Federal Court of Australia

Horizons (Asia) Pty Ltd v Enagic Co Ltd (Security for Costs) [2022] FCA 365

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| Appeal from: | Application for leave to appeal: *Enagic Co Ltd v Horizons (Asia) Pty Ltd (No 3)* [2021] FCA 1512 |
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| File number: | NSD 1331 of 2021 |
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| Judgment of: | **STEWART J** |
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| Date of judgment: | 6 April 2022 |
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| Catchwords: | **PRACTICE AND PROCEDURE** – application for security for costs of application for leave to appeal and appeal  |
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| Legislation: | *Corporations Act 2001* (Cth) ss 495C, 495P |
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| Division: |  |
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| Registry: |  |
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| National Practice Area: | Intellectual Property |
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| Sub-area: | Trade Marks |
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| Number of paragraphs: | 17 |
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| Date of hearing: | 6 April 2022 |
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| Solicitor for Appellant | M Williams of Gilbert + Tobin |
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| Counsel for Respondent | E Whitby |
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| Solicitor for Respondent | Spruson & Ferguson Lawyers |

ORDERS

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|  | NSD 1331 of 2021 |
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| BETWEEN: | HORIZONS (ASIA) PTY LTDAppellant |
| AND: | ENAGIC CO LTDRespondent |

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| order made by: | STEWART J |
| DATE OF ORDER: | 6 APRIL 2022 |

THE COURT ORDERS THAT:

1. The applicant provide security for the respondent’s costs of the application for leave to appeal and appeal by payment into Court of the sum of $60,000, and advise the applicant’s solicitors by email of such payment, on or before 5.00pm AEST on Tuesday, 12 April 2022, failing which:
	1. the proceeding be ipso facto stayed;
	2. the respondent file an application for dismissal of the proceeding on account of the applicant’s default by noon AEST on 13 April 2022; and
	3. the matter be listed before Yates J at 9.30am AEST on Thursday, 14 April 2022 for the hearing of that application.
2. The applicant pay the respondent’s costs of the application for security for costs.

Note: Entry of orders is dealt with in Rule 39.32 of the *Federal Court Rules 2011*.

REASONS FOR JUDGMENT

(Delivered ex tempore)

STEWART J:

1. This is an application for security for costs of an application for leave to appeal and an appeal brought under s 195(2) of the *Trade Marks Act 1995* (Cth). The Court has a broad discretion to order security for costs. The considerations include the prospects of success, the risk that an order for costs will not be satisfied, whether the making of an order would be oppressive, any considerations of public interest weighing against an order, and any other discretionary matter. That is a non-exclusive list of potentially material considerations. I turn then to each of them that is relevant to the present case.
2. First, with regard to the prospects of the appeal, the Court is not in a position to form a developed view at this stage other than to accept that the appeal is genuinely brought and that it may have prospects. Nevertheless, I note that there are hurdles to its prospects.
3. Secondly, there is no suggestion in this case of oppression or that the appeal would be stultified in the event that an order for security for costs is made.
4. Thirdly, there is a realistic cause for concern that the applicant may not be able to meet any costs order made against it in the application for leave to appeal or in the appeal. In that regard, there are a number of factors that give rise to that concern.
5. First, a significant challenge has been made by the respondent as to the applicant’s financial position and its ability to meet any future costs order, yet the applicant has put up no financial information to the Court whatsoever – no financial statements, no identification of assets, no balance sheet. Essentially, the Court is left in the dark with regard to the financial position of the applicant, notwithstanding that that is information peculiarly within the knowledge of the applicant.
6. Secondly, the applicant appears on the evidence to have minimal assets of any significance. Searches done by the respondent indicate that the applicant has no title to real property, no assets registered on the Personal Property Securities Register and no manufacturing facilities. An employee of the applicant deposes to it having “computer equipment, phones and stationery”, but no details are given as to those assets or their value. I infer that they have insignificant value insofar as offering any security for a costs order is concerned.
7. Thirdly, the applicant is involved in a long-running fee dispute with previous solicitors, Holding Redlich, in respect of fees in an amount of approximately $39,000. It is perhaps inaccurate to describe it as a dispute, but rather a failure by the applicant to pay those fees. The reason for that is that the work done by Holding Redlich was in 2019. Details of the work done and the basis for the fees charged were given to the applicant in March 2020. A statutory demand dated March 2021 was ultimately served by Holding Redlich in September 2021, and only thereafter, in November 2021, did the applicant seek an assessment of the fees. It also sought to set aside the statutory demand, but that was dismissed by Rees J in the New South Wales Supreme Court in December 2021 on the basis that there was no genuine dispute as to those fees: see *In the matter of Horizons (Asia) Pty Ltd* [2021] NSWSC 1690. I note that that judgment is subject to a pending appeal. Nevertheless, on the current position in the Supreme Court, there is no genuine dispute with regard to those fees.
8. Fourthly, there is now an application by Holding Redlich to wind up the applicant in insolvency under s 495P of the ***Corporations Act*** *2001* (Cth).
9. Fifthly, on account of that application and the application of section 495C of the *Corporations Act*, the applicant is presumed to be insolvent.
10. And sixthly, the applicant has a number of other creditors and is involved in defending a number of claims against it and is seeking to appeal a number of judgments.
11. So, in short, those factors taken together, and in particular the applicant’s failure to take the Court into its confidence to show what its true financial position is, satisfy me that there is a real risk that the applicant will not be able to pay a costs order made against it in this proceeding if such an order is made.
12. For those reasons, I am satisfied that the applicant should be ordered to give security for the respondent’s costs.
13. I now turn to the amount of security that should be provided. Both the respondent and the applicant have put up schedules of anticipated reasonable fees, and there has been some debate about the rates to be charged, the hours to be spent, who is to do the work and so on.
14. The respondent seeks security for costs in the sum of $78,600; the applicant says that only a sum of $56,389 would be justified and that I should award only $50,000. Taking a broad-brush approach and considering the evidence and the submissions that have been made, I consider that an appropriate figure, which would not be unduly harsh on the applicant but which would nevertheless be realistic in providing security to the respondent, is the amount of $60,000.
15. Insofar as orders are concerned, the respondent seeks a guillotine order, such that if security is not put up within a particular time period, the appeal is automatically dismissed. I prefer not to shut the applicant out in that way; there could be some explanation why a particular deadline was missed or even a dispute about whether or not the deadline was missed.
16. An appropriate order in the circumstances, taking into account also that the appeal is listed in May and that the parties and the Court should know sooner rather than later whether or not the appeal is proceeding, is as follows:
17. the applicant provide security for the respondent’s costs of the application for leave to appeal and any appeal by payment into court of the sum of $60,000 on or before 5 pm Australian Eastern Standard Time on Tuesday, 12 April 2022, failing which:
	* 1. the proceeding is ipso facto stayed;
		2. the respondent file an application for dismissal of the proceeding on account of the applicant’s default by noon on 13 April 2022; and
		3. the matter be listed before Yates J at 9.30 am on Thursday, 14 April 2022 for the hearing of that application.
18. There will be a further order that the applicant pay the costs of the security for costs application.

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| I certify that the preceding seventeen (17) numbered paragraphs are a true copy of the Reasons for Judgment of the Honourable Justice Stewart. |

Associate:

Dated: 7 April 2022