



Neutral Citation Number: [2013] EWCA Civ 1465

Case No: A3/2012/3094

**IN THE COURT OF APPEAL (CIVIL DIVISION)**  
**ON APPEAL FROM THE HIGH COURT OF JUSTICE**  
**CHANCERY DIVISION**  
**COMMUNITY TRADE MARK COURT**  
**INTELLECTUAL PROPERTY**  
**THE HON MR JUSTICE ARNOLD**  
**Claim No. HC12B01589**

Royal Courts of Justice  
Strand, London, WC2A 2LL

Date: 15<sup>th</sup> November 2013

Before :

**LORD JUSTICE PATTEN**  
**LORD JUSTICE PITCHFORD**  
**and**  
**SIR JOHN MUMMERY**

Between :

(1) STARBUCKS (HK) LIMITED	<b><u>Claimants/</u></b>
(2) PCCW MEDIA LIMITED	<b><u>Appellant</u></b>
- and -	
(1) BRITISH SKY BROADCASTING GROUP PLC	<b><u>Defendants/</u></b>
(2) BRITISH SKY BROADCASTING LIMITED	<b><u>Respondent</u></b>
(3) SKY IP INTERNATIONAL LIMITED	

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Mr Michael Silverleaf QC and Mr Richard Hacon (instructed by Dechert LLP) for the Appellants  
Mr Geoffrey Hobbs QC and Mr Guy Hollingworth (instructed by King & Wood Mallesons LLP) for the  
Respondents

Hearing dates: 16 and 17 May 2013  
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**Approved Judgment**

**Sir John Mummery :**

**Overview**

1. These are trade mark and passing off proceedings. The appeal by the claimants is against (a) the dismissal of their action by Arnold J on 12 November 2012 and (b) the order granting the defendants' counterclaim that the registration of the claimants' trade mark NOW is invalid.
2. Both sides are major players and competitors in the media telecommunications business. In that world technological advances outstrip national frontiers at an accelerating pace and complicate litigation in national courts with increasing regularity. Globalisation is reflected in international arrangements for the protection of intellectual property and in the reach of supra-national legal systems, such as the European Union with its Treaties, Directives and Regulations, which include the Community Trade Mark Regulation 207/2009/EC of 26 February 2009 (the CTM Regulation).
3. The backcloth of this case is keen cross-border competition between rival undertakings. They both seek to supply media telecommunications services in different markets on a global scale. The claimants rely on (a) their registration of the word "now" as a trade mark under the CTM Regulation and (b) the tort of passing off as a protection for the goodwill of a business connected with that mark. The common law recognises that the goodwill with which a mark may become associated by a section of the public is an intangible business asset of considerable value. Thus the claimants, who have used the trade mark NOW in connection with the marketing of an internet television subscription service to very many subscribing customers in Hong Kong, have acquired a substantial goodwill associated with that mark in that territory.
4. The cross border factor in this case is that some of the programmes supplied to subscribers on the claimants' NOW television service in Hong Kong are also viewed free via the internet by a section of the public in this country. The claimants do not target that section of the public for business. Indeed, no business is transacted between the claimants and that section of the public in this country. Internet viewing of the claimants' television programmes is the only point at which it may be said that the claimants have some kind of contact with the UK and a section of the public here. According to the claimants those non-subscribing members of the public, who view free some of the same NOW programmes in the UK as are available on payment in Hong Kong, are their customers and form part of their goodwill here.
5. In that section of the public there are estimated to be 440,000 Chinese nationals resident in the UK. Many of them are from Hong Kong or are second generation Chinese Britons. The claimants did not supply a subscription service to any of those viewers in this country at the date relevant for assessment of goodwill, which is agreed to be 21 March 2012, nor do they now. In those circumstances do the claimants have a goodwill in this country sufficient to support a passing off claim against the defendants?
6. The goodwill factor is not relevant to the issues about the claimants' Community Trade Mark (the CTM) for the word NOW. The word NOW is in use for the

claimants' internet television subscription service centred on Hong Kong. In their counterclaim the defendants contest the validity of the CTM. Their objection is that its dominating feature is a simple, straightforward and commonplace English word - "now". According to the judge, the mark NOW in this context would be understood by the average consumer as designating the immediate and instantaneous characteristic of the service supplied by the claimants and for which the mark is registered. If that ruling is correct, it follows that the NOW is not distinctive of the service for which it is registered under the CTM Regulation and that it cannot remain validly registered as a CTM.

7. The goodwill factor is at the fore in the second head of claim, which re-visits the vexed question of the implications of the territorial nature and extent of goodwill. The claimants say that, although the goodwill of their NOW internet television subscription service originates from marketing to their customers in Hong Kong, it has achieved a territorial spread beyond Hong Kong. Their goodwill has spilt over from Hong Kong into the UK in two ways: (a) the claimants' NOW programmes are viewed by members of a Chinese-speaking section of the public permanently or temporarily living in England; and (b) at the relevant date the claimants were making plans to operate a subscription service in this country from March 2013, as evidenced by confidential negotiations with an unidentified company X for the supply of linear channel services to subscribers here. In those circumstances the claimants say that they had a "foothold" in internet television services *here* at the relevant date; and a goodwill sufficient to entitle them to restrain the defendants from operating an unconnected new internet television subscription service here making use in their logo of what is alleged to be a confusingly similar mark - NOWTV.
8. The rival arguments have been debated in depth and explored in detail in this court and before Arnold J. The submissions on the merits of the competing positions are, in broad outline, easily understood and gratefully received. The correct application of the law to the facts is the central contentious issue. Fortunately the parties' submissions reveal more common ground than might have been expected about the state of the law and the salient facts. Even so, it would, in my view, be rash to regard the dispute as free from doubt or legal difficulty. This whole area of law abounds in the broadest of legal generalisations. The outcome of their application to the concrete facts of individual cases is sometimes unpredictable, despite repeated judicial attempts to clarify how this part of the law works.
9. For example, it is not easy to be precise about the proper dividing line between (a) what is distinctive of the service of a particular undertaking and distinguishes it from the services of other undertakings; and (b) what designates a characteristic of a service and is "descriptive" of it. The distinctive/descriptive divide is a familiar problem in the interpretation and application of the CTM Regulation and the Trade Marks Act 1994.
10. Similarly, the distinction between (a) establishing an identifiable goodwill generated by the investment of time, effort, skill and money in the marketing and delivery of a service in a particular locality and (b) the spread of reputational knowledge about that service beyond its local market limits has been blurred in contemporary conditions by the speed at which, the ease with which and the scale on which information about anything or anyone can spread.

11. There may be powerful reasons why the law as we know it will come under pressure to evolve or even to be re-formulated in order to meet some of the challenges created in business worlds transformed by technology. Otherwise the law may fall more and more out of line with, and become less relevant to, the real needs of the world that it exists to serve. However, there may be sound policy reasons why the scope of protection available to undertakings against the unwelcome competitive activities of other undertakings should not be enlarged.
12. Consider the core facts of this case.
13. On one side, the claimants were the first undertaking to use the word NOW in connection with an internet TV subscription service in Hong Kong. They have acquired a valuable goodwill for their Hong Kong business under that mark. They contend that the goodwill of their business, and not merely reputational knowledge of it, had spread to this country by 21 March 2012, partly as a result of the ability of a section of the public to view the Hong Kong programmes in this country. The defendants then chose the same mark for their new internet TV subscription service in this country, as announced on 21 March 2012. I suppose that the defendants might have avoided litigation risks by sticking to the trade marks already established by them in the telecommunications media field, or by devising variants to them that made no use of the claimants' mark. The defendants chose not to take that course and settled instead on the use of NOW TV for their new internet TV subscription service here. The claimants confirmed at trial that they were not alleging that the defendants knowingly disregarded either the claimants or any rights they claimed, or otherwise acted inappropriately in that regard.
14. On the other side, the defendants take the point that any business that selects an ordinary simple English word under which to market a service takes the risk that the word will be found to designate a characteristic of that service, so as to make it descriptive and unregistrable as a distinctive mark. Further, the defendants say that there is an insuperable objection to the claimants' passing off claim: business goodwill is, in general, territorial in nature and extent: see the fundamental principles as re-stated by Lord Diplock in *Star Industrial Company Ltd v. Yap Kwee Kor* [1976] FSR 256 at 269, affirmed by the House of Lords and repeated by this court in a succession of cases. Goodwill has a geographical situation, usually in the territory in which the relevant marketing is actually carried on and in which the customers of the business are located and targeted for their initial and repeat custom. At the relevant date the claimants had no protectable goodwill in territories in which they transacted no business and had no customer base. In this case the claimants were not open here on 21 March 2012 for the supply of an internet television subscription service nor were they even in business contact with customers or targeting them here for business. The claimants' presence in this country was no more than reputational knowledge shared by viewers drawn from a section of the public that had no business contact with the claimants. Was that really good enough to generate a goodwill in this country by 21 March 2012?

### **The proceedings**

15. The proceedings were issued on 19 April 2012 in reaction to the announcement on 21 March 2012 by the defendants of a new, stand-alone internet protocol television service (in beta form) in the UK under the word mark "NOW TV." In the logo there

appear underneath that word mark the words “Powered by sky”. The sign NOWTV.com is also used by the defendants. On 17 July 2012 the defendants, who are members of a group of very well-known broadcasting and telecommunications companies operating under an ordinary simple English word “Sky”, launched their NOW TV service in the UK.

16. It is agreed that the mark NOW (registered in lower case letters) is and would be perceived by the average consumer of the services in question as the dominant element in the claimants’ CTM No 4504891, which is registered for a wide range of television broadcasting and television services and is used by the claimants in connection with their business in Hong Kong.
17. The claimants are members of a group of Hong Kong-based broadcasting, media and telecommunications companies called the PCCW group. Since at least 2006, companies in the claimants’ group have broadcast in Hong Kong an internet protocol TV service (IPTV) under the name “NOW TV.” There was an earlier service called “NOW Broadband TV” supplied by Pacific Convergence Corporation (UK) Limited (PCCU) a company in the group, down to closure of the service in 2002. There was a service supplied by UK Broadband Limited (UKB), a company in the group, which was called “NOW WIRELESS BROADBAND”, but that was limited to a wireless broadband service. Neither of the earlier services had a surviving goodwill at the relevant date sufficient to support a passing off claim here.
18. The IPTV service makes instant access available on demand for programmes with video and film content, though not for “live TV.” The judge’s finding that the claimants have a substantial goodwill in Hong Kong for the IPTV service supplied there is not challenged on appeal. The programmes on IPTV are produced in either Cantonese or Mandarin. There are also international English language programmes. There are over 190 linear channels. The service has 1.165m subscribers in Hong Kong, representing approximately one half of the households in Hong Kong. It derives 90% of its revenue from subscriptions, the rest coming from advertising. Certain of the programmes are accessible in other countries, including the UK, via the internet. For some time the claimants have planned to expand NOW TV as a subscription service in the UK and set a launch date for March 2013. There were negotiations on foot, but no advance advertising or promotional publicity about the proposed service.
19. Arnold J dismissed the claim for trade mark infringement. He made a declaration on Sky’s counterclaim that the CTM was and remains invalidly registered for all of the goods and services in respect of which it was registered under the CTM Regulation. The registration covered a wide range of services. Class 38 is the most pertinent to this appeal (television and telecommunication services of various kinds).
20. Arnold J held that the sign NOW featured prominently in the CTM was invalid under Article 7(1)(c) of the CTM Regulation, the wording of which is set out below, as it consisted of a sign or indication which may serve, in trade, to designate a characteristic of the service for which it was registered. He held that the CTM would be understood by the average consumer of the service to be descriptive of a characteristic of the service supplied i.e. the instant and immediate character of the service.

21. The judge also held that the CTM was invalid under Article 7(1)(b), as set out below, as it was devoid of any distinctive character. It will not be necessary to analyse the inter-relationship of the provisions in (1)(b) and (c) in Article 7, as, in this case, it is agreed that invalidity under (1)(c) also results in invalidity under (1)(b). Nor will it be necessary, if the CTM is invalid, to reach a decision on the correctness of the judge's conclusions on issues of infringement of trade mark and available defences.
22. Arnold J also dismissed the passing off claim directed at Sky's use of NOW TV. He held that the claimants had not generated a protectable goodwill in the UK for a business carried on by them under the name NOW TV. As the judge observed at [125]:-

“This case once again gives rise to the familiar, but difficult question of the extent to which a claimant can rely on a reputation in the UK generated by business activities outside the UK as giving rise to a protectable goodwill in the UK.”
23. Arnold J found that (a) viewers in the UK of the claimants' NOW TV programmes without paying a subscription were not, unlike Hong Kong subscribing viewers, customers of the claimants, and (b) the claimants' preparations for the proposed launch of NOW TV through company X in the UK did not give rise to a protectable goodwill in the UK.
24. If the decision of the judge against the claimants on those points is correct, it will be unnecessary to consider the judge's finding at [158] that Sky's use of NOW TV would be likely to lead UK viewers familiar with the claimants' NOW TV to think that the former was the same as, or was connected with, the latter.
25. The law on trade marks and passing off, as discussed in the authorities, is analysed by Arnold J in his judgment [2012] EWHC 3074 (Ch) with characteristic clarity and accuracy. As no criticism is made of it by either side I am content to adopt it without modification and do not need to set it out again in this judgment. The grounds of appeal are primarily directed at his application of the law to the particular facts of this case rather than to any mis-statement by him of the general law in his relevant citations and summaries.
26. The judge summarised the evidence and then made findings of fact. There is no point in repeating in this judgment passages about the evidence and the facts that are better understood when read in their proper context in the full trial judgment. This judgment need only contain a slimmed down account of the facts in order to determine whether the appeal discloses any grounds for holding that Arnold J was wrong to dismiss the action and grant the counterclaim.
27. The judge granted permission to appeal only against the dismissal of the passing off claim. Richards LJ granted limited permission to appeal against the dismissal of the trade mark claim, permission having been refused by both Arnold J and Kitchin LJ.

### The issues

28. Before turning to the grounds of appeal and to an outline of the main submissions, I will summarise what is not now in dispute and what is still in dispute.

## ***A. The common ground***

### ***Trade mark***

29. The word NOW is the dominant element of the CTM. The surrounding figurative elements consisting of six lines arranged in a star or sun shape emanating from the letter “o” in “now” are not inherently distinctive, and add nothing significant to the validity of the CTM by making it distinctive. The average consumer would perceive the CTM as the word NOW.
30. The services in class 38 and other classes for which the CTM is registered cover the services offered by Sky under the sign NOW TV.
31. If the CTM is invalid, the issue of its infringement by Sky’s use of NOW TV and defences raised to infringement under Article 12(b) do not arise for decision by this court: there can be no infringement of an invalidly registered mark.

### ***Passing off***

32. The relevant date for determining passing off is the date of inception of the activities of Sky objected to by the claimants. It is agreed that that should be taken to be 21 March 2012 when Sky made their announcement about their NOW TV service.
33. By the relevant date the claimants’ NOW TV service had acquired a very substantial reputation and goodwill for their business in Hong Kong under the word NOW.
34. At this level of decision it is necessary, as a matter of binding precedent, for the claimants to establish that there was, at the relevant date, attached to their business a goodwill in the UK with which the mark NOW is associated. If, as the judge held, the claimants had no goodwill in the UK, it is unnecessary to decide whether there is a likelihood of confusion between the service supplied by Sky in the UK and that supplied by the claimants in the UK.

## ***B. Issues on the appeal***

### ***Trade mark issues***

35. The trade mark issues arise on the application of the relevant provisions of the CTM Regulation upon which Sky rest their counterclaim. The relevant Articles refer to both goods and services. In this judgment I will concentrate on the area of marks for services, as services in class 38 are the most pertinent to this appeal.
36. Article 7 provides in paragraph 1 that 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 the rendering of the service, or other characteristics of the goods or service.”

37. Paragraph 3 of Article 7 provides that 1 (b) and (c) 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.”
38. As for Article 7(1)(b), Arnold J cited the relevant principles as summarised in Case C-265/09 *OHIM v. BORCO-Marken-Import Matthiesen GmbH & Co KG* [2010] ECR I-8265. As for Article 7(1)(c) Arnold J cited the principles to be applied as summarised in Case C-51/10P *Agencja Wydawnicza Technopol sp. z o.o. v. OHIM* [2011] ETMR 34.
39. I will not repeat the lengthy passages. The position in short is that a sign which designates a characteristic of the relevant service is devoid of any distinctive character. Such signs are often referred to as descriptive, as they are easily recognised by the relevant class of persons as describing the service in respect of which registration is sought or made.
40. As the judge stated as [92] of his judgment
- “.... 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...”
41. The basic aim of such exclusions from registration is obvious: to prevent an undue monopoly in the course of trade of a designation that may be used descriptively of a service or of any of its characteristics. It is in the general public interest that undertakings should be able to describe freely any characteristic of their own service, irrespective of how commercially significant that characteristic may be.

**Passing off-the customer requirement issue**

42. The main issue in the passing off appeal is whether the claimants had, at the relevant date, “customers” in the UK for their IPTV NOW TV service and, in particular, who counted as customers.
43. The discussion was mainly about how the law laid down by this court in *Anheuser Busch Inc v. Budjovicky Budvar NP* [1984] FSR 413 (*Budweiser*) should be applied to this case. The business in that case was selling a product, beer, which was known about and had a reputation in the UK. “Customers” for the purchase of beer in this country were treated as a necessary part of establishing the goodwill of the business. The claimants’ beer was not on sale in the UK, though it was sporadically and occasionally available on sale to servicemen at US military bases and a few other places. The Court of Appeal held that, as it was not possible to obtain the claimants’ beer in the UK, the claimants had no customers and were not carrying on a business in the UK which could have a protectable goodwill here: see the judgments of Oliver LJ at [467] and Dillon LJ at [476].
44. In *Hotel Cipriani Srl v. Cipriani (Grosvenor Street) Ltd* [2008] EWHC 2032 (Ch); [2009] RPC 9 (Arnold J), affirmed on appeal [2010] EWCA Civ 110, [2010] RPC 16, there were excellent and comprehensive reviews, at both levels of decision, of the



principal authorities on this point, including *Budweiser*. It is not necessary for this court to embark on the same exercise or to set out all the conclusions.

45. At [106] of *Cipriani* the Court of Appeal held that *Budweiser* was binding 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.”

46. Lloyd LJ added obiter an observation that it might be salutary to review the customer requirement in *Budweiser* in the case of certain kinds of service providers operating from a place abroad, as the hotel *Cipriani* in that case did, in which case the test of direct bookings from customers in England might be “increasingly outmoded.”

47. Mr Michael Silverleaf QC appearing for the claimants reserved the right to argue on any further appeal to the Supreme Court that the claimants’ reputation and goodwill is sufficient to found an action for passing off in the UK where their services are also available to viewers in the UK and persons in the UK seek out those services to view them from the UK, or are attracted to use their services in Hong Kong by reason of having them available in the UK. He expressly reserved for the consideration of the Supreme Court, if necessary, the question whether there was a legal requirement for the passing off claim that the claimants had “customers” in the UK in the *Budweiser* sense, having regard among other things to the obiter remarks of Lloyd LJ in *Cipriani*.

48. As explained by Arnold J the UK “customer requirement” on the claimants as at the relevant date, raises several related questions. Who were their customers? How did they become customers? What are their relevant characteristics? Such questions arise from the claimants’ reliance on different ways of acquiring customers, custom and goodwill in the UK.

49. By way of background, rather than as a “goodwill factor” available to them at this level of decision, the claimants say that they are known among a substantial number of Chinese speakers permanently or temporarily resident in the UK, who had become acquainted with the claimants’ NOW TV service while living in Hong Kong.

50. The three particular UK goodwill factors of more relevance relied on by the claimants are:-

- (1) Access since July 2007 to the claimants’ service of TV programmes on demand (as distinct from live TV) in Chinese via the claimants’ websites at now-tv.com;
- (2) Access to the YouTube website since November 2008 to view videos under the NOW TV brand, having been viewed about 238,000 times by UK viewers over that period; and
- (3) Availability of pay video instantly and on demand on various international airlines (Cathay Pacific, Singapore Airlines and Virgin) flying to and from the UK of a small number of the claimants’ programmes.

51. The key question is: were people in the UK with those means of access to the claimants' IPTV programmes UK "customers" of the NOW TV service at the relevant date? In answering that question Arnold J examined in his judgment a number of other interesting and relevant aspects of the case. Can a *free* service have customers? Is the *mere accessibility* of a website to a section of the public in the UK sufficient to generate a goodwill in the UK to which the name and or sign is attached? Is an *ethnic foreign language-speaking* minority in the UK (Chinese) a relevant section of the public for goodwill purposes? Can *advertising and promotion* in the UK generate a protectable goodwill in this jurisdiction? I will deal below with the judge's conclusions on those points and with the submissions to this court about them.

### **Judgment of Arnold J**

52. As already noted, the claimants make no criticism of Arnold J's analysis of the relevant trade mark law in his judgment [90] to [97], or his self direction on the general principles of passing off. So I turn straight to the principal findings of the judge and to his conclusions on both claims, concentrating on the passages in the judgment most material to the grounds of appeal.

#### ***A. Trade mark***

##### ***General***

53. Arnold J considered how the dominant element of the CTM - the word NOW - would be perceived by the average consumer for the services in issue in class 38. NOW is a common English word. Its meaning is well understood by the public. The judge said that whether NOW is descriptive of the services in issue must be determined by the facts of the case.
54. He explained by reference to particular examples how NOW could function as a trade mark for services, and how it is also widely used descriptively. The context of the use was critical in determining whether the word NOW would, in a particular case, be perceived by the average consumer as a descriptive term or as a distinctive brand.

##### ***Invalidity***

55. Arnold J concluded that the CTM was invalid under Article 7(1)(c), alternatively Article 7(1)(b) of the Regulation. He summed up the position with admirable conciseness:-

"116. Taking all of the evidence into account, I conclude that the CTM is precluded from registration in relation to the services in issue because NOW would be understood by the average consumer as a description of the 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)."

### ***Infringement under Article 9(1)(b)***

56. Even if the trade mark was valid, Sky had not infringed it. Although Sky's use was in relation to identical services, the only common element is the word NOW: the figurative elements of the mark are not included. There was no likelihood of confusion and no infringement.

### ***Article 12(b)***

57. If, however, Sky's use was an infringement within Article 9(1)(b), Sky would have no defence under Article 12(b) in respect of the use of the signs as distinct from the word NOW. That use was as a trade mark and was not descriptive. It would have amounted to unfair competition and would not have been use in accordance with honest practices.

### ***Passing off***

58. The judge found that, as at the relevant date, a substantial number of Chinese speakers temporarily or permanently resident in the UK were acquainted with the claimants' NOW TV service in Hong Kong. The judge also found that television content from that service in Chinese could be viewed through the claimants' website now-tv.com at the relevant date; that programmes from that service had been available on the YouTube channel since 2008 and had been viewed 238,000 times by viewers in the UK over that period and were clearly branded as NOW TV; that programmes from that IPTV service had been available for viewing on international airlines flying to and from the UK; that the claimants were implementing plans to expand the service to various countries in which there are Chinese communities; and that one of the purposes in showing programmes on their website and through YouTube was to prepare the ground for the planned expansion of the service.
59. The judge concluded that, as at the relevant date, the claimants had acquired a *reputation* in the UK by reference to NOW TV in the provision of television programmes to the Chinese speaking population of the UK. He also found that, if the claimants had a protectable goodwill in the UK, the use by Sky of NOW TV for their service would give rise to a likelihood that a substantial number of viewers would wrongly believe that the Sky service emanated from the same or a connected source.
60. On the critical question of whether the claimants had acquired a goodwill in the UK Arnold J made a number of findings based on the general principles of law expounded in *Budweiser* and *Cipriani*. He identified four particular questions in this case that had not arisen for decision in those two cases.

#### ***1. Access to a website***

61. The first question concerned access in the UK to a website using the NOW TV name of the claimants. Did that access establish a goodwill with customers in the UK? The judge held that it did not, unless there was evidence that the activity on the website was targeted at consumers in the UK. The mere fact that the website was visible and might be accessed throughout the world did not amount to use of a mark throughout the world: see [131].

## ***2. Free service***

62. The next question was about who should count as a customer of free services. In deciding who counted as a customer in a context that did not depend on the location of the provider or on whether the services were provided free to the consumer, what had to be shown was that the provider had provided services to customers in the UK at the relevant date, whether there was a charge made for them or not.

## ***3. Ethnic minority foreign language speakers***

63. The third question was whether a protectable goodwill could exist in the UK amongst only an ethnic minority section of the population whose mother tongue is a foreign language. The judge held that that was no bar to a claim for passing off.

## ***4. Advertising and promotion***

64. The fourth and final question was whether, in appropriate circumstances, protectable goodwill could arise in the UK as a result of advertising or promotion of the services, even though the services advertised or promoted are not yet available for purchase or acquisition. The judge held that it could.

### *Three areas of service*

65. The passing off claim failed on the facts found by the judge about the nature of the activities and the character of the relevant customers relied on in the evidence of the claimants regarding three areas of service. As already mentioned he concluded that no relevant goodwill existed in the UK at the relevant date as a result of the claimants' earlier PCCU service using a logo incorporating the mark NOW and the UKB "NOW wireless broadband" service. As regards the PCCM "NOW TV" service, he found that the activities relied on by the claimants had not generated any protectable goodwill in the UK by 21 March 2012.

### *Conclusion of customer question*

66. In the above circumstances Arnold J held that the viewers in the UK of the claimants' NOW TV programmes either via its website or via YouTube were not customers of the claimants. The customers of the claimants were the viewers who were targeted for business in Hong Kong, not those who accessed the internet in the UK.
67. He also concluded that the activities of the claimants in preparation for the proposed launch of its TV service did not give rise to a protectable goodwill in the UK.
68. If he was wrong about those matters, he concluded that there was a likelihood of confusion.

## **PCCW's submissions on appeal**

69. Mr Michael Silverleaf QC appearing for the claimants made detailed submissions as follows.

## **A. Trade mark**

70. The claimants accept that the only issue on the trade mark appeal is whether Arnold J was wrong in holding that the mark NOW in relation to a TV internet service designates a characteristic of the service and is therefore invalid as a trade mark. They also accept that the effect of Article 7(1)(b) stands or falls with that of Article 7(1)(c). The same question arises under both Articles: can a mark which in some uses has distinctive character be said to be devoid of any distinctive character under Article 7(1)(b)?
71. Mr Silverleaf QC homed in on the judge's recognition that, depending on context, the word NOW in relation to the internet TV service was sometimes taken to be a trade mark and sometimes to be a description. In those circumstances he disputed the correctness of the conclusion that the CTM was invalid. He submitted that the judge should have concluded that it was valid. The judge's conclusion that, if a CTM could be interpreted in a *descriptive* manner, it was bound to fall foul of Article 7(1)(c) was novel and unsupported by any authority. It led to the startling result that all word marks are invalid if, in their ordinary meaning in any European language, they could be descriptive of the relevant service (or product) in at least one context. If the judge was right, there will always be contexts in which NOW will be given a descriptive meaning in relation to a TV service so that it could never be validly registered.
72. The judge held that whether or not NOW was descriptive of the service in issue had to be determined by reference to context and on the particular facts of the present case. An ordinary English word can be registered as a trade mark if it is distinctive and does not designate a characteristic of the service. The evidence established that the word NOW can and does function as a trade mark for services, even though it is also widely used descriptively. The context of the use is critical in determining whether the word NOW will be perceived by the average consumer as a descriptive term or as a name or brand. Sky's use of the word NOW is as a trade mark and brand name for its TV services and is not descriptive. It is designed to convey the message that NOW TV is the name of a new TV service provided by Sky and has distinctive character.
73. The judge was wrong to hold that the mark NOW would be understood by the average consumer as a description of a characteristic of the services in issue. That conclusion was inconsistent with his findings of inherent distinctiveness when used as a brand and was inherently capable of distinguishing the services of one trader from those of another. The judge ought to have held that, when used as a name or brand, NOW would be immediately recognised by the average consumer as a name or brand when so used and was inherently distinctive.
74. The judge ought to have held that the "instant immediate availability of the service" is not a characteristic of a TV service under and in accordance with established law. That property designated by the mark would not be easily recognisable or actually be recognised immediately and without further thought as a description of a characteristic of a TV service. He ought to have held that NOW was incapable of describing a characteristic of a television service and that the CTM was not precluded from registration by virtue of Article 7(1)(c), or by virtue of Article 7(1)(b).

## ***B. Passing off***

75. As explained above, the claimants failed to establish by evidence to the satisfaction of Arnold J that they had generated a goodwill in the UK for their NOW TV service sufficient to support an action for passing off in this jurisdiction.
76. The primary criticism of the judgment is that it was wrong to hold that those who, in various ways, received and watched the claimants' NOW TV service in this country were not "customers" of that service. Mr Silverleaf QC submitted that Arnold J ought to have held that the viewers of the claimants' NOW TV watched it because they appreciated the content and quality of the programmes shown and that in consequence those programmes generated goodwill for its NOW TV service by engendering in those viewers a desire to watch further programmes from the same source. He ought to have held that such UK viewers were customers of the claimants' NOW TV service.
77. The judge ought also to have held that the activities of the claimants generated an increased demand for its future services to be provided for payment through a company in the UK and generated a goodwill in the minds of the viewers of the claimants' NOW TV service. The connection with those viewers who had not paid was a connection that could be exploited commercially in Hong Kong and was protectable goodwill. They were customers of the service irrespective of whether they were charged for or paid for the service received. What they watched free in the UK were the same programmes as were watched by the paying customers in Hong Kong. There was a market for the claimants' service in the UK. The viewing of the programmes in the UK also prepared the ground for the planned launch.
78. The claimants had established a sufficient foothold in the UK to be entitled to protection from damage caused by misrepresentation, even though Mr Silverleaf QC accepted that the goodwill was "relatively modest".
79. As noted earlier, the claimants reserved the right to argue on any further appeal to the Supreme Court that their reputation and goodwill in Hong Kong is sufficient to found an action for passing off in this country where their services are also available to viewers in the UK and persons in the UK seek out those services to view them from the UK and/or are attracted to use them in Hong Kong by reason of having had them available to them in the UK.

## **Sky's submissions**

80. Mr Geoffrey Hobbs QC appearing for Sky said that Arnold J was right for the reasons that he gave to conclude that Sky could not be legally prevented from using the designation NOW as part of the name for its new TV service.

## ***A. Trade mark***

81. Quite apart from the claimants' problems under the general provisions of trade mark law, Mr Hobbs QC pointed out that no claim was pursued against Sky under ss. 55 and 56 of the 1994 Act ("well known" trade marks in the UK); or under Article 9(1)(c) of the CTM Regulation (trade marks having a reputation in the European Community); or by acquisition of distinctiveness through use (see Articles 7(3), 52(2))

and 112 of the CTM Regulation), any such claim having been renounced at trial. It was also pointed out that registered rights in respect of certain signs including the mark NOW had been voluntarily surrendered in 2010 for lack of use in the European Union. I do not think that it would be productive to delve deeper into those provisions or to explore the background details of various related matters set out in the papers and skeleton arguments. This appeal has been argued on a broader basis as regards both trade mark and passing off law.

82. Mr Hobbs QC emphasised that the scope of protection of the CTM had to be assessed on the basis of the perception of the public at the relevant date. He submitted that Arnold J had correctly applied the law to the facts. The mark failed the test of registrability under Article 7 of the CTM Regulation for the reasons given by him. The judge approached the question of invalidity from the correct perspective and rightly held that the CTM was and remained invalidly registered.
83. No novel point of interpretation or application of the CTM Regulation was raised by the trade mark appeal. In brief, the issue of descriptiveness under Article 7 had to be tested by the judge against the optional characteristics of all the possible things that come within the scope of the items for which it has been registered. The registration has to be valid for all contexts. There cannot be a valid registration for a word that is capable of being used descriptively relative to any characteristic of the service for which it is registered. The word mark NOW was capable of being descriptively used of a characteristic of the claimants' IPTV service.

### ***B. Passing off***

84. As in the case of a trade mark, the scope of protection afforded by the tort of passing off must be assessed at the relevant date having regard to any use of the name or mark NOW by the claimants as well as of common descriptive use of NOW. Mr Hobbs QC emphasised that it was an essential requirement in a passing off claim that the claimant was the proprietor of a business or goodwill in the UK, which the defendants were liable to damage by means of misrepresentation. It was the property in the goodwill of the business in the UK that gave its owner the right to legal protection from others making misrepresentations by using similar marks or names in the UK.
85. It followed, as a matter of principle, that, as was held by this court in *Budweiser* and in numerous other cases before and since, a foreign entity with a trading reputation but without a goodwill generated by business activities and use of the name or mark in commerce extending to the UK was not entitled to maintain a passing off action in the UK.
86. In this case the claimants had engaged in commercial activities in the territory of Hong Kong. On the basis of those activities and the internet they expanded their claim to have a "spill-over" reputation and goodwill in this country amongst expatriate Chinese speaking people living here. That claim is contrary to the basic principles of the territorial location of goodwill and of the existence of a separate goodwill in each territory in which the relevant business has been carried on. Those principles, which are embedded in the requirements of a passing off claim, have not been eliminated or sidelined by the growth of the internet. That principle has not been eroded by the mere fact that a name or mark is visible or on display on a screen in another country by accessing a website. That fact does not in itself amount to relevant use of the name or

mark in commerce in the sense of targeting customers, or having a market presence in that country or doing business there.

87. In this case there has been no internet trading activity by the claimants directed to this country or to business with customers here. Merely being heard of in this country and being known here by reputation does not suffice as a basis for establishing a goodwill protectable by a passing off claim.
88. Turning to the facts of this case Mr Hobbs QC submitted that the activities relied on by the claimants had not generated any protectable goodwill here by the relevant date. He made the following particular points:-
  - (1) On the findings of the judge any reputation which the claimants might have in this country was *de minimis*. There was negligible economic activity here or of planned expansion using company X or of advertising and promotion by the claimants here. Mr Hobbs QC examined in detail the evidence relied on by the claimants. The overall position was that, in the absence of evidence of subscribers to the claimants' subscription-based service, it was simply not possible for the claimants to identify the customers of their business in the UK.
  - (2) There was no evidence that prior to 26 June 2012 internet users visiting the two websites relied on by the claimants could access video content from the UK. There was unchallenged evidence from Sky that they could not.
  - (3) The evidence did not properly establish the numbers of visitors accessing the claimants' websites and YouTube from the UK. Detailed criticisms were made of the evidence given by Ms Lee on this point as a basis for the judge's findings.

### **Discussion and conclusions**

89. At the very outset I put away from consideration the views that the claimants might have formed about Sky's game plan in choosing NOW TV as their brand instead of simply using their established "Sky brand" for their new venture, and turn to three preliminary factors that do have some bearing on the outcome of this appeal.
90. The first is commercial context. This dispute is between substantial undertakings in direct competition with one another in the very thick of the cut and thrust of the mass media world. Competitors of every kind can and sometimes do stoop to conquer. Competitive conduct is not in itself actionable by a business rival, even if it seems extreme and results in market spoiling and the rival's loss of potentially valuable business advantages and opportunities. The competitor's antics may be unanticipated, even unattractive, yet lawful.
91. The second factor is legal context. The legal dispute is not about what is fair or unfair play in competition. It is about determining the proper scope of the exclusive rights relied on as recognised and defined by law: the exclusive rights conferred by the registration of a CTM under the CTM Regulation, and the extent of a business goodwill for which exclusivity is claimed on the basis of the sole use of a name or mark as indicating a particular service supplied in a particular market. In their very



nature exclusive rights are analogous to property rights in things generally and call for careful definition. It is necessary for a monopoly-like right to be identified with a reasonable degree of precision. Regard must be had to the pervasive strands of permanence, stability and continuity in what is claimed as exclusive. Only then can the right claimed exhibit the characteristics of enforceability against infringers, assignable value and exploitation by dealings that give exclusivity its meaning and substance. The law to be interpreted and applied in the overall context of those two general factors is that contained in the CTM Regulation, as construed in Luxembourg, and the principles of the law of passing off, as developed in the cases.

92. Then there is the appeal factor. At the end of some appeals this court is left with the impression that the losing party really wants this court to try the case all over again on paper. That is not the function of this court. This court is only allowed to interfere with the decision of Arnold J if it is shown to be wrong. That may be so in consequence of a self-misdirection about what the law is or of a misapplication of law to the facts. This trial judge heard the whole case which was brought in the specialist jurisdiction in which he usually sits and uses his expertise. This court should respect his assessments of the overall situation and of the discrete issues, unless it is demonstrated how and why they are wrong. I mention this because, for example, Sky made some detailed criticisms of the judge's findings relating to the evidence given by the principal witness for the claimants, Ms Lee, e.g. the judge's acceptance of her evidence on such matters as viewing figures. I do not propose to be drawn into an analysis or discussion of those details, because this is not, at its core, an appeal on fact: it is about how the judge applied the law to the facts found by him, how he made his assessments and reached his conclusions overall.
93. At the end of it all I am in broad agreement with the judge's disposal of this case and with the reasons given by him for dismissing the action and granting the counterclaim. The submissions made by Mr Silverleaf QC in support of the appeal have not convinced me that the decision was wrong as a result of misapplying the law. His detailed criticisms of the judgment have been answered to my satisfaction in the submissions of Mr Hobbs QC.

#### ***A. Trade mark***

94. As already explained, the trade mark claim is for exclusive use of the word NOW for various goods and services, including an internet TV subscription service registered in class 38. On that claim I will state briefly in my own words the reasons why I would dismiss the trade mark appeal.
95. First, the registered word mark NOW is devoid of distinctive character that would serve to identify the claimants' service and to distinguish it from the service offered by other undertakings. It is not inherently distinctive of the claimants' TV service nor is it alleged to have become distinctive here by use made of the mark.
96. Secondly, the fact that there are other instances in which the word "now" is distinctive of a service (or a product) does not assist the court in deciding its character in this case. Context is not everything, but it certainly counts in determining whether a word is being used in a distinctive way or in a descriptive way. The judge gave examples of how "now" was a popular choice of mark and how it could be used distinctively,

while also pointing out that it was widely used descriptively, either alone or in conjunction with other signs: see [111] and [112].

97. Thirdly, for reasons inseparable from perceived commercial self-interest and advantage, the claimants chose as their trade mark a commonplace, easily understood, ordinary English word, which was also used by other undertakings in relation to other products or services. There was evidence that “now” is reckoned to be the 73<sup>rd</sup> most common word in the English language. There are many other words that they could have chosen or invented to designate the service.
98. Fourthly, it must have been obvious to the claimants that, in making that choice, they were running the risk of invalidity on the ground that the message that was conveyed or could be conveyed by the everyday word to the average consumer designated a characteristic of that service.
99. Fifthly, the characteristic of the service that was likely to strike and attract the average consumer was the offer of something new and different. The essential appeal of the claimants’ service is that programmes of choice are available on demand in an instant, immediately, without waiting around for the arrival of the scheduled time set by someone else for the broadcast of a programme. That “nowness” is not a characteristic possessed by an ordinary TV service broadcasting scheduled programmes at pre-set times. The trade mark would attract the custom of all those viewers who “want it now.” The attraction is of having immediate and instant access to programmes of choice on demand rather than having to settle for waiting. (The media communications world is not one in which one would expect “The Stature of Waiting” to have any place.)
100. Sixthly, I see nothing wayward in the assessment made by Arnold J that, when viewed from the position of the hypothetical average consumer of the claimants’ service, the mark NOW would be understood as designating that attractive instant and immediate characteristic of the service for which it was registered. The mark NOW refers to more than just the service itself. It refers to something about the service, an appealing characteristic that will pull in the punters. What is that something if it is not the characteristic of delivering programmes of choice instantly on demand?

### ***B. Passing off***

101. Again I will put into my own words the reasons for agreeing with Arnold J and dismissing this part of the appeal.
102. First, there is the strong flavour of property in the foundations of the tort of passing off, though not, of course, being the same in all respects as property in land or in things. Although the common law does not recognise any property in the word, mark or sign itself as such, it does recognise that a goodwill, to which the name or mark has become attached in a market, may be entitled to protection from damage inflicted by express or implied misrepresentation.
103. Secondly, in proceedings brought in England the claimants must establish by evidence the existence of the claimed goodwill within the jurisdiction of the court. That condition must be met. It is not enough that the claimants have undoubtedly acquired a goodwill somewhere else. The legal requirement of a goodwill and of customers

here may present problems of proof for a business which is in the process of expanding from a base established in another country. It may be difficult to draw a hard and fast line in some cases, but that is not a valid reason for relaxing the legal requirements. On the whole it is more in the interests of consistency, when dealing with claims to exclusivity in the intangible, to stay anchored to reasonably clear, firm and established legal rules rather than to drift off into an open sea of uncertainty and speculation. Experience shows that judicial game-changing in a property rights environment is a recipe for uncertainty, confusion and injustice where the common expectation is for certainty, clarity and predictability.

104. Thirdly, in this case the universal presence and accessibility of the internet, which enables access to be gained in the UK to programmes emanating from Hong Kong, is not a sufficiently close market link to establish an identifiable goodwill with a customer base here. All that happens in the UK is the viewing of the programmes coming from Hong Kong. There is more to establishing a goodwill in a market for the supply of a TV service than evidence that the programmes in the service can be viewed by members of the public who do not need the service because, without any business contact with the claimants, they can view them via the internet. Generating a goodwill for service delivery generally involves making, or at least attempting to make, some kind of connection with customers in the market with a view to transacting business and repeat business with them. The claimants' customers are usually those with whom business is transacted or at the very least those who are targeted for projected business transactions and connection. Just using the internet to access the programmes of a named service on a website does not satisfy the basic requirements of being a customer or forming part of a goodwill of a business.
105. Fourthly, I agree with Arnold J that the evidence of the claimants' preparatory activities in this country was insufficient to establish that, at the relevant date, the claimants had generated any goodwill in the UK for the TV subscription service supplied by them to which the sign NOW is attached. It was insufficient for a passing off action for NOW TV simply to be planned. It was necessary either to have or promote and publicise or advertise a customer base here in order to establish a goodwill protectable by law. The preparations did not establish a goodwill in the sense of acquiring a protectable exclusive right created by the attraction of custom in this country.
106. Finally, I would add that I am in agreement with the judge that a goodwill may be established in the supply of service, even though it may be made without charge or profit and even though it is supplied only to a foreign speaking ethnic minority section of the public. I also agree that it is possible to establish a goodwill in a service by advertising it and by advance promotional activities.

## **Result**

107. I would dismiss the appeal both on the trade mark claim and on the passing off claim. The claimants have not established that Arnold J's decision was wrong on either issue.

## **Lord Justice Pitchford :**

108. I agree.

**Lord Justice Patten :**

109. I also agree.