

**TRADE MARKS ACT 1994**

**CONSOLIDATED PROCEEDINGS IN THE MATTER OF APPLICATION NO. UK00003831725 BY CAFETTO PTY LTD FOR THE TRADE MARK CINO CLEANO**

**AND IN THE MATTER OF OPPOSITION THERETO BY LI CHANGQING UNDER NO. 438030**

**AND IN THE MATTER OF REGISTRATION NO. UK00003770828 IN THE NAME OF LI CHANGQING FOR THE FOLLOWING TRADE MARK: Cino Cleano**

**AND AN APPLICATION FOR A DECLARATION OF INVALIDITY THERETO UNDER NO. 505638 BY CAFETTO PTY LTD**

**AND IN THE MATTER OF AN APPEAL AGAINST THE DECISION OF MS S WILSON DATED 8 MAY 2024**

**DECISION ON APPLICATION FOR SECURITY FOR COSTS**

1. On 21 September 2022, Cafetto Pty Ltd (“Cafetto”) applied under application no. 3831725 (“the 725 Mark”) for the trade mark CINO CLEANO. The application was opposed by Li Changqing (“LC”) based upon section 5(2)(a) of the Trade Marks Act 1994 (“the Act”) and upon LC’s earlier UK trade mark no. 3770828 (“the 828 Mark”) for the mark Cino Cleano.
2. Cafetto applied to invalidate the 828 Mark pursuant to section 47 of the Act, relying upon sections 5(4)(a) and 3(6) of the Act.
3. The opposition and the invalidity proceedings were consolidated. Only Cafetto filed evidence.
4. A hearing took place before the Hearing Officer on 9 April 2024, by video conference, which was attended only by Cafetto’s representatives. LC had been represented by BIP Solutions, which appears to be based in Poland. No written submissions were filed on LC’s behalf.
5. The Hearing Officer found that in the absence of evidence of any earlier trading by LC, the date when the application was filed for the 878 Mark was the relevant date at which to assess Cafetto’s claimed goodwill. She found that it had goodwill at the relevant date.

She also found that LC had failed to provide evidence rebutting the evidence which Cafetto said pointed to bad faith. She therefore upheld the application for invalidation based upon both section 5(4)(a) and section 3(6).

6. The only earlier right relied upon in the opposition was the 878 Mark which she had found to be invalid. The opposition therefore failed. She awarded costs of £2300 to Cafetto.
7. LC appealed to an Appointed Person. The Grounds of Appeal were settled by new representatives, LangPatent UK Services Ltd. The Grounds challenge the Hearing Officer's findings in particular in the light of various evidential points made in the TM55. These are based upon fresh evidence, and there is an outstanding issue as to whether such evidence should be admitted on the appeal. The appeal has been set down for hearing on 17<sup>th</sup> October 2024.
8. Cafetto filed a Respondent's Notice in which it supported the Hearing Officer's decision, and contended *inter alia* that the fresh evidence included in the Grounds of Appeal should not be taken into account. The Notice also claimed off the scale costs, stating that LC's approach and indeed the appeal were unreasonable. Cafetto also asked for security for the costs of the appeal. The basis of the application for security for costs was:

“As a result of the unreasonable behaviour discussed above and given the additional expenses having to be incurred by Cafetto Pty Ltd, it is requested that the Appointed Person issue a security of costs order against LC.

LC is a Chinese national and does not have any clear assets in the UK which demonstrate that they will be able to make payment of the costs awarded against them in the original decision, the off-the-scale costs herein requested and any further costs that will be awarded against them.”
9. I gave directions setting a time-table for Cafetto to specify the sum sought by way of security, LC to respond to the request for security, and Cafetto to make any submissions in response.
10. Cafetto's attorneys, Withers & Rogers LLP, provided a short breakdown of the costs sought:
  - £7,000 attorneys' fees incurred throughout the opposition and cancellation proceedings.
  - £10,000 Professional and official fees incurred by Withers & Rogers LLP throughout the original cancellation and opposition actions (including but not limited to) preparing and submitting evidence and submissions and attendance at the final Hearing. Also, further costs incurred to date and likely costs to be incurred going forward in the Appeal proceedings issued.

- £10,000 Expected costs to be incurred by Counsel for preparing for and attending the Appeal Hearing.
- £2,300 Cost award issued by the Hearing Officer against LC following the unfavourable opposition and cancellation decisions.
- £3,000 Potential costs to be awarded in Cafetto's favour following a favourable decision in the Appeal.

TOTAL: £32,300

11. LC's attorneys responded to the application for security by saying "it is herewith requested to reject the request for a security deposit completely or at least to reduce the requested sum significantly. The respondent requested a sum of about 32.000 GBP which is ten times the amount awarded in the proceedings before the first instance. The single position were not substantiated. Under consideration of the fact the appellant is an individual it is obvious that the entire request is an abusive use of law and is intended solely to prevent the appellant from asserting his rights. An amount of 32.000 GBP against an individual is quite absurd." LC did not file any evidence to show whether or not he could afford to pay a costs order of any size.
12. The basis upon which an Appointed Person may make an order providing for security for the costs of an appeal follows the principles applicable in the High Court. The point was considered by Geoffrey Hobbs KC as the Appointed Person in BL O/0266/23, *Matchu Meetchu*. Mr Hobbs said:
  5. The Registrar acting at first instance "*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*": r.68(1) of the 2008 Rules. In r.73(4) it is specified that r.68 "*shall apply to the person appointed and to proceedings before the person appointed as it applies to the registrar and to proceedings before the registrar*". The Appointed Person may accordingly require security for costs to be provided by "any person who is a party in any proceedings" pending on appeal before him or her under s.76 of the Act.
  6. In the exercise of the discretionary power conferred by rr. 68(1) and 73(4), a trade mark applicant can be required to provide security for the costs of an opposition to his application for registration : JINI Trade Mark BL O/585/01 (28 December 2001) at paras [8] to [12]; Puma SE v Lagoniassa Ltd BL O/084/20 (11 February 2020) paras [24] to [28]. Security can be required for costs already incurred in connection with the proceedings at first instance as well as for those to be incurred in connection with the proceedings on appeal: DOUGLAS OF DRUMLANRIG Trade Mark BL O/380/20 (20 July 2020) at para. [20] (referring to Great Future International Ltd v Sealand Housing Corp [2003] EWCA Civ 682; see also Golubovich v Golubovich [2011] EWCA Civ 528 at paras [6] to [8] per Wilson LJ). 3

7. The following observations in the Judgment of the Privy Council delivered by Lord Sales and Lord Hamblen in Responsible Development for Abaco (RDA) Ltd v The Right Honourable Perry Christie and Others [2023] UKPC 2 are particularly pertinent to the arguments of the parties before me:

at para. [61]: “The right of access to a court ... is not absolute, but may be subject to a degree of regulation to promote countervailing legitimate aims by means which are proportionate to those aims and do not destroy the essence of the right: compare *Tolstoy Miloslavsky v United Kingdom* (1995) 20 EHRR 442, para. 59, in relation to an order for security for costs and the corresponding right of access to a court under article 6(1) of the European Convention on Human Rights (in that case an order for security for costs was found to be compatible with the opposing party’s right of access to a court).”

at para. [64]: “The legal system operates so as to secure fairness for all litigants in the resolution of disputes and it is this principle which justifies the making of an order for security for costs in an appropriate case.”

at para. [67]: “As appears from *Keary and Goldtrail*, the burden is on an impecunious corporate claimant to show that there are no third parties who could reasonably be expected to put up security for the defendant’s costs: see also *Al Koronky v Time Life Entertainment Group Ltd* [2005] EWHC 1688 (QB), per Eady J at para. 32 (citing the judgment of Park J in *Brimco Holdings Ltd v Eastman Kodak Co* [2004] EWHC 1343 (Ch)) and paras 52 and 71; and on appeal at [2006] EWCA Civ 1123, [2007] 1 Costs LR 57, para. 27 (‘a claimant ... who wants to ensure that any security he is required to put up is within his means must be full and candid in setting out what his means are’) and paras 48- 49; and *Hackney*, paras 60-61. The claimant has to show on a balance of probabilities that its claim will be stifled.”

13. The court's power under CPR 25.12 to order security may be exercised only if one or more of the conditions in paragraph 2 of CPR 25.13 applies. This is a “gateway” to the application, see *Infinity Distribution Ltd v Khan Partnership LLP* [2021] 1 WLR 4630, where Nugee LJ said:

“29. Before coming to the authorities, I make some points on the wording of the rules. There are a number of matters the Court needs to consider when making an order for security. The Court must be satisfied under r 25.13(1)(b) that one of the conditions in r 25.13(2) applies (or that there is a relevant statutory power). This is a pre-condition or gateway. The Court must be satisfied under r 25.13(1)(a) that it is just to make such an order. This is what may be called the overall question. There are also various details that it must settle if it is to make an order: the amount of security ( r 25.12(3)(a) ); the manner in which it is to be provided ( r 25.12(3)(b)(i) ); and the time within which it must be provided ( r 25.12(3)(b)(ii) ).

30. The preconditions or gateways in r 25.13(2) are not questions for the Court's discretion: they are matters of fact on which the Court needs to be satisfied, such as where the claimant is resident, whether there is reason to believe that the claimant

company will be unable to pay the defendant's costs if ordered to do so, whether the claimant has changed his address with a view to evading the consequences of the litigation, and so on. But once the case has passed through one of the gateways, the other matters are all matters for the Court's discretion.

31. By r 25.13(1)(a) the Court is expressly required to have regard to "all the circumstances of the case" when deciding to make an order for security. There is a question on the wording of the rules whether this requirement expressly applies only to the issue whether it is a suitable case for making an order in principle, or whether it also applies to what I have called the details – the amount of security, and the manner and time in which it is to be provided. I think the answer is probably the latter, although I do not think that anything turns on it. The reason I take this view is because the overall question under r 25.13(1)(a) is whether it is "just to make such an order"; "such an order" is a reference back to the words "an order for security for costs under rule 25.12 " in r 25.13(1) ; and an order for security for costs under r 25.12 will not only provide that security be given but also in what amount, by what means, and by when it is to be provided. It follows in my view that when r 25.13(1)(a) requires the Court to have regard to all the circumstances of the case in deciding whether it is just to make such an order, this encompasses all the aspects of the order that it is suggested it should make, including the manner in which security is to be provided."

14. So, before an applicant for security can invite the court to consider whether it is just to make an order, the applicant must first prove to the court on the balance of probabilities that one of the relevant conditions is made out. Here, Cafetto relies on the provision in CPR 25.13 (2)(a) that an order for security for costs may be made where the party against whom the order is sought is resident out of the jurisdiction and not resident in a State bound by the 2005 Hague Convention. LC's address in the various documents lodged at the IPO is an address in Heilongjiang Province, China and it is not suggested that he is not resident in China, which is not a Hague Convention country.
15. An order for security may not legitimately be based on the bare fact of residence abroad, which would amount in most cases to discrimination on grounds of national origin, but requires an established difficulty of enforcement there: see *Nasser v United Bank of Kuwait* [2001] EWCA Civ 556, §61. Where that (but no other ground) is established, the court should not exercise its discretion to order security for costs unless it does so on grounds relating to obstacles to or the burden of enforcement of a subsequent order for costs in the context of the particular foreign claimant or country concerned. See the notes to rule 25.13 in the *White Book* at paragraph 25.13.6. It is unfortunate that Cafetto has not specified which of these bases for seeking security for its costs it says applies here, nor has it provided any evidence as to any difficulties in enforcing a judgment in China, or as to the additional costs of having to enforce abroad. Cafetto simply claims that there is no evidence that LC has assets in the UK to satisfy any costs awarded against him. LC, on the other hand, has not asserted that he does have any such assets, nor has he contended that a costs award could be enforced in China.

16. The Notes to CPR 25.13 add:

“If security is granted solely on the grounds that enforcement will be burdensome, the amount of security ordered should be assessed by reference to that extra burden of enforcement (subject to any discretionary factors, such as delay or stifling).

...

Formal evidence is not always required in order to prove the obstacles or difficulties of enforcement which may arise. Whilst there must be a proper basis for considering that such problems exist, the court will take note of obvious realities (*Thistle Hotels Ltd v Gamma Four Ltd* [2004] EWHC 322; and see, further, *Kahangi v Nourizadeh* [2009] EWHC 2451 (QB)).”
17. Cafetto has not provided me with any evidence about the possible difficulties in enforcing a costs order in China, nor about the costs of doing so. However, I am aware of difficulties which have been experienced in other cases in serving documents in China, and I do not consider it necessary to have evidence to prove the obvious point that some costs at least would be incurred in enforcing the award abroad which would not have been incurred had LC had UK assets.
18. A court will be reluctant to grant an order for security for costs where the consequence of that would be to stifle a claim, or in this case, an appeal. However, it does not seem to me that it is open to me to conclude that an order for security against LC would stifle his appeal regardless of its amount. Though his attorneys implied that awarding £32,000 by way of security for costs might prevent LC from asserting his rights, there was no evidence to that effect (see e.g. *Al-Koronky v Time Life Entertainment Group Ltd* [2006] EWCA Civ 1123). Nor was there evidence as to his means either in the UK or in China. I cannot conclude that security for costs in a moderate sum would stifle his appeal.
19. I also take into consideration, though in my view it is a point of relatively little force at this stage, that the success of the appeal will (it seems) turn on whether LC is able to adduce his fresh evidence on the appeal, presenting him with a significant hurdle to success.
20. Taking all of these factors into account, I have come to the conclusion in all the circumstances of the present case that an order for security for costs can without unfairness to LC and should in fairness to Cafetto be made under rr. 68(1) and 73(4).
21. Moving on to assess the appropriate level of security, I need on the one hand to look at the evidence (such as it is) as to the amount of costs which will be incurred, on a robust basis and applying a broad brush, whilst taking into account the amount which LC is likely to be able to raise. Neither side has provided me with helpful evidence or submissions on these points.

22. Cafetto appears to seek security in the sum of £32,000, but that seems to me plainly to be an unrealistic figure. It is not clear to me how much of Cafetto's £17,000 of attorneys' fees relates to the costs below, and how much to the costs of the appeal (past or prospective). Cafetto appears to have included in its costs schedule all of the costs incurred below. However, at the hearing before the Hearing Officer, its attorney sought only costs on the usual scale, and the sum awarded in respect of costs was calculated by reference to that scale.
23. In addition, the £2300 costs award cannot be claimed separately, but represents part of the £17,000, and the £3000 potential costs would also represent part of the overall appeal costs. Those sums are, therefore "double counted."
24. It seems to me that the Hearing Officer's award of costs to Cafetto in the sum of £2300 "has already been moderated for reasonableness under s.68(1) of the 1994 Act and r.67 of the 2008 Rules" to use Mr Hobbs' terminology in *Matchu Meetchu*. Cafetto has not in my view justified its claim that I should make any award of security for the costs before the Hearing Officer over and above the sum awarded to it already.
25. In my judgment, it is appropriate to order security for the costs of the appeal in a sum which reflects the costs award already made, as well as the potential additional costs of enforcing a costs award in China. In the absence of evidence on that point, I consider that I should award only a small sum in respect of those enforcement costs, all the more so because if the appeal fails and costs are awarded to Cafetto in line with the IPO scale (rather than off the scale, as claimed) such costs will be relatively modest. In all the circumstances, I consider that it would be fair to require LC to provide security in the sum of £4000 in total.
26. For the reasons I have given, I allow Cafetto's application for security to be provided to a limited extent, and order as follows:
  - (1) LC shall by Friday 27<sup>th</sup> September 2024 deposit £4000 into a Trade Marks Registry account to stand as security for Cafetto's costs of the proceedings at first instance and on appeal;
  - (2) in the event that LC fails to comply with the requirements of paragraph (1) of this order, its Appeal from the Hearing Officer's Decision dated 8<sup>th</sup> May 2024 (Ref. BL O/0419/24) shall then and without further order be treated as withdrawn pursuant to the provisions of r. 68(2) of the Trade Marks Rules 2008;
  - (3) the question of how and by whom the costs of the application for security for costs are to be borne and paid is reserved for determination at the conclusion of the appeal;
  - (4) the parties have permission to apply for further directions and generally in relation to the implementation and operation of the provisions of paragraphs (1) to (3) of this order.

Amanda Michaels  
The Appointed Person  
29<sup>th</sup> August 2024