

BORER CHEMIE AG,
Opposer,

-versus-

CHEMVALLEY RESOURCES, INC.,
Respondent- Applicant.

X-----X

} **IPC No. 14-2014-00471**
} Opposition to:
} Appln. Serial No. 4-2014-007310
} Date Filed: 10 June 2014
} **TM: "DECOSEPT"**

NOTICE OF DECISION

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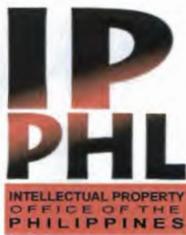
GREETINGS:

Please be informed that Decision No. 2016 - 222 dated June 30, 2016 (copy enclosed) was promulgated in the above entitled case.

Taguig City, July 01, 2016.

For the Director:


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



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Opposer,

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CHEMVALLEY RESOURCES, INC.,

Respondent-Applicant.

IPC No. 14-2014-00471

Opposition to:
Application No. 4-2014-007310
Date Filed: 10 June 2014
Trademark: "DECOSEPT"

Decision No. 2016- 222

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DECISION

BORER CHEMIE AG¹ ("Opposer") filed an opposition to Trademark Application Serial No. 4-2014-007310. The application, filed by Chemvalley Resources, Inc.² ("Respondent-Applicant"), covers the mark "DECOSEPT" for use as "alcohol disinfectant" under Class 01 of the International Classification of Goods and Services.³

The Opposer alleges:

x x x
"DISCUSSION"

"1. Respondent-Applicant's application for 'DECOSEPT' should be denied as Opposer is the true and rightful owner of the mark 'DECOSEPT'.

"2. Opposer, BORER CHEMIE AG, was founded in 1965 by Mr. Anton Borer under the name 'PMC Produkte fur Medizin und Chemie'. It launched the first product for laboratory glass cleaning, 'detex 11'. The sale of 'detex 11' was a success in the chemical industry in Basel, Switzerland and university laboratories all throughout Switzerland.

"3. In 1966, the Opposer launched its 'Deconex' brand. Opposer's trademark 'Deconex' has been registered by the Opposer in seventeen (17) countries and serves as its umbrella brand for disinfectants and detergents.

"4. Four (4) years later in 1969, the company moved to larger premises in Biberist. The company was renamed to 'Borer Chemie AG' in 1977.

"5. In 1979, the Opposer expanded its business and moved to a bigger property with an 800-square meter area in Zuchwill, Switzerland. In 1980, the Opposer installed new research and development laboratory on the premises and the first automatic powder mixing plant.

¹A corporation duly organized and existing under the laws of Switzerland, with business address at Gewerbestrasse 13, 4528 Zuchwil, Switzerland.

²A domestic corporation with address at 168 Westriverside St., Quezon City, Metro Manila, Philippines.

³The Nice Classification is a classification of goods and services for the purpose of registering trademark and service marks, based on a 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 Purposes of the Registration of Marks concluded in 1957.

"6. In 1982, the Opposer launched its first products for the medical sector. The first computer controlled mixing plant was installed in the Opposer's building in 1985.

"7. Opposer coined the subject mark 'DECOSEPT' in 1992 when it decided to enter into the market of hand disinfectants. It used the first syllable of its then already famous mark 'DECONEX', 'DECO' with the last syllable 'SEPT', thus forming the mark 'DECOSEPT'. Opposer initially used the mark in 1993 in Switzerland for hand disinfectants. It later expanded the goods covered to surgical disinfectants.

"8. Opposer grew quickly, having distributors in sixty-two (62) countries including Respondent-Applicant in the Philippines. It was Respondent-Applicant that marketed, distributed and sold Opposer's complete product range, including alcohol-based disinfectant products, bearing its mark 'DECOSEPT'. Attached as Exhibits 'F' is the Affidavit executed by Dr. Markus Borer, Chief Executive Officer of Opposer, detailing the relationship between Opposer and Respondent-Applicant. Copies of the Distributorship Agreement and the letters of extension are attached hereto as Exhibits 'G' to 'G-8'. It was Respondent-Applicant that marketed, distributed and sold Opposer's complete product, range, including alcohol-based disinfectant products bearing its mark 'DECOSEPT'.

"9. Opposer was the first user of the mark 'DECOSEPT' in 1996 in Philippine commerce after Respondent-Applicant informed Opposer that there was an opportunity to market 'DECOSEPT' products in the Philippines. Attached as Exhibit 'H' is a letter dated 10 September 1996 from Respondent-Applicant informing Opposer that it wishes to market 'DECOSEPT' products in the Philippines. Opposer began its use of the mark 'DECOSEPT' under Republic Act No. 166, wherein use was the basis of ownership. Since Opposer is the prior user of the mark 'DECOSEPT' in Philippine commerce, it is the owner of the mark pursuant to Republic Act No. 166. Opposer's rights over the mark 'DECOSEPT' having vested, such rights cannot be impaired by the IP Code that only took effect on 01 January 1998. Section 236 of the IP Code provides:

x x x

"10. Being the true owner of the mark 'DECOSEPT', Opposer sought the registration of the same worldwide. Opposer has the following registrations for 'DECOSEPT':

x x x

"11. Opposer's 'DECOSEPT' mark has been marketed, advertised and sold worldwide. Below is a table of advertisements showing Opposer advertising its products worldwide:

x x x

"12. In 1992, Opposer expanded to the Philippine market by appointing Respondent-Applicant as its Philippine distributor. The parties entered into a Distributorship Agreement dated 10 July 1992 ('Distributorship Agreement'). Under the Distributorship Agreement, the 'manufacturer appoints the distributor as its sole authorized distributor for the sale of its complete product range in the territory of the Philippines' (Exhibit 'G').

"13. The owner-distributor relationship of the Opposer and the Respondent-Applicant continued from 1992 to 2014. Previously attached as Exhibits 'G-1' to 'G-8' are copies of the Letters of Extension executed by Opposer in favor of Respondent-Applicant, extending the term of the Distributorship Agreement. It should be noted that Exhibits 'G-1' to 'G-8' specifically mentions 'DECOSEPT' as among the products to be marketed and sold by Respondent-Applicant on behalf of the Opposer.

"14. Respondent-Applicant marketed, distributed and sold, among others, Opposer's products bearing the mark 'DECOSEPT' in the Philippines beginning 1996 and until 2014. The Letter dated 10 September 1996 from Respondent-Applicant addressed to the Opposer (Exhibit 'H'), evidencing that Respondent-Applicant in fact asked Opposer that it import and sell products bearing the mark 'DECOSEPT'.

"15. On 23 May 2014, Opposer sent to Respondent-Applicant its termination letter, giving Respondent-Applicant its two (2)-months notice that it was terminating the Distributorship Agreement, effective 31 May 2014. Thus, effective 31 July 2014, the Distributorship Agreement between Opposer and Respondent-Applicant was terminated. Attached as Exhibit 'K' is a copy of the Letter dated 23 May 2014, terminating the Distributorship Agreement.

"16. In utter bad faith, Respondent-Applicant filed, shortly after the date of the Termination Letter, the subject application for the mark 'DECOSEPT' on 10 June 2014.

"17. In this regard, the Supreme Court held in *Unno Commercial Enterprises, Incorporated vs. General Milling Corporation*, 120 SCRA 804 (1983), that:

x x x

"18. Likewise, the Supreme Court in *Superior Commercial Enterprises, Inc. vs. Kunnan Enterprises Ltd.*, 618 SCRA 531 (2010), held that an exclusive distributor does not acquire any proprietary interest in the principal's trademark and cannot register it in his own name, unless it is has been validly assigned to him.

"19. Thus, Respondent-Applicant is completely aware that the Opposer is the true owner of the mark 'DECOSEPT'. On the undisputed fact alone that the Respondent-Applicant is the exclusive distributor of the Opposer in the Philippines of products bearing the mark 'DECOSEPT', it is undeniable that the Respondent-Applicant is in bad faith when it filed Application Serial No. 4-2014-007310. Being in bad faith, Respondent-Applicant thus cannot claim any right over its earlier application for registration of the mark 'DECOSEPT' in the Philippines.

"20. Respondent-Applicant's bad faith is made more evident due to the fact that it filed its trademark application a few days after the Opposer sent the Termination Letter dated 23 May 2014. The Termination Letter contains a two (2)-months notice as required under the terms of the Distributorship Agreement. However, instead of honoring the terms of the Distributorship Agreement, which includes the right to terminate the contract, Respondent-Applicant, with evident bad faith, misappropriated Opposer's trademark 'DECOSEPT' by filing a trademark application for the said mark. All told, Respondent-Applicant evidently wanted to usurp Opposer's rights to the mark 'DECOSEPT' and claim it as its own. Respondent-Applicant cannot claim that it filed Trademark Application No. 4-2014-007310 for the mark 'DECOSEPT' in good faith considering that Respondent-Applicant had prior knowledge of the existence of

Opposer's 'DECOSEPT' mark and its ownership thereof, being the Opposer's exclusive distributor for the past twenty-two (22) years.

"21. Respondent-Applicant's misappropriation of Opposer's mark would certainly cause confusion considering that Respondent-Applicant's use of the mark on its products would indicate a continuing close connection with the Opposer despite the fact that their business relationship had already terminated.

"22. Also, considering that the goods covered by the trademark application subject of this opposition and Opposer's goods are the same, there is more reason to conclude that the unwary public will be most definitely misled into thinking that the products of Respondent-Applicant is still connected to, and/or endorsed by Opposer, which should not be allowed. In view thereof, Respondent-Applicant's trademark application should be denied registration.

"23. If Respondent-Applicant is allowed registration of the mark 'DECOSEPT', which is identical with Opposer's mark 'DECOSEPT', there is a high probability that purchasers will be confused as to the origin of such products. Considering that Opposer has already acquired tremendous goodwill as can be evidenced by its being known internationally for nearly fifty (50) years for the quality of its products, Respondent-Applicant's will only ride on Opposer's goodwill. Thus, it is clear that the registration of the Respondent-Applicant's mark will certainly confuse and deceive the public into believing that Respondent-Applicant's business originated, or is endorsed or is still connected with the Opposer. By applying for the registration of Opposer's mark 'DECOSEPT' for use in its business, Respondent-Applicant clearly free rides on the goodwill enjoyed by Opposer for its 'DECOSEPT' mark.

"24. Since Respondent-Applicant has no legal right to use the 'DECOSEPT' Mark, its Trademark Application NO. 4-2014-007310 must necessarily be denied registration by the Honorable Bureau.

"25. Respondent-Applicant's bad faith in filing the subject trademark application is undeniably in utter bad faith, in violation of Opposer's intellectual property rights. As held in the case of Shangri-la International Hotel Management, Ltd. et. al. vs. Developers Group of Companies, 485 SCRA 405 (2006):

"26. Having established Opposer's ownership over the mark 'DECOSEPT', Respondent-Applicant was in bad faith when it applied for registration of the identical mark 'DECOSEPT' on the same goods on which Opposer uses its own 'DECOSEPT' mark. The Supreme Court has already ruled in the case of Shangri-La International Hotel Management, Ltd. et al vs. Developers Group of Companies, Inc., supra, that 'when the applicant is not the owner of the trademark being applied for, he has no right to apply for registration of the same'. In the said case, the Supreme Court declared the Shanri-La Group the true and rightful owner of the mark 'Shangri-La' and 'S-Logo' even though it had not registered the said marks in the Philippines nor did it have prior local use of the same.

"27. In the case of Shangri-La, supra, the Supreme Court held that when a trademark copycat adopts only a portion of another's trademark as his own, there is doubt that the adoption is intentional. But if he copies not only a portion but the exact word itself, the slightest doubt vanishes. It is then replaced by the certainty that the adoption was deliberate, malicious and in bad faith. In the instant case, Respondent-

Applicant is applying for the exact same words 'DECOSEPT', which, as already pointed out, is the mark owned popularized by Opposer. Hence, even if Respondent-Applicant was able to file an application for registration of the 'DECOSEPT' mark ahead of Opposer, such application should be denied since Respondent-Applicant is a bad faith applicant.

"28. It is thus clear that Respondent-Applicant's application for registration is being used as a tool to confuse and deceive the public into believing that Respondent-Applicant's products originate from or are endorsed by Opposer. Clearly, Respondent-Applicant hopes to benefit from the goodwill and popularity enjoyed by Opposer. The registration for the mark 'DECOSEPT' in the name of Respondent-Applicant will not only violate the intellectual property rights of Opposer, but will also cause Respondent-Applicant to unfairly benefit from, and free ride on, the business reputation and goodwill of Opposer, thereby causing irreparable injury to Opposer.

The Opposer's evidence consists of a print-out of the pertinent page of the IPO e-Gazette officially released on 29 September 2014; print-outs from the website <http://www.borer.ch/en/company/company-history/>; the Affidavit executed by Dr. Markus Borer, Chief Executive Officer of Opposer; copies of Distributorship Agreement and letters of extension; copy of the letter dated 10 September 1996 from Respondent-Applicant informing Opposer that it wishes to market 'DECOSEPT' products in the Philippines; the Affidavit executed by Dr. Markus Borer, founder and Chief Operating Officer of the Opposer; print-outs from the Arab Medical Hygiene (Issue 8, January 2013); copy of the letter dated 23 May 2014 terminating the Distributorship Agreement; and the Certificate dated 16 October 2014.⁴

This Bureau issued a Notice to Answer and served a copy thereof upon Respondent-Applicant on 11 February 2015. Said Respondent-Applicant, however, did not file an Answer.

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

Sec. 123.1 (d) of Republic Act No. 8293, also known as the Intellectual Property Code of the Philippines ("IP Code") provides:

Sec. 123. Registrability. - 123.1. 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 :
- (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;"

⁴Marked as Exhibits "A" to "L", inclusive.

A comparison of the competing marks reproduced below:

DECOSEPT

decosept

Opposer's trademark

Respondent-Applicant's mark

shows that the marks are obviously identical and used on similar and/or closely related goods, particularly, disinfectants. Thus, it is likely that the consumers will have the impression that these goods 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:

Callman notes two types of confusion. The first is the confusion of goods in which event the ordinary 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. Here, 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.⁵

Public interest therefore requires, that 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 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.⁶

The Respondent-Applicant's filing of their trademark application in the Philippines may be earlier than the Opposer's, but the latter raises the issues of trademark ownership, fraud and bad faith on the part of the Respondent-Applicant.

⁵ Converse Rubber Corp. v. Universal Rubber Products, Inc. et. al., G.R. No. L-27906, 08 Jan. 1987.

⁶ Pribhdas J. Mirpuri v. Court of Appeals, G.R. No. 114508, 19 November 1999, citing *Ethepe v. Director of Patents, supra, Gabriel v. Perez*, 55 SCRA 406 (1974). See also Article 15, par. (1), Art. 16, par. (1), of the Trade Related Aspects of Intellectual Property (TRIPS Agreement).

In this regard, this Bureau emphasizes that 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 of registration. The Philippines implemented the World Trade Organization Agreement "TRIPS Agreement" when the IP Code took into force and effect on 01 January 1998. Art 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, nor shall they affect the possibility of Members making rights available on the basis of use.

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 *Shen Dar Electricity Machinery Co., Ltd. v. E.Y. Industrial Sales Inc., Engracio Yap, et. al.*,⁸, the Director General held:

The IP Code adheres to the existing rationale of trademark registration. That is, certificates of registration should be granted only to the real owners of trademarks. While the 'First-to-File' rule is the general rule for trademark applications filed under and governed by RA 8293, it is not to be applied if there is a determination in appropriate proceedings:

1. That the 'first-filer' is not the owner of the trademark or is not authorized by the owner to procure 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 RA. 8293.'

⁷ See Sec. 236 of the IP Code.

⁸ Appeal No. 14-06-09 dated 28 May 2007.

In this instance, the Opposer proved that he is the originator and owner of the contested mark. As stated, "Opposer coined the subject mark "DECOSEPT" in 1992 when it decided to enter into the market of hand disinfectants. It used the first syllable of its then already famous mark "DECONEX", "DECO" with the last syllable "SEPT", thus forming the mark "DECOSEPT". Opposer initially used the mark in 1993 in Switzerland for hand disinfectants. It later expanded the goods covered to surgical disinfectants".⁹ In 1992, Opposer expanded to the Philippine market by appointing Respondent-Applicant as its Philippine distributor. The parties entered into a Distributorship Agreement dated 10 July 1992 ("Distributorship Agreement").¹⁰ Having appointed as Distributor for the Opposer in 1992, it is clear that Respondent-Applicant acted in bad faith when it filed the subject Trademark Application.

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 millions of terms and combinations 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.¹¹

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. 4-2014-007310 is hereby SUSTAINED. Let the filewrapper of the subject trademark application be returned, together with a copy of this Decision, to the Bureau of Trademarks for information and appropriate action.

SO ORDERED.

Taguig City, 30 JUN 2016.


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

⁹ Paragraph 7 of the Opposition.

¹⁰ Paragraph 12 of the Opposition and Exhibit "G".

¹¹ *American Wire & Cable Company v. Director of Patents*, G.R. No. L-26557, 18 Feb. 1970.