

**TRADE MARKS ACT 1994**

**IN THE MATTER OF:**

**A REQUEST FOR SECURITY FOR COSTS**

**IN OPPOSITION No. 50304 IN THE NAME OF VIGLEN LTD**

**TO APPLICATION No. 2187037**

**FOR REGISTRATION OF A TRADE MARK**

**IN CLASSES 7, 9, 38 AND 42**

**IN THE NAME OF SUN MICROSYSTEMS INC.**

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**DECISION**

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1. On 25th January 1999 Sun Microsystems Inc of California applied to register the word JINI as a trade mark for use in relation to various goods and services in Classes 7, 9, 38 and 42.

2. The application was opposed by Viglen Ltd on 20th October 1999 on the basis of prior rights arising by virtue of registration and use of the trade mark GENIE.

3. Paragraph 7 of Viglen's grounds of opposition stated: "*The Opponent requests security for costs*". In paragraph 7 of its counter-statement filed on 10th November 1999 Sun Microsystems stated: "*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”.*

4. Security was requested on the basis that Sun Microsystems was a United States corporation with no place of business in the United Kingdom. The existence of a substantial subsidiary in England was said to be irrelevant on the basis that the subsidiary was not a party to the proceedings.

5. In a decision issued on 21st November 2000 Mr. S.P. Rowan acting as hearing officer for the Registrar of Trade Marks held that the Registrar had the power to make an order in the context of pending opposition proceedings requiring the applicant for registration to provide security for the costs of the opponent. He was not persuaded by a submission on behalf of Sun Microsystems to the effect that Viglen was estopped from seeking such an order in the present case. He nevertheless declined to order security for costs in the exercise of his discretion. His decision is reported as Sun Microsystems Inc’s Trade Mark Application at [2001] RPC 461.

6. Viglen gave notice of appeal to an Appointed Person under Section 76 of the Trade Marks Act 1994 contending: (i) that there was a *prima facie* case for requiring Sun Microsystems to provide security for costs because it could be seen from the papers on file to be a United States corporation with no place of business in the United Kingdom; and (ii) that security should be ordered because Sun Microsystems had not shown that it had assets within the jurisdiction against which an order for costs could be enforced.

Security was requested in the sum of £900 by analogy with the practice that was followed in patent proceedings prior to the change of approach notified in paragraph 16 of Tribunal Practice Notice 2/2000 (see below).

7. Sun Microsystems maintained that the request for security should be refused on the discretionary basis indicated in the hearing officer's decision and upon the additional bases: (i) that the Registrar had no power to require an applicant for registration to give security for the costs of an opposition to his application; and (ii) that Viglen was in any event estopped from applying for security because its request replicated a request which had been rejected in other opposition proceedings between the same parties.

***The Registrar's power to order security***

8. Section 14(11) of the Trade Marks Act 1905 provided that:

“If a party giving notice of opposition or of appeal neither resides nor carries on business in the United Kingdom, the tribunal may require such party to give security for costs of the proceedings before it relative to such opposition or appeal, and in default of such security being duly given may treat the opposition or appeal as abandoned.”

9. It was recommended in paragraph 296 of the Report of the Departmental Committee on The Law and Practice Relating to Trade Marks (1934 Cmnd 4568) that the scope of Section 14(11) should be extended:

“It was suggested to us that the subsection should be extended to give the Registrar in opposition cases power to order an applicant domiciled abroad to give security for costs. We think such a power might be useful in some cases,

and we accordingly recommend that the provisions of Section 14(11) should be extended accordingly.”

10. This recommendation was implemented in Section 18(11) of the Trade Marks Act 1938 which provided that:

“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 relative to the opposition or to the appeal, as the case may be, 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.”

11. Section 68(3) of the Trade Marks Act 1994 makes it clear that:

“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 of the Trade Marks Rules 2000 (formerly Rule 55 of the Trade Marks Rules 1994) now provides that:

“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 in default of such security being given the party in default may be treated:

“as having withdrawn his application, opposition, objection or intervention as the case may be.”

12. It is apparent from the legislative antecedents noted above, from the language of what is now Rule 61 and from the breadth of the rule-making power pursuant to which that Rule was made that the Registrar had the power under the 1938 Act and continues to have the power under the 1994 Act to require an applicant for registration to provide security for the costs of an opposition to his application.

### *Foreign residence*

13. Paragraph 16 of Tribunal Practice Notice 2/2000 (reprinted in Kerly's Law of Trade Marks and Trade Names 13th Edition (2001) at paragraph A6-32, p.1013) envisages that the power to order security for costs on the ground of foreign residence will not be exercised automatically:

#### *“Security for costs*

16. It has been the normal practice in patent proceedings for the Office automatically to require a party that is not based in a Brussels Convention state to provide security for a fixed sum of £900. This contrasts with the practice followed in trade mark proceedings and the courts where security for costs is only ordered on application and following consideration by the Hearing Officer or the judge. As there is no good reason why the practice in patent proceedings should be different, the Office has decided to bring it into line with that followed elsewhere and to consider awarding such security only on application and not on the Office's own initiative. Moreover, instead of an award of a standard amount such as £900, the award should be determined, after consideration of argument and, if necessary evidence, wholly on a case by case basis proportionate to the estimated costs likely to be awarded at its conclusion.”

14. The need to consider such requests for security on their own merits was clearly confirmed in Nasser v. United Bank of Kuwait [2001] EWCA Civ 556 (Simon Brown and Mance L.JJ.) 11th April 2001.

15. In that case the Court of Appeal noted that an order requiring a party to provide security for costs touches and concerns that party's right of access to the court under Article 6 ECHR with the result that the discretion to make such an order must be exercised in a manner which is neither discriminatory nor disproportionate in relation to the legitimate aim pursued.

16. On that basis and against the background of the international regime for the recognition and enforcement of judgments under the Brussels (1968) and Lugano (1988) Conventions, the Court observed (in paragraphs 58 to 60 per Mance LJ) that:

“58. ... It would be both discriminatory and unjustifiable if the mere fact of residence outside any Brussels/Lugano member state could justify the exercise of discretion to make orders for security for costs with the purpose or effect of protecting defendants or respondents to appeals against risks to which they would equally be subject and in relation to which they would have no protection if the claim or appeal were being brought by a resident of a Brussels or Lugano state. Potential difficulties or burdens of enforcement in states not party to the Brussels or Lugano Conventions are the rationale for the existence of any discretion. The discretion should be exercised in a manner reflecting its rationale, not so as to put residents outside the Brussels/Lugano sphere at a disadvantage compared with residents within. ...

59. In this connection I do not consider that one can start with an inflexible assumption that any person not resident in a Brussels or Lugano state should provide security for costs. Merely because a person is not resident in England or

another Brussels or Lugano state does not necessarily mean that enforcement will be more difficult. ... The exercise of the discretion on grounds of foreign residence should not be either automatic or inflexible.

60. I would interpose at this point that, even where a claimant or appellant is resident abroad there may of course be special factors indicating that any order for costs will be satisfied in some other fashion. ...”

It can be seen from these observations that foreign residence is the beginning and not the end of the question whether a foreign resident should be required to provide security for costs.

17. It may, however, be appropriate to require a person who is not resident in a Brussels or Lugano state to provide security for costs on the ground of foreign residence whether or not he has assets in a Convention state: De Beer v. Kanaar & Co [2001] EWCA Civ 1318 (Jonathan Parker LJ and Rimer J) 9th August 2001.

### ***The exercise of discretion in the present case***

18. The hearing officer rejected Viglen’s application for security for costs on the basis that Sun Microsystems had assets within the jurisdiction.

19. He was persuaded of that fact by representations made on behalf of Sun Microsystems at the hearing which had taken place before him:

“Returning to the question of whether the applicants, Sun Microsystems, had assets within the jurisdiction [Counsel] 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. [Counsel] provided a list of the applicants' English subsidiaries and submitted that the applicants had substantial business assets within the jurisdiction and would be able to meet any award for costs made against it."

I understand that the list of subsidiaries was provided orally in the course of Counsel's submissions. No firm evidence was provided as to the nature, value or ownership of the business assets which Sun Microsystems wished the hearing officer to take into account.

20. At the hearing before me Viglen maintained that the hearing officer should not have rejected its request for security in the absence of evidence sufficient to demonstrate that Sun Microsystems did indeed have assets within the jurisdiction against which an order for costs could be enforced. Sun Microsystems maintained that the hearing officer was entitled to reject the request for security for lack of any evidence that Viglen would or might experience any real difficulty in recovering such costs as might be awarded to it.

21. It seemed to me that the hearing officer was entitled, in the exercise of his discretion, to reach the decision he did if there was substance in the representations which had persuaded him that Sun Microsystems had appreciable business assets within the jurisdiction.

22. In the exercise of the power conferred upon me by Rules 57 and 65(2) of the Trade Marks Rules 2000 I directed Sun Microsystems to particularise its position with regard to ownership of business assets in the United Kingdom. Pursuant to that direction Sun Microsystems provided documentary information indicating:

- (i) that Sun Microsystems Ltd of Bagshot in Surrey is a wholly owned subsidiary of Sun Microsystems Holdings Ltd of the same address in Surrey;
- (ii) that Sun Microsystems Holdings Ltd is a wholly owned subsidiary of Sun Microsystems Inc;
- (iii) that the consolidated accounts of Sun Microsystems Inc and Sun Microsystems Holdings Ltd are available on the internet at <http://www.sun.com.corporate/overview/investor/finance.html>;
- (iv) that the aggregate of capital and reserves of Sun Microsystems Ltd at 30th June 1999 was £34,507,000 and its profit after tax for the year ended 30th June was £26,152,000;
- (v) that UK corporation tax of £14, 191,000 was payable on the profits of the ordinary activities of the Sun Microsystems Group in the year ended 30th June 1999;
- (vi) that Sun Microsystems Inc is the registered proprietor of various well-known and valuable trade marks registered in the United Kingdom and at the Community Trade Marks Office in respect of goods and services in Classes 7, 9, 11, 16, 35, 36, 37, 38, 41 and 42.

The financial information available for inspection at the web address noted in (iii) above points to the continuing financial strength of the Sun Microsystems Group during the years 2000 and 2001. The 'Corporate Snapshot' of the Group refers to revenues of

“\$18.25 billion in fiscal 2001” and states that “Sun is ranked 125 on the Fortune 500 index”.

23. I am satisfied on the basis of the information noted in the preceding paragraph that Sun Microsystems Inc has valuable business assets (in the form of trade mark registrations linked to established business activities in the United Kingdom and shares in a wholly-owned investment holding company registered and resident in the United Kingdom) against which Viglen could enforce an order for costs in the event (which I regard as an unlikely event) that steps had to be taken to enforce payment of the relatively modest sum that might in due course be awarded to it by way of costs.

24. In the circumstances I am not willing to depart from the hearing officer’s decision to reject Viglen’s application for security for costs.

### ***Estoppel***

25. The present request for security replicated a request for security made on the same day in other opposition proceedings between the same parties. The request in the other proceedings was rejected by the Registrar prior to the determination of the parallel request in the present proceedings. The rejection is said to have rendered the present request *res judicata*.

26. It is clear that the rejection of an interlocutory application is not a bar to its renewal if the rejection was “*not a determination of issues, but merely an exercise of a*

*discretion and the decision whether or not to grant a discretionary procedural remedy”* and the renewed application is not an abuse of the right to re-apply: Mullen v. Conoco Ltd [1998] QB 382 (CA) at 396 per Hobhouse LJ; Phipson on Evidence 15th Edition (2000) para. 38-05, pp.990-991.

27. It would be illogical to adopt a stricter approach to the present situation. The rejection of the request for security in the other opposition proceedings was simply an exercise of discretion in relation to a procedural remedy sought in the context of those proceedings. The application for security in the present opposition proceedings was not a renewal of the rejected request or an abuse of process. I do not see how Viglen could be estopped from pursuing its request in the present proceedings. The submission that both requests should be (as they have been) decided in the same way goes to the merits not the legitimacy of the request that is now before me.

### ***Conclusion***

28. Sun Microsystems’ threshold objections to the request for security are rejected. The request for security is refused. The appeal will therefore be dismissed.

29. I see force in the criticism that Sun Microsystems ought to have condescended to particularity in relation to its assets in the United Kingdom at an earlier stage of the application for security for costs. I also see force in the criticism that Viglen ought to have realised that the bare fact of foreign residence was unlikely to be conclusive of the question whether, in the exercise of the Registrar’s discretion, a company with business

interests in the United Kingdom as large and well-established as those of Sun Microsystems Inc should be required to provide security for costs in the sum of £900.

30. It appears to me that each side has been rigidly unreceptive to the position adopted by the other and that this, together with Sun Microsystems' insistence upon maintaining the threshold objections unsuccessfully raised on its behalf, has unnecessarily increased the costs of the application for security.

31. Weighing these matters in the balance, I think that Viglen should pay £250 to Sun Microsystems Inc as a contribution towards its costs of the unsuccessful appeal. That sum will be payable in addition to the sum of £200 awarded by the hearing officer. It will be payable at the conclusion of the present opposition proceedings in the Registry.

**Geoffrey Hobbs Q.C.**

28th December 2001

Simon Walters of Messrs Trade Mark Consultants Co. appeared on behalf of Viglen Ltd.

Mark Engelman instructed by Messrs Field Fisher Waterhouse appeared as Counsel on behalf of Sun Microsystems Inc.

The Registrar was not represented at the hearing.