

SCUB BATTERY CO., LTD.,
Petitioner,

-versus-

H & K TELECOM TECHNOLOGY CORP.,
Respondent- Registrant.

X-----X

}
} IPC No. 14-2014-00426
} Petition for Cancellation:
} Reg. No. 4-2010-005777
} Date Issued: 09 May 2011
} TM: "SCUB WITH CHINESE
} CHARACTERS AND DEVICE"
}
}
}
}

NOTICE OF DECISION

SANTOS PILAPIL & ASSOCIATES

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H & K TELECOM TECHNOLOGY CORPORATION


Respondent-Registrant
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665 Juan Luna Street
Binondo, Manila

GREETINGS:

Please be informed that Decision No. 2017 - 07 dated January 17, 2017 (copy enclosed) was promulgated in the above entitled case.

Pursuant to Section 2, Rule 9 of the IPOP HL Memorandum Circular No. 16-007 series of 2016, any party may appeal the decision to the Director of the Bureau of Legal Affairs within ten (10) days after receipt of the decision together with the payment of applicable fees.

Taguig City, January 18, 2017.


MARILYN F. RETUTAL
IPRS IV
Bureau of Legal Affairs

Republic of the Philippines
INTELLECTUAL PROPERTY OFFICE

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IPC No. 14-2014-00426

Petition for Cancellation
Registration No. 4-2010-005777
Date Issued: 09 May 2011
TM: **"SCUD WITH CHINESE
CHARACTERS AND DEVICE"**
Decision No. 2017- 07

DECISION

Scud Battery Co., Ltd.¹ ("Petitioner") filed a petition to cancel Trademark Registration No. 4-2010-005777. The registration, issued on 09 May 2011 to H & K Telecom Technology Corp.² ("Respondent-Registrant"), covers the mark "SCUD WITH CHINESE CHARACTERS AND DEVICE" for use on *"cellphone units batteries, cameras, video cameras, travel/car chargers, earphones, handsfree headsets, housings, crystal/or protective cases telephones, cordless, wireless or satellite telephones, holders, desktop stands, microphones, speakers, headsets"* under Class 09 of the International Classification of Goods.³

According to the Petitioner, it is the owner and proprietor of the marks "SCUD", "SCUD AND DEVICE", "SCUD WITH CHINESE CHARACTERS AND DEVICE" and "CHINESE CHARACTERS" (hereafter referred as "SCUD marks"). The word mark "SCUD" was created in July 1996 by Fuzhou Lien I Electronic Co. Ltd. and was first used on rechargeable battery and battery chargers sometime in August 1996. The first ever filing date of the application for registration of the mark in China was on 16 July 1996 under Registration No. 1084576 for goods under Class 09. The other "SCUD marks" were subsequently applied for registration. Sometime in November 1997, Fuzhou Lien I Electronic Co. Ltd. transferred its business and assets, including the trademarks, to Scud (Fujian) Electronics Co. Ltd.. The said company and another company part of the Scud Group Limited, Scud Stock (Fujian) Company Limited, by themselves and through their predecessor-in-interest, own the "SCUD marks" in China. Apart from these aforesaid registrations, the Petitioner has registered "SCUD WITH CHINESE CHARACTERS AND DEVICE" in Hong Kong on 29 October 2008. Then sometime in December 2005, the trademark registrations for the "SCUD marks" in China were assigned to the Petitioner.

¹ A legal entity incorporated under the laws of the People's Republic of China with principal place of business at Scud Industrial Park, Mawei Economic and Technology Development Zone, Fuzhou City, Fujian Province, China.

² With known address at 17-D Fortune Palace Building, 665 Juan Luna St., Binondo, Manila.

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.

The Petitioner alleges that the "SCUD marks" have been and are still being used on goods which have been extensively sold and marketed since 1996. It claims to have spent tremendous sums of money for advertisements and promotions of its marks and to have received awards and recognitions for its goods. It laments that the Respondent-Registrant's mark is identical and an exact imitation of the word, logo and character as its "SCUD WITH CHINESE CHARACTERS AND DEVICE" since the latter merely copied the word "SCUD" on a background of a flag with the same Chinese characters which when translated into English means "SCUD". In support of its petition, the Petitioner submitted the following:⁴

1. certified true copies of its trademark registration issued in China and Hong Kong;
2. catalogue of the products bearing the "SCUD marks";
3. copies of its awards with English translation; and
4. certified true copy of the Statement of Claim filed in the High Court of Hong Kong Special Administrative Region.

A Notice to Answer was issued and served upon the Respondent-Registrant on 30 October 2014. The latter, however, did not file an Answer. Thus, the Adjudication Officer issued Order No. 2015-358 on 06 March 2015 declaring the Respondent-Registrant in default and the case deemed submitted for decision.

Essentially, the issue to be resolved is whether Registration No. 4-2010-005777 should 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

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:

⁴ Marked as Exhibits "C" to "I".

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

(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; xxx"

In this case, it is unquestionable that the competing marks, as shown below,



Petitioner's marks



Respondent-Registrant's marks

are confusingly similar, if not identical. Like the Petitioner's "SCUD marks", the Respondent-Registrant's mark consists of a flag with the word "SCUD" in the middle written big case letters. Even the Chinese characters in the Respondent-Registrant's mark are replica of that appropriated by the Petitioner's. Because the competing marks are being used for the same goods, confusion is even more likely.

Records reveal that the Respondent-Registrant was granted registration for the trademark "SCUD WITH CHINESE CHARACTERS AND DEVICE" on 09 May 2011. The Petitioner, on the other hand, does not have any registration in the Philippines at the time of filing of the instant petition. Regardless of this fact, it is still a proper party of the cancellation proceedings in view of the provisions of 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.

(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.)

Aptly, the Petitioner also raises the issue of ownership. It imputes fraud and bad faith on Respondent-Registrant in procuring registration over the mark "SCUD WITH CHINESE CHARACTERS AND DEVICE" 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

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,

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:

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**

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)

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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, 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.

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

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 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.)

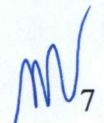
In this case, the Certificate of Registration No. 4-2010-005777 has been successfully attacked by Petitioner warranting the cancellation thereof. The Petitioner presented evidence that it was issued registration for its mark "SCUD" as early as 21 August 1997 under Certificate of Registration No. 1084576 in China.⁹ It was also able to present other registration for the variations of the said mark.¹⁰ The Petitioner's claim of ownership and prior adoption of the mark "SCUD WITH CHINESE CHARACTERS AND DEVICE" is moreover corroborated by the recognitions awarded to the Petitioner for its "SCUD" products dating way back 2007. Taken together, these prove that the Petitioner has been using the contested mark even before the Respondent-Registrant registered the same on 09 May 2011.

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 the Respondent-Registrant to maintain registration of the subject mark, despite bad faith, will

⁸ G.R. No. 183404, 13 October 2010.

⁹ Exhibit "C".

¹⁰ Exhibits "C-1" to "D", inclusive.

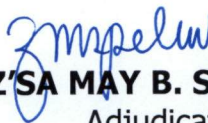


trademark registration simply a contest as to who files an application first with the Office.

WHEREFORE, premises considered, the instant petition for cancellation is hereby **GRANTED**. Let the filewrapper of Trademark Registration No. 4-2010-005777 be returned, together with a copy of this Decision, to the Bureau of Trademarks for information and appropriate action.

SO ORDERED.

Taguig City, **17 JAN 2017**


ATTY. ZSA MAY B. SUBEJANO-PE LIM
Adjudication Officer
Bureau of Legal Affairs