

TRADE MARKS ACT 1994

**IN THE MATTER OF A REQUEST BY
VIGLEN LIMITED (THE OPPONENTS) FOR AN ORDER
THAT SUN MICROSYSTEMS, INC (THE APPLICANTS)
SHOULD PROVIDE SECURITY FOR COSTS IN
OPPOSITION PROCEEDINGS (No 50304)
IN RELATION TO APPLICATION NUMBER 2187037**

TRADE MARKS ACT 1994

5 **IN THE MATTER OF a request by**
Viglen Limited (the opponents) for an order
that Sun Micro Systems, Inc (the applicants)
should provide security for costs
in opposition proceedings (Number 50304)
in relation to application number 2187037

10 **Background**

15 On 25 January 1999 Sun Microsystems, Inc applied to register the trade mark JINI for a specification of goods and services covering classes 7, 9, 38, and 42. The application is numbered 2187037 and it was accepted and published.

20 On 20 October 1999, Viglen Limited filed notice of opposition together with an accompanying statement of case. In paragraph 7 of the statement of case the opponents made the following request.

“7. The Opponent requests security for costs.”

25 The notice of opposition and statement of case were sent to the applicants under cover of an Official letter dated 29 October 1999. A letter of the same date was sent to both parties stating that the parties should try to come to an agreement regarding the matter of security for costs and that if such an agreement could not be reached the registrar would consider the matter further.

30 The applicants filed a counter-statement on 10 November 1999, paragraph 7 of which stated.

35 “7. The applicant does not believe that provision for security for costs in this matter is necessary. The applicant is an international multi-billion dollar US company with a substantial subsidiary in Surrey, England. Doubt as to the ability of the applicant meeting a costs order, in the event that one is issued against the applicant, is not appropriate or necessary.”

The opponents filed a letter dated 11 November 1999. The text of which is reproduced below:

40 “Thank you for your letter of 29th October 1999, with regard to security for costs.

Unfortunately, the opponent and applicant are unable to agree on this matter. In its counter-statement, the applicant, at paragraph 7 believes that security of costs is “not appropriate or necessary”.

45 We have considered the Registry’s guidelines as set out in the Work Manual and we believe that an order for security is indeed appropriate. The fact that the applicant company has a “substantial subsidiary in Surrey, England” is irrelevant as this entity is not

a party to the current proceedings.

We therefore ask the Registrar to make an order.

5 A copy of this letter has been sent to the applicant's agents."

10 The counter-statement was sent to the opponents together with a letter dated 17 November 1999 and the period for the opponents to file evidence was set. Unfortunately the request for security contained in the opponents' letter of 11 November appears to have been overlooked and no action was taken by the Trade Marks Registry.

15 On 17 February 2000, the opponents requested an extension of time to the period for them to file evidence. One of the reasons given on the Form TM9 was that the issue of security for costs had yet to be determined.

With regard to the issue of security for costs, the Trade Marks Registry replied to the opponents in a letter dated 21 February 2000 as follows:

20 **"Security of Costs**

In relation to the Security of Costs issue, please could you provide full and supporting reasons for the request."

25 In a letter of the same date the Trade Marks Registry asked the applicants to provide detailed and compelling reasons outlining why they did not consider such an order was necessary. Both parties were given until 6 March 2000 to make their submissions.

Opposition 50303

30 Here it is necessary to look at a parallel case involving the same applicant and opponent. Application number 2187038 was opposed by Viglen Limited on 20 October 1999 and was given the opposition number 50303. The opponents made the same request for security for costs in their statement of case and this was opposed by the applicant in their counter-statement. The applicants restated their request in a letter of 11 November 1999, the text of which is the same
35 as that submitted on opposition 50304 and is set out above. However, at this point, the action taken on each case was not the same. On opposition 50303 the applicants filed a response to the opponents' request by way of a letter dated 24 November 1999. Following receipt of that letter, the case work officer for 50303 issued a letter dated 7 December 1999 stating that the registrar was not minded to order security for costs on opposition proceedings 50303. A period of 14 days
40 was given within which the opponents could request a hearing on the matter. No hearing was requested.

Opposition 50304

45 Both sides filed letters in response to the Registry's letter of 21 February 2000. Not surprisingly the applicants in their letter of 29 February 2000, referred to the action taken on the parallel opposition proceedings and asked that in the interest of "consistency and fairness...that the

opponents' request for an order for security of costs be refused in this opposition matter as well." A copy of the applicants' letter of 24 November 1999 objecting to the request for security on opposition proceedings 50303 was annexed to their letter.

5 The opponents' submissions were contained in their letter of 6 March 2000 and are reproduced below. The letter referred to both proceedings 50303 and 50304:

10 "We refer to the Registrar's letters of 21st February 2000 on the above mentioned oppositions.

15 In our experience, it is usual practice for the Registrar to make an order for security for costs if the parties cannot agree on the matter and if a party to the proceedings (in this case the applicant) is outside the jurisdiction [Fitzgerald v. Williams The Times, January 3rd, 1996, C.A.]

20 The essence of "security" is money within the jurisdiction accessible to the party for whose benefit it is provided and in the present case, the opponent if awarded costs would not be able to enforce such an order. The size of the applicant company is irrelevant, as is the fact that it has a British subsidiary as the latter is not a party to the proceedings.

25 The fact that the applicant will not provide security is of great concern to the opponent as there is no guarantee that the opponent would receive any costs that they were awarded by the Registrar and until this matter is resolved, the opponent request that the proceedings be put on hold.

30 If these submissions are rejected, the opponent requests that a hearing be appointed to determine the costs issue.

A copy....."

35 The Trade Marks Registry issued a letter dated 27 March 2000 stating that the costs issue was closed as the opponents had failed to request a hearing within the 14 days given in the letter of 7 December 1999. However, as the opponents' pointed out in their letter of 4 April 2000 the Registry's letter of 7 December 1999 only addressed opposition proceedings 50303 and not 50304. The opponents stated that in respect of 50304 the Official letter of 21 February 2000 had given them until 6 March 2000 to file comments. They asked that the matter be reconsidered.

40 The Official letter of 3 May 2000 expressed the view that in line with the decision taken on 50303 an order for security for costs would not be made but that if the opponents' wished to be heard a hearing would be arranged in respect of the request on opposition 50304. The opponents requested a hearing in their letter of 5 May 2000.

The Hearing

45 The interlocutory hearing took place on 27 July 2000. The applicants were represented by Mr Mark Engelman of Counsel instructed by Field Fisher Waterhouse, their representatives in this matter. The opponents who had requested the hearing were not represented. In a letter dated 26

July 2000 their representative Simon Walters of Trade Mark Consultants Co. stated that the opponents would be unable to attend the hearing and respectfully requested that the registrar determine the issue of security for costs on the papers already filed.

5 At the hearing I refused to order that the applicants should pay security for costs. Following the issue of my decision, the opponents filed Form TM5 requesting a statement of the reasons for my decision.

10 At the interlocutory hearing the applicants requested that I make a wasted costs order on an indemnity basis against the opponents' representatives, Trade Mark Consultants Co. Alternatively the applicants sought an award of costs from the hearing. As the opponents were not present at the hearing, I declined to make a decision on the issue of costs at that time and stated that I would invite comments from the opponents before issuing my preliminary view. The opponents' filed
15 comments in a letter dated 10 August 2000. No further comments were received from the applicants and I issued my preliminary view as to an award of costs in a letter dated 23 August 2000. My preliminary view was to refuse to make a wasted costs order on an indemnity basis against Trade Mark Consultants Co. However, I found that the applicants were entitled to a contribution towards their costs of the hearing and my preliminary view was that an order for
20 £200-00 would be appropriate. The applicants requested a hearing to argue against my preliminary view. The hearing took place on 28 September 2000. The applicants were again represented by Mr Engelman, the opponents were represented via a telephone conference link by Mr Simon Walters. At this second hearing, my decision was to refuse to make a wasted costs order but to award costs of £200-00 to the applicants, such costs to be payable at the conclusion of the proceedings. As part of my statement of reasons I give the reasons for my decision on
25 costs.

Statement of Reasons

30 Security for Costs

At the time the opponents' request for security for costs came to be considered, the registrar's power to make such an order was set out in section 68(3) of the Trade Marks Act 1994 and rule 61 of the Trade Marks Rules 2000. The relevant statutory provisions read as follows:

35 Section 68(3) reads:

40 “68. (3) Provision may be made by rules empowering the registrar, in such cases as may be prescribed, to require a party to proceedings before him to give security for costs, in relation to those proceedings or to proceedings on appeal, and as to the consequences if security is not given.”

Rule 61 reads:

45 “61. -(1) The registrar may require any person who is a party in any proceedings before her under the Act or these Rules to give security for costs in relation to those proceedings; and she may require security for the costs of any appeal from her

decision.

(2) In default of such security being given, the registrar, in the case of the proceedings before her, or in the case of an appeal, the person appointed under section 76 may treat the party in default as having withdrawn his application, opposition, objection or intervention, as the case may be.”

At the time the opponents’ request was made the rules in force were the Trade Mark Rules 1994 (as amended), rule 55 of which dealt with security for costs. However, the provisions of rule 61 of the Trade Mark Rules 2000 in relation to security are identical to those found in the 1994 rules.

At the outset Mr Engelman reminded me that the onus of proof, on the balance of probabilities rests with the party who makes the application for security for costs, namely Viglen Limited. I should say that I think that Mr Engelman is right in making that submission. If a party seeks an order for security it is for them to satisfy the registrar that such an order should be made.

In opposing the applicants’ request, there were two main limbs to Mr Engelman’s submissions, although he later sought to develop a third line of argument with which I will deal. In summary, Mr Engelman submitted:

- (1) that the registrar could not, save in exceptional circumstances, grant an application for security for costs against an applicant for registration in opposition proceedings;
- (2) that even if such an application could be made against an applicant it should not be granted in the circumstances of this case; and
- (3) that the decision to refuse to order security for costs in opposition proceedings 50303 acted as an estoppel preventing the applicants from seeking security for cost in these proceedings.

I will deal firstly with Mr Engelman’s submissions concerning the power of the registrar to order security for costs. Mr Engelman referred to me to the provisions in the Civil Procedure Rules concerning security for costs - Part 25.12- 25.14. The conditions to be satisfied can be found at Part 25.13 which reads:

“Conditions to be satisfied

- 25.13 (1) The court may make an order for security for costs under rule 25.12 if -
- a. it is satisfied, having regard to all the circumstances of the case, that it is just to make such an order; and
 - b.
 - i. one or more of the conditions in paragraph (2) applies, or
 - ii. an enactment permits the court to require security for costs.

(2) The conditions are-

a. the claimant is an individual -

5

i. who is ordinarily resident out of the jurisdiction; and

10

ii. is not a person against whom a claim can be enforced under the Brussels Conventions or the Lugano Convention, as defined by section 1(1) of the Civil Jurisdiction and Judgments Act 1982(1);

b. the claimant is a company or other incorporated body -

15

i. which is ordinarily resident out of the jurisdiction; and

ii. is not a body against whom a claim can be enforced under the Brussels Conventions or the Lugano Convention;

20

c. the claimant is a company or other body (whether incorporated inside or outside Great Britain) and there is reason to believe that it will be unable to pay the defendant's costs if ordered to do so;

25

d. the claimant has changed his address since the claim was commenced with a view to evading the consequences of the litigation;

e. the claimant failed to give his address in the claim form, or gave an incorrect address in that form;

30

f. the claimant is acting as a nominal claimant, other than as a representative claimant under Part 19, and there is reason to believe that he will be unable to pay the defendant's costs if ordered to do so;

35

g. the claimant has taken steps in relation to his assets that would make it difficult to enforce an order for costs against him. (Rule 3.4 allows the court to strike out a statement of case and Part 24 for it to give summary judgment).”

40

Mr Engelman pointed out that all of these provisions refer to the court making an order for security for costs against the *claimant* to proceedings. In the instant case his clients, the applicants, stood in the shoes of a defendant to the proceedings. He submitted that the underlying position was that an application could not be granted against a defendant. In support of his submissions he referred to the judgment of Lord Justice Banks in *Maatschappij Voor Fondsenbezit and Another v. Shell Transport and Trading Company and Others* [1923] 2 K.B.166. Mr Engelman went on to refer me to the provisions in *Halsbury's Laws of England* where the general principal is set out that security for costs should not be ordered against a defendant. The relevant paragraph then goes on to deal with exceptions to that general rule such

45

as interpleader applications and situations where the defendant is taking a position as a claimant in certain actions, none of which, he submitted, applied in these proceedings.

5 Whilst I accepted the proposition put forward by Mr Engelman, so far as it related to practice before the courts, that did not in my view have a bearing on whether the registrar could or could not order security for costs against an applicant in opposition proceedings.

10 Mr Justice Ferris in *St Trudo* [1995] R.P.C. 370 found that the Rules of the Supreme Court have no part to play in proceedings before the registrar, however, it is clear that where the registrar has to exercise a discretion which is analogous to that of the court she is guided by the Rules of the Supreme Court. By analogy it would appear that the Civil Procedure Rules have no part to play in proceedings before the registrar but may nevertheless act as a useful guide to the exercise of the registrar's discretion.

15 I referred Mr Engelman to the broad nature of the discretion given to the registrar under rule 61, in particular, I drew attention to the fact that the rule states that the registrar “may require **any person** who is a party in any proceedings before her....” [my emphasis] to give security for costs. In my view the power of the registrar to require a party to proceedings to give security for costs is not fettered in any way. It would have been an easy matter for the drafters of the statutory
20 instrument to have restricted the registrar's power to order security, such that an order should only be made against an opponent in opposition proceedings or an applicant in revocation/invalidity proceedings. The provision could have indicated that an order against an applicant for registration might only be made in exceptional circumstances. However, the rule does not say anything of the sort. It gives a wide discretion which is unfettered in any way. I am
25 comforted in my view by the wording of the provisions relating to the question of security of costs before the Comptroller in patent matters and by the provisions found under the Trade Marks Act 1938.

30 Under the Patents Act 1977 the comptroller's power to order security for costs is restricted to a party: seeking a reference as to entitlement, filing an application for revocation or filing a notice of opposition; section 107(4)(a)-(c) of the Patents Act 1977. Here it seems that the drafters of the statute sought to restrict the power of the comptroller when requiring security for costs.

35 However, under the Trade Marks Act 1938 section 18(11) stated:

40 “18 (11) If a person giving notice of opposition or an applicant sending a counter-statement after receipt of a copy of such a notice or an appellant neither resides nor carries on business in the United Kingdom, the tribunal may require him to give security for costs of the proceedings before the tribunal.....and in default of such security being duly given may treat the opposition or application, or the appeal, as the case may be, as abandoned.”

45 Thus, the wording of section 18(11) clearly gave the registrar the discretion to require an applicant in opposition proceedings to give security for costs. Whilst the Trade Marks Act 1994 is not a consolidating Act and so the provisions of the Trade Marks Act 1938 could be said to have limited relevance, I saw no reason, in the absence of clear statutory provisions to the contrary, to find that the registrar could not under section 63 of the Trade Marks Act 1994 and rule 61, require an applicant in opposition proceedings to provide security for costs. It follows

that I rejected Mr Engelman’s submission that I could not, as a matter of law, require the applicants in these proceedings to provide security for costs.

5 Therefore, it was necessary for me to go on to consider whether, in the circumstances of this case the applicants should be required to provide security. Mr Engelman’s submissions on this point again referred to the Civil Procedure Rules. He noted that one of the conditions set out in Part 25.13(1)(b)(i) was satisfied in that the applicants were a company based in the United States of America and that there was a prima facie case for security for costs to be required. However, he pointed out that even when one of the requirements was present the Court would not necessarily require security but would have regard to all the circumstances of the case.

10 In considering whether such an order should be made he referred me to *Re The Apollinaris Company’s Trade-Marks* [1891] 1.Ch1 and to the judgment of Lord Halsbury, L.C. who stated:

15 “I am of opinion that there is no ground for this motion. It seems to me that the application is made under a misapprehension of what the rule originally was, whatever its application to the Court of Appeal may be. There is no such hard and fast rule as has been suggested, that because a person is resident abroad he must necessarily give security for costs. His being so resident makes a *prima facie* case for requiring him to give security; 20 but it is subject to a well-known and ordinary exception that if there are goods and chattels of his in this country which are sufficient to answer the possible claim of the other litigant, and which would be available to execution, the Courts will not order him to give security for costs.....it is impossible to doubt that their assets in this country will be found capable of answering any possible costs of the appeal, and therefore an order for security 25 ought not to be made.”

Mr Engelman noted that the only authority raised by the opponents in their submissions was the case of *Fitzgerald v Williams*. Referring to that authority he submitted that it was irrelevant and that it was not on point as it referred to the fact that a national of and resident of a member state to the Brussels Convention should not, save in exceptional circumstances, be required to give security for costs. Returning to the question of whether the applicants, Sun Microsystems, had assets within the jurisdiction Mr Engelman referred to the fact that they had 230 separate business entities across the world and 85 within the European Union. Of those, nine were within England. Mr Engelman provided a list of the applicants’ English subsidiaries and submitted that the applicants had substantial business assets within jurisdiction and would be able to meet any award for costs made against it. Mr Engelman submitted that in response to the assertions made by the opponents, the opponents had merely made bland statements and that no attempt had been made to analyse the size of the applicants’ assets.

40 The opponents are seeking an order that the applicants should give security for costs and yet in my view they have made no detailed submissions. I should say that in the absence of such submissions I found it harder to decide whether an order was appropriate in the circumstances of this case. Whilst I would say that there is a prima facie case here that security for costs should be ordered, the applicants being a US corporation, I am satisfied having regard to all the 45 circumstances of the case that an order should not be made. It seems to me that the applicant has assets within the jurisdiction and therefore in accordance with the guidance found in the Civil Procedure Rules the order for security for costs should not be made.

In making his application for a wasted costs order, the details of which are dealt with later in this statement of reasons, Mr Engelman suggested that the applicants were estopped from seeking security for costs in these proceedings. As that point bears on the issue of whether an order should be made I will deal with it here. Mr Engelman sought to rely on the decision taken on opposition 50303 in which the Trade Marks Registry had issued a letter stating that it was minded to refuse the request. A hearing was offered but no request for a hearing was made, the applicants request therefore stood refused. Although he did not develop his argument fully, I doubted that estoppel would apply in the circumstances of this case. It seemed to me that the two cases had been dealt with by different case work officers in different ways. In the instant proceedings the opponents had been asked to provide further details concerning their request and it did not seem to me that the opponents were estopped from pursuing their claim on this case merely because they had failed to challenge the view taken on 50303.

Costs

The applicants sought a wasted costs order on an indemnity basis against the opponents' representatives, Trade Mark Consultants Co. The power of the registrar to award costs in proceedings before her can be found in section 68(1) of the Trade Marks Act 1994. This reads:

“68.- (1) Provision may be made by rules empowering the registrar in proceedings before him under this Act -

(a) to award any party such costs as he may consider reasonable, and

(b) to direct how and by what parties they are to be paid.

Rule 60 states:

“60. The registrar may, in any proceedings before her under the Act or these Rules, by order award to any party such costs as she may consider reasonable, and direct how and by what parties they are to be paid”

Mr Engelman referred me to the published notice TPN 2/2000 “Tribunal Practice Notice - Costs in Proceedings before the Comptroller”. This sets out the comptroller’s practice on costs following a revision of the awarding of costs in proceedings. The notice indicates that whilst costs in proceedings before the comptroller will, in general, continue to be awarded with reference to a published scale, costs may be awarded off the scale where the circumstances warrant it. Mr Engelman referred to *Rizla Ltd’s Application* [1993] RPC 365 in which Mr Anthony Watson QC, sitting as a Deputy Judge of the High Court, held that the comptroller had a wide discretion with no fetter other than the overriding one that he must act judicially. Whilst I have no doubt that the registrar could in appropriate cases make an award of costs approaching full compensation, I was not addressed as to whether the comptroller has the power to make a wasted costs order. Notwithstanding that, I go on to consider the merits of the applicants’ request.

Again, Mr Engelman took me to the Civil Procedure Rules and referred me to Part 48 .7 “II Costs Relating to Solicitors and other Legal Representatives”. He noted that the guidance found in “Civil Procedure” suggests that when a wasted costs order was contemplated a three stage test should be applied:

(a) Had the legal representative of whom complaint was made acted improperly, unreasonably or negligently?

(b) If so, did such conduct cause the applicant to incur unnecessary costs?

(c) If so, was it, in all the circumstances, just to order the legal representative to compensate the applicant for the whole or part of the relevant costs?

Mr Engelman argued that all three criteria were met in the circumstances of this case and as such a wasted costs order was appropriate. He submitted a Bill of Costs amounting to £2,470.

In considering his argument on this point, I note the guidance given in “Civil Procedure” at paragraph 48.7.16 where it states “*Applicants for wasted costs orders must bear in mind the principle of proportionality. It is not proportionate for the court to spend more time on wasted costs proceedings than have been expended on the substantive proceedings*”. It goes on to refer to the Court of Appeal decision in *Maritimos SA v. Effjohn International BV* December 10 1997 CA (unreported), and notes “*The jurisdiction to make a wasted costs order must be exercised with care and only in clear cases*”.

In seeking to show that the opponents’ legal representatives had acted improperly or unreasonably, he sought to rely on the repetitious nature of their application for an order for security for costs when the application on opposition proceedings 50303 had been turned down upon identical facts and law.

Mr Engelman read from a letter dated 23 August 1999 which passed between the parties before the opposition proceedings were launched. As proceedings were not ongoing at the time, a copy of the letter was not on file but Mr Walters did not object to the letter being read. Indeed the text of it was set out in the opponents’ letter of 10 August 2000. The letter was sent from the applicants to the opponents in response to a request that the applicants should provide security. The applicants’ reply drew attention to the fact that the applicants are a multi-million dollar US corporation with numerous installations and offices in other EU countries. Mr Engelman noted that the only authority on which Trade Mark Consultants Co sought to rely was *Fitzgerald v Williams* which, he pointed out relates to the lack of intention of the courts to award security of costs in respect of companies derived within EU member states. The letter went on to state that the applicants regarded the suggestion of seeking security for costs as derisory and unnecessarily antagonistic and warned the opponents that if they persisted in their request that the applicants would seek a costs order on an indemnity basis.

Whilst I agreed that the issues in the two opposition cases are substantially the same and indeed, the requests were made on the same day, they were not dealt with in the same way by the Trade Marks Registry. The applicants also dealt with both cases in different ways. On opposition proceedings 50303 the applicants replied to the opponents’ letter of 11 November 1999, whereas in the instant proceedings they did not reply to the opponents’ letter of the same date.

Certainly, it can be said that the opponents did not resist the view expressed in the Registry’s letter of 7 December 1999 rejecting their request for security on 50303 - at the hearing Mr Walters explained that the date for requesting a hearing had been missed. However, although I declined to make an order for security for costs in these proceedings, I found that the opponents

had a prima facie case. It follows that in my view their application was not unarguable and so I was of the view that their representatives did not act improperly or unreasonably in pursuing their request. Mr Engelman referred me to various aspects of the conduct of the opponents in these proceedings, however, I saw nothing out of the ordinary in the conduct of either party.

5

As stated above, it did not seem to me that this was a case where the opponents' representatives have acted improperly or unreasonably and, therefore, I found that the first test set out above was not satisfied. It follows that I declined to make an award of costs on an indemnity basis against Trade Mark Consultants Co.

10

That said, the opponents sought an order for security and that order was refused. It follows that the applicants are entitled to costs from the interlocutory hearing in respect of that matter. Whilst, the registrar has the discretion to depart from the published scale of costs, I saw no reason to do so in this case. It did not seem to me that the opponents had sought security for costs without a genuine belief that there was an issue to be tried; *Rizla Ltd's Application*. In my view, the applicants were entitled to a contribution towards their costs from the published scale. Accordingly, I ordered that the opponents should pay the applicants £200-00 as a contribution towards their costs. Such costs to be payable at the conclusion of these proceedings.

15

20

The applicants requested the costs of the second hearing on the question of the wasted costs order. I declined to make such an order and so I refused their request for the costs of that hearing.

Dated this 21 day of November 2000

25

30

**S P Rowan
Hearing Officer
For the Registrar, the Comptroller-General**