hearing.
- When a junior solicitor does the work under the supervision of a partner, the Taxing Officer should bear in mind, *inter alia*, the possibilities of duplication of work. The costs attributable to the solicitor or the partner may be reduced or taxed off where appropriate.
- Travelling time and waiting time for hearing will not be allowed.
- Solicitors are expected to be conversant with the general law, practice and procedure. No costs for doing research on these areas will be allowed.
- When counsel is instructed, the time claimed to have been spent on considering the research by counsel will be stringently scrutinised, to ensure that there will be no considerable duplication of work.
- Subject to appropriate adjustment if the complexity, difficulty or novelty of the questions involved is shown. Normally, 10 minutes for each letter written, 5 minutes for each letter received and 30 minutes for drafting a 3-page Notice of Opposition would be allowed.

- Only half of the time spent on communication with the client may be allowed.
- Receipt for counsel fees should be produced.
- Drafting of simple forms by a solicitor will not be allowed.
- Time will be allowed for drafting a bill of costs.

### **Failure to pay costs**

In the event of non-payment of the costs awarded, consideration may be made to section 87(2) which provides that the costs shall be recovered by execution issued from the court.

The Registrar will issue a certificate of taxed costs upon such a request by any party.

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