

**IN THE HIGH COURT OF NEW ZEALAND
WELLINGTON REGISTRY**

CIV-2009-485-197

BETWEEN

K-SWISS INC
Appellant

AND

FEDERATION OF THE SWISS WATCH
INDUSTRY FH
Respondent

Hearing: 16 June 2009

Counsel: S A Fogarty for appellant
R M Wallis for respondent

Judgment: 20 July 2009

RESERVED JUDGMENT OF DOBSON J

Introduction

[1] This is an appeal against the decision of the Assistant Commissioner of Trade Marks to uphold two grounds of opposition advanced by the respondent leading to the refusal to register the appellant's trade mark application. The appellant argues that the Commissioner was incorrect to uphold the respondent's opposition to the application under ss 17(1)(a) and (b) of the Trade Marks Act 2002 (the Act).

Factual background

[2] The appellant is a manufacturer of sporting, and in particular, tennis, apparel and accessories. On 14 August 2006, it applied for registration of the mark ‘K-SWISS’ (the Mark):



[3] The application covered goods in class 14 of the Nice Classification system, namely “horological and chronometrical instruments; watches”. The Mark applied for did not include any constraint on country of origin of the goods. There was some indirect evidence before the Assistant Commissioner that the appellant manufactures watches in Hong Kong.

[4] The respondent is based in Switzerland, and describes itself as the “Swiss watch industry’s leading trade association”. It defends its members’ interests by means including legal proceedings to prevent what it perceives to be abuses of Swiss denominations when used in connection with watches. It filed its notice of opposition to the application on 26 January 2007. Its grounds of opposition were fourfold, namely that registration of the mark would be contrary to:

- s 17(1)(a) of the Act, because use of the Mark by the applicant would deceive or confuse consumers as to the origin and quality of goods bearing the Mark;
- s 17(1)(b) of the Act, because it would be contrary to ss 9, 10 and 13 of the Fair Trading Act 1986 and commit the tort of passing off;
- s 17(2) of the Act, because the application was made in bad faith; and
- s 18 of the Act, because the mark has no distinctive character, is not a trade mark and is merely descriptive of the goods.

[5] Two other grounds of opposition were not pursued by the respondent at the hearing. Essentially, the respondent argues that the applicant's use of the mark in relation to watches would suggest to consumers that its watches or their components were Swiss manufactured, when that is not the case.

The Assistant Commissioner's decision

[6] Relying on *The Council of Ivy Group Presidents (trading as The Ivy League) v Pacific Dunlop (Asia) Ltd* (2000) 66 IPR 202, the Assistant Commissioner ruled that issues of deception and confusion in s 17(1)(a) of the Act extends to names and unregistered trade marks, which allowed the respondent to complain that consumers would confuse the Mark with the names or terms 'Swiss' and/or 'Swiss made'.

[7] The parties are recorded as agreeing that the relevant market would be the general purchasing public, rather than any specialist market, and that the general purchasing public had to have an awareness of the 'Swiss' name. Moreover, this awareness or reputation of 'Swiss' had to be substantial enough for the Mark to be identified with it. On the basis of the evidence before her the Assistant Commissioner held that there was, at the relevant date, likely to have been a sufficiently substantial awareness of the Swiss name for Swiss watches.

[8] The next aspect is whether confusion would result between 'Swiss' and the Mark. Based on the test in *New Zealand Breweries Ltd v Heineken's Bier Browerij Maatschappij NV* [1964] NZLR 115, the Assistant Commissioner held at [29]:

My immediate overall impression of the whole of the applicant's mark (which is a device mark) and the SWISS name is that they look different. However, if the SWISS name also appeared in a shield device, the applicant's mark and the SWISS name could look confusingly similar because I consider that the letter "K" in "K-SWISS" might be overlooked as a result of imperfect recollection or because "K" is not understood in relation to the better understood concept of "SWISS".

[9] In addition, the Assistant Commissioner found that since the appellant's brand was not well-known in the relevant market, consumers may fall back on the dominant idea of 'Swiss' and the 'K' would be insufficient to negative this idea. Given that the appellant intended to use the marks on watches and would be

targeting the same market that would normally purchase Swiss watches, the Assistant Commissioner found that the respondent succeeded on its ground of opposition under s 17(1)(a) of the Act.

[10] The Assistant Commissioner also found that the respondent succeeded in its opposition under s 17(1)(b) of the Act. She found that registration of the Mark would amount to misleading and deceptive conduct, contrary to ss 9 and 10 of the Fair Trading Act. This conclusion was based on the Assistant Commissioner's reasoning when considering s 17(1)(a), namely that a substantial portion of the relevant market will think there is a connection in trade between the appellant's watches and the name 'Swiss'. The Assistant Commissioner did not think the same logic could be applied to show registration would be contrary to s 13 of the Fair Trading Act, in that it would not amount to making a false or misleading representation. However, since it would be contrary to ss 9 and 10, this ground of opposition was nevertheless upheld.

[11] The Assistant Commissioner did not uphold the respondent's grounds of opposition based on s 17(2) and 18 of the Act. Without distinct proof, the Assistant Commissioner was not prepared to find, by a process of inference, that the appellant made the application in bad faith in terms of s 17(2), nor should this section be relied on as an adjunct to other grounds. In terms of s 18, the use of the letter 'K' and the shield device in the Mark provided sufficient distinctiveness and capability to be a trade mark.

[12] Accordingly, given that the respondent's grounds of opposition under s 17(1)(a) and (b) of the Act were made out, the Assistant Commissioner refused registration.

Approach to determination of the appeal

[13] The appellant appeals to this Court under s 170 of the Act. Both parties agreed that the appeal is by way of rehearing, and that the appropriate approach of this Court is guided by the Supreme Court's decision in *Austin, Nichols & Co Inc v Stichting Lodestar* [2008] 2 NZLR 141. As the Chief Justice observed at [5]:

An appeal court makes no error in approach simply because it pays little explicit attention to the reasons of the court or tribunal appealed from, if it comes to a different reasoned result. On general appeal, the appeal court has the responsibility of arriving at its own assessment of the merits of the case.

[14] That means the basis for and extent of deference afforded to factual findings of the Assistant Commissioner is a context-specific assessment for the Judge on appeal: deference is not presumptive. Accordingly, I assess each of the two grounds of appeal below by looking at the merits afresh.

First ground of appeal: s 17(1)(a) of the Act

[15] Section 17(1) states as follows:

17 Absolute grounds for not registering trade mark: general

- (1) The Commissioner must not register as a trade mark or part of a trade mark any matter—
 - (a) the use of which would be likely to deceive or cause confusion; or
 - (b) the use of which is contrary to New Zealand law or would otherwise be disentitled to protection in any court; [...]

[16] Counsel referred to my earlier decision in *Wistbray Ltd v Ferrero S.p.A.* HC WN 2008-485-460 11 December 2008, where I relied for guidance on the decisions of the Court of Appeal in *Pioneer Hi-Bred Corn Company v Hy-Line Chicks Pty Ltd* [1978] 2 NZLR 50 and *Anheuser-Busch Inc v Budweiser Budvar National Corporation* [2001] 3 NZLR 666. The appellant also relies on the former of these decisions and states that the test under s 17(1)(a), as applied to these proceedings is as follows:

Having regard to the reputation acquired by the word ‘Swiss’, is the Court satisfied that the mark applied for, if used in a normal and fair manner in connection with any good covered by the registration proposed, will not be reasonably likely to cause deception or confusion amongst a substantial number of persons?

[17] I agree with that as a correct formulation of the test. I also agree that unlike *Wistbray*, *Pioneer* and *Budweiser* which all involved comparisons of two trade

marks, in this case the Mark must be compared with the name 'Swiss' as an indicator of geographical origin or quality of goods.

[18] I disagree with the appellant's criticism of the respondent's and the Assistant Commissioner's interpretation treating 'Swiss' as equivalent to 'Swiss made' or 'made in Switzerland'. The appellant argues these three terms each have different meanings. However, although they are not all synonymous, the latter two terms are a literal meaning of the first. Moreover, as the respondent is not relying on a particular trade mark, it may elect which terms it alleges the appellant's mark will be confused with. It is a distinct question whether the test is actually met. Thus, I proceed consistently with the Assistant Commissioner's approach that 'Swiss' encompasses 'Swiss made' and 'made in Switzerland'.

Reputation of 'Swiss'

[19] As to who constitute the relevant 'persons', potential buyers of watches are so pervasive that it may simply involve the general public. Mr Fogarty took me to the statutory declaration of Steven Nichols, the Chief Executive Officer of K-Swiss, who described the expansion of K-Swiss' business from sports shoes and sports clothing into the sale of accessories such as watches. Mr Nichols treats that progression as reflecting a trend by world leaders in the sale of sports clothing such as Nike, Adidas and Puma. At one point, Mr Fogarty was inclined to suggest that buyers of "accessories" such as watches marketed by these companies will be motivated to do so because of existing familiarity with the brand for sports clothing or shoes. It might follow from this that the relevant 'persons' are those already familiar with the K-Swiss brand for sports shoes or clothing.

[20] After debate on the point, I discerned that Mr Fogarty was not seeking to maintain that narrower definition of the potential market, but if he were, I would not be inclined to accept it. There is no basis for limiting the relevant 'persons' to any sector of the New Zealand population less than the general public from whom potential watch purchasers are drawn.

[21] The onus is on the respondent to prove the term 'Swiss' has the reputation of an indicator of geographical origin or quality of goods in the relevant context: *Pioneer* at 62. This reputation, or knowledge, or awareness must be 'quite substantial': *Platinum Homes (NZ) Limited v Golden Homes (1998) Limited* HC WN CIV 2005-485-1870 11 August 2006 Miller J.

[22] The appellant argues that the respondent cannot prove that 'Swiss' has any particular meaning, and therefore it cannot be assumed that consumers will recognise the word as an indicator of geographical origin or quality. The only evidence of reputation was from two experienced retailers of watches, Messrs Peachy and Hawkes, whom the appellant argued could not make out reputation in the minds of potential consumers. They are, after all, making a livelihood out of the very products in issue, and are therefore atypically sensitive to the connotations of "Swiss".

[23] The statutory declarations of Messrs Peachey and Hawkes depose that the terms 'Swiss' and 'Swiss made' indicate, in relation to watches, the highest standard of craftsmanship and quality. They also depose that the entitlement to use the terms 'Swiss' and 'Swiss made' in watches is contingent on a minimum level of Swiss-based manufacture. For each of them, any connection between a watch and the words Swiss triggers the expectation that the watch has been made in Switzerland. In part at least, that expectation derives from their awareness of Swiss legal requirements (which of course cannot have any extra-territorial effect) prohibiting the use of the appellation 'Swiss' on watches that are not entirely, or to a specified extent, manufactured in Switzerland. Other than this evidence, the only other evidence of reputation relied upon by the respondent is the *New Zealand Oxford Dictionary* which defines 'Swiss' as 'what is or comes from Switzerland'.

[24] The sufficiency of evidence of reputation can raise difficult questions. It was recently discussed in some detail by Clifford J in *British American Tobacco (Brands) Incorporated v NV Sumatra Tobacco Trading Company* HC WN CIV 2007-485-2814 11 November 2008. That case was unusual because it related to marks for brands of cigarettes. Evidence of reputation was therefore limited because of the statutory ban on cigarette advertising. Despite this handicap however,

Clifford J held that it was still incumbent upon the appellant, British American Tobacco, to provide sufficient evidence of reputation, and the context-less sales figures it provided were insufficient:

[65] I accept that the question of substantial reputation in New Zealand arises in a somewhat novel context in this case because of the impact of the smoke free legislation. Having said that, it appears to me that evidence of relative sales figures for the appellant's products, evidence perhaps also of the relative exposure of the appellant's products in vending machines and controlled display cabinets, together with evidence of brand recognition amongst consumers of cigarette products, would all be relevant to this question. As noted, no such evidence has been provided.

[66] I acknowledge, speaking subjectively, that I personally have some awareness of the BAT marks. However, whereas the task of assessing the likelihood of deception and confusion may be very much one of the individual Judge, based on his or her impressions of the marks in question, I do not think the same can be said of the question of substantial reputation. That, I think, needs to be established on the basis of evidence relating to the market. In my judgment, and notwithstanding the additional evidence provided following the grant of leave, BAT has not established the necessary substantial reputation in New Zealand. Therefore, and as the Assistant Commissioner found, I also find that BAT's objection under section 16(1) fails.

[25] Thus the issue of substantial reputation is an objective one, and I cannot rely upon my own knowledge to determine it. The respondent must instead prove substantial reputation by way of the evidence.

[26] The evidence of substantial reputation provided in this case was less than might reasonably be expected. The declarations of Messrs Peachey and Hawkes have limited utility because their personal perspectives as to what 'Swiss' means are in the context of their position as retailers of Swiss watches. They are not consumers, and the specialist knowledge that they have cannot be necessarily indicative of the knowledge of the average consumer. It would have been more appropriate for the respondent to provide direct evidence of consumers' knowledge of the Swiss name and its reputation. I note that in *Valley Girl Co Limited v Hanama Collection Pty Limited and Anor* HC WN CIV 2004-485-2005 6 April 2005 Miller J, this is precisely the type of evidence that was provided to the Court: direct consumer perspectives. The Court does not require a plethora of such affidavit evidence or the undertaking of professional surveys. Nor will that type of evidence always be authoritative. However, since the issue of reputation amongst consumers

is an objective one, the more evidence of this reputation, the better equipped the Court is to determine the issue.

[27] However, unlike *British American Tobacco*, the deficiency in evidence is not fatal. There are two valid features that distinguish this case, and a third which I have reflected on carefully but ultimately have not relied upon.

[28] First, this case is different insofar as ‘Swiss’ is not an established trade mark, but instead an established descriptor in common usage. This makes the dictionary definition – which indicates the word has geographical connotations – relevant (*cf. British American Tobacco*, where a dictionary definition was not relevant). It provides objective evidence that the common definition and reputation of this word amongst the general public involves those geographical connotations.

[29] Secondly, whilst I described the utility of the evidence of watch retailers as limited, it is not redundant. The retailers’ personal views are irrelevant. However, what is relevant is their perspective as to what their customers – consumers – think is relevant. To a certain extent, the retailers are proxies as to what their customers think about their product. They would hardly be able to operate successful sales businesses unless they accurately identified what motivated customers. They clearly know their market. It is clear from the description of the retailers’ businesses and the advertising that was annexed to Mr Hawkes’ affidavit that Swiss-made watches are typically luxury consumer items, and consumers of such watches are discerning and choose these watches for quality reasons.

[30] Accordingly I find the evidence sufficient to establish that the terms ‘Swiss’ and ‘Swiss made’ have connotations of superior quality and craftsmanship, when used in connection with watches, and that such reputation exists in the minds of at least a substantial portion of potential purchasers of watches.

[31] As I have stated, the respondent’s evidence on assessment of reputation is less than ideal. However, the combination of the retailers’ declarations and a New Zealand dictionary definition of ‘Swiss’ have satisfied me that the terms ‘Swiss’ and ‘Swiss made’ have the required reputation of quality and geographical

location when used in connection with watches, and the respondent has sufficiently discharged the onus in this regard.

[32] A third ground for distinguishing the circumstances confronting Clifford J in *British American Tobacco* is relatively how notorious the connection is between watches, and the word 'Swiss' or words 'Swiss made' as an indication of quality and reliability. Without relying upon any particular experience, my long-standing impression is that the connection between the notion of 'Swiss made' and quality watches is so notorious as to justify being a matter on which I could take judicial notice, for the purpose of establishing a substantial reputation in New Zealand. An educated lay person might consider the law illogical or obtuse if so common-place a connection was required to be established by evidence sampling consumers' awareness of it. I would suggest, for example, that the connection between 'Swiss made' and watches is substantially more pervasive than that between champagne, and a particular type of sparkling wine made in a small region of France bearing that name. In the end, however, I have not relied on the prospect of the connection being so notorious as to be capable of recognition by judicial notice. It would involve the application of a personal perception and however well-satisfied I might be personally of the extent of such a connection, I share Clifford J's reasons for rejecting this because of the risk that an assessment of what might be established by way of judicial notice involves the personal and potentially subjective view of a particular Judge.

[33] A further argument against the use of 'Swiss' in connection with watches giving rise to a connotation that they were made in Switzerland was a comparison made with other trademarks registered in New Zealand that include the word 'Swiss'. Among those cited were 'Swiss Maid', 'Swisskraft' and 'Swiss NZ Asset Management'. These and other examples cited by Mr Fogarty simply demonstrate that the nature of the connotation arising from the use of the 'Swiss' will depend entirely on context. 'Swiss Maid' when used in relation to processed dairy products does not convey the suggestion that the product was made in Switzerland. Rather, it aspires to the characteristics of a product that would be made by a Swiss Maid, or perhaps, products made in a Swiss 'style'. The same could be said of 'Swisskraft'. 'Swiss NZ Asset Management' conveys the connotation of an asset management

firm in New Zealand, with links to one in Switzerland, or adopting the management practices or attributes of one in Switzerland. So too with another example cited by Mr Fogarty 'Swiss Chalet Lodge Motel' which hardly suggests that the motel was either constructed in or was located in Switzerland, but rather that it is in the style of a Swiss chalet. Accordingly, I do not see that any of these distinguishable uses of 'Swiss' can lessen the nature of the connotation that arises when 'Swiss' is used in connection with watches.

Deception and confusion

[34] The next part of the test under s 17(1)(a) is to consider the likelihood of consumers being confused or deceived by the Mark. I revert to Miller J's analysis in *Valleygirl*:

[30] It was common ground that once the respondents have established the requisite reputation, the onus shifts to the appellant to show no likelihood of confusion or deception: *Pioneer Hi-Bred* (above, at 63). The standard is the balance of probabilities.

[31] Confusion occurs when a person is caused to wonder whether the services bearing the appellant's mark come from or are associated with some other source. Deception occurs when a person is misled into believing that this is so: *Pioneer Hi-Bred Corn Co* (above, at 62). When considering the likelihood of deception or confusion, all the surrounding circumstances must be taken into account, including the circumstances in which the appellant's mark may be used, the market in which the goods may be bought and sold, and the character of those involved in the market: *Pioneer Hi-Bred Corn Co* (above, at 61).

[35] The likelihood of confusion or deception in this context is contingent upon the similarity between the Mark and 'Swiss'. Like the Assistant Commissioner I adopt the test in *New Zealand Breweries Ltd* at 139:

1. You must take the two words and judge of them both by their look and by their sound;
2. You must consider the goods to which they are to be applied and the nature and kind of customer who is likely to buy these goods; and
3. You must consider all the surrounding circumstances and what is likely to happen if each of the marks is used in a normal way as a trade mark for the goods of the respective owners of the marks: *In re Pianotist Co.'s Application* (1906) 23 R.P.C. 774,777.

[36] I must allow for imperfect recollection of the Mark: *Re Rystra Ltd's Application* [1943] 1 All ER 400. Lastly, it is the totality of the impression of a mark being compared that is important; the 'idea' of the Mark may be significant, pointing either to confusion or helping to distinguish the Mark: *Polaroid Corporation v Hannaford & Burton Ltd* [1975] 1 NZLR 566 (CA); *British American Tobacco* at [39].

[37] The obvious differences between the Mark and 'Swiss' are the prefix 'K' and the shield device in the former. Prima facie, this means the Mark and 'Swiss' appear to be different. Mr Fogarty criticised the Assistant Commissioner's approach to the comparative analysis as flawed because she broke the Mark down into too many components, and undertook an analysis that was unrealistically hypothetical. However, I agree with the Assistant Commissioner that, allowing for imperfect recollection, consumers may forget the prefix and the shield. Although in certain presentations the shield would be eye-catching, the dominant aspect or at least a dominant aspect of the Mark is inclusion of the word 'Swiss'.

[38] I would certainly reject Mr Fogarty's suggestion that consumers are likely to react to the use of 'Swiss' in the Mark on the appellant's watches as 'fanciful', in the sense that it is patently on its face not a genuine claim. The conscious and subconscious connection between watches and their manufacture in Switzerland is simply too strong for that to arise.

[39] The appellant submits that 'K', as the first letter in the Mark, cannot be ignored. Again, however, I am satisfied that familiarity with the established connection between watches and their manufacture in Switzerland would draw the minds of potential purchasers away from the prospect that 'K' in the Mark distinguished it or distanced it from the otherwise dominant message conveyed by 'Swiss'.

[40] For the appellant, Mr Fogarty brought my attention to the Federal Court of Australia's recent decision in *Bavaria NV v Bayerischer Brauerbund eV* [2009] FCA 428, which dealt with a somewhat similar situation involving an application for

registration of the trade mark 'Bavaria' for use with Dutch-brewed beer. The reasoning of Bennett J included the following:

[89] Does the word BAVARIA as used in the trade mark connote the State of Bavaria? Accepting that the word alone may have that connotation the question, as I observed in [70], is whether the remaining elements of the trade mark dispel that association. As in *Kettle Chip*, where a separate "Smith's" logo that appeared on the appellant's packaging did not save the naming of a product "Country Kettle" from constituting passing off in relation to the respondent's product sold under the name "The Kettle Chip Co" or "The Kettle Chip", BBA submits that HOLLAND does not save Bavaria NV's product from representing a Bavarian origin or association. However, in the absence of direct evidence from consumers one way or the other, my view is that the reasonable consumer would not fail to observe the three references to "Holland" which, at least, neutralise the connotation with the State of Bavaria. It follows that if the consumer were interested in the source of the beer, an examination of the label bearing the trade mark would indicate an origin in Holland.

[41] Mr Fogarty relied on this case to suggest that the 'K' in the Mark could successfully negative the 'Swiss' in the Mark; the reasonable consumer could not fail to see the 'K' in the Mark as indicating it lacks an association with 'Swiss'.

[42] The current proceedings are distinguishable from the analysis of 'Bavaria'. First, and most importantly, unlike 'Holland', neither 'K' nor the shield device have an inherent meaning, and therefore cannot counterbalance 'Swiss'. If instead the Mark included the word 'California', where the appellant is based, then the *Bavaria* case would be more analogous. However neither 'K' nor the shield convey the countervailing signal such as 'Holland' was found to in the *Bavaria* case. Instead, it appears to me that the inclusion of 'K' acts merely as a modifier of the dominant word, 'Swiss' (i.e. like 'A-type'). My conclusion is strengthened by the hyphen between 'K' and 'Swiss'.

[43] Secondly, as Bennett J concluded later in his judgment:

108 I am not satisfied that the consumer would associate the trade mark with the State in Germany. I am not satisfied that the trade mark connotes more than a European origin of the beer. I am not satisfied that the trade mark connotes that the beer has characteristics attributable to a Bavarian origin.

[44] I have already held that 'Swiss' in relation to watches has a specific reputation of quality amongst a substantial number of consumers (rather, than for

example, being indicative of a 'European' reputation for quality watch manufacture). Thus the reputation of 'Swiss' vis-à-vis 'watches' is stronger than the reputation of 'Bavaria' vis-à-vis 'beer', requiring something even stronger than a word such as 'Holland' – let alone a simple consonant 'K' – to counterbalance the specific reputation of 'Swiss'.

[45] Moreover, I agree with the Assistant Commissioner that the idea of the Mark – and the aspect consumers would fall back upon if unfamiliar with the Mark – is 'Swiss'. This is simply because 'Swiss' is a recognisable and common word conveying a real and specific meaning. In contrast, the 'K' and shield device are not particularly memorable unless consumers are familiar with the brand, and there is no evidence to suggest any substantial degree of familiarity with that brand in New Zealand.

[46] Mr Fogarty argued that for those who are familiar with K Swiss's core range of sporting products, they would recognise its expansion into product ranges treated as ancillary to their core sportswear, including watches and sunglasses. He cited the marketing in New Zealand of such items by manufacturers such as Nike and Adidas. I am not persuaded this comparison can avail the appellant. Whatever manufacturers such as Nike produce, the inevitable connotation of the use of their name on items such as a watch or sunglasses is that they are made by Nike. With respect to the appellant, such brands are far more well-known than K-Swiss in the New Zealand market. Further, for those unfamiliar with either brand, the use of names such as 'Nike' or 'Adidas' does not introduce the prospect of confusion with goods having another attribute, in the same way that use of the Mark on watches does.

[47] In particular, whilst the appellant may already sell its products in New Zealand, there is scant evidence to suggest that it has any reputation or recognition for selling watches in New Zealand. This indicates that even if part of a wider brand, there is a higher likelihood that in relation to watches, consumers may not distinguish the Mark from the concept of 'Swiss'.

[48] Lastly, the market in which the appellant's goods will be sold and the market for Swiss watches are equivalent. The appellant's goods apparently target a

youthful, sports-oriented market which could be considered different to the luxury Swiss watch market. However, there is significant overlap given that all strata of society play tennis (the sport with which the K-Swiss brand is predominantly associated) and some Swiss watches (e.g. the ‘Swatch’ brand) are relatively low-cost and aimed at a younger market.

[49] I have found the Mark and ‘Swiss’ are similar, and the appellant’s products will target the same market as buyers of Swiss watches. Therefore the inevitable conclusion is that there is a likelihood that a substantial number of consumers will be confused into thinking the appellant’s goods have a meaningful connection with ‘Swiss’ and its reputation. Consumers will at the very least postulate that the appellant’s goods are either manufactured in Switzerland, or have predominantly Swiss-made components, which is not the case. Accordingly, like the Assistant Commissioner, I hold that s 17(1)(a) is made out and this ground of appeal is dismissed.

Second ground of appeal: section 17(1)(b) of the Act

[50] My conclusions on the first ground of appeal impact on the outcome for the second. The appellant argues that registration of the Mark would not be contrary to law because it would not breach ss 9 and 10 of the Fair Trading Act. The Assistant Commissioner did not uphold the respondent’s opposition on the basis of ss 13 and 16 of that Act and so those sections do not need to be considered.

[51] There is a measure of commonality between the two grounds of appeal because ss 9 and 10 of the Fair Trading Act refer to misleading and deceptive conduct, which is similar to the prospect of deception and confusion in s 17(1)(a). Unlike the Assistant Commissioner, however, I do not believe that the two tests are exactly the same. I noted in my judgment in *New Zealand Milk Brands Ltd v NV Sumatra Tobacco Trading Co* HC WN CIV-2007-485-2485 28 November 2008:

[59] [The opponent] acknowledges that the threshold for s 17(1)(b) is higher than that for s 17(1)(a); risk of confusion or deception is insufficient.
[...]

[60] Although the test is more stringent, there is some logic in the argument that if a mark is likely to confuse or deceive a substantial number of persons in terms of s 17(1)(a), then it is also likely to mislead or deceive those same consumers in terms of s 9 of the Fair Trading Act. There is a measure of difference between confusion, which may be resolved before a purchase is made, and being misled, which has a connotation of continuing to apply at the material point (ie a purchase influenced by the misleading conduct).

[52] In that case, my observations were strictly obiter dicta because it was not a ground of appeal strongly argued and I did not express a conclusion on it due to the uncertainty of what the mark would look like. This case, however, is different. Sections 9 and 10 of the Fair Trading Act state:

9 Misleading and deceptive conduct generally

No person shall, in trade, engage in conduct that is misleading or deceptive or is likely to mislead or deceive.

10 Misleading conduct in relation to goods

No person shall, in trade, engage in conduct that is liable to mislead the public as to the nature, manufacturing process, characteristics, suitability for a purpose, or quantity of goods.

[53] As I noted in *Milk Brands*, the key substantive difference between the tests under the Fair Trading Act and s 17(1)(a) of the Act is the degree of risk. Section 9 requires a ‘real risk’ of misleading or deceiving, rather than just a ‘mere possibility’: *Bonz Group Pty Ltd v Cooke* [1994] 3 NZLR 216. In contrast, the test for s 10, given the difference in wording, “...connotes a potential which is less restricted in scope than likelihood or probability”: *Sound Plus Ltd v Commerce Commission* [1991] 3 NZLR 329 per Anderson J at 333.

[54] Unlike s 16 of the Fair Trading Act, ss 9 and 10 are not contingent upon confusion between two trade marks, nor does there need to be any particular and individual goodwill attributable to the reason for the confusion. Thus the fact that ‘Swiss’ is simply a common word rather than the name of another product does not displace the application of ss 9 and 10. Instead the focus is upon the impact of the Mark itself on the minds of consumers.

[55] Given the strength of the reputation of ‘Swiss’ in relation to watches, I am satisfied that the more stringent standard required is met. Accordingly, I agree with

the Assistant Commissioner that registration of the Mark would in fact breach ss 9 and 10 of the Fair Trading Act. There is a real risk that consumers, confronted by a watch with the Mark, will be misled into thinking that the watch is of Swiss origin or quality. Consistently with my reasoning in dealing with s 17(1)(a), I find the prefix 'K' is insufficient to negative the predominant idea of 'Swiss' and its reputation in relation to watches.

[56] Accordingly, I dismiss this ground of appeal also.

Agreed alternative basis for registration of the Mark

[57] The whole basis of the respondent's opposition was that the appellant sought to use its Mark on watches not made, or substantially made, in Switzerland. Mrs Wallis volunteered that, had the appellant confined its application in terms that would limit the use of the Mark to goods that were made in Switzerland, or substantially made there so as to qualify under Swiss law for use of the designation of 'Swiss made', then the respondent would not oppose the Mark being registered subject to that condition. In his reply, Mr Fogarty requested that, if the appeal was unsuccessful, the Court exercise its powers to allow the Mark to proceed to registration, subject to the condition as to geographical origin, as proposed by Mrs Wallis. Both counsel submitted the Court had power to determine the appeal by directing that the Mark should, subject to such a new condition, proceed to registration. Without either counsel taking me to it, both suggested that s 40 of the Act empowered the Court to pursue such a course. Section 40 provides as follows:

40 Acceptance of application

The Commissioner must, subject to any conditions the Commissioner thinks fit, accept an application that complies with the requirements of this Act.

[58] The powers of the Court on determining an appeal specified in s 173 of the Act extend in the conventional way to confirming, modifying or reversing the Commissioner's decision or any part of it, and exercising any of the powers that could have been exercised by the Commissioner in relation to the matter to which the appeal relates.

[59] Once the element of the application which gave rise to the grounds for opposition under s 17 has been removed, then it would be competent for the Commissioner to direct that the Mark proceed to registration. In the circumstances of this application, I am satisfied that the objectionable elements would be entirely removed by the addition of the geographical restriction contemplated. The statutory declaration of Yves Bugmann, head of the legal department of the respondent, annexed examples of other trade marks registered in New Zealand in respect of class 14 for watches that are subject to the condition:

It is a condition of registration that the Mark shall be used only on goods manufactured in Switzerland.

[60] In reliance on the joint request of the parties that this position should pertain in the event the appeal was otherwise dismissed, I order that Trade Mark Application No 753179 of the appellant now proceed to registration, subject to that condition.

Conclusion

[61] Whilst the evidence of an established reputation in New Zealand for ‘Swiss’ in relation to watches was barely sufficient, I am satisfied that it was made out. Once the opponent had overcome that hurdle, the prospects of confusion between watches bearing the Mark and watches made in Switzerland are overwhelmingly strong.

[62] The Mark bears a close resemblance to the word ‘Swiss’, and the goods to which it relates and the market in which it will be sold means that a substantial number of consumers will be confused or misled into thinking the Mark has an association with the reputation of ‘Swiss’. The likelihood of this confusion is such that it breaches s 17(1)(a) of the Act, as well as ss 9 and 10 of the Fair Trading Act, thereby breaching s 17(1)(b). Accordingly, the Assistant Commissioner was correct to uphold opposition on this basis and the appeal from her decision is dismissed.

[63] The parties were agreed that breaches of the Act arose solely because the appellant intended using the Mark on watches not made in Switzerland. I have accepted the common position of the parties that the application would be entirely

unobjectionable if it was registered subject to a condition that it be used only relation to watches made in Switzerland, and I have so ordered.

Costs

[64] The concession on behalf of the respondent does not alter the substantive outcome in which the respondent has prevailed in upholding the grounds of opposition recognised by the Assistant Commissioner. The respondent is accordingly entitled to costs and disbursements in accordance with scale 2B.

Dobson J

Solicitors:
A J Park Law, Wellington for appellant
Baldwins Law, Auckland for respondent