

TENCENT HOLDINGS LIMITED,
Opposer,

-versus-

QUI DONG QUAN,
Respondent- Applicant.

x-----x

}
} **IPC No. 14-2015-00057**
} Opposition to:
} Appln. Serial No. 4-2014-013480
} Date Filed: October 29, 2014
} **TM: "QQ CLEAN AND**
} **GREEN PHILIPPINES"**
}
}
}
}

NOTICE OF DECISION

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QUI DONG QUAN
Respondent-Applicant
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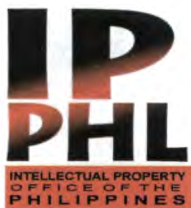
GREETINGS:

Please be informed that Decision No. 2016 - 262 dated July 26, 2016 (copy enclosed) was promulgated in the above entitled case.

Taguig City, July 26, 2016.

For the Director:

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



TENCENT HOLDINGS LIMITED,
Opposers,

-versus-

QUI DONG QUAN,
Respondent-Applicant.

X -----X

IPC No. 14-2015-00057
Opposition to Trademark
Application No. 4-2014-013480
Date Filed: 29 October 2014

Trademark: **"QQ CLEAN AND GREEN PHILIPPINES"**

Decision No. 2016- 262

DECISION

Tencent Holdings Limited¹ ("Opposer") filed an opposition to Trademark Application Serial No. 4-2014-013480. The contested application, filed by Qui Dong Quan² ("Respondent-Applicant"), covers the mark "QQ CLEAN AND GREEN PHILIPPINES" for use on *"toilet paper, tissue paper, table napkin"* under Class 16 of the International Classification of Goods³.

According to the Opposer, its company was founded by Ma Huateng and Zhang Zhidong in November 1998. Its name is derived from the Chinese phrase *"shí fēn"*, which is used to describe "100%" or "perfection" and is pronounced as "TENG XUN". In February 1999, it launched the Tencent QQ, its most notable product, which is one of the most popular instant messaging platform in its home market. In addition, it runs one of the largest web portals in China, *ww.qq.com*. By 2004, its services include online gaming and sometime 2007 to 2008, it increased its offerings by licensing South Korean games. At present, it also sells virtual goods for use in their massively multiplayer online games, instant messaging clients, social networking sites and for mobile phones. It also has other popular goods aside from its "TENCENT QQ".

The Opposer contends that the Respondent-Applicant's mark shows an image of a penguin and two letter Qs. It asserts that the applied mark is the same as its "QQ AND PENGUIN LOGO", which it registered both as trademark and copyright abroad. It accuses the Respondent-Applicant of bad faith in filing the contested application. In support of its Opposition, the Opposer submitted the following:⁴

¹A corporation organized and existing under and by virtue of the laws of Cayman Island with principal place of business at Tencent Bldg., Kezizhongyi Road, Hi-Tech Park, Shenzhen, China and P.O. Box 2681 GT, Century Yard, Cricket Square, Hutchins Drive, George Town, Grand Catman, Cayman Islands.

²With known address at #2-A Pear Island Compound, Malinis Street, Lawang Bato, Valenzuela City, Metro Manila, Philippines.

³The 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.

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

1. affidavit-testimony executed by Xude Zhang, Intellectual Property Legal Counsel of the Opposer;
2. certified true copies of its trademark and copyright registrations;
3. copies of materials discussing the popularity and well-known status of the Opposer and its marks;
4. copies of the promotional materials used by the Opposer in advertising "QQ AND PENGUIN" logo worldwide;
5. affidavit of Jan Abigail Ponce;
6. affidavit-testimony executed by XU Yan, Intellectual Property Director of the Opposer;
7. its Certificate of Incorporation and Certificate of Good Standing;
8. its company brochure;
9. accolades and prestigious awards that have been given to the Opposer;
10. promotional materials used for the 2012 London Olympics;
11. certified true copies of its certificates of trademark registration issued in China and India;
12. affidavit of Jan Abigail Ponce;
13. printout of websites;
14. database printout of the Opposer's trademark applications and registration for "TENCENT";
15. its Annual Reports from 2006 to 2012; and
16. press release regarding its final result of the first quarter of 2012.

A Notice to Answer was issued and served upon the Respondent-Applicant on 09 July 2015. The latter, however, did not file its Answer. Thus, on 11 March 2016, the Hearing Officer issued Order No. 2016-422 declaring Respondent-Applicant in default and the case deemed submitted for resolution.

The issue to be resolved is whether Respondent-Applicant should be allowed to register the trademark "QQ CLEAN AND GREEN PHILIPPINES".

To determine whether they are confusingly similar, the competing marks are depicted hereafter, as follows:

Opposer's marks



Respondent-Applicant's mark



The competing marks are clearly confusingly similar. It appears that the Respondent-Applicant merely combined the penguin and Q logos of the Opposer in arriving at its marks. The addition of the leaf-designed semi-circle and the words "Green and Clean Philippines", notwithstanding, one cannot help but associate or at least be reminded of the Opposer's marks when one encounters the mark "QQ CLEAN AND GREEN PHILIPPINES". 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 ingenuous imitation as to be calculated to deceive ordinary persons, or such resemblance to the original as to deceive ordinary purchased as to cause him to purchase the one supposing it to be the other.⁵

While it is true that the Opposer did not show that it deals with toilet papers, tissue papers and table napkins, the likelihood of confusion subsists. It is highly possible that purchasers will be confused, mistaken or deceived that the goods of the Respondent-Applicant is connected to, sponsored by or affiliated to the Opposer's. This is especially true since the presentation of the penguin and the two Qs in the Respondent-Applicant's mark is the exact replica of that of the Opposer's marks. Of course, 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 choose those so closely similar to another's trademark if there was no intent to take advantage of the goodwill generated by the other mark.⁶

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

"123.1. A mark cannot be registered if it:

- (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***

⁵ Societe des Produits Nestle, S.A. vs. Court of Appeals, GR No. 112012, 04 April 2001.

⁶ American Wire & Cable Company vs. Director of Patents, G.R. No. L-26557, 18 February 1970.

***(ii) Closely related goods or services, or
(iii) If it nearly resembles such a mark as to be likely to deceive or cause confusion; xxx***"(Emphasis supplied.)

Succinctly, 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*: "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 the belief that there is some connection between the plaintiff and defendant which, in fact, does not exist."⁷

As to which party is entitled to protection, records reveal that the Respondent-Applicant filed an application for registration of the mark "QQ CLEAN AND GREEN PHILIPPINES" on 29 October 2014. The Opposer, on the other hand, does not have any pending application and/or existing registration.

The Opposer, however, claims that its marks "QQ" and "PENGUIN LOGO" are well-known. This Bureau, however, finds that it failed to establish that the said marks are well-known under the criteria set forth in Rule 102 of the Rules and Regulations on Trademarks, Service Marks, Trade Names and Marked or Stamped Containers. The Opposer did not present sufficient evidence that as a result of its promotion of its marks, the said marks are well-known to the relevant sector of the public as required by Section 123.1 (e) of the IP Code, to wit:

"Section 123. Registrability. - 123.1. A mark cannot be registered if it:

xxx

(e) Is identical with, or confusingly similar to, or constitutes a translation of a mark which is considered by the competent authority of the Philippines to be well-known internationally and in the Philippines, whether or not it is registered here, as being already the mark of a person other than the applicant for registration, and used for identical or similar goods or services: Provided, That in determining whether a mark is well-known, account shall be taken of the knowledge of the relevant sector of the public, rather than of the public at large, including knowledge in the Philippines which has been obtained as a result of the promotion of the mark; xxx"(Emphasis supplied.)

⁷ Societe des Produits Nestle, S.A. vs. Dy, G.R. No. 172276, 08 August 2010.

Regardless of this fact, the Opposer is still a proper party of the opposition proceedings in view of the provisions of Section 134 of the IP Code:

"Sec. 134. Opposition. - Any person who believes that he would be damaged by the registration of a mark may, upon payment of the required fee and within thirty (30) days after the publication referred to in Subsection 133.2, file with the Office an opposition to the application. Such opposition shall be in writing and verified by the oppositor or by any person on his behalf who knows the facts, and shall specify the grounds on which it is based and include a statement of the facts relied upon. Copies of certificates of registration of marks registered in other countries or other supporting documents mentioned in the opposition shall be filed therewith, together with the translation in English, if not in the English language. For good cause shown and upon payment of the required surcharge, the time for filing an opposition may be extended by the Director of Legal Affairs, who shall notify the applicant of such extension. The Regulations shall fix the maximum period of time within which to file the opposition."

The Opposer, in this case, basically raises the issue of ownership. It imputes fraud and bad faith on Respondent-Applicant in filing an application for registration over the applied mark claiming that it is the lawful and rightful owner thereof.

It is stressed that the Philippines implemented the TRIPS Agreement when the IP Code took into force and effect on 01 January 1998. Article 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.*

Further, 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 the IP Code adopted the definition of the mark under the old Law on Trademarks (Rep. Act 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.⁸ 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 **Shangri-la International Hotel Management, Ltd. vs. Developers Group of Companies**⁹, the Supreme Court held:

"By itself, registration is not a mode of acquiring ownership. When the applicant is not the owner of the trademark applied for, he has no right to apply the registration off the same."

Corollarily, a registration obtained by a party who is not the owner of the mark may be cancelled. In **Berris v. Norvy Abyadang**¹⁰, the Supreme Court made the following pronouncement:

"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 if 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,

⁸ See Section 236 of the IP Code.

⁹ G.R. No. 159938, 31 March 2006.

¹⁰ G.R. No. 183404, 13 October 2010.

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."

In this case, the Opposer clearly proved that it has used and appropriated the marks "QQ" and "QQ LOGO" even before the Respondent-Applicant filed the contested application. Based on evidence submitted, the Opposer was issued Registration No. 1770827¹¹ for the "PENGUIN LOGO" on 21 May 2002 by the People's Republic of China Trademark Office. On 24 January 2008, Trademark No. 301038861¹² was issued by the Trademarks Registry Intellectual Property of the Government of the Hong Kong Special Administrative Region for the mark "QQ". In addition, the Opposer secured copyright registrations for its penguin and "QQ" designs as early as 20 June 2001.¹³

Finally, 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-Applicant to register the subject mark, despite its bad faith, will trademark registration simply a contest as to who files an application first with the Office.

WHEREFORE, premises considered, the instant Opposition to Trademark Application No. 4-2014-013480 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, **26 JUL 2016**


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

¹¹ Exhibit "B-c".

¹² Exhibit "B-j".

¹³ Exhibits "D" and "E".