

A Few of my Favourite Things – Excessive Specifications of Goods and Services in EU Trade Marks

by Ron Moscona

The priority of any brand owner is to protect their marks in relation to the core activities of the business. Many companies however seek broader trade mark protection for a wide range of ancillary products and services including some that often relate to their business activities only tangentially. Descriptions such as “business consultancy”, “business management services”, “computer software” and “dissemination of information through the Internet” are commonly encountered. Some companies register their marks for “brochures, circulars and publications” and for “advertising” (even if they are not really in the advertising or publishing businesses). Some register marks in relation to categories such as “clothing and headgear”, “leather goods” and “stationery” and similar goods that they distribute as merchandising items for promotional purposes.

EU trade marks are often registered in relation to long lists of goods and services including broad and sometimes vague descriptions. In some cases EU marks are registered with specifications covering all goods and services within selected classes (often by specifying the Nice classification class heading). In the case of some brand owners with cash to spare, the specifications can cover *all* goods and services in *all* classes.

In sharp contrast to the US trade mark system, which requires trade mark owners, before or shortly after registration, to demonstrate use of the mark in commerce in relation to the listed goods or services, EU law allows a registered mark to be left on the registered unused, and to enjoy protection unchallenged for a 5 year period after its registration. Only then can third parties seek to revoke the registration for non-use.

In some European countries it is common practice to register marks for whole classes of goods and services and to be quite indiscriminate about the scope of the specifications. The EUIPO has not traditionally objected to those practices.

The UK is a little different. It has been for many years a procedural requirement, as part of the process of applying for registration of a UK mark, to make a declaration that the

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applicant has a bona fide intention to use the mark applied for in relation to the goods and services for which protection is sought. The UK courts have long recognised that the validity of a registered mark can be challenged – even before the expiry of the first 5 years of registration – on the grounds of bad faith, if it can be demonstrated that the applicant had no bona fide intention to use the mark in relation to the relevant goods or services.

In early April this year, the Court of Justice of the European Union (“**ECJ**”) was asked to consider this issue in the case of ***Sky Plc v SkyKick UK***, in a referral from the English High Court. Sky is a major UK media group and television broadcaster which also provides internet and related services (such as email and data storage). Its brand, SKY, is well-known in the UK. Sky sought to enforce its marks against the use of the brand SKYKICK in relation to Software as a Service (SaaS) and cloud computing services. Infringement proceedings were brought in the English court.

The defendant counterclaimed challenging the validity of the SKY registrations. SkyKick argued that some descriptions of services were too vague and should be struck down and that others should be invalidated on the basis that Sky had no intention to use its marks in relation to those categories of services. The English court considered that the issue raised questions of EU law and accordingly referred a series of questions of law to the ECJ.

In one respect, the ECJ’s decision confirmed that the specifications of goods and services in a registered mark are not open to invalidation challenges on the grounds that they are vague, or imprecise. EU law requires the specifications to be “designated with sufficient clarity and precision” and the registry office (the EUIPO) can reject an application for an EU trade mark on the grounds that the description of goods or services lacks clarity and precision. But the ECJ determined that the legislation does not allow the validity of a registered mark to be challenged on those grounds.

However, that was only one aspect of the referral. The English court also asked if goods or services listed in the registration can be challenged on bad faith grounds, where it can be determined that when filing the application to register the mark the applicant had no intention to use the mark in relation to those categories.

The ECJ proceeded more carefully on that issue. One of the grounds for invalidation of a registered mark under EU trade mark legislation is that the mark was applied for in bad faith. The EU courts, in several decisions over the years have recognised circumstances where bad faith at the time of filing can be invoked in post-registration invalidation proceedings. It has never been made clear, however, whether bad faith can be invoked on the basis that the applicant had no genuine intention to put the mark to use in relation to goods or services specified in the application.

The EUIPO for many years resisted attempts to argue bad faith on that basis, taking the position that EU law allows a mark to remain unused for five years and does not require the owner to demonstrate intention to use.

The ECJ's decision in the **SkyKick** case in relation to the bad faith grounds can be open to interpretation. The Court did not say that lack of intention to use cannot be a basis for a challenge of bad faith. However, nor is it clear from the decision whether establishing 'lack of intention of use' is sufficient on its own.

The ECJ decision framed the bad faith grounds in broad concepts. The Court pointed out that the concept of 'bad faith' "*presupposes the presence of a dishonest state of mind or intention*" and that regard must be had in that respect to the "*specific context of trade mark law, which is that of the course of trade*". The Court proceeded to explain that the grounds for invalidation on bad faith apply where it is apparent from the circumstances that "*the proprietor of a trade mark has filed the application for registration of that mark not with the aim of engaging fairly in competition but with the intention of undermining, in a manner inconsistent with honest practices, the interests of third parties, or 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*".

The last passage does suggest that an application that claims protection for categories of goods and services in relation to which the mark would not be used as an indication of origin can be considered to be made in bad faith.

But the ECJ elaborated further cautioning that a trade mark owner "*is not required to indicate or even to know precisely [when filing the mark] the use he or she will make of the mark applied for and he or she has a period of 5 years for beginning actual use consistent with the essential function of that trade mark*". At the same time, the Court confirmed that bad faith may be established on the basis that the mark was filed "*without any intention to use it in relation to the goods and services covered by that registration*" if objective circumstances demonstrate that "*the trade mark applicant 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.*"

At the end of April, the English court issued its final judgment in the **Sky v SkyKick** case having considered the guidance provided by the ECJ.

Based on that guidance, the High Court held that Sky applied for the registration of its trade marks partly in bad faith in that, in respect of some parts of the specifications of goods and services: (a) it had no intention to use the marks, (b) there was no foreseeable prospect that it would ever intend to use the marks, and (c) that it made the applications pursuant to a deliberate strategy of seeking very broad protection of the trade marks regardless of whether it was commercially justified.

Importantly, the English court did not restrict its finding of bad faith to listed categories of goods or services which had no relation at all to Sky's business. Among other categories, the challenge was allowed in relation to some descriptions of goods and services that the Court held were simply too broad.

The key example is the description “computer software” in Class 9. The Court found that Sky in fact used the mark in its business in relation to computer software that Sky distributed to its customers and that it had a legitimate expectation to protect its mark in relation to software. However, it held that Sky only ever intended to use its mark in relation to distinct sub-categories of “computer software” (that is, software for set-top boxes, for digital content streaming, for email management and other specific application software related to its telecommunications, broadbands and broadcasting services). It did not intend to use the mark in relation to the full range of sub-categories covered by the general description “computer software”.

Bad faith was found, accordingly, on the grounds that general categories such as “computer software” are overly broad and unjustified where the proprietor’s intention to use the mark and its legitimate commercial justification for seeking legal protection for the brand were limited to a much narrower and defined subject-matter.

The High Court held that the description “computer software” must be partly invalidated (in effect, narrowed down) to the extent that bad faith was found, so that it would cover only the sub-categories of computer software in relation to which the trade mark owner had a commercial justification to seek protection. The Court emphasised that it is legitimate for the applicant to seek broader protection than the specific sub-categories of software in relation to which it knows it would use the mark, or for which it had specific commercial plans to use them. The Court, therefore, had to determine what would be a commercially reasonable scope of protection for the applicant to seek (in this case, in relation to “computer software”) given the nature of its business and its particular circumstances. Accordingly, the Court determined categories of software, broadly conforming to the proprietor’s field of business (software for telecommunication services, broadband, television broadcasting and streaming etc), to which the registration should be restricted.

The decision runs along similar lines to the approach developed by the English courts in cases dealing with revocation challenged on the grounds of non-use (where broad descriptions of goods and services can be narrowed down to sub-categories for which actual use was shown). But the bad faith grounds can be invoked – whether by way of an invalidation action or as a defence or counterclaim in infringement proceedings – long before the 5 year period from the date of registration is out. In fact, it can be invoked as soon as the mark is registered.

The English court, therefore, interpreted the ECJ’s decision as paving the way for challenging trade mark specifications for being overreaching and overly broad without sufficient commercial justification or a bona fide intention on the part of the applicant to use the mark.

Could this be the beginning of the end of the practice of excessive specifications in EU trade marks?

The English court’s decision in **Sky v SkyKick** may encourage other courts in EU member states to scrutinise overreaching specifications more closely. But it is yet to be

seen whether courts and registry offices across the EU – and indeed the EUIPO – adopt a similar interpretation to the ECJ's decision. Some may well prefer a narrower approach than that taken by the English High Court. The High Court's decision may end up marking the beginning of a divergence between UK and EU in trade mark matters - a gap which will inevitably widen as the UK departs from the EU and disengages from the EU trade mark system.

It may be no surprise that this decision – expressing a distinctly British approach - comes during the transition period in which UK law is still temporarily subject to EU rules, but where these long lasting links are soon to be severed.

Brand owners and EU trade mark practitioners, in any event, should take notice of the decisions in the **SkyKick** case – as well as other recent developments in relation to the grounds of invalidation for bad faith. They would benefit from paying more careful attention to the descriptions of goods and services in trade mark applications and should bear in mind the risk that vague or overreaching specifications may be open to challenges even after the registration is completed and long before it becomes vulnerable to a non-use challenge.