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Brands Forum

**Bad faith following SkyKick and
Monopoly - how much should brand
owners worry?**

4 November 2021 | Louise Popple and Magdalena Borucka



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Bad faith



- Trade mark registration can be declared invalid if application made in bad faith
- Trade mark application can also be opposed on this ground in UK (but not at EUIPO)
- Recent cases
 - SkyKick – no ITU on all goods/services (overly-broad specifications)
 - Monopoly – refiling (ever-greening)

SkyKick – overly-broad specifications



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SKY v SkyKick – the facts



SKY sky

 **SKYKICK**

skykick

SKY

Classes 9 (computer software, data storage etc) and 38 (telecomms services, electronic mail services etc) (plus bleaching preps, insulation materials and whips)

SkyKick / skykick

Cloud email migration & cloud-based back-up services

| Issues



- SkyKick counter-claimed that Sky registrations invalid for bad faith:
 - No ITU on bleaching preps, insulation materials and whips at all
 - ITU for only one or two items of computer software
- False declaration of use under s.32(3)
- Whole registration invalid or just items for which bad faith shown?
- Is there bad faith if applicant does not have ITU mark on all items in specification (especially where broad term included but ITU only on 1 or a few items within that broad term)?
 - Significant consequences for enforcement



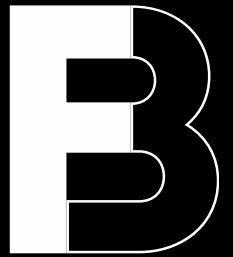
The trade mark is being used by the owner, or with the owner's consent, in relation to the goods or services being applied for, or there is a bona fide intention that it will be used in this way.

What has happened so far?



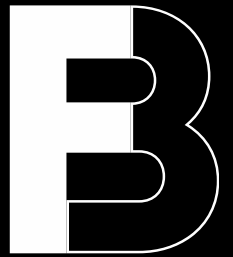
- 4 HC / CA decisions plus "pre-Brexit" ECJ preliminary ruling
- HC applied ECJ ruling - not favourable to brand owners
- CA partially over-turned HC decision – much more favourable to brand owners
 - Applicant not required to have an ITU its mark on every conceivable sub-division of a broad category
 - ITU on some – and potentially even one – item within a broad category can justify inclusion of the broad term
- Good news for brand owners **IF** upheld...

ECJ: recap



- Bad faith if applicant had 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
- Section 32(3) not incompatible with EU law
- BUT
 - No presumption of bad faith on basis of no relevant economic activity
 - Registration only invalidated for goods/services for which there was no ITU

HC: recap




- Several SKY marks applied for in bad faith (so partially invalid):
 - **No prospect of use** - absence of any "*foreseeable prospect...*" of use
 - **No commercial justification for use** – "*...deliberate strategy of seeking very broad protection... regardless of whether it was commercially justified.*"
 - Sky HAD made a partially false statement of use under s.32(3)
- **Effect**
 - Bleaching preparations, insulation materials, whips - deleted
 - Computer software limited – "*supplied as part of or in connection with...*" TV / telecoms apparatus/services
 - SkyKick still infringed!

CA: latest ruling



Both parties appealed:

- No appeal re. bleaching preparations, insulation materials, whips
- Sky successful re "computer software" – not applied for in bad faith
 - Applicant not required to have an ITU its mark on every conceivable sub-division of a broad category
 - ITU on some – and potentially even one – item within a broad category can justify inclusion of the broad term
- s.32(3) statement of use to be interpreted narrowly

 The trade mark is being used by the owner, or with the owner's consent, in relation to the goods or services being applied for, or there is a bona fide intention that it will be used in this way.

- This requirement does not apply to all possible types of goods/services within category - too burdensome for trade mark owners

CA: latest ruling



Detailed reasoning:

➤ No prospect of use:

the conclusion cannot apply to computer software where the TM owner has extensive use and expectations of further use in that category – distinguishable from cases where sole objective of application is to stop 3rd party use (e.g. TM squatting)

➤ No commercial justification for use:

no requirement to formulate a commercial strategy for using the mark in relation to every species of goods/services falling within a general description (TM owner cannot know from the outset)

CA: latest ruling



- Does this mean no bad faith if applicant has ITU on at least **one** item within broad class?
 - CA said (obiter) that a small computer software company marketing only one computer software programme "can apply in good faith for computer software as a whole..."
 - **BUT** it did not say whether this would always be so or whether it would depend on all the facts of the case
- CA decision also introduces a formal requirement for a bad faith cancellation:
 - When filing an application for invalidity where it is accepted that the proprietor had a legitimate reason for registering the trade mark in relation to some of the goods/services, the invalidity applicant **must set out the narrowed specification** to which they contend the trade mark registration should be restricted
 - The trade mark owner will then have a chance to submit the evidence in relation to that proposed specification

CA: latest ruling



Correct?

- Some argue CA decision too lenient to brand owners – do we want such broad terms?
- Some argue CA decision correct as bad faith is serious finding (akin to dishonesty)
- Reduced risk of bad faith counter-attacks now?
 - Would have to be TM squatting or no prospect of use on category/sub-category at all

Strategy

- Careful when applying for items / broad categories when no prospect of use at all
- Continue to apply for both narrow and broad terms and to tread carefully when enforcing (if no use / ITU at all) especially given potential appeal to Supreme Court by SkyKick

Bad faith and computer software



Computer software compared to detergents

- Is this the correct decision for computer software given broadness of term? CA drew analogy between computer software and detergents (but the former is much broader than the latter)
 - a trade mark owner whose business is solely in household detergents with no intention to ever branch out into industrial detergents, should be entitled to file for registration of a trade mark in relation to a general category of "detergents"
- *Zoom KK v Facetec, Inc*
 - in today's high-tech society, almost no electronic or digital equipment functions without the use of computers in one form or another, with the result that there is a multitude of software or programs with radically different functions
- Is filing for "computer software" now effectively like filing for "things"?
- Will the UKIPO / EUIPO prohibit applications for broad terms like "computer software"?

Monopoly – re-filing / ever greening



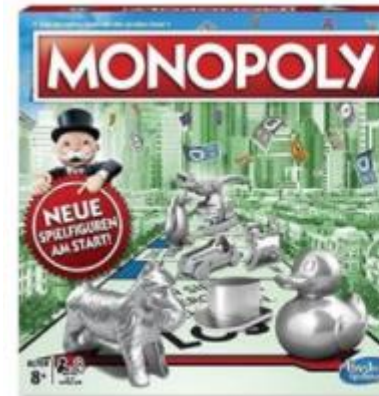
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Hasbro v EUIPO – the facts



MONOPOLY



Hasbro v EUIPO – the facts



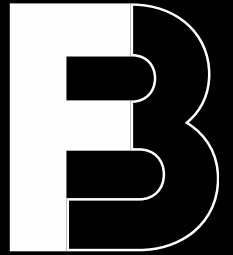
- Hasbro filed EUTMs for MONOPOLY (word) covering Classes 9, 16, 28 and 41 in various years (earliest - 1998, mark relied on – 2010)
- Relied on 2010 mark in opposition to DRINKOPOLY application – owner of DRINKOPOLY applied to invalidate 2010 MONOPOLY reg on grounds of bad faith
 - General Court – does re-filing ("ever-greening") constitute bad faith?
- Hasbro – number of reasons for re-filing including "reducing the administrative burden" of proving use (a requirement if reg > 5 years old)

Hasbro v EUIPO - decision



- Identical mark covering overlapping goods/services filed with intention of extending 5-year grace period = bad faith **EVEN** if other legitimate reasons for re-filing
- Factors fatal to Hasbro:
 - Hasbro mentioned reduction of admin burden of proving use - **fatal**
 - Hasbro relied on repeat filings in Drinkopoly dispute
 - Hasbro said that "normal industry practice" to re-file - GC took to mean strategy intentional
 - Earlier MONOPOLY marks not surrendered when later ones re-filed
- Mere re-filing overlapping mark **not** of itself bad faith

Hasbro v EUIPO - irrelevant factors



- Other good reasons for re-filing (e.g. licensing, expanding product lines, specification drafting) – if one of reasons is to prolong 5-year grace period - fatal
 - Subsequent EUTM was broader – invalid only for overlapping goods/services
 - Use of MONOPOLY could have been proved
 - Re-filing was not close to the end of 5-year grace period - length of extension irrelevant
 - Re-filing is common practice and Hasbro acted in accordance with advice from counsel
 - Cancellation Division would be swamped with bad faith cases – no evidence
- None of these enough to save the registration

Hasbro v EUIPO - relevance



- Brexit – not binding on UK but similar decision on facts?
- Will other litigants make similar admission about reducing admin burden of proving use?
- Re-filing strategy – need good commercial reasons e.g. expanding goods/services (don't do just to avoid proof of use)
- Enforcement strategy
 - Don't automatically rely on re-filed mark – consider risks of bad faith counter-attack
 - If do have to rely on re-filed mark – be aware of possible bad faith allegation
 - Consider possibility of raising bad faith when re-filed mark enforced against you
- **BUT** appeal to ECJ by Hasbro...

Other bad faith cases



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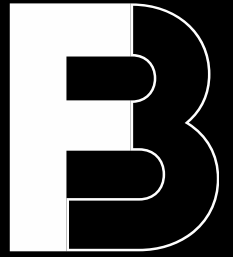
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Other cases



- **Target Ventures** – bad faith – no ITU – strengthen and prevent confusion with TARGET PARTNERS mark – purely defensive regs fail for bad faith
- **PASTA GO** – no bad faith - merely knowing another TM in use by a 3rd party in different jurisdiction not bad faith – was not filed to prevent use by 3rd party – genuine desire to use
- **Banksy** – bad faith – no ITU (public admission that no goods sold under mark) and attempt to circumvent © law
- **Swatch v Apple ("One more thing")** - no bad faith - not inherently dishonest business practice to use a sign which brings another trade mark owner to the mind of some consumers in an amusing but inoffensive way (but Apple did not rely on lack of ITU...)

Conclusions



- Document decision-making re filings
 - Be careful including items / broad terms if no prospect of use at all – include specific and broad terms
 - Re-filing probably OK if commercial rationale (eg different goods/services)
- Take care when enforcing
 - Continue to rely on specific as well as broad terms if possible and be careful if no use at all
 - Consider risks when enforcing a re-filed mark
- Consider possibility of raising bad faith yourself
- Watch for appeals - bad faith not going away... yet...