THE APPOINTED PERSON: On 4th March, 1998 Flashpoint Technology Limited applied under section 46(1) of the Trade Marks Act 1994 for part cancellation (on the ground of non-use) of trade mark No. 1158426 FLASHPOINT registered in class 9 in the name of Flashpoint Limited.

The trade mark in suit was assigned on 11th March, 1998 to Flashpoint International Limited. Thereafter the revocation proceedings continued, with evidence being filed on both sides, until a point was reached on 8th March, 2000 when the application for revocation was withdrawn.

At that point in time Flashpoint International Limited, the company to which the registered trade mark had been assigned, became entitled to an award of costs in its favour. It applied to the Registrar for an award, which was assessed initially in the sum of œ435. The registered proprietor considered that figure to be extremely low relative to the burden of costs that it had actually incurred in connection with the proceedings in defence of its registered trade mark, and it requested a hearing at which to argue for a higher award. This took place before one of the Registrar's senior hearing officers, Mr. Foley.

In the result Mr. Foley raised the amount that the applicant for revocation was required to pay from œ435 to œ735. The registered proprietor, Flashpoint International Limited, subsequently appealed to an Appointed Person under section 76 of the Trade Marks Act 1994. The appeal was lodged on 26th November, 2001.

The Respondent to the appeal, Flashpoint Technology Limited, now known as B. Molpid Limited following a name change, has applied for security for costs in relation to the proceedings on appeal. I have jurisdiction under the Trade Marks Rules to accede to such a request. The question for consideration is whether I should and, if so, in what sum.

At this point it is necessary to explain that the proceedings for revocation were for a period of time during 1998 running in parallel with certain High Court proceedings. In the High Court proceedings three companies, that is to say, Flashpoint Limited (the company which was the registered proprietor of trade mark No. 1158426 down to 11th March, 1998) together with Flashpoint Spark Plugs Limited and a company called Flashpoint Security Limited, were applying for relief in proceedings based upon allegations of defamation and passing off.

Those proceedings were commenced in the Queen's Bench Division of the High Court on 13th May, 1998. A summons for interlocutory relief was issued on 14th May, 1998. I gather that there was a hearing in connection with that summons which took place before Moses J. on 2nd June, 1998, as a result of which an order for costs was made in favour of the plaintiffs.

Subsequently there was a two-day hearing before David Steel J. who, in a judgment handed down on 16th July, 1998, dismissed the plaintiffs' claims for interlocutory injunctive relief and did so in forthright terms. In particular, he described the plaintiffs' claims as opportunistic. Having dismissed the applications, he ordered the plaintiffs to provide œ50,000 by way of security for costs in relation to the defendant's costs of the proceedings.

Thereafter, and I believe that this occurred on 1st

October, 1998, the proceedings in the Queen's Bench Division were discontinued. At that stage the defendants became entitled to payment of their costs under the orders which had been made in their favour.

Among the defendants to whom costs were payable was Flashpoint Technology Limited (now called B. Molpid Limited), the applicant for revocation in the proceedings which had been commenced in the Trade Marks Registry on 4th March, 1998. Among the plaintiffs by whom costs were payable was Flashpoint Limited, the proprietor of trade mark No. 1158426 at the commencement of the Registry proceedings.

A lump sum order for costs was resisted on the grounds set out in an affirmation made by Mr. Stuart Lockyear, a solicitor with the firm of Stephens Innocent, on behalf of the plaintiffs. His affirmation is before me. It was made on 9th October, 1998. In the course of it he acknowledges that the judgment of David Steel J. had found overwhelmingly in favour of the defendants in the proceedings. He characterised the High Court proceedings as ill-advised as pleaded. He indicated that the plaintiffs had come to realise that their prospects of success in the proceedings were weak. With reference to the costs burden which had fallen upon the plaintiffs, he indicated that a proportion of the costs discussed in his affirmation represented costs incurred in the revocation proceedings which are now before me on appeal.

The burden of costs in the High Court proceedings was allocated between the parties by the orders which had been made, first by Moses J. and secondly by David Steel J. The quantum of costs carried by the orders was the subject of a compromise agreement reached between the solicitors for the parties on the eve of a costs assessment scheduled to take place before a taxing master of the High Court.

Thus in relation to the proceedings in the High Court, all costs associated with those proceedings have been allocated and compromised. There is absolutely no basis upon which any of those costs could be brought into account in the Registry proceedings which are the subject of the present appeal.

Moreover, in his decision issued on 2nd November, 2001, Mr. Foley indicated that he was not prepared to award more than œ735 in favour of Flashpoint International Limited because he considered that the evidence which had been filed in the registry proceedings was in very large measure irrelevant and unnecessary to the issue which actually had to be decided in relation to the revocation application filed on 4th March, 1998. Prima facie, I must say that, looking at the papers, there is considerable force in the observations made by Mr. Foley in that connection.

I need to mention at this juncture that the costs orders made against Flashpoint Limited, Flashpoint Spark Plugs Limited and Flashpoint Security Limited in the Queen's Bench action have gone unsatisfied. As I understand it, not one penny has been paid in relation to those orders under the compromise agreement that was made between the solicitors to the parties and, as I also understand from the information that the Respondent has provided, those three companies no longer exist, having become dormant, and then been struck off the register of

companies.

It is against this background that the Respondent (B. Molpid Limited formerly Flashpoint Technology Limited) seeks security for its costs of the appeal. It points to the unpaid orders for costs that have been made against Flashpoint companies in the past, and says that a similar outcome is likely if it prevails in relation to the present appeal by Flashpoint International Limited. It points to the last filed accounts for Flashpoint International Limited, showing a net deficit position. On the basis of these accounts it is said that the Appellant lacks the financial resources it would need in order to satisfy an award of costs against it on appeal.

In these circumstances, it is said that there is a high risk that an order for costs in favour of the Respondent would go unsatisfied in the aftermath of the appeal.

It appears to me that there is substance in those submissions. The risk which the Respondent seeks to protect itself against is, in my view, a very real risk. In the circumstances I must consider whether it is appropriate to make an order for security for costs against the Appellant.

The main reason advanced on behalf of the Appellant for resisting an order for security for costs against it is that the Respondent to the proceedings is a dormant company. There would be substance in this argument if there was reason to believe that the dormant company was incurring no liability in costs towards its professional advisers. In this connection I have firmly in mind the decision and reasoning in the case of R. v. Miller (Raymond) and another [1983] 3 All ER 186.

In the course of this hearing I have received assurances from Mr. Starr on behalf of the Respondent that the company B. Molpid Limited, dormant though it is, is a company which has not in fact been released from liability towards its professional advisers for the costs of work undertaken on its behalf in relation to the appeal.

In the circumstances I am satisfied that the dormancy of the company is not of itself a reason for refusing to order security for costs in its favour. No grounds have been put forward on behalf of the Appellant for regarding the risk of non-payment of costs to the Respondent as anything other than real and substantial. Exercising the discretion available to me under the Rules, I therefore consider that there should be an order for security for costs in favour of the Respondent.

The next question which arises is as to the quantum of the security that should be given. It has been suggested on behalf of the Respondent that security should be given in a sum of œ10,000. I can only say that I regard that sum as excessive relative to the levels of costs that might be awarded in relation to proceedings of the kind I am now considering. It seems to me that a fair award for security requires a considerably lower sum to be brought into account.

The breadth of the issues raised by the Appellant's notice, together with the length of time that may be required to prepare argument on those issues and the length of time that may be required to deal with them at a substantive hearing, ought realistically to be reflected in

the sum to be provided by way of security. Looking at t he papers and taking a rough and ready approach, I believe that œ1,800 would be an appropriate sum to award by way of security for costs in relation to the pending appeal.

I understand from Mr. Lyons, who has made submissions to me on behalf of the Appellant, that there are resources available to the company, which it might or might not see fit to draw upon, whereby it could finance an order for security for costs against it in that sort of sum. I am thus reassured that the making of the order for security for costs in the sum of œ1,800 would not in fact stifle the appeal, it being a sum which the appellant company would be able to provide if it sees fit to abide by my order for security.

For the reasons which I have given, I will order that there be security for costs in the sum of œ1,800.

I now wish to discuss with the parties' representatives before me the machinery whereby that order can be put in p lace, and the time limits within which security should be given. First of all, Mr. Starr, what do you say about time for putting the security in place?

MR. STARR: I would be content for fourteen days to put security into place. It is not a large sum of money.

THE APPOINTED PERSON: What do you say to fourteen days, Mr. Lyons?

MR. LYONS: Within seven days, sir.

THE APPOINTED PERSON: I think sometimes these things take a little bit of time.

MR. LYONS: Within seven, sir.

THE APPOINTED PERSON: I am grateful for that indication, Mr. Lyons, but just to allow latitude I will say that security for costs be provided within fourteen days of today's date. That will give you a little bit of leeway in case you should need it. What is the appropriate mechanism for putting in place security in this case?

MR. LYONS: Banker's draft.

THE APPOINTED PERSON: May I suggest a mechanism that would be familiar from High Court proceedings, a joint account in the names of -----

MR. LYONS: No, to be held by the Trade Mark Registry at the Patent Office here.

THE APPOINTED PERSON: I do not think they have got facilities for funds in the Trade Mark Registry. Mr. Starr?

MR. STARR: I do not think t hey have either. I would have thought a banker's draft payable to Ashurst Morris Crisp.

MR. LYONS; Can we make Mr. Starr liable and responsible for holding the œ1,800 draft? I am sure he is not going to abscond with it.

THE APPOINTED PERSON: What will normally happen is that they will open a special account in the name of Ashurst Morris Crisp. It will be designated "The Ashurst Morris Crisp Flashpoint International Limited Appeal Account."

MR. LYONS: But that will cost some money.

THE APPOINTED PERSON: A sum of money will be paid into it, and it will stay there and there will be no payment out until further order from me or some other competent person in relation to this appeal. The money will stay in what you can call an escrow account for safe keeping on that basis. Is that correct, Mr. Starr?

MR. STARR: That is fine, yes.

THE APPOINTED PERSON: That is satisfactory to both of the

parties before me? Is that so? Right, that will be done then. I give both parties liberty to apply in the event of any unforeseen difficulty in relation to the implementation of this order, and I do not at this stage make an order for default in terms of Rule 61. There I am referring to the fact that in the event of default of security being given, the tribunal may treat the party in default as having withdrawn. I make no order for default at this stage. If there is a default, then I would expect the respondent to the appeal to initiate further proceedings with a view to obtaining a further order in that connection.

Is there anything else that we need to discuss today?

MR. STARR: There are the costs of today.

THE APPOINTED PERSON: Costs of today will be reserved and will be dealt with in relation to the proceedings as a whole, depending on what seems right to the tribunal in the ultimate outcome of the appeal.

Let me just say, looking ahead, Mr. Lyons, if you wish to apply, which you must, to adduce further evidence on appeal, in other words, if you wish to bring in any documentation that was not before the hearing officer below, you must apply for special permission to adduce it, and you must do so in circumstances whereby you make the material available to the opposite side so that they have got a chance to consider it and decide whether they will or will not object and whether they will or will not respond, so that we do this in an ordinary manner. I am mentioning that because we reached a position a short while ago where it was apparent to me that you wanted to explain breakdowns of costs by reference to documentary material that was not currently before the tribunal.

MR. LYONS: Sir, I have been asking Eric Potter Clarkson for weeks and weeks for this breakdown and I only got it yesterday.

THE APPOINTED PERSON: It is not my job to advise anybody how to proceed, but I am just cautioning you that if you wish to bring in more material on appeal, there is an orderly procedure you have to go through in order to do it.

Unless there is anything else I can usefully do today, we will adjourn. I will not fix a date for the substantive hearing of this appeal until after the time limited for provision for security has gone, and I will only fix a date for the hearing of the appeal in circumstances where there has been compliance with the order. In the event of non-compliance there may have to be other proceedings.

Knowing my own diary, I cannot indicate at the moment when the substantive hearing of the appeal is likely to be, but it could be at some stage during September. Does that sound like a suitable time from your point of view?

MR. LYONS: How are you fixed in September?

MR. STARR: I am available.

MR. LYONS: I am in Italy with Fiat and Ferrari.

THE APPOINTED PERSON: That is the sort of time I would be looking at for a substantive hearing of the appeal but, as I say, I shall not fix it through the usual channels until I am satisfied that the mechanism for security is in place and has been complied with.

Thank you both very much for your submissions today, and we will see how events unfold hereafter.

TRADE MARKS ACT 1994

IN THE MATTER OF:

AN APPLICATION BY FLASHPOINT INTERNATIONAL LTD

FOR AN AWARD OF COSTS AGAINST FLASHPOINT TECHNOLOGY LTD

CONSEQUENT UPON THE WITHDRAWAL OF APPLICATION No.10043

FOR PARTIAL REVOCATION OF TRADE MARK REGISTRATION No.1158426

DEFAULT NOTICE

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1. On 26th November 2001, Flashpoint International Ltd (***"the Appellant"***) appealed against a decision issued by Mr. M. Foley on behalf of the Registrar of Trade Marks on 2nd November 2001.

2. In the decision under appeal, Mr. Foley ordered Flashpoint Technology Limited (***"the Respondent"***) to pay costs of £735 consequent upon the withdrawal of its Application No.10043 for partial revocation of the Appellant's registered trade mark No.1158426.

3. The Appellant maintains that the costs awarded to it should have been far greater than £735. It claims tens of thousands of pounds on the basis of far-reaching allegations of impropriety. The allegations of impropriety are denied. They were rejected by the hearing officer on the basis of the evidence before him.

4. At an interim hearing on 9th July 2002, I ordered the Appellant to provide £1,800 by way of security for the costs of the Respondent in relation to the pending appeal.

5. My reasons for doing so were given orally at the conclusion of the hearing.

6. The Appellant was directed to provide the Respondent's solicitors, Messrs Ashurst Morris Crisp, with a banker's draft for £1,800 within 14 days of the hearing. The draft was to be made payable to Messrs Ashurst Morris Crisp. They were directed to hold the money in an account designated "The Ashurst Morris Crisp Flashpoint International Limited Appeal Account" until further order from me or another Appointed Person exercising jurisdiction in relation to the costs of the appeal. I gave the parties liberty to apply in the event of any unforeseen difficulty in relation to the implementation of the order.

7. The costs of the application for security were reserved to be dealt with as part of the overall costs of the appeal.

8. In a letter dated 22nd July 2002, addressed to me, the Appellant stated that although it had obtained a banker's draft from Barclays Bank Plc for £1,800 payable to Messrs Ashurst Morris Crisp, the draft had ***"after due deliberation … been cancelled"***.

9. The letter also stated that ***"we hereby give notice of withdrawing from these proceedings (unless there is a right of appeal against your decision of 09/07/2002 to a higher court)"***.

10. Messrs Ashurst Morris Crisp replied on behalf of the Respondent on 26th July 2002 ***"In view of the withdrawal of the appeal to the Appointed Person and/or the***

failure to comply with the order to pay security, we request that the Appointed Person accept this withdrawal and make an award of costs to the Respondent both for the Appeal and also for the application for security for costs".

11. The notice of withdrawal recorded in paragraph 9 above is expressed in equivocal terms. I am not willing to treat the appeal as abandoned simply on the basis of a notification in that form.

12. I am equally unwilling to be drawn into a debate as to the manner or circumstances in which a decision of the Appointed Person under Section 68(3) of the Trade Marks Act 1994 and Rules 61 and 65(2) of the Trade Marks Rules 2000 might be challenged before a higher tribunal.

13. The Appellant is in default of compliance with the order for security made on 9th July 2002 and has made no request for an extension of time within which to comply.

14. The sanction for default is identified in Rule 61(2). This provides that in default of security being given ***"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"***.

15. At the hearing on 9th July 2002, Mr. Lyons made the following comments in the course of his closing observations on behalf of the Appellant (see Transcript p.60, lines 6 to 11):

> ***"We will seek other recourse. We know other ways of doing it apart from legal. We have been wasting our time too long. We are going to get our costs one way or the other. We will leave you with dormant companies."***

16. In the light of these comments I think that the Appellant's default should attract the sanction prescribed by Rule 61(2) in the absence of any substantive request for relief therefrom.

17. This default notice is intended to warn the Appellant of the need for action on its part if it wishes to make such a request.

18. The Appellant is hereby notified that its application for costs in excess of the sum awarded to it by Mr. M. Foley in his decision issued on behalf of the Registrar of Trade Marks on 2nd November 2001 will be treated as withdrawn under Rule 61(2) of the Trade Marks Rules 2000 if no request for relief from the sanction prescribed by that Rule has reached the offices of The Treasury Solicitor, Queen Anne's Chambers, 28 Broadway, London SW1H 9JS (reference LT2/0513G/KJW/B2) by 4.30pm on Friday, 16th August 2002.

19. Any such request should be made in writing and contain a statement of the grounds upon which it is contended that the Appellant's default in providing the security it was ordered to provide should not result in its application being treated as withdrawn under Rule 61(2).

20. The Respondent's request for costs will stand deferred during the period within which the Appellant may request relief from the sanction prescribed by Rule 61(2).

Geoffrey Hobbs Q.C.
31st July 2002