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UK: The Sky is the limit – Skyscape prevented from escaping infringement

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A decision from the Intellectual Property and Enterprise Court (“IPEC”) in *Skyscape Cloud Services Limited v Sky PLC & ors* [2016] EWHC 1340 (IPEC) has confirmed the continued dominance by Sky against entities incorporating their core mark, ‘SKY’. The case provides useful guidance on drafting declarations of non-infringement and has some interesting discussion on defining the average consumer for the purposes of confusion.

HHJ Hacon dismissed Skyscape’s application for a declaration of non-infringement (“DNI”) of five Sky trademarks (“the Cited Marks”) for various iterations of ‘SKYSCAPE’ and ‘SKYSCAPE CLOUD SERVICES’ in relation to the provision of cloud computing services to the UK public sector. Sky is renowned for the vigorous enforcement of its brand and Skyscape had been warned by Sky about its use of ‘Skyscape’. That prompted a pre-emptive action to seek a negative declaration.

Obtaining a DNI in the UK

Skyscape provided a draft order forming the proposed DNI, which covered a very large number of combinations of signs and services, which would each have to be compared against the Cited Marks (which themselves have exhaustive specifications) to assess the possibility of infringement.

The Court affirmed that it is willing in principle to exercise its discretion to grant a negative declaration where it is “appropriate and useful” to do so, despite the absence of an express provision for the grant of a DNI in UK trade mark law. The proposed DNI was tested against 3 principles:

1. The question of whether to grant the negative declaration is one of discretion, rather than jurisdiction;
2. Is there a useful purpose to the negative declaration; and
3. Is the underlying issue sufficiently clearly defined to render it properly judicable?

HHJ Hacon found Skyscape’s draft DNI fulfilled the first two principles, however he severely doubted that it complied with the third, because the draft DNI covered a vast range of possible infringements to scrutinise. The Court was unwilling to put Sky at a disadvantage by redefining the scope of the issues during the course of the trial, and similarly unwilling to accept that the breadth of Skyscape’s application was capable of being litigated in an informed and practicable manner.

Given the scope of the draft DNI, Sky had to prove only that one claimed use was infringing, and therefore Sky were invited to raise a defence on a “best case” basis. Skyscape admitted that they provided services identical to the email services covered by a Sky trademark, and the issues were narrowed to a comparison of ‘Sky’ against ‘Skyscape’ in the provision of email services. Having brought the action, the burden was upon Skyscape to prove that they did not infringe Sky’s trademarks, as embodied specifically in Sky’s best case.

Likelihood of confusion

The central argument was around infringement under Article 9(1)(b). Skyscape did not challenge the threshold requirements for establishing similarity between the marks, and relied upon the absence of confusion by focusing on the attributes of the average consumer. Nor did it challenge the distinctiveness or repute of Sky for its core services.

Skyscape operate through a government scheme called “G-Cloud”, which allows public sector organisations to purchase cloud services from private providers on a pay-as-you-go basis. Skyscape submitted that as a consequence of this, their average consumer was “a well-informed and careful civil servant [...] spending a substantial sum of money and needing to be in a position to justify doing so.” However, the Court held that the average consumer should be interpreted by reference to the draft DNI, which referred to UK public sector entities, rather than the typical purchaser of Skyscape’s products. The public bodies listed on a Government website ran to 29,000, and included Abergavenny Baptist Church and Ammanford Nursery School; in absence of any evidence to the contrary it was held that these bodies must also use G-Cloud, and that as such the average consumer of email services via G-Cloud was “*someone with knowledge of IT and the IT industry equivalent to that of the person on the street, save that this particular average consumer is also aware of G-Cloud.*” This meant the attributes of the average consumer for what Skyscape argued was a specialist product were the same as the average person in the street, which significantly widens the prospect of a likelihood of confusion.

Thought spelt as one word, the Court considered ‘Skyscape’ would be perceived as two conceptual parts, with “sky” defining a type of “scape”. The Court then went on to review the huge number of services provided by Sky, which are primarily named “Sky [plus product description]”, and that Sky was known to be active in the provision of internet services as well as being very well known for TV. The conclusion was that the average consumer “encountering the sign ‘Skyscape’ used for an email service would take it to be yet another service offered by Sky.”

Detriment and unfair advantage

Regarding infringement under Article 9(1)(c) Skyscape presented no evidence as to whether this confusion would lead to a dilution of the Sky mark’s ability to serve as a banner for email services, or whether Skyscape would benefit from Sky’s reputation and goodwill. The Court found against Skyscape on both issues. Accordingly the DNI was denied.

Comments

The decision does show the difficulties a trader will have in the UK using a brand that incorporates the word ‘Sky’. Though Skyscape did not help itself with the way the DNI was framed, in reality the aspect of the DNI which was required for commercial certainty, namely the use of ‘Skyscape’, would always have been the weak point in any DNI they sought.

Finally, in the judgment the judge considered whether an assessment of “the goods and services in question” meant an assessment of those of the alleged infringer as opposed to those of the trademark holder. In law, though the CJEU has pronounced that the assessment is of the “goods and services in question” it has not expressly been stated whether that means those of the alleged infringer or those of the registered trademark holder, or a combination thereof. HHJ Hacon took an orthodox view that it was those of the alleged infringer, however, the example he used from *Interflora* about the average consumer to support this approach focuses on the using of the sign as opposed to the user of the goods. It is possible that in future this point will be considered further.

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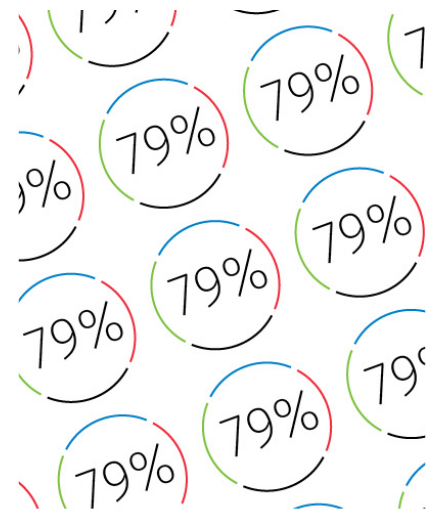
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