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Rival applications for XO mark for energy drinks allowed to proceed

Examination/opposition
National procedures

Israel - Gilat, Bareket & Co, Reinhold Cohn Group
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An IP adjudicator at the Israeli Trademarks Office has allowed two rival applications for the mark XO for energy drinks to proceed to registration (April 19 2009).

Igal Sher Trading Ltd and XO Energy Drink (Israel) Ltd are local companies that sell imported energy drinks. Igal applied to register the word mark XO in respect of "drinks" (Application 182963). Igal uses the XO mark for aerated energy drinks sold in cans. Two months later, XO Energy applied for the registration of the stylized mark XO for "energy drinks" (Application 184650). XO Energy uses the XO mark for non-aerated energy drinks sold in bottles in a variety of flavours. XO Energy alleged that it had been assigned the right to use the mark by its foreign owner.

In proceedings involving rival applications under Section 29 of the Israeli Trademarks Ordinance 1972 (New Version), the IP adjudicator must examine:

- each applicant's good faith in choosing the mark;
- use of the mark by each applicant in Israel before and after the date of application; and
- the filing date of each application.

In the present case, the IP adjudicator held that the parties had not filed their applications in bad faith. According to the IP adjudicator, the fact that Igal had chosen its mark without understanding its literal meaning was not a sign of bad faith. The IP adjudicator accepted the explanation that Igal had taken inspiration from cognac labels.

The IP adjudicator also recognized that XO Energy's mark had goodwill in other countries. The IP adjudicator noted that although trademark rights are local in nature, Israeli consumers and the Israeli market are an integral part of the global marketplace, as reflected by the well-known marks doctrine. However, to obtain protection, a foreign mark must be well known in Israel. Therefore, Igal's rights in the mark took precedence, as use of Igal's mark in Israel was more significant in terms of volume of trade, advertising investment and consumer recognition. The adjudicator dismissed XO Energy's argument that Igal's intensive sales and marketing efforts after the launch of its product were not in good faith.

The IP adjudicator went on to examine the criteria set forth in Section 30 of the ordinance, which allows parallel registrations in case of honest concurrent use. Relying on *Malchi v Sabon shel Paam* (Case 8987/05), the IP adjudicator noted that in case of honest concurrent use, it is good policy to allow the coexistence of the marks on the register (for further details on the *Malchi* decision please see "Test to decide on rival applications established by Supreme Court").

The IP adjudicator concluded that:

- the marks were identical from a phonetic point of view;
- the goods covered by the marks had the same distribution channels; and
- the parties had the same target consumers.

However, the IP adjudicator held that the nature, design and mode of marketing of the specific goods for which registration was sought differed considerably (ie, Igal sold canned aerated drinks in only one flavour, while XO Energy offered non-aerated drinks in eco-friendly bottles in a variety of flavours). Therefore, consumers of energy drinks (who, according to the IP adjudicator, are sophisticated consumers) were unlikely to confuse one product with the other.

The IP adjudicator allowed Igal's application to proceed to registration provided that the description of the goods be changed to "aerated energy beverages marketed in cans". The IP adjudicator also allowed the other application to proceed to registration provided that XO Energy:

- give proof of the foreign owner's assignment of rights; and
- restrict the description of the goods to "energy drinks marketed in bottles".

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