

Bad faith for the good – legitimate purposes underlying a trade mark application: *SkyKick UK Ltd v Sky Ltd* [2024] UKSC 36

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Introduction

The UK Supreme Court has recently clarified the principle of bad faith in UK trade mark law in the case of *SkyKick UK Ltd v Sky Ltd*.¹ This commentary examines the UK Supreme Court's approach and provides a brief analysis of its implications on UK trade mark applications made for defensive purposes.

1. The case

(a) *Factual background*

Between 2003 and 2008, the respondent, Sky, applied five different trade marks (SKY marks) for registration in the EU and the UK across a wide spectrum of classes of the Nice Classification, including, inter alia, some classes such as 'bleaching preparations', 'insulation materials' and 'whips', which are unrelated to Sky's telecommunication business.

The appellant, SkyKick, was set up in the USA in 2012 and expanded to the EU and the UK in 2014. In the course of its business, SkyKick used several marks bearing the name of 'SkyKick' (collectively referred to here as SkyKick marks). On 23 May 2016, Sky commenced trade mark infringement proceedings against SkyKick. SkyKick denied infringement and counterclaimed for, inter alia, a declaration that the SKY marks were wholly or partly invalid on the basis that the applications had been made in bad faith because Sky had no genuine intention of using the SKY marks in relation to the goods and services for which they were registered.

(b) *The High Court and CJEU decisions*

The High Court first found that Sky had no intention of using the SKY marks in three different ways: Sky's specifications included goods in relation to which Sky never had any intention of using the SKY marks at all; they included categories of goods and services that were so broad that Sky could not have intended and did not intend to use the SKY marks across the breadth of the category; and they were in some cases drawn so widely as to include all the goods and services in particular classes. In so finding, the trial judge determined that it was necessary to obtain assistance from the Court of Justice of the European

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¹*SkyKick UK Ltd v Sky Ltd* [2024] UKSC 36 (*SkyKick UKSC*).

Union (CJEU) regarding the legitimacy of adopting broad specifications and submitting trade mark applications without the intention to use the mark in relation to some specified goods and services.

Upon the High Court's request, CJEU confirmed, *inter alia*, that lack of clarity or precision in a trade mark application does not in itself give rise to an invalidity of registration. The meaning of 'bad faith' presupposes the presence of a dishonest state of mind or intention in the context of trade mark law. Accordingly, invalidity is only entailed when the applicant had, as opposed to the legitimate aim of engaging fairly in competition, the intention of: (i) undermining, in a manner inconsistent with honest practices, the interests of third parties; (ii) obtaining an exclusive right for purposes other than those falling within the functions of a trade mark, in particular the essential function of indicating origin (collectively simplified here as the 'illegitimate intentions'). Whilst bad faith may be established when the applicant has no intention of use, there must be objective, relevant and consistent indicia tending to show that the applicant had the aforesaid illegitimate intentions. The CJEU further clarified that the subsistence of the aforesaid illegitimate intentions in part of the goods and services applied for only renders the relevant part of the application invalid.

After receiving guidance from the CJEU, the High Court held there was no foreseeable prospect that Sky would ever intend to use the SKY marks in relation to a number of goods and services. The SKY marks were applied for partly in bad faith purely as a legal weapon against third parties, whether in threats of infringement claims or actual infringement claims or oppositions to third party applications for registration.

(c) The Court of Appeal decision

The Court of Appeal found in favour of Sky and ordered the restoration of the specifications of the SKY marks to their full breadth. The Court of Appeal held that it was apparent in the case that the trade mark applications were made, at least in part, with the intention of protecting the use of the mark in relation to goods and services in which Sky had substantial present trade and a future expectation of trade. Accordingly, there could be good or bad reasons for applying the marks, and bad faith is not inferred so long as the sole aim of the application is not inconsistent with the function of a trade mark. The Court of Appeal further observed that there were legitimate reasons – connected with Sky's 'particularly prolific' expansion and desire to protect its brand – why it would wish to obtain broad protection for its marks.

(d) The Supreme Court decision

The Supreme Court reversed the Court of Appeal's decision and found that the SKY marks were applied in bad faith. In so doing, bad faith was described as 'the motive or intention of the application ... to engage in conduct that departed from accepted principles of ethical behaviour or honest commercial practices having regard to the purposes of the trade mark system'. The Supreme Court adopted the CJEU's holding on the necessity for objective, relevant and consistent indicia for the conclusion of bad faith, and categorised bad faith applications into two types corresponding with the illegitimate intentions (i) and (ii) as proposed by the CJEU. Although there is no general requirement of use at the date of the application, the lack of intention to use the mark may be evidence in support of an appropriate allegation that the application was made in bad faith. After all, bad faith is to be determined subjectively, with reference to the objective circumstances of the case.

As regards Sky's case, Sky had adopted general terms and broad categories that extend beyond the size and nature of its business, which amounted to an abuse of the trade mark system. The presumption of good faith was thereby rebutted. The Court of Appeal erred by failing to take into account a number of highly significant facts and matters, including Sky's conduct in narrowing its class specifications throughout the proceedings, which implied bad faith on the part of Sky.

2. Commentary

(a) The role of 'non-use'

The Supreme Court has clarified that 'non-use' does not of itself amount to bad faith. Meanwhile, 'non-use' may evidence the presence of bad faith at the time of the application. Examining the two holdings

together, it follows that the question of ‘use’ is distinct from the inquiry of bad faith as its role merely lies in its probative value.

(b) Functions of trade marks

Despite the independence of ‘non-use’ in the bad faith inquiry, it is sensible that in many cases bad faith can – and should – be inferred whenever the applicant exhibits no intention to use the trade marks. As determined by the Supreme Court, the notion of bad faith is grounded on abuse of the trade mark system,² whereby two elements must be established: first, the applicant must have adopted a strategy which meant that the purpose of trade mark rules was not met; secondly, the applicant must have intended to obtain an advantage from the rules by artificially creating the conditions laid down for securing the registration.³ In this regard, the purpose of trade mark rules lies in ‘contributing a system in which traders were able to register as trade mark signs which enabled consumers to distinguish the goods and services of one trade from those of another’ (ie ‘the origin function’ of trade marks).⁴ In the meantime, it is noteworthy that the same question was approached differently in *Red Bull GMBH v Sun Mark Ltd*,⁵ which classified abuses into two classes: abuses vis-à-vis the relevant office; and abuses vis-à-vis third parties.⁶

Considering both approaches, it goes without saying that category (i) activities should be suppressed because they entail an offensive purpose to injure the interests of third parties, who are the rightful origin of trade.⁷ Category (ii) activities, conversely, entail a defensive purpose to protect the pre-existing interests of the rightful proprietor, even though the origin function might not be in the applicants’ strict contemplation. In this regard, it is noted that recognition of applications for defensive purposes is seen in the *SkyKick CA* decision, with which the Supreme Court also concurred:⁸

... Sky’s trade mark applications were made, at least in part, with the intention of protecting the use of the trade mark in relation to goods and services in which Sky had a substantial present trade and a future expectation of trade. That distinguished this case from cases where the *sole* objective of the application was to provide an exclusive right to stop third party use with a trade mark which would not be used at all, or to pursue any other exclusive purpose which was not in accordance with honest practices ... The *sole* aim of the applications could not be inconsistent with the function of a trade mark, namely to indicate origin.

Additionally, the Supreme Court found that trade marks, without detracting from their primary origin function, also serve ‘quality’ and ‘investment’ functions that associate the trade mark with the quality of goods and services as well as ‘cachet and reputation’, and are useful in safeguarding the prestige of the brand against dilution and exploitation.⁹ Hence, provided that bad faith concerns the principles of ethical behaviour or commercial practices ‘having regard to the purposes of the trade mark system’,¹⁰ there should theoretically be room for inferring good faith from category (ii) applications that are aimed at protecting the applicant’s commercial interests, insofar as such an aim is consistent with the marks’ ‘origin function’.¹¹

²Ibid, [194], [255]–[256].

³Ibid, [182].

⁴Ibid, [176], [222].

⁵[2013] ETMR 53.

⁶Ibid, [135].

⁷See *Psytech International Ltd v Office for Harmonisation in the Internal Market* [2011] ETMR 46 at [87].

⁸*SkyKick UK Ltd v Sky Ltd* [2021] EWCA Civ 1121 (*SkyKick CA*), [106]; *SkyKick UKSC*, [301].

⁹*SkyKick UKSC*, [55]–[57].

¹⁰Ibid, [153].

¹¹See *Psytech International Ltd*, above n 7, [91], where trade mark registration was recognised as a legitimate measure to protect the mark against unlawful use.

Having regarded trade marks' quality and investment functions as suggested by the Supreme Court, it is submitted that the yardstick of bad faith in trade mark applications should depend on the extent of commercial interest (in terms of image and prestige) the applicant had in relation to the classes applied for at the time of the application. As was held in *Chocoladefabriken Lindt & Sprüngli AG v Franz Hauswirth GmbH*: 'The extent of reputation may justify the applicant's interest in ensuring a wider legal protection for his sign.'¹² This approach was also adopted by the Court of Appeal:¹³

... there was obvious commercial justification for applying for computer software, namely that Sky had a very substantial business in computer software which their trade mark for that description of goods and services would protect in accordance with the proper functions of a trade mark.

With the above being said, applications for the above defensive purpose are subject to two limitations. First, the intention to protect commercial interests cannot justify overboard applications. Whenever the trade mark applicant only has a reputation pertaining to certain classes, the applicant's defensive purpose could only apply to those certain classes and not others where the said interests are non-existent.¹⁴ Accordingly, such a behaviour renders the application in part a legal weapon for the applicant to secure a wider legal monopoly than it was entitled to, thereby constituting an abuse of the trade mark system and bad faith.¹⁵ The proposed approach based on the presence of pre-existing interests can thus adequately address the Supreme Court's concern regarding potential abuses caused by the applications of a trade mark across a needlessly wide range of specifications.¹⁶

Secondly, the five-year grace period of non-use under section 36 of the Trade Marks Act 1994 remains applicable regardless of the applicant's defensive purpose. However, the applicant, for a legitimate commercial rationale, does not have to have a settled intention to use the mark for all the classes applied for at the time of application,¹⁷ and is entitled to say 'I am using the mark for specific goods falling within description X. I have no idea precisely where my business in goods of that description will develop in the next 5 years, but there will undoubtedly be more such goods than there are now.'¹⁸ With that being said, an applicant's taking advantage of this feature to 'evergreen' his applications so as to avoid sanctions for non-use would still constitute an abuse of the trade mark system.¹⁹

In practice, to avoid the effect of the two limitations above, filing trade mark applications with a somewhat broader class than is consistent with a stricter true use has been considered good practice in the legal industry.²⁰ Whilst such a practice has generally been tolerated in the UK prior to *SkyKick* UKSC so long as the class applied for is generally related to the applicant's business,²¹ it becomes questionable whether such a practice can withstand the Supreme Court's judgment. On the one hand, it opened the doors for courts to infer bad faith from the applicant's use of broad descriptions in trade mark

¹²[2010] Bus LR 443, at [52].

¹³*SkyKick* CA, [120].

¹⁴See *SkyKick* UKSC, [225]–[229].

¹⁵*Lidl Great Britain Ltd v Tesco Stores Ltd* [2023] EWHC 873 (Ch) at [242]–[249]. See also *SkyKick* UKSC, [257]–[258].

¹⁶*SkyKick* UKSC, [253]–[255].

¹⁷General Court, 13 December 2012, Case T-136/11, *Pelicantravel.com v OHMI-Pelikan* ECLI:EU:T:2012:689 at [49]–[54]; cf *Lidl v Tesco*, above n 15, at [252].

¹⁸*SkyKick* CA, [116].

¹⁹*Lidl v Tesco*, above n 15, at [250]–[256].

²⁰*Ibid*; G von Graevenitz et al 'Cluttering and non-use of trade marks in Europe' (London: Intellectual Property Office, 2015) p 17.

²¹See L Olteanu 'Bad faith: investigating overbroad trade mark registrations' (2023) 4 Intellectual Property Quarterly 274 at 287.

applications;²² on the other, it placed a considerable burden on applicants to challenge an opposition grounded on bad faith.²³

(c) UKSC's third-party-centric approach

In rejecting the Court of Appeal's decision, the Supreme Court considered that the Court of Appeal's approach rendered it 'very difficult if not impossible for a third party to make out a case of bad faith filing on the ground that the applicant had no intention of using the mark in relation to some or all of the goods or services the subject of the application'.²⁴ Whilst it is empirically true that 'the majority of claims of bad faith involving lack of intention to use were in favour of the applicant/ proprietor' in opposition proceedings,²⁵ it is submitted that the presence of the said difficulty could likewise be mitigated by assessing the extent of commercial interests as discussed above. As far as the interests of third parties are concerned, the CJEU has previously held that the relevant factors to determine bad faith include: the applicant's (actual and constructive) knowledge of the third party's prior interests in the mark; the applicant's intention of interfering with the third party's right; and the degree of legal protection enjoyed by the third party.²⁶ In the circumstances where the third party in fact possesses a prior observable interest in the mark (eg in the typical case of trade mark squatting), the presence of the prior interest would enable it to object to the application on the basis that the application prejudices its own interest or renders an unfair advantage to the applicant.

Furthermore, rather than the integrity of the trade mark system and the underlying interests which the system is aimed at protecting, the Supreme Court uncannily approached the question of bad faith by examining the ease of a third party in raising an objection. Whilst the prevention of 'a wider legal monopoly than the proprietor is entitled to' is indeed a legitimate policy concern,²⁷ the danger of it can be mitigated by inquiring into the applicant's interests in the trade mark, as previously discussed. Meanwhile, it is well established that bad faith should not be readily inferred because '[a] person is presumed to have acted in good faith unless the contrary is proved. An allegation of bad faith is a serious allegation which must be distinctly proved'.²⁸ To avoid causing undue prejudice to trade mark proprietors, it appears that placing more weight on the interests of the applicant will achieve a fairer balance between the principles of the trade mark law and any potential prejudice to relevant public policy, not to mention the fact that any danger of monopoly is, after all, limited by the grace period of five years for non-use and the prohibition against 'evergreening'.

Conclusion

It is clear from the Supreme Court's decision that 'non-use' or the lack of a 'firm or settled intention' to use a trade mark at the time of application is not fatal to its lawfulness. However, even though the decision acknowledges that trade marks serve the defensive functions of protecting their proprietors' commercial interests, it is observed that the Supreme Court prefers a more conservative and 'third-party-centric' approach in assessing bad faith, which places more weight on trade marks' 'origin function'. Consequently, the Supreme Court decision has rendered the 'lack of intention to use' and 'use of general

²²See *SkyKick* UKSC, [323].

²³D Meale 'After *SkyKick* at the UK Supreme Court, will bad faith now be the new battleground in trade mark disputes?' (2025) 20(5) *Journal of Intellectual Property Law & Practice* 287.

²⁴*SkyKick* UKSC, [247].

²⁵Olteanu, above n 21, at 286–287.

²⁶*Psytech International Ltd*, above n 7, at [87].

²⁷See *Lidl v Tesco*, above n 15, [249].

²⁸*Walton International Ltd v Verweij Fashion BV* [2018] RPC 19, [186]; see also *Sky Plc v SkyKick UK Ltd* [2018] EWHC 155 (Ch), [239].

and broad specifications' important factors for the finding of bad faith, even though the Supreme Court accepted that neither constitutes a ground of invalidation in itself. Whilst the facts of the case (particularly, Sky's behaviour) do seem to suggest that the application for the SKY marks was made, at least in part, in bad faith, it is foreseeable that this decision will have a significant impact on the UK's trade mark landscape in discouraging the industrial practice of using broader specifications than the marks' intended use.