

# European Union

Bugnion SpA

## Sky v SkyKick: was the CJEU swayed by Sky's well-known brand?

The long-awaited *Sky v Skykick* decision brings new clarity to how well-known trademarks are treated in the European Union, although it also raises the question of what impact a strong brand might have on a court's deliberations

After months of anticipation, on 29 January the Court of Justice of the European Union (CJEU) handed down a ruling in *Sky v SkyKick* (case C-371/18). The Fourth Chamber has, thankfully, spared the IP world another game-changing decision on the issue of the clarity of the descriptions of goods and services in EU trademark claims.

### Background

Major entertainment and communications company Sky Plc brought a suit against US cloud management business company SkyKick Inc in the English High Court for infringement of several of its trademark registrations for SKY-formative marks and for passing off. SkyKick contested infringement and counterclaimed for the whole or partial invalidation of Sky's marks for lack of clarity and precision in the specifications of goods and services. Some of the items on the list of products covered by Sky's trademarks, such as 'computer software', were too general and indefinite, it claimed.

SkyKick also claimed that Sky's registrations should be invalidated because the applications were made in bad faith. Sky had registered its trademarks for many classes, including goods and services that were not part of its business. According to SkyKick, Sky had registered those trademarks only to prevent competing companies from entering the market.

The CJEU was asked to clarify the issues raised by the High Court of Justice of England and Wales in its referral. Mr Justice Arnold (before he was appointed to the Court of Appeal) put five questions to the CJEU, but two were of particular importance:

- Should a mark be declared totally or partly invalid for an insufficiently clear and precise specification of goods and services? If so, is a term such as 'computer software' overly broad and vague.
- Is a mark declared invalid for bad faith if the applicant does not intend to use it for some of the goods and services claimed in the application?

Advocate General Tanchev's opinion, which referred to Sky's trademarks as "a monopoly of great breadth", raised some eyebrows along with real concerns that the CJEU's final decision would lead to increased bad-faith and validity claims against trademark owners who had broadly defined terms in their trademark specifications.

### Why the scare?

The case before the CJEU ruffled feathers because it seemed likely to lead to a second edition of the specification process that followed the *IP Translator* decision and would require trademark owners to overhaul their filing strategies.

However, while *IP Translator* corrected the (sloppy) practice of claiming class-wide protection under the Nice class headings, *Sky v SkyKick* risked introducing two much more worrying elements: the risk of invalidity actions for registrations based solely on their broad terms lacking clarity and precision, and a new – and potentially arbitrary – standard of clarity for the descriptions of goods and services.

Fortunately, the CJEU confirmed that trademark registrations containing broad terms (eg, 'computer software', 'financial services' or 'telecommunications services')

cannot be declared totally or partially invalid for lack of clarity and precision. Community legislation does not provide for that specific ground for invalidity.

Thankfully, no attempt has been made to introduce a further ground for invalidity in addition to the list in the Community Trademark Regulation (40/94) (which is clearly exhaustive). Moreover, this clarity-related ground for invalidity would have been introduced not long after EU trademark laws had been reformed specifically to resolve the issue of clarity.

The court held that the inclusion of broad, unclear and imprecise terms in trademark specifications could not be regarded as contrary to public policy or public order. The concept of 'public policy' does not relate to characteristics of the trademark application itself, but rather it focuses on the sign to be used in the course of trade.

### Vagueness is still unavoidable

Does the decision in *Sky v SkyKick* put an end to the issue of clarity of terms in the specifications? Regrettably not.

The coexistence of jurisdictions that require a very high level of detail in the specifications, jurisdictions that require the use of class headings and jurisdictions where only certain expressions are admissible undoubtedly creates the need for descriptions that are suitable for extending the protection abroad.

Unfortunately, a one-size-fits-all description that enables successful claims of priority in both jurisdictions with high standards of clarity and jurisdictions with mandatorily low standards is inevitably bound to result in some vagueness.



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function as a trademark (eg, because it is merely descriptive), one can assume that bad faith almost never applies when a well-known trademark is involved.

Blanket registrations cover, in most cases, trademarks that have a particular relevance on the market and which, often, can be considered well known. The *Sky v SkyKick* dispute was presented from the beginning as a classic case of David and Goliath: the newcomer trying to undermine the monopoly of the big corporation. AG Tanchev's opinion appeared to adjust the balance in favour of market entrants and away from trademark owners, which would have had to adjust their filing strategies significantly.

Goliath, however, has come out substantially unscathed, and overall this decision strengthens his position.

Should one feel sorry for David? Perhaps. From the details of the case, it seems quite evident that SkyKick is the victim of the lack of borders in web-based services. It has a trademark that is well established in the virtual world and registered with the USPTO, but faced an infringement action in the United Kingdom because of an obstacle it could not have foreseen when it first started, although it should surely have been aware of Sky's well-known brand. **WR**

Trademark applications that include vague or even ambiguous wording will persist, and newcomers bothered by the obstacles to their new registrations will continue to be bothered. However, It is only a matter of time before someone with enough money and interest decides to try their luck again by reopening the subject to further debate.

### **SKY: a well-known mark**

Reading the various reports on this decision, no one has mentioned what, in the author's opinion, is the elephant in the room: why an entertainment company, which also provides online entertainment services, decided to sue a cloud computing services company. This case does not arise from an administrative opposition against the trademark application for SKYKICK, but from court litigation, with its inherently more serious consequences. If the parties involved had been a local TV station and a hosting provider with a few hundred customers, it is doubtful whether a case would ever have been brought.

The dispute, however, escalated because the trademark SKY is not just any trademark, but a well-known one. This detail, far from being merely circumstantial, is important in light of the CJEU's bad-faith considerations.

Unsurprisingly, the court did not express an opinion on this point, because the questions put to it by Mr Justice Arnold did not raise the issue of well-known status. But one cannot ignore that, in applying the principles laid down by the court to the specific case, the fact that SKY is well known may make a difference in determining whether there is bad faith.

Indeed, the CJEU clarified the circumstances in which the ground of bad faith can be invoked against registrations for goods and services that the applicant has no intention of using, according to Article 59(1)(b) the EU Trademark Regulation (2017/1001). The court confirmed that there is bad faith on the part of the applicant if the mark is registered with no intention to use it in relation to the goods and services claimed.

However, bad faith can only be detected if there are objective, relevant and

consistent indications that, at the date of filing the application for registration, the trademark applicant had the intention of:

- adversely undermining the interests of third parties in a manner inconsistent with honest practices; or
- obtaining, without even targeting a specific third party, an exclusive right for purposes other than those forming part of the functions of a trademark.

The court also held that the bad faith of a trademark applicant cannot be presumed merely because, at the time of filing, the applicant had no economic activity corresponding to the goods and services claimed in the application.

According to the CJEU, trademark applicants need not know precisely, on the date of filing or examination of their application for registration, the use for the mark. Applicants have five years in which to commence genuine use.

The functions of trademarks – and their interpretations – are extensive. Looking at the function of identifying the business origin of a product or service, construed narrowly, an application for a function other than the identification of the entrepreneurial origin of the marked goods or services can be considered to have been made in bad faith. For example, shoemaker A, brother of canned goods manufacturer B, registers his surname as a trademark not only for goods in Class 18 but also for those in Class 29, for the sole purpose of preventing his brother, with whom he has a bad relationship, from having an exclusive right to that sign.

### **David and Goliath**

In this context, one may ask in what circumstances does the owner of a well-known mark file an application for registration in bad faith? When can it be demonstrated that a trademark that, because of its reputation, could be used in association with almost any product or service, has been filed for functions other than the identification of goods or services?

Apart from residual hypotheses in which the well-known trademark is registered for goods or services for which it cannot