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Case No: HC-2016-001587

IN THE HIGH COURT OF JUSTICE
BUSINESS AND PROPERTY COURTS
INTELLECTUAL PROPERTY LIST (CHANCERY DIVISION)

Rolls Building
Fetter Lane, London, EC4A 1NL

Date: 2 July 2020

Before :

LORD JUSTICE ARNOLD

Between :

(1) SKY LIMITED (FORMERLY SKY PLC)	<u>Claimants</u>
(2) SKY INTERNATIONAL AG	
(3) SKY UK LIMITED	
- and -	
(1) SKYKICK UK LIMITED	<u>Defendants</u>
(2) SKYKICK INC	

Geoffrey Hobbs QC and Philip Roberts QC (instructed by **Mishcon de Reya LLP**) for the
Claimants
Simon Malynicz QC, Tom Hickman QC and Stuart Baran (instructed by **Fieldfisher LLP**)
for the **Defendants**

Hearing date: 19 June 2020

Approved Judgment

I direct that pursuant to CPR PD 39A para 6.1 no official shorthand note shall be taken of this Judgment and that copies of this version as handed down may be treated as authentic.

Covid-19 Protocol: This judgment was handed down remotely by circulation to the parties' representatives by email, release to BAILII and publication on the Courts and Tribunals Judiciary website. The date and time for hand-down is deemed to be at 10:30am on Thursday, 2 July 2020.

Lord Justice Arnold :

Introduction

1. On 6 February 2018 I handed down my judgment following the trial of these proceedings ([2018] EWHC 155 (Ch), [2018] RPC 5, “the Main Judgment”). For the reasons given in that judgment, I concluded that it was necessary to refer five questions to the Court of Justice of the European Union in order to resolve some of the issues between the parties, although I was able to determine a number of other issues. On 27 April 2018 I handed down a second judgment dealing with certain matters arising out of the Main Judgment ([2018] EWHC 943 (Ch), [2018] RPC 12, “the Second Judgment”), and I made the order for the reference. On 29 January 2020 the CJEU handed down its judgment on the reference in Case C-371/18 ([EU:C:2020:45], [2020] ETMR 24). On 29 April 2020 I handed down a third judgment applying the rulings given by the CJEU to the facts of the case ([2020] EWHC 990 (Ch), “the Third Judgment”).
2. It is now necessary for me to determine a number of issues between the parties as to the appropriate orders to be made as a consequence of my previous judgments. In order to shorten this judgment, I will assume that the reader is familiar with the Main Judgment, the Second Judgment and the Third Judgment. I will continue to use the same defined terms as in those judgments.
3. Before proceeding further, I should record that, by letter dated 30 April 2020, Sky formally withdrew their infringement claim save in so far as it was based on the Selected Goods and Services. Accordingly, as indicated in the Third Judgment at [35], I shall make no order on SkyKick’s counterclaim for a declaration of invalidity in respect of the other goods and services.

Infringement by Cloud Backup

4. I concluded in the Third Judgment at [39] that SkyKick had infringed the Trade Marks “at least in so far as SkyKick have used the signs complained of in relation to their email migration service [Cloud Migration] and in so far as the Trade Marks are registered in relation to ‘electronic mail services’”. I went on at [42] to express the view that that conclusion was “for practical purposes, determinative of the dispute between the parties.” I nevertheless went on at [43]-[60] to consider Sky’s infringement case based on the registrations of the Trade Marks for “telecommunications services” and concluded, in essence, that this added nothing to the case based on “electronic mail services”. At [61] I concluded that the case based on the remainder of the Selected Goods and Services again added nothing.
5. It is clear from the issues between the parties which have subsequently arisen for decision that what I said at [42] was a misconception, or at least over-optimistic. Whereas Sky approached the hearing on the footing that “at least” meant just that, SkyKick approached the hearing on the footing that the remainder of Sky’s infringement claim had been dismissed. This had significant implications for the parties’ respective cases with respect to, in particular, Sky’s claim for an injunction and the incidence of costs.

6. In those circumstances it is now clear that it is necessary for me to determine whether or not SkyKick have infringed the Trade Marks in so far as SkyKick have used the signs complained of in relation to their backup service, Cloud Backup (as to which, see the Main Judgment at [97(ii)]). Whereas the majority of SkyKick's revenue in 2017 derived from Cloud Migration, the majority of SkyKick's revenue now derives from Cloud Backup.
7. For these purposes it is sufficient to consider Sky's case based on the last of the Selected Goods and Services as cut down in the light of my conclusions as to bad faith, namely "computer services for accessing and retrieving audio, visual and/or audio-visual content and documents via a computer or computer network" in Class 38. In my judgment Cloud Backup is identical to those services, at least in so far as documents are concerned. In other words, my conclusion in the Main Judgment at [297] in this respect is unaffected by the subsequent cutting down of the specification. In saying this, I must acknowledge that what I said at [61] of the Third Judgment appears to suggest otherwise; but my attention there was focused on Cloud Migration. In any event, as counsel for Sky submitted, even if Cloud Backup is not identical to those services, it is very similar indeed.
8. Given the identity or very close similarity of services, it follows from the reasoning in the Main Judgment that use of the signs complained of in relation to Cloud Backup also gives rise to a likelihood of confusion. Thus SkyKick have also infringed the Trade Marks by using those signs in relation to Cloud Backup pursuant to Article 9(2)(b) of the Regulation and Article 10(2)(b) of the Directive.

Recital, declarations and formal orders

9. SkyKick seek the inclusion in the order of a recital and certain declarations which Sky oppose. Counsel for SkyKick did not press for these at the hearing. In my view the complexity of this case means that declaratory relief is inappropriate save in so far as it is necessary to give effect to SkyKick's partial success on their counterclaim.
10. SkyKick also seek an order dismissing Sky's infringement claims pursuant to Article 9(2)(c) of the Regulation and Article 10(2)(c) of the Directive. This is incorrect. Those claims have technically succeeded, albeit that they added nothing to the claims pursuant to Article 9(2)(b) of the Regulation and Article 10(2)(b) of the Directive.
11. Finally, SkyKick seek an order that three of the Trade Marks "be partly invalidated". This is unnecessary and inappropriate given the declaratory relief to which SkyKick are entitled.

Injunction

12. Sky seek an injunction to restrain SkyKick from continuing to infringe the Trade Marks. SkyKick oppose the grant of an injunction on two main grounds. The first is that an injunction should be refused in order to sanction Sky's partial bad faith in applying for the Trade Marks and to deter third parties from such conduct. The second is that an injunction would be disproportionate. Although SkyKick's primary case is, somewhat optimistically, that an injunction should simply be refused, in the alternative SkyKick contend that the Court should accept undertakings designed to

minimise the damage which could be caused to Sky by continuing infringement and/or award damages in lieu of an injunction.

13. These contentions require the Court to consider the application of a number of different legal principles deriving from different legal sources.

The law

14. *TRIPS*. Article 21 of the Agreement on Trade-Related Aspects of Intellectual Property Rights (“TRIPS”) annexed to the World Trade Organisation Agreement (as amended on 23 January 2017) provides (so far as relevant) that “the compulsory licensing of trademarks shall not be permitted”.
15. The relevance of this is that the Court of Justice of the European Union has repeatedly held that, in a field of intellectual property law where the European Union has legislated, such as trade marks, national courts must interpret both European and domestic legislation as far as possible in the light of the wording and purpose of relevant international agreements to which the EU is a party, and in particular TRIPS: see Case C-53/96 *Hermès International v FHT Marketing Choice BV* [1998] ECR I-3603 at [28]; Joined Cases C-300/98 and C-392/98 *Parfums Christian Dior SA v Tuk Consultancy BV* [2000] ECR I-11307 at [47]; Case C-89/99 *Schieving-Nijstad VOF v Groeneveld* [2001] ECR I-5851 at [35]; Case C-49/02 *Heidelberger Bauchemie GmbH* [2004] ECR I-6152 at [20]; Case C-245/02 *Anheuser-Busch Inc v Budejovicky Budvar NP* [2004] ECR I-10989 at [55]-[57]; Case C-431/05 *Merck Genéricos – Produtos Farmacêuticos Lda v Merck & Co Inc* [2007] ECR I-7001 at [35]; and Case C-275/06 *Productores de Música de España (Promusicae) v Telefónica de España SAU* [2008] ECR I-271 at [60].
16. It is convenient to note here that, consistently with Article 21 of TRIPS, neither the Regulation nor the Directive nor domestic law provide for the compulsory licensing of trade marks.
17. *The Regulation*. Article 130 of the Regulation provides:

“Sanctions

1. Where an EU trade mark court finds that the defendant has infringed or threatened to infringe an EU trade mark, it shall, unless there are special reasons for not doing so, issue an order prohibiting the defendant from proceeding with the acts which infringed or would infringe the EU trade mark. It shall also take such measures in accordance with its national law as are aimed at ensuring that this prohibition is complied with.
 2. The EU trade mark court may also apply measures or orders available under the applicable law which it deems appropriate in the circumstances of the case.”
18. In Case C-316/05 *Nokia Corp v Wardell* [2006] ECR I-12083 the CJEU held as follows with respect to what is now Article 130(1) of the Regulation:

- “28. The term ‘special reasons’ must therefore be given a uniform interpretation within the Community legal order.
29. In that regard, it must be noted, firstly, that, in the different language versions, the first sentence of Article 98(1) of the Regulation is drafted in mandatory terms (see, *inter alia*, in Spanish, ‘dictará providencia para prohibirle’; in German, ‘verboten’; in English, ‘shall ... issue an order prohibiting’; in French, ‘rend ... une ordonnance lui interdisant’; in Italian, ‘emette un’ordinanza vietandogli’; and, in Dutch, ‘verbiedt’).
30. It follows that, in principle, a Community trade mark court must issue an order prohibiting further infringement or threatened infringement and, therefore, that the condition relating to ‘special reasons for not doing so’ – which the wording of Article 98(1) clearly shows is an exception to that obligation (see, *inter alia*, in Spanish, ‘[n]o habiendo’; in German, ‘sofern ... nicht ... entgegenstehen’; in English, ‘unless there are’; in French, ‘sauf s’il y a’; in Italian, ‘a meno che esistano’; and, in Dutch, ‘tenzij er ... zijn’) – must be interpreted strictly.
31. Secondly, Article 98(1) of the Regulation is an essential provision for the purposes of achieving the objective pursued by the Regulation of protecting Community trade marks within the Community.
- ...
35. The above considerations obviously do not preclude a Community trade mark court from not issuing such a prohibition were it to find that further infringement or threatened infringement on the part of the defendant was no longer possible. That would apply in particular if, after the commission of the acts in question, an action were brought against the proprietor of the mark infringed which culminated in a revocation of his rights.
36. The answer to the first question must, therefore, be that Article 98(1) of the Regulation is to be interpreted as meaning that the mere fact that the risk of further infringement or threatened infringement of a Community trade mark is not obvious or is otherwise merely limited does not constitute a special reason for a Community trade mark court not to issue an order prohibiting the defendant from proceeding with those acts.
- ...
38. ... as is apparent from the choice of words used by the Community legislature in the first sentence of Article 98(1) of the Regulation, (see, *inter alia*, in Spanish, ‘razones especiales’; in German, ‘besondere Gründe’; in English, ‘special reasons’; in French, ‘raisons particulières’; in Italian, ‘motivi particolari’; and, in Dutch, ‘speciale

redenen’), the term ‘special reasons’ relates to factual circumstances specific to a given case.”

19. It should be noted that the reference in this case was made prior to the coming into force of the Enforcement Directive or of the Charter (as to both of which, see below).
20. In Case C-280/15 *Nikolajeva v Multi Protect OÜ* [EU:C:2016:467] the Harju Maakohus (Harju District Court, Estonia) asked the CJEU whether an injunction to restrain infringement of an EU trade mark could be refused on the ground that the trade mark proprietor had not requested one. The CJEU answered this question in the affirmative. In passing, the CJEU made the following observation about the phrase “special reasons” in what is now Article 130(1) of the Regulation:

“That term relates only to exceptional situations in which, in the light of the specific features of the conduct alleged against the third party, in particular the fact that it is impossible for him to proceed with the acts alleged against him which have infringed or threaten to infringe the EU trade mark, such a court is not required to issue an order prohibiting a third party from proceeding with such acts, although an application to that end has been made by the proprietor of the mark (see, to this effect, judgment of 14 December 2006 in *Nokia*, C-316/05, EU:C:2006:789, paragraph 35).
21. Although this case post-dated the coming into force of the Enforcement Directive and of the Charter, there is no reference to either of them in the judgment.
22. *The Directive*. The Directive does not include any provision corresponding to Article 130 of the Regulation.
23. *The Enforcement Directive*. Article 3 of European Parliament and Council Directive 2004/48/EC of 29 April 2004 on the enforcement of intellectual property rights (“the Enforcement Directive”) provides as follows:

“General obligation

1. Member States shall provide for the measures, procedures and remedies necessary to ensure the enforcement of the intellectual property rights covered by this Directive. Those measures, procedures and remedies shall be fair and equitable and shall not be unnecessarily complicated or costly, or entail unreasonable time-limits or unwarranted delays.
 2. Those measures, procedures and remedies shall also be effective, proportionate and dissuasive and shall be applied in such a manner as to avoid the creation of barriers to legitimate trade and to provide for safeguards against their abuse.”
24. The measures provided for in the Enforcement Directive include permanent injunctions: see Article 11.

25. *The Charter.* The Charter of Fundamental Rights of the European Union (“the Charter”) was originally proclaimed by the European Parliament, Council and Commission at Nice in December 2000. As amended in December 2007, it became legally binding with the coming into force of the Lisbon Treaty in December 2009.
26. The Charter includes the following provisions:

“Article 11

Freedom of expression and information

1. Everyone has the right to freedom of expression. This right shall include freedom to hold opinions and to receive and impart information and ideas without interference by public authority and regardless of frontiers.

...

Article 16

Freedom to conduct a business

The freedom to conduct a business in accordance with Union law and national laws and practices is recognised Article 17

Article 17

Right to property

....

2. Intellectual property shall be protected.

...

Article 52

Scope and interpretation of rights and principles

1. Any limitation on the exercise of the rights and freedoms recognised by this Charter must be provided for by law and respect the essence of those rights and freedoms. Subject to the principle of proportionality, limitations may be made only if they are necessary and genuinely meet objectives of general interest recognised by the Union or the need to protect the rights and freedoms of others.
2. Rights recognised by this Charter for which provision is made in the Treaties shall be exercised under the conditions and within the limits defined by those Treaties.

3. In so far as this Charter contains rights which correspond to rights guaranteed by the Convention for the Protection of Human Rights and Fundamental Freedoms, the meaning and scope of those rights shall be the same as those laid down by the said Convention. This provision shall not prevent Union law providing more extensive protection.

...”

27. *CJEU case law concerning injunctions in intellectual property cases.* There is a substantial body of case law of the CJEU concerning injunctions in intellectual property cases, and in particular copyright and trade mark cases.

28. This case law begins with the CJEU’s seminal decision in *Promusicae*, a copyright case, in which the Court stated at [68] (emphasis added):

“... the Member States must, when transposing the directives mentioned above [which included the Enforcement Directive], take care to rely on an interpretation of the directives which allows a fair balance to be struck between the various fundamental rights protected by the Community legal order. Further, when implementing the measures transposing those directives, the authorities and *courts of the Member States* must not only interpret their national law in a manner consistent with those directives but also make sure that they do not rely on an interpretation of them which would be in conflict with those fundamental rights or with the other general principles of Community law, such as the principle of *proportionality* ...”

29. Although this case pre-dated the coming into force of the Charter, it can be seen that the reasoning effectively anticipated that development.

30. In Case C-324/09 *L’Oréal SA v eBay International AG* [2011] ECR I-6011, which was a trade mark case, the Court stated:

“138. The rules laid down by the Member States, and likewise their application by the national courts, must also observe the limitations arising from Directive 2004/48 and from the sources of law to which that directive refers.

139. First, it follows from Article 15(1) of Directive 2000/31, in conjunction with Article 2(3) of Directive 2004/48, that the measures required of the online service provider concerned cannot consist in an active monitoring of all the data of each of its customers in order to prevent any future infringement of intellectual property rights via that provider’s website. Furthermore, a general monitoring obligation would be incompatible with Article 3 of Directive 2004/48, which states that the measures referred to by the directive must be fair and proportionate and must not be excessively costly.

140. Second, as is also clear from Article 3 of Directive 2004/48, the court issuing the injunction must ensure that the measures laid down do not

create barriers to legitimate trade. That implies that, in a case such as that before the referring court, which concerns possible infringements of trade marks in the context of a service provided by the operator of an online marketplace, the injunction obtained against that operator cannot have as its object or effect a general and permanent prohibition on the selling, on that marketplace, of goods bearing those trade marks.

141. Despite the limitations described in the preceding paragraphs, injunctions which are both effective and proportionate may be issued ...
143. The measures that are described (non-exhaustively) in the preceding paragraphs, as well as any other measure which may be imposed in the form of an injunction under the third sentence of Article 11 of Directive 2004/48, must strike a fair balance between the various rights and interests mentioned above (see, by analogy, *Promusicae*, paragraphs 65 to 68).
144. In view of the foregoing, the answer to the tenth question is that the third sentence of Article 11 of Directive 2004/48 must be interpreted as requiring the Member States to ensure that the national courts with jurisdiction in relation to the protection of intellectual property rights are able to order the operator of an online marketplace to take measures which contribute, not only to bringing to an end infringements of those rights by users of that marketplace, but also to preventing further infringements of that kind. Those injunctions must be effective, proportionate, dissuasive and must not create barriers to legitimate trade.”
31. Although that case was concerned with the third sentence of Article 11 of the Enforcement Directive, which relates to injunctions against intermediaries, it is clear from the Court’s reasoning that, consistently with Article 3(2) of the Enforcement Directive, national courts are required to ensure that injunctions to restrain infringements of intellectual property rights are proportionate and do not create barriers to legitimate trade, as well as effective and dissuasive. It is also clear that national courts are required to strike a fair balance between the fundamental rights involved.
32. This reading of the case is amply confirmed by the CJEU’s subsequent case law: see Case C-70/10 *Scarlet Extended SA v Société belge des auteurs, compositeurs et éditeurs SCRL (SABAM)* [2011] ECR I-11959 at [44]-[46], Case C-314/12 *UPC Telekabel Wien GmbH v Constantin Film Verleih GmbH* [EU:C:2014:192] at [47], [63]; Case C-580/13 *Coty Germany GmbH v Stadtsparkasse Magdeburg* [EU:C:2015:485] at [34]-[35]; and Case C-484/14 *McFadden v Sony Music Entertainment Germany GmbH* [EU:C:2016:689] at [83], [100]. Of particular relevance is what the Court said in Case C-494/15 *Tommy Hilfiger Licensing LLC v DELTA CENTER as* [EU:C:2016:528], another trade mark case:
- “32. In paragraph 135 of [*L’Oréal v eBay*], the Court first of all noted, referring to recital 23 of Directive 2004/48, that the rules for the

operation of the injunctions for which the Member States must provide under the third sentence of Article 11 of the directive, such as those relating to the conditions to be met and to the procedure to be followed, are a matter for national law.

33. Next, it stated that those rules of national law must be constructed so as to achieve the objectives of Directive 2004/48. For that purpose, and in accordance with Article 3(2) of that directive, injunctions must be effective and dissuasive (judgment of 12 July 2011 in *L'Oréal and Others*, C-324/09, EU:C:2011:474, paragraph 136).
 34. Lastly, the Court held that injunctions must be equitable and proportionate. They must not therefore be excessively expensive and must not create barriers to legitimate trade. Nor can the intermediary be required to exercise general and permanent oversight over its customers. By contrast, the intermediary may be forced to take measures which contribute to avoiding new infringements of the same nature by the same market-trader from taking place (see, to that effect, judgment of 12 July 2011 in *L'Oréal and Others*, C-324/09, EU:C:2011:474, paragraphs 138 to 141).
 35. The Court thus took the view that any injunction within the meaning of the third sentence of Article 11 of Directive 2004/48 may be pronounced only if it ensures a fair balance between the protection of intellectual property and the absence of obstacles to legitimate trade (see, to that effect, judgment of 12 July 2011 in *L'Oréal and Others*, C-324/09, EU:C:2011:474, paragraph 143).
 36. While, admittedly, in the case which gave rise to the judgment of 12 July 2011 in *L'Oréal and Others* (C-324/09, EU:C:2011:474), the Court had to interpret the third sentence of Article 11 of Directive 2004/48 in the context of injunctions which may be addressed to an intermediary in an online marketplace, it interpreted that article in the light of the general provisions formulated in Article 3 of that directive, without specific considerations relating to the nature of the marketplace at issue. Nor is it apparent from Article 3 of the directive that its scope is limited to situations which occur in online marketplaces. Moreover, it follows from the wording of Article 3 of the directive that it applies to any measure referred to by that directive, including those provided for in the third sentence of Article 11 of the directive.”
33. *Domestic law.* In domestic law an injunction is regarded as an equitable remedy. The Court has a discretion as to whether to grant or withhold an injunction, but that discretion must be exercised in accordance with principles which are, for the most part, well settled.
 34. In the present case there are two principles that are potentially relevant. The first is the principle that an injunction may be refused where the claimant does not have “clean hands”, that is to say, it has been guilty of “illegal or unconscionable” conduct. As is pointed out in Spry, *The Principles of Equitable Remedies* (9th ed) at page 424,

however, statements such as this are “unduly general, and it is necessary to examine more carefully what conduct courts of equity regard as unconscionable for the purposes of this rule”. Dr Spry goes on to consider five classes of case. Counsel for SkyKick invoked the first of these, namely that “an injunction is ordinarily refused when it is sought in furtherance of a deception that is being practised on either the defendant or particular third persons or members of the public”.

35. The second principle is that the Court may in an appropriate case award damages in substitution for an injunction in the exercise of the jurisdiction originally conferred by section 2 of the Chancery Amendment Act 1858, commonly known as Lord Cairns’ Act, and now found in section 50 of the Senior Courts Act 1981. The leading case on the exercise of this jurisdiction is now *Lawrence v Fen Tigers Ltd* [2014] UKSC 13, [2014] AC 822, in which the Supreme Court held that the approach to be adopted by a judge when being asked to award damages in lieu of an injunction should be more flexible than that suggested by earlier Court of Appeal authorities. As Lord Neuberger of Abbotsbury stated at [120], it “involves a classic exercise of discretion, which should not, as a matter of principle, be fettered” and is “fact-sensitive”.
36. The exercise of the jurisdiction has been considered at first instance in three copyright cases (*Banks v EMI Songs Ltd (No 2)* [1996] EMLR 452, *Ludlow Music Inc v Williams* [2002] EWHC 638, [2002] FSR 57 and *Navitaire Inc v EasyJet Airline Co Ltd (No. 2)* [2005] EWHC 282 (Ch), [2006] RPC 4) and in three patent cases (*HTC Corporation v Nokia Corporation* [2013] EWHC 3778 (Pat), [2014] Bus LR 217, *Edwards Lifesciences LLC v Boston Scientific Scimed Inc* [2018] EWHC 1256 (Pat), [2018] FSR 31 and *Evalve v Edwards Lifesciences Ltd* [2020] EWHC 513 (Pat)), only two of which post-date *Lawrence*. I am not aware that it has previously been considered in a trade mark case.

Assessment

37. In considering the question of whether or not an injunction should be granted, it is convenient to concentrate on the four EU Trade Marks, since if an injunction is granted to restrain infringement of those, it will be largely academic whether or not an injunction is also granted to restrain infringement of the UK Trade Mark.
38. *Sanction and deterrence*. Counsel for SkyKick pointed out that Sky had been found in this case to have abused the trade mark system by applying to register trade marks partly in bad faith. As a consequence of the second ruling of the CJEU, the only consequence of this finding so far as the validity of the Trade Marks was concerned was that the Trade Marks were invalid to the extent that bad faith was proved, but no further. Accordingly, he argued, Sky were no worse off than if they had only applied to register the Trade Marks in respect of those goods and services which were unaffected by its bad faith. Viewed from that perspective, Sky had suffered no sanction as a result of their bad faith and there was no deterrent to third parties who were minded to apply for trade marks without intending to use them, but only for the purpose of obtaining a legal weapon against others. In those circumstances, he submitted, Sky had behaved unconscionably, and injunctive relief should be refused in order to mark the court’s disapproval of such behaviour and to deter third parties.
39. I do not accept this submission, for three reasons. First, it is clear from the CJEU’s judgment that the sanction for applying to register a trade mark in good faith with

respect to some goods and services, but in bad faith with regard to other goods and services, is that specified by what is now Article 59(3) of the Regulation, namely partial cancellation of the resulting registration in respect of the latter, but not the former. As interpreted by the CJEU, the legislation does not provide for total cancellation in the event of partial bad faith. It is implicit in that interpretation that bad faith which affects only part of the specification does not “taint” or “infect” the remainder of the specification which has been applied for in good faith. Thus the two parts of the specification are to be treated as distinct property rights that stand or fall separately. It is true that, in that sense, the trade mark proprietor is no worse off than if it had restricted the application to the remainder of the specification in the first place. It does not follow that there is no sanction for, or disincentive to, such conduct. What it means is that the principal sanction is precisely correlated with the wrongful conduct. Furthermore, in a procedural system, such as that of England and Wales, where costs follow the event, the trade mark proprietor is likely to suffer costs consequences as a result of the partial cancellation of the registration. Accordingly, I do not consider that partial invalidity of the trade mark can amount to a “special reason” justifying refusal of an injunction to restrain future infringement of the valid part of the registration.

40. The second reason is that, as noted above, the CJEU has held that the term “special reasons” must be given an autonomous interpretation. It follows that, if there no basis either in the Regulation or in other applicable principles of European law for considering that partial invalidity of the trade mark can amount to a “special reason”, it cannot be right to treat a purely English legal principle as leading to that conclusion.
41. The third reason is that, even if a purely English legal principle can be relied upon in this context, I do not consider that the principle relied upon by SkyKick is applicable here. This is plainly not a case where the injunction is sought in furtherance of a deception that is being practised on either the defendant or particular third persons or members of the public. Nor is there any analogy between this case and such a situation. On the contrary, as Dr Spry discusses, the inequitable conduct relied upon must have an “immediate and necessary relation” to the relief sought in order for the relief to be refused. For the reasons discussed above, however, in this case Sky have been found to have acted in bad faith with regard to a distinct property right to that which they seek to enforce by injunction.
42. *Proportionality.* The first question which arises under this heading is whether it is possible to reconcile the CJEU’s jurisprudence concerning Article 130(1) of the Regulation with its jurisprudence concerning the Enforcement Directive and the Charter, and if so how. In my judgment, this is possible. The CJEU has held that an injunction must be granted unless there is a “special reason” not to do so, and that the “special reason” must relate to factual circumstances specific to the case. If, in the specific factual circumstances of a particular case, the grant of an injunction would be disproportionate and would not strike a fair balance between the fundamental rights engaged, then that will supply a “special reason” not to grant one.
43. The proportionality of an injunction is likely to differ according to the intellectual property right that has been infringed. In a trade mark case, an injunction will normally only have the effect of preventing the infringer from continuing to use the sign which has been found to infringe the trade mark. It will not prevent the infringer from carrying on the underlying business. In general, therefore, one would

expect an injunction to have little or no impact on the infringer's freedom to conduct a business protected by Article 16 of the Charter. Given that a sign is a form of expression, the infringer's freedom of expression protected by Article 11 of the Charter is engaged. In most cases, however, this will carry little weight for two reasons. First, because in most cases the sign will be a purely commercial form of expression with no artistic, political or social value. Secondly, because in most cases the interest of the trade mark proprietor (and the public) in preventing confusion, or one or more of the harms falling within Article 9(2)(c) of the Regulation and Article 10(2)(c) of the Directive, will outweigh the interest of the infringer in being able to express itself through use of the sign in question. There may, however, be exceptional cases in which an injunction would be disproportionate.

44. The next question is whether it is relevant in this context that this Court has the power, as a matter of domestic law, to award damages in substitution for an injunction where the facts warrant it. Moreover, it appears that such damages could be quantified and paid in the form of a running royalty: see *HTC v Nokia* at [14]. In my judgment this is a relevant consideration, because it feeds into the consideration of proportionality. In principle, this may make it easier to conclude that the grant of an injunction would be disproportionate, or least that the grant of an unqualified injunction would be. The Court must be very cautious, however, before making an order which is tantamount to a compulsory licence in circumstances where no compulsory licence would be available: see *HTC v Nokia* at [32]. Although the power was exercised in *Edwards v Boston*, that was a case in which the injunction was qualified rather than wholly denied. Moreover, it was a strong case, because I concluded that the grant of an unqualified injunction would be disproportionate since it would prevent certain patients with aortic stenosis, a life-threatening condition, receiving appropriate treatment, and since damages could be awarded in lieu to the extent that the injunction was qualified.
45. Leaving aside points which depended on the supposition that the infringement claim had been dismissed save in relation to Cloud Migration, SkyKick rely upon the following matters as showing that the grant of an injunction would be disproportionate in the present case:
- i) requiring SkyKick to stop using the signs complained of in the EU would have massive consequences for the business;
 - ii) in particular, requiring SkyKick to stop using the signs in the EU would require a rebrand of all their products in all markets;
 - iii) this would be a very costly and disruptive exercise, which would jeopardise the survival of the business because SkyKick are still start-up companies which have yet to make a profit;
 - iv) the problem has been compounded by the Covid-19 pandemic;
 - v) there has been no confusion to date;
 - vi) SkyKick are willing, if the court deems it necessary, to take steps to minimise the likelihood of confusion in the future; and

- vii) SkyKick are also willing, if the court deems it necessary, to pay an ongoing royalty of 0.5%.
46. In my judgment none of these factors, whether individually or collectively, means that an injunction would be disproportionate:
- i) As counsel for Sky submitted, the consequences which will be suffered by SkyKick are largely self-inflicted. SkyKick did not commission an international trade mark search which they were recommended to do and could have afforded in 2012 (see the Main Judgment at [80]-[83] and [334(i)]). SkyKick were warned about Sky on 20 September 2013 (see the Main Judgment at [90]), 7 February 2014 (see the Main Judgment at [92]) and 10 May 2015 (see the Main Judgment at [95]), but paid the warnings little attention. SkyKick could have adopted a different trade mark in the EU to the one they used elsewhere when they entered the European market in November 2014, but did not do so (see the Main Judgment at [334(ix)]). Sky sent a letter before action on 18 January 2016 (see the Main Judgment at [105]), at which point SkyKick's business in the EU was minimal, but SkyKick did not take avoiding action. Proceedings were commenced by Sky on 23 May 2016 (see the Main Judgment at [105]), but SkyKick did not take avoiding action. I have already concluded that, in behaving in this way, SkyKick did not act fairly in relation to Sky's legitimate interests (assuming that the Trade Marks were valid, as they have turned out to be to the extent necessary to found Sky's infringement claim) (see the Main Judgment at [335]). Even once the Main Judgment had been handed down on 6 February 2018, concluding that, if the Trade Marks were valid, SkyKick had infringed them, SkyKick did not take avoiding action. Instead SkyKick kept on growing their business in the EU under the signs complained of. So far as SkyKick's evidence goes, they did not even make any contingency plans for what to do if it was subsequently held that the Trade Marks were valid so far as relevant to the infringement claim. In short, finding themselves in a hole, SkyKick kept on digging at every stage.
 - ii) I accept the evidence of Mr Schwartz in his sixth witness statement that it would not now be realistic for SkyKick, having established their business globally, to change their brand name in the EU to a different one to the brand name they use in the rest of the world. It would, however, be possible for SkyKick to cease offering their services in the EU.
 - iii) SkyKick are currently still loss-making, despite having predicted in January 2017 that they would be generating substantial profits by the calendar year 2018. Indeed, SkyKick's losses have increased year-on-year from 2014 to 2019. I am sceptical, however, that a full rebrand would necessarily be as costly or disruptive as Mr Schwartz claims. Moreover, if SkyKick chose to withdraw from the EU instead of re-branding, then they might, subject to the one-off costs of making staff redundant, actually be able to reduce their losses in the medium term, albeit that they would have to sacrifice the hope of generating profits from the EU in the longer term. Accordingly, I do not accept that an injunction would imperil the continued existence of SkyKick, as Mr Schwartz suggests.

- iv) I accept Mr Schwartz's evidence that SkyKick have had to implement economy measures due to the Covid-19 pandemic and that SkyKick's access to capital has been adversely affected. It is to be hoped that this is a short-term factor, however. Furthermore, it is an entirely adventitious one. In any event, I do not consider that it affects my assessment in the preceding sub-paragraph.
 - v) I accept Mr Schwartz's evidence that SkyKick are unaware of any confusion to date. Moreover, Sky have adduced no evidence of confusion having occurred since the trial of this matter. As Sky point out, however, it does not follow that no confusion would be likely to occur if SkyKick were free to expand their business in the EU under the signs complained of, particularly given that Sky's business is also expanding.
 - vi) As counsel for Sky pointed out, the undertakings offered by SkyKick are rather vaguely drafted, and greater precision would be required before they could be accepted. In essence, however, SkyKick offer to take steps to minimise the extent to which the signs complained of are visible to Customers and End Users and to display disclaimers where the signs are visible. As counsel for Sky submitted, however, the disclaimers are unlikely to prevent any confusion occurring, and may actually increase the likelihood of confusion.
 - vii) No evidence has been adduced by SkyKick to support quantifying the royalty offered at 0.5%. Nor is it even clear precisely what it is being offered in terms of the royalty base and other relevant terms. These objections are not fatal, since the Court could in principle direct an inquiry as to the appropriate royalty and other terms, which could be heard at the same time as the inquiry as to damages or account of profits, as was done in *Edwards v Boston*. Given that it would require an exceptional case for the Court to award damages in substitution for an injunction, however, these points militate against the exercise of the Court's discretion in favour of SkyKick. In any event, I am not persuaded that, even assuming that SkyKick was ordered to pay a higher royalty on satisfactory terms, that would be sufficient to make an injunction disproportionate. It would leave Sky in the unsatisfactory position of not having any control over SkyKick's use of confusingly similar signs, but only some monetary recompense.
47. Accordingly, I will grant an injunction to restrain infringement of the Trade Marks. It will be in the standard form, except that I will follow the example recently set by Mann J (in the context of registered community designs) of providing that, after 31 December 2020, the injunction shall prohibit infringement of the UK equivalents to the EU Trade Marks arising pursuant to Article 54(1)(a) of the Agreement on Withdrawal of the United Kingdom from the European Union.

Publicity order

48. Despite having succeeded on their infringement claim, Sky do not seek a publicity order pursuant to Article 15 of the Enforcement Directive. Conversely, SkyKick seek a publicity order in respect of the declaration of partial invalidity pursuant to the domestic jurisdiction established in *Samsung Electronics (UK) Ltd v Apple Inc* [2012] EWCA Civ 1339, [2013] FSR 9. Sky oppose this.

49. In my judgment a publicity order is not appropriate in this case. As stated above, this has been a complicated case, which is why it has already resulted in four judgments of mine, one of the Court of Appeal and one of the CJEU. It is not apt for distillation into a simple summary, and the judgments would be very difficult for a lay reader to understand. Moreover, it would not in my view be fair to make a one-sided order which required Sky to publicise the partial declaration of invalidity, but did not require SkyKick to publicise the finding of infringement. Nor would it be fair to require either side to publicise the part of the case they lost without reference to the part they won. I do not accept SkyKick's argument that this is justified because of what Sky have said in their press releases about the case. Contrary to the submission of counsel for SkyKick, there is nothing misleading in the press releases.

Costs

50. It was common ground between counsel that the correct approach to costs was to ask and answer the three questions developed in the context of patent cases and applied to trade marks in *Specsavers International Healthcare Ltd v Asda Stores Ltd (No 2)* [2012] EWCA Civ 494, [2012] FSR 20:
- i) Who has won?
 - ii) Has the party that won lost on an issue which is suitably circumscribed so as to deprive that party of the costs of that issue?
 - iii) Is the case a suitably exceptional one so as to justify making a costs order on that issue against the party that has won overall?
51. As I pointed out during the hearing, however, the Court of Appeal held in *F&C Alternative Investments (Holdings) Ltd v Barthelemy* [2012] EWCA Civ 843, [2013] 1 WLR 548 at [46]-[49] that there was no requirement of exceptionality before making an order that the successful party overall pay the costs of the other party on a particular issue. Accordingly, the correct formulation of the third question is whether it is appropriate in all the circumstances of the individual case not merely to deprive the winning party of its costs on an issue in relation to which it has lost, but also to require it to pay the other side's costs: see *Hospira UK Ltd v Novartis AG* [2013] EWHC 866 (Pat) at [4]. Even though the latter decision is cited in *Civil Procedure* at paragraph 44.2.10 (page 1382 in the 2020 edition), this is a point which has frequently been overlooked subsequently even in patent cases.
52. In the present case, I consider that it is plain that, despite SkyKick's attempt to contend to the contrary, the overall winners are Sky. Sky have established that the Trade Marks have been infringed by SkyKick, and they have obtained the usual relief that follows from such a finding.
53. It is important to note, however, that Sky have succeeded on a much narrower claim than that which they originally brought. In Sky's Particulars of Claim, Sky relied upon the Trade Marks in their entirety, and specifically relied upon large swathes of the specifications of goods and services in respect of which they ultimately withdrew the claim. As counsel for SkyKick pointed out, at that stage, Sky did not rely upon the registration of the Trade Marks for "electronic mail services". Moreover, it was only about six weeks before trial that Sky identified the Selected Goods and Services as

forming the basis for their infringement claim under Article 9(2)(b)/Article 10(2)(b). Even in relation to the Selected Goods and Services, Sky were partially unsuccessful, in that those aspects of the specifications have been partially declared invalid. Moreover, even in the case of the parts of the specifications that survived, the specifications relied upon extended beyond what Sky needed for success. In the case of Cloud Migration, all Sky needed was “electronic mail services” and in the case of Cloud Backup, all Sky needed was “computer services for accessing and retrieving audio, visual and/or audio-visual content and documents via a computer or computer network”.

54. The significance of this point is that substantial costs were wasted as a result of Sky bringing broad claims which were largely unsuccessful or unnecessary for success.
55. On the other hand, it should also be recognised that SkyKick raised issues in relation to which they were wholly unsuccessful, namely the own name defence and the counterclaim based on lack of clarity and precision of the specifications of goods and services, although the second of these was a purely legal argument.
56. Turning to the second question, I consider that SkyKick were clearly the successful parties on the following overlapping issues:
 - i) Enhanced distinctive character in relation to the Selected Goods and Services (for the purposes of Article 9(2)(b)/Article 10(2)(b)), reputation beyond the admitted fields of television, telephony and broadband (for the purposes of Article 9(2)(c)/Article 10(2)(c)) and goodwill beyond the admitted fields (for the purposes of passing off). In essence, Sky’s evidence of use of the Trade Marks, reputation and goodwill got them nowhere because it did not assist them in relation to the infringement claims and they lost the passing off claim.
 - ii) Article 9(2)(c)/Article 10(2)(c). Save in the technical sense that the claim succeeded because the Article 9(2)(b)/Article 10(2)(b) claim succeeded, this claim failed. It added nothing to Sky’s case. Moreover, unlike in *Enterprise Holdings Inc v Europcar Group UK Ltd* [2015] EWHC 300 (Ch), it failed in part because Sky failed to prove a greater reputation than had been admitted.
 - iii) Passing off.
57. The position regarding SkyKick’s counterclaim based on bad faith is less clear-cut. In substance, however, I consider that SkyKick should be regarded as the successful parties in relation to this counterclaim. A large part of the counterclaim was directed at parts of the specifications in relation to which Sky ultimately withdrew their infringement claim. Even in relation to the Selected Goods and Services, the counterclaim was successful, albeit only partially so. Moreover, the evidence which Sky adduced, which overlapped to a considerable extent with their evidence of use, reputation and goodwill, did not avail them, but rather SkyKick. Finally, I consider that it is important that Sky’s bad faith should be reflected in costs for the reason touched on above.
58. While costs were incurred as a result of SkyKick’s unsuccessful argument that partial bad faith should result in total cancellation, that was a purely legal argument, and a very narrow and short one at that. Moreover, SkyKick succeeded in proving the facts

needed to found the legal argument. Still further, if Sky had confined the infringement claim just to “electronic mail services” and “computer services for accessing and retrieving audio, visual and/or audio-visual content and documents via a computer or computer network” at the outset, it is highly unlikely that SkyKick would have raised this argument or that it would have got as far as it did even if they had done. The argument really only had legs because of the breadth of Sky’s infringement claim and the breadth of Sky’s lack of intention to use that was highlighted by that claim.

59. It is true that, as counsel for Sky pointed out, the counterclaim based on bad faith failed to provide SkyKick with a defence to the infringement claim. For the reasons explained above, however, I am not persuaded that this means that SkyKick should not be treated as having been substantially successful on this counterclaim.
60. In relation to each of the issues outlined above, I consider that they are suitably circumscribed such that Sky should be deprived of their costs. Furthermore, turning to the third question, I consider that it is appropriate that Sky should be required to pay SkyKick’s costs of those issues.
61. That leaves the question of how to translate my issues-based assessment into an appropriate percentage order. Although I have been provided by the parties with evidence in which each sides’ solicitors have attempted to estimate the costs attributable to various issues, the estimates do not strike me as very reliable, nor are they well correlated with my assessment of the issues. Furthermore, a complicating factor is that SkyKick’s costs considerably exceed those incurred by Sky. Excluding costs covered by previous orders, Sky’s costs are about £1.52 million, whereas SkyKick’s are about £1.97 million.
62. In these circumstances I have come to the conclusion that the simplest and fairest order overall is to order each side to bear their own costs.

Permission to appeal

63. Both sides have applied for permission to appeal.
64. SkyKick apply for permission to appeal against the finding of infringement in relation to Cloud Migration. The grounds relied upon include an argument concerning the interpretation of the term “electronic mail services” in the light of the classification of such services in Class 38, rather than Class 42, which I do not recollect SkyKick having advanced previously. I have considered whether to reconsider my conclusion in the light of this new argument, but have concluded that it is not appropriate to do so at this late stage. As I think SkyKick accept, the argument is not a clear-cut one. On other hand, this argument supports the conclusion that SkyKick’s grounds of appeal have a real prospect of success. I will also grant SkyKick permission to appeal against the finding of infringement in relation to Cloud Backup. It is not hard to envisage similarly arguable grounds of appeal.
65. Sky apply for permission to appeal on three aspects of the case. First, infringement. Counsel for Sky acknowledged, however, that this might be unnecessary so far as Article 9(2)(b)/Article 10(2)(b) is concerned if the Court made a further finding of infringement. As for Article 9(2)(c)/Article 10(2)(c), I am not persuaded that an appeal has a real prospect of success. This claim is only relevant if there is no

infringement pursuant to Article 9(2)(b)/Article 10(2)(b). On that assumption, I have applied established principles to the facts of this case, and Sky have not identified any error of law or principle.

66. The second aspect is passing off. Again, I am not persuaded that an appeal has a real prospect of success. The law is well established and not in dispute. My conclusion essentially turned upon my findings of fact.
67. The third aspect is the finding that Sky applied for the Trade Marks partly in bad faith. As to this, I consider that Sky's grounds of appeal are arguable.
68. In summary, therefore, I grant SkyKick permission to appeal against the findings of infringement and Sky permission to appeal against the finding of partial bad faith. Otherwise, permission to appeal is refused.

Stay of the injunction

69. Remarkably, SkyKick did not, in either their evidence or their skeleton argument for this hearing, seek a stay of any injunction in order to afford them an implementation period during which to take the steps necessary to comply with the injunction. After counsel for Sky had pointed this out during the course of oral argument, counsel for SkyKick sought a stay for this purpose for a period of 12 months. As he accepted, however, there is no precedent for a stay of that duration. Moreover, for the reason just given, there is no evidence that 12 months is the period which SkyKick would require. In the alternative, counsel for SkyKick sought a period of three months. I did not understand counsel for Sky to oppose this. As both counsel agreed, it is not uncommon for a stay of this duration to be granted. Despite the absence of any evidence from SkyKick, it is well understandable that three months would be required.
70. SkyKick also seek a stay pending appeal if permission to appeal is granted. Sky oppose this, and offer a cross-undertaking in damages.
71. As is common ground, the Court's task when deciding whether or not grant a stay pending appeal is to try to minimise the risk of irremediable prejudice to either side: see *Novartis AG v Hospira UK Ltd* [2013] EWCA Civ 583, [2014] RPC 3 and *HTC Corp v Nokia Corp* [2013] EWCA Civ 1759, [2014] RPC 31.
72. On the face of it, there is a strong argument for granting a stay to preserve the status quo pending the determination of the appeal given (i) the length of time for which these proceedings have already been pending, (ii) the unquantifiable damage which SkyKick are likely to suffer if wrongly enjoined and (iii) the difficulty of reversing any rebranding that SkyKick undertake.
73. The principal point made by counsel for Sky against this was that, on their own evidence discussed above, SkyKick continue to make losses and have been adversely affected by the Covid-19 pandemic. There is therefore a risk that, if the injunction is stayed but SkyKick's appeal is dismissed, SkyKick will become insolvent and therefore unable to pay Sky any damages in respect of the intervening period of infringement. In my judgment this risk can be catered for by making the stay

conditional upon SkyKick paying 2% of their gross revenues in the EU into a joint account on a monthly basis pending the determination of the appeal.

74. I do not understand it to be seriously disputed that, in that event, the inquiry as to damages or account of profits should be stayed as well. In any event, I consider that a stay is justified in order to avoid the risk of costs being wasted. My provisional view is that the stay should come into effect after SkyKick have given their *Island v Tring* disclosure and before Sky have made their election, but if necessary I will consider further submissions on this point.

Confidential information

75. At the hearing I made a temporary order under CPR rr. 31.22 and 32.12 in respect of documents and evidence containing confidential information of both sides. It seems to me, however, that there is force in Sky's contention that SkyKick's claim to confidentiality was thrown too wide. While I am willing in principle to make a permanent order, it must only extend to information which is truly confidential. Accordingly, I invite the parties, and in particular SkyKick, to frame a more limited request for such protection.

Postscript

76. After the foregoing judgment had been circulated to the parties in draft, SkyKick filed further written submissions seeking permission to appeal on three further grounds. The first two concern my conclusions in the Third Judgment as to the extent to which the specifications of the Trade Marks should be cut down having regard to my findings of partial bad faith. SkyKick contend that the relevant parts of the Selected Goods and Services should either be excised in their entirety or more severely pruned. No explanation has been given as to why permission to appeal on these points is only being sought now. Moreover, success on these points would not affect the finding of infringement in relation to Cloud Migration. Be that as it may, I consider that both grounds are arguable. Moreover, the issue of bad faith will be before the Court of Appeal anyway on Sky's appeal. Accordingly, I grant permission to appeal on those grounds. SkyKick also seek permission to appeal my decision to grant an injunction, which is not a matter they could have raised before. That decision was an exercise of discretion, however, and no error of principle has been identified by SkyKick. Accordingly, permission to appeal on that ground is refused.