

# MACFARLANES

## LOGOS AND NO-GOS



### SKY'S THE LIMIT FOR SKYPE

The General Court of the European Union recently handed down its judgment in the case of *Skype Ultd v OHIM* (Case T-423/12) in which it rejected Skype Ultd's (Skype) trade mark application for the figurative and word sign "SKYPE" due to the likelihood of confusion between this mark and the earlier word mark "SKY" registered by Sky plc (Sky). The decision is a blow to Skype as it has invested considerable amounts (over the course of more than a decade) in order to build a reputation in this mark.

### BACKGROUND

In 2003 British Sky Broadcasting Group plc (now Sky) applied to register the word mark "Sky" for, amongst other things, audiovisual goods, telephony and photography goods and computer services relating to software or to the creation or hosting of websites (the Sky Mark). At the same time Skype Ultd launched its "Sky peer-to-peer" software (better-known as Skype) which enabled users to make telephone calls and send instant messages via the internet. In 2005 Skype applied for a Community trade mark for the figurative and word sign "SKYPE" (the Mark) which, amongst other things, covered identical goods and services to Sky's Mark.

Sky filed a notice of opposition in June 2006 on the grounds that the public were likely to confuse Skype's services as emanating from Sky (or being associated with Sky) since the Mark was similar to the Sky Mark and covered identical goods and services. In 2010 the Office for Harmonization in the Internal Market (OHIM) upheld Sky's opposition and in 2012 it dismissed a subsequent appeal by Skype. OHIM agreed with Sky that:

- i. Skype's application covered identical goods and services to those for which the Sky Mark was registered; and
- ii. the marks were visually, phonetically and conceptually similar.

In the current case, Skype applied to the General Court of the European Union for the OHIM decisions to be annulled on three grounds.

### FIRST ARGUMENT

First, Skype claimed that the marks were not similar because:

- i. in practice, they were used to supply different goods and services; and

- ii. when taken as a whole, the marks had significant visual and phonetic differences; which precluded a likelihood of confusion.

In relation to the goods and services supplied, the Court reiterated that the comparison should be made between the lists of goods and services applied for, not on the basis of those currently supplied to the market. It did not matter therefore that Skype and Sky actually supplied different goods and services because the marks purportedly applied to the same goods and services. This is an important point as applicants tend to erroneously think that their mark will be assessed in respect of the goods and services it is used upon rather than the range of goods and services for which it has been registered. Marks can therefore be vulnerable if the application is too extensive.

In relation to visual differences, the Court dismissed Skype's claims that the figurative "bubble" element of the Mark made it distinctive. It was held that:

- i. to the extent that the bubble is figurative, it resembles a cloud (which was itself likely to be evocative of the Sky Mark); and
- ii. to the extent that it is not figurative, it would be "perceived as a simple border" that only serves to highlight the word element of the Mark.

Skype also claimed that the word element was not similar to the Sky Mark because:

- i. "Skype" was a single word that had wrongly been split into two for analysis ("Sky" and "pe"), the second of which had no meaning;
- ii. the vowel sound "y" was shorter in "Skype" than in "Sky"; and
- iii. both marks were so short that the small number of differences between them were nonetheless proportionally significant.

The Court held that, although separation of a word sign for analysis should only be done where the separated element has a specific meaning, it was not necessary for the remainder of the word to also have a separate meaning. Further, the Court held that there was no difference in pronunciation of the "y" sound in the marks.

## SECOND ARGUMENT

Skype's second argument was that the Mark had acquired a "secondary meaning" due to extensive use of the Mark in marketing Skype's goods and services and that the Mark was now a descriptive term for the Skype software and brand. The Court rejected this argument on the basis that:

- i. the Sky Mark was far more distinctive at the date of filing (which is the relevant date for comparison), when Skype's product had only been on the market for 20 months; and
- ii. if the Mark had become descriptive of internet voice calls, this would also preclude its registration.

## THIRD ARGUMENT

Finally, Skype argued that the marks SKYPE and SKY had been co-existing on the market for many years without confusion. Indeed, the two marks had appeared side-by-side in Skype advertisements on Sky television without any infringement proceedings being brought. The court found that, whilst an argument of "co-existence" could be valid, it was not sufficient in this case. In particular, it could only cover the software that Skype had marketed at the date of the application, rather than the full range of goods and services covered in the application for the Mark, again demonstrating the perils of extensive applications. The fact that the marks had appeared together on television was irrelevant since such adverts aired in 2009-2010 (five years after the application had been submitted).

## THE COURT'S FINDINGS

Based on the above, the Court found that the Mark:

- i. covered identical goods and services; and
- ii. had an average degree of phonetic, visual and conceptual similarity to the Sky Mark.

In light of "the high degree of distinctiveness" of the Sky Mark, there was a likelihood that the public would confuse the products and services of the Skype Mark (as applied for) as being associated with the Sky Mark; it therefore found that OHIM were right to uphold Sky's opposition and refuse to register Skype's Mark.

## WHAT NEXT?

Due to the lapse of time and the extent of public recognition of the Skype Mark, it is extremely unlikely that Skype will choose to rebrand its current services. It is therefore expected that Skype will appeal this decision to the Court of Justice of the European Union. Whilst it is possible that the Court of Justice will overturn the decision, this is undoubtedly a situation which Microsoft (Skype's current owner) would prefer not to have found itself in in the first place. Microsoft may eventually find it necessary to apply for a much narrower scope of trade mark protection which only covers the services which Skype actually supplies. This in turn may hamper its activities if it does in the future wish to expand into the wider goods or services covered by Sky's Mark.

## SUMMARY

This case highlights:

- i. the need to conduct extensive due diligence and take legal advice before branding any new product or company; and
- ii. the dangers of applying for trade marks which cover overly broad goods and services. If Skype had narrowed its application to the goods and services it actually offered it may have avoided an attack from the Sky.

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