



Neutral Citation Number: [2017] EWHC 713 (Ch)

CH-2016-000177

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
On Appeal From the Intellectual Property Office

Royal Courts of Justice, Rolls Building
Fetter Lane, London, EC4A 1NL

10 April 2017

Before :

MR JOHN BALDWIN QC
(sitting as a Deputy Judge of the High Court)

Between :

Apple Inc	<u>Appellant</u>
- and -	
Swatch AG	<u>Respondent</u>

Mark Engelman (instructed by Locke Lord (UK) LLP) for the Appellant
Andrew Norris (instructed by Haseltine Lake LLP) for the Respondent
Hearing date: 20 December 2016

Approved Judgment

I direct that pursuant to CPR PD 39A para 6.1 no official shorthand note shall be taken of this Judgment and that copies of this version as handed down may be treated as authentic.

John Baldwin QC

1. This is an appeal from the decision of Mr Allan James acting for the Registrar of Trade Marks dated 27th June 2016, amended 26th August 2016, (O/307/16), whereby he upheld in part an opposition by Swatch AG to the registration of the trade mark IWATCH in respect of certain goods in class 9.
2. The story began on 18 March 2014 when Brightflash USA LLC applied to register IWATCH as a trade mark in respect of goods in Classes 9 and 14. On 15 October 2015 the application was assigned to Apple Inc (“Apple”). Following examination, the application was refused in respect of all the goods in Class 14 on the grounds that it was descriptive or devoid of distinctive character, but accepted in relation to the following goods in 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.

3. On 12 September 2014 Arcadia Trading Ltd (“Arcadia”) opposed the application on the grounds that it was descriptive or devoid of distinctive character, i.e. on absolute grounds. In a decision dated 30 August 2016 (O/412/16) Mr Mark King acting for the Registrar upheld the opposition in part but permitted the application to proceed to registration in relation to the following goods:

“Security devices; cameras; computer peripherals; radios; accessories, parts, components, and cases for all of the foregoing goods.”

4. On 10 March 2017 Arnold J dismissed Apple’s appeal against Mr King’s decision (*Apple v Arcadia* [2017] EWHC 440 (Ch)).
5. Meanwhile, on 15 September 2014 Swatch AG opposed the application on relative grounds; that registration would be contrary to s. 5(2)(b) and/or s. 5(3) of the Trade Marks Act. They relied on the following earlier marks:

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


in respect of horological and chronometric instruments (including watches) in class 14 and services consisting of retail trading of horological products in class 35.

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

SWATCH

in respect of 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 13487162 (“the 716 mark”)

SWATCH

in respect of horological and chronometric apparatus and instruments; parts and fittings for all the aforesaid goods; all included in Class 14.

6. In the decision under appeal Mr James upheld the opposition in part but permitted the application to proceed to registration in relation to the following goods:

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

7. Thus the position on this appeal is that Apple is seeking to overturn a decision refusing registration based on an attack on relative grounds when an attack on absolute grounds has already succeeded to a significant extent. I understand it is doing so in case Arnold J’s decision is overturned on a subsequent appeal.
8. The appeal before me proceeded only in respect of the findings in relation to the 366 mark.
9. The principles applicable on an appeal from the Registrar of Trade Marks were considered by Daniel Alexander QC, sitting as the Appointed Person, in *TT Education Ltd v Pie Corbett Consultancy Ltd* (O/017/17). His summary at [52] was approved by Arnold J in *Apple v Arcadia* [2017] EWHC 440 (Ch) as being applicable to this jurisdiction:
 - (i) Appeals to the Appointed Person are limited to a review of the decision of Registrar (CPR 52.11). The Appointed Person will overturn a decision of the Registrar if, but only if, it is wrong (Patents Act 1977, CPR 52.11).
 - (ii) The approach required depends on the nature of decision in question (*REEF*). There is spectrum of appropriate respect for the Registrar’s determination depending on the nature of the decision. At one end of the spectrum are decisions of primary fact reached after an evaluation of oral evidence where credibility is in issue and purely discretionary decisions. Further along the spectrum are multi-factorial decisions often dependent on inferences and an analysis of documentary material (*REEF, DuPont*).
 - (iii) In the case of conclusions on primary facts it is only in a rare case, such as where that conclusion was one for which there was no evidence in support, which was based on a misunderstanding of the evidence, or which no reasonable judge could have reached, that the Appointed Person should interfere with it (*Re: B and others*).

- (iv) In the case of a multifactorial assessment or evaluation, the Appointed Person should show a real reluctance, but not the very highest degree of reluctance, to interfere in the absence of a distinct and material error of principle. Special caution is required before overturning such decisions. In particular, where an Appointed Person has doubts as to whether the Registrar was right, he or she should consider with particular care whether the decision really was wrong or whether it is just not one which the appellate court would have made in a situation where reasonable people may differ as to the outcome of such a multifactorial evaluation (*REEF, BUD, Fine & Country* and others).
- (v) Situations where the Registrar's decision will be treated as wrong encompass those in which a decision is (a) unsupportable, (b) simply wrong (c) where the view expressed by the Registrar is one about which the Appointed Person is doubtful but, on balance, concludes was wrong. It is not necessary for the degree of error to be 'clearly' or 'plainly' wrong to warrant appellate interference but mere doubt about the decision will not suffice. However, in the case of a doubtful decision, if and only if, after anxious consideration, the Appointed Person adheres to his or her view that the Registrar's decision was wrong, should the appeal be allowed (*Re: B*).
- (vi) The Appointed Person should not treat a decision as containing an error of principle simply because of a belief that the decision could have been better expressed. Appellate courts should not rush to find misdirections warranting reversal simply because they might have reached a different conclusion on the facts or expressed themselves differently. Moreover, in evaluating the evidence the Appointed Person is entitled to assume, absent good reason to the contrary, that the Registrar has taken all of the evidence into account. (*REEF, Henderson and others*).

10. Turning to Mr James' decision, after reviewing the evidence before him he proceeded to consider the opposition under s. 5(2)(b) based on the 366 mark in class 14, which he considered to be the opponent's strongest case. He began by rehearsing the principles to be taken into account, which principles are well-known, and it is not suggested that he failed properly to identify them.
11. He continued his analysis by comparing the respective goods and within that comparison he considered he had to decide whether smart watches were encompassed by the terms 'computers; computer hardware; wireless communication devices'. He held that they were. He also accepted that the functions of [health] monitors and monitoring devices, cameras, radios, audio and video devices and global positioning system devices could also be functions of a smart watch.
12. He concluded there was no similarity between smart watches and security devices or smart watches and computer peripherals or computer software but overall he concluded there was 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’.

13. He considered the similarity between [health] monitors and monitoring devices, cameras, radios, audio and video devices and global positioning systems on the one hand and the opponent’s watches on the other. On the basis that the former were capable of being wearable technology in the form of watches he found a medium degree of similarity.
14. He went on to compare the respective marks and did so using the well-known guidance in *Sabel v Puma*. He concluded that, visually, the marks were highly similar and that there was a medium to high degree of aural similarity. He went on to consider conceptual similarity and concluded there was no strong conceptual dissimilarity between the marks if used in relation to goods he had identified as similar. He found a high degree of conceptual similarity because of the common use of ‘watch’ but accepted it was not a distinctive conceptual similarity in the present context.
15. Mr James next considered the average consumer, the distinctive character of the earlier trade marks and the likelihood of confusion and reached the conclusion which is now complained of. Having carried out his analysis for the 366 mark he considered the position with respect to the 259 mark and what had survived the 366 attack. He found that the 259 mark did not take the matter any further.
16. Mr James then considered the opposition under s. 5(3) but only in respect of those goods which survived the s. 5(2)(b) attack. He dismissed the opposition under this head and there is no appeal therefrom.
17. There were essentially two grounds of appeal: the first complained of errors in assessing the similarity of the goods and the second of errors in assessing the similarity of the marks.
18. Regarding errors in assessing similarity of goods, Mr Engelmann, who presented the appeal for Apple, submitted that the Hearing Officer made a fundamental error when conducting his analysis by reference to smart watches since smart watches

were not embraced by either his client's application or the opponent's registrations. He submitted that the error was compounded by the Hearing Officer's failure to consider what he called the Market Cross-over Point as explained in *Gerard Meric v OHIM* T-133/05. The Hearing Officer's final error was a failure to recognise that public policy demands acceptance and recognition of 'the internet of everything' (whatever that means) and had he done so then he would have rejected the opposition.

19. Regarding Mr Engelman's first point, the Hearing Officer accepted the submission that smart watches are encompassed by the terms 'computers; computer hardware; wireless communication devices' and that the functions of [health] monitors and monitoring devices, cameras, radios, audio and video devices and global positioning devices may also be the functions of a smart watch. He further accepted that software and software upgrades are likely to be required for smart watches. There is no evidential basis for a challenge to the Hearing Officer's conclusion on these matters and accordingly I reject Mr Engelman's submission that a smart watch is not covered by Apple's proposed specification.
20. The Hearing Officer went on to observe that one of the purposes of a smart watch is the same as that of an ordinary watch, that is to say, to tell the time. He went on to find that there was some overlap between the purposes of smart watches in class 9 and watches in class 14 and he went on to observe that the goods were similar in nature in that watches and smart watches can both be small battery powered devices which look very similar and that the method of use is the same, both being worn on the wrist. These matters appear to have had a significant impact on his conclusion that there was a high degree of similarity between 'horological and chronometric apparatus and instruments' in class 14 and 'computers, computer hardware, wireless communication devices' in class 9 and a medium degree of similarity between [health] monitors and monitoring devices, cameras, radios, audio and video devices and global positioning systems on the one hand and the opponent's watches in class 14.
21. Shorn of its opaqueness because of the different types of goods involved, the Hearing Officer's conclusion is that there is a high degree of similarity between, for example, wireless communication devices on the one hand and horological and

chronometric apparatus and instruments on the other, and a medium degree of similarity between, for example, cameras and radios on the one hand and horological and chronometric apparatus and instruments on the other because of the functionality, appearance and method of use of smart watches. I find this conclusion very difficult to accept and, if right, would, it seems to me, have far reaching consequences in the context of registrability of trade marks. I do not think it is right. I think an error has arisen because the hearing officer took into account an incidental attribute of a device (that it can be used to tell the time) which for other reasons falls within the specification of goods for which the Applicant seeks registration, thus condemning all such devices even though they do not have that incidental characteristic.

22. The matter can be tested by considering the Hearing Officer's conclusion in relation to security devices. He did not accept that a smart watch was a security device or that security is a recognised feature of smart watches or that the goods are normally complementary. As a result he saw no similarity between security devices and the opponent's goods in class 14. However, consider the position if the ever innovative Apple introduces a rape alarm feature into a smart watch, or introduces a feature which enables a smart watch to liaise/interact with a user's domestic burglar alarm system. Is there now, contrary to the conclusion of the Hearing Officer, a high or medium degree of similarity between security devices and chronometers? In my judgment there is not. The basic facts have not changed sufficiently.
23. In these circumstances I must revisit the issue of similarity of goods and I do so following the principles in *Canon*, Case C-39/97. I was not shown the evidence filed on this opposition but it is evident from the Hearing Office's summary that the opponent was relying on the multiple attributes of a smart watch to support the submission which found favour with the Hearing Officer and which I have rejected.
24. I have considered the respective specifications and, inter alia, the nature of the goods, their intended purpose and method of use and whether they are in competition with each other or complementary and my conclusion with respect to

similarity of goods is that, for those goods where the Hearing Officer found a high or medium degree of similarity, there is only a low degree of similarity.

25. Regarding similarity of the marks, Mr Engelman contended that the Hearing Officer was wrong to ignore the reputation/distinctiveness of the Swatch trade mark and/or that of Apple's i-prefixed family of marks. There is some tension in that submission with respect to the 366 mark since it suggests the average consumer would associate the 366 mark with Apple's business on the basis that it was one of the family.
26. The Hearing Officer found a high degree of visual similarity between the marks and it is impossible to fault that conclusion. He found there was a medium to high degree of aural similarity and again it is impossible to fault that conclusion (not least because the descriptors are so vague).
27. In assessing conceptual similarity he rejected the submission that it was appropriate to take into account the trade mark significance of either swatch or the i-family of marks and found there was 'no strong conceptual dissimilarity between the marks in relation to the goods he had identified as similar'. But he recognised that there is hardly a distinctive conceptual similarity in the context of goods recognisable as watch-like devices. In addition, I now have the benefit of Arnold J's decision in *Apple v Arcadia* to the effect that the Hearing Officer in that case was entitled to conclude that IWATCH had not acquired a distinctive character in relation to smart watches.
28. The difficulty I have with this point arises out of the same matters which led to the finding in the *Arcadia* case to the effect that the application be refused on absolute grounds in relation to many of the goods for which registration was sought. The reason is that any conceptual similarity between the two marks arises out of the common use of the word watch. This is a common descriptor in relation to the opponent's goods in class 14 but is not common in relation to the applicant's goods in class 9 unless the goods in question are, incidentally, also used as time pieces. Given the inherent vagueness of the Hearing Officer's conclusion on the point, it would not be right for me to disagree with him.

29. Turning to the assessment of the likelihood of confusion. Mr Engelman had several criticisms of the Hearing Officer's approach (he repeated before me the submissions which the Hearing Officer considered and rejected). However it is clear from his reasoning that a very important factor in the Hearing Officer's conclusion was what I have found to be his erroneous conclusion on the similarity of goods. I have carried out the same analysis as the Hearing Officer based on my assessment of the degree of similarity in the goods and I have reached the conclusion that the Hearing Officer's finding in paragraph 91 of his decision is mistaken.
30. The Hearing Officer only considered the opposition based on the 259 mark in relation to the goods in paragraph 6 above. In the changed circumstances, I need to consider it based on all the goods for which registration is sought. However, the Hearing Officer concluded that, of the goods which he considered, some of them were identical, or at least highly similar, to those protected by the 259 mark. Nevertheless he dismissed the opposition and his reasoning cannot be faulted. That being so, the 259 mark does not affect my overall conclusion and the appeal must be allowed.