



KTM-SPORTMOTORCYCLE AG,
Opposer,

-versus-

GUO, ZHULIN and LU, YANCY SHERWIN,
Respondent-Applicants.

}
}
}
}
}
}
}
}
}
}
}

IPC No. 14-2014-00264
Opposition to:
Application No. 4-2013-00003424
Date filed: 26 March 2013
TM: "KTM"

x-----x

NOTICE OF DECISION

VERALAW
(DEL ROSARIO RABOCA GONZALES GRASPARIL)
Counsel for the Opposer
A & V Crystal Tower, 105 Esteban Street
Legazpi Village, Makati City

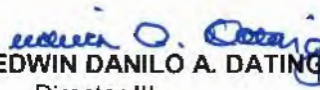
ATTY. CLARENCE CLIFFORD K. DE GUZMAN
Counsel for Respondent-Applicant
No. 146, 10th Street, New Manila
Quezon City

GREETINGS:

Please be informed that Decision No. 2015 - 242 dated November 04, 2015 (copy enclosed) was promulgated in the above entitled case.

Taguig City, November 04, 2015.

For the Director:


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



KTM-SPORTMOTORCYCLE AG,
Opposer,

- versus -

GUO, ZHULIN and LU, YANCY SHERWIN
Respondents-Applicants.

x ----- x

IPC No. 14-2014-00264
Opposition to:

Appln. No. 4-2013-00003424
Date Filed: 26 March 2013
Trademark : "KTM"

Decision No. 2015 - 242

DECISION

KTM-SPORTMOTORCYCLE AG ("Opposer"),¹ filed a verified opposition to Trademark Application Serial No. 4-2013-00003424. The application, filed by GUO, ZHULIN and LU, YANCY SHERWIN ("Respondent-Applicant")², covers the mark "KTM" for use on goods under class³ 12: *bicycles, folding bicycles, bicycles structural parts namely, front derailleurs, rear derailleurs, shifting levers, brake levers, hubs, sprockets, freewheels, front chainwheels, crank sets, cranks, bottom bracket assembly, chain wheels, chains, pedals, brakes, chain deflectors, seat pillars, seat pillar quick release, disc brakes conversion kits (bicycle), rims, frames, tubes, seat posts, handle bars and grips, bells carriers, forks, gear levers, multiple freewheels, spokes, bicycle stands, chain guides, shift cables, hub quick releases, wheel spokes and pumps.*

The Opposer alleges that it owns the KTM brand, and was established with the vision to produce and develop new, different and original race-ready off road and street motorcycles. Committed to testing, experimentation, research and innovation since the very beginning, the brand now comprises of several models and product lines. Initially, the KTM brand was known as Mattighoffen. It was established by Opposer's predecessor-in-interest, Hans Trunkenpolz, in 1934 in Italy. In 1953, the industrial production of KTM motorcycles began. Mattighoffen was renamed to 'Kronreif, Trunkenpolz, Mattighofen.' A year after joining the Austrian racing scene, Opposer won the state championship of the 125 cc class in 1954. Since then, Opposer has been participating in various motorcycle competitions worldwide. However, due to a crisis in the two-wheeler industry, Opposer ceased producing the PONNY-scooters and the first KTM mopeds. Likewise, in 1954, it started producing bicycles. By 1974, Opposer's product range have drastically increased and already included Forty Two (42) models. In 1980, Opposer's legal status was changed to 'KTM MotorFahrzeugbau KG'. After a couple of years, Opposer started producing KTM radiators ('KTM Kühler'). However, in 1988, it ceased producing scooters and mopeds. During the early 1990, KTM Motor-Fahrzeugbau KG became insolvent and was divided into four separate and independent successor companies for motorcycles, bicycles, tooling and radiators. After a year, KTM Sportmotorcycle GmbH, Opposer's motorcycle entity, emerged. In 1994, KTM Sportmotorcycle GmbH changed its legal status to KTM-Sportmotorcycle AG, the present Company, employing Two Hundred Twelve (212) persons. By 1995, Opposer started expanding, acquiring Swedish and Dutch manufacturing companies Husaberg AB and WP Suspension BV, respectively, generating an annual turnover of 1.1 billion ATS. Opposer continues to participate in various racing competitions around the globe. In 2007, Opposer entered into a strategic cooperation with India's Bajaj Auto Ltd. ('Bajaj'), with the aim of developing an engine and vehicle platform for the creation of a 123 cc street motorcycle. On 24 January 2012, the new 200 DUKE was presented to the public in New Delhi for the first time. With this motorcycle, KTM entered the Indian market together with Bajaj. The 200 DUKE is the first KTM model ever to be offered worldwide. To date, Opposer has dominated the racing scene by winning Two Hundred Forty (240) world championship titles in a variety of racing classes, including winning the Dakar Rally Twelve (12) successive

¹ A company duly organized and existing under and by virtue of the laws of Austria with principal office at Stallhofner Strasse 3, A-5230, Mattighofen, Austria.

² With address at Unit 20L, No. 530 Santo Cristo Street, Binondo, Manila.

³ The Nice Classification of goods and services is for registering trademark and service marks, based on a multilateral treaty administered by the WIPO, called the Nice Agreement Concerning the International Classification of Goods and Services for Registration of Marks concluded in 1957.

times. In addition to its numerous motorcycle models, KTM has several motorcycle-related product lines ranging from apparel (PowerWear) to motorcycle parts and accessories (PowerParts).

Opposer currently has several subsidiaries, which include KTM-Racing AG, KTM Events Travel Service AG and KTM Dealer & Financial Services GmbH. In view of Opposer's success and the magnitude of its operations, Opposer has been actively protecting the goodwill of the KTM brand since 1999. In the Philippines, Opposer filed a trademark application for the mark KTM on 31 October 2013. It has been repeatedly recognized by magazine articles in the industry.

The Opposer further alleges the following ground for opposition: (1) The mark 'KTM', owned and used by the Opposer, is a well-known mark that must be afforded protection under the prevailing laws and jurisprudence; and, (2) Respondents-Applicants' application cannot, as it should not, be granted considering that the mark sought to be registered is identical to the well-known mark 'KTM' owned by the Opposer.

The Opposer's evidence consists of the following:

1. Computer printout of Trademark Application No. 4-2013-00003424;
2. Special Power of Attorney dated 11 July 2014;
3. Verification and Certification against Forum Shopping;
4. Affidavit of Mr. Harald Plöckinger;
5. Schedule of worldwide trademark registrations and applications for the KTM brand;
6. Magazine articles on the quality and performance of KTM products;
7. Articles on the website www.ktm.com on the global reach of KTM mark;
8. Catalogues and news relating to the KTM branded products; and,
9. Various article publication by worldwide magazines on KTM branded products.

This Bureau issued and served upon the Respondent-Applicant a Notice to Answer on 25 September 2014. Respondent-Applicant however, did not file an answer. Thus, in Order No. 2015-1571, Respondent-Applicant is hereby declared in default, and this instant case is deemed submitted for decision.⁴

Should the Respondent-Applicant be allowed to register the trademark KTM?

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 out into the market a superior 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.⁵

Sec. 123.1 (d) R.A. No. 8293, also known as the Intellectual Property Code ("IP Code") provides:

A mark cannot be registered if it:

x x x

(d) Is identical with a registered mark belonging to a different proprietor or a mark with an earlier filing or priority date, in respect of:

⁴ Dated 16 October 2015.

⁵ *Pribhdas J. Mirpuri v. Court of Appeals*, G.R. No. 114508, 19 Nov. 1999. See also Article 15, par. (1), Art. 16, par. 91 of the Trade-related Aspect of Intellectual Property (TRIPS Agreement).

- (i) The same goods or services, or
- (ii) Closely related goods or services, or
- (iii) If it nearly resembles such a mark as to be likely to deceive or cause confusion;

Records show that the Opposer filed a trademark application for KTM on 31 October 2013.⁶ The Respondent-Applicant, on the other hand, filed its application for the registration of its mark KTM on 26 March 2013.

The competing marks are hereby reproduced below for comparison:

KTM

Opposer's Mark

KTM

Respondent-Applicant's Mark

The contending marks contain the identical word mark KTM. The difference in the font or letter design is not sufficient to distinguish the two marks, especially that Opposer's foreign registrations of its KTM marks also appear in italic form.

Thus, the competing marks being used on goods that are similar or closely related to each other, and which cater to same cluster of purchasers and flow on the same channels of trade, particularly that falling under Class 12.⁷ 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, to wit:⁸

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 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

⁶ Annex "A" of the Affidavit of Mr. Harald Plöckinger.

⁷ Opposer's trademark application for KTM covers classes 12: bicycles, motorcycles, motorcycle scooters, mopeds, and all parts and accessories therefore, namely engines for land vehicles, saddles for bicycles and motorcycles, tyres, wheels, wheel rims, brake linings, brake discs, housings, luggage carriers, luggage boxes, transport containers, panniers, tank rucksacks, stands, mudguards, spoilers, tail gates, mirrors, number plate carriers, identification number plates, petrol caps, tanks, chains, bench seats, motorised vehicles, namely dual-axle or multi-axle vehicles, including off-road vehicles (all-terrain vehicles, quad bikes), vehicles and parts therefor, small motor bicycles, motorcycles, light motorcycles, pedelecs, electric two-wheeled vehicles and bicycles (Egnition), training and children's bicycles, seat cover for motor vehicles, saddle covers for bicycles and motorcycles; 25: clothing, footwear, headgear; 37: maintenance and repair of motor-vehicles, repair of vehicles, motors and engines, and repair of parts for these goods; and, 41: education, providing of training, entertainment, sporting and cultural activities.

⁸ Converse Rubber Corporation v. Universal Rubber Products Inc., et al., G.R. No. L-27906, 08 Jan. 1987.

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.⁹

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 of trademarks. Where signs are not inherently capable of distinguishing the relevant goods or services, members may make registrability depend on distinctiveness acquired through use. Member 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 prescribed 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, Sec. 121.1 of the IP Code adopted the definition of the mark under the old Law on Trademark (Rep. Act No. 166), to wit:

⁹ Pribhdas J. Mirpuri v. Court of Appeals, G.R. No. 114508, 19 Nov. 1999.

121.1. "Mark" means any visible sign capable of distinguish 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)

Sec. 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 provision of this law. (Sec. 2-A, R.A. No. 166a)

There is nothing in Sec. 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 validly in accordance with the provision of the law.

Corollarily, Sec. 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.¹⁰ 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 right 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 *E.Y. Industrial Sales, Inc. and Engracio Yap v. Shen Dar Electricity Machinery Co. Ltd.*¹¹, the Supreme Court held:

RA 8293 espouses the "first-to-file" rule as stated under Sec. 123.1(d) which states:

x x x

Under this provision, the registration of a mark is prevented with the filing of an earlier application for registration. This must not, however, be interpreted to mean that ownership should be based upon an earlier filing date. While RA 8293 removed the previous requirement of proof of actual use prior to the filing of an application for registration of a mark, proof of prior and continuous use is necessary to establish ownership of a mark. Such ownership constitutes sufficient evidence to oppose the registration of a mark.

Sec. 134 of the IP Code provides that "any person who believes that he would be damaged by the registration of a mark x x x" may file an opposition to the application. The term "any person" encompasses the true owner of the mark, the prior and continuous user.

¹⁰ See Sec. 236, IP Code.

¹¹ G.R. No. 184850, 20 October 2010.

Notably, the Court has ruled that the prior and continuous use of a mark may even overcome the presumptive ownership of the registrant and be held as the owner of the mark. As aptly stated by the Court in *Shangri-la International Hotel Management, Ltd. v. Developers Group of Companies, Inc.*

Registration, without more, does not confer upon the registrant an absolute right to the registered mark. The certificate of registration is merely a prima facie proof that the registrant is the owner of the registered mark or trade name. Evidence of prior and continues use of the mark or trade name by another can overcome the presumptive ownership of the registrant and may very well entitle the former to be declared owner in an appropriate case.

In this instance, the Opposer proved that it is the owner of the contested mark. It has submitted evidence relating to its ownership, research and innovation since 1934 in Italy.¹² It has narrated established facts of industrial production of KTM motorcycles in 1953 and eventually, bicycles.¹³ It likewise recounted its continuous operation through improvements of its product, product expansion, promotion of its mark,¹⁴ including its worldwide distribution in numerous outlets and stores worldwide.¹⁵ Opposer has also shown the schedule of worldwide trademark registrations and applications for the KTM mark.¹⁶

Thus, to allow the application for registration of Respondent-Applicant is to cause confusion to the public of the presence of identical marks on goods that are covered by Opposer's mark or goods closely related thereto, it will also deprive the true and actual owner of the mark. The Opposer proved that the Respondent-Applicant was not the actual owner and user of the subject mark long before the filing of the said mark. The Opposer has never abandoned the use of the mark as shown by its continuous and actual use of the mark KTM on its business.

In contrast, Respondent-Applicant did not give sufficient explanation in adopting and using the trademark KTM. As discussed above, the mark is unique and highly distinctive with respect to the goods it is attached with. It is incredible for the Respondent-Applicant to have come up with the same mark practically for similar goods by pure coincidence. It did not even submit evidence that it has been using the mark even before and after it filed and the subject mark. Clearly, the Respondent-Applicant is not the owner of the mark.

Succinctly, the field from which a person may select a trademark is practically unlimited. As in all other cases of colorable imitations, the unanswered riddle is why, of the million of terms and combination of letters and designs available, the Respondent-Applicant had to come up with a mark identical or so closely similar to another's mark if there was no intent to take advantage of the goodwill generated by the other mark.¹⁷

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.

WHEREFORE, premises considered, the instant Opposition to Trademark Application No. 4-2013-00003424 is hereby **SUSTAINED**. Let the filewrapper of the subject trademark application be

¹² Exhibit "D" and attachments of Opposer.

¹³ Id.

¹⁴ Id.

¹⁵ Id. Annex "E" of Exhibit "A" of Opposer.

¹⁶ Id; Annex "A" of Exhibit "A" of Opposer.

¹⁷ *American Wire & Cable Company v. Director of Patents*, G.R. No. L-26557, 18 February 1970.

returned, together with a copy of this Decision, to the Bureau of Trademarks for information and appropriate action.

SO ORDERED.

Taguig City, 04 November 2015.



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