

Federal Court



Cour fédérale

Date: 20180824

Docket: T-591-17

Citation: 2018 FC 853

[ENGLISH TRANSLATION]

Ottawa, Ontario, August 24, 2018

PRESENT: The Honourable Mr. Justice Roy

BETWEEN:

**SWATCH AG
(SWATCH SA) (SWATCH LTD.)**

Applicant

and

HUDSON WATCH, INC.

Respondent

JUDGMENT AND REASONS

[1] Swatch AG (Swatch SA) (Swatch Ltd.) [hereafter Swatch AG or the applicant] is appealing before this Court a decision of the Registrar of Trade-marks [Decision] pursuant to section 56 of the *Trade-marks Act* (R.S.C. (1985, c. T-13) [the Act]). Two subsections are particularly relevant to this appeal:

Appeal

56 (1) An appeal lies to the Federal Court from any decision of the Registrar under this Act within two months from the date on which notice of the decision was dispatched by the Registrar or within such further time as the Court may allow, either before or after the expiration of the two months.

[...]

Additional evidence

(5) On an appeal under subsection (1), evidence in addition to that adduced before the Registrar may be adduced and the Federal Court may exercise any discretion vested in the Registrar.

Appel

56 (1) Appel de toute décision rendue par le registraire, sous le régime de la présente loi, peut être interjeté à la Cour fédérale dans les deux mois qui suivent la date où le registraire a expédié l'avis de la décision ou dans tel délai supplémentaire accordé par le tribunal, soit avant, soit après l'expiration des deux mois.

[...]

Preuve additionnelle

(5) Lors de l'appel, il peut être apporté une preuve en plus de celle qui a été fournie devant le registraire, et le tribunal peut exercer toute discrétion dont le registraire est investi.

[2] This appeal is related to the decision of the Registrar of Trade-marks to allow the respondent's opposition to the registration of the "iSWATCH" mark by Swatch AG. The respondent claims that the mark to be registered is confusing with its mark, "i watch", which itself is registered in association with men's and ladies' wristwatches.

I. The parties

[3] Swatch AG is a Swiss company that presents itself as a world leader in the timepiece market. It designs, manufactures, sells and distributes watches and other horological instruments, as well as other jewelry. Its head office is located in Switzerland. The respondent is now known

under the name Hudson Watch, Inc. and is the successor in title of Westwook Holdings Inc., known before a merger as 673367 Ontario Ltd. That is why the Registrar of Trade-marks' decision presented the opponent as 673367 Ontario Ltd. in the style of cause. This change does not affect the dispute before the Court. The head office of Hudson Watch Ltd. [Hudson] is located in Toronto, Ontario.

II. Registrations

[4] Swatch AG applied for registration of the trade-mark iSWATCH in design form, illustrated below, on July 3, 2013:



[5] The statement of goods or services of the original application reads as follows:

Goods : (1) Horological and chronometric instruments, namely watches, chronographs and alarm clocks. (2) Precious metals and their alloys and goods made of these materials or plated therewith, namely figurines, trophies, jewelry namely rings, earrings, cufflinks, bracelets, charms, brooches, chains, necklaces, pins tie, tie, jewelry boxes and cases, precious stones, semi-precious stones (gemstones); constitutive parts and fittings for watches, chronographs and alarm clockss (*sic*).

Services : Retail store services in the field of horological instrument and jewelry, on-line retail store services in the field of horological instruments and jewelry. Repair and maintenance of horological instruments and jewelry.

I reproduce the French version as it appears in the unrevised French certified translation of the Registrar's judgment:

[TRANSLATION]

Produits : (1) Instruments d'horlogerie et instruments chronométriques, notamment montres, chronographes et réveils.
(2) Métaux précieux et leurs alliages ainsi que produits faits ou plaqués de ces matériaux, notamment figurines, trophées, bijoux, notamment bagues, boucles d'oreilles, boutons de manchette, bracelets, breloques, broches, chaînes, colliers, pinces à cravate, attache, coffrets et écrins à bijoux, pierres précieuses, pierres semi-précieuses (gemmes); pièces et accessoires pour montres, chronographe et réveils.

Services : Services de magasin de vente au détail dans les domaines des instruments d'horlogerie et des bijoux, services de magasin de vente au détail en ligne dans les domaines des instruments d'horlogerie et des bijoux. Réparation et entretien d'instruments d'horlogerie et de bijoux.

[6] The application for registration, advertised in the Trade-marks Journal of May 28, 2014, is based on use of the trade-mark since, supposedly, October 24, 2012, for “Goods (1)” of the statement, but only on proposed use for “Goods (2)” and for “Services”.

[7] The i watch mark is registered under No. TMA731,727 in association with “men's, ladies' and children's wristwatches” (translated as “montres-bracelets pour hommes, femmes et enfants, horloges et montres à attacher” in the French version of the Registrar's decision). It seems that registration No. TMA731,727 was amended to restrict the statement of goods to “men's and ladies' wristwatches”.

III. Status of proceedings before the Registrar

[8] A number of grounds of opposition were pleaded before the Registrar. All were dismissed except one, the one that is the subject of the appeal before our Court. The others were dismissed because no evidence had been filed in their regard. It is not useful to come back to them, since they are not before this Court.

[9] What remains, therefore, is the potential confusion between the registered mark, that of Hudson, and the one proposed by Swatch AG. If it is confusing, the new mark cannot be registered. It is paragraph 12(1)(d) that sets the rule:

When trade-mark registrable

12 (1) Subject to section 13, a trade-mark is registrable if it is not

(d) confusing with a registered trade-mark;

Marque de commerce enregistrable

12 (1) Sous réserve de l'article 13, une marque de commerce est enregistrable sauf dans l'un ou l'autre des cas suivants :

d) elle crée de la confusion avec une marque de commerce déposée;

The Act specifies when a trade-mark is confusing. Subsections 6(1), (2) and (5) shed some light on this:

When mark or name confusing

6 (1) For the purposes of this Act, a trade-mark or trade-name is confusing with another trade-mark or trade-name if the use of the first mentioned trade-mark or trade-name would cause confusion with

Quand une marque ou un nom crée de la confusion

6 (1) Pour l'application de la présente loi, une marque de commerce ou un nom commercial crée de la confusion avec une autre marque de commerce ou un autre nom commercial si

the last mentioned trade-mark or trade-name in the manner and circumstances described in this section.

l'emploi de la marque de commerce ou du nom commercial en premier lieu mentionnés cause de la confusion avec la marque de commerce ou le nom commercial en dernier lieu mentionnés, de la manière et dans les circonstances décrites au présent article.

Idem

(2) The use of a trade-mark causes confusion with another trade-mark if the use of both trade-marks in the same area would be likely to lead to the inference that the goods or services associated with those trade-marks are manufactured, sold, leased, hired or performed by the same person, whether or not the goods or services are of the same general class.

Idem

(2) L'emploi d'une marque de commerce crée de la confusion avec une autre marque de commerce lorsque l'emploi des deux marques de commerce dans la même région serait susceptible de faire conclure que les produits liés à ces marques de commerce sont fabriqués, vendus, donnés à bail ou loués, ou que les services liés à ces marques sont loués ou exécutés, par la même personne, que ces produits ou ces services soient ou non de la même catégorie générale.

[...]

[...]

What to be considered

(5) In determining whether trade-marks or trade-names are confusing, the court or the Registrar, as the case may be, shall have regard to all the surrounding circumstances including

Éléments d'appréciation

(5) En décidant si des marques de commerce ou des noms commerciaux créent de la confusion, le tribunal ou le registraire, selon le cas, tient compte de toutes les circonstances de l'espèce, y compris :

(a) the inherent distinctiveness of the trade-marks or trade-names and the extent to which they have become known;

a) le caractère distinctif inhérent des marques de commerce ou noms commerciaux, et la mesure dans laquelle ils sont devenus connus;

(b) the length of time the trade-marks or trade-names have been in use;	b) la période pendant laquelle les marques de commerce ou noms commerciaux ont été en usage;
(c) the nature of the goods, services or business;	c) le genre de produits, services ou entreprises;
(d) the nature of the trade; and	d) la nature du commerce;
(e) the degree of resemblance between the trade-marks or trade-names in appearance or sound or in the ideas suggested by them.	e) le degré de ressemblance entre les marques de commerce ou les noms commerciaux dans la présentation ou le son, ou dans les idées qu'ils suggèrent.

IV. Registrar's decision

[10] Having established at the outset that the provisions reproduced above were the ones that had to be applied, the Registrar specified that the test was one of first impression and imperfect recollection, taking into account circumstances that were not limited to the five listed in subsection 6(5). Citing *Masterpiece Inc. v Alavida Lifestyles Inc.*, 2011 SCC 27, [2011] 2 SCR 387 [*Masterpiece*], the Registrar posited that the degree of resemblance between trade-marks was the factor likely to have the greatest effect.

[11] It seems necessary to me to review each of the circumstances taken into consideration by the Registrar, because of the finding she ultimately made. Indeed, except for the goods designated as “figurines”, “trophies”, and “tie” in the statement of goods, the Registrar found “the balance of probabilities between finding that there is no reasonable likelihood of confusion, and finding that there is a reasonable likelihood of confusion, to be evenly balanced” (para 62 of the Decision). In other words, as Swatch AG claims, based on the evidence and the arguments heard, it would not have taken a violent gust of wind to tip the balance one way or the other since

we are right on the fence. What separated the parties in the eyes of the Registrar was the burden of proof, which required that Swatch AG show, on a balance of probabilities, that there was no reasonable likelihood of confusion. Thus, with the exception of “figurines”, “trophies” and “tie”, where there is no confusion, Swatch AG did not succeed in its efforts to register its trade-mark.

[12] But there is more. The Registrar added details about what could have shifted the balance in favour of Swatch AG. I reproduce paragraph 65 in its entirety:

[65] I wish to add that had the Applicant provided evidence that I would have considered sufficient to draw a meaningful conclusion with respect to acquire distinctiveness of the Mark or the Applicant’s ownership of a family of SWATCH trade-marks, this may have been sufficient to shift the balance of probabilities in favour of the Applicant.

As might have been expected, Swatch AG is seeking to avail itself of subsection 56(5) of the Act to present this additional evidence in an appeal before our Court. That is the crux of the matter.

[13] Let us therefore return to the factors to be considered as set out in subsection 6(5). Because of the potential weight of paragraph 6(5)(e), that relative to the degree of resemblance between trade-marks, the Registrar examined it rather closely. The Registrar concluded that the degree of resemblance between the trade-marks favoured Hudson in terms of appearance and even sound. Whereas Swatch AG emphasized only the different words (“swatch” and “watch”), the Registrar considered instead that the first impression, when considering the trade-marks in their totality, would be for the casual consumer somewhat in a hurry to react to the trade-mark by thinking of watches. Essentially, it is not necessary to really differentiate between “swatch” and “watch”, which resemble each other. For the Registrar, the stylized lettering in “iSWATCH”

results in the mark being perceived as two words, which increases the degree of resemblance with the mark that is already registered.

[14] The second factor to be considered is that of paragraph 6(5)(a), the inherent distinctiveness of the trade-marks or trade-names and the extent to which they have become known. It will be remembered that it is about this factor that the Registrar suggested that sufficient evidence in this regard could have led to a “meaningful conclusion” resulting in a shift of the balance of probabilities in favour of Swatch AG.

[15] For this factor, the Registrar ultimately ruled a tie, despite a slight advantage in favour of Swatch AG, but not determinative of the final outcome (para 43 of the Decision). Hudson’s mark has a low degree of distinctiveness, but that of Swatch AG, while more distinctive, is not very strong. To arrive at this result, the Registrar accepted that there is an inherent distinctiveness to the mark proposed for registration because the mark is composed of the “i” but followed by the name of the product. This product name is invented, which would increase its inherent distinctiveness. Added to that are the design features. But the Registrar also discounted these features, making the distinctive character less significant. Thus, Swatch AG’s mark connotes the targeted goods and services. Moreover, the Registrar was not impressed by the stylized lettering. The Registrar also noted that a mark became stronger through promotion or use. However, no evidence of promotion or use was presented. Indeed, Hudson did not provide any more evidence in this regard. Therefore, despite a slight advantage to Swatch AG, it did not have a determinative effect on the dispute.

[16] The third factor to be considered is the length of time the marks have been in use. For this factor, the Registrar merely noted the absence of evidence of actual use of the two marks. Thus, this factor does not favour either party.

[17] Finally, the Registrar examined the nature of the goods, services, and trade together. It is the statement of goods and services that is used. The Registrar concluded to an overlap in the goods and services with the exception, as noted above, of “figurines”, “trophies” and “tie”. As for the nature of the trade, the Registrar stated that, absent a restriction in the statement of goods of Swatch AG as to the channels of trade, he could not take into consideration that the sale of the goods could be occurring through a particular channel such as its own stores. In the end, in this regard, neither party filed any evidence concerning the nature of the trade associated with its trade-mark; furthermore, neither the application of Swatch AG nor Hudson’s registration limit the channels of trade of their respective goods. The result is that the factor related to the nature of the goods, because of the overlap, favours Hudson. The Registrar also concluded to a potential for overlap between the channels of trade. One may, however, doubt the weight of the potential for overlap which, the Registrar tells us, cannot be based on evidence that is otherwise non-existent. In the end, the Registrar ruled a tie on the basis of the record before him.

V. Positions of the parties on appeal

[18] Swatch AG is therefore appealing the Registrar’s decision to refuse registration related to all the services and goods presented in paragraph 66 of the Decision:

- (1) Horological and chronometric instruments, namely watches, chronographs and alarm clocks.
- (2) Precious metals and their alloys and goods made of these materials or plated therewith,

namely [...], jewelry namely rings, earrings, cufflinks, bracelets, charms, brooches, chains, necklaces, pins tie, [...], jewelry boxes and cases, precious stones, semi-precious stones (gemstones); constitutive parts and fittings for watches, chronographs and alarm clockss (*sic*).

It is for this refusal alone on account of confusion with Hudson's registered mark that the decision is appealed. The application for registration related to figurines, trophies and ties (replaced in the list by "[...]") was not the focus of a valid opposition, and Hudson did not appeal this aspect of the decision favourable to Swatch AG.

[19] Swatch AG submits that, independently of the new evidence submitted, the Registrar's decision is in any case unreasonable. According to the applicant, one way or another, the opposition under paragraph 38(2)(b) of the Act should have been rejected. Swatch AG did not press this part of its arguments. The applicant's submissions were more about the new evidence which, according to Swatch AG, meant that from a balanced position as noted by the Registrar, the Court would have to conclude in favour of Swatch AG, since Hudson did not offer any evidence on its side. In other words, this new evidence would make it possible to conclude that the balance of probabilities favours the reasonable likelihood that no confusion exists. The opposition to the registration should have been rejected.

[20] In the end, Swatch AG devoted only a few paragraphs of its memorandum of fact and law, and little time at the hearing, to the reasonableness of the Registrar's decision independently of the new evidence. Having registered a weak mark, Hudson will have to tolerate some confusion without being able to sanction the applicant. iSWATCH is therefore a mark that is sufficiently distinct from a weak mark. Arguing that a misapplication of the law can render a

decision unreasonable (*Alberta (Education) v Canadian Copyright Licensing Agency (Access Copyright)*, 2012 SCC 37, [2012] 2 SCR 345, at para 37), the applicant complains that the Registrar accepted that the consumer's first impression would be to think of watches based on the fact that the letters WATCH are found in both marks. Whereas the iSWATCH mark is not composed of the product name, Hudson's mark is: "i watch" for watches. This would be sufficient to conclude that the decision is unreasonable because, apparently, the supposed balance noted by the Registrar is disrupted.

[21] It seems more judicious to dispose of the argument immediately. Swatch AG did not demonstrate how this short use of the word "watch" made the decision unreasonable. In fact, the applicant treats what it considers as an error in law as though it should be reviewed on the basis of correctness. This is certainly not the state of the law (see the recent decision in *Barreau du Québec v Québec (Attorney General)*, 2017 SCC 56, [2017] 2 SCR 488, which reaffirms the presumption of the reasonableness standard, except for the four categories established in *Dunsmuir v New Brunswick*, 2008 SCC 9; [2008] 1 SCR 190 [*Dunsmuir*], para 51 to 61; see also, among others, *McLean v British Columbia (Securities Commission)*, 2013 SCC 67, [2013] 3 SCR 895). The problem is that no explanation is given for denying the deference owed to the Registrar's decision. It is not enough to be in disagreement with the decision. If one is arguing a lack of reasonableness, it is also necessary to demonstrate the absence of justification, transparency and intelligibility within the decision-making process and to demonstrate that the decision does not fall within a range of possible, acceptable outcomes which are defensible in respect of the facts and the law (*Dunsmuir*, above, at para 47). This was not demonstrated. I add that the Registrar could well have availed himself of this passage from *Masterpiece*:

[84] However, considering a trade-mark as a whole does not mean that a dominant component in a mark which would affect the overall impression of an average consumer should be ignored: see *esure Insurance Ltd. v. Direct Line Insurance plc*, 2008 EWCA Civ 842, [2008] R.P.C. 34, at para. 45, *per* Arden L.J. This is because, while the consumer looks at the mark as a whole, some aspect of the mark may be particularly striking. That will be because that aspect is the most distinctive part of the whole trade-mark. In this case, contrary to the view of the expert, the most distinctive and dominant component of the marks in issue is in all cases the word “Masterpiece” because it provides the content and punch of the trade-mark. The word “Living” is bland by comparison.

The absence of an articulated argument is fatal to it in any case. In my view, more attention must be paid to the new evidence offered by the applicant to note its effect on the question of confusion alleged by the respondent.

[22] The applicant’s point of departure is the decision of the Registrar, who considered that there was as much the probability of confusion as the opposite and that they were evenly balanced. The trigger was the mention at paragraph 65 of the decision (reproduced in paragraph 12 of these reasons) that additional evidence with respect to the acquired distinctiveness of the mark or the ownership of a family of SWATCH trade-marks may have been sufficient to prevail. Swatch AG tried to bridge this gap. Simply put, Swatch AG received the Registrar’s message and presented its new evidence in response.

[23] Three affidavits were submitted:

- Laurent Potylo: he was presented as the Head of Trademarks and Designs with The Swatch Group Ltd.’s legal department;

- Thelma Thibodeau: she said that she was an investigator in the field of trademarks;
- Joan E. Brehl Steele: she is the Vice-President of the organization Alliance for Audited Media. This organization audits the circulation of newspapers, magazines and other publications in Canada and the United States.

[24] Mr. Potylo presented the most evidence. He testified that Swatch AG had been selling products in Canada since 1984 under the mark Swatch. These sales, which include watches, clocks and chronometric instruments, take place at different retail stores and points of sale (of which there are nine) dedicated to Swatch AG products. We learn that annual sales between \$4 million and \$7 million were made in Canada between 2008 and 2016. Non-negligible amounts, which have been increasing since 2008, are dedicated to product promotion. Swatch also boasts of a considerable presence on the Internet and social media. In short, the SWATCH mark is of very great importance for the applicant. In contrast, sales of watches under the iSWATCH trade-mark, which started in 2012, are modest. We read that they have been as follows:

2012	5
2013	68
2014	0
2015	614
2016	59
2017	2

Mr. Potylo sought to establish that the iSWATCH mark was already used in Canada like the SWATCH mark since 1984; obtaining registration would help to protect a mark already in use.

[25] Ms. Thibodeau, a retired lawyer, testified about a publication, the magazine Elle Québec. She was in a position to attest that since 1990, the applicant had regularly promoted its products in this magazine.

[26] Ms. Brehl Steel presented the figures on the circulation of Elle Québec magazine. It appears that, generally speaking, it has a monthly circulation of 75,000 to 85,000 copies sold.

[27] This evidence was not contested, and the affiants were not cross-examined.

[28] Finally, the applicant pointed out that three marks, all related to SWATCH (and not iSWATCH), had already been registered in Canada and that they had been filed before the Registrar. What follows is the reproduction of Schedule A of the Registrar's Decision:

Schedule A

<u>Trade-mark</u>	<u>Reg. No.</u>	<u>Reg. Date.</u>	<u>Goods / Claims</u>
swatch	TMA333,168	October 16, 1987	Watches and parts thereof. Used in Canada since as early as July 25, 1984.
swatch access	TMA493,277	April 20, 1998	<i>Montres et leurs parties.</i> Used in Canada since at least as early as August 2, 1996.
SWATCH	TMA622,953	October 20, 2004	<i>Articles de bijouterie, nommément : bagues, bracelets, colliers, boucles d'oreilles, boutons de manchettes et pendentifs.</i> Used in Canada since at least as early as September 29, 2000.

[29] Based on this evidence, the applicant argues that it is sufficient to discharge its burden of demonstrating the reasonable probability that there is no confusion between the two marks. The applicant accepted the Registrar's finding that there was a balanced situation and sought to demonstrate the distinctiveness of its Swatch mark through evidence of its use and knowledge of the mark in Canada and elsewhere. In doing so, the applicant contrasts Hudson's mark, which it says is inherently weak since the "i" is added to the product itself ("i watch"). Whereas Swatch has acquired distinctiveness recognized in Canada, Hudson has not acquired this distinctiveness. This difference would therefore suffice for Swatch to prevail.

[30] Hudson chose not to be represented by counsel (rule 120 of the *Federal Courts Rules*, SOR/98-106), obtaining an order of this Court on December 19, 2017, allowing the corporation to be represented by its president. For its part, Hudson pleaded common sense. The marks are very close in both appearance and sound. Despite the good quality of the representations made on behalf of Hudson, it must be agreed that Hudson did not offer any evidence related to the quality of its mark. In its factum, it tried to rely on evidence from proceedings under section 45 of the Act (*Ridout & Maybee LLP v 673367 Ontario Ltd.*, 2016 TMOB 1). However, a similar attempt had been made before the Registrar and was rejected (para 42 of the Decision). Before the Registrar, there was no evidence of the use of Hudson's mark other than an indefinite use related to this product. There is no more evidence than that before our Court.

[31] I cannot give any more weight to the statements in the factum as to the sales made by Hudson, since they were not filed as evidence before the Court. In our so-called adversarial system, it is up to the parties to present their case, which includes the necessary evidence in support of their claims (*R v Bradshaw*, 2017 SCC 35, [2017] 1 SCR 865, at para 19). The judge must have a low profile with respect to the presentation of the evidence. The judge may, of course, assist a self-represented party (*Pintea v Johns*, 2017 SCC 23, [2017] 1 SCR 470, at para 4). However, the rules cannot be relaxed without causing prejudice to the opposing party (*Barton v Wright Hassal LLP*, [2018] UKSC 12, at para 18). The result is that there is no evidence before the Court of the quality of Hudson's mark apart from its inherent distinctiveness. In other words, the record before the Registrar has not been added to or enhanced by Hudson: the evidence from the proceeding under section 45 of the Act was not before the Registrar and it is also not before the Court. As for the statements in the factum on the product's growing

popularity, they are not filed as evidence and they may therefore not receive any weight. At any rate their relative weight, had they been admitted, would have been minimal.

VI. Analysis

A. *Standard of review*

[32] The first issue, of course, is to determine the use that can be made of the new evidence.

[33] The Federal Court of Appeal ruled on the standard of review to be applied in cases where new evidence is presented that can influence the Registrar's findings of fact. In *United Grain Growers Ltd. v Michener*, 2001 FCA 66, the Federal Court of Appeal stated that the standard of review was the correctness of the decision, which we now call the standard of correctness:

[8] In *Labatt v. Molson*, [2000] 3 F.C. 145, this Court held that decisions of the Registrar, whether of fact, law or discretion within his or her area of expertise, are to be reviewed on a standard of reasonableness *simpliciter*. Where additional evidence is adduced in the Trial Division that would materially affect the Registrar's findings of fact or exercise of discretion, the Trial Division Judge must come to his or her own conclusion as to the correctness of the Registrar's decision.

...

[10] Further, the Trial Judge made no mention of the additional evidence filed before him. The more specific evidence of long use, in every edition of the COUNTRY GUIDE magazine since January 1974, as well as evidence of COUNTRY LIVING being shown as a section of the magazine in promotional materials, is, we think, evidence that would have materially affected the Registrar's findings in this case. Accordingly, the standard of review is correctness.

[Emphasis added]

[34] The Federal Court of Appeal jurisprudence has not gone against this since (see *Hughes on Trade Marks*, LexisNexis, Butterworths, loose-leaf §44 and *Fox on Trade-Marks and Unfair Competition*, Carswell, 4th edition, loose-leaf, #6.8(j) ct (j.1)). Thus, the standard of review is correctness. The Court must come to its own conclusion on the basis of the record enhanced by the new evidence. This is the opinion expressed by the Federal Court of Appeal in *Shell Canada Limited v P.T. Sari Incofood Corporation*, 2008 FCA 279:

[22] With respect to the first issue i.e., the standard of review, the question which the Federal Court Judge had to address is whether the new evidence adduced before him would have materially affected the Registrar's findings of fact or the exercise of her discretion (*John Labatt Ltd.*, *supra*). If so, the task of the Federal Court Judge was to reassess the decision of the Registrar on the basis of the whole of the evidence and draw his own conclusion (*Canadian Tire Corp. v. Accessoires d'autos Nordiques Inc.*, 2007 FCA 367, 62 C.P.R. (4th) 436 (at para. 30)):

As this Court held in *Maison Cousin (1980) Inc. v. Cousins Submarines Inc.*, 2006 FCA 409, [2006] F.C.J. No. 1968, where new evidence, which is material to the final decision is filed, the Federal Court is not limited to finding an error in the decision under review. The Court is entitled to draw its own conclusions on the basis of the record before it, which includes the evidence before the Registrar as well as the new evidence. In that context, the Court is obviously called to make the correct decision, but it is not reviewing the decision of the Registrar on the standard of correctness.

[Emphasis added]

[35] At the hearing, some time was devoted to the question of the standard of review. If I understood the invitation by counsel for Swatch AG, the Court was to start from the Registrar's Decision and see that the probability of confusion was equal to the probability of no confusion, and to add only the additional evidence. This, he said, would allow it to win on appeal. In my

opinion, this is not the approach taken by the Federal Court of Appeal. This Court is bound by decisions of the superior court. Without being a trial *de novo* in the strict sense of the term (*Molson Breweries v John Labatt Ltd.*, [2000] 3 FC 145, at paras 46-47), the fact remains that, on the basis of the record before the Registrar, which was enhanced with additional evidence, the appeal judge, pursuant to section 56, must reach his or her own conclusion. Indeed, the situation would become almost a vicious circle if the applicant's invitation were accepted. The Court must decline it.

B. *The effect of the new evidence*

[36] Could the evidence submitted influence the Registrar's conclusions? In my opinion, the answer is yes. The Registrar had identified gaps, which, if filled, could have "[shifted] the balance of probabilities in favour of the Applicant" (para 65 of the Decision). These gaps were related to the acquired distinctiveness of the mark and the ownership of a family of SWATCH trade-marks. I share the opinion of my colleague, Justice Manson, that evidence which seeks to fill the gaps identified by the Registrar is significant and should be considered. In *McDowell v The Body Shop International PLC*, 2017 FC 581, we read:

[18] The new evidence is material to the appeal and addresses the gaps in evidence criticized by the TMOB: the Applicant failed to show any use at the applicable dates and failed to show that the HONEY Marks had acquired any reputation in Canada. This finding is consistent with a decision of Justice Anne Mactavish in a trademark opposition appeal involving the applicant, the HONEY Marks, and essentially the same evidence as is in the McDowell affidavit (*Heather Ruth McDowell v Laverana GmbH & Co. KG*, 2017 FC 327 [*McDowell*]).

Justice LeBlanc, of our Court, made a similar comment in *Kabushiki Kaisha Mitsukan Group Honsha v Sakura-Nakaya Alimentos Ltda.*, 2016 FC 20.

[37] Evidence of sales, the existence of watch and clock products on the market, the great many stores selling Swatch products, points of sale dedicated to these products and the applicant's large-scale advertising tend to show the notoriety the mark has acquired since it began operations in Canada in 1984. Add to this the family of Swatch marks, which was already in evidence before the Registrar. This type of evidence would have influenced the Registrar's decision. It could have had this effect independently of the gap identified by the Registrar. This conclusion is reinforced by the fact that the Registrar specifically identified it. This new evidence is substantial and significant, and certainly not evidence that was in substance before the Registrar (*Vivat Holdings Ltd. v Levi Strauss & Co.*, 2005 FC 707 [*Vivat Holdings*], para 27). Indeed, the Registrar essentially asked for this type of evidence. The exercise should be qualitative rather than quantitative, and this criterion was met.

[38] In its review, the Court must recognize two difficulties encountered by Hudson. First, its mark is intrinsically weak, such that the protection it can receive from the Act is limited. Furthermore, Hudson did not offer any evidence to support the acquired distinctiveness of its "i watch" mark.

C. *Analysis of the entire record*

[39] The distinctiveness of the mark is one of the factors for consideration set out in subsection 6(5) of the Act. It "is of the very essence and is the cardinal requirement", in the

words of *Western Clock Co. v Oris Watch Co. Ltd.*, [1931] SCR 397 cited by the Supreme Court in *Mattel, Inc. v 3894207 Canada Inc.*, 2006 SCC 22, [2006] 1 SCR 772 [*Mattel*], at para 75.

This distinctiveness may be inherent or acquired according to the terms of paragraph 6(5)(a) of the Act. In our case, Hudson uses the “i watch” mark in association with the sale of watches. The distinctiveness is weak. In *Pink Panther Beauty Corp. v United Artists Corp. (C.A.)*, [1998] 3 FC 534, Pink Panther Beauty Corp. wanted to register the mark Pink Panther in association with beauty products, whereas United Artists had registered the mark The Pink Panther in association with the well-known films. The Court considered the concept of “distinctiveness”:

[21] A trade-mark is a mark used by a person to distinguish his or her wares or services from those of others. The mark, therefore, cannot be considered in isolation, but only in connection with those wares or services. This is evident from the wording of subsection 6(2). The question posed by that subsection does not concern the confusion of marks, but the confusion of goods or services from one source as being from another source. It is for this reason that marks which rely on geographic origins or generally descriptive words (e.g. the fictional marks Pacific Coffee or Premium Soda) are not afforded a wide ambit of protection. Even though proposed marks might be similar to them, the public is not likely to assume that two products that describe themselves as being “Pacific” or “Premium” necessarily originate from the same source. Because confusion is not likely, protection is not necessary.

[Emphasis added]

The person who uses a mark that only describes the merchandise will not benefit from a broad protection since their mark is not solid or well established:

[23] The first item listed under subsection 6(5) is the strength of the mark. This is broken down into two considerations: the inherent distinctiveness of the mark, and the acquired distinctiveness of the mark. Marks are inherently distinctive when nothing about them refers the consumer to a multitude of sources. Where a mark may refer to many things or, as noted earlier, is only

descriptive of the wares or of their geographic origin, less protection will be afforded the mark. Conversely, where the mark is a unique or invented name, such that it could refer to only one thing, it will be extended a greater scope of protection.

[24] Where a mark does not have inherent distinctiveness it may still acquire distinctiveness through continual use in the marketplace. To establish this acquired distinctiveness, it must be shown that the mark has become known to consumers as originating from one particular source. In *Cartier, Inc. v. Cartier Optical Ltd./Lunettes Cartier Ltée*, Dubé J. found that the Cartier name, being merely a surname, had little inherent distinctiveness, but, nevertheless, it had acquired a great deal of distinctiveness through publicity. Likewise in *Coca-Cola Ltd. v. Fisher Trading Co.*, the Judge found that the word “Cola” in script form had become so famous that it had acquired a very special secondary meaning distinctive of the beverage, and was, therefore, worthy of protection.

[Emphasis added]

[40] Here, the “i watch” mark can only be weak. *Fox on Trade-Marks and Unfair Competition* suggests that marks using invented words such as Kodak, Exxon or XEROX (#8-2(b)) have an inherent distinctiveness that gives them broad protection. Marks such as Apple, Beauty or Masterpiece are weak because of their common usage. In our case, Hudson’s mark is one where the inherent distinctiveness is not present, since it is essentially nothing but the name of the product, the watch, which is used as a trade-mark.

[41] The Swatch mark could have a stronger inherent distinctiveness because it is invented or, at least, because it refers to a word whose meaning is not the product itself. During her analysis of the degree of resemblance, the Registrar had concluded that the word “Swatch”, in English, meant “a sample, esp. of cloth, fabric, or paint colours”, according to the *Canadian Oxford Dictionary*. Returning to the question in her analysis of distinctiveness, the Registrar concluded

that the two marks were very close in terms of inherent distinctiveness. For my part, I would have tended instead to favour a more inherent distinctiveness of the Swatch mark than the Registrar because it is an invented word or, at least, its connection with timepiece products as such, other than some play on words, is attenuated. It is not as such a generic word in English like the word “watch”, which is only the product that is for sale. I would have seen a more significant difference between the two marks than the Registrar. The difference would appear to be even more in the francophone market. However, it is not necessary to conclude thus, because, in my opinion, the distinctiveness is acquired through the promotion of the product and its use in Canada, as amply demonstrated by the applicant’s additional evidence, but also by the graphic design, which, thanks to promotion and a certain level of market penetration, has attained a profile that “i watch” certainly does not have. If SWATCH is so well associated with timepieces and watches, it is because of promotion and market penetration starting in 1984 and persistent since the 90’s, and not because of the word that is invented or that means “sample of cloth”. Conversely, Hudson did not produce any evidence that perhaps could have provided counterbalance.

[42] When a mark is weak, as with “i watch”, small differences are sufficient to distinguish them. In *General Motors v Bellows*, [1949] SCR 678, the following can be read at page 691:

Mr. Fox submitted this basic consideration: that where a party has reached inside the common trade vocabulary for a word mark and seeks to prevent competitors from doing the same thing, the range of protection to be given him should be more limited than in the case of an invented or unique or non-descriptive word; and he has strong judicial support for that proposition: *Office Cleaning Services Ltd. v. Westminster Window & General Cleaners Ltd.*, , at 135; *British Vacuum Co. Ltd. v. New Vacuum Company Co. Ltd.*,. In *Office Cleaning Services, supra*, Lord Simonds used this language:

It comes in the end, I think, to no more than this, that where a trader adopts words in common use for his trade name, some risk of confusion is inevitable. But that risk must be run unless the first user is allowed unfairly to monopolize the words. The Court will accept comparatively small differences as sufficient to avert confusion. A greater degree of discrimination may fairly be expected from the public where a trade name consists wholly or in part of words descriptive of the articles to be sold or the services to be rendered.

[Emphasis added]

In the present case, Hudson apparently seeks to appropriate the word “watch” and to assume the right to use it as its trade-mark, without even demonstrating the inherent or acquired distinctiveness of its mark. In fact, the registration of Hudson’s trade-mark claimed use of the mark only since September 2007.

[43] It is not appropriate to allow a trade-mark registration to monopolize a word that is used regularly and frequently. The comment of my colleague Justice LeBlanc in *Assurant, Inc. v Assurancia, Inc.*, 2018 FC 121 seems particularly relevant:

[74] In addition to my conclusions that there is no risk of confusion between the ASSURANT and ASSURANCIA marks, and that the Respondent is entitled to registration of its Mark, which is both registerable and distinctive, I think that it would set a dangerous precedent to allow the Applicant’s opposition to stand. ASSURANT is the present participle of the verb to insure in French. Furthermore, the part common to both trademarks is also shared with “assurance”, the word for “insurance” in French. If this opposition is accepted, would a trademark beginning with “assurance” be opposable as well? Even if I were to conclude that there was a risk of confusion between the trademarks at issue, I maintain “that risk must be run unless the [Applicant] is allowed unfairly to monopolise the words” (John Labatt at para. 6, citing *Office Cleaning Services, Ltd. v. Westminster Window and General Cleaners, Ltd.*).

[44] Therefore, small differences will suffice. The Federal Court of Appeal stated in *Kellogg Salada Canada Inc. v Canada (Registrar of Trade Marks)*, [1992] 3 FC 442 (C.A.) that “where marks possess little or no inherent distinctiveness, as is pointed out in *Fox*, above, at 152-3, ‘small differences will serve to distinguish’” (page 456). Justice Denault, of our Court, articulated in *Man and His Home Ltd. v Mansoor Electronics Ltd.*, 87 CPR (3d) 218 that the notion of the weakness of a mark involves acceptance of a certain amount of confusion. Justice Denault wrote:

[14] It is well established that trade-marks containing words which are suggestive of the wares or services offered by the owner are considered to be weak marks and consequently, are afforded a minimal level of protection. In such cases, even a small difference between the marks will be sufficient to diminish the likelihood of confusion. Furthermore, where a person adopts a word in common use and seeks to prevent competitors from doing the same, the trade-marks will have less inherent distinctiveness and the range of protection granted by the Court will be limited. Finally, where a party chooses to use a suggestive non-distinctive name, regardless of any acquired distinctiveness, it must accept a certain amount of confusion without sanction.

[45] We therefore find ourselves with “i watch”, a mark without inherent distinctiveness, and “iSWATCH”, a mark with a certain inherent distinctiveness and a significant acquired distinctiveness.

[46] Are the two marks sufficiently distinctive to avoid confusion despite a certain resemblance between the marks “i watch” and “iSWATCH”? In my view, they are. The Registrar concluded, after reviewing the factors to be considered, that she could not decide whether or not there was a probability of confusion despite a certain advantage given to Hudson on the subject of resemblance. I already indicated that I would have been tempted to differ on the

subject of inherent distinctiveness. But since I have come to the conclusion that the acquired distinctiveness completely favours the applicant, everything being otherwise equal with respect to the assessment of the other factors to be considered, the applicant should prevail. However, it is still necessary that the other factors do not favour Hudson.

[47] I presented above the considerations put forward by the Registrar to find that the probabilities of confusion and non-confusion were evenly balanced. The applicant is satisfied with this analysis, and the respondent did not complain about it. Apart from what I already noted concerning the factor to be considered related to the distinctiveness of the marks (paragraph 6(5)(a)), my own review would not lead me to a sharp difference compared with the conclusions reached by the Registrar on the subject of the other factors to be considered. I would have favoured Swatch marginally; at any rate these factors are less than compelling. Thus, the trade-name Swatch has been used for over 30 years and the mark itself (iSWATCH) since 2012. Also, the applicant has now entered into evidence the nature of the trade associated with its mark by emphasizing the points of sale dedicated to its mark and the promotion of SWATCH products. One cannot deny that some of the goods for which the applicant wanted to register its mark overlap with those of the respondent. But the marketing, in the absence of evidence from the respondent, can only be seen as significantly different, to the advantage of the applicant. However, like the Registrar, I do not see a perfect resemblance between the marks in such a way that this resemblance would outweigh everything. Instead, I am coming to the conclusion that the inherent and acquired distinctiveness must be given great weight.

[48] The test to be applied has been generally set out in the following terms by Justice Binnie in *Veuve Clicquot Ponsardin v Boutiques Cliquot Ltée*, 2006 SCC 23, [2006] 1 SCR 824 [*Veuve Clicquot*]:

The test to be applied is a matter of first impression in the mind of a casual consumer somewhat in a hurry who sees the name *Cliquot* on the respondents' storefront or invoice, at a time when he or she has no more than an imperfect recollection of the VEUVE CLICQUOT trade-marks, and does not pause to give the matter any detailed consideration or scrutiny, nor to examine closely the similarities and differences between the marks. As stated by Pigeon J. in *Benson & Hedges (Canada) Ltd. v. St. Regis Tobacco Corp.*, [1969] S.C.R. 192, at p. 202:

It is no doubt true that if one examines both marks carefully, he will readily distinguish them. However, this is not the basis on which one should decide whether there is any likelihood of confusion.

. . . the marks will not normally be seen side by side and [the Court must] guard against the danger that a person seeing the new mark may think that it is the same as one he has seen before, or even that it is a new or associated mark of the proprietor of the former mark.

(Citing in part *Halsbury's Laws of England*, 3rd ed., vol. 38, para. 989, at p. 590.)

This somewhat hasty first impression by the consumer who sees iSWATCH, without separately considering each part of the mark, will probably not confuse it with a product bearing the “i watch” mark, especially if the latter is not entitled to a wide ambit of protection. The dominant impression originates from SWATCH, a mark already well known in Canada. As Justice Manson stated, this time in *Venngo Inc. v Concierge Connection Inc. (Perkopolis, Morgan C. Marlowe and Richard Thomas Joynt)*, 2015 FC 1338:

[124] However, the Court should be wary of providing broad protection to any trademark that uses descriptive or highly suggestive words as a basis for a claim of distinctiveness and alleged confusion between that mark and other trademarks or trade names (*Molson*, above, at paras 5, 6; *Ultravite Laboratories Ltd v Whitehall Laboratories Ltd*, [1965] SCR 734 at p 738).

[125] As submitted by the Defendants, while actual confusion is a surrounding circumstance to be considered in the confusion analysis, actual confusion is not a “trump card” that should override the factors to be considered to determine a likelihood of confusion in subsection 6(5)(a)-(e) of the Act. The Court is to consider all relevant factors, and then “use their own common sense, excluding influences of their “own idiosyncratic knowledge or temperament”, to determine whether the casual consumer would be likely to be confused” (*Masterpiece*, at para 92).

[49] It is worth noting that the five factors for consideration set out in the Act are not exhaustive. Thus, evidence of actual confusion is possible. Swatch has been selling watches in Canada since 1984 and has even been selling watches under the iSWATCH mark for a few years. No such evidence of confusion was provided. In *Mattel*, Justice Binnie wrote:

[55] Evidence of actual confusion would be a relevant “surrounding circumstance” but is not necessary (*Christian Dior*, at para. 19) even where trade-marks are shown to have operated in the same market area for ten years: *Mr. Submarine Ltd. v. Amandista Investments Ltd.* (1987), 19 C.P.R. (3d) 3 (F.C.A.). Nevertheless, as discussed below, an adverse inference *may* be drawn from the lack of such evidence in circumstances where it would readily be available if the allegation of likely confusion was justified.

[50] In *Veuve Clicquot*, a decision handed down the same day as *Mattel*, Justice Binnie explained the reality of the confusion addressed in the Act:

[18] As discussed in the companion case of *Mattel, Inc. v. 3894207 Canada Inc.*, [2006] 1 S.C.R. 772, 2006 SCC 22, released

concurrently, the purpose of trade-marks is to function as a symbol of the source and quality of wares and services, to distinguish those of the merchant from those of another, and thereby to prevent “confusion” in the marketplace. Confusion is to be understood, however, in a special sense. Parliament states in s. 6(1) that confusion occurs

if the use of the [appellant’s] trade-mark or trade-name would cause confusion with the [respondents’] trade-mark or trade-name in the manner and circumstances described in this section.

[19] Such confusion occurs, we learn in s. 6(2)

if the use of both trade-marks in the same area would be likely to lead to the inference that the wares or services associated with those trade-marks are manufactured, sold, leased, hired or performed by the same person, whether or not the wares or services are of the same general class.

[Emphasis in the original]

In my opinion, the reasonable likelihood of confusion in using the iSWATCH mark is not present, any more than it was with regard to the SWATCH mark used in Canada since 1984. One is a continuation of the second. The SWATCH mark is well known in Canada. Given the reputation of the mark, adding the “i” will not really alter its acquired, or inherent, distinctiveness. As indicated above, Hudson cannot assume the right to claim confusion as soon as the letters W, A, T, C, H are in a mark where the product sold is a watch.

D. *Other disputes*

[51] The respondent raised on appeal the existence of a dispute in Great Britain between Swatch AG and Apple. Although intriguing at first glance, the respondent’s mention of a

statement of opposition by Swatch AG to an Apple registration cannot lead to anything regarding the Canadian dispute before the Court. There are two reasons for this conclusion.

[52] First, Hudson did not present any argument in this regard, but merely referred to contradictory positions allegedly adopted by Swatch AG in Canada and Great Britain. The respondent does not articulate how this contradiction, which, moreover, is only alleged, in the positions adopted by the applicant could affect this case. As stated earlier, in our adversarial system, it is up to the parties to make their arguments so they can be decided by the Court. In our case, the applicant cannot possibly respond to an argument that has not been made.

[53] Moreover, Canadian law is pleaded (judicially noticed) before the courts, but foreign law is to be proved (*Castel & Walker: Canadian Conflict of Laws*, LexisNexis, 6th ed., Butterworths, loose-leaf, ch. 7 and, in particular, §7.3). Such proof was not made. The issue before the Court must therefore be examined based on Canadian law. The decision in *Vivat Holdings* is exactly to the same effect:

[65] The “consideration of foreign applications and registrations” can be summarily determined. There is no dispute that there was no evidence regarding foreign law. Neither Mr. Richards (nor Mr. Gerety) professed to have knowledge of such matters. Mr. Justice Marceau in *Haw Par Brothers International Ltd. v. Canada (Registrar of Trade Marks)* (1979), 48 C.P.R. (2d) 65 (Fed. T.D.) determined that little can be drawn from the fact that the trade marks at issue coexist in other jurisdictions, for the Registrar’s decision must be based on Canadian standards, having regard to the situation in Canada. Similarly, in *Sun-Maid Growers of California v. Williams & Humbert Ltd.* (1981), 54 C.P.R. (2d) 41 (Fed. T.D.) Associate Chief Justice Thurlow opined that registrations in other jurisdictions are irrelevant since they have their basis entirely in foreign law and procedure. I am inclined to agree with Levi that evidence of mere coexistence of marks on foreign registers is not

relevant and evidence of foreign opposition on unproven records under foreign law is not probative. Moreover, Vivat has not been successful with respect to all of its applications.

[Emphasis added]

It requires far more than a general reference to a dispute in another jurisdiction under foreign legislation for the argument to have value to be considered by the Court.

[54] As a result, the appeal must be allowed.

JUDGMENT in T-591-17

THIS COURT'S JUDGMENT is that:

1. The appeal is allowed;
2. The portion of the Registrar's decision of February 15, 2017, refusing the application for registration No. 1,633,651 for the following goods and services is dismissed:

Goods : (1) Horological and chronometric instruments, namely watches, chronographs and alarm clocks. (2) Precious metals and their alloys and goods made of these materials or plated therewith, namely [...] jewelry namely rings, earrings, cufflinks, bracelets, charms, brooches, chains, necklaces, pins tie, [...] jewelry boxes and cases, precious stones, semi-precious stones (gemstones); constitutive parts and fittings for watches, chronographs and alarm clocks.

Services: Retail store services in the field of horological instrument and jewelry, on-line retail store services in the field of horological instruments and jewelry. Repair and maintenance of horological instruments and jewelry.

[TRANSLATION]

Produits : (1) Instruments d'horlogerie et instruments chronométriques, nommément montres, chronographes et réveils. (2) Métaux précieux et leurs alliages ainsi que produits faits ou plaqués de ces matériaux, nommément [...] bijoux, nommément bagues, boucles d'oreilles, boutons de manchette, bracelets, breloques, broches, chaînes, colliers, pinces à cravate, [...] coffrets et écrins à bijoux, pierres précieuses, pierres semi-précieuses (gemmes); pièces et accessoires pour montres, chronographe et réveils.

Services : Services de magasin de vente au détail dans les domaines des instruments d'horlogerie et des bijoux, services de magasin de vente au détail en ligne dans les domaines des instruments d'horlogerie et des bijoux. Réparation et entretien d'instruments d'horlogerie et de bijoux.

3. Given that the opposition regarding the goods “figurines”, “trophies” and “tie” had already been maintained without this determination being appealed, the respondent’s opposition to the application for registration No. 1,633,651 is rejected in its entirety;
4. The application for registration No. 1,633,651 is allowed in favour of the applicant, and the Court orders the Registrar of Trade-marks to proceed to register with said registration;
5. Costs are awarded to the applicant. They are limited to \$5,000 including disbursements and taxes.

“Yvan Roy”

Judge

FEDERAL COURT
SOLICITORS OF RECORD

DOCKET: T-591-17

STYLE OF CAUSE: SWATCH AG, (SWATCH SA) (SWATCH LTD.) v
HUDSON WATCH, INC.

PLACE OF HEARING: MONTRÉAL, QUEBEC

DATE OF HEARING: APRIL 18, 2018

JUDGMENT AND REASONS: ROY J.

DATED: AUGUST 24, 2018

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