

Farling Industrial Co. Ltd.)	Inter Partes Case No. 14-2007-0252
Opposer,)	Opposition to:
)	
-vs-)	Appl'n Serial No. 4-2003-03667
)	Date Filed : 23 April 2003
)	Trademark: "FARLIN DISPOSABLE
Cymar International, Inc.,)	BABY DIAPERS (With Mother & Child Icon)"
Respondent-Applicant)	
x-----x)	Decision No. 2009- <u>28</u>

DECISION

This is an opposition to the registration of the mark "FARLIN DISPOSABLE BABY DIAPERS (With Mother & Child Icon)" bearing APPLICATION No. 4-2003-003667 filed on 23, 2003 for disposable baby diapers in Class 16 of the International Classification of goods, which application was published for opposition on JULY 5, 2007 in the Intellectual Property Philippines Electronic Gazette (E-Gazette).

The Opposer in the instant opposition is FARLING INDUSTRIAL CO. LIMITED, a corporation duly organized and existing under and by virtue of the laws of the Republic of China with business address at 157 Den Le Village, Sen Sea Hsiung, Chang Hua, Hsien Taiwan.

On the other hand, the Respondent-Applicant is "CYMAR INTERNATIONAL, INCORPORATED" with address at Unit C-5 GF Sunvar Condominium, A Luna coner Villaruel Streets, 1300 Pasay City.

The grounds of the Opposition are as follows:

- "1. Farling is the true and actual owner of the FARLIN trademark, which is the main and dominant feature of subject opposed mark.
- "2. Cymar was a mere importer and/or distributor of Farling's goods bearing its FARLIN trademark. Being a mere importer and/or distributor of Farling goods bearing FARLIN trademark, Farling never ceded nor transferred to Cymar ownership of the FARLIN trademark.
- "3. As it is, Cymar's so called "use in commerce" of the FARLIN trademark and derivative FARLIN mark such as the subject opposed mark, inures to the benefit of foreign manufacturer and actual owner of Farling.
- "4. Cymar being a mere former importer and/or distributor of the goods bearing the FARLIN trademark and not the owner of the mark, the registration of FARLIN DISPOSABLE BABY DIAPERS (With MOTHER & Child Icon) is being obtained principally contrary to the provision of Section 121 of Republic Act No. 8293.
- "5. The registration of the trademark FARLIN DISPOSABLE BABY DIAPERS (With Mother & Child Icon) in the name of Cymar is likewise contrary to other provisions of Republic Act No. 8293.

In support of its opposition, Opposer relied on the following facts:

- "1. Farling is the true and actual owner of the FARLIN trademark.

- 1.1 Farling's FARLIN trademark for various resinous plastic and resinous products was first registered with the Republic of China Trademark Chamber on November 1, 1978.
 - 1.2 Farling has worldwide registration for its FARLIN trademark, thus the mark is known worldwide.
 - 1.3 Farling extensively advertises and promotes its products bearing the FARLIN trademark in various countries.
 - 1.4 Farling has been extensively selling its products bearing the FARLIN trademark all over the world.
- "2. Cymar was a mere former importer and/or distributor of Farling's goods bearing its FARLIN trademark.
- "3. Farling filed Petition for Cancellation of Certificates of Registration Nos. 48144, 50483, SR-8328 and SR-8348 for FARLIN trademark issued in favor of Cymar. In a Decision dated October 22, 23 in Appeal No. 14-03-22 (Farling Industrial Co., Ltd., petitioner-appellant vs. Cymar International Inc., respondent-registrant-appellee), the IPO Director General held that Farling has clearly established that it is the owner of the FARLIN trademark; that Cymar was mere importer/distributor of Farling's products bearing its FARLIN trademark; that Cymar fraudulently obtained the FARLIN trademark certificates of registrations.

"In the case at bar, the pieces of evidence presented by the Appellant, particularly the bills of lading, export shipping document, letters of credit and various correspondence between the representative of the two parties, clearly show that the Appellee is merely a importer/distributor of the various products of the Appellant bearing the trademark FARLIN. Although the products are referred to generally as Chinese goods, they have been itemized and claimed in the documents as bearing the trademark FARLIN. This fact lends credence to the Appellant's claim that Appellee obtained fraudulently the certificates of registration for the mark FARLIN. That the Appellant is the owner of the trademark FARLIN and that it has first coined, adopted and used it on goods on 01 October 1978 for various plastic and resinous products, as shown by the certificates of registration for the mark FARLIN in various countries, promotional brochures and advertising materials and expenses and other communications and correspondence between the representatives of Appellant and Appellee, is clearly established."

- "4. The IPO Director General concluded that Cymar did not acquire ownership of the FARLIN MARK; Farling did not cede or transfer to Cymar ownership of the FARLIN mark nor authorized Cymar to register the mark in its same:

"It is settled that the right to register a trademark is based on ownership and hat the term owner does not included the importer of the goods bearing the trademark, tradename or service mark, or other mark of ownership, unless such importer id actually the owner thereof in the country from which the goods are imported. A local importer, however, may make application for the

registration of a foreign trademark, the actual owner of the name or other mark of ownership.

“There is no evidence on record to prove that the Appellee was authorized by the Appellant to register in Appellee’s name the mark FARLIN. There is also no evidence to prove that Appellee is the owner thereof in the country from which the goods are imported. In the absence of authorization or proof of ownership in the country of origin, therefore, Appellee is not entitled to register the trademark FARLIN in its name.” (underscoring supplied)

- “5. On appeal, the Court of Appeals in its Decision dated July 26, 2005 upheld the IPO Director General’s finding that Cymar has indeed improperly appropriated the FARLIN trademark from Farling. Concluded the Court of Appeals in its Decision:

“A review of the voluminous evidence in the case reveals that the import-export business relationship of petitioner and private respondent involving plastic baby products began as early as 1982, prior to petitioner’s registration of the trademark FARLIN under its own name. This fact is set forth in the affidavit of the general manager of Farling Industrial Company, Limited and repeatedly acknowledged by petitioner in several correspondences with private respondent- Export documents, bills of lading, letters of credit and invoices covering the period from 1982 up to the early 1990’s clearly indicate the FARLIN trademark on the imported products shipped by the private respondent to petitioner. It is indubitable, therefore, that petitioner was simply an importer, or at most exclusive distributor, of private respondent’s FARLIN products. As such, the validity of petitioner’s registration on the imported trademark FARLIN under its own name of said mark has given its authority for petitioner to do so. Private respondent obviously does not sanction petitioner’s avaricious design.

We rule that the trademark FARLIN has been improperly appropriated by petitioner in the course of its importation of private respondent’s products bearing said trademark. Having failed to prove its authority to register said trademark in its own name, petitioner’s registration of its claim over the same does not entitle him to any protection under the law. We thus find no reversible error committed by private respondent in ordering the cancellation of petitioner’s registration over the trademark FARLIN.” (underscoring supplied)

- “6. The Court of Appeals, in its Resolution dated 17 May 2007, denied for lack of merit Cymar’s Motion for Reconsideration of the Decision dated July 26, 2005.
- “7. It is axiomatic that a trademark owner is entitled to sue it to the exclusion of others, to register and perpetually enjoin others from using it. (Agpalo, The Law on Trademark, Infringement and Unfair Competition, 2000 Print

Edition, p. 12 citing *Chung Te vs. Ng Kiam Giab* 18 SCRA 747; *Ed. A. Keller & Co., vs. Kikuan Marjasu Co.*, 57 Phil. 262). Farling will be effectively deprived of those rights by the invalid and fraudulent registration of the FARLIN DIPOSABLE BABY DIAPERS (With Mother & Child Icon) mark by Cymar.

- “8. Due to Farling’s substantial expenditure of effort, time and money through promotions, advertisements, sales and quality build-up of its products, it has established goodwill for the FARLIN trademark. BY ITS INTENDED AND FRAUDULENT REGISTRATION, Cymar is marauding on this established goodwill and reputation, to the obvious damage of Farling.
- “9. Not to mention that since 1983, no royalty has been paid by Cymar to Farling for its use of the FARLIN trademark and derivative marks.

The Opposer submitted the following in support of its opposition.

Exhibit	Description
Exhibit “A”	Affidavit of Shieh Wen-John, General Manager of Farling Industrial Company Limited.
Exhibit “B”	Certified true of the Decision of the Director General of the IPP dated 22 October 2003 (Farling Industrial Co., Ltd., vs. Cymar International Inc., Appeal No. 14-03-22 (IPC 4045 to 4049))
Exhibit “C”	Certified true copy of the Court of Appeals Decision dated July 26, 2005 (Cymar International Inc., vs. Director General of the Intellectual Property Philippines, et. Al. CA-G.R. No. SP No. 80350)
Exhibit “D”	Formal Offer of Evidence (Inclusive of sub-markings)

On November 28, 2007, the Respondent-Applicant filed its Verified Answer whereby it denied all the material allegations in the Notice of Opposition.

Thereafter, Respondent-Applicant submitted the following in support of its trademark application being opposed.

Exhibit “1” to “20”, inclusive of sub-markings consisting of the following:

Exhibit	Description
Exhibit “1”	China Certificate of Registration dated November 1, 1978
Exhibit “2”	Copy of the September 24, 2007 Supreme Court Resolution in G.R. No. 177974
Exhibit “3”	Certified true copy of Respondent-Applicant’s Certificate of Registration No. 48144, on the mark “FARLIN”
Exhibit “4”	Certified true copy of Respondent-Applicant’s Certificate of Registration No. 50483, on the mark “FARLIN”

Exhibit "5"	Certified true copy of Respondent-Applicant's Certificate of Registration No. 54569, on the mark "FARLIN"
Exhibit "6"	Certified true copy of Respondent-Applicant's Certificate of Registration No. SR-8328, on the mark "FARLIN LABEL"
Exhibit "7"	Certified true copy of Respondent-Applicant's Certificate of Registration No. SR-8348, on the mark "FARLIN LABEL"
Exhibit "8"	Copy of the letter of Respondent-Applicant to Opposer (Faxed August 10, 1991)
Exhibit "9"	Four letters of Respondent-Applicant to Opposer dated November 12, 1990, November 12, 199, March 31, 1992 and March 27, 1992 on advertisement's fee.
Exhibit "10"	Summary of the "FARLIN" advertisement expenses of Respondent-Applicant in the Philippines.
Exhibit "11"	Respondent-Applicant actual print media advertisements of its trademark "FARLIN"
Exhibit "12"	Summary of Print Media advertisement of the trademark "FARLIN" by Respondent-Applicant.
Exhibit "13"	The actual print of print media advertisement of "FARLIN" placed by Respondent-Applicant
Exhibit "14"	Certificates of Award and Recognition which Respondent-Applicant received in promoting its trademark "FARLIN"
Exhibit "15"	Summary of payments of "FARLIN" advertisement
Exhibit "16"	Respondent-Applicant's copies of the advertisements which were actually aired or shown or published.
Exhibit "17"	Respondent-Applicant's Radio Philippine Network, Inc., certificates of performance for the "FARLIN" television spots with the said television station.
Exhibit "18"	Affidavit of Ms. Amor M. Lindog
Exhibit "19"	Written authorization granted to Respondent-Applicant whereby Opposer waived any claim or right against Respondent for the intellectual property right/copyright of "FARLIN"
Exhibit "20"	Decision in IPO cancellation case Nos. 4045 to 4049, Farling Industrial Co., Ltd., vs. Cymar International Inc.

The ultimate issues to be resolved in this particular case is:

WHETHER OR NOT RESPONDENT-APPLICANT IS ENTITLED
TO THE REGISTRATION OF THE MARK "FARLIN"?

Records will show that the trademark "FARLIN" has been registered with the Bureau of Patents, Trademarks and Technology Transfer on May 4, 1990 bearing Registration No. 48144 for baby products such as feeding bottles, nipples, funnel, nasal aspirator, breast reliever bag, training bottles in the name of Cymar International, Inc., the herein Respondent-Applicant. (Exhibit "3")

It has been likewise registered in the name of the Cymar International, Inc., on May 13, 1981 bearing Registration No. 50483 for "diaper clip" under Class 10 of the International Classification of goods. (Exhibit "4")

Also, the mark "FARLIN" was registered by the Cymar International, Inc., with the Bureau of Patent, Trademark and Technology Transfer on March 16, 1993 bearing Registration No. 54569 for the goods falling under Class 25 of the International Classification of goods. (Exhibit "5")

Records further show that the trademark "FARLIN" has been registered by the herein Respondent-Applicant with the Bureau of Patents, Trademarks and Technology Transfer in the Supplemental Register bearing Registration No. 8328 (Exhibit "6"). Registration NO. 8348 (Exhibit "7").

All the above mentioned certificate of registrations of the trademark "FARLIN" issued in the name of the herein Respondent-Applicant Cymar International, Inc., were ordered cancelled by the Director General of the Intellectual Property Philippines in her Decision dated 22 October 2003 under appeal No. 14-2003-22 in the case "Farling Industrial Company Limited, Petitioner-Appellant vs. Cymar International, Incorporated, Respondent-Registrant-Appellee. (Exhibit "B")

The dispositive portion of the Decision of the Director General reads as follows:

"WHEREFORE, premises considered, the appeal is hereby GRANTED and the decision of the Bureau of Legal Affairs is hereby REVERSED. Accordingly, Registration Nos. 48144, 50483, 54569, SR-8328 and SR-8348 are hereby ordered CANCELLED."

The Decision of the Director General was appealed by Cymar International Incorporated to the Court of Appeals, however, the Court of Appeals in its Decision under CA G.R. SP No. 80350 promulgated on July 26, 2005 in the case "Cymar International, Incorporated, Petitioner, vs. Director General of the Intellectual Property Office and Farling Industrial Company Limited, AFFIRMED the Decision of the Director General of the Intellectual Property Office. (Exhibit "C")

The dispositive portion of the decision of the Court of Appeals reads as follows:

"WHEREFORE, the Petition is DISMISSED. The Decision under view is hereby AFFIRMED.

The primary reason for the decision of the Director General of the Intellectual Property Office which was AFFIRMED by the Court of Appeal was that:

"Cymar International, Inc., the Respondent-Applicant/Petitioner-Appellant is not the owner of the trademark "FARLIN" but only as an importer and distributor of Farling Industrial Company Limited.

The Question to be answered now is:

“Why the Respondent-Applicant is attempting for the second time around to register the mark “FARLIN” of which it is fully aware that ownership of the said mark belongs to Farling Industrial Company Limited, the herein Opposer who is its principal?”

In the case *Unno Commercial Enterprises, Inc., vs. General Milling Corporation* (120, SCRA 804) the Supreme Court ruled:

“The right to register trademark is based on ownership. When the applicant is not the owner of the trademark being applied for he has no right to apply for the registration of the same. The “owner” does not include the importer of the goods bearing the trademark, tradename, service mark or other mark of ownership, unless such importer is actually the owner thereof in the country from which the goods are imported. A local importer, however, may make application for the registration of a foreign trademark, tradename or service mark, if he is duly authorized by the actual owner of the name.

A mere distributor of merchandise covered by the trademark cannot apply for the registration of the mark.”

Ownership of a trademark is not acquired by mere registration alone. Registration merely creates a prima facie presumption of the validity of the registration, of the registrant’s ownership of the trademark and of the exclusive right to use thereof. Registration does not perfect a trademark right. As conceded itself by the Petitioner, evidence may be presented to overcome the presumption. Prior use by one will controvert a claim of legal appropriation by subsequent users.

Being a mere importer and/or distributor of Farling’s goods bearing the mark “FARLIN”, Cymar did not acquire ownership over the said mark. And Cymar has not shown at all that it is the actual owner of the mark in Taiwan (from where the goods are imported) nor that Farling ceded or transferred to it the ownership of the mark “FARLIN”.

“An importer or distributor of goods on which a mark or a trade name owned another is used or an agent or representative of the trademark owners does not acquire ownership of such mark of trade name, unless the owner has ceded or transferred it to him. The sale or transfer of the mark in favor of the buyer, unless they have agreement to that effect. The reason is that the use by the importer, distributor, agent or representative of the owner of the mark or trade name is deemed that of the latter. (Agpalo, *The Law on Trademark, Infringement and Unfair Competition*, 2000 First Edition p. 12 citing *Marvex Commercial Co., vs. Petra Hawpia & Company*, 18 SCRA 1178)

As it is, Cymar “use in commerce of the mark “FARLIN” inures to benefit of foreign manufacturer and actual owner Farling.

“The use in commerce of the mark or trade name may also be effected through the importation into the Philippines of goods bearing the mark or trade name and their sale to the public, and the use of the mark through these means inures to the benefit of foreign manufacturer even though the latter is not licensed to do, or is actual not doing business in the country.” (Agpalo, *The Law on Trademark, Infringement and Unfair Competition* citing *Asari Yoko Limited vs. Kee Boc*, 110 Phils. 611; *Converse Rubber Corporation vs. Universal Rubber Products, Inc.*, 147 SCRA 154)

The Respondent-Applicant is the party who first filed the application for the registration of the mark "FARLIN" with Intellectual Property Philippines (IPP) and that the Opposer has no trademark application filed with the Intellectual Property Philippines (IPP) for the registration of the mark "FARLIN". Respondent-Applicant invoked the Rule on First to File and Sections 122 and 138 of the Intellectual Property Code of the Philippines, which provides:

Section 122 – How marks are acquired – The right in a mark shall be acquired through registration made validly in accordance with the provisions of the law.

Section 138. – Certificate of Registration – A certificate of registration of a mark shall be prima facie evidence of the validity of the registration, the exclusive right to use the same in connection with the goods or services and those that are related therein specified in the certificate.

It is very clear that Respondent-Applicant is banking on the first-filer-owner rule, which means that the first to file the trademark application generally, gets the registration. The right to the registration of the mark attaches to the one who is first in filing the application for registration.

In resolving the issue, there is a need to understand fully the main objective or purpose of a trademark. A trademark is essentially a means, through which the goods of a particular producer or manufacturer may be distinguished from those of competitors or others. Its function is to designate distinctively or indicate the source or origin of the products to which it is attached. Significantly, a trademark also guarantees certain standards of quality and warn against the imitation or faking of products, thus preventing the commission of fraud on the public. Further, trademark is a form of advertisement. The definition of a trademark under republic Act No. 166, as amended, conforms to these stated purpose or function to wit:

Section 38. Words and terms defined and construed. - In the construction of this Act, unless the contrary is plainly apparent from the context.

The term "trademark" includes any word, name, emblem, sign or device or any combination thereof adopted and used by a manufacturer or merchant to identify his goods and distinguish them from those manufactured, sold or dealt in by others.

The term "mark" includes any trademark or service mark entitled to registration under this act whether registered or not."

Respondent-Applicant advances its theory that under Republic Act No. 8293, registration confers ownership of a trademark and insists that its application be approved simply because it was the said party who is the first to file. The Bureau of Legal Affairs does not agree.

The Philippines implemented the Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS Agreement) when Republic Act No. 8293 took into force and effect on 01 January 1998.

Article 15 of TRIPS Agreement reads:

Section 2. Trademarks

Article 15

Protectable Subject Matter

1. Any sign, or any combination of sign, capable of distinguishing the goods or services of one undertaking from those of other undertakings, shall be capable of constituting a trademark. Such sign, in particular words including personal names, letters, numerals, figurative elements and combination of colors as well as any combination of such signs, shall be eligible for registration as trademarks. Where signs are not inherently capable of distinguishing the relevant goods or services, members may make registrability depend on distinctiveness acquired through use. Members may require, as a condition of registration, that sign be visually perceptible.
2. Paragraph 1 shall not be understood to prevent a member from denying registration of a trademark on other grounds, provided that they do not derogate from its provisions of the Paris Convention (1967).
3. Members may make registrability depend on use. However, actual use of a trademark shall not be a condition for filing an application for registration. An application shall not be refused solely on the grounds that intended use has not taken place before the expiration of a period of three (3) years from the date of application.
4. The nature of the goods or services to which a trademark is to be applied shall in no case form an obstacle to registration of the trademark.
5. Members shall publish its trademark either before it is registered and shall afford a reasonable opportunity for petitions to cancel the registration. In addition, member may afford an opportunity for the registration of a trademark to be opposed.

Article 16 (1) of the TRIPS Agreement states:

Article 16

Right Conferred

“1. The owner of a registered trademark shall have the exclusive right to prevent all third parties not having the owner’s consent from using in the course of trade identical or similar to those in respect of which the trademark is registered where such use would result in a likelihood of confusion shall be presumed. The rights described above shall not prejudice any existing prior rights, nor shall they affect the possibility of members making rights available on the basis of use.”

Significantly, Republic Act No. 8293 adopted the definition of the mark under Republic Act No. 166, as amended, to wit:

“12.1 – “*Mark*” means any visible sign capable of distinguishing the goods or services of an enterprise and shall include a stamped or marked container of goods; (Sec. 38 of Republic Act No. 166, as amended)

There is no doubt at all and it is very clear, that in this jurisdiction, it is not the *registration* that confers ownership of trademark; rather, it is the use of the mark that give rise to *ownership* of the trademark, which in turn gives the right to the owner to cause its registration and enjoy exclusive use thereof for the goods associated with it. While Republic Act No. 8293, does not contain express references to ownership of mark as a basis for their registration, the definition of the term “*mark*” implies *that the right to registration belongs to the owner who used or uses the same to distinguish his goods or services.*

The “first-to-file” rule could not have been intended to justify the approval of a trademark application just because the applicant was the first to file the application regardless of another

better or superior right over the mark being applied for. The rule cannot be used to commit or perpetuate an unjust and unfair claim. A trademark is an industrial property and the owner thereof has property right over it. The right of being issued a registration for its exclusive use thereof, should be based on the concept of ownership which in turn is based on actual use. Republic Act No. 82936, implements the TRIPS Agreement and therefore the idea of "registered owner" does not mean that ownership is established by mere registration but that registration merely establishes a presumptive right over ownership. The presumption of ownership yields to superior evidence of actual and real ownership of the trademark and the TRIPS Agreement requirement that no existing prior rights shall be prejudiced.

Section 122 of the Intellectual Property Code of the Philippines provides:

"The right in a mark shall be acquired through registration made validly in accordance with the provisions of this law."

To follow the Respondent-Applicant's line of reasoning is to assume that in enacting the Intellectual Property Code of the Philippines (IP Code), congress intended to allow any body to acquire rights in a mark by simply seeing to it that his application for registration was filed ahead of all other applications.

The "first-to-file" rule is the general rule for trademark applications filed under and governed by Republic Act No. 8293. The rule will not apply if there is a determination in appropriate proceedings:

1. That the "first-file" is not the trademark or is not authorized by the owner to prosecute registration of the trademark in his, her, or its favor, or
2. That the adoption and/or use by the "first-filer" of the trademark, even in good faith, is preceded by an actual use by another, also in good faith, prior to the taking into force and effect of Republic Act No. 8293.

WHEREFORE, in light of all the foregoing, the Opposition is, as it is, hereby SUSTAINED. Consequently, trademark Application No. 4-2003-003667 filed on April 23, 2003 by Cymar International Incorporated for the mark "FARLIN" is, as it is hereby, REJECTED.

Let the file wrapper of the trademark "FARLIN" subject matter of this case together with a copy of this DECISION forwarded to the Bureau of Trademarks (BOT) for appropriate action.

SO ORDERED.

Makati City, 28 February 2009

ESTRELLITA ELTRAN-ABELARDO
Director, Bureau of Legal Affairs
Intellectual Property Office