

O/787/19

TRADE MARKS ACT 1994

**IN THE MATTER OF TRADE MARK APPLICATION NO. 3313273
BY ZERO INTERNATIONAL LTD.
TO REGISTER:**

ZERO

**AS A TRADE MARK IN CLASSES 9, 16 AND 41
AND
IN THE MATTER OF THE OPPOSITION THERETO
UNDER NO. 413994
BY XERO LIMITED**

Background and pleadings

1. On 25 May 2018, Zero International LTD. (“the applicant”) applied to register the trade mark ZERO in the UK. The application was published for opposition purposes on 10 August 2018. The applicant seeks registration for the following goods and services:

Class 9: *Computer hardware; computer software; computer peripherals; electronic data processing equipment; computer networking and data communications equipment; computer components and parts; electronic memory devices; electronic control apparatus; programmed-data-carrying electronic circuits; wires for communication; electrodes; telephones; aerials; batteries; microprocessors; keyboards; video films.*

Class 16: *Paper; cardboard; printed publications; printed matter; computer printers (Inking ribbons for -); bookbinding materials; books; adhesives for stationery or household purposes; artists' paint brushes; music sheets; music scores; periodical magazines; photographs; stationery and educational supplies; typewriters; Instructional and teaching material (except apparatus); plastic materials for packaging; printing blocks.*

Class 41: *Teaching; education; training; entertainment services; production of television programs; film distribution; production of shows; production of films; provision of non-downloadable films and television programs via a video-on-demand service; arranging, conducting and organisation of workshops; conducting of seminars and congresses; arranging of exhibitions for cultural purposes; organizing and arranging exhibitions for entertainment purposes; organizing and presenting displays of entertainment [relating to style and fashion]; organization of [fashion] shows for entertainment purposes.*

2. The application was opposed by Xero Limited (“the opponent”) on 10 October 2018. The opposition is based upon sections 5(2)(b) and 5(4)(a) of the Trade Marks Act 1994 (“the Act”) and concerns all the goods and services applied for.

3. With regards to its claim based upon sections 5(2)(b) of the Act, the opponent relies upon the following earlier trade marks:

(i) XERO (the “First Earlier Mark”)

EUTM registration no. 5867361

Filing date: 30 April 2007; priority date: 1 November 2006; registration date: 12 March 2008

Relying on all goods and services for which the mark is registered, namely:

Class 9: *Computer equipment; computer software, including software packages and manuals in an electronic format sold as unit, for business management and business administration purposes including accounting solutions.*

Class 36: *Financial services, including purchase payments and bill payments services; electronic purchase payment and electronic bill payment services; electronic banking services; electronic accounts payable services; funds, money and currency transfer services; financial, advisory, consultancy and provision of financial information relating to the aforesaid services; the aforesaid services being provided electronically or by other means.*

Class 38: *Computer services relating to the provision of access to computer databases, the internet and other facilities, including providing a portal site on the internet providing links to other sites; providing access to databases and internet sites for the retrieval and downloading of information relating to financial affairs.*

The opponent relies on the First Earlier Mark to oppose all the applied for goods in class 9.

(ii) XERO (“the Second Earlier Mark”)

IR 1202118

International registration date: 14 January 2014; Date of Designation of the EU: 14 January 2014; Date protection granted in EU: 25 October 2019.

Relying on all services for which the mark is registered, namely:

Class 35: *Retail and wholesale services; retail and wholesale of software and manuals for use therewith; accounting services; accountancy services; provision of information relating to accounts (accountancy); tax consultancy (accountancy); advertising and business advisory services; business administration, business management, business assistance, business accounts management; business advisory, consultancy and provision of business information relating to the aforesaid services; the aforesaid services being provided online, electronically or by other means. Additional goods and/or services have been added as a result of a subsequent designation received on 2018-08-07: Retail and wholesale services; retail and wholesale of software and manuals for use therewith; accounting services; accountancy services; provision of information relating to accounts (accountancy); tax consultancy (accountancy); advertising and business advisory services; business administration, business management, business assistance, business accounts management; business advisory, consultancy and provision of business information relating to the aforesaid services; the aforesaid services being provided online, electronically or by other means. Goods and services limited to: Retail and wholesale services; retail and wholesale of software and manuals for use therewith; accounting services; accountancy services; provision of information relating to accounts (accountancy); tax consultancy (accountancy); advertising and business advisory services; business administration, business management, business assistance, business accounts management; business advisory, consultancy and provision of business information relating to the aforesaid services; the aforesaid services being provided online, electronically or by other means. Goods and services limited to: Retail and wholesale of software and manuals for use therewith; accounting services; accountancy services; provision of information relating to accounts (accountancy); tax consultancy (accountancy); advertising and business advisory services; business administration, business management, business assistance, business accounts management; business advisory, consultancy and provision of business information relating to the aforesaid services; the aforesaid services being provided online, electronically or by other means.*

Class 42: Software as a service (SaaS) services; software as a service (SaaS) services, including the provision of online software for accounting, management and reporting for accountants, tax management, financial and annual reporting, documentation, online training, and subscription management; provision of non-downloadable software via a website; cloud computing featuring software; online provision of web-based software; software creation; software engineering; updating of computer software; advisory services relating to computer software; computer software advisory services; computer software consultancy; computer software development; computer software engineering; computer software design; computer support services (computer hardware, software and peripherals advisory and information services); computer software programming services; hosting of software as a service (SaaS). Additional goods and/or services have been added as a result of a subsequent designation received on 2018-08-07: Software as a service (SaaS) services; software as a service (SaaS) services, including the provision of online software for accounting, management and reporting for accountants, tax management, financial and annual reporting, documentation, online training, and subscription management; provision of non-downloadable software via a website; cloud computing featuring software; online provision of web-based software; software creation; software engineering; updating of computer software; advisory services relating to computer software; computer software advisory services; computer software consultancy; computer software development; computer software engineering; computer software design; computer support services (computer hardware, software and peripherals advisory and information services); computer software programming services; hosting of software as a service (SaaS).

The opponent relies on the Second Earlier Mark to oppose the applied for “computer software” in class 9.

(iii) XERO (“the Third Earlier Mark”)

IR 1380083

International registration date: 6 July 2017; Date of Designation of the EU: 6 July 2017; Priority date: 6 January 2017.

Relying on some of the goods for which the mark is registered, namely:

Class 9: *Computers; computer keyboards; rechargeable batteries; power banks; computer software and hardware; computer peripherals; mobile phones and related parts and accessories; headphones; sleeves for laptops; earbuds; calculators; lanyards for cameras; lanyards for mobile phones; lanyards for holding spectacles; eyeglass lanyards.*

Goods and services limited to: Computers; computer keyboards; rechargeable batteries; power banks; computer software and hardware; computer peripherals; mobile phones and related parts and accessories; headphones; sleeves for laptops; earbuds; calculators; lanyards for cameras.

Class 16: *Paper and cardboard; printed matter; stationery; notebooks; notebook paper; books; calendars; clipboards; ink; pens; correction pens; cases for pens; pencils; stickers; decals; laptop decals; 3D decals for use on any surface; stickers [stationery]; sticker books; desktop business card holders; brochures; printed brochures.*

The opponent relies on the Third Earlier Mark to oppose the entire application.

4. The opponent claims that the marks are similar and that the goods and services covered by the applicant's specification are identical or similar to those for which the earlier marks are registered, leading to a likelihood of confusion on the part of the public. Therefore, registration of the applicant's mark should be refused under section 5(2)(b) of the Act.

5. Under section 5(4)(a) of the Act, the opponent claims that it has acquired goodwill in the UK as a result of the use of the sign XERO since 2017 in relation to "*educational and training services relating to computers, computer software and computer software as a service (SaaS) services; arranging of exhibitions for educational purposes; arranging and conducting of conferences; arranging of award ceremonies*". Use of the applied for trade mark would therefore be a misrepresentation to the public and result

in damage to the aforementioned goodwill. The opponent relies on this ground to oppose all the applied for services in class 41.

6. The applicant filed a counterstatement denying the claims made and requesting that the opponent proves use of its First Earlier Mark.

7. The applicant is not professionally represented. The opponent is represented by Wilson Gunn. Only the opponent filed evidence. This will be summarised to the extent that is considered necessary. No evidence was filed by the applicant. No hearing was requested, but both parties filed written submissions in lieu. This decision is taken following a careful perusal of the papers.

The opponent's evidence

8. The opponent's evidence consists of a witness statement dated 3 April 2019 by Gary Turner. The main purpose of Mr Turner's evidence is to show that the First Earlier mark was put to genuine use in the relevant period and to sustain the opponent's claim for passing off. Mr Turner is the Managing Director of Xero (UK) Limited, which is a wholly owned subsidiary of the opponent and is responsible for the marketing, business and operations of the opponent within the UK.

9. The first part of Mr Turner's witness statement relates to use of the mark XERO in relation to an accountancy software. Mr Turner says that the opponent has used the XERO trade mark and domain name xero.com since it was founded and incorporated in New Zealand. According to Mr Turner the opponent is one of the fastest growing software and service companies globally and it leads the cloud accounting market in New Zealand, Australia and the UK, with a total of over 1.5 million subscribers. The number of UK subscribers was 164,000 in September 2016 and 355,000 in September 2018.

10. Mr Turner says that the opponent provides its services to small and medium businesses. The opponent's services involve online accountancy software which enables the automatic import of transactions directly from the bank accounts of businesses. Subscribers can send invoices and quotes from within the software

application and can also enter and track bill payable. VAT returns can also be submitted directly to HMRC, and payroll is also available if required. According to Mr Turner, the opponent's consumers can either use the software themselves or in conjunction with one or more of the opponent's add-on partners.

11. Mr Turner gives details of awards received in 2016/2017. These include Financial Product of the Year (UK Cloud Awards), Technology Provider of the Year (British Small Business Awards) and Client Software Product of the Year (British Accountancy Awards). He also gives details of over 100 UK consumers, most of which are companies specialising in accountancy, business advice and taxation (Exhibit GT-02).

12. Mr Turner says that the XERO mark has been used extensively on the opponent's website as well as on partners' websites which are accessible through the opponent's partner directory. The XERO mark is also used on correspondence, business cards, staff t-shirts and laptop bags. Pictures of marketing literature and print-outs from the opponent's website (undated) are produced at Exhibit GT-01. This material shows use of the word XERO within the domain name xero.com and within phrases such as "Britain's small businesses love Xero", "Xero puts accounting and payroll in one place", "Xero helps you do mundane bookkeeping tasks faster", "Xero is an HMRC-

recognised VAT software provider". It also shows use of the following mark



13. Approximate sales value of services provided by Mr Turner's company under the mark XERO in the UK between 2009 and 2018 is £90 million, with annual sales increasing from £56,000 in 2009 to £35 million in 2018. International sales of services provided under the XERO mark have exceeded NZ \$1 billion between 2013 and 2018.

14. According to Mr Turner, in the period 2013-2018 the opponent spent in excess of £18.8 million advertising and promoting the services provided under the mark XERO in the UK, with annual marketing spend increasing from £500,000 (in 2013) to £10 million (in 2018). These costs include paying for radio adverts and for campaigns run on the London underground (in November 2015 and in February and November 2016)

as well as promoting the brand at conferences and exhibitions. Copies of photos supporting Mr Turner's account are provided at Exhibit GT-04.

15. Mr Turner provides Google analytic information showing that the number of UK users visiting the opponent's website between 2013 and 2017 was roughly 340,000 in 2013, 1 million in 2014, 4 million in 2015, 4.5 million in 2016 and 1.1 million in 2017. The number of international visitors was higher, reaching a peak of over 19 million in 2016 (Exhibit GT-05). He also says that his company's market share in the UK is about 5% of all businesses and nearly 12% of all incorporated businesses and that his company's share of the accountancy software market in the UK is in excess of 30%.

16. The rest of Mr Turner's witness statement relate to the opponent's action for passing off. Mr Turner says that since 2012 the opponent has organised and hosted the XeroCon event, which, he explains, is a conference held annually in London for Xero's partners. The conference is internationally recognised by and target cloud accounting leaders. It allows participants to engage in networking and also provides practical training sessions and seminars for the attendees together with Continuing Professional Development (CPD) hours. The opponent also operates a blog, called the Xero Blog, detailing the progress of the conference and the training events and seminars delivered to attendees at the conference. It also organises award ceremonies in the form of an annual dinner held in conjunction with the conference. Mr Turner provides the following exhibits:

- Exhibit GT-06: it consists of copies of archive web pages from the opponent's website promoting 'XeroCon' conferences in the period 2013-2018;
- Exhibit GT-07: this consists of web prints from the opponent's website dated 2012-2018. They show that the conference was attended by 230 delegates in 2012, 400 in 2013 and 3,000 in 2018, figures which are also confirmed by Mr Turner. They also show that most of the conference's content was centred around talks given by guest speakers, product updates, exhibitions and recognition of awards to Xero partners;

- Exhibit GT-08 consists of copies of online articles reporting on the Xero Conference. Whilst they provide some company data relating to the number of subscribers and transaction processed, they are not UK (or EU) specific;
- Exhibit GT-09 consists of web prints from the opponent's website about various Xero Awards Dinners held in the period 2015-2018. The purpose of the awards is to celebrate successes achieved by the opponent's Xero partners, who seem to be companies who provide services to their clients using Xero software.

DECISION

SECTION 5(2)(b)

17. Section 5(2)(b) of the Act reads:

“5(2) A trade mark shall not be registered if because –

[...]

(b) it is similar to an earlier trade mark and is to be registered for goods or services identical with or similar to those for which the earlier trade mark is protected,

there exists a likelihood of confusion on the part of the public, which includes the likelihood of association with the earlier trade mark.”

18. The opponent's marks have filing dates that are earlier than the filing date of the application and are, therefore, earlier marks in accordance with Section 6 of the Act. The Second and Third Earlier Mark had not been conferred protection for more than 5 years before the publication date of the contested application and are not subject to proof of use as per Section 6A of the Act. As regards the First Earlier Mark, since the registration process had been completed more than 5 years before the publication of the contested application, and given the applicant's request for proof of use, in order to rely on this mark, the opponent needs to show genuine use of the mark.

My approach to this decision

19. The three earlier marks relied upon by the opponent are identical, the only difference being the specifications in relation to which they are registered. The opponent relies on the First Earlier Mark (which is subject to proof of use) to oppose the applied-for *Computer hardware; computer software; computer peripherals; electronic data processing equipment; computer networking and data communications equipment; computer components and parts; electronic memory devices; electronic control apparatus; programmed-data-carrying electronic circuits; wires for communication; electrodes; telephones; aerials; batteries; microprocessors; keyboards; video films* in class 9. The First Earlier Mark is registered for, inter alia, *Computer equipment; computer software, including software packages and manuals in an electronic format sold as unit, for business management and business administration purposes including accounting solutions* in class 9. On the basis of the evidence filed, I would have found that the opponent has used the First Earlier Mark in relation to accountancy software in class 9, a point to which I shall return to below. However, since the opponent also relies on the class 9 specification of the Third Earlier Mark which (1) is not subject to proof of use and (2) has a class 9 specification that is wider than that of the First Earlier Mark including *Computers; computer keyboards; rechargeable batteries; power banks; computer software and hardware; computer peripherals; mobile phones and related parts and accessories; headphones; sleeves for laptops; earbuds; calculators; lanyards for cameras*, in making my comparison with the class 9 goods of the applicant's mark I shall do so by reference to the specification of the Third Earlier Mark. The same goes for the Second Earlier Mark, which is registered for services in class 35 and 42 and relied upon by the opponent to oppose the applied for *computer software* in class 9. Neither the First nor the Second Earlier Mark (both of which are relied upon by the opponent to oppose the applied-for specification in class 9 only) offers a more advantageous comparison in terms of goods from the opponent's point of view. Consequently, since the Third Earlier Mark has the broadest specification, I will deal with the opposition on the basis of that mark alone.

The principles

20. The following principles are gleaned from the decisions of the EU courts in *Sabel BV v Puma AG*, Case C-251/95, *Canon Kabushiki Kaisha v Metro-Goldwyn-Mayer Inc*, Case C-39/97, *Lloyd Schuhfabrik Meyer & Co GmbH v Klijsen Handel B.V.* Case C-342/97, *Marca Mode CV v Adidas AG & Adidas Benelux BV*, Case C-425/98, *Matratzen Concord GmbH v OHIM*, Case C-3/03, *Medion AG v. Thomson Multimedia Sales Germany & Austria GmbH*, Case C-120/04, *Shaker di L. Laudato & C. Sas v OHIM*, Case C-334/05P and *Bimbo SA v OHIM*, Case C-591/12P:

- (a) The likelihood of confusion must be appreciated globally, taking account of all relevant factors;
- (b) the matter must be judged through the eyes of the average consumer of the goods or services in question, who is deemed to be reasonably well informed and reasonably circumspect and observant, but who rarely has the chance to make direct comparisons between marks and must instead rely upon the imperfect picture of them he has kept in his mind, and whose attention varies according to the category of goods or services in question;
- (c) the average consumer normally perceives a mark as a whole and does not proceed to analyse its various details;
- (d) the visual, aural and conceptual similarities of the marks must normally be assessed by reference to the overall impressions created by the marks bearing in mind their distinctive and dominant components, but it is only when all other components of a complex mark are negligible that it is permissible to make the comparison solely on the basis of the dominant elements;
- (e) nevertheless, the overall impression conveyed to the public by a composite trade mark may be dominated by one or more of its components;
- (f) however, it is also possible that in a particular case an element corresponding to an earlier trade mark may retain an independent distinctive role in a

composite mark, without necessarily constituting a dominant element of that mark;

- (g) a lesser degree of similarity between the goods or services may be offset by a greater degree of similarity between the marks, and vice versa;
- (h) there is a greater likelihood of confusion where the earlier mark has a highly distinctive character, either per se or because of the use that has been made of it;
- (i) mere association, in the strict sense that the later mark brings the earlier mark to mind, is not sufficient;
- (j) the reputation of a mark does not give grounds for presuming a likelihood of confusion simply because of a likelihood of association in the strict sense;
- (k) if the association between the marks creates a risk that the public might believe that the respective goods or services come from the same or economically-linked undertakings, there is a likelihood of confusion.

Comparison of goods and services

21. In comparing the respective specifications, all the relevant factors should be taken into account. In the judgment of the Court of Justice of the European Union (CJEU) in *Canon*, (Case C-39/97), the Court stated at paragraph 23:

“In assessing the similarity of the goods or services concerned, as the French and United Kingdom Governments and the Commission have pointed out, all the relevant factors relating to those goods or services themselves should be taken into account. Those factors include, inter alia, their nature, their intended purpose and their method of use and whether they are in competition with each other or are complementary”.

22. The relevant factors identified by Jacob J. (as he then was) in the *Treat* case, [1996] R.P.C. 281, for assessing similarity were:

- (a) The respective uses of the respective goods or services;
- (b) The respective users of the respective goods or services;
- (c) The physical nature of the goods or acts of service;
- (d) The respective trade channels through which the goods or services reach the market;
- (e) In the case of self-serve consumer items, where in practice they are respectively found or likely to be, found in supermarkets and in particular whether they are, or are likely to be, found on the same or different shelves;
- (f) The extent to which the respective goods or services are competitive. This inquiry may take into account how those in trade classify goods, for instance whether market research companies, who of course act for industry, put the goods or services in the same or different sectors.

23. In *Kurt Hesse v OHIM* (Case C-50/15 P), the CJEU stated that complementarity is an autonomous criterion capable of being the sole basis for the existence of similarity between goods. In *Boston Scientific Ltd v OHIM*, (Case T-325/06), the General Court (GC) stated that “complementary” means:

“...there is a close connection between them, in the sense that one is indispensable or important for the use of the other in such a way that customers may think that the responsibility for those goods lies with the same undertaking”.

24. The law requires that goods be considered identical where one party’s description of its goods encompasses the specific goods covered by the other party’s description (and vice versa): see *Gérard Meric v OHIM*, Case T-33/05, GC.

25. The competing goods and services are as follows:

The applicant's goods and services	The opponent's goods under the <u>Third Earlier Mark</u>
<p><u>Class 9:</u> Computer hardware; computer software; computer peripherals; electronic data processing equipment; computer networking and data communications equipment; computer components and parts; electronic memory devices; electronic control apparatus; programmed-data-carrying electronic circuits; wires for communication; electrodes; telephones; aerials; batteries; microprocessors; keyboards; video films.</p> <p><u>Class 16:</u> Paper; cardboard; printed publications; printed matter; computer printers (Inking ribbons for -); bookbinding materials; books; adhesives for stationery or household purposes; artists' paint brushes; music sheets; music scores; periodical magazines; photographs; stationery and educational supplies; typewriters; Instructional and teaching material (except apparatus); plastic materials for packaging; printing blocks.</p> <p><u>Class 41:</u> Teaching; education; training; entertainment services; production of television programs; film distribution; production of shows; production of films; provision of non-downloadable films and</p>	<p><u>Class 9:</u> Computers; computer keyboards; rechargeable batteries; power banks; computer software and hardware; computer peripherals; mobile phones and related parts and accessories; headphones; sleeves for laptops; earbuds; calculators; lanyards for cameras; lanyards for mobile phones; lanyards for holding spectacles; eyeglass lanyards.</p> <p>Goods and services limited to: Computers; computer keyboards; rechargeable batteries; power banks; computer software and hardware; computer peripherals; mobile phones and related parts and accessories; headphones; sleeves for laptops; earbuds; calculators; lanyards for cameras.</p> <p><u>Class 16:</u> Paper and cardboard; printed matter; stationery; notebooks; notebook paper; books; calendars; clipboards; ink; pens; correction pens; cases for pens; pencils; stickers; decals; laptop decals; 3D decals for use on any surface; stickers [stationery]; sticker books; desktop business card holders; brochures; printed brochures.</p>

<i>television programs via a video-on-demand service; arranging, conducting and organisation of workshops; conducting of seminars and congresses; arranging of exhibitions for cultural purposes; organizing and arranging exhibitions for entertainment purposes; organizing and presenting displays of entertainment [relating to style and fashion]; organization of [fashion] shows for entertainment purposes.</i>	
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26. In its submissions in lieu the opponent says that it relies on the Third Earlier Mark in classes 9, 16, 31 and 35 to oppose the classes 9 and 16 of the application. That is not correct. The answers provided by the opponent in the TM7 Form indicate that it relies on the goods in class 9 and 16 of the Third Earlier Mark to oppose all the goods and services in the application. I proceed on that basis.

27. The applicant acknowledges, in its counterstatement, that there is some similarity in the competing specifications but argues that the parties target different industries, the opponent's goods focusing on computer software for business management and business administration. The argument cannot be accepted. Whilst the evidence establishes that the opponent's main business is in accounting software, the goods for which the Third Earlier Mark is registered are not limited in any way and the opponent is entitled to protection based on the 'notional' use of that mark across the full breadth of the specifications. Consequently, it does not avail the applicant that in practice the parties may have hitherto operated in different segments of the market.

28. The opponent submitted that all of the applied for goods in classes 9 and 16 fall within the ambit of terms in the earlier mark's specification. Whilst this submission is noted, I do not agree that it is as straightforward as that. I will, therefore, consider the specification term by term (albeit grouping them where possible):

Class 9

29. The contested **Computer hardware; computer software; keyboards; computer peripherals** are identically listed in the opponent's specification.

30. The key type of the contested **electronic data processing equipment** is a computer, which are covered by the earlier mark's specification. As such, the goods are identical on the inclusion principle (*Meric*).

31. The contested **batteries** encompass the opponent's *rechargeable batteries* and so are identical (*Meric*).

32. The contested **electronic memory devices** fall within the opponent's *computer peripherals*, which are devices used to input information and instructions into a computer for storage. These goods are identical (*Meric*).

33. The contested **telephones** encompass the opponent's *mobile phones* and are also identical (*Meric*).

34. The contested **computer networking and data communications equipment** can clearly be construed as computer peripherals, which, as already stated, are covered by the earlier mark. Consequently, these goods are identical (*Meric*).

35. The contested **computer components and parts; microprocessors;** are items used in the internals of a computer, whereas the opponent's computer peripherals are normally something attached to it. Therefore, I do not consider that these goods are identical. However, given the similarity in nature, purpose, trade channels and the complementary relationship that exists between them, I still consider the goods (computer components and parts; microprocessors and computer peripherals) to be highly similar to each other. *Computer components* and *microprocessors*, for similar reasons, are also highly similar to the *computers* of the earlier mark.

36. The contested **programmed-data-carrying electronic circuits** are electronic circuits for carrying data and would undoubtedly involve goods which support the

functioning of the opponent's *computers, computer software, computer peripherals and mobile phones*. Thus, there is a close relationship and high complementary character between the goods. Therefore, they are similar to a high degree to the opponent's goods.

37. As I understand it **electrodes** are conductors of electricity and are present in semi-conductors which would be present in the opponent's goods such as, for example, *computers, power banks and batteries*. To my mind the goods are similar to a low degree.

38. The contested **wires for communication** include internet wires and telephone wires. The term **aerial** refers to a rod, wire, or other structure by which signals are transmitted or received as part of a radio or television transmission or receiving system. These goods are similar to the opponent's *computers* to the extent that *computers* may be equipped with various wi-fi, telecommunications or even satellite transmission and receiving capabilities. The goods may be complementary, manufactured by the same commercial entities and sold through the same distribution channels. I consider the goods to be similar to a medium degree.

39. The contested **electronic control apparatus** encompass devices which allow for the remote operation of an item such as computers. These goods are highly similar to the opponent's *computers* or fall within the scope of the term *computer peripherals*¹.

40. The contested **video films** are a pre-recorded films or movies. Since the goods are not limited in any way, they would include video films downloadable from the Internet as well as video films recorded on DVDs. The goods have some similarity with the opponent's *computer software*, which includes computer software for watching multimedia content. They coincide in producer, relevant public and distribution channels. Furthermore, they are complementary. The goods are similar to a medium degree.

¹ R 1991/2016-5

Class 16

41. The terms **Paper; cardboard; printed matter; stationery and books** are identically contained in both specifications. These goods are self-evidently identical.

42. The contested **computer printers (Inking ribbons for -)** fall within the opponent's *ink* and so are identical (*Meric*) or are anyway very highly similar on all bases of similarity.

43. The contested **printed publications; periodical magazines; music sheets; music scores; educational supplies; Instructional and teaching material (except apparatus)** fall within the opponent's broad terms *printed matters* and are also identical (*Meric*).

44. The contested **photographs** are images produced on paper. In my view, the goods fall within the opponent's *printed matters* and are identical (*Meric*). Alternatively, they are related to the opponent's *calendars*, since they can cover the same subject and have the same producer. Furthermore, they are often found in the same shops, i.e. stationery shops, and can target the same public. Therefore, the goods are, at least, similar to a medium degree.

45. The contested **artists' paint brushes and adhesives for stationery or household purposes** are generally used in combination with the paper and stationery products covered by the opponent's mark. There is therefore similarity because of complementarity. The retailing channels are also the same: shops selling paper for painters and stationery also sell paint brushes and adhesive. These goods are similar to a medium degree.

46. The contested **bookbinding materials** include goods such as cardboard, paper, adhesives and bookbinding leather. Consequently, these goods are either identical or highly similar to the opponent's *paper and cardboard* or *stationery*.

47. The contested **plastic materials for packaging** and the opponent's *paper and cardboard* may all be used for packaging and in that respect therefore have the same

purpose and may be in competition. They may also be found in the same shops. Consequently, these goods are similar to a medium degree.

48. The contested **typewriters and printing blocks** will be sold in specialised stationery shops alongside with other stationery and writing instruments or office requisites. These goods are similar to a low degree to the opponent's *stationery*.

Class 41

49. The opponent did not explain why the contested services in class 41 are similar to any of the opponent's goods. Nevertheless, as I have said above, the opponent relies, in its pleadings, on the class 9 and 16 specification of the Third Earlier Mark to oppose all of the goods and services in the application, including the applied for services in class 41. The only similarity I can see is between the contested **Teaching; education; training** services and the opponent's *printed matter* and *books*, which include teaching and training material. These goods are indispensable and essential to the provision of education, teaching and training services and are normally prepared specifically for the course concerned by the providers of teaching/training schemes. The responsibility for the content of the course is the same as for the content of the teaching/training materials. Whilst the nature of the goods and services is different, the purpose and trade channels are the same and the goods are complementary and competitive to a degree. These goods and services are similar to a low to medium degree. I extend the same findings to the contested **arranging, conducting and organisation of workshops; conducting of seminars and congresses** insofar as the services can involve the provision of some form of training and teaching. The services can therefore relate to the same subject matter of the opponent's *printed matter* and *books*, coincide in distribution channels, relevant public and can be complementary with each other.

50. This leaves **entertainment services; production of television programs; film distribution; production of shows; production of films; provision of non-downloadable films and television programs via a video-on-demand service; arranging of exhibitions for cultural purposes; organizing and arranging exhibitions for entertainment purposes; organizing and presenting displays of**

entertainment [relating to style and fashion]; organization of [fashion] shows for entertainment purposes. I cannot see any meaningful similarity between these services and any of the opponent's goods. The nature, purpose and method of use are different, the goods and services are provided through different channels and are neither complementary nor competitive. The mere fact that the providers of the contested services also require or use computer software to perform their business operations applies to all spheres of economic activity and cannot substantiate similarity from a trade mark perspective. These goods are dissimilar.

51. In *eSure Insurance v Direct Line Insurance*, [2008] ETMR 77 CA, Lady Justice Arden stated:

"49. ...I do not find any threshold condition in the jurisprudence of the Court of Justice cited to us. Moreover I consider that no useful purpose is served by holding that there is some minimum threshold level of similarity that has to be shown. If there is no similarity at all, there is no likelihood of confusion to be considered. If there is some similarity, then the likelihood of confusion has to be considered but it is unnecessary to interpose a need to find a minimum level of similarity."

52. It follows that the opposition fails in respect of the following services, and is dismissed accordingly:

Class 41: *Entertainment services; production of television programs; film distribution; production of shows; production of films; provision of non-downloadable films and television programs via a video-on-demand service; arranging of exhibitions for cultural purposes; organizing and arranging exhibitions for entertainment purposes; organizing and presenting displays of entertainment [relating to style and fashion]; organization of [fashion] shows for entertainment purposes.*

The average consumer and the nature of the purchasing act

53. As the case law above indicates, it is necessary for me to determine who the average consumer is for the goods and services at issue; I must then determine the manner in which these goods and services will be selected in the course of trade. In *Hearst Holdings Inc, Fleischer Studios Inc v A.V.E.L.A. Inc, Poeticgem Limited, The Partnership (Trading) Limited, U Wear Limited, J Fox Limited*, [2014] EWHC 439 (Ch), Birss J. described the average consumer in these terms:

“60. The trade mark questions have to be approached from the point of view of the presumed expectations of the average consumer who is reasonably well informed and reasonably circumspect. The parties were agreed that the relevant person is a legal construct and that the test is to be applied objectively by the court from the point of view of that constructed person. The words “average” denotes that the person is typical. The term “average” does not denote some form of numerical mean, mode or median.”

54. The average consumer of the goods and services at issue is a member of the general public and a business.

55. The goods of the two parties in class 9 and 16 will be selected from retail outlets, brochures and catalogues as well as on the internet. The initial selection is therefore primarily visual. I accept that such goods may be researched or discussed with a member of staff. Therefore, aural considerations must also be taken into account. The cost of the goods and the frequency of the purchase can vary considerably, and, to my mind, the average consumer will pay, at least, a normal degree of attention to the item to ensure that the goods are suitable for their needs, although, for some of the goods concerned, I find it possible that the average consumer would pay a lower than normal, i.e. a pen, or an above normal, i.e. a computer, level of attention to the selection process.

56. I now turn to the relevant applicant’s services in class 41, namely, *Teaching; education; training; arranging, conducting and organisation of workshops; conducting of seminars and congresses*. The services are most likely to be selected following

inspection of the website of the service provider or following review of adverts. Consequently, visual considerations are likely to dominate the selection process for the services. However, I recognise that word-of-mouth recommendations may also play a part and I do not, therefore, discount that there will be an aural component to the purchase of the services. The cost of the services will vary but is likely to be fairly reasonable with the average consumer paying a normal degree of attention. Whilst I recognise that businesses considering staff training will be more cautious than perhaps a member of the public when purchasing the services for themselves, I must consider the lower level of attention paid by the public among the average consumer group.

Distinctive character of earlier mark

57. In *Lloyd Schuhfabrik Meyer & Co. GmbH v Klijsen Handel BV*²⁶, the CJEU stated that:

“22. In determining the distinctive character of a mark and, accordingly, in assessing whether it is highly distinctive, the national court must make an overall assessment of the greater or lesser capacity of the mark to identify the goods or services for which it has been registered as coming from a particular undertaking, and thus to distinguish those goods or services from those of other undertakings (see, to that effect, judgment of 4 May 1999 in Joined Cases C-108/97 and C-109/97 *Windsurfing Chiemsee v Huber and Attenberger* [1999] ECR I-0000, paragraph 49).

23. In making that assessment, account should be taken, in particular, of the inherent characteristics of the mark, including the fact that it does or does not contain an element descriptive of the goods or services for which it has been registered; the market share held by the mark; how intensive, geographically widespread and long-standing use of the mark has been; the amount invested by the undertaking in promoting the mark; the proportion of the relevant section of the public which, because of the mark, identifies the goods or services as originating from a particular undertaking; and statements from chambers of

commerce and industry or other trade and professional associations (see *Windsurfing Chiemsee*, paragraph 51).”

58. The opponent claims that the earlier trade mark has acquired an enhanced degree of distinctive character through use. The applicant did not comment either on the evidence filed or on the distinctiveness of the earlier mark.

59. Although the earlier mark will be pronounced as “zero”, word “XERO” is an invented word that has no meaning in relation to any of the goods under the Third Earlier Mark and I consider it inherently highly distinctive.

60. The opponent has shown use of the mark XERO in terms of turnover and advertising figures and has put these into context of the overall market for accountancy software in the UK, which is in of an impressive 30%. The use shown appears therefore to be limited to a very niche market, i.e. accountancy software. Even if I were to accept that the use made of the mark is sufficient to support the opponent’s claim of enhanced distinctiveness in relation to accountancy software, it would not increase, to any material extent, the distinctiveness of the Third Earlier Mark above high.

Comparison of marks

61. It is clear from *Sabel BV v. Puma AG* (particularly paragraph 23) that the average consumer normally perceives a mark as a whole and does not proceed to analyse its various details. The same case also explains that the visual, aural and conceptual similarities of the marks must be assessed by reference to the overall impressions created by them, bearing in mind their distinctive and dominant components. The CJEU stated at paragraph 34 of its judgment in Case C-591/12P, *Bimbo SA v OHIM*, that:

“.....it is necessary to ascertain, in each individual case, the overall impression made on the target public by the sign for which registration is sought, by means of, inter alia, an analysis of the components of a sign and of their relative weight in the perception of the target public, and then, in the light of that overall impression and all factors relevant to the circumstances of the case, to assess the likelihood of confusion.”

62. It would be wrong therefore artificially to dissect the marks, although it is necessary to take into account their distinctive and dominant components and to give due weight to any other features, (which are not negligible) and therefore contribute to the overall impressions created by them. The marks to be compared are:

The applicant's mark	The opponent's mark
ZERO	XERO

63. Both signs are word marks and consist of four-letter words. The signs coincide in the last three letters, namely 'ERO', and differ only in their first letter, respectively 'Z' and 'X'.

64. The opponents asserts that the marks are visually highly similar and aurally identical because each mark has four letters, three of which are identical and found in the same order (-ERO), and the initial letters 'Z' and 'X' will be pronounced in the same manner. The applicant argues that because the marks differ in their first letters, which produce different sounds, they are neither visually nor aurally similar. Connected to this, the applicant argues that beginnings of marks are normally more focused upon and that small differences in short marks can militate against a finding of similarity. Conceptually, the opponent argues that the signs are identical because although it is arguable that 'XERO' has no meaning compared to 'ZERO', the identical pronunciation of 'XERO' and 'ZERO', means that the concept of 'ZERO' will inevitably be brought to the mind of the average consumer encountering the sign 'XERO'.

65. Whilst consumers generally tend to focus on the beginning of a sign when they encounter a trade mark, differences in the initial elements of word marks do not necessarily lead to a dissociation in the perceptions and recollections of consumers. Each case must be decided on its merits, considering the marks as wholes. Further, as regards relatively short word marks, the courts have held that (1) the elements at the beginning and the end of the sign are as important as the central elements² and

² T-63/13, *Three-N-Products v OHIM — Munindra (AYUR)*, paragraph 45

(2) there can be a high degree of visual similarity between two signs which, like those in the present case, consist of four letters, three of which are identical and in the same order, and differ only in their first letters³.

66. In the case at issue, the visual differences between the letters 'Z' and 'X' at the beginnings of the marks are more than counterbalanced by the fact that they have the same sound and are followed by the same three letters -ERO arranged in the same order. Visually, I find that the marks are similar to a high degree. Further, I find that the visual differences between the marks are not reflected on the aural level. In this connection, I do not accept that the letters 'Z' and 'X' differ in their respective pronunciation and I find that the marks are aurally identical. Conceptually, I agree with the opponent that, taking into account its identical pronunciation, the element 'XERO' in the earlier mark, even though it is meaningless, is likely to be perceived as a misspelling of 'ZERO' and the marks are conceptually similar to a high degree.

Likelihood of confusion

67. In determining whether there is a likelihood of confusion, a number of factors need to be borne in mind. The first is the interdependency principle i.e. a lesser degree of similarity between the respective marks may be offset by a greater degree of similarity between the respective goods and services and vice versa. I must also keep in mind the average consumer for the goods and services, the nature of the purchasing process and the fact that the average consumer rarely has the opportunity to make direct comparisons between marks and must instead rely upon the imperfect picture of them he has retained in his mind.

68. Direct and indirect confusion were described in the following terms by Iain Purvis Q.C., sitting as the Appointed Person, in *L.A. Sugar Limited v By Back Beat Inc*, Case BL-O/375/10:

“16. Although direct confusion and indirect confusion both involve mistakes on the part of the consumer, it is important to remember that these mistakes are

³ T-220/09, *ERGO* paragraph 30 as referred by Case T-297/18

very different in nature. Direct confusion involves no process of reasoning – it is a simple matter of mistaking one mark for another. Indirect confusion, on the other hand, only arises where the consumer has actually recognized that the later mark is different from the earlier mark. It therefore requires a mental process of some kind on the part of the consumer when he or she sees the later mark, which may be conscious or subconscious but, analysed in formal terms, is something along the following lines: “The later mark is different from the earlier mark, but also has something in common with it. Taking account of the common element in the context of the later mark as a whole, I conclude that it is another brand of the owner of the earlier mark.”

69. I have found the marks to be visually and conceptually similar to a high degree and aurally identical. I have found the opponent’s mark to have a high degree of inherent distinctive character. I have identified the average consumer to be a member of the general public or a business who will select the goods and services primarily by visual means although I do not discount an aural component. I have concluded that the level of attention paid during the purchasing process will range from lower than medium to above medium. I have found the parties’ goods and services to be similar to various degrees, from identical to low.

70. As noted above, the purchasing process for the services will be predominantly visual. However, there will be some consumers who come into contact with the marks through word-of-mouth recommendations. For those consumers there will be direct confusion as the marks are identical when spoken. For those consumers who encounter the marks visually, the differences created by the first letter will not be enough to avoid confusion arising because the words ZERO and XERO will remain interchangeable when taking account of the principle of imperfect recollection, the overall conceptual impression of the marks and their identical sound. This will lead the average consumer to directly confuse the marks or to think that the later mark is an alternative mark used by the same or economically linked undertakings⁴. **There is a likelihood of confusion.**

⁴ BL-O- 566/19 , *PINKIES TRADE MARK*

SECTION 5(4)(a)

71. Section 5(4)(a) states:

“A trade mark shall not be registered if, or to the extent that, its use in the United Kingdom is liable to be prevented –

(a) by virtue of any rule of law (in particular, the law of passing off) protecting an unregistered trade mark or other sign used in the course of trade, or

(b)...

A person thus entitled to prevent the use of a trade mark is referred to in this Act as the proprietor of “an earlier right” in relation to the trade mark.”

72. It is settled law that, for a finding of passing off, three factors must be present: goodwill, misrepresentation and damage. Her Honour Judge Melissa Clarke, sitting as a deputy Judge of the High Court, conveniently summarised the essential requirements of the law in *Jadebay Limited, Noa and Nani Limited trading as the Discount Outlet v Clarke-Coles Limited trading as Feel Good UK* [2017] EWHC 1400 IPEC:

“56. The elements necessary to reach a finding of passing off are the ‘classical trinity’ of that tort as described by Lord Oliver in the Jif Lemon case (*Reckitt & Colman Product v Borden* [1990] 1 WLR 491 HL, [1990] RPC 341, HL) namely goodwill or reputation; misrepresentation leading to deception or a likelihood of deception; and damage resulting from the misrepresentation. The burden is on the Claimants to satisfy me of those limbs.

57. In relation to deception, the court must assess whether ‘a substantial number’ of the Claimants’ customers or potential customers are deceived, but it is not necessary to show that all or even most of them are deceived (per

Interflora Inc v Marks and Spencer Plc [2012] EWCA Civ 1501, [2013] FSR 21).”

73. *Halsbury's Laws of England* Vol. 97A (2012 reissue) provides further guidance with regard to establishing the likelihood of deception. In paragraph 309, it is noted (with footnotes omitted) that:

“To establish a likelihood of deception or confusion in an action for passing off where there has been no direct misrepresentation generally requires the presence of two factual elements:

(1) that a name, mark or other distinctive feature used by the plaintiff has acquired a reputation among a relevant class of persons; and

(2) that members of that class will mistakenly infer from the defendant's use of a name, mark or other feature which is the same or sufficiently similar that the defendant's goods or business are from the same source or are connected.

While it is helpful to think of these two factual elements as successive hurdles which the plaintiff must surmount, consideration of these two aspects cannot be completely separated from each other, as whether deception or confusion is likely ultimately a single question of fact.

In arriving at the conclusion of fact as to whether deception or confusion is likely, the court will have regard to:

(a) the nature and extent of the reputation relied upon;

(b) the closeness or otherwise of the respective fields of activity in which the plaintiff and the defendant carry on business;

(c) the similarity of the mark, name etc. used by the defendant to that of the plaintiff;

(d) the manner in which the defendant makes use of the name, mark etc. complained of and collateral factors;

(e) the manner in which the particular trade is carried on, the class of persons who it is alleged is likely to be deceived and all other surrounding circumstances.

In assessing whether confusion or deception is likely, the court attaches importance to the question whether the defendant can be shown to have acted with a fraudulent intent, although a fraudulent intent is not a necessary part of the cause of action.”

74. The relevant date for assessing a section 5(4)(a) claim has been discussed by Mr Daniel Alexander QC, sitting as the Appointed Person, in *Advanced Perimeter Systems Limited v Multisys Computers Limited*, BL O-410-11. In this decision, he quoted with approval the following summary of the position provided by the Hearing Officer, Mr Allan James, in *SWORDERS TM*, BL O-212-06:

“... Strictly, the relevant date for assessing whether s.5(4)(a) applies is always the date of the application for registration or, if there is a priority date, that date: see Article 4 of Directive 89/104. However, where the applicant has used the mark before the date of the application it is necessary to consider what the position would have been at the date of the start of the behaviour complained about, and then to assess whether the position would have been any different at the later date when the application was made.”⁵

75. The applicant has not filed any evidence to show that it has been using the mark prior to the application. Therefore, the relevant date is the date the application was made - 25 May 2018.

Goodwill

76. The concept of goodwill was considered by the House of Lords in *Inland Revenue Commissioners v Muller & Co's Margarine Ltd* [1901] AC 217:

⁵ Paragraph 148.

“What is goodwill? It is a thing very easy to describe, very difficult to define. It is the benefit and advantages of the good name, reputation and connection of a business. It is the attractive force which brings in custom. It is the one thing which distinguishes an old-established business from a new business at its first start.”

77. In *South Cone Incorporated v Jack Bessant, Dominic Greensmith, Kenwyn House and Gary Stringer (a partnership)* [2002] RPC 19 (HC), Pumfrey J. stated:

“27. There is one major problem in assessing a passing of claim on paper, as will normally happen in the Registry. This is the cogency of the evidence of reputation and its extent. It seems to me that in any case in which this ground of opposition is raised the registrar is entitled to be presented with evidence which at least raises a prima facie case that the opponent's reputation extends to the goods comprised in the applicant's specification of goods. The requirements of the objection itself are considerably more stringent than the enquiry under s.11 of the 1938 Act (see *Smith Hayden & Co. Ltd's Application (OVAX)* (1946) 63 R.P.C. 97 as qualified by *BALI Trade Mark [1969] R.P.C. 472*). Thus the evidence will include evidence from the trade as to reputation; evidence as to the manner in which the goods are traded or the services supplied; and so on.

28. Evidence of reputation comes primarily from the trade and the public, and will be supported by evidence of the extent of use. To be useful, the evidence must be directed to the relevant date. Once raised, the applicant must rebut the prima facie case. Obviously, he does not need to show that passing off will not occur, but he must produce sufficient cogent evidence to satisfy the hearing officer that it is not shown on the balance of probabilities that passing off will occur.”

78. The opponent claims that it has used the earlier mark in relation to “*educational and training services relating to computers, computer software and computer software as a service (SaaS) services; arranging of exhibitions for educational purposes;*

arranging and conducting of conferences; arranging of award ceremonies” and relies on these services under section 5(4)(a) to oppose the applicant’s services in class 41.

79. The evidence establishes that the opponent’s main business is online accountancy software. Whilst the opponent is likely to provide training services relating to its online accountancy software product, this is part of the product package it sells to its consumers (to enable these consumers to use the software they purchase), rather than a service provided for others. I am fortified in this conclusion by the fact that the only turnover indicated in the evidence relates to the provision of online accountancy software and the opponent did not provide separate figures for turnover generated by the provision of educational and training services. Likewise, it is clear that the organisation of the Xero Conference event by the opponent is aimed at (1) promoting its own accountancy software business, (2) providing a platform for bringing together the opponent’s partners and (3) providing networking opportunities, rather than providing a service for others. **To my mind, a prima facie case that goodwill is associated with use of the sign XERO in relation to the services claimed has not been made.**

80. Even if I am wrong and the opponent has goodwill in relation to some of the claimed services, I would find that the opponent’s goodwill is associated only to *training services, arranging and conducting of conferences and arranging of award ceremonies, all relating to accountancy software*. On that basis, I would still not conclude that there would be a misrepresentation or damage in relation to the services of the applicant for which the opponent’s claim based on section 5(2)(b) has failed, namely *Entertainment services; production of television programs; film distribution; production of shows; production of films; provision of non-downloadable films and television programs via a video-on-demand service; arranging of exhibitions for cultural purposes; organizing and arranging exhibitions for entertainment purposes; organizing and presenting displays of entertainment [relating to style and fashion]; organization of [fashion] shows for entertainment purposes*. This is because notwithstanding the similarity between the marks, the opponent’s services are not sufficiently close to the contested services for there to be misrepresentation and damage.

81. **The section 5(4)(a) ground fails.**

OUTCOME

82. The opposition has partially succeeded.

83. The opposition has succeeded, and the application is refused in relation to the following goods and services:

Class 9: *Computer hardware; computer software; computer peripherals; electronic data processing equipment; computer networking and data communications equipment; computer components and parts; electronic memory devices; electronic control apparatus; programmed-data-carrying electronic circuits; wires for communication; electrodes; telephones; aerials; batteries; micro processors; keyboards; video films.*

Class 16: *Paper; cardboard; printed publications; printed matter; computer printers (Inking ribbons for -); bookbinding materials; books; adhesives for stationery or household purposes; artists' paint brushes; music sheets; music scores; periodical magazines; photographs; stationery and educational supplies; typewriters; Instructional and teaching material (except apparatus); plastic materials for packaging; printing blocks.*

Class 41: *Teaching; education; training; arranging, conducting and organisation of workshops; conducting of seminars and congresses.*

84. The opposition has failed and the application by Zero International LTD. may proceed to registration in respect of the following services:

Class 41: *Entertainment services; production of television programs; film distribution; production of shows; production of films; provision of non-downloadable films and television programs via a video-on-demand service; arranging of exhibitions for cultural purposes; organizing and arranging exhibitions for entertainment purposes; organizing and presenting displays of*

entertainment [relating to style and fashion]; organization of [fashion] shows for entertainment purposes.

COSTS

84. Since each party has succeeded in part, I consider that each side should bear its own costs associated with this opposition.

Dated this day Tuesday 31st December 2019

T Perks

For the Registrar

The Comptroller – General