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INTELLECTUAL PROPERTY

“SKYKICK”- INTENTION TO USE AND “OVER-CLAIMING” IN EU TRADE MARK LAW

The CJEU’s Advocate-General Tanchev has potentially kicked the hornet’s nest...

Ever since the CTM/EUTM system came into being, there have been some unanswered questions of doctrinal orthodoxy at its heart that reflect the different approaches of the common-law and Roman-law based systems of the EU’s constituent member states to “bad faith” and the presence of an intention to use a mark at the point of filing.

To a lesser - but perhaps no less important - extent, there has been a rumbling question around the terminology used in specifications – how widely can terms be drafted? Should a wide term such as “computer software” – which gives protection for all myriad forms of software – be permitted, thus granting a wide monopoly to registrants, or should it be limited to particular, precise terms related to the applicant’s actual product as evidenced?

Although the world at large may regard these as technical questions of interest only to trade mark attorneys and aficionados, in fact they go to the heart of the public policy justification for trade mark protection, namely how much of a monopoly should the state give to businesses? In addressing these issues in his opinion on *SKYKICK*, AG Tanchev may have laid the ground not just for the CJEU’s determination of the last major doctrinal questions in the EUTM system and far-reaching changes in the interpretation of the harmonised trade mark law, he may also have opened the floodgates to a deluge of procedural amendments, oppositions and invalidity claims.

The Background

a) – Bona Fide Intention to Use under the EUTMR

Most common-law systems of trade mark protection require, for good reasons of public policy, that trade mark owners should only have protection for the goods or services for which they genuinely intend to use the mark *at the date the application is filed*. The US system is the most extreme version of this, requiring the actual goods or services of an application’s specification to be identified very precisely in accordance with the applicant’s actual business.

In contrast, in many EU member states, which follow Roman law, there is no corresponding provision and applicants are often permitted to file for every conceivable product even though they have absolutely no intention of ever using the mark so widely. For a long time, this has been a standard defensive measure intended to create as wide an *umbra* of protection as possible. 45-class applications are by no means unusual, some of which list the entire goods and services of the Nice Classification.

The policy thinking behind this is that the applicant then has the 5-year non-use grace period to put the mark to genuine use or face revocation proceedings. Any doubts about *bona fides* can be resolved by the evidence of the actual use made of the mark by then. The applicant is basically given the benefit of any doubt.

However, in effect, this gives trade mark applicants/owners a *de facto* absolute monopoly for that first 5 years irrespective of their real commercial interest. This has enabled some applicants/proprietors with wide and commercially unjustified specifications to mount aggressive, and in some cases abusive, attacks on 3rd parties, safe in the knowledge that the marks on which they rely are impregnable for at least 5 years from registration, no matter how fanciful the specification or their business plans. On the other hand, it has enabled more famous marks to be “evergreened” and protected against squatters and trolls.

Which system you prefer is largely down to your philosophical approach to trade mark law and its role in society – and, more pragmatically if you are a lawyer, to whom you represent at the time, of course.

When the CTM system was originally set up it was necessarily going to be a compromise – in true EU-style – between the common law and “continental” systems, a tension which has caused a number of problems (some of which are being resolved elsewhere in a most dramatic way...). On this issue, though, the drafting committees *had* planned to include a provision requiring applicants to have a “bona fide intention to use” a mark at filing, in line with the common law view. However, at some point that wording vanished and was replaced with a general exclusion of applications made in bad faith.

The problem then was, did the change in language mean that there was no “good faith intention to use” requirement at the point of filing at all, or was it encompassed within the generality of the term “bad faith”?

Perhaps astonishingly, given that the system has been in place for 25 years, and the meaning of “bad faith” has been before the Court on several occasions, the CJEU has so far seemingly done everything it can to avoid commenting expressly on this particular issue.

Meanwhile, where it matters – in the EUIPO – those tasked with interpreting the EUTMR have inevitably taken the path of least resistance. EUIPO has repeatedly stated, in Office-level case law and in its Practice Guide, that there was no “intention to use” requirement for EUTMs. As recently as July this year, in Case R-1849/2017-2 *MONOPOLY*, EUIPO’s 2nd Board of Appeal maintained steadfastly that:

“...the European trade mark law system does not follow the “intention to use” approach that is used, for example, in the United States of America. In practice, this means that an applicant is fully entitled to include a long list of goods and services in its EUTM application ...”.

This doctrinal approach has led to some interesting jurisprudential gymnastics by EUIPO when faced with the “evergreening” of marks, the practice of re-filing (often very wide specification) marks every five years to avoid the consequences of non-use revocation. This is frequently used defensively for house- or famous brands to ensure continuity of long-term broad protection, particularly when the brand is based outside the EU and use is limited or has yet to extend here. Sometimes it is used to bolster a portfolio in ongoing litigation, again despite there being no actual plan to bring the mark into use. EUIPO clearly doesn’t like this practice but had trouble, given its denial of “intention to use” principles, in finding a way to apply bad faith to these re-filings.

The solution EUIPO came up with was, to some eyes at least, a masterclass in sophistry. These re-filings, EUIPO argued, were caught not by a lack of “intention to use” but by a more general principle that they amounted to an improper and fraudulent intent to extend the five-year non-use grace period and were thus a procedural abuse. So, in effect, EUIPO’s position was that you could “spec out” the entire Nice Classification on a first filing with their blessing. Re-filing for the same mark/spec, however, was not

sporting. In effect, EUIPO was ducking the issue at large but fashioning, through legalistic contortions, a stand-alone solution for a category of applications to which it took a particular “administratively moral” dislike.

It was only a matter of time before the CJEU was asked to pull all these strands together and make some sense of things.

b) - Overclaiming

This is more of a technical question than one of ideology; although it may sometimes go hand in hand with bad faith/intention to use, it can also stand alone notwithstanding the applicant may have been acting wholly in good faith.

Essentially, the issue is, how broadly can items in a specification be described whilst still being valid? The paradigm example is the term “computer software” which routinely appears in class 9 specifications and is equally routinely used as a basis for refusing later marks with more precise specifications, simply because of its generality.

The debate essentially turns on the extent of the requirement of clarity and precision in specification drafting. On the one hand “computer software” is clear and precise – we all know it means computer code. On the other hand, it covers all the variable functions of software and is so imprecise, you cannot tell with any certainty what the actual product is or (in a way that is important to underlying public policy) what level of lawful competitive freedom you have in choosing a mark of your own. To take an extreme example, is it right that the maker of computer code for controlling nuclear reactors should be able to register a term such as “computer software” so as to be able to object to a similar mark used on software for controlling domestic breadmakers?

The CJEU tried to encourage more specificity in drafting via the notorious *IP TRANSLATOR case* (C-307/10). However, the official response (at EUIPO and amongst the National Offices) was again to take the path of least resistance, presumably to avoid the extra work that raising “spec queries” in examination might generate. They opted to designate only a small number of general terms – *just 11 out of the entire Nice Classification list* - as lacking sufficient precision to satisfy the requirements of clarity.

Thus, a term such as “machines and machine tools” was objectionable because it did not “provide a clear indication of what machines were covered”. How this differed from “computer software”, which continued to be accepted, was never explained.

The Facts in *SkyKick*

The case came to the CJEU, as so many do, from the English High Court on a reference from (as he then was) Mr Justice Arnold, a veteran of many such referrals.

Sky PLC and certain subsidiaries (“Sky”) is one of the UK’s best-known private satellite and DTV broadcasters. It owns numerous registrations for SKY that cover not just its core business but many goods and services in which it had no commercial interest whatsoever (“bleaching preparations” was given as one example in the ensuing proceedings) and the classes covered included 3, 4, 7, 9, 11, 12, 16, 17, 18, 25, 28, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44 and 45.

Even where Sky had some interest in the goods/services specified in general terms, the actual terminology was so broad that it was clear Sky had no interest in using the marks in question for the

entire category claimed, “computer software” being the paradigm example. Sky has a history of robust enforcement/anti-dilution action against other SKY-formative marks.

For its part Skykick, a US company, sought to use SKYKICK for a Microsoft Office 365-compatible automated migration programme. All we need to know is that this is a very specialised piece of computer software. Sky do not have any commercial interest in such goods but the “computer software” specifications of their registered trade marks include it, nonetheless.

Eventually SkyKick sought to expand into the UK/EU, which resulted in a “cease and desist” letter from Sky claiming infringement of various registrations for SKY covering:

- i) computer software (Class 9);
- ii) computer software supplied from the internet (Class 9);
- iii) computer software and telecoms apparatus to enable connection to databases and the internet (Class 9);
- iv) data storage (Class 9);
- v) telecommunications services (Class 38);
- vi) electronic mail services (Class 38);
- vii) internet portal services (Class 38); and
- viii) computer services for accessing and retrieving information/data via a computer or computer network (Class 38).

All of these terms are self-evidently very broad in coverage.

At trial, it was held that if the trade marks were validly registered, Skykick infringed. Skykick, however, counterclaimed that Sky’s registrations were invalid because:

- a) These specifications lacked sufficient clarity and precision, contrary to law; and
- b) the EU Trade Marks were registered in bad faith because Sky did not intend to use them relation to all of the goods and services specified in the respective specifications, either in whole or in part.

The judge decided that both of these questions needed guidance from the CJEU and duly referred them out.

Case C-371/18 – Opinion of Advocate General Tanchev

Whilst it is by no means automatic, in references to the CJEU from National Courts it is not uncommon for the Court to ask one of its Advocate-Generals to give an initial opinion. Similarly, any opinion given is not automatically followed – sometimes the Court may agree with the conclusion but for different reasons, or just ignore the Opinion altogether. But in broad terms, the Court follows the AG in roughly 80% of cases.

In this case, the Court asked AG Tanchev to give his opinion. Published on 16 October 2019, it is music to the ears of a UK lawyer (and probably to any US attorneys who are listening in). In contrast, French jurists will probably need earplugs.

Intention to Use

AG Tanchev stated at the outset that deliberately seeking registration for goods and services without intention to trade was an abuse of the system. Allowing such marks to remain registered created barriers to market entry and contributed to an erosion of the public domain.

The French Government argued that allowing invalidity for want of intention to use prior to the expiry of the non-use grace period ran the risk of depriving the non-use revocation mechanisms of any utility. This was dismissed, however; the revocation procedure related to marks originally filed in good faith where use could not subsequently be shown at the end of 5 years. Such marks were entitled to the non-use grace period because they did not reflect an abusive attempt to monopolise rights. In contrast, an application made simply to acquire rights for the sake of them, to deprive others of rights they might otherwise lawfully have, was an issue *at the date the application was filed*. “Honest” applicants get 5 years to bring their plans to fruition, but there is no justification for giving “dishonest” applicants and rights at all.

AG Tanchev summed up with this neat conclusion:

“I consider that if the applicant does not intend to use the mark, it is immaterial whether the applicant intends to prevent a specific third party from using the mark, or all third parties. In those circumstances, the applicant is improperly seeking a monopoly to exclude potential competitors from using a sign which he has no intention of using. That amounts to an abuse of the trade mark system”.

He went on to hold that where such bad faith was present for only some of the goods or services concerned, the mark should only be invalid for the offending goods and services.

Overclaiming

The original question had been put in 2 ways.

First, if a spec term was “too vague”, was that a ground for invalidity of itself?

Secondly, is a term such as “computer software” too vague?

The AG approached the first of these issues from the side rather than head-on. His initial finding was that absolute grounds for invalidity set out in the law were exhaustive and they did not include “lack of clarity and precision in the specification” as a stand-alone ground. Instead these are issues to be dealt with in examination, and through possible refusal, by the relevant Offices – a finding which, as we shall see, may have implications for *ex parte* prosecution. The only alternative is a post-grant restriction by the proprietor (which, it can reasonably be assumed, would normally only be made under duress).

Up to this point, a party seeking to invalidate an overclaimed mark could be forgiven for thinking that he has no remedy, and that it is down to the whim of the Offices to edit specs appropriately – once registered, the matter is closed absent other established cancellation grounds.

However, AG Tanchev hadn’t finished. He turned to the provisions of EU trade mark law which provide that it is an absolute ground of objection that a mark is contrary to public policy or public order. These are provisions so little used in the past that they literally had to have the dust brushed off of them; in so far as there are past cases, they tend to concern morally offensive signs, typically rude words, rather than spec details.

AG Tanchev noted that the English court was uncomfortable with the idea that it could be forced to a finding of infringement on the basis of a specification the registrant had no real interest in or rationale for protecting. He also noted that in the referring court, Sky’s witness was unable to state there was any intention to use the marks for such goods.

The AG went on to draw an analogy with the Court's position on non-use after 5 years, in particular the need to avoid restrictions on trade and "register cluttering"; if that was true after 5 years it was no less the case at filing and "throughout the lifecycle of a mark". This justified the need for due precision.

Against this background, AG Tanchev went on to consider the specific example in this case, "computer software". He had no hesitation in concluding that:

"...registration of a trade mark for "computer software" is unjustified and contrary to the public interest because it confers on the proprietor a monopoly of immense breadth which cannot be justified by any commercial interest of the proprietor".

He also noted in passing that if "machines" was already treated by Offices as "too broad" it was hard to see why "computer software" was not equally objectionable.

This is welcome news – but how is the proper breadth of a spec term to be determined? AG Tanchev had that covered as well. The answer lay in the General Court's existing and well-accepted and tested jurisprudence on the assessment of genuine use in revocation proceedings, exemplified in Case T-126/03 *ALADIN*. Under the test for genuine use in this case, the fact-finder compares the goods/services specified with the actual products on which use is made. If the latter fall into a sub-category of the former, use is shown, and protection maintained for the sub-category only.

It is possible to imagine the EU IP Offices collectively gasping at this point, foreseeing that they might suddenly bear the burden of actively assessing spec breadth *ex parte* in the examination process. Thankfully, AG Tanchev offers them a lifeline, saying that in practice it will be for third parties to raise this as an absolute ground of invalidity (or, where permitted - as in the UK - in opposition).

Consequences in Practice

First, it must be remembered that there is no absolute guarantee the full Court will follow this Opinion, **so for now, nothing changes.**

If it does, however, or if it rules in a similar fashion:

- a) for marks relying on a wide but unjustified spec we can expect a surge in invalidity claims based on breach of public interest/bad faith lack of intention to use, especially where these are being relied on to pressure a party in litigation/opposition etc.
- b) Historical claims might be revisited en masse, especially where co-existence or delimitation agreements have been secured on the basis of unlawful registrations – no-challenge clauses might be void in such circumstances. The extent to which such contracts, freely entered into, or the underlying rights, might be challenged is likely to become a hot topic.
- c) Relative grounds objections/infringement claims might become more focussed or the marks might be voluntarily limited pre-claim.
- d) Depending on the response of the IPOs we might see an increase in *ex parte* examination challenges to broad specification terms. UKIPO in particular might be more interventionist since it has long had a specific power to seek clarification and evidence of good faith in respect of over-broad terms. Certainly, the specific term "computer software" at large is likely to be consigned to classification history.