

TOYS "R" US, INC.,  
*Opposer,*

-versus-

CLOTHES "R" US, INC.,  
*Respondent.*

x-----x

Inter Partes Case No. 3666

Petition for Cancellation of:  
Registration No.: 47909  
Date Issued : May 4, 1990

Servicemark : Clothes 'R' Us  
Goods : For wholesale and  
retail store services

Decision No. 2002-42

## DECISION

This is a petition to cancel from the Principal Register the mark "Clothes 'R' Us" Inc, under Certificate of Registration No. 47909 issued on May 4, 1990 in favor of Clothes 'R' Us, Inc.

On June 24, 1988, Clothes 'R' Us, Inc. ("Respondent"), a corporation organized and existing under Philippine laws, filed its application for the registration of the mark "Clothes 'R' Us" for use on wholesale and retail store services under Class 42, claiming that it used the mark in the Philippines as early as January 3, 1988 by means of printing directly to envelopes, letterheads or in any manner customary to the trade.

After publication of Respondent's application in the Official Gazette, and there being no Opposition filed by any party, the BPTTT issued on May 4, 1990 Certificate of Registration No. 47909 in favor of Respondent.

On April 22, 1991, Toys 'R' Us, Inc. ("Petitioner"), a corporation organized and existing under the laws of the United States of America, filed its Petition (later amended on July 5, 1991 to correct typographical errors) based on the following grounds:

- "1. The registration for the Clothes "R" Us mark was obtained fraudulently or contrary to the provisions of Section 4 (d) of Rep. Act No. 166, as amended;
- "2. The Clothes "R" Us mark of Respondent is confusingly similar to the corporate name/trade name/trademark of Toys "R" Us owned and unabandoned by Petitioner as to be likely, when applied to or used in connection with services of the Respondent, to cause confusion or mistake in the trade, or deceive purchasers thereof, to such an extent that the services covered by the said mark Clothes "R" Us of Respondent may be mistaken by the unwary public to be that of Petitioner, or that Respondent may be mistaken as an affiliate of or in any way connected with Petitioner's business;
- "3. The registration and use of the mark Clothes "R" Us violates the rights and interests of Petitioner to the trade name/trademark/corporate name Toys "R" Us and is for all intents and purposes, an act of competition contrary to honest practice in industrial or commercial matters and constitutes unfair competition in breach of Articles 8 and 10*bis* of the Paris Convention of March 20, 1883 as amended at Lisbon, October 31, 1958 of which the Philippines became a member on September 27, 1965 and under Section 37 of Rep. Act No. 166, as amended;
- "4. The registration of the mark Clothes "R" Us in the name of the Respondent has caused and will cause great and irreparable injury and damage to the Petitioner within the meaning of Section 17 of Rep. Act No. 166, as amended."

In its Answer dated June 28, 1991, Respondent denied the material allegations of the Petition, and interposed the defense that “the instant Petition must be denied because petitioner’s counsel has no authority to file the same inasmuch as the authority given is the cancellation of Petitioner’s trademark Registration No. 42887. Likewise, the relief prayed for by Petitioner is the cancellation of its own trademark and Respondent’s Registration No. 47909.”

On October 8, 1991, Respondent moved to dismiss the petition on the ground of non-suit and other affirmative defenses, but this Office denied the same under Order No. 91-855 dated October 29, 1991.

At the pre-trial conference, the parties failed to arrive at an amicable settlement, and the case was set for trial on the merits.

During the trial, the above-captioned case was consolidated with Inter Partes Case No. 3958 involving the same parties and mark. Petitioner presented its evidence and formally offered Exhibits “A” to “LLL” and their sub-markings that were admitted in evidence under Order No. 96-491 dated September 11, 1996.

This Office thereafter scheduled numerous trial dates for the presentation of Respondent’s evidence, but the same were all cancelled and reset due to the repeated failure of Respondent to appear and present its evidence. In the meantime, on March 3, 1999, Opposer moved for leave to present additional evidence that was granted by this Office according to Order No. 99-184 dated May 31, 1999.

On February 14, 2000, Respondent’s counsel of record filed a Motion to Withdraw on the ground that he could not establish contact with Respondent who could no longer be found at its last known address.

Several notices were sent to Respondent’s address of record requiring it to comment on the Motion to Withdraw of its counsel, but the notices were returned unclaimed and Respondent was nowhere to be found at its last known address. As all models of service had already been exhausted, this Office granted the Motion to Withdraw of Respondent’s counsel under Order No. 2001-88 dated January 31, 2001. In the same Order, Petitioner’s Formal Offer of Evidence consisting of Exhibits “A” to “VVV” and their sub-markings were admitted, including those that were earlier presented, and the case was set for reception of Respondent’s evidence.

On March 16, 2001, Petitioner moved to declare Respondent as having waived its right to present evidence in view of the latter’s repeated and unexplained failure to appear at any of the scheduled trial dates since 1998 despite proper service. Finding the grounds stated therein to be meritorious, this Office granted the said motion and declared Respondent as having waived its right to present evidence as per Order No. 2001-746 dated December 7, 2001. Upon submission by Petitioner of its memorandum, the case was deemed submitted for decision.

The issue to be resolved is whether Respondent’s Certificate of Registration No. 47909 should be cancelled.

Section 17 of Rep. Act No. 166 enumerates the grounds for cancellation of the registration of marks. In particular, paragraphs (c) and (d) thereof provides that any person may file the petition of the registration of a mark was obtained fraudulently or contrary to the provisions of Section 4 of Rep. Act No. 166, or when the cancellation is authorized by other provisions of law such as Article 6bis of the Paris Convention.

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 goods 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 to confusion of reputation if the public could reasonably assume that the goods 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 Certificate of Registration No. 47909 consists of the phrase “clothes ‘R’ us” written in stylized text with only the letter ‘R’ capitalized. Said mark is used on wholesale and retail store services under Class 42.

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, and 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 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)].

The likelihood of confusion becomes even greater if we consider that both marks are being used on identical businesses or services, namely, wholesale and retail store services. In such case, “[a] person’s goods or services are purchased as that of another person, and the poorer quality of the former reflects adversely on the latter’s reputation”. [*Sterling Products International, inc. v. Farbenfabriken Bayer*, 27 SCRA 1214 (1969)].

Considering that only one of the parties may use the mark in order to prevent confusion among the buying public, it therefore becomes necessary to determine who as between the parties has the better right to use the ‘R’ Us mark for services falling under Class 42.

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 on 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.

The material dates in the certificates of registration of the parties may be outlined as follows:

Certificate of Registration No.	Goods/Class	Date Filed	Date of First Use	Date Registered
Respondent's Certificate of Registration No. 47909 (filewrapper)	Wholesale and retails store services under Class 42	June 24, 1988	January 3, 1988 As alleged in the application	May 4, 1990
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. 42889 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

The foregoing shows that Respondent's registration has the earlier filing date and date of registration for store services under Class 42. However, with respect to children's toys and toy novelties under Class 28, Opposer's Appln. was filed as early as August 30, 1983 and was subsequently issued Cert. of Regn. 42887 on January 24, 1989. In order for Petitioner to have a valid ground to cancel the registration of said mark, it must show that the dominant feature "R' Us" has become well-known and identified with it even prior to June 24, 1988.

To prove this fact, Petitioner presented the affidavit-testimony of its Vice-President, Louis Lipschitz, who declared therein that Petitioner'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 Petitioner 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 Petitioner'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.

Petitioner also presented another witness, Peter Weiss, the secretary of Petitioner'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 Petitioner, 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 Petitioner. 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 Petition is hereby GRANTED. Accordingly, Certificate of Registration No. 47909 in the name of Clothes "R" Us, inc. is hereby CANCELLED.

Let the file wrapper of the trademark 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