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SkyKick: “Overall winner” Sky faces cost sanctions

Julius Stobbs, Andrew Carver (Stobbs IP) · Wednesday, September 9th, 2020

In the wake of the UK High Court’s earlier ruling on the long-running SkyKick saga (following the CJEU’s decision), Lord Justice Arnold has, in his latest ruling, considered which party should bear the costs of the dispute, amongst other outstanding issues.

Despite the Court’s decision to grant Sky’s application for injunction (to restrain SkyKick from continuing to infringe its trade marks, as established in the earlier finding), it was concluded that “the simplest and fairest” outcome in respect of costs was in fact for both parties to bear their own.

The approach taken by the Court was to consider and answer three key questions (most recently applied in *Specsavers v Asda Stores Ltd (No 2) [2012] EWCA Civ 494*):

1. Which party won the case?
2. Has the winning party lost on an issue which is suitably circumscribed so as to deprive that party of the costs of that issue?
3. If so, is the case a suitably exceptional one to justify making a costs order on that issue against the party that has won overall?

Firstly, it was considered clear that the overall winner of the infringement case was Sky. They had established that their trade marks had been infringed by SkyKick, and had been granted injunctive relief as a result. However, Lord Justice Arnold took note of the fact that Sky had from the very outset relied upon “large swathes” of goods and services from their earlier trade marks, but then six weeks before trial identified a *narrowed* list as being the basis of the claim, upon which their infringement case succeeded (with the remaining goods and services being formally withdrawn following SkyKick’s partially-successful bad faith counterclaim). Therefore substantial cost had been incurred as a result of Sky bringing an unnecessarily broad claim.

The Court deemed SkyKick as the successful party in respect of the counterclaim based on bad faith. The counterclaim itself was raised in respect of many goods and services which did not form the basis of Sky’s *narrowed* infringement claim (and which were later withdrawn), however SkyKick’s bad faith claim *was* successful – albeit partially – in respect of the narrowed list; therefore this should be reflected in costs.

In addition, account was taken of SkyKick’s line of argument that partial bad faith should result in complete cancellation of Sky’s rights, which, although ultimately unsuccessful, was deemed to have not likely been made if Sky had limited their original infringement claim to the *narrowed* list of goods and services.

Hence, in addressing the second and third questions, the Court deemed that Sky should not only be deprived of their own costs in relation to the bad faith counterclaim, but that they should also pay those of SkyKick. Citing the difficulties in translating his assessments into concrete figures, and in view of the not too dissimilar expenditure of the parties – £1.52 million for Sky and £1.97 million for SkyKick – Lord Justice Arnold concluded that both parties should bear their own costs. A slight financial consolation for SkyKick; a severe cost sanction for Sky which will no doubt make their overall success bittersweet.

Perhaps most telling aspect of this saga overall is the staggering sums that both sides have run-up litigating via the "traditional" High Court route, especially in cases such as this, where from the outside at least there appears to be a disproportionate commercial basis for doing so. The UK Courts have aimed to provide more streamlined and cost-effective options for IP litigation in recent years (such as the Intellectual Property Enterprise Court (IPEC) and the Shorter Trials Scheme (STS)), however the level of spend in the present case seems to go against this. Not only will this case serve as a warning to others as to the possible financial penalties of asserting broader claims from the outset, it should also make parties think about whether the "traditional" litigation approach is always the most suitable.

Both parties have been granted permission to appeal certain aspects of the case, therefore it appears somewhat unlikely that this ruling will mark the end of the SkyKick saga.

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