

**IN THE HIGH COURT OF JUSTICE**  
**CHANCERY DIVISION**  
**COMMUNITY TRADE MARK COURT**

Rolls Building  
Fetter Lane, London, EC4A 1NL

Date: 2 November 2012

**Before :**

**THE HON MR JUSTICE ARNOLD**

**Between :**

(1) STARBUCKS (HK) LIMITED **Claimants**  
(2) PCCW MEDIA LIMITED  
(3) UK BROADBAND LIMITED

**- and -**

(1) BRITISH SKY BROADCASTING GROUP **Defendants**  
PLC  
(2) BRITISH SKY BROADCASTING LIMITED  
(3) SKY IP INTERNATIONAL LIMITED

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**Michael Silverleaf QC and Richard Hacon (instructed by Dechert LLP) for the Claimants**  
**Geoffrey Hobbs QC and Guy Hollingworth (instructed by SJ Berwin LLP) for the**  
**Defendants**

Hearing dates: 17-19, 23 October 2012

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**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.

.....  
THE HON MR JUSTICE ARNOLD

**MR JUSTICE ARNOLD :**

Contents

<i>Topic</i>	<i>Paragraphs</i>
Introduction	1-2
The CTM	3-5
The signs complained of	6
The witnesses	7-17
Ms Lee	8-10
Mr Corcoran, Mr Lally and Mr Mayor	11-17
The facts	18-87
PCCU's service	19-27
UKB's service	28-49
Internet protocol television services	50-51
PCCM's NOW TV service	52-73
Hong Kong	52-59
PCCW's websites	60-64
YouTube	65-67
Airlines	68
PCCM's entry into the UK broadcasting market	69-73
Sky's NOW TV service	74-87
The key provisions of the CTM Regulation	88-89
Sky's counterclaim under Article 7(1)(b) and (c)	90-117
The law	90-97
Date of assessment	98
Assessment	99-117
PCCW's claim for infringement under Article 9(1)(b)	118-121
The law	118
Date of assessment	119
Assessment	120-121
Sky's defence to infringement under Article 12(b)	122-123
The law	122
Assessment	123
PCCW's claim for passing off	124-159
The law	124-135
Date of assessment	136
Assessment	137-158
PCCU's service	138
UKB's service	139-143
PCCM's NOW TV service	144-158
Summary of conclusions	159

## Introduction

1. The Claimants are members of a substantial Hong Kong-based group of broadcasting, media and telecommunications companies headed by PCCW Ltd. I will refer to the Claimants collectively as “PCCW”. The Defendants are members of the well-known group of broadcasting and telecommunications companies which operate under the name Sky. It is not necessary to distinguish between the Defendants, and I will refer to them both individually and collectively as “Sky”. The *casus belli* in these proceedings is Sky’s announcement on 21 March 2012 that they intended to launch a new standalone internet protocol television service under the name NOW TV, and their subsequent launch of that service in beta form on 17 July 2012. PCCW claim that the use of that name infringes Community Trade Mark No. 4504891 (“the CTM”) and amounts to passing off. Sky deny infringement and counterclaim for a declaration that the CTM is invalid.
2. The proceedings were commenced on 19 April 2012. The dispute has been tried on an expedited basis pursuant to an order which I made on 29 June 2012 for the reasons I gave in my judgment of the same date ([2012] EWHC 1842 (Ch), [2012] ETMR 57). By the same order I refused an application by Sky for a stay of the CTM claims pending the determination of an application by Sky to the Office for Harmonisation in the Internal Market (Trade Marks and Designs) (“OHIM”) for a declaration of invalidity. On 13 September 2012 Sky’s appeal against that order was dismissed by the Court of Appeal ([2012] EWCA Civ 1201).

## The CTM

3. The CTM is a figurative mark which comprises the word “now” in lower-case letters with six fine lines arranged in a star or sun shape emanating from the central letter “o”:



4. The CTM is registered for a wide array of goods and services in classes 9, 35, 38, 41 and 42, including in particular the following services in class 38:  
“telecommunication services; ... telecommunication of information (web pages), computer programs and data; ... radio and television communication services; ... television broadcasting services; broadcasting and transmission of radio and television programmes; cable television broadcasting; ...

transmission of music, films, interactive programmes, videos, electronic computer games”.

5. The CTM has a filing date of 22 June 2005 and a registration date of 17 September 2008. It is registered in the name of the First Claimant (“Starbucks HK”).

The signs complained of

6. PCCW complain about the use of three signs by Sky to designate their internet television service. First, the sign “NOW TV”. Secondly, the sign “NOWTV.com”. Thirdly, the following logo:



The witnesses

7. PCCW served statements from a total of 12 witnesses, of whom one was subsequently withdrawn and four were not required to attend for cross-examination. Sky served statements and experts’ reports from a total of nine witnesses, of whom three were subsequently withdrawn and three were not required to attend for cross-examination. It is not necessary to list all of these witnesses, some of whom are referred to below. Neither counsel criticised the witnesses called by the other side. Nevertheless, there are two aspects of the evidence which require consideration.

*Ms Lee*

8. PCCW’s principal witness was Janice Lee (Lee Hoi Yee), who has been PCCW’s Managing Director of TV and New Media since 1 October 2010. She made no less than seven witness statements during the course of the proceedings. Each of the following statements included the following sentences (emphasis added):

“The facts stated in this witness statement are true and within my own knowledge, or are true to the best of my belief. *Where facts are not from within my own knowledge, I have stated the source of my belief.*”

9. Despite this, some of Ms Lee’s statements contained information that, as she readily acknowledged during cross-examination, was not within her own knowledge, but without making this clear or stating the source of the information. This is a breach of CPR Practice Direction 32 paragraph 18.2(b). Furthermore, in my view it has the consequential effect that the statement cannot function as a proper notice of intention to rely on hearsay evidence in accordance with section 2 of the Civil Evidence Act 1995 and CPR r. 33.2(1)(a). Yet further, it inevitably causes unnecessary difficulties for the witness when cross-examined.
10. In saying this, I should make it clear that I am not criticising Ms Lee. The fault lies with the solicitors who drafted the witness statements. They are not alone: in a

number of other recent cases involving other firms, I have noted the same defect even in witness statements made by solicitors themselves, including statements by partners of those firms. This slipshod approach to the preparation of witness statements must cease.

*Mr Corcoran, Mr Lally and Mr Mayor*

11. PCCW called three members of the public who are customers of the Third Claimant (“UKB”). I shall describe UKB’s service below. On the face of their witness statements, it appeared that PCCW’s primary purpose in calling them was to prove that UKB had a reputation and goodwill in the United Kingdom under the name NOW BROADBAND (more accurately, as I shall discuss below, NOW WIRELESS BROADBAND) or NOW for short. Thus the major parts of their statements set out their dealings with UKB and their exposure to those names in that context. There is no difficulty with this evidence, and I shall return to it below.
12. In addition, however, each of the witness statements included a sentence such as the following example taken from Mr Corcoran’s statement:

“If I saw the name NOW applied to other services in similar areas, I would think that they were from UKB or at least from a company related to UKB.”

Counsel for PCCW relied on this evidence, and the evidence given by the witnesses when cross-examined on these statements, as evidence of a likelihood of confusion, both specifically in relation to UKB’s NOW WIRELESS BROADBAND service and more generally in relation to PCCW’s various NOW-branded services and the CTM.

13. Counsel for Sky made three distinct submissions about this evidence which I shall deal with in turn. First, he cited the following statement of Kitchin J (as he then was) in *Julius Sämann Ltd v Tetrosyl Ltd* [2006] EWHC 529 (Ch), [2006] FSR 42 at [64]:

“... it is also important that the court is given the full picture of any witness gathering exercise so that the court can assess whether the witnesses actually called truly reflect the views of the average consumer. In the present case I have not been given a complete picture because I have no evidence as to how the respondents or locations were selected.”

That statement was made in the context of witnesses gathered by means of a survey, but counsel submitted that it was more generally applicable.

14. In the present case, the evidence of each of the witnesses was that they were first contacted by telephone by a UKB employee and subsequently by a solicitor acting on behalf of PCCW who took a statement from them. It appears from the witnesses’ evidence that they were contacted because they were among the small band of current UKB customers. I also know that PCCW obtained and served a witness statement from a fourth customer, whose written evidence was similar to that of Mr Corcoran, Mr Lally and Mr Mayor, but did not in the end call him. No evidence was adduced from the UKB employee(s) who contacted the customers or the solicitor(s) who took the witness statements. I therefore have no idea how many other customers were

contacted or how representative those four customers are. On the other hand, it is fair to say that, for the reasons explained below, those four customers represent 5% of UKB's customer base.

15. Secondly, counsel for Sky pointed out that each of the witnesses was told during this process that there was a dispute with regard to the name NOW, although it is rather unclear precisely what they were told. (It is not even clear to me that they were told the same thing.) In my view, if members of the public are to be told that there is a dispute at all, it is important that there be a clear record of what they have been told, so that the court can assess their evidence in that light. In any event, as counsel for Sky submitted, it inevitably follows that Mr Corcoran, Mr Lally and Mr Mayor's reactions were expressed in that context, rather than spontaneously in the normal course of events. As he also submitted, the true issue to be addressed is how a consumer who does not know that there is a dispute will react to the disputed use: see e.g. *Marengo v Daily Sketch and Sunday Graphic Ltd* (1948) 65 RPC 242 (HL) at 250 (Lord Simonds).
16. Thirdly, it emerged in evidence that none of the three witnesses were aware of the widespread nominative use of NOW in commerce generally, and in the broadcasting, media and telecommunications sector in particular. Counsel for Sky cited the following observations of Romer LJ in *Payton & Co Ltd v Snelling, Lampard & Co. Ltd* (1900) 17 RPC 48 at 57:

“It seems to be a sort of popular notion of some witnesses that in considering whether customers are likely to be deceived, you are to consider the case of an ignorant customer who knows nothing about, or very little about the subject of the action. This is a great mistake. The kind of customer that the courts ought to think of in these cases is the customer who knows the distinguishing characteristics of the plaintiff's goods, those characteristics which distinguish his goods from other goods on the market so far as relates to general characteristics. The customer must be one who, knowing what is fairly common to the trade, knows of the plaintiff's goods by reason of these distinguishing characteristics. If he does not know that he is not a customer whose views can properly, or will be, regarded by this court.

Otherwise, see what would happen. There are many customers who have very little knowledge of goods on the market. In this case consider coffee tins. There is many a customer, for example, who deals at one particular small shop. He is accustomed to having his coffee sold to him in a round tin of one shape and in a red colour. He knows no other kind. Naturally if that man went to that same shop and was served with a tin of the same size and the same colour, knowing no other, he might well say, 'I thought this coffee was the same as the coffee that had always been served to me in this shop', and yet it might turn out that if he knew the market the second tin was perfectly distinguishable from the first, and that the only relation between the two, the shape of the tin and colour, was

perfectly common to the market. A customer like that must not be regarded or considered in dealing with cases of this class, and I think that plaintiffs in cases of this kind are too fond of laying hold of customers of the class I have been referring to, persons of an ideal character, who either are particularly innocent or too easily deceived; but considering the customers whose views ought to be regarded in a case of this kind, I cannot come to the conclusion that the defendants' tins could be used for a moment to deceive those customers."

17. I accept that each of these points affects the weight which can be placed upon the evidence of Messrs Corcoran, Lally and Mayor with regard to likelihood of confusion. A further point is that the witnesses were asked about their reaction to use of the name NOW by a party other than UKB in the abstract rather than in context. They were not, for example, shown an example of a Sky advertisement for NOW TV and asked for their reaction (although it emerged in cross-examination that Mr Corcoran had in fact seen one). I shall return to this point below.

### The facts

18. I will set out the facts topic by topic, and approximately chronologically in relation to each topic.

#### *PCCU's service*

19. Between June 2000 and January 2002, Pacific Convergence Corporation (UK) Ltd ("PCCU"), a PCCW group company, offered an internet television service which was broadcast in Asia and made available to global consumers via a website located at the domain name [www.now.com](http://www.now.com). PCCU's aim was to produce niche programming which could be viewed on a television and which was synchronised in real-time with a website, such that interaction was possible by using a PC connected to the internet. The service was offered by reference to the names "Network of the World", "now" and the following logo:



20. The service was conceived by Michael Johnson, who was the only witness called by PCCW who had first-hand knowledge about it. In 1998, Mr Johnson was appointed as the Senior Creative Director and Executive Producer of Pacific Convergence Corporation Ltd ("PCC"), following the formation of PCC as a joint venture between Pacific Century Diversified Ltd and Intel Pacific Inc. The joint venture was acquired by PCCW Ltd in 1999.
21. The service was mainly produced in English at a studio in Chiswick, London which was owned and operated by Trans World International ("TWI"), part of the IMG group, although a mirror facility was set up in Hong Kong to produce Chinese

language content. The service comprised two elements: niche audience broadcast TV channels and corresponding real-time web-based portals (referred to by Mr Johnson as “vortals” i.e. vertical portals). The service was broadcast in Asia by satellite (AsiaSat3, which covered 130 million homes across Asia) such that it could be watched on TV sets in Asia. Outside Asia, it was accessible only by streaming on the internet.

22. The service was announced on 14 December 1999 and launched on 30 June 2000. The launch of the service attracted a certain amount of coverage in the UK press, including in *The Observer* on 5 March 2000, *The Evening Standard* on 8 March 2000, *The Independent* on 11 April 2000, *Financial Times* on 30 June 2000, *The Independent on Sunday* on 2 July 2000, *The Times* on 7 July 2000 and *Sunday Mail* on 9 July 2000; but I note that the articles emphasised the Asian focus of the service.
23. Following the launch of the service on 30 June 2000, Mr Johnson ceased to have any involvement in the day-to-day operation of the business, although he continued to produce content for one part of the service and to give advice. Furthermore, he spent much of the period from 30 June 2000 to January 2002 abroad. He was therefore unable to speak with much authority to the reputation and goodwill generated by the service in the UK following its launch. In addition, many of the documentary records relating to the Now Service had been destroyed or lost in the intervening period.
24. An article in *The Guardian* dated 5 March 2001 describes the nature and reputation of the service at that point in time, it appears accurately, as follows:

“NOW launched last June, offering five themed web portals alongside a TV channel, based around the same five content genres, which is beamed to 130 million homes in Asia via satellite and is available as a streamed video service to internet users elsewhere.

...

NOW launched with five individually branded web portals and complimentary TV programming strands themed around sport, gaming, film, art, earth and space and cutting edge music. The daily block of TV output broadcasts from 4pm London time, which consists of 15, 30 minute programmes, would increase from two and a half to four hours a day in mid November. A sixth technology themed programming strand (Tech) was launched at the same time when the website went live last week.

Two of the portals have been rebranded, with Eimage relaunched as Film and Art, and Mothership transformed into Earth and Space. ...

NOW has also been targeting events around the world that will appeal to the communities it is looking to serve, either picking up internet rights for video streaming or providing other types



of coverage in cases where footage of the event itself is not available.

...

As for how much traffic the NOW service gets, [deputy head of service Patrick] Walker says PCCW is not revealing full figures. But he adds: ‘Traffic has more than doubled since we relaunched the look and feel of the website on December 8 [2000]’ and it is now hundreds of thousands of page views per day and millions of page views per month.

The NOW management team is also encouraged by the email response from users, with 2000 in the last week alone. ‘The average time spent on the site is around 20 minutes per user’ Walker says.”

There is no evidence to show how many of these users were resident in the UK.

25. From September 1998 to December 2001 over 300 staff and consultants were engaged to work on the service in London. In the period 22 February 2000 to 31 December 2000 PCCU spent approximately £43 million on production and administration. In the year ending 31 December 2001 the figure was approximately £60 million and in 2002 it was approximately £10 million. PCCU had a turnover of £726,000 in 2001 and £58,000 in 2002, although it is unclear to what extent these figures represent real revenue.
26. It seems clear that the service was ahead of its time. There was limited broadband availability in the UK at the time. Additionally, broadband streaming in the UK at the time was slow. Both for these and other reasons, the service failed to generate enough revenue to be sustainable. Furthermore, it was adversely affected by the economic downturn in 2001. The contract with TWI was terminated with effect from 31 December 2001. During January 2002 a much reduced service was maintained, but then even that was closed down.
27. PCCW’s evidence is that PCCU used the trade marks referred to in paragraph 19 above (“the Now Marks”) under an oral licence from Starbucks HK, and that it was a term of that licence that any goodwill arising from PCCU’s use of the Now Marks would vest in Starbucks HK. In any event, by a Deed of Assignment dated 10 August 2012 PCCU assigned to Starbucks HK any rights in the Now Marks that it then possessed.

#### *UKB’s service*

28. UKB was established in March 2003 to bid for regional wireless broadband licences which the UK Government was intending to auction. At that time, only BT was offering home broadband in the UK, and only with unfavourable contract terms and pricing. The Government decided to auction 15 regional fixed wireless broadband licences in the 3.5 GHz spectrum band (band 42) to encourage new entrants into the market. UKB won 13 of these licences, and by late 2003 it had acquired the two

companies which had won the other two licences and thus was in a position to offer a national service.

29. Since it started trading in 2004, UKB's principal activity has been the provision of a fixed wireless broadband service and the supply of modems, software and wireless devices to enable customers to connect to that service. Initially, UKB used TD-CDMA 3G technology. It "soft launched" its service in July 2004 in the Thames Valley area (including Reading, Slough, Maidenhead, Windsor, Woking and Aldershot) under the brand name NETVIGATOR.
30. In mid-2005, UKB ceased to use the name NETVIGATOR, which was perceived as not being customer-friendly, and decided instead to adopt the name NOW. This decision followed internal assessment and research by Saatchi & Saatchi and Jam Consultancy. According to an internal presentation dated 23 February 2005, a review of all brand names within the PCCW group was undertaken which concluded:

"**now** was the strongest [name] as it fits in well with the immediacy product proposition...

Additional supporting rationale for **now**

- Creates a sense of urgency applicable to the brand promise
- ...
- '**now**' is a real name and is easily understood and straightforward
- ...
- There is a sense of immediacy/of the moment/readiness associated to its meaning that is clearly understood by its audience
- ...

Potential issues with **now**

- **now** is frequently used in both conversation and as a name ie **Now** magazine, **Now** music etc."

31. Saatchi & Saatchi's presentation dated April 2005 suggested the following brand proposition and "rallying cry":

"A proposition:

NOW is the easiest way to the broadband future

- Wireless
- Immediate
- Urban

↓

A 'rallying cry':

Connect here and NOW".

32. Jam Consultancy's presentation dated 14 April 2005 reported the results of consumer research using focus groups. In one part of this exercise, the respondents were shown a board with the word "now" written on it. They were then asked (Q1) what thoughts/associations the word led to, (Q2) what product or service they believed it suggested and (Q2a) what would be the qualities of the product/service being suggested.
33. Jam summarised the reactions to Q1 as follows:
- “● Time-related:
    - The present;
    - Immediate;
    - Up-to-date;
    - Current
  
  - A 'way of being'
    - Fashionable
    - Hassle and frustration free
    - Insistent
    - Cannot wait
    - Modern
  
  - Things:
    - The current celebrity news and gossip magazine, 'now'
    - Music, i.e. the 'Now That's What I Call Music' series”.
34. Jam noted that the suggestions made in response to Q2 could often relate to “up to the minute technology”. These included “Instant computer services”, “TV”, “Up to date news” and “Other 'Up to the Minute' Products”. Responses to Q2a included “Fast/quick (8)”, “Efficient (2)”, “Simple/easy” and “Instant/no waiting/no fuss”.
35. In another part of the research, the respondents were asked about their reaction to the name “now” for the Netvigator product. Jam summarised the responses as follows:
- “● Most people felt that the name 'now' was a suitable name for the Netvigator product
  
  - 'now' reflects the innovation that they perceive the product to offer:
    - A product which is up to the minute
  
  - It also reflects key, perceived benefits of the product, i.e.:
    - The ease with which consumers would be able to get Broadband in their homes, (i.e. buy, take home, set up, use)

- The increased speed that broadband, to allow them more immediate access to the internet
  - Plus, their hopes and expectations for the product:
    - Easy to set up
    - Easy and successful access to the internet
    - No problems”
36. In a third part of the research, the respondents were asked about their reaction to the name “now” in relation to future technologies. Jam summarised the responses as follows:
- “● The name ‘now’ made sense in this context
  - For most consumers, all of the technologies explored seemed:
    - New
    - Exciting
    - Innovative
    - Up to the minute/’Of the moment’
  - ‘now’ captures the excitement and innovation
  - To make sense, many expected that ‘now’ would have an explanatory suffix, e.g.:
    - ‘Now Broadband’
    - ‘Now Handheld’
    - ‘Now Everywhere’
  - The name then acts like a descriptor:
    - And an announcement.”
37. Jam concluded by cautioning that “A brand, with such a definite and descriptive name is demanding”.
38. UKB’s service was re-branded as NOW and expanded into West London in August 2005. Following the change of name, UKB used the following logo (and variants without the words “wireless broadband” and with “next generation broadband” instead of “wireless broadband”):



39. Like many businesses, UKB adopted brand identity guidelines which required its name and logo to be used in a particular manner:
- “Our logo is our unique signature. It must appear correctly on all our communications providing a mark of authenticity that guarantees our customers genuine wireless broadband. To build this trust it should be applied consistently across all media.

...

The **now** logo comprises two elements: the ‘rays’ and the wordmark.

...

... the word **now**, our product descriptor [i.e. “wireless broadband”] and campaign strapline [i.e. “next generation broadband”] ... should be set in lowercase at all times ...

Our name **now** appears in lowercase DIN at all times, whether it is in a heading or in text.

...

As ‘now’ is a word frequently used in everyday language we need to avoid confusion with our brand name. By highlighting the brand name like this, **now**, the reader knows what we are referring to. Here’s an example that illustrates this: ‘...now you can install your **now** broadband software...’.

40. Between 2005 and 2010, UKB spent approximately £8 million on sales, marketing and customer service. This included approximately £1.2 million spent on direct mailing, £2.2 million on call centre services, £750,000 on outdoor advertising and £840,000 on sales events. £7 million of this expenditure was made in 2005 and 2006. Almost all of the subsequent expenditure was on call centre and maintenance services.
41. Between August 2005 and September 2006 UKB’s marketing included: posters in bus shelters, tube stations, gyms and cinemas; roadside billboards; advertorials in the *Metro* newspaper; local radio advertisements on XFM and Heart FM; online advertisements on websites such as Loot, Ticketmaster, Time Out and View London; vans with video screens promoting NOW; and a variety of promotional events. In the first two quarters of 2006 there were over 628,000 direct mail postings and an additional 309,000 “door drops”. UKB’s service received also editorial coverage in both the national and local press. Between August 2005 and July 2007 there were over 1.6 million visits to UKB’s website at [www.mynow.co.uk](http://www.mynow.co.uk).
42. UKB’s promotional materials frequently used language such as the following: “That was then [drawing of a telephone socket] This is now [drawing of a wireless router]”; “**now** [in logo form] & then”; “**now** you can have broadband without a phone line”; and “**now** you don’t need a phone line to have broadband”.
43. UKB commissioned an evaluation of its launch campaign in West London from Hall & Partners Europe. This involved interviewing respondents in June 2005 (prior to the campaign) and October 2005 (after the campaign). The results were recorded in a presentation dated November 2005. The “headlines” of the presentation were as follows:
  - “● Reasonable levels of visibility of the launch campaign but weak branding

- Net effect is that we have not yet created a strong presence for **now** (8% total awareness)
  - Among those aware of **now** however, the campaign has created both positive perceptions of the product offer and an emotional bond”.
44. In 2004 legislation was passed forcing BT to allow “local loop unbundling”, thereby enabling competitors to buy broadband bandwidth from BT wholesale and retail it to consumers. As a result, prices for fixed wired broadband dropped over the next couple of years. In 2006 UKB concluded that TD-CDMA was too expensive to sustain a long term business owing to the fall in market prices for broadband. Accordingly, UKB decided to wind down its service, except in Reading. Following research into alternative technologies, UKB selected WiMax 4G technology in late 2008 for a consumer trial. It used its remaining customers in Reading to test the technology, migrating them to WiMax in April 2009. Since this was a trial and there were service fluctuations, UKB did not charge its remaining customers from 2009 onwards.
45. Whilst WiMax proved successful for a fixed wireless service, there were doubts as to whether it would migrate to being a mobile broadband technology as well, so expansion was put on hold whilst UKB acquired more spectrum. In June 2010 UKB acquired 84 MHz of spectrum in the 3.6 GHz band (band 43), bringing its total to 124 MHz in bands 42 and 43. By late 2010 it had become clear that WiMax was unlikely to be a viable solution, and in March 2011 UKB decided to adopt LTE 4G technology instead. The first LTE base stations were delivered to UKB at the end of 2011, and UKB demonstrated fixed wireless broadband in the London Borough of Southwark in March 2012. Commercial trials followed, which included swapping UKB’s Reading customers onto LTE in July 2012. UKB re-launched a full commercial home and business service in Southwark, Swindon and Reading on 1 October 2012 using the following logo:



46. Between 2005 and 2009 a little over 18,000 customers subscribed to UKB’s service, most of whom had discontinued use by the end of that period. The numbers of subscribers on a yearly basis are set out below:

<b>Year</b>	<b>Connected</b>	<b>Disconnected</b>	<b>Total active</b>
2005	610	51	559
2006	15802	6870	9491
2007	1584	4864	6211
2008	5	3741	2475
2009	25	2407	93
2010	0	8	85
2011	0	4	81
2012 (as at 14	0	0	81

September)			
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47. Messrs Corcoran, Lally and Mayor were among the 81 remaining customers in 2012: Mr Corcoran had been a subscriber since April 2005, Mr Lally since October 2006 and Mr Mayor since April 2009. Each of them explained that they had received communications from UKB under the name NOW and had hardware branded NOW.
48. UKB's turnover in this period was as follows:

<b>Year</b>	<b>Turnover (£)</b>
2005	675,512
2006	1,897,522
2007	1,731,358
2008	1,032,725
2009	97,344
2010	0
2011	0
2012 (to end September 2012)	0

49. Nicholas James, UKB's Managing Director, gave evidence that UKB has used the CTM under licence from Starbucks HK under terms set out in an unsigned agreement dated 2010. Since UKB is one of the Claimants, however, it is not necessary to consider the precise status and effect of this agreement.

*Internet protocol television services*

50. As Richard Wray, Sky's Applied Research Manager, IPTV and Connected Devices, explained, internet protocol television ("IPTV") is a way of delivering TV or video content over the internet. There are two main types of IPTV. Closed circuit IPTV uses dedicated bandwidth on the provider's network. It requires the subscriber to have a set top box to receive the service, the signal for which is encrypted. In many respects, such closed circuit IPTV services are akin to traditional cable broadcasts. In addition to linear television broadcasts, however, IPTV services typically include catch-up facilities and other forms of video-on-demand. In "Over the top" or OTT IPTV the signal is delivered via a standard broadband connection. OTT IPTV can be viewed (with appropriate software applications) on any device with a broadband connection, including PCs, tablet computers, smartphones and games consoles. Closed circuit IPTV ensures better signal quality than OTT IPTV, whereas OTT IPTV has the advantage that it does not require special hardware or an extended contract.
51. Counsel for PCCW submitted, and I accept, that Mr Wray's evidence demonstrated that UK consumers expect both linear television channels, whether delivered by terrestrial free-to-air television, satellite, cable or IPTV, and catch-up/video-on-demand services, to be consistently identified by brand. It follows that, regardless of the method of delivery, consumers will expect television services which are similarly branded to come from the same or related trade sources.

*PCCM's NOW TV service*

52. *Hong Kong.* The Second Claimant (“PCCM”) has provided a closed circuit IPTV service in Hong Kong since 2003. PCCM’s service was launched under the name NOW BROADBAND TV, using the following logo:



53. In March 2006, the name of the service was changed to NOW TV. Since then, PCCM has used the following logo:



It is worth emphasising that, as can be seen from the logo, the name of the service is an English-language name. It is not the Cantonese or Mandarin equivalent of NOW TV.

54. Until at least 2007 PCCM’s service was the world leader in IPTV in terms of numbers of users. At the end of 2006, it had 758,000 subscribers. A research report published by Harvard Business School in 2008 described NOW TV as “an IPTV story well known throughout the world’s telecommunications industry”. As at 2009, it was the eighth largest IPTV operation in the world in terms of numbers of users. PCCM’s service is now the largest pay TV operator in Hong Kong. It has more than 1.165 million subscribers, which represents more than half of the estimated 2.3 million households in Hong Kong. PCCM has spent substantial sums on marketing NOW TV in Hong Kong, exceeding £2 million in most years since 2006. PCCW’s turnover for its television, content and media business peaked at HK\$2,033 billion (approximately £163.8 million) in 2009 and was HK\$1,584 billion (approximately £127.6 million) in



2011. About 90% of its pay TV revenue comes from subscriptions and about 10% from advertising.

55. IPTV appears to have suited the Hong Kong market for a number of reasons, including the low extent of existing pay TV penetration, the geography of the region and a densely packed network environment with high quality broadband connections.
56. In 2003 PCCM's service comprised 23 channels. It now has over 190 linear channels of local, Asian and international programming in various genres, supplemented by on-demand facilities. Much of the local programming is produced either by PCCM itself under the NOW TV brand name or by joint ventures under brand names which include the word NOW. PCCM's programmes are produced in either Cantonese or Mandarin (subtitling in complex Chinese characters enables Hong Kong residents familiar with that system to understand the Mandarin-language programmes even if their mother tongue is Cantonese and vice-versa). NOW TV also carries a number of channels produced by Star TV (Sky's Chinese sister television service).<sup>\*</sup> The international programming includes English language programmes, including Sky News and Manchester United's channel MUTV.
57. It is not possible for anyone in the UK to receive PCCM's closed circuit service in the UK. No set top boxes for it have been supplied in the UK, no subscription has been registered to a subscriber with a UK billing address, and there is no evidence of any subscriptions having been paid for with credit or debit cards with billing addresses in the UK. Consistently with this, PCCM has never held an Ofcom licence for broadcasting in the UK.
58. PCCM contends, and I accept, that it may properly be inferred that a substantial number of Chinese speakers permanently or temporarily resident in the United Kingdom as at 21 March 2012 were acquainted with PCCM's NOW TV service through exposure to it when residing in or visiting Hong Kong. There are approximately 440,000 Chinese nationals resident in the UK, many of whom come from Hong Kong. In addition, there are many second-generation Hong Kong-Chinese Britons who retain links with Hong Kong, in particular because they have friends and relatives in Hong Kong.
59. PCCM also relies on three routes by which it contends that a substantial number of UK residents had become acquainted with PCCM's NOW TV service by 21 March 2012 otherwise than through exposure to it when residing in or visiting Hong Kong. I shall deal with these in turn.
60. *PCCW's websites.* First, Ms Lee gave evidence that PCCM's NOW TV service had been accessible via PCCW's websites located at [www.now.com](http://www.now.com) and [www.now-tv.com](http://www.now-tv.com) since at least July 2007. At least in recent times, these websites have been available in English language as well as Chinese language versions (although the English language versions appear to have included a certain amount of Chinese script and vice-versa). Ms Lee produced the following figures for visits from UK IP addresses to these sites (and earlier figures for [now-tv.com](http://now-tv.com)):

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<sup>\*</sup> Mr Johnson explained that Starbucks HK's name came from the bucks raised by the sale of Star by Richard Li's Pacific Century group to Rupert Murdoch's News Corporation.

<b>Month</b>	<b>UK IP addresses accessing now.com</b>	<b>UK IP addresses accessing now-tv.com</b>
August 2011	1965	916
September 2011	1521	737
October 2011	2064	827
November 2011	1943	882
December 2012	1469	717
January 2012	2237	874
February 2012	3124	898
March 2012	2860	1693

61. Further evidence about these figures was given by Paul Berriman, the Chief Technology Officer of the PCCW group. It is clear from his evidence that the figures cannot simply be added up (as Ms Lee did), since that would result in duplication: i.e. the same person visiting the website in successive months would be counted repeatedly. Furthermore, the figures for now.com appear not to have been de-duplicated from day to day. (While the position regarding the now-tv.com figures is not wholly clear, on balance I accept that these figures were de-duplicated from day to day.)
62. A separate point is that, as Mr Berriman accepted, counting IP addresses only provides an estimate of actual visitor numbers. For various technical reasons which it is not necessary to explain, the number may easily be either understated or overstated. Mr Berriman's evidence was that PCCW used the figures for their own internal purposes, in particular to monitor changes from month to month, but he accepted that it would be inappropriate to rely on the figures "for external consumption". Nevertheless, it seems to me that, subject to the caveats noted in paragraph 61 above, the figures do provide a very rough guide to the numbers of visitors from the UK.
63. Counsel for Sky submitted that in any event internet users visiting those websites prior to 26 June 2012 could not access any video content. I do not accept this submission. The basis for the submission was unchallenged evidence given by Mark England, a solicitor employed by Sky's solicitors, who visited the now-tv.com website on 22 June 2012 and also spoke to a PCCM customer service representative on the same date. In my judgment his evidence establishes that it was not possible to watch "live tv" (i.e. linear television) in the UK via the website as at that date. It does not establish that it was not possible to view content on demand, and PCCW's evidence is to the contrary.
64. On the other hand, I do accept that the content which was accessible via the websites was exclusively Chinese language content.
65. *YouTube*. Secondly, Ms Lee gave evidence that PCCM's NOW TV service had been available as a "channel" on the well-known YouTube website www.youtube.com. A large number of PCCM's own programmes and trailers have been made available in this way. Again, Ms Lee produced UK viewing figures for this. Between November 2008 and July 2012 there were a total of 238,246 occasions when individuals in the UK viewed a video via YouTube. The most popular item over this period was *Home Sweet Home* (3<sup>rd</sup> episode), a 47 minute programme, with 9,334 views. Between 13 July 2011 and 11 July 2012 there were a total of 62,173 views. The most popular item

during this period was *Watch & Learn (Superwhy)*, a 30 second trailer, with 4,548 views. The second most popular item was *Home Sweet Home* (7<sup>th</sup> episode), a 69 minute programme, with 2,234 views, although only 32% of viewers watched it to the end. As with the websites, the content which was accessible via YouTube was Chinese language content. Ms Lee agreed that PCCM used YouTube as a “teaser” for its pay television services.

66. The evidence demonstrates that both the “channel” on YouTube and the items made available via YouTube are clearly branded NOW TV. Thus the items are stated by YouTube to be “by nowtv”. Equally, most of the items carry NOW TV branding prominently on screen.
67. As counsel for Sky pointed out, PCCM’s material can only be found on YouTube by persons who are searching for it or who find it serendipitously while searching for something else. Such material can be found from anywhere in world with access to the internet. As counsel for PCCW pointed out, it is possible to become a “subscriber” to the “channel” once one has found out about it (this does not involve payment). There is no evidence as to how many UK “subscribers” there are, however.
68. *Airlines*. Thirdly, Ms Lee’s evidence refers to a small number of PCCW’s programmes which have been available as video-on-demand on various international airlines. Of these, only Cathay Pacific, Singapore Airlines and Virgin fly to or from the UK; none of the programming was in English; and there is no evidence as to how many times (if at all) any of these programmes were viewed. The in-flight magazines for these carriers disclosed by PCCW make no reference to NOW TV and the licence agreements indicate that by no means all of the programmes necessarily bore NOW branding.
69. *PCCM’s entry into the UK broadcasting market*. PCCW adduced quite a lot of evidence about PCCM’s entry into the UK broadcasting market. Although long planned, most of the relevant activity has occurred since 21 March 2012. It is thus of minor relevance to the issues in the proceedings for the reasons explained below. I shall therefore summarise the evidence relatively briefly.
70. Ms Lee and Mr Berriman gave evidence that PCCM had been considering expanding the distribution of its NOW TV channels and programmes internationally, including into the UK, since 2009. PCCM intends to enter the UK in collaboration with a partner which will provide carriage for its programmes. The identity of the partner is confidential at the moment, and it was therefore referred to at trial as X. There was an initial meeting with X in March 2009, further discussions between January and May 2011 and negotiations over the terms of an agreement between April and August 2012. Ms Lee’s evidence was that the essential commercial terms had been agreed by mid-August 2012, and that PCCM was awaiting the production of a draft agreement by X for its consideration and signature shortly. The proposal is that X will carry a selection of three or four of PCCM’s channels on its platform in the UK. Although earlier this year there was a target launch date of 1 October 2012, this has slipped back to around March 2013.
71. In the meantime, PCCM launched a NOW Player “app” in the UK in June 2012, having previously launched it in Hong Kong in May 2012. The app was initially made available via PCCW’s [nowplayer.now.com](http://nowplayer.now.com) website, and on 20 June 2012 it was made

available via the Apple Store. It is an application program for use in particular on tablet computers and smartphones which provides OTT IPTV. In the UK, the app is primarily intended to warm up the market for the launch of PCCM's NOW TV on the X platform. Ms Lee's evidence was that around 2,200 people in the UK had downloaded the app by October 2012.

72. As Ms Lee accepted, both the NOW Player app and the channels proposed to be carried by X are targeted at the Chinese-speaking population in the UK. Thus the app is identified on the iPhone app store as "now" followed by three Chinese characters; the information about the app on the app store is in Chinese; the text of the app when running contains Chinese characters; and the content accessible through the site all appears to be Chinese language content. There has been a limited amount of advertising for the app in Chinese language press which circulates *inter alia* in the UK. The first advertisement appeared on 28 July 2012.
73. It is convenient to note at this point that the NOW Player app was one of 35 apps listed in the results for a search for the term "now tv" on 2 October 2012. Among the others, there were a variety of broadcasters operating in other parts of the world: tv now (Korea); ABC 6 NEWS NOW (Southern Minnesota and Northern Iowa); 8 News NOW (Las Vegas); and fox13now (USA). In some cases it was not clear why the app had been found by the search since it did not appear to include the word NOW in its title. Other "now" apps include Democracy Now!; Eros Now; RTE News Now (Republic of Ireland); and Perth Now (Australia).

*Sky's NOW TV service*

74. Sky's NOW TV service is an OTT IPTV service. The development of this service began with a presentation to Sky's operating executives on 25 March 2011, which identified an opportunity for offering Sky Movies as an online TV service. On 17 August 2011, Sky commissioned V3, its external branding agency, to identify possible names for the new service. In a presentation on 9 September 2011, V3 noted that the proposed service was "a brand new way to rent and watch brand-new movies, instantly". It suggested a number of possible "Instant access names", including Sky Movies NOW!. At that stage Sky chose that name.
75. In the light of that decision, Sky commissioned trade mark searches from Compumark (for marks protected in the UK) and Tomkins (for marks protected in the Republic of Ireland). Both searches revealed the existence of a considerable number of registrations for marks which consisted of or contained the word NOW, including the CTM. Sky has claimed legal professional privilege in respect of any legal advice it requested or received in relation to its proposed use of the names Sky Movies NOW! and NOW TV; but Simon Creasey, Sky's Brand Director for NOW TV, gave unchallenged evidence that prior to the receipt of the Claimants' letter before action he had been under the impression that the proprietor of the CTM was the well-known coffee company.
76. V3 gave a further presentation on 15 September 2011 on the development of "Sky Movies NOW!". This began by answering the question "Why?" as follows:

"Because real movie lovers should find it easy to get the best movies at great value, Now!"

So we've made the UK's biggest and best selection available with no contract, no dish, no hassle and no delay.

So you get what you want, when you want. Ready when you are."

77. The presentation went on to identify Sky Moves NOW! as a "Descriptor/call to action" and proposed various treatments of the name which highlighted the idea of immediacy, for example:

"[Sky Movies logo]  
NOW!  
The latest and best, on demand"

and

"[Sky Movies logo]  
NOW!  
On demand, online, on your TV"

78. On 21 September 2011 Sky presented the proposed service and name to three focus groups. On 23 September 2011, the name "Sky Movies Now!" was introduced to Sky's executives, who liked the way the name communicated the immediate, spontaneous and instant nature of the proposed service, but perceived two problems. First, Sky's intention was to broaden the service to include Sports and Entertainment, which would require different names if Sky Movies Now! was adopted. Secondly, the focus group research suggested that using "Sky" as the leading element of the name would not help Sky to enter this highly competitive market. This was because some consumers associated Sky with long-term contracts lacking flexibility, whereas the new service was to be marketed as a standalone proposition without long term obligations. In addition, it was thought that there was a risk that Sky's existing customers would perceive the new service to be an alternative way of receiving what they had subscribed to and on that basis terminate their subscriptions and transfer to the new service.

79. A decision was therefore taken to try moving to a separate brand name. Accordingly, Sky engaged its consumer research agency, Flamingo, to carry out consumer research into possible brand names. On 2 December 2011 Flamingo presented the results of its initial research at seven consumer workshops. This presentation stated that:

"NOW is strongest of current options:

- Immediacy, ease, impulsiveness, spontaneity
- Suggests simplicity of engagement
- No technical hassles
- No contract

..."

80. In addition, the research suggested that, while “full Sky branding raises issues with current and potential customers”, the Sky name “upweights legitimacy of new brand”. Thus “Powered by Sky” was “a very strong expression” which “reinforces Sky’s master Brand credentials”.

81. On 22 December 2011 Flamingo presented the results of further research. Seven different names, including NOW TV, were explored with six different groups of consumers. Flamingo’s conclusion was that NOW TV was “the stand-out name”:

“NOW TV is simple, memorable, modern but ‘grown up’;  
communicates all the relevant things:

- Immediacy
- Flexibility, fits into your lifestyle
- Modernity and innovation – the new way to watch TV
- Current, premium content
- NB ‘current/premium’ aspect can be more recessive than immediacy

... ”

82. The underlying research documents have been disclosed by Sky, and they support the conclusions drawn by Flamingo.

83. In the light of this research, Sky decided to adopt the name NOW TV for the new service, but to include the wording “Powered by Sky” in the branding. Subsequently the logo shown in paragraph 6 above was developed (referred to by Sky as the “locked in” logo because it “locks in” the expression “Powered by Sky”). The launch of NOW TV was announced by Sky’s Chief Executive and Executive Director, Jeremy Darroch, in a keynote speech at The Guardian Changing Media Summit on 21 March 2012, in which he explained the thinking behind the use of this wording as follows:

“...because NOW TV will also be ‘powered by Sky’, customers will still know that it will give them the best, exclusive content and a high quality experience, all from a provider they can trust.”

84. The service was launched to the public in beta form on 17 July 2012, with iPhone and iPad applications being released on 31 July 2012, YouView on 10 August 2012 and Xbox on 22 August 2012.

85. The “locked in” logo has been prominently used in Sky’s promotion and advertising of their new service. It has also featured prominently on Sky’s service itself, whether accessed online on a PC, on Xbox or the YouView platform. Sky’s service and promotional materials have been presented in a consistent manner, with large prominent dots (generally blue) against a white background.

86. In order to use the service, consumers have to obtain a Sky iD and password to access the service; references to “Sky Payments” and “Sky Payment Terms & Conditions” are included before users can pay for the services; and the content which viewers watch through the service is clearly Sky-branded (with Sky Movies, Sky Sports etc).
87. Sky’s announcement and launch have been the subject of considerable and ongoing press coverage and interest. There is no evidence that any of the press coverage has contained any reference to any of the Claimants or to any of their NOW-branded services, far less confused Sky’s NOW TV service as one that was being offered by or connected with any of the Claimants. Nor, subject to one matter discussed below, is there any evidence of any consumer confusion.

The key provisions of the CTM Regulation

88. Council Regulation 207/2009/EC of 26 February 2009 (codified version) on the Community trade mark (“the CTM Regulation”) includes the following provisions:

*“Article 7*

**Absolute grounds for refusal**

1. The following shall not be registered:  
...
  - (b) trade marks which are devoid of any distinctive character;
  - (c) trade marks which consist exclusively of signs or indications which may serve, in trade, to designate the kind, quality, quantity, intended purpose, value, geographical origin or the time of production of the goods or of rendering of the service, or other characteristics of the goods or service;...
2. Paragraph 1 shall apply notwithstanding that the grounds of non-registrability obtain in only part of the Community.
3. Paragraph 1(b), (c) and (d) shall not apply if the trade mark has become distinctive in relation to the goods or services for which registration is requested in consequence of the use which has been made of it.

*Article 9*

**Rights conferred by a Community trade mark**

1. A Community trade mark shall confer on the proprietor exclusive rights therein. The proprietor shall be entitled to prevent all third parties not having his consent from using in the course of trade:

...

- (b) any sign where, because of its identity with, or similarity to, the Community trade mark and the identity or similarity of goods or services covered by the Community trade mark and the sign, there exists a likelihood of confusion on the part of the public; the likelihood of confusion includes the likelihood of association between the sign and the trade mark;

...

#### *Article 12*

#### **Limitation of the effects of a Community trade mark**

A Community trade mark shall not entitle the proprietor to prohibit a third party from using in the course of trade:

...

- (b) indications concerning the kind, quality, quantity, intended purpose, value, geographical origin, the time of production of the goods or of rendering of the service, or other characteristics of the goods or service;

...

provided he uses them in accordance with honest practices in industrial or commercial matters.

#### *Article 52*

#### **Absolute grounds for invalidity**

1. A Community trade mark shall be declared invalid on application to the Office or on the basis of a counterclaim in infringement proceedings:

- (a) where the Community trade mark has been registered contrary to the provisions of Article 7;

...

2. Where the Community trade mark has been registered in breach of the provisions of Article 7(1)(b), (c) or (d), it may nevertheless not be declared invalid if, in consequence of the use which has been made of it, it has after registration acquired a distinctive character in relation to the goods or services for which it is registered.

3. Where the ground for invalidity exists in respect of only some of the goods or services for which the Community trade mark



is registered, the trade mark shall be declared invalid as regards those goods or services only.”

89. Corresponding provisions are contained in European Parliament and Council Directive 2008/95/EC of 22 October 2008 to approximate the laws of the Member States relating to trade marks (codified version).

Sky’s counterclaim under Article 7(1)(b) and (c)

*The law*

90. The principles to be applied under Article 7(1)(b) of the CTM Regulation were conveniently summarised by the Court of Justice of the European Union in Case C-265/09 P *OHIM v BORCO-Marken-Import Matthiesen GmbH & Co KG* [2010] ECR I-8265 as follows:

“29. ... the fact that a sign is, in general, capable of constituting a trade mark does not mean that the sign necessarily has distinctive character for the purposes of Article 7(1)(b) of the regulation in relation to a specific product or service (Joined Cases C-456/01 P and C-457/01 P *Henkel v. OHIM* [2004] ECR I-5089, paragraph 32).

30. Under that provision, marks which are devoid of any distinctive character are not to be registered.

31. According to settled case-law, for a trade mark to possess distinctive character for the purposes of that provision, it must serve to identify the product in respect of which registration is applied for as originating from a particular undertaking, and thus to distinguish that product from those of other undertakings (*Henkel v. OHIM*, paragraph 34; Case C-304/06 P *Eurohypo v. OHIM* [2008] ECR I-3297, paragraph 66; and Case C-398/08 P *Audi v. OHIM* [2010] ECR I-0000, paragraph 33).

32. It is settled case-law that that distinctive character must be assessed, first, by reference to the goods or services in respect of which registration has been applied for and, second, by reference to the perception of them by the relevant public (*Storck v. OHIM*, paragraph 25; *Henkel v. OHIM*, paragraph 35; and *Eurohypo v. OHIM*, paragraph 67). Furthermore, the Court has held, as *OHIM* points out in its appeal, that that method of assessment is also applicable to an analysis of the distinctive character of signs consisting solely of a colour per se, three-dimensional marks and slogans (see, to that effect, respectively, Case C-447/02 P *KWS Saat v. OHIM* [2004] ECR I-10107, paragraph 78; *Storck v. OHIM*, paragraph 26; and *Audi v. OHIM*, paragraphs 35 and 36).

33. However, while the criteria for the assessment of distinctive character are the same for different categories of marks, it may be that, for the purposes of applying those criteria, the relevant public’s perception is not necessarily the same in relation to each of those categories and it could therefore prove more difficult to establish distinctiveness in

relation to marks of certain categories as compared with marks of other categories (see Joined Cases C-473/01 P and C-474/01 P and C-474/01 P *Procter & Gamble v. OHIM* [2004] ECR I-5173, paragraph 36; Case C-64/02 P *OHIM v. Erpo Möbelwerk* [2004] ECR I-10031, paragraph 34; *Henkel v. OHIM*, paragraphs 36 and 38; and *Audi v. OHIM*, paragraph 37).

34. In that regard, the Court has already stated that difficulties in establishing distinctiveness which may be associated with certain categories of marks because of their very nature – difficulties which it is legitimate to take into account – do not justify laying down specific criteria supplementing or derogating from application of the criterion of distinctiveness as interpreted in the case-law (see *OHIM v. Erpo Möbelwerk*, paragraph 36, and *Audi v. OHIM*, paragraph 38).

...

37. ... it should be pointed out that, even though it is apparent from the case-law cited that the Court has recognised that there are certain categories of signs which are less likely *prima facie* to have distinctive character initially, the Court, nevertheless, has not exempted the trade mark authorities from having to carry out an examination of their distinctive character based on the facts.

...

45. As is clear from the case-law of the Court, the examination of trade mark applications must not be minimal, but must be stringent and full, in order to prevent trade marks from being improperly registered and, for reasons of legal certainty and good administration, to ensure that trade marks whose use could be successfully challenged before the courts are not registered (see, to that effect, *Libertel*, paragraph 59, and *OHIM v. Erpo Möbelwerk*, paragraph 45).”

91. The principles to be applied under Article 7(1)(c) of the CTM Regulation were conveniently summarised by the CJEU in Case C-51/10P *Agencja Wydawnicza Technopol sp. z o.o. v OHIM* [2011] ECR I-0000, [2011] ETMR 34 as follows:

- “33. A sign which, in relation to the goods or services for which its registration as a mark is applied for, has descriptive character for the purposes of Article 7(1)(c) of Regulation No 40/94 is – save where Article 7(3) applies – devoid of any distinctive character as regards those goods or services (as regards Article 3 of First Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trade marks (OJ 1989 L 40, p. 1), see, by analogy, Case C-265/00 *Campina Melkunie* [2004] ECR I-1699, paragraph 19; as regards Article 7 of Regulation No 40/94, see Case C-191/01 P *OHIM v Wrigley* [2003] ECR I-12447, paragraph 30, and the order in Case C-150/02 P *Streamserve v OHIM* [2004] ECR I-1461, paragraph 24).

36. ... due account must be taken of the objective pursued by Article 7(1)(c) of Regulation No 40/94. Each of the grounds for refusal listed in Article 7(1) must be interpreted in the light of the general interest underlying it (see, *inter alia*, Joined Cases C-456/01 P and C-457/01 P *Henkel v OHIM* [2004] ECR I-5089, paragraph 45, and Case C-48/09 P *Lego Juris v OHIM* [2010] ECR I-0000, paragraph 43).
37. The general interest underlying Article 7(1)(c) of Regulation No 40/94 is that of ensuring that descriptive signs relating to one or more characteristics of the goods or services in respect of which registration as a mark is sought may be freely used by all traders offering such goods or services (see, to that effect, *OHIM v Wrigley*, paragraph 31 and the case-law cited).
38. With a view to ensuring that that objective of free use is fully met, the Court has stated that, in order for OHIM to refuse to register a sign on the basis of Article 7(1)(c) of Regulation No 40/94, it is not necessary that the sign in question actually be in use at the time of the application for registration in a way that is descriptive. It is sufficient that the sign could be used for such purposes (*OHIM v Wrigley*, paragraph 32; *Campina Melkunie*, paragraph 38; and the order of 5 February 2010 in Case C-80/09 P *Mergel and Others v OHIM*, paragraph 37).
39. By the same token, the Court has stated that the application of that ground for refusal does not depend on there being a real, current or serious need to leave a sign or indication free and that it is therefore of no relevance to know the number of competitors who have an interest, or who might have an interest, in using the sign in question (Joined Cases C-108/97 and C-109/97 *Windsurfing Chiemsee* [1999] ECR I-2779, paragraph 35, and Case C-363/99 *Koninklijke KPN Nederland* [2004] ECR I-1619, paragraph 58). It is, furthermore, irrelevant whether there are other, more usual, signs than that at issue for designating the same characteristics of the goods or services referred to in the application for registration (*Koninklijke KPN Nederland*, paragraph 57).
- ...
46. As was pointed out in paragraph 33 above, the descriptive signs referred to in Article 7(1)(c) of Regulation No 40/94 are also devoid of any distinctive character for the purposes of Article 7(1)(b) of that regulation. Conversely, a sign may be devoid of distinctive character for the purposes of Article 7(1)(b) for reasons other than the fact that it may be descriptive (see, with regard to the identical provision laid down in Article 3 of Directive 89/104, *Koninklijke KPN Nederland*, paragraph 86, and *Campina Melkunie*, paragraph 19).

47. There is therefore a measure of overlap between the scope of Article 7(1)(b) of Regulation No 40/94 and the scope of Article 7(1)(c) of that regulation (see, by analogy, *Koninklijke KPN Nederland*, paragraph 67), Article 7(1)(b) being distinguished from Article 7(1)(c) in that it covers all the circumstances in which a sign is not capable of distinguishing the goods or services of one undertaking from those of other undertakings.
48. In those circumstances, it is important for the correct application of Article 7(1) of Regulation No 40/94 to ensure that the ground for refusal set out in Article 7(1)(c) of that regulation duly continues to be applied only to the situations specifically covered by that ground for refusal.
49. The situations specifically covered by Article 7(1)(c) of Regulation No 40/94 are those in which the sign in respect of which registration as a mark is sought is capable of designating a ‘characteristic’ of the goods or services referred to in the application. By using, in Article 7(1)(c) of Regulation No 40/94, the terms ‘the kind, quality, quantity, intended purpose, value, geographical origin or the time of production of the goods or of rendering of the service, or other characteristics of the goods or service’, the legislature made it clear, first, that the kind, quality, quantity, intended purpose, value, geographical origin or the time of production of the goods or of rendering of the service must all be regarded as characteristics of goods or services and, secondly, that that list is not exhaustive, since any other characteristics of goods or services may also be taken into account.
50. The fact that the legislature chose to use the word ‘characteristic’ highlights the fact that the signs referred to in Article 7(1)(c) of Regulation No 40/94 are merely those which serve to designate a property, easily recognisable by the relevant class of persons, of the goods or the services in respect of which registration is sought. As the Court has pointed out, a sign can be refused registration on the basis of Article 7(1)(c) of Regulation No 40/94 only if it is reasonable to believe that it will actually be recognised by the relevant class of persons as a description of one of those characteristics (see, by analogy, as regards the identical provision laid down in Article 3 of Directive 89/104, *Windsurfing Chiemsee*, paragraph 31, and *Koninklijke KPN Nederland*, paragraph 56).”
92. In addition, a sign is caught by the exclusion from registration in Article 7(1)(c) if at least one of its possible meanings designates a characteristic of the goods or services concerned: see Case C-191/01 P *OHIM v Wm Wrigley Jr Co* [2003] ECR I-12447 at [32] and Case C-363/99 *Koninklijke KPN Nederland NV v Benelux-Merkenbureau* [2004] ECR I-1619 at [97].
93. Counsel for PCCW relied upon two other authorities. First, Case C-273/05 P *OHIM v Celltech R&D Ltd* [2007] ECR I-1912, in which the CJEU stated at [81]:

“In this case, it must be held that the Court of First Instance properly assessed the descriptive character of the mark CELLTECH considered as a whole and concluded that it was not established that the mark, even understood as meaning ‘cell technology’, was descriptive of the goods and services referred to in the application for registration. Therefore, it did not infringe Article 7(1)(c) of Regulation No 40/94.”

94. Secondly, Case T-207/06 *Europig SA v OHIM* [2007] ECR II-1961, in which the Court of First Instance (now General Court) said at [27]:

“It follows that, for a sign to be caught by the prohibition set out in [Article 7(1)(c)], there must be a sufficiently direct and specific relationship between the sign and the goods and services in question to enable the public concerned immediately to perceive, without further thought, a description of the goods and services in question or one of their characteristics (see *PAPERLAB*, paragraph 25, and the case-law cited there).”

95. I do not see any real difference between these statements of principle and those in *Technopol*, in particular at [50], and if there is a real difference it is the latter that should be given effect to. Nevertheless, I am content to proceed on the basis urged upon me by counsel for PCCW, namely that *Celltech* emphasises the need for evidence except in clear cases and that *Europig* emphasises the need for a sufficiently direct and specific relationship between the sign and the goods or services concerned.
96. Questions can arise as to whether a sign contains visual content sufficient to prevent it from consisting “exclusively” of subject matter within the scope of Article 7(1)(c). Counsel for Sky reminded me that that the CJEU referred in its judgment in Joined Cases C-108/97 and C-109/97 *Windsurfing Chiemsee Produktions und Vertriebs GmbH v. Boots- und Segelzubehör Walter Huber* [1999] ECR I-2779 at [25] to the need to apply Article 7(1)(c) effectively so as to keep descriptive signs free for use by all “including as collective marks or as part of complex or graphic marks”. Accordingly, he submitted that a sign remains objectionable under Article 7(1)(c) if it is basically descriptive by reason of the visual (and hence aural and conceptual) dominance of the wording it contains, even if it contains some other visual content. An example of a case where this approach was adopted is *Hormel Foods Corp v Antilles Landscape Investments NV* [2005] EWHC 13 (Ch), [2005] RPC 28 where the following sign was held to be objectionable under the equivalent of Article 7(1)(c) in respect of “computer programming”:

The image shows the word "spambuster" in a highly stylized, blocky, and pixelated font. The letters are thick and have a grainy, digital appearance, with some internal shading and irregular edges, giving it a retro or computer-related aesthetic.

97. As counsel for Sky acknowledged, however, an alternative approach which both European and national courts have frequently adopted is to say that such a sign is free

from objection under Article 7(1)(c), but caught by Article 7(1)(b). Examples of cases where this approach was adopted include the following:

- i) “*CYCLING IS...*” *Trade Mark Applications* [2002] RPC 37, where the following signs were found to be unregistrable under the equivalent of Article 7(1)(b) for lack of distinctiveness in respect of goods related to cycling:

“Cycling IS ...”

“Cycling  
IS ...”

- ii) *QUICK WASH ACTION Trade Mark* (BL O/205/04, 30 April 2004), where the following sign was found to be unregistrable for various fabric and laundry-related chemicals and preparations in Classes 1 and 3 under the equivalent of Article 7(1)(b):

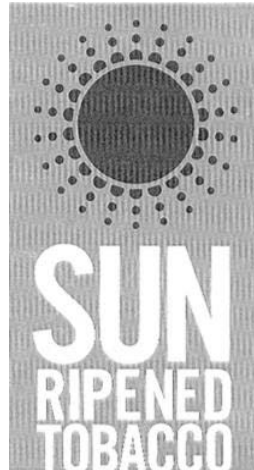


- iii) Case C-37/03 P *BioID v OHIM* [2005] ECR I-7975, where the following sign was held to be unregistrable under Art 7(1)(b) for lack of distinctiveness in relation to goods and services of the kind specified by the applicant in Classes 9, 38 and 42:

**BioID.®**

- iv) *SUN RIPENED TOBACCO Trade Mark* (BL O-200-08, 4 July 2008) where the following sign was found to be unregistrable for ‘Cigarettes, tobacco, tobacco products, smokers' articles, lighters, matches’ in Class 34 under the

national equivalent of Article 7(1)(b) because it was permeated by the message of the descriptive wording it contained:



- v) Case C-92/10 P *Media-Saturn-Holding GmbH v OHIM* [2011] ECR I-0002, where the following sign was held to be unregistrable under Article 7(1)(b):



#### *Date of assessment*

98. It is common ground that, since there is no claim to acquired distinctiveness by PCCW pursuant to Articles 7(3) or 52(2) of the CTM Regulation, the relevant date for the purpose of assessing Sky's counterclaim is the date of filing of the application for registration: see Case C-542/07P *Imagination Technologies v Ltd v OHIM* [2009] ECR I-4937 at [15]. As noted above, the filing date of the CTM was 22 June 2005.

#### *Assessment*

99. A number of matters are common ground. First, the dominant element of the CTM is the word NOW. As counsel for PCCW put it in PCCW's skeleton argument "the figurative elements add nothing to the distinctiveness of the Mark". Thus the CTM will be perceived by the average consumer as the word NOW.
100. Secondly, it is convenient to assess the distinctive character of the CTM by reference to the services in Class 38 set out in paragraph 4 above, which are the services of most relevance to the present dispute. Counsel for PCCW did not argue that, if the CTM

was invalid in respect of those services, it was valid for any of the other goods and services for which it is registered.

101. Thirdly, the relevant average consumer is a consumer of such services: in essence, the general public.
102. Fourthly, the relevant average consumer is one who speaks English. By virtue of Article 7(2) of the CTM Regulation, the CTM is invalid if the grounds of non-registrability in Article 7(1)(b) or (c) apply in the United Kingdom.
103. The word NOW is used as an adverb, conjunction, noun and adjective. According to the *Shorter Oxford English Dictionary* (5<sup>th</sup> ed, 2002) its meanings include the following:

“A *adverb*. **I 1** At the present time or moment; under the present circumstances. **OE**

**2** In the time directly following on the present moment; immediately, at once. **OE**

...

**C noun**. **1** The present time or moment; (esp. after prepositions) the time spoken of or referred to. ... **OE**

...

**D. attrib.** or as *adjective*. **1** Of the present time, present. Now *rare*. **LME**

**2** Modern, fashionable, up to date. *colloq.* **M20**”

104. According to the unchallenged evidence of Dr Adam Kilgarriff, an expert in the fields of lexicography and lexical computing, the word NOW is the 73<sup>rd</sup> most common word in the English language, with the 70<sup>th</sup> to 80<sup>th</sup> most common words being: other (70), than (71), then (72), now (73), look (74), only (75), come (76), its (77), over (78), think (79), also (80). As Dr Kilgarriff observed in paragraph 52 of his report:

“In studying examples of the word in use we find that it is a useful word for advertisers as it is familiar, short, can be very widely applied and carries positive connotations of immediacy and being ‘of the moment’.”

105. Sky contend that the word NOW, when used in relation to a service of the kind referred to above, would be recognised by the average consumer as a description of a characteristic of the service, namely the instant, immediate nature of the service. Sky also contend that it would be recognised as signifying that the service was modern, fashionable and up to date. PCCW contend that the word NOW would not be perceived as describing a characteristic of the service. At most, it would be understood as alluding to such qualities.



106. Counsel for Sky drew an analogy between the present case and a number of other decided cases, and in particular the following:
- i) Case T-348/02 *Quick Restaurants SA v OHIM* [2003] ECR II-5071, in which the CFI held that a figurative sign consisting essentially of the word QUICK was precluded from registration for goods in Classes 29, 30 and 31 by Article 7(1)(c) because it immediately suggested to an English-speaking consumer that the products were ones which could be prepared and served quickly (see [32]).
  - ii) Case R 735/2009-2 *Sony Ericsson Mobile Communications AB* (unreported, 15 January 2010), in which the OHIM Second Board of Appeal held that the word PLAYNOW was precluded from registration for goods and services in Classes 9, 35 and 41 by Article 7(1)(b) because it would be perceived by consumers as a grammatically correct and meaningful expression encouraging them to make immediate use of the services and goods supplied by the applicant, and hence would be understood as a laudatory promotional message or indication (see [21]-[22]).
  - iii) Case R 1415/2009-1 *British Sky Broadcasting Ltd* (unreported, 12 August 2010) in which the OHIM First Board of Appeal held that the word ANYTIME was precluded from registration for goods and services in Classes 9, 16, 28, 35, 36, 38, 41, 42 and 45 by Article 7(1)(b) and (c) because it informed the average consumer of an essential characteristic of the goods or services at issue, namely that they were available at anytime and was in any event non-distinctive (see [60]-[65] and [80]-[84]).
107. As counsel for PCCW rightly pointed out, however, the decisions in those cases turned on their particular facts and the present case must be determined by reference to its own facts.
108. In support of their case, Sky have adduced a considerable body of evidence showing nominative use of the word NOW, alone or in conjunction with other terms, by third parties in the broadcasting, media and telecommunications sectors. Over 100 instances have been identified. Examples include:
- i) Now Wireless - a supplier of wireless and internet technology to government, resellers, retailers, operators and other enterprises, established in 1989;
  - ii) Now That's What I Call Music – a popular series of music compilation albums marketed by EMI. Like PCCW, EMI claims exclusive rights in the designation NOW and has brought proceedings against Sky, which have been stayed pending an application by Sky for a declaration of invalidity in OHIM (see [2012] EWHC 1644 (Ch) and [2012] EWCA Civ 1201);
  - iii) Now – a popular celebrity news and fashion magazine published by IPC Media. Its website features a video portal named Now TV;
  - iv) NowGamer – a popular videogames review website launched in 2009 by Imagine Publishing with a monthly reach of over 1.1 million;

- v) Now Movies - an on-demand pay-per-use TV channel broadcast by Tiscali (UK) between 2007 and 2011;
  - vi) Now Mobile – a supplier of telecommunication SIM cards in the UK, available in more than 90,000 retail outlets in the UK;
  - vii) NewsNow – an independent news aggregation service launched in 1998, which links to more than forty thousand global online news sources and is visited by more than 3 million users monthly, with in excess of 120 million page views per month;
  - viii) Live Music Now – the largest provider of live music to the UK's welfare, educational, justice and health sectors, founded in 1977 by Yehudi Menuhin;
  - ix) onTVnow and WatchTVNow – online TV listings/portals; and
  - x) The Now Show - a radio show broadcast on BBC Radio 4.
109. Counsel for PCCW submitted that three of these third-party uses should be discounted since PCCW have been in dispute with the relevant third parties and/or have entered into agreements with them. In the case of Now Mobile, Starbucks HK entered into a settlement agreement with Now Mobile Telecommunications Ltd on 22 October 2012 (the last day of trial) under which the latter has agreed to cease use of Now Mobile within nine months. In the case of EMI, Starbucks HK and EMI entered into a coexistence agreement as long ago as 18 August 2003 under which both parties agreed to the other's continued use of their respective marks. In the case of Now Wireless, there have been disputes between the parties in OHIM which have not reached a final conclusion, but in which PCCW presently appear to have the upper hand.
110. Counsel for PCCW also pointed out that many of the third-party uses appear, so far as the evidence goes, to date from after June 2005. He submitted that this meant that they had no relevance to the perception of the average consumer at that date. I agree that uses which commenced after that date will not themselves have affected consumers' perception as at June 2005, but it does not follow that the evidence is completely irrelevant.
111. In any event, however, I consider that this evidence is double-edged. While it confirms that the word NOW is a popular choice for use in names in this sector, it also shows that, particularly in combination with other words, it can and does function as a trade mark for particular goods or services.
112. More important, to my mind, is the evidence adduced by Sky that, as one would expect, the word NOW has been widely used entirely descriptively in this sector. For example, it is commonly used in electronic programme guides and online programme guides to identify the programme currently showing, as well as in television continuity announcements and graphics. It is also commonly used in advertising and promotional materials, in particular for on-demand services such as those offered by the likes of Netflix, Lovefilm and BlinkBox.

113. Counsel for PCCW relied on evidence given by Mr Lally and Mr Mayor when cross-examined by counsel for Sky about the various third party uses of NOW. In summary, both witnesses thought that whether NOW was (part of) a brand or a description depended on the context. In some contexts they considered it to be (part of) a brand, in other contexts they considered it to be a description. They were likely to view it as part of a brand if it was used as a prefix.
114. Both sides relied on the consumer research which had been conducted prior to the adoption of NOW by UKB and NOW TV respectively (see paragraphs 30-37 and 74-82 above), particularly the latter. Counsel for PCCW submitted that this showed that NOW could function as a trade mark for the services in question, while counsel for Sky submitted that NOW was understood by consumers as descriptive of a characteristic of such services, namely their instant, immediate quality. In my view both submissions are correct, there is no contradiction between them and they are both consistent with the evidence of Messrs Lally and Mayor, for the following reason.
115. As counsel were agreed, context is everything. Counsel for PCCW's core submission was that, viewed in context, NOW would be perceived by the average consumer as a brand name, rather than as a description of any characteristic of the services in question, even if it was understood to allude to such a characteristic. He cited as a good example some of Sky's advertisements, which feature the question "What's on NOW TV tonight?". He submitted, and I accept, that it was clear that Sky expected the reader to understand that NOW TV was the name of its new internet television service and that the reader would get the message. He further submitted this showed that NOW was inherently distinctive for a television service. I do not accept this. All the example shows is that the combination of NOW and TV viewed in the context of an advertisement which is carefully designed to convey the message that NOW TV is the name of a new service provided by Sky has some distinctive character. By way of counter-example, the question "What's on NOW?" posed in relation to a television service without such supporting context would not convey the same message.
116. Taking all of the evidence into account, I conclude that the CTM is precluded from registration by Article 7(1)(c) in relation to the services in issue because NOW would be understood by the average consumer as a description of a characteristic of the service, namely the instant, immediate nature of the service. The figurative elements of the CTM do not affect this conclusion. In the alternative, if the inclusion of the figurative elements means that the CTM does not consist exclusively of the unregistrable word NOW, I consider that the CTM is devoid of distinctive character and thus unregistrable by virtue of Article 7(1)(b).
117. I would comment that it appears to me that PCCW only succeeded in obtaining registration of the CTM because it included figurative elements. Yet PCCW is seeking to enforce the CTM against signs which do not include the figurative elements or anything like them. That was an entirely foreseeable consequence of permitting registration of the CTM. Trade mark registries should be astute to this consequence of registering descriptive marks under the cover of a figurative figleaf of distinctiveness, and refuse registration of such marks in the first place.

PCCW's claim for infringement under Article 9(1)(b)

*The law*

118. I reviewed the law at length in *DataCard Corp v Eagle Technologies Ltd* [2011] EWHC 244 (Pat), [2012] BusLR 160 at [272]-[289] and again more briefly in *Red Bull GmbH v Sun Mark Ltd* [2012] EHC 1929 (Ch) at [71]-[78].

*Date of assessment*

119. The relevant date for the purpose of assessing PCCW's claim for infringement of the CTM is the date when the allegedly infringing use of the sign in issue commenced: see Case C-145/05 *Levi Strauss & Co v Casucci SpA* [2006] ECR I-3703 at [17]-[20]. It makes no difference whether this is taken to be 21 March 2012 (the date of the announcement) or 17 July 2012 (the date of the launch).

*Assessment*

120. Given my conclusion that the CTM is invalid, I shall deal with this issue briefly. If the CTM is valid, in my judgment it can only be because of the contribution to distinctive character made by the figurative elements. On this basis, it would have what counsel for Sky called "needlepoint" or "eggshell" distinctive character. The signs the use of which by Sky PCCW allege to infringe are set out in paragraph 6 above. There is no dispute that these have been used in relation to services identical to those covered by the CTM. As I have already noted, none of the signs include anything like the figurative elements of the CTM. The only common element is the word NOW. As counsel for PCCW conceded, it would follow from the premise I have set out that there was no likelihood of confusion. Accordingly, even if (contrary to my previous conclusion), the CTM is valid, it has not been infringed.

121. If, on the other hand, the word NOW was inherently distinctive for services in Class 38 as PCCW contends, then in my judgment it would follow that the CTM had been infringed by the use of each of the three signs complained of.

Sky's defence to infringement under Article 12(b)

*The law*

122. Nominative use is within the scope of the defence under Article 12(b): see Case C-100/02 *Gerolsteiner Brunnen GmbH & Co v Putsch GmbH* [2004] ECR I-691 at [12]-[19] and Case C-245/02 *Anheuser-Busch Inc v Budějovický Budvar np* [2004] ECR I-10989 at [81]. I reviewed the law as to "use in accordance with honest practices in industrial or commercial matters" in *Samuel Smith Old Brewery (Tadcaster) v Lee* [2011] EWHC 1879 (Ch), [2012] FSR 7 at [112] to [120]. Neither counsel took issue with that analysis.

*Assessment*

123. In view of my previous conclusions, I shall again deal with this issue briefly. If the CTM was valid and if the use by Sky of the signs complained of was within Article 9(1)(b), then in my judgment that use would not be saved by Article 12(b). Sky were aware of the CTM before adopting the signs complained of. Sky have not disclosed

any legal advice they received. The use complained of is squarely as a trade mark for Sky's services, and not descriptive. Sky have been aware since shortly after 27 March 2012 that PCCW object, PCCW having complained very promptly upon becoming aware of Sky's intended launch. Sky's use interferes with PCCW's ability to exploit the CTM. On the hypotheses stated, Sky would not in my view have a sufficient justification for using the signs complained of. Thus I would conclude that Sky's use amounted to unfair competition, and not use in accordance with honest practices.

PCCW's claim for passing off

*The law*

124. The necessary elements for a claim in passing off were restated by the House of Lords in *Reckitt & Colman Products Ltd v Borden Inc* [1990] RPC 341 as follows:

- (1) the claimant's goods or services have acquired a goodwill in the market and are known by some distinguishing name, mark or other indication;
- (2) the defendant has used, or threatens to use, a name, mark or other indication which has led, or is likely to lead, the public to believe that goods or services offered by the defendant are goods or services of the claimant, or connected with it, and thus to a misrepresentation by the defendant (whether or not intentional); and
- (3) the claimant has suffered, or is likely to suffer, damage as a result of the erroneous belief engendered by the defendant's misrepresentation.

125. This case once again gives rise to the familiar, but difficult, question of the extent to which a claimant can rely upon a reputation in the UK generated by business activities outside the UK as giving rise to a protectable goodwill in the UK. In *Hotel Cipriani Srl v Cipriani (Grosvenor Street) Ltd* [2008] EWHC 3032 (Ch), [2009] RPC 9, I stated six propositions of law on this question, together with some of the authorities that supported them, as follows:

- “212. First, the basis of a claim for passing off is the right of property in the goodwill likely to be injured by the defendant's misrepresentation: see *Spalding & Bros v A.W. Gamage Ltd* (1915) 32 RPC 273.
213. Secondly, goodwill has no independent existence but is attached to a business: see *Inland Revenue Commissioners v Muller & Co's Margarine Ltd* [1910] AC 217. (It is not necessary for present purposes to go into residual goodwill which may survive the suspension or cessation of a business for a period of time.)
214. Thirdly, goodwill is local in character and divisible, so that if the business is carried on in several countries a separate goodwill attaches to it in each: see *IRC v Muller* and *Star Industrial Co Ltd v Yap Kwee Kor* [1976] FSR 256.
215. Fourthly, in order to found a passing off claim in the United Kingdom, the claimant must own goodwill in the United Kingdom. It is not

enough to have a reputation here: see *Anheuser-Busch Inc v Budejovicky Budvar NP* [1984] FSR 413.

216. Fifthly, it is sufficient for goodwill to exist in the United Kingdom that the claimant has customers or ultimate consumers for his goods here, and for this purpose it is immaterial whether the claimant (a) has some branch here or (b) trades directly with customers here without having any physical presence in the jurisdiction (for example, by mail order) or (c) trades through intermediaries such as importers and distributors (provided that the circumstances are not such that the goodwill is owned by the intermediary): see e.g. *SA des Anciens Etablissements Panhard et Levassor v Panhard Levassor Motor Co* [1901] 2 Ch 513, *Manus v Fullwood & Bland* (1949) 66 RPC 71, *Nishika Corp v Goodchild* [1990] FSR 371, and *Jian Tools for Sales v Roderick Manhattan Group* [1995] FSR 924.

217. Sixthly, in the case of claimants who provide services which are physically performed abroad, it is sufficient for goodwill to exist in the United Kingdom that the services are booked by customers from here: compare *Sheraton Corp of America v Sheraton Motels Ltd* [1964] RPC 202 with *Alain Bernardin et Cie v Pavilion Properties Ltd* [1967] RPC 581. ...

218. There was some debate before me as to whether it made any difference that bookings were made by customers directly with the foreign service provider or via an office maintained by the provider in the United Kingdom (as in the *Sheraton* case) or indirectly through tour companies and/or travel agents (as also occurred in the *Sheraton* case). In principle I cannot see that it makes any difference, just as it makes no difference whether a foreign manufacturer of goods sells them directly to British customers or via a branch office or through a distributor.”

126. I added:

“219. In *Pete Waterman Ltd v CBS United Kingdom Ltd* [1993] EMLR 27 Sir Nicolas Browne-Wilkinson V-C went further and held that it was sufficient for goodwill to exist in the United Kingdom that a foreign service provider has customers here, and declined to follow *Bernardin v Pavilion* in so far as it was authority to the contrary. ....

220. Counsel for the Defendants submitted that it was not sufficient to generate goodwill in the United Kingdom that a foreign service provider had customers here, and that the Vice-Chancellor’s decision in *Pete Waterman* was wrong in this respect because it was inconsistent with *Anheuser-Busch*. I do not accept this. On the contrary, I agree with the Vice-Chancellor’s conclusion, if not every step of his reasoning. ...

222. Although I agree with the Vice-Chancellor's conclusion in *Pete Waterman*, for the purposes of the present case it is not necessary to go further than the sixth proposition set out above, namely that bookings made from the United Kingdom suffice. ...”
127. In the Court of Appeal [2010] EWCA Civ 110, [2010] RPC 16 Lloyd LJ (with whom Stanley Burnton and Jacob LJ agreed) reviewed the principal authorities on this question at [94]-[114], holding at [106] that *Anheuser-Busch Inc v Budejovicky Budvar NP* [1984] FSR 413 was binding Court of Appeal authority for the proposition that “an undertaking which seeks to establish goodwill in relation to a mark for goods cannot do so, however great may be the reputation of his [sic] mark in the UK, unless it has customers among the general public in the UK for those products”. I do not understand him to have disagreed with any of the six propositions set out above, the fifth and sixth of which he quoted at [113], or that they were sufficient to decide the instant case (see [118]-[122]).
128. Nevertheless, Lloyd LJ made the following *obiter* observations:
- “117. In *Budweiser* in relation to sales of beer, the court regarded it as necessary that, in addition to an international reputation, there should have been significant sales of the product in this country. How does the matter stand when one is considering not goods but services? As pointed out by Wadlow in *The Law of Passing-off*, 3<sup>rd</sup> ed (2004) at paragraph 3-80, service businesses are of several different kinds. There are those, such as hotels and restaurants, and recording studios, where the service is supplied at the premises of the supplier. Others may necessarily be supplied at the premises of the customer. Others may be supplied at any suitable place where both supplier and customer are present. Yet others (including much professional advice) may not depend on location at all. The same test may not be appropriate for each kind of service, unless it is expressed at a fairly high level of generality. Wadlow proposes a test as follows:
- ‘It is now suggested that a service business operating from a place or places abroad has customers and therefore goodwill in England to the extent that persons from England consciously seek out and make use of its services in preference to those available from competitors in England or elsewhere. So the foreign business has goodwill here if English residents are prepared to go to it (literally or figuratively) to avail themselves of its services, or if the availability of those services abroad is a material factor in their travelling to wherever the services can be acquired or experienced.’
118. That is an interesting proposition which might provide a suitable line of distinction between businesses abroad with a genuinely international reputation and clientele, on the one

hand, and those which have English customers abroad, and therefore may be known of in this country, but whose reputation here does not in practice bring in significant custom from the public in England. ...

124. It is fair to say that, especially in the circumstances of the present day, with many establishments worldwide featuring on their own or shared websites, through which their services and facilities can be booked directly (or their goods can be ordered directly) from anywhere in the world, the test of direct bookings may be increasingly outmoded. It would be salutary for the test to be reviewed in an appropriate case. ...”

Stanley Burnton LJ at [125] specifically endorsed what Lloyd LJ had said at [124].

129. In the present case neither counsel in the end took issue with the first instance analysis in *Cipriani*, so far as it went; but as I shall discuss below, there was debate as to who counted as a “customer” in the context of the present case. Furthermore, counsel for PCCW reserved the right to contend on appeal that the law should be developed in the manner suggested by Lloyd LJ in *Cipriani*.
130. It remains necessary to consider four questions that did not arise in *Cipriani*, which are to some extent interrelated. First, can protectable goodwill in the UK arise merely from the accessibility of a website here? Secondly, who counts as a “customer” in the context of services which (i) do not depend on the location of the provider and (ii) are provided free to the consumer? Thirdly, can there be protectable goodwill in the UK as result of a reputation which only exists amongst a minority section of the population, and in particular an ethnic minority whose mother tongue is a foreign language? Fourthly, can protectable goodwill arise as a result of advertising and promotion in advance of goods or services becoming available for purchase or acquisition?
131. So far as the first question is concerned, counsel for Sky submitted, and I accept, that it is clear that the mere fact that a website is visible and may be accessed throughout the world does not amount to use of a trade mark throughout the world. What is required is evidence to show that the activity on the website is targeted at consumers in the UK: see *Euromarket Designs Inc v Peters* [2001] FSR 20 at [12]-[20] and *1-800 Flowers v Phonenames* [2001] EWCA Civ 721, [2002] FSR 12 at [136]-[139]; and cf. Case C-324/09 *L’Oréal SA v eBay International AG* [2011] ECR-I 0000, [2011] ETMR 52 at [64]-[65].
132. HHJ Birss QC sitting as a High Court Judge had to address the second question in *Plentyoffish Media Inc v Plenty More LLP* [2011] EWHC 2568 (Ch), [2012] RPC 5. In that case the appellant had operated an online dating service at a website located at [www.plentyoffish.com](http://www.plentyoffish.com). As in the present case, the nature of the service was such that it did not depend on the location of the provider and it was provided free to the consumer. Counsel for the appellant submitted that UK visitors to the appellant’s website constituted customers for the purposes of generating protectable goodwill in the UK. HHJ Birss QC rejected this submission for the following reasons:



- “36. ... The argument is based on the Appellant's mode of doing business. The Appellant's business works by providing the dating agency service to members for free while the business earns an income from advertising. He submitted that ‘customers’ must include the people to whom the dating service is provided regardless of the fact that they receive the service for free. The fact that the only entities who pay money to the Appellant are advertisers did not mean that the only customers were advertisers. Thus he argued that since the Appellant's business as a whole works by earning money from advertising and since visitors from the UK to the website will be exposed to the advertising whether or not they have joined the site as members and availed themselves of the dating services, in this extended sense the UK visitors are to be regarded as customers of the web based business because the business earns revenue (from advertisers) as a result of their visits.
37. I will deal with Mr Edenborough's submission in a series of steps. First, I accept that the concept of ‘customers’ required by the English cases must include the people to whom the relevant services are actually provided even if, in a case like this, they receive the services for free. If the Appellant had been able to show that it had indeed provided dating services to people in the UK, the fact that the people had not been charged for that service seems to me to be irrelevant. The Appellant's problem is that it has not proved any such thing.
38. However the second step in the reasoning needs to be treated carefully. The evidence did not set out to establish that visitors from the UK to the website were exposed to advertising whether or not they had joined the site as members and availed themselves of the dating services. The best that Mr Edenborough could do on the evidence was refer to a screen print of a page from the site as it was on 30th January 2003. The screen print appeared to show what would be presented to a visitor even if they were not a member. The page shows a list of users of the dating agency service and it is notable that their locations are all outside the United Kingdom. However Mr Edenborough's point related to a banner promoting another website called FriendFinder.com which was at the top of the webpage. Mr Edenborough submitted that this was an example of an advertisement, from which the Appellant earned revenue, being presented so as to be visible to visitors (including those from the UK) regardless of whether they were members or not. Ms Clark did not accept that this was truly an advertisement from a third party (why would a third party dating service advertise on a dating service site) rather than just a promotion of a related service provided by the Appellant or someone associated with it. Mr Frind's evidence did not deal with the

point at all. I am not convinced that Mr Edenborough is right about what is shown on the screen print but it is unnecessary for me to resolve the issue because it seems to me the third step in Mr Edenborough's reasoning is flawed in any event.

39. Mr Edenborough's third step is to equate visitors from the UK with 'customers', even if they have not joined the site, simply because the business earns revenue from advertisers as a result of their visits or 'hits'. Even if it is correct in fact that such visits earn revenue for the business (and I am not convinced the evidence makes that good) the real problem is that the argument has lost touch with what the case is about. This is a trade mark case about a sign used in relation to a particular class of product or (in this case) service. It seems to me that for a member of the public to be a customer, no matter how far that concept is stretched, there still has to be some sort of provision of the services in question. The Appellant is not seeking to invalidate a trade mark registered for advertising services nor is the Appellant claiming a goodwill or reputation in advertising. This case is about dating agencies. The Appellant's problem is that it has not shown that it provided any dating agency services to anyone in the UK on or before April 2007. As Mr Landau found, there is no evidence that before that date visitors from the UK could even become members.... ”
133. It can be seen from this reasoning that, consistently with the proposition that mere accessibility of the website was not enough, the key question was whether the appellant had shown that it had UK customers for its service at the relevant date.
134. Neither counsel referred me to any authority on the third question, and my own researches have not turned up any case which is directly on point. As a matter of principle, however, I agree with counsel for PCCW that there is no reason why a protectable goodwill in the UK cannot exist as result of a reputation which only exists amongst an ethnic minority section of the population whose mother tongue is a foreign language.
135. As for the fourth question, counsel for PCCW submitted that it was clear that in appropriate circumstances protectable goodwill can arise as a result of advertising or promotion even though the advertised or promoted goods or services are not yet available for purchase or acquisition. To my surprise, counsel for Sky disputed this. In my judgment, counsel for PCCW is correct: see Wadlow at §§3-063 to 3-073 and in particular *Turner v General Motors (Australia) Pty Ltd* (1929) 42 CLR 352. Whether a protectable goodwill has actually arisen as a result of advance advertising or promotion will depend on the particular facts.

*Date of assessment*

136. The relevant date for the purpose of assessing PCCW's claim for passing off is the date of inception of the use complained of: see *Cadbury-Schweppes v The Pub Squash Co.* [1981] RPC 429 at 494, *Anheuser-Busch Inc. v Budějovický Budvar NP* [1984]

FSR 413 at 462 and *Inter Lotto (UK) Ltd v Camelot Group plc* [2003] EWCA Civ 1132, [2004] RPC 9 at [7]. It is common ground that in the present case this should be taken to be 21 March 2012 (the date of the announcement).

*Assessment*

137. The present case is unusual in that, as counsel for PCCW accepted, PCCW's claim amounts to three distinct allegations of passing off, that is to say, based on the goodwill generated by PCCU's service, UKB's service and PCCM's NOW TV service respectively. I shall consider these in turn.
138. *PCCU's service.* I am satisfied that PCCU's service had generated some degree of reputation and goodwill in the UK under the name NOW by the time it was closed in January 2002, but on the evidence it is clear that the extent of this was modest. Furthermore, over 10 years elapsed between then and the announcement of Sky's service. It is common ground that, if a business has not been abandoned in a manner which results in its goodwill being destroyed, a residual goodwill may continue to subsist for a time after the business has ceased trading: see Wadlow, *The Law of Passing Off* (4<sup>th</sup> ed) at §§3-220 to 3-226. In principle, the lesser the extent of the original goodwill and the more time that has elapsed since the business ceased trading, the more one would expect the residual goodwill to have evaporated; but the extent of any residual goodwill in any particular case is a matter for evidence. In the present case there is no direct evidence that any goodwill continued to exist in March 2012. In my judgment there is no sufficient evidence from which the continued existence of any goodwill can be inferred. It follows that the claim for passing off based on the goodwill generated by PCCU's service fails.
139. *UKB's service.* It is plain that UKB's service had generated a substantial reputation and goodwill in the Thames Valley and West London under the name NOW WIRELESS BROADBAND by the end of 2006. Further, it is also clear that at least part of this reputation and goodwill continued to subsist at the end of 2008. The evidence of Messrs Corcoran, Lally and Mayor establishes that UKB continued to have a reputation and goodwill under the name NOW WIRELESS BROADBAND among its few remaining customers in March 2012. Did it have a wider residual goodwill at that date? There is no direct evidence that it did. Nevertheless, having considered the evidence summarised in paragraphs 19-49 above, I have concluded that it is proper to infer that there was some residual goodwill, albeit of modest extent. This residual goodwill was only in connection with a fixed wireless broadband service, however.
140. Would Sky's use of the name NOW TV for its internet television service be likely to lead consumers who were familiar with UKB's service to think that Sky's service emanated from the same source or was connected with it? As noted in paragraph 87 above, there is no evidence of any actual confusion to date. As discussed in paragraphs 11-17 above, Messrs Corcoran, Lally and Mayor gave evidence in abstract terms that they would have thought that there was a connection. For the reasons given there, I am unable to place weight on that evidence. None of Messrs Corcoran, Lally and Mayor gave evidence of having actually been confused by Sky's use of the name NOW TV for its internet television service. The nearest any of them came to doing so was the following statement by Mr Corcoran during the course of cross-examination:

“... I did actually see an advert that my brother gave me recently, which is not in the statement, my apologies, but if I had seen that prior to being approached by a member of UK Broadband staff, I would have actually queried, nowtv.com, I would have assumed it would have been part of the Now UK Broadband group.”

I cannot place any weight on this either, for reasons given above and because Mr Corcoran explained that, as a photographer, he had considerable knowledge of intellectual property law and he had already formed the opinion that Sky’s use was “close-ish to sort of trademark infringement”.

141. The absence of evidence of actual confusion is not in itself fatal to PCCW’s claim, however, particularly given that only a short period has elapsed since Sky’s service was launched. It is well-established that the court is both entitled and obliged to form its own view. In my judgment there is no likelihood of confusion amongst a substantial number of persons. This is because of the cumulative effect of a number of factors: the modest extent of UKB’s goodwill; the fact that neither name is strongly distinctive; the differences between the names, albeit that these are small; the third party uses; the differences between the services; and the overall context of Sky’s use of the name NOW TV.
142. Furthermore, even if (contrary to my view) there was some small likelihood of confusion, I accept the submission made by counsel for Sky that this is a case in which the well-known statement of principle by Lord Simonds in *Office Cleaning Services Ltd v Westminster Window and General Cleaners Ltd* (1943) 63 RPC 39 at 43 is applicable:

“So long as descriptive words are used by two traders as part of their respective trade names, it is possible that some members of the public will be confused whatever the differentiating words may be. I am ready to believe that in this case genuine mistakes were made. I think they ought not to have been made. In the *Vacuum Cleaner* case it appeared that ninety per cent. of its customers had addressed the Plaintiffs, the British Vacuum Cleaner Coy., Ld. as the ‘Vacuum Cleaner Coy.’. In spite of this fact and of instances of actual confusion Parker J. refused to grant an injunction to restrain the New Vacuum Cleaner Coy., Ld. from using the words ‘vacuum cleaner’ in conjunction as part of its registered or other name. So in *Turton v Turton* (42 Ch. D.128) the possibility of blunders by the public was held not to disentitle the defendant from trading in his own name though the plaintiff had long traded in the same name. It comes in the end, I think, to no more than this, that where a trader adopts words in common use for his trade name, some risk of confusion is inevitable. But that risk must be run unless the first user is allowed unfairly to monopolise the words. The Court will accept comparatively small differences as sufficient to avert confusion. A greater degree of discrimination may fairly be expected from the public where a

trade name consists wholly or in part of words descriptive of the articles to be sold or the services to be rendered.”

143. It follows that the claim for passing off based on the goodwill generated by UKB’s service fails.
144. *PCCM’s NOW TV service.* Before me, counsel for PCCW did not rely upon the reputation which PCCM’s NOW TV service had acquired amongst Chinese speakers permanently or temporarily resident in the UK as at 21 March 2012 through exposure to it when residing in or visiting Hong Kong as having given rise to a protectable goodwill in the UK; although he reserved the right to do so upon appeal. Instead, he relied upon the reputation which PCCM’s NOW TV service had acquired amongst UK residents through the three routes discussed in paragraphs 60-68 above as having done so. In his closing submissions he relied most strongly on exposure via YouTube, next most strongly on exposure via PCCW’s own websites and least strongly on exposure via airline travel. In my view he was correct to put them in that order.
145. Counsel for Sky submitted that any reputation was vanishingly small, was confined to the Chinese-speaking community and did not in any event give rise to a protectable goodwill. In support of the last submission, he argued that viewers of PCCM’s programmes in the UK were not customers for its service and that the mere accessibility of material in the UK via websites did not give rise to a protectable goodwill.
146. I accept that the reputation which PCCM’s NOW TV service had acquired amongst UK residents in the three ways I have described by 21 March 2012 was modest, but I do not consider that it was *de minimis*: compare the cases discussed in Wadlow at §§3-012, 3-013 and 3-063 footnote 201, which demonstrate that the law of passing off protects quite small reputations. For the reason given in paragraph 134 above, I do not regard it as a bar to PCCW’s claim that the reputation was confined to the Chinese-speaking community. On the other hand, for the reason given in paragraph 131 above, I agree that, as a general proposition, the mere accessibility of material in the UK via websites does not give rise to a protectable goodwill.
147. Accordingly, the key question is whether the viewers of PCCM’s programmes in the UK were customers for its service so as to give rise to a protectable goodwill in the UK. I agree with HHJ Birss QC that it is not necessarily a bar to such a claim that the service is provided free. As counsel for PCCW pointed out, it has been held that charities, churches and political parties have protectable goodwill in their names, since they depend on financial contributions from members and/or non-members: see Wadlow at §§3-051 to 3-062.
148. I also agree with counsel for PCCW that one has to be careful about whom one regards as a customer in the case of a television service. The booking test which was applied in *Cipriani* cannot be applied in the circumstances of the present case. Television services are not necessarily booked in the manner that hotels and restaurants are, although subscription services such as those provided by Sky are. Thus I would accept that commercial free-to-air television services such as those provided by ITV have goodwill amongst their viewers. They are customers for the service, and the provider earns revenue as a result of their custom, albeit through the mechanism of advertising. I would also accept that the BBC has goodwill amongst its

viewers even though it does not carry advertising and is funded by the licence fee, since the BBC depends upon having a sufficient level of support from viewers (and listeners to its radio services) to justify the continuance of the licence fee.

149. Counsel for PCCW argued that it was sufficient for a television service to have viewers in the UK. I cannot accept that argument, which seems to me to stretch the concept of “customer” to breaking point. On that basis, viewers of hundreds of television channels worldwide would have customers, and hence protectable goodwill, in the UK courtesy of YouTube.
150. As at 21 March 2012, I consider that the commercial reality was that PCCM carried on business as a provider of television services in Hong Kong, and not in the UK, and that PCCM’s primary purpose in making programme content available via YouTube, its own websites and international airlines was to promote its Hong Kong business by encouraging people to subscribe in Hong Kong. Its customers were its viewers in Hong Kong, but not viewers in the UK. Accordingly, the business had goodwill in Hong Kong, but not in the UK.
151. Counsel for PCCW also argued in the alternative that, even if PCCM did not have actual customers in the UK on 21 March 2012, PCCM had nevertheless generated goodwill amongst potential customers in the UK by these activities in advance of the planned launch of PCCM’s NOW TV service in the UK next year. I accept that PCCM had a secondary purpose of generating a wider interest in its programmes so as to prepare the ground for the planned expansion of PCCM’s services to other territories, and in particular the UK; but as at 21 March 2012 the execution of that expansion still lay some way in the future. Furthermore, the activities relied upon by PCCW do not take the form of advertising or promotion for a forthcoming product or service. Thus they did not constitute trailers for television programmes that viewers would be able to watch in the UK in the near future. Accordingly, I am not satisfied that PCCM had generated a protectable goodwill in the UK in this manner by 21 March 2012.
152. Finally, it should be noted that PCCW did not rely upon any goodwill amongst trade customers in the UK, unlike the plaintiff in *Home Box Office Inc v Channel 5 Home Broadcasting Ltd* [1982] FSR 448. In that case Peter Gibson J held that the plaintiff, a US cable broadcaster, had an arguable claim to UK goodwill as a result of (i) sales of its programmes to UK broadcasters, some of which has subsequently been broadcast with appropriate credits, (ii) acquisition of US broadcasting rights from UK film companies, (iii) production of sports programmes in the UK, some with UK production companies, (iv) other joint productions with UK companies and (v) advertising placed and editorial items appearing in journals published or circulating in the UK (see 452 and 455-456).
153. For these reasons, I am not persuaded that the activities relied upon by PCCW had generated any protectable goodwill in the UK by 21 March 2012. It follows that the claim for passing off based on UK goodwill generated by PCCM’s NOW TV service also fails.
154. In case I am wrong about the absence of a protectable goodwill, however, I should consider whether Sky’s use of the name NOW TV would be likely to lead UK

viewers who were familiar with PCCM's NOW TV to think that the former was the same as, or connected with, the latter.

155. Counsel for PCCW submitted that there was some indirect evidence of confusion. Mr Berriman pointed out that the number of UK visitors to the now-tv.com website appeared to have roughly doubled in March 2012. After that the number had stayed at about 1000, and had reached 2000 in August 2012. He also produced a daily breakdown for the months of March, July and August 2012. Between 1 and 20 March the average daily visit was 58.3, but on 21 March 2012 (the date of Sky's announcement) it was 192 and on 22 March 2012 it was 197. Between 1 and 16 July 2012 the average daily visit was 34.2, but it was 152 on 17 July 2012 (the date of Sky's launch) and 121 on 18 July 2012. There was also an increase in visitor numbers between 21 and 28 August 2012 (Sky having launched NOW TV on Xbox on 22 August 2012).
156. Counsel for Sky submitted that the data were too incomplete and fragile for any reliance to be placed upon them. I agree that the data must be treated with caution, but I do not consider that it would be justified wholly to discount them. They do appear to indicate an increase in traffic to PCCW's website at times which coincide with Sky's activities. There is no other plausible cause for this. Even accepting that much, however, I do not consider that this amounts to evidence of misrepresentation. At best, it is evidence of what is sometimes called "wrong-way round confusion". Thus the most likely explanation is that UK consumers who saw media coverage of Sky's announcement or launch, or its advertising, searched for "now tv" using an internet search engine and found PCCW's site. (Subsequent search engine optimisation means that such a search is now likely to lead the searcher to Sky's website at www.nowtv.com instead.) This does not show that such consumers had any previous familiarity with PCCM's NOW TV.
157. Counsel for Sky pointed out that it did not appear that X had raised any concerns about consumer confusion since 21 March 2012, although X must have become aware of Sky's announcement or at least its launch. He submitted that this was evidence that there was no likelihood of confusion. I do not accept that submission, since there are alternative explanations for X's apparent silence on this point.
158. As discussed above, there is no evidence of actual confusion, but that is not conclusive. In my judgment, there is a likelihood that a substantial number of UK viewers who were previously familiar with PCCM's NOW TV will wrongly believe that Sky's NOW TV emanates from the same or a connected source. The names are identical and the services are essentially identical. I am not persuaded that either the visual differences between the respective presentations or the absence of Chinese language content on Sky's service or the fact that it is advertised and promoted as being provided by Sky will suffice to prevent confusion occurring. The visual differences are relatively insignificant. Most of the Chinese-speaking Community in the UK also speak English. Viewers who are familiar with PCCM's NOW TV may well think that it has gone into some kind of joint venture with Sky, and that the joint venture has chosen to focus on English-language programming for the UK market. Furthermore, references to NOW TV in the media sometimes do not mention Sky. In short, I do not consider that the *Office Cleaning Services* principle assists Sky here.

**Summary of conclusions**

159. For the reasons given above, I conclude that:

- i) The CTM is invalid under Article 7(1)(c), alternatively Article 7(1)(b), of the CTM Regulation.
- ii) Even if the CTM is valid, Sky have not infringed it.
- iii) If the CTM were valid and Sky's use was within Article 9(1)(b) of the CTM Regulation, Sky would not have a defence under Article 12(b).
- iv) PCCW's claims for passing off fail.