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# Trademark Licensing

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## Clouds Form for Software Provider after Court of Appeal Trade Mark Decision

A highly anticipated decision was issued by the U.K. Court of Appeal recently in what has become a high-profile trade mark infringement case between broadcasting and telecommunications giant Sky and its opponent SkyKick, a global provider of cloud management software. The decision overturned the previous High Court ruling that found Sky had applied for its marks in bad faith without any genuine intention to use such marks within *all* of the goods and services specified in the registrations.

This dispute began in 2016, when Sky brought proceedings against SkyKick for its figurative signs (the “SkyKick Signs”). Sky argued the SkyKick Signs infringed four of its EU registered trade marks and one U.K. trade mark for “Sky” (the “Sky Marks”). Unsurprisingly, the Sky Marks are registered in classes 9 and 38 for goods and services including and in relation to computer software and telecommunications services. In 2018, the U.K. High Court found that the SkyKick Signs did indeed infringe the Sky Marks *on the condition that the Sky Marks were valid*.

The next development in the Sky saga caught the attention of many brand owners nationwide; Skykick made a counterclaim that the Sky Marks were invalid on the

basis that they were not clear and precise (namely, the goods and services were too broad) and that the Sky Marks were applied for in bad faith (i.e., Sky never intended to use the Sky Marks for some of the goods and services indicated within the registration).

## Court of Justice of the European Union (CJEU)

Having been referred the case by the High Court, the CJEU ruled in January 2020 that:

- a lack of clarity and precision in a specification was *not* grounds for a declaration of invalidity; and
- if there is no reasonable commercial rationale behind making a trade mark application, the mark can be invalidated partially or wholly based on bad faith.

## High Court

In light of this, the High Court found in June 2020 that SkyKick had infringed the Sky Marks (although Sky failed to persuade the court that passing off had occurred) but that some of the Sky Marks had been applied for in bad faith, as they were never intended to be used for all the goods and services designated under them. Not only this, the High Court also ruled that the Sky Marks were deliberately filed in

extremely broad terms to obtain maximum protection and to deter other third parties from using or filing anything remotely similar. The fact that this may have been commercially justified was irrelevant.

This decision was a pivotal moment in terms of successful findings of bad faith, as it had been notoriously difficult beforehand to rely on this elusive ground. The decision acted as a warning to brand owners that the old-school tactic of filing a broad specification (in order to broaden protection) could successfully be challenged.

## Court of Appeal

However, the battle was not over. Both parties appealed the High Court’s decision: Sky appealed the finding of partial invalidity, bad faith and the dismissal of the passing off claim; and SkyKick attempted to restrict the Sky Marks even further, whilst also cross-appealing the infringement claim.

The recent Court of Appeal’s decision favored Sky in almost every way. It upheld Sky’s original argument that infringement had occurred (although it did not reverse the High Court’s dismissal of passing off). It also dismissed SkyKick’s request that the Sky Marks be restricted even further.

Most interestingly, the Court of Appeal reversed the High Court’s decision that bad faith had been found. The Court of Appeal’s finding was that Sky has a “substantial present trade and a future expectation of trade.” In other words, because Sky is so well-known and realistically likely to expand into goods and services that are currently covered under the Sky Marks, bad faith could not be justified.

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The Court of Appeal closely examined the High Court's reasons for finding bad faith and dismissed them on the following grounds:

- Using a mark for only some of the goods and services that can be captured within such a broad category (such as computer software), and not all of them, is not a ground for bad faith. A trade mark holder does not need to use its mark for every conceivable subcategory of goods or services within such a broad sector.
- A trade mark applicant does not need to have a commercial strategy at the outset for every single possible good and/or service covered under the mark. Even if one subcategory of computer software, for example, was intended to be used, then this is acceptable.

## Outcome

The High Court's decision in 2020 was a troublesome outcome

for brand owners with broad specifications listed under their registered trade marks, as it opened up the opportunity for third parties to be able to make an invalidation claim on the grounds of bad faith. The Court of Appeal's reversal just recently has made it more difficult for third parties to bring such invalidation claims once again, which is a welcomed outcome for forward-thinking brand owners who wish to be able to expand into other sectors specified under the trade mark(s), but have not done so at the time of making the application. On the other hand, many would argue that such a finding is anti-competitive and only helps to strengthen those companies who are already in a dominant position in the market (as only those with a substantial present trade and a future expectation of trade are, on the face of it, able to benefit from this defense). It has been made clear, however, that bad faith is likely to be found where there is no intention to use a trade mark in a specified sector at all.

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