

**O-307-16**

**TRADE MARKS ACT 1994**

**APPLICATION No. 3047484 BY APPLE INC.**

**TO REGISTER 'IWATCH' IN CLASS 9**

**AND**

**OPPOSITION No. 402874**

**BY SWATCH AG (SWATCH SA)(SWATCH LTD)**

## **CORRECTION TO DECISION**

1. It has come to my attention that the decision I issued in this matter on 27<sup>th</sup> June 2016 contained a typographical error in paragraph 49, which was repeated in paragraphs 50 and 52. In each case the goods under consideration were described as a 'smart phone' or 'smart phones' when they should have been described as a 'smart watch' or 'smart watches'.

2) The error is plainly an irregularity in procedure and capable of being corrected under Rule 74 of the Trade Mark Rules 2008. Consequently, I give the parties notice that paragraphs 49, 50 and 52 of the decision will be amended to the version shown below and apply as though those paragraphs had appeared in the original version of the decision.

**Dated this 26<sup>TH</sup> Day of August 2016**

**Allan James  
For the Registrar**

## Background and pleadings

1. This is an opposition by Swatch AG (Swatch SA)(Swatch Ltd) (“the opponent”) to an application filed by Brightflash USA LLC (“the original applicant”) on 18<sup>th</sup> March 2014 (“the relevant date”) to register the trade mark **IWATCH** in relation to:

Class 9:

Computer software; security devices; monitors and monitoring devices; cameras; computers; computer hardware; computer peripherals; wireless communication devices; radios; audio and video devices; global positioning system devices; accessories, parts, components, and cases for all of the foregoing goods.

2. The application was subsequently assigned to Apple Inc. (“the applicant”)

3. The opponent is the proprietor of the following earlier marks<sup>1</sup>:

- (i) International registration (EU) 962366 (“the 366 mark”)

The logo for 'iSwatch' features a stylized lowercase 'i' with a dot above it, followed by the word 'swatch' in a lowercase, sans-serif font.

This mark is protected in the EU in class 14 for horological and chronometric instruments (including watches), and in class 35 for services consisting of retail trading of horological products.

- (ii) International registration (EU) 1134259 (“the 259 mark”)

**SWATCH**

This mark is protected in the EU for goods in class 9, including computer software, apparatus for recording and transmission of sound and images, computers, data processing equipment, mobile telephones and smartphones, and personal stereos.

- (iii) UK registration 1348716<sup>2</sup> (“the 716 mark”)

**SWATCH**

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<sup>1</sup> The opponent originally also relied on earlier EU trade mark 226019, which is also the word SWATCH. However, at the hearing mentioned below, the opponent was content to base its case on the marks shown above.

<sup>2</sup> The registration is for a series of two marks, one of which is slightly stylised. I have based my assessment on the mark in plain typeface.

This mark is registered for, inter alia, horological and chronometric apparatus and instruments; parts and fittings for all the aforesaid goods; all included in Class 14.

4. The applicant's mark was published for opposition on 13<sup>th</sup> June 2014. The process for protecting the 366 and 259 marks in the EU was completed less than 5 years prior to 13<sup>th</sup> June 2014. Consequently, the proof of use requirements set out in s.6A of the Trade Mark Act 1994 ("the Act") do not apply to these marks. The 716 mark was registered in 1989. Therefore, the opponent can only rely on this mark to the extent that it has shown that the mark was put to genuine use in the UK in the period 14<sup>th</sup> June 2009 to 13<sup>th</sup> June 2014.

5. The opponent claims that the goods and services for which the earlier marks are registered or protected are identical or similar to the goods covered by the application. In this connection, the opponent contends that the descriptions of goods in the application cover smart watches or goods connected with smart watches. The opponent also claims that the applicant's mark is similar to the earlier marks and that the degree of similarity between the marks and the similarity or identity between the respective goods/services is sufficient, in combination, to create a likelihood of confusion on the part of the public.

6. Further, or in the alternative, the opponent claims that the 716 mark - SWATCH – has a reputation in the UK for horological and chronometric apparatus and instruments and that use of the applicant's mark, without due cause, would take unfair advantage of the reputation of the opponent's mark and/or be detrimental to the reputation and/or distinctive character of the earlier mark. In particular, the opponent is concerned that there will be a transfer of the values associated with the SWATCH mark; namely, precision, accuracy and reliability, onto the applicant's mark.

7. The opponent claims that registration of the applicant's mark would therefore be contrary to s.5(2)(b) and/or s.5(3) of the Act<sup>3</sup>.

8. The applicant filed a counterstatement denying the grounds of opposition and putting the opponent to proof of the use and reputation of the 716 mark. I note, in particular, that the opponent relies, in part, on the use and reputation of a family of 23 marks with the prefix "i". According to the applicant, this means that the public will associate IWATCH with Apple and will not confuse it with the opponent's marks.

9. Both sides seek an award of costs.

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<sup>3</sup> There were originally further grounds of opposition based on s.5(4)(a) and s.56 of the Act. However, these were not pursued at the hearing described below.

## The hearing

10. A hearing was held on 26<sup>th</sup> April 2016 at which Mr Mark Engelman appeared as counsel for the applicant (instructed by Locke Lord (UK) LLP) and Mr Martin Krause of Haseltine Lake LLP appeared on behalf of the opponent.

## The evidence

11. The opponent's evidence includes witness statements by Mr Leopoldo Emsenhuber and Ms Jeannine Aebi of the opponent. Mr Emsenhuber is a Vice-President. Ms Aebi is also a Vice President, as well as being the Chief Financial Officer.

12. Their evidence is that the Swatch Group owns a number of well known brands for Swiss watches, including SWATCH itself, but also OMEGA, TISSOT, LONGINES and RADO. The group makes the movements for nearly all the watches sold under these brands.

13. As regards the SWATCH mark, Mr Emsenhuber points out that Interbrand ranked SWATCH amongst the top Swiss brands in 2013, valuing the brand at around £500m. This is what Interbrand said about the SWATCH mark:

*“Few watch brands reinvent themselves so quickly and are as consistently current as Swatch. Swatch has to do so, as notwithstanding the company’s watch-making prowess, the brand stands more for fashion and lifestyle than for time-keeping. The product cycles must be correspondingly short, the trends recognised correspondingly quickly and the marketing implemented correspondingly systematically. Swatch has succeeded in this perfectly for years. Even after 30 years, the brand remains dynamic and young, not least in its enormous social media engagement.”*

14. SWATCH watches are sold in a large number of jewellery and watch retail shops in the UK, including two large on-line retailers called The Watch Shop and The Watch Hut. I note from copies of webpages from the latter’s website in evidence that SWATCH watches retail for between £28 and £117<sup>4</sup>. SWATCH products are also sold from dedicated retail stores located in major cities throughout the UK.

15. The SWATCH brand is promoted in the UK through numerous publicity and advertising campaigns<sup>5</sup>. The brand is frequently reported on and discussed in the UK media<sup>6</sup>.

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<sup>4</sup> See exhibit JA4

<sup>5</sup> See exhibit LE11

<sup>6</sup> See exhibit LE12

16. The opponent has provided figures for sales and marketing spend. These are covered by a confidentiality order. For present purposes it is sufficient to note that UK sales of watches amounted to a six figure number for each of the years between 2006 and 2014.

17. The goods sold under the SWATCH mark include parts and fittings for watches, such as watch straps, as well as watches.

18. The opponent's evidence also includes two witness statements by Michael Conway of Haseltine Lake LLP, which represents the opponent in these proceedings. Mr Conway's second statement was filed in response to the applicant's evidence and it is convenient if I return to that after setting out the applicant's evidence. Mr Conway's first statement addresses the emergence of 'smart watches', the characteristics of such goods, and the extent to which they compete with traditional watches.

19. Mr Conway provided a copy of an entry from Collins English Dictionary in which 'smart watch' is defined as *"as an electronic wristwatch that is able to perform many of the functions of a smartphone or tablet computer"*.

20. Mr Conway provides examples of advertisements and reviews of smart watches produced by Samsung, LG, Apple, Motorola, Timex, TAG, Montblanc, Fossil and Swatch itself. The devices typically link to mobile phones, allowing users to make calls, check emails, display alerts and information (including the time) and have a range of other features ranging from counting steps, monitoring heart rate, navigating using GPS technology, storing and playing music, listening to the radio, and taking pictures<sup>7</sup>. According to Mr Conway's research, it is possible to download software applications for use with connected watches<sup>8</sup>. The products resemble traditional watches and are worn in the same way. One of Apple's products looks like this<sup>9</sup>.



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<sup>7</sup> See exhibits MC5, MC6 & MC15

<sup>8</sup> See exhibit MC9

<sup>9</sup> See exhibit MC21



21. Mr Conway also provides examples of other products with watch-like appearance and enhanced functions, such as GPS watches<sup>10</sup>.

22. Mr Conway's evidence also includes information about a US patent filed in 2001 for an electronic wristwatch that could be used remotely to control the timing of a security system, and a report from 2013 of a Timex watch with a feature that permits the user to remotely arm his/her home security system. This information is intended to show that there is a close connection between watches and the applicant's 'security devices'.

23. Finally, I note from the contents of an article in exhibit MC6 that a journalist interviewed the Chief Executive of Swatch (Nick Hayek) subsequently wrote an article that was published by Reuters on 31<sup>st</sup> August 2014. The journalist noted that Apple had invited the media to a special event the following month fuelling speculation that it might present a much anticipated iWatch. This had hit the value of shares in Swatch. The journalist notes that Apple had already registered the trade mark iWatch in Japan.

24. The applicant's evidence consists of witness statements from Mr Jamie Watt and Mr Thomas R. LaPerle. Mr Watt is a solicitor with Harper Macleod, who acted for the original applicant. Mr Macleod conducted some internet research. He exhibits 6 articles published on 5 websites addressing the question of whether smart watches will replace or seriously diminish the market for traditional watches<sup>11</sup>. Each of the reviewers concludes that smart watches will not have this effect, essentially because traditional watches, particularly at the luxury end of the market, are perceived as design statements and therefore "cooler". By contrast, smart watches are more likely to appeal to "tech-savvy" consumers.

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<sup>10</sup> See exhibit MC10

<sup>11</sup> See exhibits JW1 to JW6

25. I note that one of the articles was written by the Chief Executive of a Swiss watch maker and another by the owner of a vintage watch shop. Mr Macleod does not say whether his research revealed any contrary opinions.

26. I note also that at least some of the articles in question appear to have been prompted by a report that Jony Ive, Apple's lead designer, had "*recently bragged that the Swiss watch industry would be in big trouble once the iWatch dropped*". This must be why two of the articles mentioned above are entitled "*Is Apple right that the iWatch is going to kill the Swiss Watch Industry?*"

27. Mr Watt also provides copies of webpages from jewellery stores selling traditional watches<sup>12</sup>. Mr Watt points out that none of these sell smart watches or other kinds of wearable technology. I note that none of them are shown as selling SWATCH branded watches either.

28. Mr La Perle is the Director of Apple's legal department. He provides basic information about the applicant. It was incorporated in California in 1977 and is now one of the largest companies in the world. Mr La Perle says that the applicant sells vast numbers of products and services worldwide, including the iPhone, iPad, Mac, iPod, Apple Watch, Apple TV, various software applications and operating systems, and iCloud. The applicant also sells digital content and applications through its iTunes Store, App Store, iBooks Store and Mac App Store. Apple first used marks with an 'i' prefix in 1998 when the iMac PC was introduced. The following year an iBook laptop computer was launched.

29. The applicant opened its first Apple Store in London in 2004. By October 2015 there were 39 such stores in the UK. The applicant also licences others to sell all its products. There were over 50 stores in the UK operated by 'Apple Premium Resellers' in 2015. Additionally, Apple products are sold via High Street names, such as John Lewis, Argos, Curry's Digital and through internet sites.

30. Mr La Perle says that, in 2013, the applicant sold over \$8 billion worth of goods in Europe, the Middle East and Africa. According to Mr La Perle, the majority of these sales were in the EU, "*including the UK*". He claims that "*a significant proportion*" of these sales were for devices, software or services featuring "i" prefixed trade marks, such as iPod, iTunes, iPhone, iPad, and iCloud, which were launched in 2001, 2001, 2007, 2010 and 2011, respectively. Mr La Perle gives similarly delphic evidence about the amount the applicant spent promoting its products in the UK. This is all rather vague. Perhaps to address this ambiguity, Mr La Perle supplements his statement with 43 exhibits consisting mostly of thousands of pages downloaded from the internet showing repetitive use of 'i' prefixed trade marks in the EU, UK and elsewhere in the world in relation to the applicant's goods and services.

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<sup>12</sup> See exhibit JW7

31. Assessing the value and significance of this kind of evidence is not straightforward. Fortunately, the opponent's representative, Mr Krause, sensibly conceded the obvious: that the iPod, iTunes, iPhone and iPad marks were widely known in the UK at the relevant date. On behalf of the applicant, Mr Engelman sought to show me that its 'family' of "i" prefixed marks was larger than this. He took me through some of the exhibits to Mr La Perle's statement pointing out instances of use of other "i" prefixed marks in the UK. I am satisfied on the basis of what I have seen that the applicant was also using at least the following marks in the UK at, or shortly before, the relevant date.

- iCloud (for data storage services)
- iMac (for a PC)
- iPhoto, iMovie, iLife (for software applications)
- iSight (for a camera for use with iPads)

32. The applicant appears to have used other such marks in the past, such as iBook. It also uses iOS as the name of one of its computer operating systems.

33. Exhibit TLP-6 to Mr La Perle's statement consists of numerous examples of the media, trade and consumers referring to the Apple product as iWatch. Most of the exhibit is made up of 731 pages downloaded from the internet. Some of these pages are from the UK, others are not. I have not been through every page, but I can see that much of the material pre-dates the launch of the Apple Watch in 2015. The content of the articles is based on speculation, or assumption, about the mark that Apple would use for its smart watch. More helpfully, the other part of exhibit TLP-6 consists of 13 articles from publications showing use of the name iWatch, sometimes alongside Apple Watch. Most of these articles post-date the launch of the Apple Watch. Some are from national UK newspapers, such as the Daily Mail, Daily Record and the Independent. Others appear to be US publications or websites. Some articles use iWatch in the title, but Apple Watch in the text. I note, in particular, an article that appeared on an apparently US website called CIO in May 2015 entitled "*Apple says 'Apple Watch', the world says 'iWatch'.*" The writer puts the branding confusion down to "*the seemingly endless deluge of 'iWatch rumour' stories that led up to Apple's official announcement last fall* [of the launch of the Apple Watch]." The article in the Independent similarly puts the confusion about the name down to the fact that social media had been abuzz about the [then forthcoming] iWatch.

34. According to Mr La Perle, the original applicant is an affiliate of Apple. He says that the application was subsequently assigned to the applicant.

35. Mr Conway's second statement challenged some of the applicant's evidence. In response to the applicant's claim that "i" prefixed marks are synonymous with Apple,

Mr Conway provided examples of a couple of third party electrical products (an iTrip FM transmitter/phone charger and iBox speakers) that appear to have been available in the UK since 2010 and 2013, respectively. He also pointed out that the BBC's well known iPlayer service has been available to the UK public since 2007<sup>13</sup>.

36. In response to Mr Watts's evidence that traditional watches and smart watches are not in direct competition, Mr Conway provided extracts from the Deloitte Swiss Watch Study from the years 2013 to 2015<sup>14</sup>. According to the 2013 report, 33% of watch executives taking part in the survey considered smart watches to be a competitive threat to watches selling under about £340.

37. In response to Mr Watts' evidence that jewellers do not sell smart watches, Mr Conway provided extracts from the websites of the two of the seven jewellers mentioned in Mr Watts' evidence indicating that those jewellers offer watches with smart or connective functionality<sup>15</sup>. Mr Conway also identified another High Street jeweller (Ernest Jones) which offers watches with smart or connective functionality<sup>16</sup>. On the same issue, Mr Conway points out that one of the UK's leading online retailers of watches offers an extensive range of smart watches<sup>17</sup>.

### **Proof of use of the opponent's 716 mark**

38. At the hearing, the opponent indicated (for the first time) that it was only relying on the 716 mark to the extent that it is registered for:

'Horological and chronometric apparatus and instruments; parts and fittings for all the aforesaid goods; all included in Class 14'

39. The applicant does not contest that the SWATCH mark has been used in such goods during the relevant period<sup>18</sup>. Indeed the applicant accepts that SWATCH has a significant reputation as a trade mark for watches. The only difference between the parties therefore appears to be whether the earlier mark has been used in relation to parts and fittings for the primary goods. On the basis of Mr Emsenhuber's evidence<sup>19</sup> I find that the 716 mark was put to genuine use during the relevant period in relation to parts and fittings for watches, and therefore for horological and chronometric apparatus and instruments. However, nothing seems to turn on this.

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<sup>13</sup> See exhibit MC17

<sup>14</sup> See exhibit MC18

<sup>15</sup> See exhibit MC22

<sup>16</sup> See exhibit MC23

<sup>17</sup> See exhibit MC24

<sup>18</sup> See paragraph 36 of the applicant's skeleton argument. In any event, I am satisfied that this description of goods is consistent with the approach set out in *Euro Gida Sanayi Ve Ticaret Limited v Gima (UK) Limited*, BL O/345/10.

<sup>19</sup> See paragraph 17 above. This is no more than one would expect to be the case as a result of the inevitable sale of replacement parts and fittings for watches sold under a major brand.

## **Section 5(2)(b)**

40. Sections 5(2)(b) of the Act is as follows:

“5(2) A trade mark shall not be registered if because-

(b) it is similar to an earlier trade mark and is to be registered for goods or services identical with or similar to those for which the earlier trade mark is protected, or there exists a likelihood of confusion on the part of the public, which includes the likelihood of association with the earlier trade mark”.

41. The applicant suggested that the opponent’s strongest case was based on the 366 mark in Class 14. I agree. I will therefore start by considering the opposition based on this mark.

42. The following principles are gleaned from the decisions of the EU courts in *Sabel BV v Puma AG*, Case C-251/95, *Canon Kabushiki Kaisha v Metro-Goldwyn-Mayer Inc*, Case C-39/97, *Lloyd Schuhfabrik Meyer & Co GmbH v Klijsen Handel B.V.* Case C-342/97, *Marca Mode CV v Adidas AG & Adidas Benelux BV*, Case C-425/98, *Matratzen Concord GmbH v OHIM*, Case C-3/03, *Medion AG v. Thomson Multimedia Sales Germany & Austria GmbH*, Case C-120/04, *Shaker di L. Laudato & C. Sas v OHIM*, Case C-334/05P and *Bimbo SA v OHIM*, Case C-591/12P.

### **The principles**

(a) The likelihood of confusion must be appreciated globally, taking account of all relevant factors;

(b) the matter must be judged through the eyes of the average consumer of the goods or services in question, who is deemed to be reasonably well informed and reasonably circumspect and observant, but who rarely has the chance to make direct comparisons between marks and must instead rely upon the imperfect picture of them he has kept in his mind, and whose attention varies according to the category of goods or services in question;

(c) the average consumer normally perceives a mark as a whole and does not proceed to analyse its various details;

(d) the visual, aural and conceptual similarities of the marks must normally be assessed by reference to the overall impressions created by the marks bearing in mind their distinctive and dominant components, but it is only when all other components of a complex mark are negligible that it is permissible to make the comparison solely on the basis of the dominant elements;

(e) nevertheless, the overall impression conveyed to the public by a composite trade mark may be dominated by one or more of its components;

(f) however, it is also possible that in a particular case an element corresponding to an earlier trade mark may retain an independent distinctive role in a composite mark, without necessarily constituting a dominant element of that mark;

(g) a lesser degree of similarity between the goods or services may be offset by a great degree of similarity between the marks, and vice versa;

(h) there is a greater likelihood of confusion where the earlier mark has a highly distinctive character, either per se or because of the use that has been made of it;

(i) mere association, in the strict sense that the later mark brings the earlier mark to mind, is not sufficient;

(j) the reputation of a mark does not give grounds for presuming a likelihood of confusion simply because of a likelihood of association in the strict sense;

(k) if the association between the marks creates a risk that the public might believe that the respective goods or services come from the same or economically-linked undertakings, there is a likelihood of confusion

### Comparison of goods

43. The respective goods are shown below.

Applicant's mark	Opponent's 366 mark
Class 9: Computer software; security devices; monitors and monitoring devices; cameras; computers; computer hardware; computer peripherals; wireless communication devices; radios; audio and video devices; global positioning system devices; accessories, parts, components, and cases for all of the foregoing goods.	Class 14: Horological and chronometric apparatus and instruments; parts and fittings for all the aforesaid goods; all included in Class 14. Class 35 Retail trading of horological products

44. Mr Krause accepted on behalf of the opponent that the respective goods are not identical. However, he submitted that the goods are similar on the basis that:

- Smart watches are effectively wearable computers with wireless connectivity and are therefore encompassed by the descriptions ‘computers; computer hardware; wireless communication devices’.
- GPS devices, monitors and monitoring devices, radios and MP3 players can take the form of a watch.
- Computer software is required for the operation of a smart watch and there is therefore a close connection between computer software and watches.
- There is a close connection between the security goods and services and watch industry and therefore ‘security devices and cameras’ are similar to watches.

45. Mr Krause further submitted that there was a fine line between watches in class 14 and smart watches in class 9. The evidence showed that the latter were capable of, for example, incorporating a telecommunication function, a gaming function, or of communicating data to a smartphone. The scope of protection of the earlier mark is not limited to traditional watches. Therefore, Mr Krause argued, there is a high degree of similarity between some watches in class 14 and smart watches in class 9.

46. Although the applicant’s specification does not mention smart watches by name, in the light of the applicant’s evidence, which includes a significant amount of material relating to smart watches, I asked Mr Engelman whether it was fair to regard the goods in the application as covering smart watches, the various functions of a smart watch, and goods for use with smart watches. However, Mr Engelman said that he has no instructions on this point and was therefore unable to help me.

47. Given the evidence the applicant has put forward in support of its application, particularly the evidence of Mr Watts, I am surprised that the applicant has any difficulty in accepting that its application covers smart watches. However, the applicant’s position on this point requires me to consider and decide that matter.

48. I accept the opponent’s submission that smart watches are encompassed by the terms ‘computers; computer hardware; wireless communication devices’.

49. I also accept that the functions of [health] monitors and monitoring devices, cameras, radios, audio and video devices and global positioning system devices, may also be functions of a smart watch.

50. I further accept that software and software upgrades are likely to be required for smart watches.

51. In the judgment of the CJEU in *Canon* the court stated at paragraph 23 of its judgment that:

“In assessing the similarity of the goods or services concerned, as the French and United Kingdom Governments and the Commission have pointed out, all the relevant factors relating to those goods or services themselves should be taken into account. Those factors include, inter alia, their nature, their intended purpose and their method of use and whether they are in competition with each other or are complementary”.

52. I do not accept that a smart watch is a security device, or that it has been shown that security is a recognised feature of smart watches, or that the goods are normally complementary. There may be a close connection between security goods and services and the watch industry, but this is irrelevant. It follows that I see no similarity between the applicant’s security devices and the opponent’s goods in class 14.

53. The opponent has not explained why it considers ‘computer peripherals’ to be similar to watches in class 14 for which the 366 mark is protected. I see no obvious similarity. Consequently, I find that these goods are not similar to the opponent’s goods in class 14.

54. I find that one of the purposes of a smart watch is the same as a watch – to tell the time. Further, I agree with the opponent that watches in class 14 are not limited to traditional watches. Goods which are primarily time pieces fall in class 14, but such goods may also serve other purposes, such as counting steps or tracking the user’s position using GPS technology. Consequently, I find that there is at least some overlap between the purposes of smart watches in class 9 and watches in class 14, and in some cases there may be several overlaps between the purposes of the respective goods. The goods under consideration are also similar in nature, i.e. watches and smart watches can both be small battery powered devices, and they look very similar. The method of use is the same: both are worn on the wrist. I also accept the opponent’s evidence that there is some competition between smart watches and watches, particularly between smart watches and less traditional watches at lower price points. The goods are not complementary.

55. Overall, I find a high degree of similarity between watches in class 14 and smart watches in class 9, and therefore between ‘horological and chronometric apparatus and instruments’ and ‘computers; computer hardware; wireless communication devices’<sup>20</sup>.

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<sup>20</sup> Goods can be considered as present when they are included in a more general category: *Gérard Meric v Office for Harmonisation in the Internal Market*, Case T- 133/05.

56. I next consider the similarity between, on the one hand, the applicant's [health] monitors and monitoring devices, cameras, radios, audio and video devices and global positioning system devices and, on the other hand, the opponent's watches in class 14. Although these goods are not smart watches as such, they are all capable of being 'wearable technology' in the form of watches. This means that there are similarities between the purpose and nature of the goods, and how they used. I therefore find that there is a medium degree of similarity between these goods.

57. As regards 'computer software', I accept that these goods are probably complementary to smart watches, but I do not consider that the opponent has shown that software is complementary to watches, or horological and chronometric apparatus and instruments generally, in class 14. Consequently, as the nature, purpose and method of use of the respective goods appears to be different, I find that these goods are not similar.

58. Turning to the opponent's services in class 35, I cannot see why these are any more similar to the applicant's goods than the opponent's goods in class 14. Services are plainly different in nature to goods and so, if anything, the opponent's services are less similar to the applicant's goods.

Comparison of marks

59. It is clear from *Sabel BV v. Puma AG* (particularly paragraph 23) that the average consumer normally perceives a mark as a whole and does not proceed to analyse its various details. The same case also explains that the visual, aural and conceptual similarities of the marks must be assessed by reference to the overall impressions created by the marks, bearing in mind their distinctive and dominant components.

The respective trade marks are shown below:

	IWATCH
366 mark	Applicant's trade mark

60. The applicant notes that the marks are visually different and the applicant's mark has 6 letters compared to the 7 letters making up the 366 mark. Mr Engelman accepted (as he had to on the applicant's evidence) that normal and fair use of the applicant's mark would include use if 'iWatch' and iWATCH. It would also include use of 'iwatch'.

61. The opponent claims that the marks look highly similar.

62. I agree with the opponent. As the applicant's mark is made up of 6 of the 7 letters in the 366 mark, and both marks begin with the same letter "I" (albeit in slightly stylised form in the case of the 366 mark), there is bound to be a fairly high degree of visual similarity between the marks. If the applicant's mark is used as 'iwatch', there would be a high degree of visual similarity between the marks.

63. The applicant submits that the 366 mark will be pronounced as ICE-WATCH, whereas its own mark will be pronounced as EYE-WATCH. Therefore the marks are aurally dissimilar or, at most, fleetingly similar.

64. Mr Krause did not dispute the applicant's submission on this point, although he pointed out that the 366 mark could be pronounced in other ways, including as EYES-WATCH.

65. I agree with Mr Krause that the 366 mark could reasonably be pronounced in different ways. If consumers verbalise it as EYES-WATCH then it is obviously highly similar to EYE-WATCH. However, even if consumers pronounced it as ICE-WATCH, it still starts with a hard 'I' sound and ends in WATCH, as does IWATCH. Therefore, in my view, there is a medium to high degree of aural similarity between the marks.

66. The parties disagree about whether the marks are conceptually similar or dissimilar. The applicant submits that there is a strong conceptual difference. This is because average consumers will pick out the word 'swatch' from the opponent's 366 mark because of its reputation as a trade mark for watches, and because of the contrast between the stylised letter 'i' and the word 'swatch'. The applicant says that 'swatch' means 'a small sample of fabric' and, more significantly, watches from the opponent. By contrast, because of a family resemblance to the applicant's other i-prefixed marks, such as IPAD, IPOD, iPhone, the IWATCH mark will be recognised as an Apple product.

67. I reject the submission made on behalf of the applicant that it is appropriate to take into account the trade mark significance of SWATCH, or the claimed trade mark significance of the applicant's i-prefixed marks, in assessing the degree of similarity between the marks. In this connection I note that in *Ravensburger AG v OHIM*, Case T-243/08, the General Court held that:

"27. .... The reputation of an earlier mark or its particular distinctive character must be taken into consideration for the purposes of assessing the likelihood of confusion, and not for the purposes of assessing the similarity of the marks in question, which is an assessment made prior to that of the likelihood of confusion (see, to that effect, judgment of 27 November 2007 in

68. I accept that it is correct to attribute some weight to the fact that the word 'swatch' is discernable in the 366 mark and has the dictionary meaning identified by the applicant. However, in the context of the use of the 366 mark in relation to watches, the conceptual meaning of the word 'watch' is likely to be as, or more, apparent than the dictionary meaning of 'swatch'. If the applicant's mark is used in relation smart watches or watch-like devices, the meaning of 'watch' is also likely to be apparent in the mark IWATCH. Therefore, overall, I find that there is no strong conceptual dissimilarity between the marks, if they are used in relation to the goods I have identified as similar in the preceding section of this decision. There is, in fact, likely to be a degree of conceptual similarity because of the common use of the descriptive word 'watch'. However, I recognise that that is hardly a distinctive conceptual similarity in the context of goods recognisable as a smart watch or a watch-like device.

#### Average consumer and the purchasing act

69. The average consumer is deemed to be reasonably well informed and reasonably observant and circumspect. For the purpose of assessing the likelihood of confusion, it must be borne in mind that the average consumer's level of attention is likely to vary according to the category of goods or services in question<sup>22</sup>.

70. The cost of the applicant's specific goods is not relevant to the identification of the relevant public because the specific cost of the goods is not, and cannot be, part of the proposed trade mark registration<sup>23</sup>.

71. Nevertheless, the goods covered by the application are inherently relatively complex articles. On the premise that the applicant's goods are smart watches, or watch-like wearable technology, the average consumer is likely to be a member of the general public with an interest in technological products. Such a person is likely to pay an above average level of attention when selecting such goods.

#### Distinctive character of the earlier trade mark

72. In *Lloyd Schuhfabrik Meyer & Co. GmbH v Klijsen Handel BV*<sup>24</sup> the CJEU stated that:

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<sup>21</sup> The correctness of this approach was confirmed by the CJEU in *Gateway v OHIM*, Case C58/08 P, where the court stated that it was not necessary for the General Court to make apparent the degree of renown of the earlier mark because it was not relevant in circumstances where the marks as a whole were not similar.

<sup>22</sup> *Lloyd Schuhfabrik Meyer*, Case C-342/97

<sup>23</sup> *Bang & Olufsen A/S v OHIM*, Case T-460/05, the General Court

“22. In determining the distinctive character of a mark and, accordingly, in assessing whether it is highly distinctive, the national court must make an overall assessment of the greater or lesser capacity of the mark to identify the goods or services for which it has been registered as coming from a particular undertaking, and thus to distinguish those goods or services from those of other undertakings (see, to that effect, judgment of 4 May 1999 in Joined Cases C-108/97 and C-109/97 *Windsurfing Chiemsee v Huber and Attenberger* [1999] ECR I-0000, paragraph 49).

23. In making that assessment, account should be taken, in particular, of the inherent characteristics of the mark, including the fact that it does or does not contain an element descriptive of the goods or services for which it has been registered; the market share held by the mark; how intensive, geographically widespread and long-standing use of the mark has been; the amount invested by the undertaking in promoting the mark; the proportion of the relevant section of the public which, because of the mark, identifies the goods or services as originating from a particular undertaking; and statements from chambers of commerce and industry or other trade and professional associations (see *Windsurfing Chiemsee*, paragraph 51).”

73. There is virtually no evidence of use of the 366 mark. Bearing in mind that the relevant goods are watches, the element WATCH in the 366 mark has no distinctive character *per se*. However, the word SWATCH has a modest degree of inherent distinctiveness and *i*swatch as a whole has an average degree of distinctiveness.

74. It is common ground that SWATCH has a high degree of distinctiveness in fact for watches. However, this appears to be of little significance because SWATCH is not part of the applicant’s mark and it is the level of distinctiveness of any common or similar elements that matters for the purpose of assessing the likelihood of confusion<sup>25</sup>.

#### Likelihood of confusion

75. The existence of some level of similarity between the goods/services is an essential precondition for s.5(2) to apply<sup>26</sup>. As I have found that there is no similarity between, on the one hand, security devices, computer peripherals and computer

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<sup>24</sup> Case C-342/97

<sup>25</sup> See *Kurt Geiger v A-List Corporate Limited*, BL O-075-13, Mr Iain Purvis Q.C. as the Appointed Person, at paragraphs 38-40

<sup>26</sup> *Waterford Wedgwood plc v OHIM* – Case C-398/07 P (CJEU)

software, and on the other hand, the goods in class 14 for which the 366 mark is protected, it follows that the s.5(2)(b) ground of opposition cannot succeed in relation to the former goods.

76. Taking account of the high level of visual similarity between IWATCH and the 366 mark, the medium to high degree of aural similarity between the marks, and the high, or at least medium, degree of similarity between the applicant's other goods and those covered by the 366 mark, there appear to be good grounds for the opponent's claim that there is a likelihood of confusion. Mr Krause, for the opponent, sought to emphasise the significance of the high degree of visual similarity between the marks. He pointed out that trade marks often appear on watches in relatively small letters. I accept that this makes it more likely that small differences will go unnoticed, even by someone paying an above average degree of attention.

77. For the applicant, Mr Engelman appeared to place considerable weight on the conceptual differences between the marks, as he saw them. In particular, he relied on the judgment of the CJEU in *The Picasso Estate v OHIM*<sup>27</sup> the CJEU found that:

“20. By stating in paragraph 56 of the judgment under appeal that, where the meaning of at least one of the two signs at issue is clear and specific so that it can be grasped immediately by the relevant public, the conceptual differences observed between those signs may counteract the visual and phonetic similarities between them, and by subsequently holding that that applies in the present case, the Court of First Instance did not in any way err in law.”

78. The court noted that the word PICASSO was “*particularly well known to the relevant public as being the name of the famous painter Pablo Picasso*”<sup>28</sup>.

79. The applicant argues that the trade mark meaning of SWATCH will help to avoid confusion with IWATCH. In my view, as put, that submission is wrong in law. This is because the CJEU has held that the more distinctive the earlier mark the greater the likelihood of confusion. Therefore, to find that an element of the earlier trade mark is so distinctive that there is less likelihood of confusion goes against the case law of the CJEU.

80. I have already explained why I do not consider that the dictionary meaning of the word 'swatch' will strike relevant average consumers as, or any more, strongly than the meaning of the common (but non-distinctive on its own) element WATCH. Although I accept that some average consumers will see the dictionary meaning of 'swatch' in the 366 mark, I do not consider that this meaning will “*be grasped immediately by the relevant public*”. Overall, I find that there is no obvious conceptual dissimilarity between the marks, if they are used in relation to the goods I have

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<sup>27</sup> Case C-361/04 P

<sup>28</sup> See paragraph 55 of the judgment

identified as similar. Equally, there is no distinctive conceptual similarity between the marks. Further, even if there is a low degree of conceptual dissimilarity because of the dictionary meaning of 'swatch', this is not sufficient to counter the pronounced visual and aural similarities<sup>29</sup>.

81. I find that the factors mentioned in paragraph 76 above are sufficient to create a *prima facie* likelihood of direct visual and aural confusion.

82. The applicant seeks to counter such a possible finding by relying on the existence of a family of i-prefixed marks. According to the applicant, this will prevent the IWATCH being confused with the opponent's marks, including the 366 mark.

83. In *Aceites del Sur-Coosur SA v OHIM*<sup>30</sup> the CJEU found that:

"82. First, although the possibility cannot be ruled out that the coexistence of two marks on a particular market might, together with other elements, contribute to diminishing the likelihood of confusion between those marks on the part of the relevant public, certain conditions must be met. Thus, as the Advocate General suggests at points 28 and 29 of his Opinion, the absence of a likelihood of confusion may, in particular, be inferred from the 'peaceful' nature of the coexistence of the marks at issue on the market concerned.

83 It is apparent from the file, however, that in this case the coexistence of the La Española and Carbonell marks has by no means been 'peaceful' and the matter of the similarity of those marks has been at issue between the two undertakings concerned before the national courts for a number of years.

84 Secondly, as regards the argument concerning reputation, it must first be recalled that it is the reputation of the earlier mark, in this case the Carbonell mark, which must be taken into account when determining whether the similarity between the goods covered by the two marks is sufficient to give rise to the likelihood of confusion (see, to that effect, Case C-39/97 Canon [1998] ECR I-5507, paragraph 24). Therefore, in this case the appellant cannot rely on the reputation of the La Española mark on the Spanish olive oil market, as it did moreover, unsuccessfully, at first instance, in order to establish the absence of a likelihood of confusion between the marks at issue, since it is a matter of agreement that that mark postdates the Carbonell mark. Moreover, as regards the reputation of the latter mark, the appellant does not explain how the Court of First Instance, if it had considered that element, could have attributed an enhanced distinctive character to the La Española mark and thereby excluded the existence of a likelihood of confusion between those marks."

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<sup>29</sup> See, by analogy, *Nokia Oyj v OHIM*, Case T-460/07

<sup>30</sup> Case C-498/07 P

84. The conditions described in the above case plainly do not apply to the situation in this case. There is virtually no evidence of use of the 366 mark, and no evidence of any use of IWATCH by the applicant.

85. For the applicant, Mr Krause also took issue with the factual basis of this aspect of the opponent's case. He pointed to Mr Conway's evidence that i-prefixed marks are not exclusively associated with the applicant on the UK market.

86. Mr Engelman sought to counter this evidence by pointing to the evidence that the public expected the applicant's new smart watch to be called IWATCH (or IBAND). He also relied on some decisions of the EU Trade Mark Office in which it has been accepted that i-prefixed marks are distinctive of the applicant, at least when used in relation to certain types of electronic apparatus.

87. Mr Engelman submitted that even the opponent expected the applicant's new smart watch to be called IWATCH. I do not accept this. The relevant evidence<sup>31</sup> shows that it was actually the journalist who interviewed the opponent's CEO that expressed this expectation, and he seems to have been aware that the applicant had already registered IWATCH in Japan. In any event, it is the perception of the relevant public that counts.

88. I accept that there is ample evidence that there was much speculation and rumour amongst the UK public that the applicant's new smart watch would be called IWATCH. It is not clear to me how much of this was spontaneous, and how much was fuelled by the statements and actions of the applicant<sup>32</sup>. What is clear is that the UK public have been exposed to third party marks consisting of i-prefixed marks, including the BBC's well known iPLAYER mark. It therefore seems inherently unlikely that the public would automatically regard any i-prefixed mark as a guarantee that the applicant is responsible for the goods or services offered under it.

89. As to the decisions of the EU Trade Mark Office, I accept that these may be of persuasive value. The most useful, from the applicant's perspective, is the decision of the Second Board of Appeal in Case R 149/2005-2. The Board reversed the Office's refusal to register IPHONE and accepted that *"IPHONE forms part of a long series of marks created by the appellant which are well known and instantly recognisable to the relevant public"*. In Case R 145/2011-2, another Board of Appeal upheld the current applicant's opposition to an application to register a mark including the element IPHONE. In so doing, the Board accepted that the applicant had established a series of i-prefixed marks, such as IMAC and IPOD.

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<sup>31</sup> See paragraph 23 above

<sup>32</sup> Of the kind described in paragraph 26 above.

90. I accept that there is a good case for saying that the applicant has established a family of i-prefixed trade marks. I also accept that the case law indicates that the existence of a family of marks may be of assistance when it comes to opposing the use and registration of later marks which might appear to the public to be members of the same family<sup>33</sup>. However, I remain doubtful that it is factually correct to say that the relevant UK public expect any i-prefixed mark for electronic goods or services to be a mark of the applicant. And even if I am wrong about that, I am not persuaded that this neutralises the apparent likelihood of confusion between IWATCH and the 366 mark. Firstly, I am not aware of any case law which supports the proposition that a *prima facie* likelihood of confusion between an earlier mark and an as-yet-unused later mark can be set aside on the basis that it will be seen as another member of an existing family of the applicant's marks. On the contrary, as noted earlier, the case law of the CJEU focusses on the level of distinctiveness of the earlier mark and whether it is a member of family of marks. These are factors which may increase the normal scope of protection afforded to any earlier mark. It is quite another thing to say that when the facts are reversed the earlier trade mark should be given less protection than normal. Secondly, as Mr Krause pointed out, if the applicant's argument is correct, i.e. i-prefixed marks are associated exclusively with the applicant, then, as a matter of logic, there is a likelihood that the opponent's 366 mark will be confused with the applicant's mark and the family of marks of which it is a member. However, because the opponent's mark is the earlier mark in time (compared to the IWATCH mark), such 'wrong-way-round' confusion works in the opponent's favour for the purposes of establishing the opponent's case under s.5(2)<sup>34</sup>.

91. For the reasons given above, I find that there is a likelihood of confusion with the 366 mark if the applicant's mark is used in relation to:

Monitors and monitoring devices; cameras; computers; computer hardware; wireless communication devices; radios; audio and video devices; global positioning system devices; accessories, parts, components, and cases for all of the foregoing goods.

92. The opposition based on the 366 mark fails in respect of:

Computer software; security devices; computer peripherals; parts, components, and cases for all of the foregoing goods.

I have excluded 'accessories' from this list because a) when applied to the primary goods listed above, I cannot see what goods would be covered, and b) I cannot

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<sup>33</sup> *Il Ponte Finanziaria SpA v OHIM*, Case C-234/06, CJEU

<sup>34</sup> See, by analogy, paragraphs 78 to 80 of the judgment of the Court of Appeal in *Comic Enterprise Ltd v Twentieth Century Fox Film Corporation* EWCA Civ 41 and *Omega* General Court, Case T-90/05, paras 41 to 43

therefore exclude the possibility that they might be similar to the goods covered by the 366 mark.

93. I have considered whether to invite the applicant to provide a restricted specification covering the goods listed in paragraph 91, but avoiding goods being smart watches or wearable technology. I have decided not to do so. Firstly, the applicant was invited to submit a fall-back specification prior to the hearing, but did not do so. Secondly, the evidence indicates that the applicant intends to use the IWATCH mark in relation to smart watches. Therefore excluding such goods is likely to result in a registration which is not relevant to the applicant's commercial intentions.

94. I next turn to consider the opposition based on the 259 mark (SWATCH). As the opposition based on the 366 mark has succeeded in respect of all the goods in the application, save for those listed in paragraph 92 above, and I have accepted the applicant's submission that the opponent's strongest case is based on the 366 mark, I will only consider the opposition based on the 259 mark in relation to the goods listed in paragraph 92.

95. The respective goods are shown below.

Applicant's mark	Opponent's 259 mark
<p>Class 9: Computer software; security devices; computer peripherals; parts, components, and cases for all of the foregoing goods.</p>	<p>Class 9: <b>Apparatus for recording, transmission and reproduction of sound or images;</b> magnetic recording media, sound recording disks; compact disks, DVDs and other digital recording media; apparatus enabling the playing of compressed sound files (mp3); calculating machines and <b>data processing equipment, software;</b> games for mobile telephones, for computers and for digital personal stereos; <b>electronic game software for mobile telephones, for computers and for digital personal stereos;</b> computers, portable computers, digital personal stereos, mobile telephones and new-generation mobile telephones incorporating greater functionality (smartphones); apparatus for recording, transmission, reproduction of sound or images, particularly mobile telephones and new-generation mobile telephones incorporating greater functionality</p>

	(smartphones); optical apparatus and instruments, particularly spectacles, sunglasses, magnifying glasses; batteries and cells for horological and chronometric instruments.
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96. 'Computer software' in the contested application is plainly identical to 'software' in the specification of the earlier mark. I find that security devices covers 'apparatus for recording, transmission and reproduction of sound or images'. This is because the latter covers surveillance equipment, such as CCTV devices, which are often used for security purposes. I further find that 'data processing equipment' covers goods, such as modems, which also fall within the applicant's description of 'computer peripherals'. In any event, 'computer peripherals' are self-evidently highly similar to 'computers' (at large). Therefore, the respective goods are identical, or at least highly similar.

97. The respective trade marks are shown below:

SWATCH	IWATCH
259 mark	Applicant's trade mark

From a visual perspective, both marks are comprised of 6 letters. The first letter of the marks differs, but the other letters are the same and in the same order. It is well established rule of thumb in trade mark comparison cases that the beginnings of marks generally make more an impression on consumers than the ends<sup>35</sup>. Therefore, although the last 5 letters of the marks are the same, the different first letters does make a difference to the overall look of the marks which is not easily missed. Overall, I find that there is a moderate degree of visual similarity between the marks.

98. Aurally, the earlier mark is a single syllable whereas the applicant's mark is a two syllable mark – EYE-WATCH. In my view, there is a low degree of aural similarity between the marks.

99. Having rejecting the applicant's submission that IWATCH has the 'concept' of being an Apple trade mark, I find it has no conceptual meaning when considered as a whole in relation to the goods under consideration. In the context of goods which are not watches (or watch-like goods), I find that the dictionary meaning of 'swatch' – a small sample of fabric - will be mildly apparent to most average consumers. I put it

<sup>35</sup> See *El Corte Inglés, SA v OHIM*, General Court, Cases T-183/02 and T-184/02, at paragraph 81 of the judgment.

no higher than that because 'swatch' is not the sort of word that is used by most people on a regular basis, and there is nothing about the goods at issue that will trigger an association with the dictionary meaning. Therefore, I find that there is only a moderate degree of conceptual dissimilarity between the marks.

#### Average consumer and the purchasing act

100. The average consumer of 'computer software, security devices and computer peripherals' (and parts and fittings etc.) is liable to pay at least a normal degree of attention when selecting such goods.

101. The goods are likely to be selected primarily from catalogues, retail displays and the internet. However, word of mouth recommendations (or the opposite) and discussions with sales people are also likely to play an important part in the selection process. Therefore, although the goods are likely to be selected primarily by visual means, there is also likely to be significant aural use of trade marks during the selection process.

#### Distinctive character of the earlier mark

102. I find that the earlier mark has an average level of inherent distinctiveness in relation to the goods under consideration. There is no evidence of use of any use of the earlier mark in relation to goods in class 9. Consequently, the distinctive character of the earlier mark has not been enhanced through use.

#### Likelihood of confusion

103. I find that the visual, aural and conceptual differences between the marks from the perspective of average consumers, will outweigh the similarity arising from the use of the common letters W-A-T-C-H in the marks. In my view, an average consumer paying at least a normal degree of attention is unlikely to confuse the marks. In reaching this conclusion I have made a reasonable allowance for imperfect recollection and kept in mind that the goods under consideration are identical. Further, assuming that I am right that the differences between the marks will be noticed, I see no reason why average consumers would nevertheless expect the users of the marks to be the same, or economically linked to one another.

104. It follows that the s.5(2)(b) ground fails in respect of the goods set out in paragraphs 92 and 95.

### Section 5(3)

105. In the light of my findings under s.5(2), I only find it necessary to consider the s.5(3) ground in relation to the goods which have survived the s.5(2) ground; namely,

Computer software; security devices; computer peripherals; parts, components, and cases for all of the foregoing goods.

106. Section 5(3) states:

“(3) A trade mark which-

(a) is identical with or similar to an earlier trade mark, shall not be registered if, or to the extent that, the earlier trade mark has a reputation in the United Kingdom (or, in the case of a European Union trade mark or international trade mark (EC), in the European Union) and the use of the later mark without due cause would take unfair advantage of, or be detrimental to, the distinctive character or the repute of the earlier trade mark.”

107. The opponent relies on the 716 mark - SWATCH – which it claims has a reputation in the UK for horological and chronometric apparatus and instruments. The applicant does not dispute that the mark has a substantial reputation for watches. I find that that is a fair characterisation of the reputation of the 716 mark.

108. The relevant case law can be found in the following judgments of the CJEU: Case C-375/97, *General Motors*, [1999] ETMR 950, Case 252/07, *Intel*, [2009] ETMR 13, Case C-408/01, *Addidas-Salomon*, [2004] ETMR 10 and C-487/07, *L’Oreal v Bellure* [2009] ETMR 55 and Case C-323/09, *Marks and Spencer v Interflora*. The law appears to be as follows.

a) The reputation of a trade mark must be established in relation to the relevant section of the public as regards the goods or services for which the mark is registered; *General Motors*, paragraph 24.

(b) The trade mark for which protection is sought must be known by a significant part of that relevant public; *General Motors*, paragraph 26.

(c) It is necessary for the public when confronted with the later mark to make a link with the earlier reputed mark, which is the case where the public calls the earlier mark to mind; *Addidas Saloman*, paragraph 29 and *Intel*, paragraph 63.

(d) Whether such a link exists must be assessed globally taking account of all relevant factors, including the degree of similarity between the respective marks and between the goods/services, the extent of the overlap between the

relevant consumers for those goods/services, and the strength of the earlier mark's reputation and distinctiveness; *Intel, paragraph 42*

(e) Where a link is established, the owner of the earlier mark must also establish the existence of one or more of the types of injury set out in the section, or there is a serious likelihood that such an injury will occur in the future; *Intel, paragraph 68*; whether this is the case must also be assessed globally, taking account of all relevant factors; *Intel, paragraph 79*.

(f) Detriment to the distinctive character of the earlier mark occurs when the mark's ability to identify the goods/services for which it is registered is weakened as a result of the use of the later mark, and requires evidence of a change in the economic behaviour of the average consumer of the goods/services for which the earlier mark is registered, or a serious risk that this will happen in future; *Intel, paragraphs 76 and 77*.

(g) The more unique the earlier mark appears, the greater the likelihood that the use of a later identical or similar mark will be detrimental to its distinctive character; *Intel, paragraph 74*.

(h) Detriment to the reputation of the earlier mark is caused when goods or services for which the later mark is used may be perceived by the public in such a way that the power of attraction of the earlier mark is reduced, and occurs particularly where the goods or services offered under the later mark have a characteristic or quality which is liable to have a negative impact of the earlier mark; *L'Oreal v Bellure NV, paragraph 40*.

(i) The advantage arising from the use by a third party of a sign similar to a mark with a reputation is an unfair advantage where it seeks to ride on the coat-tails of the senior mark in order to benefit from the power of attraction, the reputation and the prestige of that mark and to exploit, without paying any financial compensation, the marketing effort expended by the proprietor of the mark in order to create and maintain the mark's image. This covers, in particular, cases where, by reason of a transfer of the image of the mark or of the characteristics which it projects to the goods identified by the identical or similar sign, there is clear exploitation on the coat-tails of the mark with a reputation (*Marks and Spencer v Interflora, paragraph 74 and the court's answer to question 1 in L'Oreal v Bellure*).

## Link?

109. The assessment of whether the public will make the required mental 'link' between the marks must take account of all relevant factors. The factors identified in *Intel* are:

### *The degree of similarity between the conflicting marks*

I earlier found that the marks are visually similar to a moderate degree, aurally similar to a low degree, and conceptually dissimilar to a moderate degree. Overall, the marks are similar to a low degree.

### *The nature of the goods or services for which the conflicting marks are registered, or proposed to be registered, including the degree of closeness or dissimilarity between those goods or services, and the relevant section of the public*

The goods for which the opponent's mark is registered and for which it has a reputation – watches – are not similar to the goods under consideration in class 9.

### *The strength of the earlier mark's reputation*

The 716 mark has a substantial reputation for watches.

### *The degree of the earlier mark's distinctive character, whether inherent or acquired through use*

The 716 mark is highly factually distinctive for watches.

### *The existence of the likelihood of confusion on the part of the public*

I earlier found that there would be no likelihood of confusion on the part of the public, even if both marks were used in relation to the goods under consideration. Even taking account of the enhanced distinctiveness of the 716 mark for watches, I think it must follow that there is no likelihood of confusion if the earlier mark is used in relation to watches and the applicant's mark is used in relation to dissimilar goods in class 9.

110. Overall, I find that the relevant public for goods in classes 9 and 14 will not make a link between the marks. If that is right, the s.5(3) ground fails.

111. In case I am not right about this, I will briefly consider the opponent's claims of unfair advantage and detriment to reputation/distinctive character of the 716 mark. In making this assessment I must necessarily assume, contrary to my primary finding,

that the relevant public will make a link between the marks. That is to say that the applicant's mark will call the SWATCH mark to mind.

#### Unfair advantage/detriment to reputation/distinctive character of SWATCH

112. If the result of the public calling SWATCH to mind was a likelihood of confusion, including a serious risk that the public will think that the users of SWATCH and IWATCH are economically connected, then the opponent's prospects of success under this heading would be good. However, for the same reasons given in paragraph 109 above, I find that there is no likelihood of confusion.

113. Mr Krause, for the applicant, submitted, by way of example, that a bringing to mind of the SWATCH mark is liable to result in the transfer the image of the 716 mark for precision, accuracy and reliability, to the IWATCH mark. This submission was, of course, made on the premise that the applicant's mark will be used in relation to smart watches or watch-like wearable technology.

114. In my view, the opponent's evidence doesn't even support this submission. Mr Krause was unable to point me to any specific evidence that the SWATCH mark has a particular reputation for precision, accuracy or reliability. He invited me to infer as much on the basis that the watches are Swiss, and Swiss watches are generally associated with these characteristics. Although that is true, it does not follow that any mark for a Swiss-made watch is known for these characteristics. Indeed, the applicant's own evidence, quoted at paragraph 13 above, indicates that SWATCH watches are better known for other things. In any event, the goods I am considering are not watches etc., but security devices, software and computer peripherals. Therefore, the premise for the opponent's submission does not apply. Taking account also of the fact that any link between the reputation of the SWATCH mark for watches, and the applicant's goods in class 9 is likely to be weak (at most), I find that the opponent has not made out its claim of unfair advantage.

115. The opponent's claim of detriment to the reputation or distinctive character of the SWATCH mark is, in my view, even weaker. Mr Krause suggested that the appearance of another mark on the UK market made up of WATCH plus another single letter was likely to damage the exclusivity of the SWATCH mark. He suggested that the sale of smart watches under IWATCH, which do match the reputation of SWATCH for precision, accuracy and reliability, would whittle away at the high regard in which the opponent's goods are held. This would eventually make consumers less likely to buy SWATCH watches and thereby affect the economic behaviour of such consumers.

116. The opponent's failure to show that SWATCH watches have a reputation for precision, accuracy and reliability presents an immediate answer to this submission.

However, even if SWATCH watches were known for these characteristics, the proposition that IWATCH smart watches would damage the reputation of SWATCH, just by weakly reminding consumers of the earlier mark, but without causing any kind of confusion, is, in my view, farfetched and speculative.

117. Further still, even if this was a reasonable point in relation to IWATCH smart watches, the argument does not apply to security devices, software and computer peripherals etc.

118. In the light of these findings there is no need to consider whether the applicant has due cause to use IWATCH.

119. I find that the s.5(3) ground fails.

### **Opponent's application to add an additional ground of opposition**

120. On 25<sup>th</sup> January 2016, the opponent made an application to add a new ground of opposition under s.3(6). In other words, that the application had been filed in bad faith.

121. The opponent justified the application like this:

“The prior applicant, Brightflash USA LLC (“Brightflash”) is described in the applicant’s submissions of 19 October 2015 (see paragraph 26) as an ‘affiliate’ of Apple, Inc (“Apple”). Internet references..... suggest that Brightflash is a straw man company that has been used by Apple to file trade mark applications in order to conceal its identity.

In contrast to an ordinary holding company or licensing vehicle, a straw man company that files a trade mark application in order to conceal another’s identity does not have a bona fide intention to use the trade mark the subject of that application in accordance with the provisions of Section 32(3).

The timing of the assignment of the application into Apple’s name precisely at the time when evidence was required to be filed, allowing the latter subsequently to file a large body of evidence relying upon earlier use of ‘I’ trade marks by Apple, supports an allegation that there never was an intention on the part of Brightflash to use or licence the trade mark, but only to hold it on behalf of Apple in order to conceal the latter’s identity.

This is further supported by the applicant’s request for an extension of time dated 14 August 2015 stating that “the applicant [i.e. Brightflash] is advanced in the process of finalising and compiling its evidence and submissions”. Assuming the evidence and submissions referred to in that request are those eventually filed in the name of Apple on 19 October 2015 (i.e. after the assignment of the application had been recorded), it can be surmised that

Brightflash was always aware that the application would eventually be assigned to Apple without Brightflash ever using or licensing the trade mark, and was working towards that assignment all along.

Apple is required to:

- (a) Disclose the document assigning the application into the name of Apple
- (b) Provide evidence demonstrating the nature of the alleged relationship with Brightflash at the date of filing the application.”

122. I rejected the application and the associated requests for disclosure at a case management conference (“CMC”) held on 16<sup>th</sup> March 2016. I gave my reasons as follows:

“I rejected the application to add an additional ground of opposition under s.3(6) because (a) the application was made very late in the proceedings and was liable to add significant additional cost and delay to the proceedings, and (b) I was not persuaded that there was a properly arguable basis for the proposed ground of opposition.

As regards (b), the supposed bad faith was based on the original applicant’s lack of intention to use the mark on its own account and the opponent’s assertion/suspicion that it was never intended that Apple would use the mark with the original applicant’s consent. This is because the mark is too important to Apple and it holds the other marks it uses. However, in circumstances where the evidence is that the original applicant and Apple are ‘affiliated’ companies, and Brightflash was therefore very likely to consent to Apple’s use of the mark, the opponent’s argument is based on mere speculation about the internal thinking at Apple. I could see that allowing it in would be likely to lead to further ‘fishing’ disclosure requests to try and uncover what that internal thinking was. It should be remembered that the purpose of the statement of intention to use is to prevent marks being registered where there is no *bona fide* intention to use them. There is no doubt that the opposed mark is in use. The allegation that the application was originally made in the name of Brightflash to avoid giving away Apple’s intention to use the mark is irrelevant *per se*. The opponent’s proposed ground of opposition is based on the allegation that Brightflash intended to assign the mark to Apple to use, and not simply to consent to Apple using the mark. This is not fertile ground for a bad faith objection based on no intention to use. Allegations of bad faith should not be made lightly. The fact that they are often are is no answer to this criticism.”

123. The opponent subsequently pointed out that I was mistaken in observing that the applicant’s mark was in use.

124. At the substantive hearing on 26<sup>th</sup> April, the parties were agreed that I should give my reasons for the case management decision and that the period for appealing this decision should run concurrently with the period for appealing against my decisions on the existing grounds of opposition (or at least those still pursued).

125. My reasons for rejecting the application are set out above. I would add the following points. The compatibility between the statement of intention to use required by s.32(3) and the Trade Mark Directive has been the subject of judicial and academic comment<sup>36</sup>. Whatever doubts that may exist in this respect do not mean that the section should be dis-applied. However, the well-known *Marleasing* principle requires decision makers to interpret national laws which may, or may not, be consistent with EU law in a way that makes them consistent. If the statement required under s.32(3) is consistent with EU law, it is because it prevents the registration of trade marks which are not intended to be used. In other words, it prevents abuse of the trade mark system.

126. Although I was mistaken in saying that the applicant's mark was in use, this was not my reason for rejecting the opponent's application to amend its case. The opponent's new ground of opposition does not directly contest that there was an intention to use the mark. Rather, the opponent contends that Apple used Brightflash to conceal its identity as the real applicant. The opponent says that "*it can be surmised*" that there was at all times a plan to assign the mark to Apple. Therefore, Brightflash's statement of intention to use the mark was false.

127. The evidence is that Brightflash and Apple are affiliated companies. It is true that the evidence does not show how they are affiliated, but there does not seem to be much doubt that they are affiliated in some way or another. It is therefore entirely credible that Brightflash would consent to Apple using the mark. This is why I took the view at the CMC that the opponent's case was based on mere speculation about the internal thinking at Apple. And even if the speculation is correct, I am very doubtful that concealing the identity of the 'real' applicant amounts to bad faith, particularly if it was done for the applicant's own commercial purposes. Therefore, in my judgment, the proposed additional ground of opposition based on bad faith had no reasonable prospect of success. In my view, that is a good reason to reject an application to introduce a bad faith allegation after the parties have filed their evidence in chief.

128. In this connection, I note in passing that despite receiving the applicant's evidence in October 2015 (by which time the assignment to the applicant had been recorded), the opponent waited until January 2016 before applying to add the additional ground of opposition. Therefore, even if the change of applicant justified the new ground, I would have held that the opponent didn't act with an appropriate sense of urgency to amend its case.

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<sup>36</sup> See the analysis of Arnold J. in *Red Bull GMBH v Sun Mark Limited, Sea Air & Land Forwarding Limited* [2012] EWHC 1929 (Ch) at paragraphs 159 and 160 and Kerly at §§8–277 to 8–285.

## **Overall outcome**

129. The opposition succeeds for all the goods, except:

Computer software; security devices; computer peripherals; parts, components, and cases for all of the foregoing goods.

Subject to appeal, the trade mark will be registered for these goods.

## **Costs**

130. The applicant asks for off scale costs. There are two reasons for this request. Firstly, that the applicant took the opponent's application to add a bad faith ground very seriously and felt required to appoint counsel to deal with it. Secondly, that the number of grounds of opposition and earlier marks relied upon were unreasonably and unnecessarily numerous, as shown by the considerably reduced number of grounds and earlier marks run at the hearing.

131. In answer to the applicant's first point, the opponent says the application to add the proposed bad faith ground was not taken lightly or without good reason. The opponent points out that the applicant's decision to appoint counsel for the CMC was made last minute, implying that it was not in response to the perceived seriousness of the bad faith allegation.

132. In answer to the applicant's second point, the opponent says that it should not be penalised in costs for its decision to better focus the basis of opposition prior to the hearing. The opponent disputes that different evidence would have been filed by the applicant, if it had narrowed its case earlier.

133. It is very frustrating that the opponent left it so late to better focus its case. I doubt it made much to the applicant's evidence, but it probably wasted the applicant's time preparing for the hearing on grounds/marks that were not run. However, I hesitate to classify the (admittedly last minute) focussing of the opponent's case as unreasonable behaviour. I therefore accept the opponent's answer to the applicant's second point.

134. I do not accept the opponent's answer to the applicant's first point. I have no reason to doubt that the applicant appointed counsel for the first time when it saw that the opponent wanted to run a bad faith allegation. I do not doubt that the opponent thought that its bad faith ground was a proper ground of opposition, and that it had a reason to raise it so late. However, in my view, the real issues between the parties in these proceedings are plainly those expressed in the relative grounds of opposition. The application to add a bad faith ground was a distraction, at best.

Less charitably, it was an attempt to buttress the opposition on a technicality dressed up as a serious allegation of bad faith. It was bound to add delay and add to the applicant's costs. It was unreasonable to make such an application. And it is necessary to discourage unreasonable behaviour.

135. I made a decision at the CMC on costs, which I expressed as follows:

“I was told [at the CMC] that the applicant took the [bad faith] allegation seriously and appointed counsel to deal with it. This is why I decided that the opponent should make a reasonable contribution towards the costs that it had caused the applicant to incur in this respect.”

136. So far as I can see, the opponent has not disputed the reasonableness of the quantum claimed by the applicant in this respect. According to the breakdown provided to me by the applicant, these costs came to £5617. I therefore find that the applicant is entitled to recover these costs, irrespective of the outcome of the opposition.

137. The opposition succeeded to a greater extent than it failed. Therefore, the opponent is also entitled to a contribution towards its costs. I see no unreasonable behaviour on the applicant's part. Therefore, the applicant's contribution towards the opponent's costs should be calculated in the usual way based on scale costs. Further, as the opposition partly failed, the costs should be adjusted downwards by 25%.

138. On that basis, I find that the opponent is entitled to an award of £2850 towards the cost of these proceedings. This is made up of:

£200 to cover the official filing fee for the notice of opposition;  
£400 for considering the notice of opposition and filing a counterstatement;  
£1500 for filing evidence and (particularly) reviewing the applicant's (voluminous) evidence;  
£750 for attending the hearing and preparing a skeleton argument.

139. Deducting £2850 from £5617 leaves £2767. I therefore order Swatch AG (Swatch SA) (Swatch Ltd) to pay Apple Inc. the sum of £2767. This sum should be paid within 14 days of the end of the period allowed for appeal or, in the event of an appeal by either side, within 14 days of the conclusion of the appeal proceedings.

**Dated this 27th Day of June 2016**

**Allan James  
For the Registrar**