

TOYS "R" US, INC.,
Opposer,

-versus-

CLOTHES "R" US, INC.,
Respondent.

Inter Partes Case No. 3958

Opposition to:
Application SN No.: 65051
Date Filed: June 28, 1988

Trademark: CLOTHES 'R' US

Decision No. 2002-41

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DECISION

This is an Opposition filed by Toys "R" Us, Inc. against the application for registration by Clothes "R" Us, Inc. of the mark "Clothes 'R' Us" under Application Serial No. 65051.

On June 28, 1988, Clothes 'R' Us, Inc. ("Respondent"), a corporation organized and existing under Philippine laws, filed its application for registration of the mark "Clothes 'R' Us" for use on fashion accessories, bags, and various kinds of clothing apparel under Classes 14, 18 & 25 of the International Classification of Goods, claiming first use of the mark in the Philippines on January 3, 1988.

On January 9, 1990, the then BPTTT issued Paper No. 7 advising Respondent that the mark was descriptive when used in connection with the goods, hence, registration was proscribed under Section 4(l) of the Trademark Law.

Respondent, in its letter dated March 2, 1990, replied that it was disclaiming the word "clothes". The BPTTT recommended the publication of the application after finding that "the subject mark as presented serves the function of indicating the source or origin of the goods upon which the mark is affixed". Respondent's application was later published for opposition in the July-August 1993 issue of the BPTTT Official Gazette, Volume VI, No. 4.

On October 23, 1993, Toys 'R' Us, inc. ("Opposer"), a corporation organized and existing under the laws of the United States of America, filed its Opposition based on the following grounds:

"1. The registrant of the trademark Clothes "R" Us in the name of the Respondent-Applicant will violate and contravene the provisions of Section 4(d) of Republic Act No. 166, as amended because said mark is confusingly similar to the trademark Toys "R" Us owned and unabandoned by the Opposer, as to be likely, when applied to or used in connection with the goods of the Respondent-Applicant to cause confusion or mistake in the trade, or deceive purchaser thereof, to such an extent that the goods covered by the said Clothes "R" Us of Respondent may be mistaken by the unwary public to be that of Opposer, or that Respondent-Applicant may be mistaken as an affiliate of or in any way connected with Opposer's business;

"2. The trademark Toys "R" Us is known all over the world to be exclusively owned by the Opposer. Hence, the registration of the confusingly similar trademark Clothes "R" Us in the name of the Respondent-Applicant will be a breach of the clear provisions

of Article 6bis of the Paris Convention for the Protection of Industrial Property;

“3. The registration of the trademark Clothes “R” Us in the name of the Respondent-Applicant will cause grave and irreparable injury and damage to the Opposer within the meaning of Section 8 of Republic Act No. 166, as amended.”

Respondent, in its Answer dated February 9, 1994, moved to dismiss the Opposition on the following grounds:

“1. Admittedly the Opposition was filed out of time.

“2. The oppositor’s agent has no legal capacity to file the opposition on the ground that the Philippine consul explicitly certified that she “assumes no responsibility for the contents of the document.” Petitioner therefore has no knowledge sufficient to form a belief as to the truth or falsity of the authority of the oppositor’s agent to file the opposition.

“3. The oppositor’s registration categorically shows that the oppositor was not the first user of the subject trademark and it has never been used in the Philippines as follows; First use: None; First Use in the Philippines: None.

“4. There is no allegation in the opposition that oppositor’s trademark is presently used in the Philippines. Oppositor merely relies on its prior registration of the subject trademark that is, however, inadequate in law to warrant its exclusive use as declared by the Supreme Court in *Kobushi Kaisha Isetan vs. Intermediate Court of Appeals* (203 SCRA 583, 593) as follows:

“The mere originator of a particular trade name without actual use thereof in the market is insufficient to give any exclusive right to its use (*Johnson MFG. Co. v. Leader Filling Stations Corp.* 196 N.E. 852, 291 Mass. 394), even though such adoption is publicly declared, such as by the use of the name in advertisements, circulars, price lists, and on signs and stationery. (*Consumers Petroleum Co. v. Consumers Co. of Ill.* 169 F 2d 153).” (emphasis supplied)

“5. The oppositor’s admission that the subject trademark is used and registered for toys clearly creates a sharp legal distinction from petitioner’s use of the subject mark giving oppositor’s no right to an exclusive use for the mark.

“6. Petitioner has no knowledge sufficient to form a belief as to the truth or falsity of the oppositor’s factual allegations and alleged resulting damage due to the registration of the subject mark.”

At the pre-trial conference, Respondent failed to appear despite proper notice and was accordingly declared as in default under Order No. 97-541 dated October 16, 1997. In the same Order, Opposer was allowed to present its evidence ex-parte.

During trial, the above-captioned case was consolidated with Inter Partes Case No. 3666 involving the same parties and the same mark. On February 6, 1998, Opposer filed its Motion

requesting that the evidence submitted in Inter Partes Case No. 3666 be adopted in the instant case. Due to the failure of Respondent to file its Comment to the said Motion, this Office granted the said Motion by admitting all the evidence presented in Inter Partes Case No. 3666 under Order No. 98-415 dated October 28, 1998.

On May 3, 1999, Opposer moved for leave to present additional evidence that was later granted under Order No. 99-184 dated May 31, 1999. On October 22, 1999, Opposer filed its Formal Offer of Evidence consisting of Exhibits "A" to "VVV-5" that were admitted in evidence under Order No. 2001-88 dated January 31, 2001, hence, this decision based solely on the evidence presented by Opposer.

The issue to be resolved is whether the Respondent is entitled to register the mark CLOTHES R US in its favor.

Under Section 4(d) of Rep. Act No. 166, a mark may not be registered if it consists of or comprises a mark or trade name which so resembles a mark or trade name registered in the Philippines or a mark or trade name previously used in the Philippines by another and not abandoned, as to be likely, when applied to or used in connection with the goods, business or services of the applicant, to cause confusion or mistake or to deceive purchasers.

The rationale for the law is that "[C]onfusion of good or services or of business or origin causes damage to the owner of the older mark or trade name and to the buying public as well. It has been held that the risk of damages is not limited to a possible confusion of goods but also or services of the parties originated from the same source". [*Converse Rubber Corp. v. Universal Rubber Products, Inc*, 147 SCRA 154 (1987)].

In this case, the mark of Respondent as appearing in the Bristol board and sample labels contained in the file wrapper of Application No. 65051 consists of the phrase "clothes 'R' us" written in stylized text with only the letter 'R' capitalized. Said mark is used on fashion accessories, bags and clothing apparel under Classes 14, 18 & 25, respectively.

On the other hand, Opposer's mark under Certificate of Registration No. 61966 issued on November 10, 1995 consists of the composite mark "Toys 'R' Us" in plain simple text with the letter "R" written backwards. Said mark is used for retail department store services under Class 42 (Exh. "QQQ"). The same mark is also registered under Certificate of Registration No. 42887 issued on January 24, 1989 for children's toys and toy novelties under Class 28 (Exh. "VVV-1" to "VVV-3"). Still another mark in the name of Opposer is "Kids 'R' Us" under Certificate of Registration No. 58604 issued on June 23, 1994 and used for wearing apparel such as polo shirts, jeans, swimwear and hosiery for infants under Class 25. Said mark is also in plain text with the letter "R" written backwards (Exh. "QQQ-1").

A comparison of the marks of the parties shows that they only differ in their first words, but the remaining portion, "'R' Us", have the same spelling, except that the letter "R" in Opposer's marks is written does not make any significant difference because it will still be pronounced as "are".

An examination of the marks also reveals that the dominant portion thereof are the words "'R' Us" since the words "clothes", "toys" and "kids" are descriptive and standing alone, cannot be appropriated by any of the parties, except when the words have acquired a secondary meaning. Thus, Petitioner's Certificate of Registration No. 58604 contains a disclaimer that "no claim is made to the exclusive right to use the word 'kids' apart from the mark as shown". The same disclaimer for the word "toys" is also indicated in Opposer's Certificate of Registration No. 42887.

Under the circumstances, it is undeniable that confusion of goods is likely to occur in relation to Respondent's use of the mark "Clothes 'R' Us" for wholesale and retail store services under Class 42 and Petitioner's use of the mark "Toys 'R' Us" also for the same class. Both contain the same dominant words 'R' Us and are used on wholesale and retail store services

under Class 42. Thus, it was held that the dominant feature in the trademark “Planters Cocktail Peanuts” and the mark “Philippine Planters Cordial Peanuts” is the word “Planters”, the appropriation of which by the junior user makes the two marks confusingly similar. [*Philippine Nut Industry, Inc. v. Standard Brands, Inc.*, 65 SCRA 575 (1975)]. The trademark “Universal Converse and Device” is confusingly similar to “Converse Rubber Corporation” because the word “Converse” is the dominant word used in the latter, as would create a likelihood of confusion among the purchasers. [*Converse Rubber Corp. v. Universal Rubber Products, Inc.*, 147 SCRA 154 (1987)].

In addition, Respondent’s clothing apparel and Opposer’s polo shirts, jeans, swimwear, etc. both fall under Class 25, are items of everyday use that are purchased by the ordinary consumer, and flow in the same channel of commerce. Where the articles are of small value and commonly used and found in stores, the likelihood of confusion is greater because “[t]hese articles are generally purchased by the ordinary folks or common housewives who are guided by merely by what they see or hear of the marks or their memory thereof and not by a discriminate examination of the products bought”. [*Lim Hoa v. Director of Patents*, 100 Phil. 21 (1956)].

As regards the use of the dominant feature “‘R’ Us” in relation to Respondent’s goods like fashion accessories under Class 14 and bags under Class 18, as well as Opposer’s use of the mark in relation to retail store services under Class 42 and toys under Class 28, the general rule is that a certificate of registration is prima facie evidence of the validity of the registration, the registrant’s ownership of the mark or trade name, and of the registrant’s exclusive right to use the same in connection with the goods, business or services specified in the certificate, subject to any conditions and limitations stated therein. (Sec. 20, Rep. Act No. 166). This would mean that the exclusive right of the parties to use the mark shall be limited to goods specified in its certificate, thus, fashion accessories and bags for Respondent, and stores services and toys for Opposer.

However, while the goods of Respondent fall under Classes 14 & 18 and Opposer’s retail store services under Classes 42 & 28 are non-competing, we find that confusion is still likely to occur because the concurrent use of the mark would likely suggest that the subsequent user is under the sponsorship of the original trademark owner and that the ordinary buyer may be misled into believing that the parties have some business association with each other. Thus, in *Ang v. Teodoro*, 74 Phil. 50 (1942), it was held that:

“The courts have come to realize that there can be unfair trading that can cause injury or damage to the first user of a given trademark first, by prevention of the natural expansion of his business and second, by having his business reputation confused with and out at the mercy of the second user. When the non-competing products are sold under the same mark, the gradual whittling away or dispersion of the identity and hold upon the public mind of the mark created by the first user inevitably results.

Experience has demonstrated that when a well-known trademark is adopted by another for a totally different class of goods, it is done to get the benefits of the reputation and advertisement of the originator of said mark, to convey to the public a false impression of some supposed connection between the manufacturer of the article sold under the same or similar mark.”

Using the sponsorship theory, it is likely that the goods of Respondent, particularly fashion accessories and bags under Classes 14 & 18, might be thought of as coming from or are sponsored by Opposer or sold by the latter’s retail stores, and vice versa. This principle becomes more relevant since the mark “‘R’ Us” is an arbitrary mark that is applied to an unfamiliar and unrelated product. Being a strong mark, it is afforded more protection than weaker marks such as those that are suggestive, descriptive or generic, and is registrable even without proof of secondary meaning. The adoption of strong marks by the junior user can only be taken to mean

that he intends to capitalize on the goodwill and reputation earned by the prior user of such marks.

Having determined that the concurrent use by the parties of the dominant words “R’ Us” would likely cause confusion of goods as well as confusion of business or origin, we now resolve the issue of who as between the parties has the better right to use the words ‘R’ Us.

In its application for registration, Respondent indicated that it first used the mark in the Philippines on January 3, 1988, but since it did not present evidence to prove the same, its date of use will be limited to its filing date on June 28, 1988. (*Rule 173 of the Rules of Practice in Trademark Cases*).

Opposer, for its part, did not allege any date of first use, and is deemed to have started using its mark in the Philippines only on the date it filed its application n August 18, 1993 for Certificate of Registration No. 61966 (Exh. “QQQ”), and on March 9, 1992 for Certificate of registration No. 58604 (Exh. “QQQ-1”). With respect to Opposer’s Certificate of Registration No. 42887 issued on January 4, 1989 (Exh. “VVV-1” to “VVV-3”), Opposer again did not indicate any date of first use, and is therefore deemed to have started using the mark in the Philippines on August 30, 1983 as the application therefore was filed according to the provisions of Sec. 37 of Rep. Act No. 166.

Following is an outline in tabular form of the material dates in the certificates of registration of the parties:

Application No. /Certificate of Registration No.	Goods/Class	Date Filed	Date of First Use	Date Registered
Respondent’s Application SN No. 65051 for the mark Clothes ‘R’ Us, Inc. (filewrapper)	Fashion accessories, bags and clothing apparel under Classes 14, 18 & 25	June 28, 1988	January 3, 1988 As alleged in the application	Not Applicable
Opposer’s Certificate of Registration No. 61966 for the mark Toys “R Us (Exh. “QQQ-”)	Retail department store services under Class 42	August 18, 1993	None	November 10, 1995
Opposer’s Certificate of Registration No. 58604 for the mark Kids “R Us (Exh. “QQQ-1”)	Wearing apparel such as polo shirts, jeans, shorts, etc. under Class 25	March 9, 1992	None	June 23, 1994
Opposer’s Certificate of Registration No. 42887 for the mark Toys “R Us (Exh. “VVV-1”)	Children’s toys and toy novelties under Class 28	August 30, 1983 under Section 37 of Rep. Act No. 166	None	January 24, 1989

Thus, in order for Opposer to have a valid ground to oppose the registration of Respondent’s mark, it must show that the dominant feature “R’ Us” has become well-known and identified with it even prior to June 28, 1988.

To prove this fact, Opposer presented the affidavit-testimony of its Vice-President, Louis Lipschitz, who declared therein that Opposer's mark is an internationally well-known mark and has earned goodwill all over the world; that the mark has been extensively promoted and advertised; that it has numerous registrations in many countries including the Philippines; that the dominant portion of the mark is "R' Us"; and that the Opposer has succeeded in Opposing every application for registration of marks bearing the said dominant feature.

To show the numerous registrations of the mark, he referred to a list of countries where the mark "Toys 'R' Us" has been registered or has pending applications for registration (Exh. "C" to "C-12"). A perusal of these documents show that the said mark has been registered prior to June 28, 1988 in the industrial property offices of the following countries: Australia (June 2, 1982, for Class 28), Bahrain (December 28, 1982, for Class 28), Benelux (March 13, 1980, for Class 28), Brazil (August 5, 1982, for Class 28), Canada (May 19, 1978, for Class 28), Chile (December 9, 1983, for Class 28), Colombia (October 15, 1986, for Class 28), Denmark (August 8, 1980, for Class 28), Dominican Republic (August 31, 1982, for Class 52), Ecuador (May 16, 1985, for Class 42), Finland (September 5, 1984, for Classes 28 & 35), France (February 13, 1981, for Class 42), Germany (March 5, 1985, for Class 28), Guatemala (October 4, 1983, for Class 42), Honduras (December 2, 1982, for Class 28), Hong Kong (November 11, 1985, for Class 28), Indonesia (June 4, 1984, for Class 28), Iran (June 28, 1983, for Class 28), Israel (January 2, 1981, for Class 42), Italy (January 20, 1986 and September 29, 1986, for Classes 42 & 28, respectively), Japan (April 20, 1984, for Class 24), Jordan (April 23, 1987, for Class 28), Kenya (November 21, 1984, for Class 28), South Korea (October 20, 1985, for Class 43), Kuwait (July 7, 1982, for Class 28), Lebanon (April 18, 1983, for Class 28), Liberia (June 30, 1982, for Class 28), New Zealand (December 22, 1983, for Class 28), Nicaragua (February 23, 1983, for Class 28), Norway (June 21, 1984, for Classes 28 & 42), Pakistan (November 3, 1982, for Class 28), Panama (October 26, 1984, for Class 28), Paraguay (December 10, 1982, for Class 28), Philippines (July 3, 1987, for Class 42), Qatar (December 1, 1982, for Class 28), Saudi Arabia (February 28, 1983, for Class 28), Spain (September 5, 1985, for Class 28), Sweden (July 5, 1985, for Class 42), Switzerland (April 1, 1980, for Class 28), Syria (April 24, 1983, for Class 28), Taiwan (April 16, 1983, for Class 86), Thailand (November 29, 1985, for Class 49), United Kingdom (November 3, 1986, for Class 25), Uruguay (October 30, 1984, for Class 23), Venezuela (October 25, 1985, for Class 22), and Yemen (July 24, 1986, for Class 28).

The same witness also cited a list of countries where the mark "Kids 'R' Us" has been registered or has pending applications for registration (Exh. "RR" to "RR-5") for Classes 25 & 28. He also referred to various certificates of registration of marks bearing the said dominant feature (Exhs. "VV" to "FFF") as well several decisions in the United States declaring Opposer's rights to use the mark (Exh. "GGG" to "HHH" and their sub-markings). Advertising materials, publications and news clippings from different countries (Exh. "D" to "QQ"; "Exh. "SS" to "UU") were also presented to prove that the marks bearing the "R" Us feature are internationally well-known.

Opposer also presented another witness, Peter Weiss, the secretary of Opposer's subsidiary company Geoffrey, Inc., who declared in his affidavit-testimony (Exh. "MMM" to "MMM-10") that Geoffrey, Inc. has caused the registration of various marks ending with the suffix "R' Us", such as Kinds "R" Us and Books "R" Us. He also stated that there are about 700 Toys "R" Us stores and 215 Kids "R" Us stores in the United States, and around 441 Toys "R" Us stores in other countries such as Japan, Singapore, Australia, Canada, Spain, France, Great Britain, Hong Kong, etc. and that annual sales for the year ending January 31, 1998 amounted to US\$ 11.038 billion.

The witness also referred to a list of many countries where the mark is registered or has pending applications for registration (Exh. "NNN" to "NNN-9"), copies of certificates of registration (Exh. "OOO" to "QQQ" and their sub-markings), advertising materials (Exhs. "SSS" to "SSS-15"; "TTT" to "TTT-41"), and favorable judgments and decisions of various courts in the United States (Exh. "UUU" to "UUU-67"). In sum, the testimony of Peter Weiss reiterated the declarations made by the other witness, Louis Lipschitz.

From the evidence presented by Opposer, we find that it was able to prove by substantial evidence that its marks bearing the dominant feature "R' Us" are entitled to protection under Article 6bis of the Paris Convention as implemented in the Philippines by the Ongpin Memorandum dated October 13, 1983. In relation to the criteria enumerated in said Memorandum, particularly paragraphs (c) and (d) thereof, we find that the marks Toys "R" Us and Kinds "R" Us were duly registered in the industrial property offices of many countries even prior to 1988, and that the marks have been long established and obtained goodwill and general international consumer recognition as belonging to one owner or source, as shown by advertising and promotional materials referred to in the affidavits of Opposer's witnesses. (see also *Bridgestone Tire Co., Ltd. v. Ramcar, Inc., Inter Partes Case No. 1318, Decision No. 88-107, October 13, 1988*).

Having established that the mark is well-known and has gained international recognition even before 1988, it may be said the Respondent, by using the words "R" Us in its application, is simply riding in the goodwill and reputation of the Opposer. When "[t]here is no reasonable explanation for the defendant's choice of such a mark though the field for his selection was broad, the inference is inevitable that it was chosen deliberately to deceive". [*Converse Rubber Corp. v. Universal Rubber Products, Inc. 147 SCRA 154 (1987)*]. For the reason discussed in the foregoing, we hold that Petitioner has the better right to the mark.

WHEREFORE, the instant Opposition is hereby SUSTAINED. Accordingly, Application Serial No. 65051 in the name of Clothes "R" Us, inc. is hereby REJECTED.

Let the file wrapper of the trademark CLOTHES R US subject matter of the instant case be forwarded to the Administrative, Financial and Human Resources Development Service Bureau for appropriate action in accordance with this Decision with a copy thereof to be furnished the Bureau of Trademarks for information and update of its record.

SO ORDERED.

Makati City, December 26, 2002.

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