TRADE MARKS ACT 1994

IN THE MATTER OF AN INTERLOCUTORY HEARING
IN RELATION TO A REQUEST BY HEAD SPORT AG
TO ALLOW INTO PROCEEDINGS
FORM TM7 & STATEMENT OF GROUNDS
TO OPPOSE TRADE MARK APPLICATION NUMBER 2176611
IN THE NAME OF LEISURE SERVICES GROUP LIMITED

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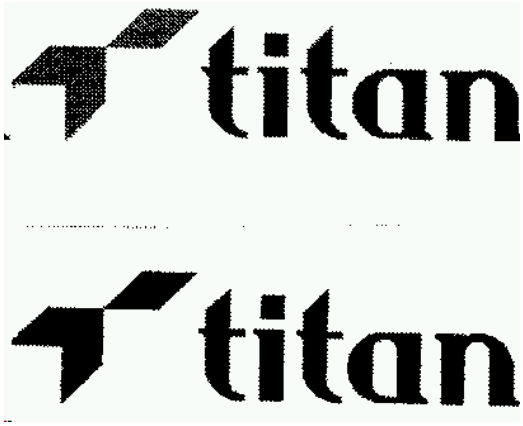
IN THE MATTER OF an Interlocutory Hearing in relation to a request by Head Sport AG to allow into proceedings Form TM7 and statement of grounds to oppose trade mark application number 2176611 in the name of Leisure Services Group Limited

Background

On 5 September 1998 Leisure Services Group Limited applied to register various trade marks as a series. Following deletions, the application showed that is was for the trade marks



as a series of two marks, for a specification of goods which, after amendment, reads:

Class 25 Sport bags shaped to contain football boots; sport bags shaped to contain ski-boots.

Class 28 Games and playthings; apparatus for playing the game of snooker, billiards and pool; snooker, billiard and pool tables; parts and fittings for snooker, billiard and pool tables; snooker, billiard and pool cues; snooker, billiard and pool cases; snooker, billiard and pool balls; apparatus for playing the game of croquet; apparatus for playing outdoor garden games; tennis, squash, badminton and racketball rackets; sporting bags shaped to contain apparatus used in playing sports; sports balls; rugby balls; soccer balls; netballs; basketballs; volleyballs; apparatus for playing the game of baseball; baseball bats; baseball gloves; apparatus for skating; in-line skates

The application is numbered 2176611 and it was accepted and published in the Official Journal on 19 January 2000. Therefore, in accordance with section 38(2) of the Trade Marks Act 1994 and rule 13(1) of the Trade Marks Rules 1994 (as amended), the three month period for filing

notice of opposition on Form TM7 together with a statement of the grounds of opposition expired on 19 April 2000.

On 19 April 2000 Brookes & Martin, trade mark attorneys, the representatives of Head Sport AG filed a notice of opposition to this application on Form TM7. The Form was accompanied by a statement of the grounds of opposition. The documents were filed by facsimile at 11.11hrs together with an instruction to debit Brookes & Martin's Deposit Account number D 00016 with the opposition fee of £200-00.

It appears that at the time the Form TM7 was filed there were insufficient funds in the deposit account to cover the whole fee. The balance shown on deposit account D00016 at the time the form was filed was £46-26. As there were insufficient funds in the account the Form TM7 was not processed but put to one side. The following day the Patent Office received a cheque from Brookes & Martin for £3000-00. The Facsimile Transmission Form which was sent in advance of the cheque is dated 20 April. It is addressed to 'the Cash & Accounts Department P.O' and states:

> "I refer to my recent telephone conversation with your department. As discussed I will be sending this cheque to you today, it will be sent to the P.O in London. Please credit our account as soon as possible. Regards J. McLeod - Brookes & Martin".

It appears that on receipt of the cheque the Form TM7 was processed and given the date of receipt of 20 April 2000. The Form was forwarded to the Trade Mark Registry's Law Section who are responsible for dealing with opposition proceedings. The last date for filing opposition to this application for registration was 19 April 2000 and as the date of receipt given to the Form TM7 was 20 April this was outside the period for filing opposition and the opposition could not be accepted. The Trade Marks Registry wrote informing Brookes & Martin of the discrepancy on 19 May 2000. The text of the letter is reproduced below:

> "I refer to your notice of opposition Form TM7 dated 19 April 2000. Whilst the form was received on time, due to insufficient funds the £200 filing fee was not received until 25th April 2000. [this should have read 20 April]
>
> In accordance with Trade Mark (Fees) Rules 2000, [between the date of the advertisement and the date of filing of the opposition the Trade Mark Rules 2000 had replaced the Trade Marks Rules 1994 (as amended) but nothing turns on this point] the necessary fee should accompany the correct form. Therefore, as the Form TM7 was filed with insufficient funds in the deposit account, it is the Registrar's view that the opposition was incorrectly filed. Consequently, the opposition is deemed to be filed out of time.
>
> If you wish to be heard on this matter, you may request a hearing in accordance with Rule 54(1). Any such request should be made within 14 days of the date of this letter."

In their letter of 26 May 2000 Brookes & Martin requested the appointment of a hearing.

The Hearing

The joint hearing took place before me 29 June 2000. The applicants were not represented, nor did they file any written submissions. The party seeking to oppose were represented by Mr John Symonds of Brookes & Martin. At the hearing I reserved my decision and I informed the applicants and the party seeking to oppose of my decision in a letter dated 6 July 2000. My decision was to refuse to allow the opposition filed on 19 April 2000 to be admitted as a formal opposition against the application. As a consequence, I directed that the application should proceed to registration and that the opposition fee should be refunded. I also directed that the implementation of my decision should be stayed for one month pending any appeal. Following the issue of my decision, the party seeking to oppose filed Form TM5 requesting a statement of the grounds of my decision.

Statement of Grounds

At the commencement of the hearing Mr Symonds handed up a witness statement in his name dated 29 June 2000. This set out the chain of events that occurred in respect of the filing of the Form TM7 in these proceedings. Attached, as exhibits, to his witness statements were various documents concerning the operation of the Office's deposit account system and other documents relating to his firm's business with the Office on 19 April. Where necessary I will refer to the content of his witness statement and exhibits.

I should state that it was common ground that rule 3 of The Trade Marks (Fees) Rules 2000 requires that *"...where a form specified in the Schedule as the corresponding form in relation to any matter is specified in the Trade Marks Rules 2000....**that form shall be accompanied by the fee**, if any, specified in respect of that matter...."*(my emphasis). Whilst this would not be construed so narrowly as to require the fee and form to be received at the same point in time, Mr Symonds agreed that for a filing date to be awarded the Patent Office must be in receipt of the required fee.

Mr Symonds took me through the history of the methods of payment accepted by the Office and the development of the deposit account system. The deposit account system had been extended to cover all Patent Office business with effect from 31 October 1994 and at JFS1 Mr Symonds exhibited a copy of an Official letter dated 5 September 1994 informing his firm of this fact together with a copy of the Deposit Account Terms and Conditions and "Deposit Account- Your Questions Answered". Referring to the terms and conditions he noted that paragraph 11 deals with debits to accounts and that they would be entered in the chronological order in which there are processed whilst paragraph 12 deals with credits to the account and again states that they would be entered in the chronological order in which they are recorded. Thus, he suggested that debits and credits would be dealt with separately in much the same way as a bank account.

Mr Symonds noted that when the full deposit account system was established on 31 October 1994, there was a two tier system whereby deposit account business was kept separate from that transacted where a cheque was filed with a fee sheet. He stated that there was subsequently a change in the terms and conditions associated with the operation of deposit accounts and that holders of deposit accounts were notified of this change in a letter dated 3 November 1994. A copy of this letter was attached at JFS1. As a result of this change all fee business, for those with

deposit accounts, was to be channelled through their deposit account. Thus, if an agent filed a form together with a cheque, the cheque would be processed through that agent's deposit account.

Mr Symonds took me to a extract from "Chitty on Contracts - 28th Edition" which referred to the rule in *Clayton's Case*. The extract with footnotes omitted, reads as follows:

> "**Current account: Clayton's Case.** In the case of a current account, the normal presumption is that the creditor has not appropriated payments to particular items. In a current account there is "one blended fund" into which all receipts and payments are carried in order of their respective dates:
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> > "In such a case, there is no room for any other appropriation than that which arises from the order in which the receipts and payments take place, and are carried into the account. Presumably, it is the sum first paid in, that is first drawn out. It is the first item on the credit side. The appropriation is made by the very act of setting the two items against each other" - *Clayton's Case* (1861) 1 Mer 572 at 608.
>
> This presumption may be rebutted if a different intention can be inferred from the circumstances eg by a particular mode of dealing, such as keeping separate accounts or the creation of a common fund, or by a stipulation between the parties. It has also been stated that the rule is one of convenience rather than presumed intent so that it might not be applied when to do so would result in injustice or otherwise produce a solution which would be impracticable."

Mr Symonds was unable to provide a copy of *Clayton's Case* but provided instead a report of the case *Florence Deeley v Lloyds Bank Limited* [1912] AC 756 which deals with the rule in *Clayton's Case*. He argued that the consequence of the change to the terms and conditions of the deposit account system, introduced by the Office letter of 3 November 1994 was that the Comptroller had set herself up as a banker and so the rule in *Clayton's Case* would apply.

Mr Symonds agreed that on 19 April 2000 at the time the Form TM7 in question was filed there were insufficient funds in his firm's deposit account. This, in his view, resulted in a deficit in his firm's deposit account. Mr Symonds drew attention to the documents attached at exhibit JFS3 to his witness statement. These showed details of a package delivered to the Patent Office at Harmswoth House, London. In his witness statement Mr Symonds stated that this package was delivered to the Office at 4.28pm on 19 April and a date and time stamped receipt is attached at JFS3. The various forms on the fee sheet were accompanied by a cheque for £780-00.

Applying the rule in *Clayton's Case*, Mr Symonds argued that this subsequent filing on 19 April of various forms together the cheque for £780-00 cleared the deficit created earlier in the day when the Form TM7 had been filed. In his view the Office should have allocated £200-00 from the payment of £780-00 to offset this deficit and so allocate £200-00 to the Form TM7 filed earlier in the day. The result for the second fee sheet would have been that there were insufficient funds to cover all the payments but as the fee sheet included two Forms TM3, paragraph 16 of

the Deposit Account Terms & Conditions, set out below, would have come into operation and these would have been dealt with last and payment made at a later date.

Paragraph 16 of the Deposit Account Terms & Conditions reads as follows:

> "If there are insufficient funds in the deposit account to cover the whole of a fee sheet or order, the individual transactions therein will be accepted strictly in the order in which they are listed on the fee sheet or order, excluding any trade mark applications which, because of the period allowed for late payment of the relevant fee, will be presumed to have been listed last on fee sheets irrespective of where they actually appear. Any individual item on a fee sheet will not be accepted unless there are sufficient funds in the deposit account to cover the transaction in full. Deposit account holders will be alerted by telephone or fax if there are insufficient funds in the deposit account to process a fee sheet or order in full (but it will often not be possible to notify the account holder on the day of receipt of the fee sheet or order). This is designed to enable account holders to make emergency arrangements to top-up their accounts. It is suggested that confirmation of emergency funding action taken should be faxed to the Patent Office. ...
>
> In the case of statutory fees, deposit account holders are reminded that a filing date for a deposit account transaction cannot be accorded where inadequate funds are available. A filing date will only be assigned when sufficient payment is received. Exceptions are trade mark applications and patent applications under the Patent Co-operation Treaty where a period is allowed for late payment of the relevant fee."

Attractive as Mr Symonds' line of argument appears, I did not accept that the Comptroller has set herself up as a banker. The deposit account systems was set up to facilitate the filing of applications and actions by facsimile and ultimately to facilitate electronic filing. As Mr Symonds noted at the hearing it also helps to cope with the under-payments and over-payments which inevitably occur.

It is clear from the wording of paragraph 6 of the Terms & Conditions that:

> "Account holders are responsible for monitoring the balance in their accounts and ensuring that sufficient funds are available adequately to cover and not delay their deposit account business. No minimum payment limits will be applied."

Paragraph 16 as noted above, sets out the procedure the Office will adopt where there are insufficient funds in an account to cover all the transactions. This includes alerting the deposit account holder by facsimile or telephone. It was unclear from the official file whether Brookes & Martin had been contacted on this occasion, however, as Mr Symonds acknowledged, there was no obligation on the Office to inform Brookes & Martin of the underpayment on the day of receipt. Paragraph 16 also sets out the order in which the Office will process forms on a given fee sheet such that forms where payment can be made at a later date, such as trade mark applications, will be dropped to the bottom of the fee sheet if there are insufficient funds in an account to cover all of the transactions. However, paragraph 16 applies only to the items on an individual fee sheet and does not envisage balancing earlier or later filed transactions on a given day and subsequently altering the order in which such transactions are processed.

Thus, unless the rule in *Clayton's Case* applies to the operation of the deposit account system, the opposition filed on 19 April cannot be accepted as having been filed within the prescribed period. Having considered the submissions made to me, I reached the view that it did not.

As stated above, it is my view that the Comptroller has not set herself up as a banker. Paragraph 10 of the Terms and Conditions makes it clear that "Deposit accounts will not be permitted to be overdrawn". My Symonds sought to draw a distinction between the account being overdrawn and in deficit. However, the plain fact of the matter is that when the Form TM7 and fee sheet came to be processed, there were insufficient funds in the account. In my view, the account was never in deficit as it is a requirement of the Deposit Account Terms and Conditions that sufficient funds must be in the deposit account to cover the transaction on the fee sheet - see paragraphs 6 & 10 of the Terms and Conditions. Thus, when the second package containing various forms and a cheque was filed later that day there was no deficit on the account to be cleared, the account was still in credit to the sum of £46-26. The cheque associated with that package was allocated by the cashier to the forms listed on the accompanying fee sheet.

Mr Symonds noted that on 25 April 2000 the statement for his firm's deposit account shows a negative balance. Whether this could be classed as a deficit or as being "overdrawn" he submitted that this showed that the Office saw no inconsistency in debiting an account before crediting it. A copy of the statement of account D00016 was attached as exhibit JFS4 to his witness statement. Whilst the statement appears to show a negative balance, I understand that the Finance System is programmed not to accept completion of fee sheet transactions if this would result in the account being overdrawn. Thus, it seems that the statement does not necessarily reflect the order in which the fee sheets and fundings were entered on to the system.

Even if I am wrong on this point, and the Comptroller has set herself up as a banker, I note that *Chitty* states that the rule in *Clayton's Case* might not apply when to do so would result in injustice or otherwise produce a solution which would be impracticable. To apply the rule in *Clayton's Case* to the operation of the Office's deposit account system would, in my view, result in a situation which would be impracticable. In effect, it would require the Office to 'stockpile' fee sheets from a given day and only process them when all the fee sheets filed by that account holder on that day had been received. The relevant cashier would then have to seek to process those forms in such a way that deficits earlier in the day were offset by payments made later that day. Given the fact that a Form and fee sheet might be filed by facsimile at 00:01 hrs on say a Monday and that the same customer might file a package by hand at the Office's London front office at 23:59hrs on the same day, this would not, in my view, be practicable. The package filed in London would not be available for processing until the following day at least. If this rule applied the Office and indeed the customer would be uncertain as to whether the Forms filed at 00:01hrs could be actioned until all the business for that day was concluded. Indeed if I was to find as Mr Symonds suggested, it could result in a time critical form such as a TM7 together with payment (by cheque) filed by hand at 23:59hrs not receiving that date as its filing date, as the payment accompanying the form might be required to offset a 'deficit' in respect of a fee sheet filed earlier that day. That would be a most unsatisfactory result for all concerned. Indeed it could be said that if a form is filed together with a cheque to cover the required fee, it would be an illogicality and contrary to the specific instructions of the filer for the Office to allocate that cheque to other business. The deposit account system and its terms and conditions were intended to set up a practical system for the benefit of the Office and its customers and within its limits it does so.

I was not persuaded by Mr Symonds' argument on the application of the rule in *Clayton's Case* to the working of the Deposit account systems nor could I see anything in the Deposit Account Terms & Conditions which would allow me to find that the payment filed later in the day on the 19 April should have been allocated to the opposition fee on this case. It follows that I cannot allow the opposition filed on 19 April 2000 to be admitted as a formal opposition against this application and therefore the application should proceed to registration. As set out above, the implementation of my decision is stayed pending any appeal.

I did not receive submission on costs and consequently made no order as to costs.

Dated this 10 day of October 2000

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