

# *SkyKick* in the UKSC: Is the Sky a limit at all?

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# Overview

- The brands and the businesses
- The shape of the dispute: first instance
- The CJEU wades in
- Back to Arnold J.
- The Court of Appeal
- UKSC - the application and the arguments
- UKSC - the decision
- The upshot - bad faith in UK trade marks

# The Brands



**SKY**



**sky**



**SKYKICK**



**skykick**

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# The businesses: Sky

- A very well-known company in UK:
  - broadcasting
  - telephony
  - broadband
- (formerly BSkyB)

# The businesses: SkyKick

- Startup - 2 former Microsoft employees
- Work through **Microsoft Partners**
- **2 main products**
  - Cloud migration
  - Cloud backup

# The specifications

- 4x EUTMs; 1x UKTM
- Specs across 22 classes
- The marks were **enormous**:
  - Specs respectively **238; 238; 2,836; 8,127**  
& **8,255** words long

# The specifications: relevant terms

- “Top 8”

- Computer software
- CS supplied from the internet
- CS & telecoms apparatus to enable connection to databases and the internet
- Data storage
- Telecommunications services
- Electronic mail services
- Internet Portal Services
- Computer services for accessing and retrieving information/data via a computer or computer network

# The specifications: irrelevant terms

- *“animal skins”*
- *“motor vehicles”*
- *“carbon monoxide detectors”* and *“fire extinguishers”*
- *“Christmas decorations”*
- *“insulation materials...”*
  - **& SKY ENFORCED THESE ACTIVELY**



# Dispute in brief

## ■ Infringement:

- 10(2) and 10(3)
- Own name defence
- Passing off

## ■ Validity

- Clarity/precision
- Bad faith (and extent of relief)

# Bad faith invalidity

## s. 3(6) TMA94:

(6) A trade mark shall not be registered if or to the extent that the application is made in bad faith.

## Bad faith measured vs. “accepted principles”

153. Against this background, the essence of the objection that an application to register a mark was made in bad faith may be understood: it is that the motive or intention of the applicant was to engage in conduct that departed from accepted principles of ethical behaviour or honest commercial practices having regard to the purposes of the trade mark system which I have described. Whether the conduct was undertaken with that motive or intention and did indeed depart from such ethical behaviour or honest commercial practices must be assessed having regard to all the objective circumstances of the case: see, for example, *Koton Mağazacılık Tekstil Sanayi ve Ticaret AS v European Union Intellectual Property Office (EUIPO)* (C-104/18) EU:C:2019:724 (“Koton”), paras 46 and 47, to which I will come in a moment.

# Bad faith invalidity

Two types of BF case, broadly:

- (i) where the application was made, not with the intention of engaging fairly in competition but with the intention of undermining, in a manner inconsistent with honest practices, the interests of third parties; or
- (ii) where the application was made with the intention of obtaining, without even targeting a specific third party, an exclusive right for purposes other than those falling within the functions of a trade mark, in particular the essential function of indicating origin – and so enabling the consumer to distinguish the goods and services of one undertaking from others which have a different origin.

CJEU, C-104/18 *Koton* §46

# The Trial Judgment

- No passing off; no 10(3) infringement
- Yes to 10(2) infringement IF marks valid
- References on validity:
  - *IP TRANSLATOR*: clarity and precision
  - Bad faith & extent of bad faith

# Off to the CJEU

## 5 referred questions (reworded):

(1) Is lack of clarity and precision a ground of invalidity?

(2) If yes, is “computer software” an impermissible term for that reason?

(3) Can it constitute bad faith simply to apply to register a trade mark without any intention to use it in relation to the specified goods or services?

(4) If yes, is it possible to be partly in bad faith if you have intent to use some of the specified G&S only?

(5) Is s.32(3) Trade Marks Act 1994 lawful?

# The AGO and CJEU Judgment

- AGO very hopeful - highly critical of Sky conduct.
- CJEU judgment more muted
- Central question is whether the trade mark has been applied for for some purpose other than the proper purpose of a TM

# The AGO and CJEU Judgment

## Q3/4:

*[...] a trade mark application made without any intention to use the trade mark in relation to the goods and services covered by the registration constitutes bad faith, within the meaning of those provisions, if the applicant for registration of that mark had the intention either of undermining, in a manner inconsistent with honest practices, the interests of third parties, or of obtaining, without even targeting a specific third party, an exclusive right for purposes other than those falling within the functions of a trade mark. When the absence of the intention to use the trade mark in accordance with the essential functions of a trade mark concerns only certain goods or services referred to in the application for registration, that application constitutes bad faith only in so far as it relates to those goods or services.*

# Back to Arnold J.

- Found considerable amount of bad faith.
- Trimmed back specs considerably
- Did so by reframing the spec to make it a “good faith” one
- BUT still found infringement of terms left behind



# Court of Appeal: the Grounds

## ■ SkyKick appealed:

- Wrong to find infringement
- Wrong approach to invalidating - should be striking terms out, not refashioning them
  - Incentives argument

## ■ Sky cross-appealed:

- Wrong to say no passing off / 10(3) infringement
- Wrong to invalidate at all - should restore the specs

# CA Judgment

- *Subject to a point on infringement, a full win for Sky*
- *Judge wrong to invalidate unduly broad terms: ANY use in any corner of a broad term blesses the full scope of that term*
- *Upheld judge on passing off / s. 10(3)*

# What role now for bad faith?

- **Bad faith after CA effectively limited to:**
  - “pinching” cases – where the facts show the purpose of registration was deliberately to take a brand someone else was using
  - Seeking registration of terms where NO use is intended anywhere in the scope of the term – e.g. applying to register for microwaves when you intend only to sell leather gloves

# Some immediate problems

- No incentive to make the Register informative to public - its central purpose
- Breadth of terms completely unchecked
- Any disincentive to claim over-broad?

# To the UKSC - PTA application

- CA's “*use a bit, you get the lot*” doctrine leads to absurd results.
- Consider specialist software company doing only software for motor vehicles.
- Applies to register for:
  - Computer software for accounting (**bad faith**);
  - Computer software (**fine** – tho it includes the above);

# Friends in (sky-)high places

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The Supreme Court of the United Kingdom  
Parliament Square  
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Dear Justices,

***Skykick UK Ltd et al v Sky Ltd et al., UKSC 2021/0181***

I write to support the grant of the application for permission to appeal the decision of the Court of Appeal in this case.

***“the Court of Appeal’s decision seems particularly  
anachronistic”***

It would therefore seem equally a matter of general public importance to consider what, in law, has made a practice that was considered not *bona fide* at the end of the 19th century somehow to have become *bona fide* in the first quarter of the 21<sup>st</sup> – especially since nothing in the Trade Marks Act seems to warrant such a change.

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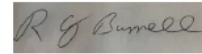
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# Friends in (sky-)high places

*“... a fundamental error ...  
The approach supported by the  
Court of Appeal puts the costs of  
an applicant’s abusive drafting of  
the specification on the general  
public (who rely on the  
information in the register to plan  
commercial activity), the registry  
(when evaluating applications),  
and competitors (who must bear  
the cost of challenging an  
overbroad specification). This  
cannot be right and is inconsistent  
with the purpose of section 32. ”*



Professor Lionel Bently, University of Cambridge



Professor Robert Burrell, University of Oxford



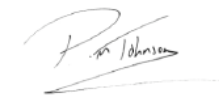
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Professor Graeme Dinwoodie,  
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Professor Phillip Johnson, Cardiff University

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# The UKSC Appeal - SkyKick's case

- Sky's conduct WAS bad faith as it was seeking protection other than for proper trade mark purpose
- Should have regard to the purpose of the TM system
- HC made central findings of deliberately framing overbroad. Use as “*a legal weapon*”; s. 32(3) declaration (partly) false
- “*Use any of it; keep it all*” is wrong
- Should delete the offending terms, or rewrite per SkyKick
- [*points on procedural unfairness, Brexit, and infringement*]



# The UKSC Appeal - Sky's case

- CA correctly summarised the principles of law on BF
- SkyKick not sought a departure from EU law
- The analysis should ONLY be of the selected g&s
- The core of Sky's witness evidence was not properly put to the witness as being false - no allegation of misconduct
- No requirement for intent to use at application stage; need to give "*effet utile*" to the 5-year grace period for use
- UK "doctrinal disagreement" with that approach is destabilising and wrong

# The UKSC Appeal - Sky's case (II)

- “Bad faith” requires a sort of dishonesty not established here
- Functions for which a TM can be range widely - including “services by way of brand extension”
- Cannot be said Sky didn't apply for TMs for these functions
- No reasonable basis for the “purely a legal weapon” finding
- Sky's approach totally normal; thus not an *abus de droit*

# The UKSC Appeal - the Registrar

- Counsel to HM Comptroller-General appeared at the hearing
- 3 aspects of the CA decision restrict BF attacks:
  - g&s for which no prospect of use at all;
  - overly broad descriptions of the g&s;
  - introduction of a requirement for a 3P to devise an alternative specification
- Note that the Registrar has to keep *a register, for the public*
- Sought clarity as to how BF is to be approached and decided

# UKSC decision: BF principles [240]

- BF might normally mean dishonesty, but here need TM context
- So BF made out on either limb of the CJEU test
- Applicant's *subjective* intent can be established *objectively*
- Burden for BF attack on revoking party; but burden shifts
  - applicant then needs “plausible explanation of objectives & commercial logic”
- Registration without ITU = BF where no rationale in TM law
- Requires objective, relevant and consistent indicia

# UKSC decision: BF principles cont

- Lack of actual use / commercial activity not decisive
- Absence of ITU in relation to the essential origin fn only relating to certain G&S → only BF in relation to those G&S
- If, despite formal observance of rules, the purpose of those rules not achieved - and an intention to take advantage of them by creating artificially conditions for regn, may → BF
- No requirement under TMD that applicant positively state bona fide ITU
  - but it may constitute evidence for determining BF

# UKSC decision: G&S with no prospect of use

- CA too permissive
- Persuaded by CJEU decisions re: abus de droit
- Registrar's example of an application for all g&s, all classes
- Sheer size can rebut a presumption of good faith
- Having a reputation doesn't allow you to apply broader than your genuine ITU; you already have 10(2) plus 10(3)

# UKSC decision: broad categories

- Overly broad terms can be BF (even when some use within
- Registrar: BF objection must “have teeth” to prevent cluttering of register.
  - UKSC: It does!
- So the CA did not approach things correctly:

314. Carefully structured though the judgment of the Court of Appeal undoubtedly is, I have come to the conclusion that the overall conclusion it reached cannot be supported, and that the reasons it gave for reversing the judge are not sustainable. In my view and for the reasons which follow, the judge was entitled to find that the applications were made in bad faith in the way that he did, and to require the modification of the eight categories of Selected Goods and Services in the manner set out in his judgment.

# UKSC decision: broad categories

- CA approach - any use in a term will do - in error:

323. Where, however, the broad description includes distinct categories or subcategories of goods or services, as “computer programs” and “computer services” undoubtedly do, then, for the reasons I have given, the proprietor may be found to have acted in bad faith in relation to one or more of those, and it would be manifestly unjust if it escaped that consequence simply because it had framed its specification using general terminology. In my judgment, that was the position here and I do not accept that the judge fell into error in this respect in the manner found by the Court of Appeal.



# UKSC decision: CA's errors

- 1. Failed properly to appreciate scope and component elements of the BF objection - “use some, keep all” = wrong
- 2. Judge in HC did not make any material error or omission.
- 3. CA failed to take proper account of:
  - Sky relying on entire specs until right before trial
  - They were hugely broad
  - Selected G&S only crystallised at time of closings!
  - **Sky obtained and wielded this weapon, despite no ITU**

# So what?

- “Teeth” only bite as far as the bad faith does
- Fine. But consider:
  - apply for category **X** which covers **X<sub>1-10</sub>**,
  - ITU only subset **X<sub>7</sub>**
  - Are you really only in BF in relation to **X<sub>1-6, 8-10</sub>**?
  - You sought **X** in bad faith. Surely BF in relation to **X**?
  - Surely it's **X** that should be invalidated?
  - Not under our law.

# So what?

- Otherwise:
  - Consequence: get the most you could ever have sought
  - Worst case scenario in BF = best case scenario in GF
  - Meanwhile, scarecrow value of it on the register
- This isn't the UKSC's fault – CJEU stopped this in its tracks

# So what?

- Now the rational behaviour is to **apply in BF**:
  - You can *register* your mark broad
  - You just can't *enforce* it broader than your ITU
  - But there's no negative consequence if you over-apply – just trimmed back to the most you ever would have got
  - And that's only if it is ever challenged
  - But there is a positive benefit: in meantime, may scare several new businesses away – just being on register – especially if the RP is large / \$\$\$

# Elephant not allowed in the room: evergreening

- Applying for the same g&s every (say) 4.9 yrs
- Avoids the possibility of a revocation attack
- Sky's registrations show many instances of this, scattered through a cascade of registrations
- Excluded before trial from the SkyKick dispute
- Appears - e.g. *HASBRO* - EU courts accept this is BF
- Await to see how it works in UK

# Will this judgment change behaviour?

- We must wait and see – cluttering is being kept an eye on
- Interesting to see whether applicants – especially large corps – are deterred by the label of “bad faith”
- Or tempted by the rational strategy of applying broad and just enforcing narrower?
  
- As superior courts’ powers to depart from EU law have been strengthened, could this be a point on which to depart?

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