



BYD COMPANY LIMITED,
Petitioner,

-versus-

LIANGYOU XU,
Respondent-Registrant.

} **IPC No. 14-2012-00010**
} Petition for Cancellation:
} Registration No. 4-2008-12261
} Date Issued: 09 July 2009
} **TM: "BYD"**

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NOTICE OF DECISION

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GREETINGS:

Please be informed that Decision No. 2015 - GD dated April 24, 2015 (copy enclosed) was promulgated in the above entitled case.

Taguig April 24, 2015.

For the Director:

Edwin A. Dating
Atty. EDWIN DANILO A. DATING
Director III
Bureau of Legal Affairs



BYD COMPANY LIMITED,
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LIANGYOU XU,
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IPC No. 14-2012-00010

Petition to Cancel:
Registration No. 4-2008-12261
Date Filed: 09 July 2009

Trademark: **"BYD"**
Decision No. 2015-60

DECISION

BYD Company Limited¹ ("Petitioner") filed petition to cancel Certificate of Registration No. 4-2008-12261. The contested application, filed by Liangyou Xu² ("Respondent-Registrant"), covers the mark "BYD" for use on *"cars, trucks, anti-theft alarms for vehicles, automobile chains, automobile, chassis, automobile hoods, tires, axle journals, axles, balance weights, bands for wheel hubs, bars (torsion), brake lining materials, brake linings, brake segments, brake shoes, brakes, bumpers, caps for gas tanks, clips for wheels, clutches, connecting rods, torque converters, couplings, crank cases, direction signals, driving motors, engines, free wheels, gear boxes, horns, hubs, hub caps, hydraulic circuits, inner tubes of tires, rearview mirrors, electric motors, power tail gates, air pumps, reduction gears, reversing alarms, rims for vehicles, running boards, safety belts, seats for vehicles, shock absorbing springs, spikes for tires, spokes (vehicles wheels), steering wheels, studs for tires, sun-blinds, suspension shock absorbers, suspension springs, tires, transmission shafts, transmission chains, transmissions, valves for tires, wiper, windshields"* under Class 12 of the International Classification of Goods³.

The Petitioner asserts that Respondent-Registrant's mark "BYD" is confusingly similar to that of its own well-known "BYD" mark. According to the Petitioner, BYD Company Limited was founded in February 1995 by Mr. Wang Chuanfu, a Chinese national, with a capital of Two Million and Five Hundred Thousand Renminbi Yuan (RMB2.5 Million) and with twenty (20) employees. It explains that "BYD" was derived from its founder's saying "Build Your Dreams." It began as a rechargeable-battery factory competing in the Chinese market against Japanese imports. In 2003, it officially entered into the automotive business by purchasing Tsinchuan Automobile Company Limited and turning it into its subsidiary, BYD Auto Company Limited. In the same year, it began producing automobiles and automobile parts and

¹ A corporation formed and existing under the laws of the People's Republic of China with business address at Yan'an Road, Kuichong Town, Longgang District, Shenzhen, China.

² Natural person of Chinese nationality with address at X-11-12 CBII, Tutuban Center, C.M. Recto Avenue, Tondo, Manila.

³ The Nice Classification is a classification of goods and services for the purpose of registering trademark and services marks, based on the multilateral treaty administered by the World Intellectual Property Organization. The treaty is called the Nice Agreement Concerning the International Classification of Goods and Services for the Purpose of the Registration of Marks concluded in 1957.

further expanded its product lines when it started manufacturing mobile phone components. In 27 September 2008, MidAmerican Energy Holdings Co. bought its ten percent (10%) stake for approximately Two Hundred Thirty Million Dollars (\$230M). By 10 March 2010, it has grown into a corporation with more than two hundred thousand (200,000) employees and eleven (11) industrial parks across China and also holds offices in the United States of America, Europe, Japan, South Korea, India, Taiwan, Hong Kong and other regions.

The Petitioner submitted the following as evidence:

1. printout from its website and other internet articles featuring the "BYD" mark;
2. sample advertisements and news articles featuring its products with the mark "BYD";
3. printout of Google search results showing it is widely known to be the owner of "BYD";
4. copy of its trademark registrations;
5. certified copy of the duly egalizes certification executed by Shi Zhenghua, its Records Officer;
6. copy of its pending applications;
7. news clippings of the launch of its products in the Philippines;
8. sample photos showing its mark being publicly used all over the world; and
9. affidavit of David Calingo.

The Respondent-Registrant filed its Answer dated 07 May 2012 but the Petitioner moved to strike out the Answer and declare the former in default for failure to timely file the Answer, to attach the registry receipt and to comply with Section 10 of the Revised Rules and Regulations on Inter Partes Proceedings. . The Hearing Officer required the Respondent-Registrant to present a certification from the Post Office where the Answer was deposited, showing and certifying the date as when the Answer was registered for mail. The Respondent-Registrant failed to comply with the Order despite the several extensions of the period to comply granted by the Hearing Officer. Thus, the Hearing Officer issued Order No. 2013-1360 declaring the Respondent-Registrant in default.

The issue to be resolved is whether or not Certificate of Registration No. 4-2008-12261 should be cancelled.

For comparison, the competing marks are reproduced below:



Petitioner's mark

BYD

Respondent-Registrant's mark

When one looks at the Petitioner's mark, what is impressed upon the eyes and mind is the letter combination "BYD". That Petitioner's mark is enclosed in a ring has scant effect, if at all, so far as to eradicate any likelihood confusion and/or deception to the consuming public. In the eyes of the average purchaser, the competing marks are identical or just a variation of one another. Confusion cannot be avoided by merely adding, removing or changing some letters of a registered mark. Confusing similarity exists when there is such a close or ingenious imitation as to be calculated to deceive ordinary persons, or such resemblance to the original as to deceive ordinary purchaser as to cause him to purchase the one supposing it to be the other. ⁴

Moreover, the Respondent-Registrant uses its mark on goods that are similar or closely related to the Petitioner, particularly vehicles. Thus, it is likely that the consumers will have the impression that these goods or products originate from a single source or origin. The confusion or mistake would subsist not only on the purchaser's perception of goods but on the origin thereof as held by the Supreme Court in **Converse Rubber Corporation v. Universal Rubber Products Inc.**⁵, to wit:

"Callman notes two types of confusion. The first is the confusion of goods in which event the ordinarily prudent purchaser would be induced to purchase one product in the belief that he was purchasing the other. In which case, defendant's goods are then bought as the plaintiff's and the poorer quality of the former reflects adversely on the plaintiff's reputation. The other is the confusion of business. Hence, though the goods of the parties are different, the defendant's product is such as might reasonably be assumed to originate with the plaintiff and the public would then be deceived either into that belief or into belief that there is some connection between the plaintiff and defendant which, in fact does not exist."

The public interest, therefore, requires that the two marks, identical to or closely resembling each other and used on the same and closely related goods, but utilized by different proprietors should not be allowed to co-exist. Confusion, mistake, deception, and even fraud, should be prevented. It is emphasized that the function of trademark is to point out distinctly the origin or ownership of the goods to which it is affixed; to secure to him, who has been instrumental in bringing into the market a superior article of merchandise, the fruit of his industry and skill; to assure the public that they are procuring the genuine article; to prevent fraud and imposition; and to protect the manufacturer against substitution and sale of an inferior and different article as his product.⁶

⁴ Societe des Produits Nestle, S.A. vs. Court of Appeals, GR No. 112012, 04 April 2001.

⁵ G.R. No. L-27906, 08 January 1987.

⁶ Pribhdas J. Mirpuri v. Court of Appeals, G.R. No. 114508, 19 November 1999.

The Respondent-Registrant's obviously first filed an application and secured registration here in the Philippines. Petitioner, however, raises the issue of ownership.

In this regard, it is stressed that the Philippines implemented the TRIPS Agreement when the IP Code took into force and effect on 01 January 1998. Art. 15 of the TRIPS Agreement reads:

Section 2: Trademarks
Article 15
Protectable subject Matter

1. Any sign, or any combination of signs, capable of distinguishing the goods or services of one undertaking from those of other undertakings, shall be capable of constituting a trademark. Such signs, in particular words, including personal names, letters, numerals, figurative elements and combinations of colours 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 signs 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 the provision 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 ground that intended use has not taken place before the expiry of a period of three 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 each trademark either before it is registered or promptly after it is registered and shall afford a reasonable opportunity for petitions to cancel the registration. In addition, Members may afford an opportunity for the registration of a trademark to be opposed.

Article 16 (1) of the TRIPS Agreement states:

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 signs for goods or services which are identical or similar to those in respect of which the trademark is registered where such use would result in a likelihood of confusion. In case of the use of an identical sign for identical goods or services, a likelihood of confusion shall be presumed. The rights described above

shall not prejudice any existing prior rights, not shall they affect the possibility of Members making rights available on the basis of use.

Significantly, Section 121.1 of R.A. No. 8293, also known as the Intellectual Property Code of the Philippines ("IP Code") adopted the definition of the mark under the old Law on Trademarks (R. A. No. 166), to wit:

121.1. "Mark" means any visible sign capable of distinguishing the goods (trademark) or services (service mark) of an enterprise and shall include a stamped or marked container of goods; (Sec. 38, R.A. No. 166a)

Section 122 of the IP Code states:

Sec. 122. How Marks are Acquired. – The rights in a mark shall be acquired through registration made validly in accordance with the provisions of this law. (Sec. 2-A, R.A. No. 166a)

There is nothing in Section 122 which says that registration confers ownership of the mark. What the provision speaks of is that the rights in a mark shall be acquired through registration, which must be made validly in accordance with the provisions of the law.

Corollarily, Section 138 of the IP Code provides:

Sec. 138. Certificates of Registration. – A certificate of registration of a mark shall be prima facie evidence of the validity of the registration, the registrant's ownership of the mark, and the registrant's exclusive right to use the same in connection with the goods or services and those that are related thereto specified in the certificate. (Emphasis supplied)

Clearly, it is not the application or the registration that confers ownership of a mark, but it is ownership of the mark that confers the right to registration. While the country's legal regime on trademarks shifted to a registration system, it is not the intention of the legislators not to recognize the preservation of existing rights of trademark owners at the time the IP Code took into effect.⁷ The registration system is not to be used in committing or perpetrating an unjust and unfair claim. A trademark is an industrial property and the owner thereof has property rights over it. The privilege of being issued a registration for its exclusive use, therefore, should be based on the concept of ownership. The IP Code implements the TRIPS Agreement and therefore, the idea of "registered owner" does not mean that ownership is established by mere registration but that registration establishes merely a presumptive right of ownership. That presumption of ownership yields to superior evidence of actual and real ownership of the trademark and to the TRIPS Agreement requirement that no existing prior rights shall be prejudiced. In **Berris v. Norvy Abyadang**⁸, the Supreme Court held:

⁷ See Section 236 of the IP Code.

⁸ G.R. No. 183404, 13 October 2010.

"The ownership of a trademark is acquired by its registration and its actual use by the manufacturer or distributor of the goods made available to the purchasing public. Section 122 of R.A. No. 8293 provides that the rights in a mark shall be acquired by means of its valid registration with the IPO. A certificate of registration of a mark, once issued, constitutes prima facie evidence of the validity of the registration, of the registrant's ownership of the mark, and of the registrant's exclusive right to use the same in connection with the goods or services and those that are related thereto specified in the certificate. R.A. No. 8293, however, requires the applicant for registration or the registrant to file a declaration of actual use (DAU) of the mark, with evidence to that effect, within three (3) years from the filing of the application for registration; otherwise, the application shall be refused or the mark shall be removed from the register. In other words, the prima facie presumption brought about by the registration of a mark may be challenged and overcome, in an appropriate action, by proof of the nullity of the registration or of non-use of the mark, except when excused. Moreover, the presumption may likewise be defeated by evidence of prior use by another person, i.e., it will controvert a claim of legal appropriation or of ownership based on registration by a subsequent user. This is because a trademark is a creation of use and belongs to one who first used it in trade or commerce."

A cursory evaluation of the evidence presented, this Bureau finds that it is sufficiently supported that Petitioner has obtained various registrations over the mark "BYD" in different jurisdictions way before 08 October 2008, the filing date of Respondent-Registrant's application. As early as 10 March 2003, the Petitioner was issued registration over the mark for Class 12 in China.⁹ Its prior use is further bolstered by news articles stating that the Petitioner's company was founded in 1995 and ventured in automobile business in 2003.¹⁰ Clearly, the Petitioner first used the mark "BYD" on its products.

Moreover, Section 165.2 of IP Code states that:

"165.2.(a) Notwithstanding any laws or regulations providing for any obligation to register trade names, such names shall be protected, even prior to or without registration, against any unlawful act committed by third parties.

(b) In particular, any subsequent use of the trade name by a third party, whether as a trade name or a mark or collective mark, or any such use of a similar trade name or mark, likely to mislead the public, shall be deemed unlawful. (Emphasis supplied.)

Therefore, since "BYD" is not only used by the Petitioner as a trademark but more importantly as a tradename, registration is not a prerequisite for its protection under the law. Regardless of its earlier filing date, the law prohibits the use of the

⁹ Exhibit "N-1".

¹⁰ Exhibit "B" to "D".

Respondent-Registrant of "BYD" whether as a mark or a tradename or collective mark. This is further explained by the Supreme Court, in the case of **Coffee Partners, Inc. vs. San Francisco Coffee and Roastery, Inc.**, as follows:

"In Philips Export B.V. v. Court of Appeals, this Court held that a corporation has an exclusive right to the use of its name. The right proceeds from the theory that it is a fraud on the corporation which has acquired a right to that name and perhaps carried on its business thereunder, that another should attempt to use the same name, or the same name with a slight variation in such a way as to induce persons to deal with it in the belief that they are dealing with the corporation which has given a reputation to the name."

Succinctly, the intellectual property system was established to recognize creativity and give incentives to innovations. Similarly, the trademark registration system seeks to reward entrepreneurs and individuals who through their own innovations were able to distinguish their goods or services by a visible sign that distinctly points out the origin and ownership of such goods or services. To allow Respondent-Registrant to maintain its registration over the subject mark will make trademark registration simply a contest as to who files an application first with the Office.

Finally, it is emphasized that the essence of trademark registration is to give protection to the owners of trademarks. The function of a trademark is to point out distinctly the origin or ownership of the goods to which it is affixed; to secure to him who has been instrumental in bringing into the market a superior article of merchandise, the fruit of his industry and skill; to assure the public that they are procuring the genuine article; to prevent fraud and imposition; and to protect the manufacturer against substitution and sale of an inferior and different article as his product.¹¹

WHEREFORE, premises considered, the instant petition for cancellation is hereby **GRANTED**. Let the filewrapper of Trademark Registration No. 4-2008-12261 be returned, together with a copy of this Decision, to the Bureau of Trademarks for information and appropriate action.

SO ORDERED.

Taguig City, 24 April 2015.


ATTY. NATHANIEL S. AREVALO
Director IV, Bureau of Legal Affairs

¹¹ Pribhdas J. Mirpuri vs. Court of Appeals, G.R. No. 114508, 19 November 1999.