

NRG Energy International Inc.

v.

Texaco Inc.

The Supreme Court

[31 August 2010]

Before Justices M. Naor, E. Rubinstein and H. Melcer

Appeal of a decision by the external arbiter for intellectual property, Mr. Noach Shalev Shlomovich.

Facts: The decision involves an appeal from a ruling issued by the intellectual property arbiter at the Patents, Designs and Trademarks Office. The two parties had each registered trademarks with that Office: the appellant's trademark, registered for its motor oil additive product, featured the letters NRG and a drawing of a fist combined with a piston, while the respondent's trademark, registered at a later point in time for its motor oil, featured the words "Havoline Energy" and an image of a piston. The appellant, on the basis of its registered trademark, had requested the removal of the word "energy" from the respondent's trademark. The arbiter denied the appellant's request and this appeal followed.

Held: The respondent's registered trademark did not violate the appellant's registered trademark. The test for determining whether a trademark has been violated relies on three aspects: auditory and visual similarity between the two trademarks, the merchandise type and customer group for the products covered by the two trademarks, and any other relevant circumstances of the case. The appellant's main argument was based on an allegedly misleading auditory similarity between its registered NRG combination and the word "energy". However, even though auditory similarity may be an important test for products that are purchased over the counter, the similarity between the sound of the letters NRG pronounced in combination and the word "energy" does not suffice to create the result sought by the appellant. Here, the appellant had written to the Patents Office at the time of registration that the letters in the trademark "have no meaning", and it could not, at this later stage, claim that it had sought protection for the word "energy". Furthermore, the word "energy" is an inherently descriptive word, and a standard term in the field, meaning that no party can be granted an exclusive right to its use through its inclusion in a registered trademark. The appellant also failed to show that the word "energy", as derived from

the letters NRG, had acquired any distinctive character associating it specifically with the appellant's product, or that it qualified for protection as a "well-known trademark". In any event, the fact that the respondent's mark contained another word, in addition to "energy", established that the auditory similarity was not misleading. The visual differences between the trademarks also weaken the appellant's argument, as does the fact that the products are marketed in different sized containers. Finally, although both parties' products fall within the general motor oil category, one product is a motor oil additive while the other is a motor oil itself, so that a claim of a violation cannot be based on a similarity regarding the type of product covered by the two registered trademarks.

Appeal denied.

Legislation cited:

Trademarks Ordinance [New Version], 5732-1972, ss. 1, 8(b), 11, 11(10), 11(13)21, 21(b).

Trademark Regulations 1940, Fourth Schedule.

Israeli Supreme Court Cases cited:

- [1] LCA 5454/02 *Ta'am Teva (1988) Tivoli Ltd v. Ambrosia Subherb Ltd* [2003] IsrSC 57(2) 438.
- [2] CA 6316/03 *Ilan Car Windows Ltd v. Baruch & Sons Car Windows Ltd* (2007).
- [3] CA 5689/94 *Vergos Ltd v. Nega Engineering Ltd* [1998] IsrSC 52(1) 521.
- [4] CA 395/88 *Orly S. Co. [1985] Ltd v. Dandy Food Industries Ltd* [1991] IsrSC 45(4) 32.
- [5] CA 116/87 *Keren Chemicals Ltd v. Witco Chemicals Ltd* [1987] IsrSC 41(3) 505.
- [6] CA 1677/05 *Deutsche Telekom AG v. E! Entertainment Television Inc.* (2006) (unpublished).
- [7] CA 8778/04 *Yotvata Dairies Ltd v. Tnuva Cooperative Center for Marketing of Agricultural Products in Israel Ltd* (2007) (unpublished).
- [8] CA 2673/04 *Copy To Go Marketing (1997) Ltd v. Shaked* (2007) (unpublished).
- [9] CA 5792/99 "*Mishpacha*" *Newspaper – Mishpacha Jewish Religious Education Media [1997] Ltd v. "Mishpacha Tova" - SBC Advertising, Marketing and Sales Promotion Ltd* [2001] IsrSC 55(3) 933.
- [10] HCJ 44/49 *Kay Daumit Co. v. Patents Office* [1950] IsrSC 4 109.
- [11] LCA 7836/09 *G.V.P. Sun Investments Ltd v. Naama* (2009) (unpublished).

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- [12] CA 9191/03 *V&S Vin Spirt Aktielbolag v. Absolute Shoes Ltd* [2004] IsrSC 58(6) 869.
- [13] LCA 3577/09 *Ezra v. H & O Fashion Ltd* (2009) (unpublished).
- [14] LCA 4322/09 *S.A. Format Trade & Services (1994) Ltd v. A. S. Shnir Ltd* (2009) (unpublished).
- [15] CA 8981/04 *Avi Malcha – “Avazi Hazahav Restaurant” v. Avazi Shchunat Hatikva (1997) Restaurant Management Ltd* (2006) (unpublished).
- [16] CA 3559/02 *Toto Zahav Subscribers Club Ltd v. Israel Sports Betting Council* [2004] IsrSC 59(1) 873.
- [17] H CJ 144/85 *Klil Non-Ferrous Metals Ltd v. Patents Office* [1988] IsrSC 42(1) 309.
- [18] CA 11487/03 *August Storck KG v. Alpha Intuit Food Products Ltd* (2008) (unpublished).
- [19] CA 1123/04 *Canali S.p.A. v. Canal Jean Co.* (2005) (unpublished).
- [20] LCA 1400/97 *Picanty Food Industries (Israel) Ltd v. Osem Food Industries Ltd* [1997] IsrSC 41(1) 310.
- [21] LCA 10804/04 *Prefetti Van Melle Benelux B.V. v. Alpha Intuit Food Products Ltd* [2005] IsrSC 59(4) 461.
- [22] CA 307/87 *M. Weisbrod & Sons v. D.Y.G. Electrical Products Factory Ltd* [1990] IsrSC 44(1) 629.
- [23] CA 10959/05 *Tea Board, India v. Delta Lingerie S.A. of Cachan* (2006) (unpublished).
- [24] CA 945/06 *General Mills Inc v. Meshubach Food Industries Ltd* (2009) (unpublished), leave for further hearing denied, LCA 8910/09 *General Mills Inc v. Meshubach Food Industries Ltd* (2010) (unpublished).
- [25] CA 18/86 *Fenicia Israel Glassworks Ltd v. Les Verreries de Saint Gobain* [1991] IsrSC 45(3).
- [26] CA 9568/05 *Shimoni v. “Moby” Birnbaum Ltd* (2007) (unpublished).

English cases cited:

- [27] *In re Compagnei Industrielle des Petroles* (1907) 2 Ch. D. 435.
- [28] *In re Farbenfabriken Application* (1894) 1 Ch. 645.

JUDGMENT

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Does the registration of a trademark for the combination of the letters NRG prevent the use of the word “energy” by others? This is the question confronting us in this appeal.

The facts

1. The appellant is an Israeli company that manufactures a motor oil additive — defined as a material for coating engines, metals and containers (hereinafter: “the product”). In 1982, the appellant registered a trademark for the product; the trademark consisted of the combination of the letters NRG with an arrow in the letter G, and a drawing of a fist along with a drawing of a piston (hereinafter: “the appellant’s trademark”). The appellant’s registration of the trademark included a notice of disclaimer, which stated that the registration of the trademark “does not confer a right of exclusive use of the letters NRG other than in the composition used in the trademark” (hereinafter: “the appellant’s notice of disclaimer”). The trademark was registered under Type 4 of the Fourth Schedule of the Trademark Regulations 1940 (hereinafter: “the Regulations”); Type 4 refers to “industrial oils and fats; lubricating oils; dust absorbing compounds; moisturizing compounds and binding compounds; fuels (including motor fuel) and illuminants; candles and wicks.”

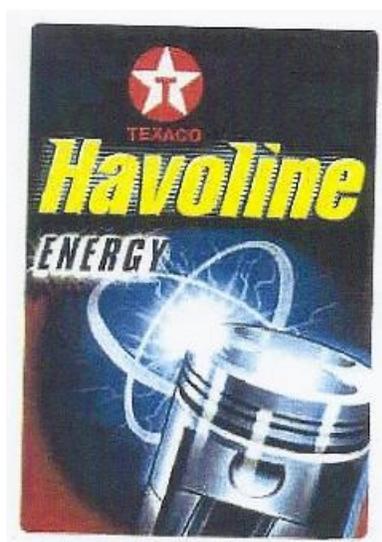
2. The respondent is an international company that manufactures motor oil. A trademark was registered for the respondent’s product, which includes the words “Havoline Energy” alongside an illustration of a silver piston (hereinafter: “the respondent’s trademark”). The respondent’s registration of the trademark included a notice of disclaimer, which stated that the registration of the trademark “does not confer a right of exclusive use of an image of a piston and the word ‘energy’, other than in the composition used in the trademark” (hereinafter: “the respondent’s notice of disclaimer”).

A graphical depiction at the beginning of my comments will be useful.

This is the appellant’s trademark:



And this is the respondent's trademark:



The proceeding before the intellectual property arbiter

3. The appellant, whose trademark was registered before that of the respondent, petitioned the Patents, Designs and Trademarks Office (hereinafter: "Patents and Trademarks Office") to have the word "energy" removed from the respondent's trademark. Its main argument was that the trademark registered on behalf of the appellant "blocked" the use of the word "energy" for other products included within the Type 4 grouping in the

Regulations, due to the sound produced by the combination of the letters N, R and G in its trademark. The appellant argued that there was also an element of actual misleading, resulting from the fact that the product is purchased as an “over-the-counter product”. Such products are requested by the consumer verbally, so that the sound of the trademark is emphasized. The respondent, on the other hand, argues that the word “energy” is a descriptive word and must therefore be left open for use by all.

4. The intellectual property arbiter at the Patents and Trademarks Office, Mr. Noach Shalev Shomovich (hereinafter: “the arbiter”), denied the request that the word be removed, holding that the appellant could not prevent third parties from using the word “energy”. The arbiter held that the policy of the Patents and Trademarks Office was not to grant any party exclusivity regarding the use of the word “energy”. He added that he found much merit in the respondent’s argument that the appellant had misled the Patents and Trademarks Office when it failed to indicate the significance of the letters NRG – i.e., when it failed to disclose the fact that when pronounced, the letters NRG sound like the word “energy”. The arbiter held that the circumstances therefore created an estoppel, blocking a claim of exclusivity with respect to the use of the word “energy”. Regarding the claim that the trademark was misleading, the arbiter held that the similarity between the trademarks was not misleading, in that the respondent’s trademark “is not composed of the word ‘energy’ alone, but rather of the combination of words ‘Havoline Energy’, and the sole similarity between the trademarks is, specifically, the generic part of the trademarks.” The arbiter concluded his decision with a holding that “the word ‘energy’ is standard in trade in the energy market, and as such it must stay open for trade, and therefore no one within the market has an exclusive right to use it.”

The arguments of the parties

5. In its appeal against the arbiter’s decision, the appellant has asked us to rule that the respondent violated its trademark and that the appellant has the exclusive right to use the word “energy”. This right, it is argued, is based on two alternative claims. The first claim relates to the form of the trademark that is registered in the appellant’s name. The appellant argues that “the sound produced by the letters NRG is the same as the sound produced by the word ‘energy’: NRG = energy” and that this was a “brilliant idea” conceived by the appellant’s manager twenty-five years ago. According to the appellant, “the NRG trademark was intentionally registered so as to express the sound ‘energy’ as well,” and that “this is what has created a ‘block’ and an

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impediment that prevents the respondent's use of the word 'energy'." The appellant referred to s. 11 of the Trademarks Ordinance [New Version], 5732-1972 (hereinafter: "the Ordinance"), which lists the type of trademarks that cannot be registered; the common denominator among these is that they bear a misleading similarity to an existing trademark. According to the appellant, the determinative test for proving that the trademark in this case is misleading is the auditory test, particularly since, as it argues, the product is sold "over the counter". With regard to the arbiter's determination concerning the creation of an estoppel by the appellant's notice of disclaimer, the appellant argues that its disclaimer "refers to the use of the Latin letters NRG, and not to the meaning of the sound produced from the combination of the letters in sequence . . . when the appellant registered the trademark, it was at the start of its business life. As time passed, a strong connection was formed between the Latin formation NRG and the word 'energy'." According to the appellant, the visual image of the respondent's trademark contains a misleading element as well, in that its graphic design includes a drawing of a piston motor. It should be noted that this was not the main claim, and the requested remedy deals with the word "energy" and not the piston.

The second claim is based on the "well-known trademark" doctrine, as defined in s. 1 and in s. 11(13) of the Ordinance, which prohibits the registration of "a mark identical to or misleadingly similar to a well-known trademark even if the mark is not registered." The appellant argues that this doctrine applies to its trademark, as the NRG trademark is so well known that the public refers to the appellant as "energy" and that this "shows that the consumer public is familiar with its trademark, and that it falls within the definition of a well-known [trademark]." The appellant submitted an affidavit from its manager regarding this matter, in which the manager claimed that the appellant had invested considerable effort and publicity in order to establish a reputation for its product, and that it had acquired a base of regular customers (Appendix E to the appellant's notice).

In light of this claimed exclusive right of use, which, as stated, is based on the alternative claims described above, the appellant argues that the respondent's trademark violates the appellant's previously registered trademark. The appellant believes that this violation provides a ground for the de-registration of the respondent's trademark, or at least for the removal of the word "energy" from it; the appellant also argues that it can make claims based on deception, misleading, and unjust enrichment.

6. The respondent, on the other hand, supports the arbiter's decision. According to the respondent, the appellant does not have an exclusive right to use the word "energy". Regarding the trademark's sound, the respondent argues that "energy" is a descriptive word that cannot be appropriated for the benefit of only one of the players in the market. As for the "well-known trademark" claim, the respondent argues that the appellant did not indicate the scope of the product's sales, and has not presented sufficient evidence to prove that the consumer public does indeed identify the word "energy" with the product.

Discussion

7. An examination of a claim alleging a trademark violation will refer to the issue of a misleading similarity between the trademarks themselves, based on a three-part test: each trademark's image and sound, the type of merchandise and the customer base, and the other relevant circumstances of the case (LCA 5454/02 *Ta'am Teva (1988) Tivoli Ltd v. Ambrosia Subherb Ltd*. [1], *per* Justice Grunis at paras. 12-13) .

The appellant relies, almost completely, on the auditory test. This test examines whether the two trademarks, as pronounced, produce similar sounds ("acoustic similarity", see A. Friedman, *Trademarks: Law, Case Law and Comparative Law* (3rd ed. 2010, vol. 1), at p. 385). The arbiter accepted the appellant's claim that the product is sold over-the-counter and as such can only be purchased with the assistance of a seller at a filling station (para. 54 of the arbiter's decision). I am also willing to assume that this product is indeed sold over-the-counter. The courts have held, regarding products of this type, that the need to articulate the trademark verbally increases the importance that should be attributed to acoustic similarity (*Ta'am Teva Ltd v. Ambrosia Ltd* [1], at para. 12), and that under certain circumstances acoustic similarity is also the main, if not the only, test (see Friedman, *Trademarks, supra*, at pp. 374-376, 386; *Ta'am Teva Ltd v. Ambrosia Ltd* [1], at paras. 18-19); see also my own comments, writing for the minority, in CA 6316/03 *Ilan Car Windows Ltd v. Baruch & Sons Car Windows Ltd* [2], at para. 27). This will be the case, for example, if the only expression of a difference between the products is the writing that appears on them, and the population buying the product is illiterate (an example is provided in CA 5689/94 *Vergos Ltd v. Nega Engineering Ltd* [3], *per* Justice Terkel at para. 11). Another example would be a situation in which the speakers of a particular language pronounce two different trademarks in a manner that is similar or identical (such as the German pronunciation of the words Fox and Fuchs, an example

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mentioned in Kerly's *Law of Trade Marks and Trade Names* (14th ed., 2005), at p. 601). Although these issues do not arise in our case, the appellant relies on this line of argument, and points out that the trademark was intentionally registered as NRG in order to give it the same sound as "energy". According to the appellant, this was a "brilliant idea" that prevents third parties from using the word "energy". Is this true?

8. It is important to emphasize that the NRG combination is not a word, but rather a combination of letters that purports to imitate the sound of a word. Nevertheless, I am willing to presume, without deciding the matter, that a combination of letters is sufficient to protect a derived word, and to presume that the pronouncement of the letters NRG, as a sequential combination, strongly resembles the pronunciation of the syllables of the word "energy". In this sense, the auditory sense, it can be said that the NRG letter combination has a synergetic effect that is greater than the sum of its parts. With respect to the visual test, it has been held that "'Aaron' can be written such that what is seen is 'Moses'" (CA 395/88 *Orly S. Co. [1985] Ltd v. Dandy Food Industries Ltd* [4], at 37E). By the same token, it can be said that with respect to the auditory test, "NRG" can be written such that what is read is "energy" (for a similar idea regarding a "phonetic similarity" under circumstances involving a particular consumer public, see CA 116/87 *Keren Chemicals Ltd v. Witco Chemicals Ltd* [5], at p. 507). However, in our case, this argument does not necessarily lead to the conclusion that the appellant has an exclusive right to the word "energy". In my view, the seemingly "brilliant idea" remains in the *marketing* realm and contains nothing that allows it take an additional step into the *legal* realm such that third parties can be prevented from using the word "energy". The following are my reasons for this position.

The appellant's notice of disclaimer and the circumstances of the trademark's registration

9. The appellant's intention of having the trademark registered so as "to express the sound 'energy'" was not indicated at the time that it actually registered the trademark. On the contrary, the appellant's trademark, by itself, does not include the word "energy". Moreover, a notice of disclaimer pursuant to s. 21 of the Ordinance was attached to the appellant's trademark registration – a notice which stated that the trademark's registration "does not confer a right of exclusive use of the letters NRG other than in the composition used in the mark." A notice of disclaimer has significance for the purpose of determining the similarity between trademarks (*Ta'am Teva*

Ltd v. Ambrosia Ltd [1], at para. 22; CA 1677/05 *Deutsche Telekom AG v. E! Entertainment Television Inc.* [6], per Justice Berliner at para. 16). The direct significance is that any other manufacturer may make use of the letters NRG, provided that their design is not that of the “composition used in the mark” (see s. 21(b) of the Ordinance; *Deutsche Telekom AG v. E! Entertainment Television Inc.* [6], at para. 18).

10. Moreover, and this is the main point: the *circumstances* of the registration, and the correspondence between the appellant and the Patents and Trademarks Office in anticipation of the registration of the trademark and the notice of disclaimer, indicate that in practice, the appellant had disclaimed any meanings that could be derived from the NRG trademark as well. At the time of the registration, the appellant made no claim of an exclusive right of use regarding the word “energy”, derived from the registration of the NRG trademark. On the contrary, in a letter to the Patents and Trademarks Office, dated 23 April 1985 and sent in the context of the registration process, the appellant’s then counsel wrote as follows: “We are prepared to provide a notice of disclaimer regarding the letters NRG and wish to inform you that these letters have no significance.”

The argument made to the arbiter in the current proceeding was different. It was argued that the “notice of disclaimer related to the letters NRG, and the notice of disclaimer did not refer to the connotation of the sound of the combination of the letters.” In its summation, the appellant continued to argue that “the combination of the letters, together, has no meaning and/or interpretation, but the sound produced is indeed significant, and the significance is enormous from the appellant’s perspective.”

This is a weak argument. If the combination of the letters is indeed significant, why was this not mentioned to the Patent and Trademarks Office at the time of the registration? Why, at the time of the registration process, was a letter written to the Patent and Trademarks Office specifically stating that the “*letters have no meaning*”? I emphasize further: the notice of disclaimer was recorded with respect to the combination of the letters NRG in sequence, and not with respect to the letters N, R and G, separated from each other. All this was in the context of the relevant category of motor oils. The argument, as presented to the arbiter and in the summation, is apparently intended to explain the statement in the letter to the Patents and Trademarks Office, which constituted the basis of the registration years before the current proceeding. This is an unpersuasive explanation that has been provided after the fact, and it contradicts the appellant’s declaration to the Patents and

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Trademarks Office during the registration process; that declaration reflects a position which is *binding* because it was the basis for the decision made by the Patents and Trademarks Office to approve the appellant's trademark (see and compare, with regard to circumstances that create a type of judicial estoppel or obstacle: CA 8778/04 *Yotvata Dairies Ltd v. Tnuva Cooperative Center for Marketing of Agricultural Products in Israel Ltd* [7], at para. 20; *Keren Chemicals Ltd v. Witco Chemicals Ltd* [5], at pp. 509-510). As the arbiter held, an opposite position, taken only after the fact, undermines the validity of the appellant's trademark (compare: CA 2673/04 *Copy To Go Marketing (1997) Ltd v. Shaked* [8], *per* Justice Berliner at para. 23). The appellant's argument based on a forced reading of its notice of disclaimer must therefore be rejected.

Descriptive word

11. The legal result sought by the appellant is *de facto* protection of the word "energy", which the appellant seeks to prevent third parties from using. The following analysis will therefore examine the legal situation with regard to the word "energy" (compare: *Deutsche Telekom AG v. E! Entertainment Television Inc.* [6], at para. 16).

12. My view is that trademark law denies protection for any phonetic or auditory derivative meanings of the letters NRG in general, and for the word "energy" in particular, irrespective of the circumstances of the registration. The norm in trademark law is to distinguish between four types of names: generic names; descriptive names; suggestive names; and fantasy names, with the scope of the protection granted to a particular name being derived from its classification within one of these four categories (CA 5792/99 "*Mishpacha*" *Newspaper — Mishpacha Jewish Religious Education Media [1997] Ltd v. "Mishpacha Tova" — SBC Advertising, Marketing and Sales Promotion Ltd* [9], at p. 943). In our case, the respondent has shown that as a matter of professional terminology, the use of the word "energy" — as a name for motor oil products — is standard worldwide. The arbiter's holding with respect to this issue was that "as has been proven to me, the word 'energy' is a standard trade word in this market" (para. 43 of the arbiter's decision), and there is no reason for interfering with this holding. The respondent referred to the fact that in the United States the word often appears as part of a trademark, and in Israel it is used both in the names of other companies' motor oils and in other trademarks. According to the respondent, this is therefore a generic name, and it wishes to draw an analogy from a similar ruling, that "a seller of motors cannot acquire a monopoly

[over the use of the word] ‘diesel motors’” (*id.* [9], at p. 944C; see also, with regard to the word “motor”, the British decision *In re Compagnie Industrielle des Petroles* (1907) 2 Ch. D. 435 [27], cited in HCJ 44/49 *Kay Daumit Co. v. Patent Office* [10], *per* Justice Silberg, at p. 112).

13. In my opinion, even if we do not accept this analogy and the position that the word “energy” is a truly generic word, we are, at the least, dealing with a *context* in which this is a descriptive-lexicographical term. The word “energy”, in the context of motor oils, is a non-Hebrew word with *descriptive* characteristics: the appellant and the respondent both claim that the use of their products increases the efficiency with which the motor produces energy. The word “energy” is therefore, in this context, a noun that is intended to describe a characteristic or component of the product (see *Mishpacha Newspaper Ltd v. “Mishpacha Tova” Ltd* [9], at p. 944; *Kay Daumit Co. v. Patent Office* [10], at p. 117A). The word has a “universal flavor”, regarding which it is difficult to say that an individual person may appropriate it and deny the rest of the public the right to use it (LCA 7836/09 *G.V.P. Sun Investments Ltd v. Naama* [11], *per* Justice Grunis at para. 5, regarding the use of the word “sun”; and see, regarding the word “sol”, the British decision in *In re Farbenfabriken Application* (1894) 1 Ch. 645 [28], cited in *Kay Daumit Co. v. Patent Office* [10], *per* Justice Silberg at p. 113). The rule is that a descriptive-lexicographical term must remain available for use by the public:

‘When the trademark is one that includes a name which is a lexicographical-descriptive term — and we use the word ‘lexicographical’ to provide extra emphasis — we must act with great care when invalidating a trademark and protecting an appropriation of the dictionary’ (CA 9191/03 *V&S Vin Spirt Aktielbolag v. Absolute Shoes Ltd* [12], at p. 885b, regarding the word “absolute”).

This rule also applies with regard to a product’s English language name, when that name is understood by at least a significant portion of the Israeli population (see: *Copy To Go Ltd v. Shaked* [8], at para. 8; and compare LCA 3577/09 *Ezra v. H & O Fashion Ltd* [13], *per* Justice Naor at para 16, regarding the word “fashion”; LCA 4322/09 *S.A. Format Trade & Services (1994) Ltd v. A. S. Shnir Ltd* [14], *per* Justice Grunis at para. 3, regarding the word “gold”). Applicable to our case is the holding that “descriptive names, which describe the features or components of the traded asset or the service being provided, will receive only very minimal protection, and only in rare cases” (CA 8981/04 *Avi Malcha — “Avazi Hazahav Restaurant” v. Avazi*

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Shchunat Hatikva (1997) *Restaurant Management Ltd* [15], per Justice Cheshin at para. 16; see also, *Mishpacha Newspaper Ltd v. "Mishpacha Tova" Ltd* [9], at p. 943D).

14. As the instant case involves a descriptive word, it is clear that the appellant cannot acquire an exclusive right to use that word and thus to appropriate it — not even pursuant to its “auditory test” argument. “An auditory identity which is not misleading is of course possible, when the trademarks use a descriptive word or a standard commercial term”, because within this group of trademarks “the similar sound results from the inherently weak nature of the trademarks, which, due to their very essence, justifies their being left free for use by all parties” (Friedman, *Trademark Law, supra*, at pp. 385-386 and also at p. 389; compare *Ta'am Teva Ltd v. Ambrosia Ltd* [1], at para. 15, regarding the word “mega”). Indeed, “since we have noted that these are common words that are used in the language to describe the goods under discussion — i.e., that these are descriptive words — there is less concern that the public will be misled” (*Mishpacha Newspaper Ltd v. "Mishpacha Tova" Ltd* [9], at p. 949D).

The exception — a distinctive character

15. “The rule is that descriptive nouns cannot be removed from the common language and they may not be taken from the public domain and appropriated for use in connection only with defined goods, *unless during the course of their use they have acquired a distinctive character*” (CA 3559/02 *Toto Zahav Subscribers Club Ltd v. Israel Sports Betting Council* [16], at p.889C; see also *Mishpacha Newspaper Ltd v. "Mishpacha Tova" Ltd* [9], at p. 944D; H CJ 144/85 *Klil Non-Ferrous Metals Ltd v. Patent Office* [17], at p. 315; see also ss. 8(b) and 11(10) of the Ordinance). The appellant argues that it has proven that a distinctive character is a factor here.

I do not believe that the appellant has proven that the descriptive word “energy” — regarding which the appellant claims an exclusive right of use — has acquired, through use, a “second meaning”, such that there is an exclusive connection between the word and the appellant or its product, reaching the level of a distinctive character as defined in the case law (see *Ta'am Teva Ltd v. Ambrosia Ltd* [1], at p. 890D; “*Avazi Hazahav Restaurant*” v. *Avazi Shchunat Hatikva Ltd.* [15], at para. 16; see also s. 11(10) of the Ordinance). In our case, the criteria established for proving an “inherent” distinctive character that would apply to the word “energy” have not been met with respect to the appellant’s trademark (see CA 11487/03 *August Storck KG v. Alpha Intuit Food Products Ltd* [18], per Justice Grunis

at para. 8). The word “energy” is, as stated, “a part of the spoken language, which is in the public domain” (*Kay Daumit Co. v. Patent Office* [10], at p. 115G). This conclusion is strengthened by the notice of disclaimer required of the respondent at the time that the respondent’s trademark was registered, including a waiver of the exclusive right to use the word “energy”.

16. I do not believe that the criteria for proving the existence of an “acquired” distinctive character (see *August Storck KG v. Alpha Intuit Food Products Ltd* [18], at para. 8) have been met here either. The appellant has not presented sufficient proof that establishes the period of time during which the trademark was in use, the level of publicity the trademark received or the effort that the company invested in creating the said connection (*Toto Zahav Ltd v. Israel Sports Betting Council* [16], at p. 891A). The burden of proof regarding this matter falls on the party claiming the distinctive character (see *Copy To Go Ltd v. Shaked* [8], at para. 18; *Yotvata Dairies Ltd v. Tnuva Cooperative Center Ltd* [7], per Justice Rubinstein at para. 11). The appellant relies on its manager’s affidavit in this matter. It is indeed possible to imagine a situation in which a manager’s testimony, based on reports that he has received “from the field”, will serve as good evidence (*Vergos Ltd v. Nega Ltd* [3], at para. 12). However, in our case, the affidavit is not sufficient to prove the existence of a distinctive character. The appellant has not taken the step normally taken in order to prove that a second meaning has been established – i.e., carrying out a reliable consumer survey (as opposed to a random check) which could have shown that the public identifies the word in question with the appellant’s product and that the public distinguishes between that product and others (see *Yotvata Dairies Ltd v. Tnuva Cooperative Center Ltd* [7], at para. 21). A consumer survey is not an essential element, and it can be replaced with other persuasive evidence, but in our case no other such evidence has been presented. The appellant is not the only manufacturer of a product in the said category, and in such circumstances the evidence of a distinctive character must be of very high quality (regarding these considerations, see *Copy To Go Ltd v. Shaked* [8], at paras. 21-22). Note that the decline in the appellant’s sales is not in itself proof that its customers were misled or that customers had erroneously switched over to purchases of the respondent’s product. In actuality, the drastic decrease in the appellant’s sales is not disputed. The disagreement between the parties relates only to the reason for such: whether it was competition, or the fact that customers were misled. As stated, I do not believe that the buyers in this case were misled; rather, I believe that there

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were other reasons for the decline in sales (compare *Vergos Ltd v. Nega Ltd* [3], at para. 12).

Application of the auditory test does not indicate that consumers are being misled

17. Even if the appellant had cleared the hurdles described above, it would still not be entitled to the relief that it seeks. This is because the application of the auditory test on which the appellant relies does not, in itself, lead to the conclusion that anyone was misled. The auditory test examines the auditory similarity between the trademarks *in their entirety*. Thus, what is needed here is to compare the appellant's trademark with the trademark of the respondent, including all its elements, while giving weight to the first impression created by such a comparison (CA 1123/04 *Canali S.p.A. v. Canal Jean Co.* [19], *per* Justice Grunis at para. 5; *Deutsche Telekom AG v. E! Entertainment Television Inc.* [6], at para. 14). An analysis of the trademarks in their entirety reduces the concern that anyone was misled in terms of the sound, as the respondent's trademark includes two words: the first is "Havoline", and the second is "energy", while the appellant's trademark includes only the NRG letter combination. Thus, if a consumer seeking to purchase the product relies only on the sound of the appellant's trademark, there is less concern that he or she might accidentally purchase the respondent's product (compare, *V&S Aktielbolag v. Absolute Shoes Ltd* [12], at p. 888B). As stated above, my view is that the word "energy" is strongly connected to the motor oils industry, such that the main emphasis in a comparison that a consumer makes will necessarily relate to the other parts of the trademark, and in our case to the word Havoline. Indeed "when a determination is made as to whether there is a risk of being misled regarding two trademarks, substantial emphasis will normally be placed on the dominant expression in the trademarks" (Friedman, p. 386). The word "Havoline" is, in my view, a dominant addition which substantially weakens the auditory similarity between the trademarks (see and compare *Toto Zahav Ltd v. Israel Sports Betting Council* [16], at p. 893D; *Deutsche Telekom AG v. E! Entertainment Television Inc.* [6], at paras. 15-16; *Ta'am Teva Ltd v. Ambrosia Ltd* [1], at paras. 21-20). Moreover, as the following discussion of the visual test indicates, the word "Havoline" in the respondent's trademark appears in larger print and in a more central location than the word "energy", which appears on a smaller scale in the respondent's trademark.

18. The above discussion provides sufficient grounds for denying the appeal, which is based for the most part on the use of the auditory test.

However, in order to provide a complete picture, I will also discuss the other tests briefly. The application of these tests in our case will clarify the weakness of the argument that there is a danger of being misled by the trademark.

The visual test

19. A comparison of the images of the two trademarks *in their entirety* indicates that they are not at all identical. The difference is very obvious to the eye. We began our comments by displaying the appellant's trademark alongside the respondent's trademark. A comparison of all parts of the trademarks reveals that the respondent's trademark includes elements that differentiate between it and the appellant's trademark and which negate the concern that the two may be confused. The phonetic *captions* are very obviously different: the words in the respondent's trademark do not appear at all in the appellant's trademark, and this is important both with respect to the image and with respect to the sound (compare *Canali S.p.A. v. Canal Jean Co.* [19], at para. 5). The points of *graphic* similarity — and primarily the sketch of a piston — do not change the obvious conclusion, given the clear text. Furthermore, there is no visual similarity between the signs “considering the manner in which [they appear] in use on the product in actuality,” on the product itself (see LCA 1400/97 *Picanty Food Industries (Israel) Ltd v. Osem Food Industries Ltd* [20], *per* Justice Strassberg-Cohen at para. 4; compare: *Ezra v. H & O Fashion Ltd* [13], at para. 15). The appellant's product, as attached in the exhibits file, is marketed in a 250 milliliter container. In contrast, the respondent's product, which is also attached in the exhibits file, is marketed in containers of 1 to 5 liters. Briefly: a visual comparison of the trademarks shows the substantial difference between them.

The type of merchandise and customer group test

20. Regarding the type of merchandise: as stated, the products are included in the “motor oils” category (Type 4 of the Fourth Schedule of the above-mentioned Regulations). However, the purpose of each of the two products is different. The arbiter determined that, as a factual matter, the appellant's product is a motor oil additive, while the respondent's product is a motor oil itself. The difference in the product's purposes is relevant with respect to the customer group, in that it weakens the appellant's line of argument. Because an “oil additive” is not an “oil”, the risk that a consumer may ask a seller in a filling station for an “oil additive” (the appellant's product type) and instead receive an “oil” (the respondent's product type) is reduced. The arbiter's holding concerning this matter was as follows: “These

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are alternative products, in the sense that a person who buys a motor oil with additives in it produced [by the respondent] will not also buy an additive produced [by the appellant], and *vice versa*” (para. 51 of the arbiter’s decision). As can be seen, the “over-the-counter” product argument works both ways. This is also the view taken by Friedman, in connection with the “merchandise type test”: Friedman wrote that “over-the-counter products which are controlled by the seller are subject to a very low risk of customers being misled”, as compared to shelf products (Friedman, *Trademark Law, supra*, at p. 377), and that with regard to shelf products, “the visual image, in most cases, prevails over what the ear hears” (*ibid.*, at p. 391).

21. Regarding the customer group, no factual findings were established that provide guidance on the question of whether or not there is a limited group of customers with developed powers of distinction between products, a factor that could lessen the risk of being misled (see *Ta’am Teva Ltd v. Ambrosia Ltd* [1], at para. 13(b)). I believe that this issue works both ways. On the one hand, the channel of distribution is likely to be comprised of professional sellers who, *on their own initiative*, recommend the product to customers, and whose expertise in this regard mitigates the concern that customers will be misled (compare: *Vergos Ltd v. Nega Ltd* [3], at para. 11), and even if it is assumed that the customers make their choices independently, the relevant comparison then becomes the visual comparison, and the substantive difference in the products’ packaging means that there is no risk that any customer will be misled (compare: LCA 10804/04 *Prefetti Van Melle Benelux B.V. v. Alpha Intuit Food Products Ltd* [21], *per* Justice Grunis at para. 5). On the other hand, customers who come to the filling stations are likely to be insufficiently skilled, and to rely on the sound of the product name alone (compare CA 307/87 *M. Weisbrod & Sons v. D.Y.G. Electrical Products Factory Ltd* [22], at p. 635; *S.A. Format Ltd v. Shnir Ltd* [14], at para. 6; *Ilan Car Windows Ltd v. Baruch & Sons Car Windows Ltd* [2], *per* Justice Naor at para. 27). In any event, the burden regarding this matter is imposed on the party claiming that the trademark is misleading. The appellant did not provide the arbiter with sufficient evidence to allow the merchandise type and customer group issue to weigh strongly in its favor. Generally, the merchandise type and customer group test is secondary to the visual and auditory test anyway (*August Storck KG v. Alpha Intuit Food Products Ltd* [18], at para.6; and compare CA 10959/05 *Tea Board, India v. Delta Lingerie S.A. of Cachan* [23], *per* Justice Berliner, at para. 10).

Other circumstances

22. I did not find any additional circumstances that had not been taken into consideration in the context of the tests described above.

23. To sum up: there is no cause for concern with regard to a possible misleading aspect of the two trademarks, and the appellant's argument that the respondent has violated its trademark, based on the alternative subsections of s. 11 of the Ordinance that reflect various aspects and possibilities of consumers being misled, must be rejected (see *Tea Board, India v. Delta Lingerie S.A.* [23], at para. 9).

The alternative argument: the well known trademark

24. The appellant's second argument, based on the "well-known trademark" doctrine (for an in-depth discussion of this cause of action, see *V&S Aktielbolag v. Absolute Shoes Ltd* [12], at pp. 878-880). This doctrine examines, *inter alia*, the element of the product's reputation; the tests used to determine the applicability of that doctrine are similar to those applied in order to determine whether a "distinctive character" has been acquired, as discussed above (Friedman, *Trademark Law*, *supra*, at p. 115, see also *Sun Investments Ltd v. Naama* [11], at para. 4). The appellant did not meet the criteria established for proving a reputation (for these criteria, see: [24] CA 945/06 *General Mills Inc v. Meshubach Food Industries Ltd* [24], leave for further hearing denied, LCA 8910/09 *General Mills Inc v. Meshubach Food Industries Ltd* (2010) (unpublished); see also: CA 18/86 *Phoenicia Israel Glassworks Ltd v. Les Verreries de Saint Gobain* [25], at pp. 245-246). In this regard, as stated, the appellant did not bring sufficient data to prove a widespread and continued use of its product (see *Weisbrod & Sons v. D.Y.G. Factory Ltd* [22], at p. 632; *Copy To Go Ltd v. Shaked* [8], at para. 21). As stated, no use has been proven which has resulted in the public identifying the product specifically with the appellant (see *Phoenicia Israel Ltd v. Les Verreries de Saint* [25], at p. 240).

Additional claims

25. The appellant argued in the appeal briefs, even if only half-heartedly, that various civil torts had been committed such as deception and unjust enrichment. These arguments should not be dealt with in this proceeding; such claims must be raised in the appropriate court. But going beyond what is necessary, and to prevent my comments from being viewed as encouraging excessive litigation, I will say that an analysis of the civil tort of deception deals with both the reputation element and the element of misleading (*Mishpacha Newspaper Ltd v. "Mishpacha Tova" Ltd* [9], at p. 942A; CA

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9568/05 *Shimoni v. "Moby" Birnbaum Ltd* [26], per Vice President Rivlin at para. 8). Unlike trademark law, which compares only the trademarks themselves, the tort of deception relates to the question of whether the defendant's entire range of behavior and activity reaches a level at which a risk exists that someone may be misled (see *Toto Zahav Ltd v. Israel Sports Betting Council* [16], at p. 901E; "*Avazi Hazahav Restaurant*" v. *Avazi Shchunat Hatikva Ltd* [15], at paras. 12 and 28; *Ezra v. H & O Fashion Ltd* [13], at para. 171; *S.A. Format Ltd v. Shnir Ltd* [14], at para. 4). Regarding the tort of deception as well, the difference between the trademarks themselves, as described above, combined with the significant differences in the packaging of the products and in the size of the containers, which is seen when the products are placed side by side, tips the scale in favor of a mitigation of the concern that anyone is being misled (regarding the importance of the image, design and size of the product's package in the context of the tort of deception, see and compare: *S.A. Format Ltd v. Shnir Ltd* [14], at para. 5; *August Storck KG v. Alpha Intuit Food Products Ltd* [18], at para. 7; leave for further hearing denied, LCA 8910/09 *General Mills Inc v. Meshubach Food Ltd* (2010) (unpublished) [24], at para. 14; *Shimoni v. "Moby" Birnbaum* [26], at para. 11). This is also the apparent result regarding the unjust enrichment claim, since the appellant has not proven that the respondent benefited from anything at its expense in a manner that justifies a grant of relief pursuant to either the law of unjust enrichment or pursuant to the natural and standard trademark law framework (see and compare *Vergos Ltd v. Nega Ltd* [3], at para. 14; *V&S Aktielbolag v. Absolute Shoes Ltd* [12], at p. 888E); *General Mills Inc v. Meshubach Food Ltd* [24], at para 20; *Shimoni v. "Moby" Birnbaum Ltd* [26], at para. 14).

Conclusion

26. The Patents and Trademarks Office took into consideration the appellant's binding statement as a basis for the approval of the trademark – its statement that "the letters NRG . . . have no meaning." Even if these circumstances are ignored, a trademark that includes the letters "NRG" in print does not, in our present context of motor oils, change the descriptive character of the word "energy", and for this reason it must remain in the public domain. The appellant may not appropriate the use of the word for itself and thus remove it from public use. The appellant's trademark does not prevent third parties from using the descriptive, auditorily-derived word "energy". The "brilliant idea", as the appellant wrote, or the "brilliant invention" (see *Kay Daumit Co. v. Patent Office* [10], per Justice Silberg, at p. 117E) does not confer upon the appellant's trademark the protection that

the appellant seeks for it. The appeal is denied. The appellant will bear the respondent's expenses and attorney fees, in the amount of NIS 50,000.

Justice Hanan Melcer

I agree with the comprehensive opinion of my colleague, Justice Naor.

Justice Elyakim Rubinstein

I concur in the comprehensive opinion written by my colleague, Justice Naor. Neither the letters NRG nor the word "energy" may be appropriated — either by the appellant or by any other party; likewise, the word "energy" in Hebrew may not be taken for private use. There is indeed no limit to the marketing creativity of a manufacturer or copywriter, but language, by its nature, has certain "quantitative" limits, even though there are no limits to "ideas" in the commercial world, certainly within the virtual-technological realm. It is noteworthy that the newspaper "Maariv" gave its website the name NRG at one point, and while there may be another explanation for this, the website's name also sounds out phonetically as "energy". The possibility that a phonetic sound will give rise to a question regarding the nature of the word being uttered arises in the Talmud as well (Babylonian Talmud, Baba Kama 104b). The sage Rav Huna cited the saying, "Robbery and fraud, loss and deposit – 'Yesh Talmud' (this is certainly a definitive teaching)" regarding the issue of when a person must pay for robbery committed by his father; this saying was not clear to his son Rabba, who asked the following, in light of the auditory similarity [in Hebrew] of the phrase 'Yesh Talmud': "Did he say 'Yesh Talmud' (there is a definitive teaching) or did he say 'Yishtalmu' (the heirs should have to pay)?" Rav Huna answered "Yesh Talmud" (apparently there is no difference in terms of the substantive legal result). The end result is that I accept the opinion of my colleague.

Decided as *per* the opinion of Justice M. Naor.

31 August 2010

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