



PT INDUSTRI KARET DELI,
Petitioner,

-versus-

HUNG-A CO., LTD.,
Respondent-Registrant.

X-----X

}
} IPC No. 14-2012-00196
} Cancellation of:
} Reg. No. 4-2009-005126
} Date Issued: 08 April 2010
} TM: "SWALLOW AND DEVICE"

NOTICE OF DECISION

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GREETINGS:

Please be informed that Decision No. 2012 - 222 dated November 14, 2012 (copy enclosed) was promulgated in the above entitled case.

Taguig City, November 14, 2012.

For the Director:

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

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Sharon S. Alcantara
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DECISION

PT INDUSTRI KARET DELI. ("Petitioner")¹ filed on 17 April 2012 a petition to cancel Trademark Registration No. 4-2009-005126. The registration, issued to HUNG-A CO. LTD. ("Respondent-Registrant")², covers the mark "SWALLOW AND DEVICE" for use on "*Tires for Bicycles, Motorcycles, Scooters, Wheelbarrows and Trailers, Tubes for such tires*" under Class 12 of the International Classification of goods.³

The Petitioner alleges that the subject trademark registration was obtained fraudulently because the Respondent-Registrant is not the owner of the mark SWALLOW and is contrary to Sec. 123.1(e) of Rep. Act No. 8293, also known as the Intellectual Property Code of the Philippines ("IP Code"). According to the Petitioner, it is the true owner and prior user of the internationally well-known mark SWALLOW, using the mark way ahead of Respondent-Registrant. It contends that the Respondent-Registrant's mark should not have been registered at all and that the unauthorized and illegitimate use thereof by the Respondent-Registrant constitutes unfair competition and direct violation of the IP Code.

To support its petition, the Opposer submitted the Affidavit of its Export and Sales Marketing Department Head RIANG MATIO, copies of advertisements and magazines feature several magazines for its goods bearing the mark SWALLOW, advertisements of the corporation in the Philippines, website printouts used by the corporation aside from publication/advertisements, affidavits of sales agents and consumers nationwide, Invoice No. 5165-96 showing that as early as 1996 SWALLOW TIRES have been present in the Philippines, sales documents of the corporation showing the Philippines income from its products bearing the mark SWALLOW, copies of certificates of registration for SWALLOW issued in the name of the Petitioner in some countries of the world (Indonesia, Jordan, Turkey, Pakistan, Kingdom of Saudi Arabia), some of the bills of lading showing the export of SWALLOW tires in the Philippines, representative of export documents, financial statement and sales records, copies of certificate of registrations issued in its name in other countries, and print out of Trademark Application Serial No. 4-2011-15409 mark from the IPO database.

This Bureau issued a Notice to Answer and served a copy thereof upon the Respondent-Registrant on 30 April 2012. However, Respondent-Registrant did not file an Answer.

¹ A corporation organized and existing under the laws of Indonesia, with principal address at PT Industri Karet Deli-JLN Kom L. Yos.

² With address at 289 Yusan-dang, Yangsan, Kyongnam, Korea.

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.

Should Trademark Registration No. 4-2009-005126 be cancelled?

The competing marks are practically identical, as shown below:



Petitioner's mark

Respondent-Registrant's mark

Also, the Petitioner submitted evidence that it is using the mark for inner tubes and tires. Thus, it is likely that consumers will have the impression that these goods or products bearing the contested mark originate from a single source or origin. The confusion or mistake would subsist not only on the purchaser's perception of the goods but on the origin thereof as held by the Supreme Court, to wit:⁴

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 produce 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.

Public interest, therefore, requires that the two marks, identical to or closely resembling each other and used on the same and/or related goods, but utilized by different proprietors should not be allowed to co-exist. Confusion, mistake, deception, and even fraud, should be prevented.

The Respondent-Registrant may have registered the mark SWALLOW AND DEVICE in its name. Sec. 138 of the IP Code provides that "*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 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*". Under this provision, however, it is clear that the ownership of the mark is only a presumption, and therefore may be overcome by an adverse superior claim and evidence of ownership. Corollarily, Sec. 151.1 of the IP Code provides among other things that:

A petition to cancel a registration of a mark under this Act may be filed with the Bureau of Legal Affairs by any person who believes that he is or will be damaged by the registration of a mark under this Act as follows:

(b) Anytime, if the registered mark xxx or its registration was obtained fraudulently or

⁴ *Converse Rubber Corporation v. Universal Rubber Products Inc., et. al*, G.R. No. L-27906, 08 Jan. 1987.

contrary to the provisions of this Act, or if the registered mark is being used by, or with the permission of, the registrant so as to misrepresent the source of the goods or services on or in connection with which the mark is used.

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.⁵

Succinctly, the Petitioner raised the issue of ownership of the contested mark. The evidence the Petitioner submitted established that it has been using and in fact owns the mark SWALLOW and its derivatives long before the Respondent-Registrant applied for and obtained Trademark Reg. No. 4-2009-005126. The Petitioner has been using the SWALLOW marks for its products as early as 1956 in Indonesia.⁶ In the Philippines, the Petitioner's products particularly tires bearing the mark SWALLOW were being sold through its distributors since 1996⁷ and up to present.⁸ Also, the Petitioner has registered its mark SWALLOW BRAND for inner tube, tire of bicycle, motorbike and car bicycle, and its parts under Class 12 in Indonesia bearing Reg. No 303028 issued on 12 November 1993.⁹ It has likewise registered the mark in Jordan, Saudi Arabia and Afghanistan, before the Respondent-Registrant's trademark registration was issued on 08 April 2010. Furthermore, the Petitioner has sold the SWALLOW goods in various countries of the world before the Respondent-Registrant's trademark certificate of registration was issued.

SWALLOW and the device depicting a figure or silhouette of the avian creature is a unique and highly distinctive mark for tires and related goods. It is inconceivable therefore for the Respondent-Registrant to have come up with exactly the same mark without having been inspired or motivated by an intention to imitate the Petitioner's mark. It is highly improbable for another person to come up with an identical or nearly identical mark, for use on the same or closely related goods purely by coincidence. The field from which a person may select a trademark is practically unlimited. As in all cases of colorable imitation, the unanswered riddle in why, of the millions of terms and combination of letters that are available, the Respondent-Registrant had 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 mark¹⁰.

In this regard, it is not the application or the registration that confers ownership of a mark, but it is the 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.¹¹ 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

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

6 Exhibit "A".

7 Annex "F", "F-1", "F-2" and "F-3".

8 Annexes "C" to "C-12".

9 Annex "E".

10 See *American Wire and Cable Co. v. Director of Patents et.al.*, SCRA 544 G.R. No. L-26557, 18 Feb. 1970.

11 See Sec. 236 of the IP Code.

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*¹², the Supreme Court held:

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.

WHEREFORE, premises considered, the instant petition is hereby **GRANTED**. Let the filewrapper of Trademark Reg. No. 4-2009-005126 be returned, together with a copy of this Decision, to the Bureau of Trademarks for information and appropriate action.

SO ORDERED.

Taguig City, 14 November 2012.


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

¹² G.R. No. 183404, 13 Oct. 2010.