

AEON MOTOR COMPANY LTD,
Petitioner,

-versus

**EASTWORLD MOTOR
INDUSTRIES INCORPORATED,**
Respondent-Registrant.

IPC No. 14-2013-00179

Cancellation of:

Trademark Registration. No. 4-2010-008071

Date Issued: 11 August 2011

TRADEMARK: "AEON"

X-----X Decision No. 2016- 245

DECISION

AEON MOTOR COMPANY LTD.¹ (Petitioner) filed a petition for cancellation of Trademark Registration No. 4-2010-008071. The registration, issued to EASTWORLD MOTOR INDUSTRIES INC.² ("Respondent-Registrant"), covers the mark "AEON" for use on "*pneumatic parts, air intake parts, exhaust parts, kick starter assembly*" and "*mechanical parts, clutch parts, transmission parts, brake parts, cables, chains, rear cushion, hub assembly, wheel and axles, mirror, pedal, lever, winker, assembly, headlight assembly, speedometer assembly, throttle pipe and grip, kick arm, body plastic parts*" under Classes 07 and 12, respectively, of the International Classification of Goods.³

The Petitioner alleges, among others, that:

"5. Respondent-Registrant's trademark "AEON" also for goods in class 12, was fraudulently obtained by the Respondent-Registrant which is merely a sales agent of the Petitioner here in the Philippines. In facts, Respondent-Registrant executed a *Technical Licensing and Supply Agreement* dated dated 10 September 2010 with the Petitioner whereby it expressly acknowledged that the Petitioner is the exclusive owner of the "AEON" brandname and tradename, and concomitantly the rightful registrant of the trademark "AEON & DEVICE". Thus, Respondent-Registrant's registration is in absolute violation of Sec. 151 of the New Intellectual Property Code of the Philippines which provides that:

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6. Despite full awareness and even acknowledgment of the fact that Petitioner is the owner of the brandname and tradename "AEON & DEVICE", Respondent-Registrant still willfully and in utter bad faith appropriated for itself the trademark "AEON" without the knowledge and consent of its rightful owner, the Petitioner.

¹ A corporation existing under the laws of Taiwan and with principal office at No. 41 Nan Jou, Nanjou Tsuen, Shangshang Dist., Tainan City, Taiwan.

² A corporation duly organized and existing under the laws of the Philippines with address at 304 M. Asistio St., Caloocan City.

³ The Nice Classification of goods and services is for registering trademark and service marks, based on 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.

7. The registration and use by Respondent-Registrant of the trademark "AEON" will diminish the distinctiveness and dilute the goodwill of Petitioner's trademark "AEON & DEVICE", which has been registered/applied in its name in Taiwan and in other Intellectual Property Offices worldwide, including the Philippines.

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In support of its petition, the Petitioner submitted the following as evidence:⁴

1. labels showing Petitioner's trademark registrations;
2. affidavit of the Director, Chieh Lin Chung;
3. photographs of international trade fairs; and
4. copy of the Technical Licensing and Supply Agreement.

This Bureau issued and served upon the Respondent-Registrant a Notice to Answer on 13 July 2013. The Respondent-Registrant however, did not file an answer. Thus, the Hearing Officer issued Order 2013-1680 declaring the Respondent-Registrant in default. The Respondent-Registrant thereafter filed an Ad Cautelam Motion to Lift Order of Default, which was denied. Hence, the case is deemed submitted for resolution.

Should the Respondent-Registrant's trademark AEON be cancelled?

Prefatorily, 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 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

Records reveal that the Respondent-Registrant was issued Certificate of Registration No. 4-2010-008071 for the trademark "AEON" on 11 August 2011. The Petitioner, on the other hand, does not have any pending application and/or existing registration. Regardless of this fact, the Petitioner is still a proper party of the cancellation proceedings in view of the provisions of Section 165.2 of R.A. No. 8293, also known as the Intellectual Property code of the Philippines ("IP Code"), which states thus:

"165.2.(a) Notwithstanding any laws or regulations providing for any obligation to register trade names, such names shall be protected, even prior to or without registration, against any unlawful act committed by third parties.

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

⁵ Pribhdas J. Mirpuri vs. Court of Appeals, G.R. No. 114508, 19 November, 1999.

(b) In particular, any subsequent use of the trade name by a third party, whether as a trade name or a mark or collective mark, or any such use of a similar trade name or mark, likely to mislead the public, shall be deemed unlawful. (Emphasis supplied.)

The Petitioner, in this case, basically raises the issue of ownership. It imputes fraud and bad faith on the Respondent-Registrant in procuring registration over the mark "AEON" claiming that it is the lawful and rightful owner thereof. Succinctly, Section 151.1 of the IP Code provides in part that:

"Section 151. Cancellation. - 151.1. 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:

xxx

(b) At any time, if the registered mark becomes the generic name for the goods or services, or a portion thereof, for which it is registered, or has been abandoned, or its registration was obtained fraudulently or 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. If the registered mark becomes the generic name for less than all of the goods or services for which it is registered, a petition to cancel the registration for only those goods or services may be filed. A registered mark shall not be deemed to be the generic name of goods or services solely because such mark is also used as a name of or to identify a unique product or service. The primary significance of the registered mark to the relevant public rather than purchaser motivation shall be the test for determining whether the registered mark has become the generic name of goods or services on or in connection with which it has been used."

This provision allows any person to file a petition to cancel a trademark registration if that person believes that he will be damaged by the registration. Once filed, the cancellation proceeding becomes, basically, a review of the trademark registration in question if the legal requirements for registration have been satisfied and if the maintenance or continuance of Respondent-Registrant's trademark in the principal register would damage the Petitioner.⁶

It is moreover 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:

⁶ Section 154 of the IP Code provides:

"Section 154. *Cancellation of Registration.* - If the Bureau of Legal Affairs finds that a case of cancellation has been made out, it shall order the cancellation of registration. When the order or judgment becomes final, any right conferred upon the registrant or any person in interest of record shall terminate. Notice of cancellation shall be published in the IPO Gazette. (Section 19, R.A. No. 166a)

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, nor 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, it is provided in Section 138 of the IP Code that:

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 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.

Clearly, it is not the registration that confers ownership of the mark but it is ownership that gives rise to a right to register the same. 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 continuous 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.⁷ The registration system shall not be used in committing or perpetrating an unjust and unfair claim. As all presumptions, the presumptive ownership conferred by registration may be questioned, attacked and proven otherwise by evidence to the contrary.

Verily, the pronouncement by the Supreme Court in **Berris Agricultural Company, Inc. vs. Norvy Abyadang**⁸ is enlightening on this point, thus:

"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

⁷ Shangri-la International Hotel Management Ltd. Vs. Developers Group of Companies, Inc. G.R. No. 159938, 31 March 2006.

⁸ G.R. No. 183404, 13 October 2010.

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."(Emphasis supplied.)

The prima facie validity of Registration No. 4-2010-008071 has been successfully attacked by Petitioner warranting the cancellation thereof. The Petitioner registered the mark "AEON" as early as 07 May 2007 in the United States Patent and Trademark Office.⁹ Noteworthy, no less than the Respondent-Registrant itself admitted in its Ad Cautelam Motion to Lift Order of Default that:

'5. Sometime in 2009, the Petitioner saw the potential to market and sell its 'AEON' brand motorcycles, scooters and All-Terrain Vehicles ('ATVs') in the Philippines through the Respondent-Registrant. The parties entered into an agreement wherein the Respondent Registrant became the exclusive distributor of the foregoing products of the Petitioner. Since then, it started to import Knocked Down ('KD') parts of Petitioner's brand motorcycles, scooters and ATVs for assembling, marketing and distribution by the Respondent-Registrant in the Philippines nationwide." (Emphases supplied.)

Such fact is further bolstered by the Technical Licensing & Supply Agreement¹⁰ between the Petitioner as the Licensor and the Respondent-Applicant as the Licensee wherein it is stipulated that:

"4. **TRADEMARK OWNERSHIP.** The LICENSOR allows the LICENSEE to assemble, market, distribute or sell its motorcycle and scooter models (see ANNEX A) under the AEON brandname or tradename. The LICENSER shall have exclusive ownership of the AEON brandname and tradename." (Emphasis supplied.)

Clearly, the Respondent-Registrant is a mere distributor and it sources its "AEON" products from the Petitioner. As a distributor, it is not the proper party to seek registration for the "AEON" trademark absent any proof of authority to do so. In the case of **Unno Commercial Enterprises, Inc. vs. General Milling Corporation**,¹¹ the Supreme Court held that:

⁹ Exhibit "A".

¹⁰ Exhibit "E".

¹¹ G.R. No. L-28554, 28 February 1983.

"The term owner does not include the importer of the goods bearing the trademark, trade name, service mark, or other mark of ownership, unless such importer is actually the owner thereof in the country from which the goods are imported. A local importer, however, may make application for the registration of a foreign trademark, trade name or service mark if he is duly authorized by the actual owner of the name or other mark of ownership."

Similarly, in the more recent case of **Superior Commercial Enterprises, Inc. vs. Kunnan Enterprises Ltd.**,¹² the Supreme Court ruled that:

"As a mere distributor, petitioner Superior undoubtedly had no right to register the questioned mark in its name. Well-entrenched in our jurisdiction is the rule that the right to register a trademark should be based on ownership. When the applicant is not the owner of the trademark being applied for, he has no right to apply for the registration of the same. Under the Trademark Law, only the owner of the trademark, trade name or service mark used to distinguish his goods, business or service from the goods, business or service of others is entitled to register the same. An exclusive distributor does not acquire any proprietary interest in the principal's trademark and cannot register it in his own name unless it has been validly assigned to him." (Emphasis supplied.)

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 the Respondent-Registrant to maintain registration of the subject mark, despite its bad faith, will make trademark registration simply a contest as to who files an application first with the Office.

WHEREFORE, premises considered, the instant petition for cancellation is hereby **GRANTED**. Let the filewrapper of Trademark Registration No. 4-2010-008071 be returned, together with a copy of this Decision, to the Bureau of Trademarks for information and appropriate action.

SO ORDERED.

Taguig City, **12 JUL 2016**


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

¹² G.R. No. 169974, 20 April 2010.