

O/602/20

IN THE MATTER OF THE TRADE MARKS ACT 1994

CONSOLIDATED PROCEEDINGS

IN THE MATTER OF TRADE MARK APPLICATION NO 3,337,792 IN THE NAME OF STUDIO GRAPHENE LIMITED

AND OPPOSITION THERETO (UNDER NO. 414,796) BY GRAPHENE CREATIVE LIMITED

&

TRADE MARK REGISTRATION NO 3176926 IN THE NAME OF GRAPHENE CREATIVE LIMITED

AND THE APPLICATION FOR CANCELLATION THEREOF (UNDER NO. 502,478) BY STUDIO GRAPHENE LIMITED

AND IN THE MATTER OF AN APPEAL FROM THE DECISION OF BEVERLEY HEDLEY (O/363/20) DATED 27 JULY 2020.

DECISION ON SECURITY

FOR COSTS

Introduction

1. This is an application for security for costs by the respondent to this appeal, Studio Graphene Limited ("**Studio Graphene**"). The background to the dispute is that on 11 September 2018, Studio Graphene applied to register STUDIO GRAPHENE as a trade mark in respect of various goods in services in classes 09, 35, 41 & 42. The application was published in the Trade Marks Journal on 21 September 2018 for opposition purposes.
2. A Notice of Opposition was filed by Graphene Creative Limited ("**Graphene Creative**") on 19 December 2018, relying on UKTM No 3176926 for the trade mark GRAPHENE which was applied for on 27 July 2016 and entered in the register on 27 January 2017 in respect of 'Graphic design; graphic art design; computer graphics services; computer aided graphics design; graphic design for the compilation of web pages on the internet; design and graphic arts design for the creation of websites; webpage design services; design, creating and maintaining web sites of others.' in class 42.
3. On 20 February 2019, Studio Graphene filed an application to have Graphene Creative's trade mark registration for GRAPHENE declared invalid, on the grounds that it offended under section 5(4)(a) of the Act.
4. In her decision dated 27 July 2020, Beverley Hedley for the Registrar held that Studio Graphene was the successful party. Accordingly, the application to invalidate Graphene Creative's trade

mark registration for GRAPHENE succeeded, and the opposition to Studio Graphene's application for STUDIO GRAPHENE failed.

5. On 27 August 2020 the Appellant, Graphene Creative, filed a Notice to Appeal to the Appointed Person against the Hearing Officer's decision under Section 76 of the Trade Marks Act 1994.

Application for security for costs

6. On 3 November 2020, I received through the Appointed Person Appeals Secretariat a request for Security for Costs. The request was made by way of an email dated 21 October 2020 from the Respondent's Trade Marks Counsel, Steven Jennings of Lewis Silkin LLP. The basis of the request, which was in the sum of £5,000, was that the finances of Graphene Creative were said to be uncertain. Specifically, Mr Jennings provided a screenshot from the Companies House register showing that, as at the date of the request, Graphene Creative's accounts for the year ending 30 June 2019, which were due to have been filed by 31 March 2020, had not yet been filed. Mr Jennings relied on O/261/20, DOUGLAS OF DRUMLANRIG, Decision on security for costs, 20th July 2020, for the proposition that "evidence of overdue accounts from Companies House was deemed sufficient and this was regarded as "reflect[ing] what a party can be reasonably expected to produce without going to disproportionate expense (by, for example, instructing inquiry agents)".
7. On 10 November 2020 I checked the Companies House register, and noted that Graphene Creative had filed its statutory accounts and confirmation statement on 29 October 2020. I wrote to Mr Jennings on 10 November 2020, asking him whether the request for security for costs is maintained, and if so on what grounds.
8. On 13 November 2020, Mr Jennings renewed the request for security for costs on the following grounds:

"Currently the award of costs of £1800 has not yet been paid. The Respondent will be represented by Counsel at the Appeal and therefore any award of costs (should the Respondent be successful) is in totality, likely to be in excess of £3k.

The Appellants business, as far as we aware, has no premises (its address is at British Monomarks along with 82,000 other businesses. Its related businesses in Ireland use a similar facility in Dun Laoghaire). Graphene Creative has never made a profit and its figures are deteriorating i.e. in 2018 they had -£6,518 whereas in 2017 it was -£5417.

According to Graphene Creative's latest accounts they do not have sufficient liquidity, with net current assets of -£13k.

If we remove amounts owed to related parties (common control) from their liabilities, it would result in net current assets of £ 3K which is a very small amount of assets and unlikely to cover a potential award of costs which is not their only debt.

As their cash at bank is insufficient, then they must rely on receiving funds from debtors to cover their liabilities.

Their debtors total £15,950 and are made up of:

- Related Parties Debtors (HIUP Limited): £11,450 / over 70% of the total
- Debtors: £4,500

The ability of HIUP Limited to pay the amounts owed is therefore crucial to Graphene Creative.

According to HIUP Limited accounts, they have negative net current assets of -£1,248,438 and would still have negative net current assets of -£45K if we remove related party transactions.

Therefore, the main debtor of Graphene Creative does not demonstrate liquidity and could default / delay payments, leaving Graphene Creative with no means to cover their current liabilities.”

9. Mr Jennings also attached an Excel spreadsheet showing the related companies and how he had arrived at the stated figures.
10. On 14 November 2020 I wrote to the Appellant’s solicitors, FR Kelly, attaching the details of the request for security for costs and asking for the Appellant’s response by 4.30 pm on Wednesday 25 November 2020. No response on the part of the Appellant has been received.

Rule 68 Trade Marks Rules 2008

11. Rule 68 of the Trade Marks Rules 2008 states:

“68. — (1) The registrar may require any person who is a party in any proceedings under the Act or these Rules to give security for costs in relation to those proceedings; and may also require security for the costs of any appeal from the registrar’s decision.

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

12. Rule 76(5) states:

“76. – (5) The provisions of sections 68 and 69 (costs and security for costs; evidence) apply in relation to proceedings before an appointed person as in relation to proceedings before the registrar.”

13. The rules do not state the test which is applicable in determining whether an order for security for costs should be made. I shall adopt as guidance the conditions set forth in Part 25 of the Civil Procedure Rules, which include circumstances where there is reason to believe a company will be unable to meet a costs order made against it. I bear in mind also that the court must be satisfied, having regard to all the circumstances in the case, that it is just to make such an order (CPR 25.13).
14. From the case law relating to CPR 25, “all the circumstances of the case” may require consideration of the amount of security for costs claimed, the prospects of success in the main proceedings, any delay in applying for security and access to justice considerations.

Discussion

15. In my view the factors relied upon by the Respondent, set out at paragraph 8 above, when viewed cumulatively give rise to a strong inference that the Appellant would be unable to pay the Respondent’s costs if ordered to do so. The Appellant has not submitted any evidence or observations which serve to rebut this inference. I am therefore persuaded that the gateway condition for an order for security for costs to be made is satisfied.

16. Before making any such order, however, I must be satisfied that, having regard to all the circumstances in this case, it is just and proportionate to give such an order.
17. Addressing each of the factors listed in paragraph 14 above, my observations are as follows.
 - Costs of hearings before the Appointed Person are usually awarded on a contributory, rather than actual, basis, in accordance with a scale, published as Tribunal practice notice (2/2016). Whereas costs can, in appropriate circumstances, be ordered off the scale, the Respondent has not suggested that any such off-scale award might be requested, and nothing in the documents I have seen gives any obvious indication that an off-scale award might be appropriate. It seems to me that if the appeal is unsuccessful, a costs award similar to that made by the hearing officer below might be appropriate. Accordingly, the amount sought – £5,000 – is probably too high, but a lower amount of £3,600 is likely to provide the appropriate degree of protection for the Respondent.
 - With relation to prospects of success, it would be inappropriate and contrary to principle to carry out a detailed investigation of the merits at this stage. Having reviewed the hearing officer's decision and the documents in this appeal, in my view it can neither be said that the hearing officer's decision was obviously wrong, nor that the appeal will inevitably fail. Accordingly, I regard this factor is neutral in relation to the security for costs issue.
 - The Notice to Appeal is dated 27 August 2020. It is not clear to me precisely when the Notice was served on the Respondent, but in any case the Respondent made the request for security within two months of the date of the Notice. It cannot be said, in my view, that there has been any undue delay in the request.
 - The Appellant is professionally represented by FRKelly. I believe it is likely that the Appellant's costs of the appeal will be of a similar order of magnitude to the amount I mention above – £3,600 – as being an appropriate amount for security. Accordingly, it is unlikely that if the Appellant is ordered to provide security of £3,600, such an order would render it financially unable to proceed with this appeal.

Conclusion

18. Taking into account everything I refer to above, I consider it would be proportionate and reasonable to require the Appellant, Graphene Creative to provide security for the costs of the appeal in the sum of £3,600. That sum should be paid into the Registry account no later than 4.30 pm on 13th December 2020.
19. I further direct that in the event of failure to comply with that order for security, the appeal brought by Graphene Creative shall, without further order, be treated as having been withdrawn.

Dr. Brian Whitehead

30 November 2020