

SOUTH AFRICA / JUDGMENT

Swatch AG (Swatch SA) v Apple Inc (68438/2016) [2018] ZAGPPHC 966 (31 May 2018)

[2018] ZAGPPHC 966

COURT

North Gauteng High Court, Pretoria

BEFORE

Fabricius

CASE / FILE NUMBER

68438/2016

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IN

THE HIGH COURT OF SOUTH AFRICA
(GAUTENG
DIVISION, PRETORIA)

Case

Number: 68438/2016

REPORTABLE: YES
OF
INTEREST TO OTHER JUDGES: YES
REVISED

DATE: 31/5/18
In

the matter between: SWATCH
AG (SWATCH SA)
APPLICANT
(OPPONENT)
And
APPLE
INC.
RESPONDENT
(TRADEMARK
APPLICANT)

JUDGMENT

Fabricius J,

1.

The Opponent, Swatch AG, opposed the registration of trademarks in terms of s. 21 of the Trade Marks Act of 1993 (“the Act”). This opposition was initially brought before the Registrar of Trademarks but was transferred to the High Court in terms of s. 59

(2) of the Act.

2.

Swatch is the proprietor of Trademark Registration 1986 /04168 SWATCH LOGO in Class 14, registered for the word Swatch, in a particular font. The Swatch registration covers, amongst others, horological and other chronometric instruments, namely clocks and watches.

3.

Swatch opposes the registration of two trademarks applied for in the name of the Trademark Applicant (Apple Inc.), for the trademark IWATCH. The first trademark application is sought to be registered in Class 9 for an array of primarily electronic goods, and the second trademark application is sought to be registered in Class 14, which has a more limited scope, and includes horological and chronometric instruments.

4.

Swatch relies on s. 10 (6), 10 (14) and 10 (17) of the Trademarks Act 194 of 1993, in support of its opposition. It was however submitted that the opposition under s. 10 (6) would not be dealt with as the protection afforded to trademark proprietors under that section was narrower in scope than s. 10 (12) and 10 (14) and, as such, if Swatch did not succeed under those sections, it would not succeed under s. 10 (6) either.

5.

Section 10 (14) requires that Swatch must establish, and the Court must be satisfied that the goods in respect of which Swatch's

trademarks are registered, “are the same as or similar to”, the goods in respect of which Apple's marks are applied for; and Swatch's trademark is so similar to Apple's trademark that the use by Apple of its mark in respect of the goods for which it is sought to be registered, would be likely to deceive or cause confusion.

6.

In *Orange Brand Services v Account Works Software* 2013 BIP 313 (SCA), it was held that the ultimate test in this context was whether on a comparison of the two marks, it could properly be said that there was a reasonable likelihood of confusion if both were to be used together in the ordinary course of business, in a normal and fair manner, in relation to the goods, and/or services for which they were registered, or are sought to be registered.

7.

Swatch alleged in its Founding Affidavit, that the goods for which Apple sought registration in Class 14, were identical to those in respect of which Swatch's trademark was registered. This was not denied by Apple. The goods covered by Apple's trademark application in Class 14, and Swatch's trademark registration in Class 14, include horological and other chronometric instruments.

8.

As far as Class 9 registration was concerned, the evidence indicated that clocks and watches (which are the subject of Class 14

registration) are similar goods to many of the electronic goods covered by Apple's Class 9 application. Particular reference

was made to "smart watches" which are capable of providing access to the internet, storing and transmitting data and

sending and receiving electronic mail, amongst others. Apple's Class 9 specification includes handheld mobile digital electronic

devices, capable of providing access to internet and also for the sending, receiving and storing of calls, faxes and electronic mail. It also includes electronic handheld units for such use, amongst others. Smart watches fall within the scope of Apple's Class 9 registration, insofar as they provide this functionality. It was therefore submitted that it could scarcely be denied that Apple's Class 9 registration covers goods which are similar to smart watches. Mr C. Puckrin SC, on behalf of the opponent therefore submitted that it could not realistically be disputed that Apple's Class 14 application was in respect of the identical goods for which Swatch had obtained registration in Class 14. He also submitted that there could be no real dispute between the parties that certain watches met the description of the goods covered in Apple's Class 9 application, and that those goods were the same as, or at least similar to, the goods covered by Swatch's Class 14 registration.

9.

As far as the test for determining the likelihood of confusion was concerned, this was summarized in *Plascon-Evans Paints Ltd v Van Riebeeck Paints (Pty) Ltd*

[1984] ZASCA 51; 1984 (3) SA 623 (A), as follows: "The determination of these questions [the likelihood of confusion] involves essentially a comparison between the mark used by the defendant and the registered mark and, having regard to the similarities and differences

in the two marks, an assessment of the impact which the defendant's mark would make upon the average type of customer who would be likely to purchase the kind of goods to which the marks are applied. This notional customer must be conceived of as a person of average intelligence, having proper eyesight and buying with ordinary caution. The comparison must be made with reference to the sense, sound and appearance of the marks. The marks must be viewed as they would be encountered in the market place and against the background of relevant surrounding circumstances. The marks must not only be considered side by side, but also separately. It must be borne in mind that the ordinary purchaser may encounter goods, bearing the defendant's mark with an imperfect recollection of the registered mark and due allowance must be made for this. If each of the marks contains a main or dominant feature or idea the likely impact made by this on the mind of the customer must be taken into account. As it has been put, marks are remembered rather by general

impressions or by some significant or striking feature than by a photographic recollection of the whole. And finally consideration

must be given to the manner in which the marks are likely to be employed as, for example, the use of name marks in conjunction with a generic description of the goods". It was also submitted that to those principles need only be added the statement in *Bata v Face Fashions CC* and Another 2001 (1) SA 844 (SCA), where the Court, after referring to the *Plascon Evans* test, said the following: "[9] A similar approach was adopted by the European Court of Justice in *Sabel BV v Puma AG, Rudolf Dassler Sport* [1998] RPC 199. At 224 it was said that the likelihood of confusion must be appreciated globally" and that the

"global appreciation of the visual, aural or conceptual similarity of the marks in question, must be based on the overall impression given by the marks, bearing in mind, in particular, their distinctive and dominant components'."

A similar comment appeared in *Cowbell AG v ICS Holdings Ltd* 2001 (3) SA 941 (SCA).

10.

In the *Puma* decision *supra*, Harms JA made it clear that the determination of trademark infringements, in the context of confusing similarity, was largely a matter of first impression.

See: *Puma v Global Warming* 2010 (2) SA 600 (SCA).

In *Adidas AG v Pepcor Retail Ltd* 2013 BIP 203 par. [22], it was said that the Court "must not consider the question of deception or confusion as if the purchaser of the goods will have had the opportunity of carefully considering the marks and even comparing them side by side. They must look at the marks as they will be seen in the marketplace and take into account a notional purchaser".

Further, in Webster and Page, South African Law of Trademarks 4TH Edition, par.12.23, the following was said: “On a proper interpretation of the South African section the degree of resemblance between the marks and the degree of resemblance between the goods or services must be such that their combined effect will be to produce a likelihood of deception or confusion when that mark is used on those goods or services”. This view was confirmed in New Media Publishing (Pty) Ltd v Eating Out Web Services CC [2005] ZAWCHC 20; 2005 (5) SA 388, where the Court said that in assessing confusing similarity for purposes of trademark infringement, "There is, it seems to me, an interdependence between the two legs of the inquiry: the less the similarity between the respective goods or services of the parties, the greater will be the degree of resemblance required between their respective marks before it can be said that there is a likelihood of deception or confusion in the use of the allegedly offending mark, and vice versa... ”

11.

Assessing confusing similarity:

It was submitted that it was important to note that Apple seeks to register and Swatch has registered their respective marks in respect of identical goods, which include watches and smart watches. As such, the lesser will be the degree of resemblance required between the respective marks before it can be said that there is a likelihood of deception or confusion in the use of IWATCH. Mr Puckrin submitted that considered holistically, SWATCH and IWATCH are clearly confusingly similar. Visually, the marks SWATCH and IWATCH have obvious similarities. Both trademarks consist only of letters with no logos or other distinguishing matter. Both have a sequence of five letters, placed in the same order, with the common element ‘watch’ being preceded by a single-letter prefix. There is no space or other device such as a hyphen or dot between the letters. The fact that one mark starts with S and the other with I, does little to distinguish them from a visual perspective.

Filed application:

SWATCH Trademark:

IWATCH

swatch

It was submitted that the stylisation of the Swatch mark was not particularly distinctive, being no more than the mark SWATCH appearing in a particular font. Apple’s trademarks were not sought to be registered in a particular font, and as such, Apple could choose to use the same font used by Swatch, in relation to its mark. In those circumstances, there would be no difference in visual appearance of the marks, save for the first letter of the marks. The likely use of the marks in trade should also be borne in mind, he said, the letters on the dial of a watch, are very small, and can therefore easily be misread, or even blocked out by the watches’

dials. The likelihood of confusion was obviously increased as a result. Also the marks sound similar when spoken. Further, conceptually, both marks are similar, that neither SWATCH, nor IWATCH, has any meaning.

12.

Having regard to the fact that Apple heavily relied on the consumers associating letter “I” with it, because of its well-known products and services such as iTunes, iPhone, iPod, iPad and others, he submitted that these products and services were likely to be well-known by consumers in South Africa, but it did not follow that other I-marks would be. There was nothing to suggest that consumers would associate IWATCH with Apple. There were literally hundreds of products available on the market called “I-something”,

and most of these did not originate from Apple. Apple also did not even call its watch IWATCH - it was called Apple Watch. There was therefore no factual basis for the claim that consumers in South Africa would associate IWATCH with Apple. Swatch has developed an extensive reputation for its SWATCH trademark in South Africa, and as a result, consumers associate the SWATCH trademark with swatch, and particularly with its well-known range of watches. Therefore, Apple’s claim that the WATCH-element in SWATCH had lost its identity was not credible.

13.

The conclusion was that IWATCH and SWATCH trademarks are confusingly similar, and in particular, given that they are sought to be

registered and intended to be used, on identical goods.

14.

Reference was also made to findings in a number of trademark registries around the world. I have read those submissions, but in my view they are not particularly relevant as Mr Michau SC submitted on behalf of the Respondent, Apple Inc. in as much as South African law had its own well-established principles.

15.

Section 10 (12) :

It was also submitted that in addition, registration of Apple’s IWATCH trademark would be contrary to law, in the context of passing-off under the common law, and would give rise to a likelihood of confusion in contravention of the provisions of s. 10 (12) of the Act In order to succeed with an action based on passing-off, and thus for the likelihood of deception or confusion to a rise, Swatch had to establish two central requirements. The first was proof of good will or reputation in the goods or services symbolized by the relevant marks, and the second was proof of the likelihood of deception or confusion.

See: *Caterham Car Sales and Coach Works Ltd v Birkin Cars (Pty) Ltd and Another* [1998] ZASCA 44; 1998 (3) SA 938 (SCA).

It was said that Swatch clearly enjoyed a reputation in the SWATCH trademark at the time that Apple filed its applications in 2013, and continues to do so. Considerable evidence was produced by Swatch in this regard, which Apple was not in a position to contest, so it was contended. There was, in any event, no reason to doubt the evidence of the use of SWATCH in South Africa, as it was a household name in this country. I will not deal with Apple's point in this context, namely that the deponent to the Founding Affidavit did not have the required personal knowledge. It has no merit.

16.

It was therefore contended that SWATCH and IWATCH, were confusingly similar, and that the respective marks in this instance did not have any significant distinguishing features. In those circumstances, the use by Apple of IWATCH is likely to deceive members of the public to the extent that they at least believe there is a connection in trade between SWATCH and IWATCH. Use of the proposed marks by Apple consequently amount to passing-off under the common law, and under the circumstances the use of the marks sought to be registered would be likely to cause confusion or deception and be contrary to law, and should therefore be refused in terms of s. 10 (12) of the Act.

17.

Section 10 (17):

Under this heading, it was submitted that having shown that IWATCH and SWATCH are confusingly similar, there could be little doubt that the trademark applicant's use of the proposed marks would be likely to take unfair advantage of, or be detrimental to, the distinctive character of Swatch's SWATCH trademark and that such use was without the consent of Swatch. The application ought to be refused under this heading as well.

18.

Having regard to the marks, when considered globally being confusingly similar, there existed as a result, a strong likelihood of confusion and deception of consumers. Apple's trademark application should therefore be refused, and it should be ordered to pay the cost of the opposition.

19.

The Respondent's argument:

Mr Michau SC pointed out that Apple Inc. needed no introduction in that it was one of the world's most powerful brands and had brought to consumers successful products such as iPod, iTunes, iMap, iBook, iMovie, iCloud and others. It has an extensive "family"

of NI" trademarks. It wished to add another "I" trademark to this family of trademarks, as It was put, namely IWATCH.

20.

As far as the opponent's argument was concerned, that It no longer relied on the provision of s. 10 (6), he said that the success of all of the grounds of opposition depended upon a comparison between the trademarks IWATCH on the one hand, and SWATCH on the other. If they are found not to be confusing and similar, not one of the sections relied upon by the opponent would assist it. Much of the evidence was therefore irrelevant as the case turned upon a comparison of the marks bearing in mind the legal principles. At the hearing both Counsel and I were of the refreshingly same view: the test in this case was really only the following question

- what would be the final impression of the average type of consumer?

See: par. 25 infra.

21.

Dealing with the opponent's argument as to why the respective trademarks were confusingly similar, namely because of the commonality of the last five letters, being the ordinary English word "watch", he referred me to the decision of National Brands Ltd v Blueline Manufacturing (Pty) Ltd 2001 (3) SA 563 (SCA), In which the appellant had sued the respondent for trademark infringement alleging that the use of the trademark "ROMANTIC

DREAMS", was an infringement of the registered trademark "ROMANY CREAMS", also arguing a commonality of many of the letters.

In this context, the SCA said the following:

"[9] In my view, the marks are not likely to deceive or confuse by their sound. While the first word of each mark has three syllables, they are pronounced quite differently, even allowing for imperfect usage. The emphasis in the appellant's mark is on the first syllable and the last syllable is rather indistinct. The respondent's mark, on the other hand, emphasises the second syllable, and the articulation of the third syllable is readily heard. When one adds the distinction in the first letter of the second word in each case, albeit that it is not marked, the two phrases sound quite different. As for the sense of the two phrases, in my view they bear no resemblance at all. It was upon their visual appearance, however, that counsel for the appellant placed the greatest store, pointing out that the first and last five letters of both marks are identical. When those letters are highlighted, as they were in the heads of argument, the resemblance might seem Impressive, but It must be borne

in mind that the appellant is not likely in fair and normal use to highlight those letters at the expense of the remainder, and nor is there any suggestion that the respondent has used or will use Its mark in that way. On the contrary, they are likely to be seen in the form in which the words are ordinarily written, and should be visually compared In that form.

[10] A word mark, and particularly one that makes use of ordinary language, is not merely a combination of abstract symbols (at least to the literate observer) but is usually recognisable as a whole, and for what it conveys (as to the impact of a word mark upon those who are not literate, I respectfully associate myself with the observations of Harms JA in *Reckitt and Colman SA (Ply) Ltd v SC Johnson & Son SA (Pty) Ltd* 1993 (2) SA 307 (A) at 3168

- E). In that respect, in my view, its visual appearance cannot be separated altogether from its sense. Where the sense of one word mark differs markedly from that of another (es in this case), and in particular where the registered trade mark is well known, it seems to me that the scope for deception or confusion is reduced, though these are always matters of degree. In my view, the visual distinctions in the words that are in issue in this case, bearing in mind too that each Immediately conjures up a different picture, are such that there is not likely to be deception or confusion as contemplated by s. 34 (1) (a).”

He therefore submitted that in the present instance, it was important to bear in mind the following:

1. The word “swatch” is an ordinary English word. It has one definition only, namely “a small sample of fabric intended to demonstrate the look of a larger piece”. In that word, the word "watch" has completely lost its identity.
2. Whatever visual and phonetic similarities there may be, when given a “global consideration, the conceptual dissimilarity is of such a nature that there is no real likelihood of deception or confusion.
3. The trademark SWATCH is a mono-syllabic word whereas the trademark IWATCH has two syllables, clearly pronounced “eye-WATCH”. The pronunciations are clearly different.
4. In mono-syllabic words, greater significance is attached to the first letter and the first syllable of a word mark is generally the most important. Therefore, the “I” (“eye”), makes them readily distinguishable.

See: *S. Wainstein & Co v Buffalo Salt Works & Co* 1966 (3) SA 280 T at 285 G, and *Budvar National Corporation v Anheuser-Busch Corporation* 2002 SIP 126 (RPM) 130.

22.

He also submitted that in the event that I did not wish to consider the trademark SWATCH to bear Its ordinary English meaning, the only similarities between the respective trademarks would be the ordinary every day used word “watch”. In this context, Courts were reluctant to grant exclusive rights in ordinary English words. As an example, LUCKY STAR and LUCKY FISH were not found to be confusingly similar.

See: *Lucky Star Ltd v Lucky Brands (Pty) Ltd* (2016)ZASCA 77.

23.

He also pointed out that the mere fact that a certain device even when worn on a wrist, also provides the function of giving the time for example, does not make such device a “smart watch”. Virtually all every day electronic goods also provide the time. That does not make such an electronic instrument a “smart watch”, or makes them goods that are similar to “horological instruments”. Therefore, none of the goods that Mr Puckrin SC referred to, such as digital audio recorders, digital video recorders and players, global positioning devices, electronic devices that enable the user to keep track of, or manage personal information amongst others, could be said to be “similar goods”.

24.

Mr Michau SC referred me to a judgment in the United Kingdom (in as much as that is the jurisdiction from which all of South Africa's

intellectual property laws originate, and which decisions have held the most sway in this country) by Alan James for the Register of Trademarks dated 27 June 2016. The case concerned an opposition by Swatch AG to an application filed to register the trademark !WATCH in relation to Class 9 goods. The Opponent was the proprietor of an earlier mark iswatch: Mr Michau relied on certain portions of this judgment which in his submission endorsed the reasoning as to why the trademark Swatch and !watch were not confusingly similar. It is convenient to quote from par. 103 of this judgment: “I find that the visual, aural and conceptional differences between the marks from the prospective of average consumers, will outweigh the similarity arising from the use of the common letters W-A-T-C-H in the mark. In my, 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”. This judgment went on appeal on a limited issue regarding the similarity of goods and I refer to the judgment in the High Court of Justice Chancery Division Neutral Citation Number 2017 EWHC 713 (CH). In par. 1 of this judgment it was held and explained why Class 9 and Class 14 goods were “not similar goods”. This finding

would deal with the entire argument of Mr Puckrin relating to “smart watches”. In par. 21 the following was said: “Short 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 register ability of trademarks. 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”.

25.

I agree with the crux of Mr Michau SC’s argument that all of the grounds of opposition in fact depended upon a comparison between the trademarks IWATCH and SWATCH. In my view, having applied the relevant test that I was referred to, they are not confusingly similar. I agree that the marks do not sound similar. The pronunciation is dearly different. On the National Brands *supra*, approach, (read of course with the Plascon-Evans test, *supra*,) confusion is unlikely.

26.

He also submitted that Mr Puckrin’s reference to products such as iTunes, iPhone, iPod and iPad was concerned, this argument bore the seeds of its own destruction. If the word “swatch” “clearly does not bring to mind a piece of fabric” when used in relation to watches, it can only be because of the descriptive word “watch”. In that case, the opponent was trying to monopolize an ordinary descriptive word, which is not countenanced by the authorities on this topic.

27.

The result must therefore be the following:

1. The opposition is dismissed with costs.

JUDGE H.J FABRICIUS

JUDGE OF THE HIGH COURT

GAUTENG DIVISION, PRETORIA

Case number: 68438/2016

Counsel for the Opponent:

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Adv R. Michau SC

Instructed by: Bouwers Inc

Date of Hearing: 24 May 2018

Date of Judgment: 31 May 2018 at 10 :0 0

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