



OFFICE OF THE DIRECTOR GENERAL

**MUSTANG-BEKLEIDUNGSWERKE
GMBH+CO. KG,**

Appellant,

-versus-

HUNG CHIU MING,

Appellee.

x-----x

Appeal No. 14-06-20

Inter Partes Case No. 4311

Petition for Cancellation

Registration No. 56672

Issued on: 17 Dec. 1993

Trademark: MUSTANG

DECISION

MUSTANG-BEKLEIDUNGSWERKE GMBH+CO. KG ("Appellant") appeals Decision No. 2006-95, dated 27 September 2006, of the Director of the Bureau of Legal Affairs ("Director"). In her decision, the Director dismissed the Appellant's Petition for Cancellation of Trademark Registration No. 56672 for the trademark "MUSTANG" issued in favor of HUNG CHIU MING ("Appellee").

Records show that on 17 December 1993, the Appellee was issued the aforementioned certificate of registration. The registration covers t-shirts, shoes, pants, jeans, blouses, dresses, jackets, shorts, skirts, polo shirts, polos, lingerie, brassiers and briefs. Almost four (4) years later, on 06 October 1997, the Appellant filed its Petition for Cancellation anchored on the following grounds:

1. The Appellant has the exclusive title to and interest in the trademark MUSTANG by virtue of prior registration and use;
2. The Appellant has been using the trademark for clothing since 1932;
3. The Appellee's mark is not only confusingly similar but deliberately identical to the Appellant's trademark;
4. The Appellant will be damaged and prejudiced by the Appellee's registration of the mark and its business reputation and goodwill will suffer great and irreparable injury;
5. The Appellee's adoption and use of the identical mark on similar and related goods constitutes an unlawful appropriation of a trademark owned and currently used by the Appellant;

Republic of the Philippines

INTELLECTUAL PROPERTY OFFICE

351 Sen. Gil Puyat Ave., Makati City 1200 Philippines • www.ipophil.gov.ph

Telephone: +632-7525450 to 65 • Facsimile: +632-8904862 • email: mail@ipophil.gov.ph

page 1 of 10

6. The Appellee's registration of the mark MUSTANG was obtained fraudulently and contrary to Sec. 4(d), Rep. Act No. 166, as amended ("RA 166")¹, as well as the pertinent rules of the Revised Rules of Practice in Trademark Cases and will be violative of the treaty obligations of the Philippines under the Paris Convention;
7. The Appellant does not only use MUSTANG and the Horse Design/Device as a trademark but also as part of its company name and logo;
8. The Appellee's trademark when applied to or used in connection with its goods would likely cause confusion or deceive purchasers as to the actual source or origin thereof that they may be mistaken by the unwary public as related to the Appellant's products;
9. The Appellant's trademark has penetrated markets worldwide and is well-known throughout the world and in the Philippines; having been extensively used and advertised by the Appellant, it has become distinctive of the Appellant's goods and business and by local law and treaty provisions of the Paris Convention, is entitled to protection against imitations;
10. The Appellant's trademark has obtained general international consumer recognition and goodwill as belonging to one owner or origin;
11. The Appellant is the creator and originator of the trademark. The Appellee's adoption and registration thereof was done in bad faith and with prior knowledge of its existence, reputation and international goodwill;
12. The Appellant owns trademark and copyright registrations and has pending applications in various countries for the trademark MUSTANG and Horse Design/Device;
13. The Appellant's trademark are also used in twenty one (21) countries as a trade name and company logo, respectively, and are protected whether they are registered or not under Art. 8 of the Paris Convention; and
14. The goods of the parties are identical or at least closely related and will be marketed in the same channels of trade.

¹Entitled "AN ACT TO PROVIDE FOR THE REGISTRATION AND PROTECTION OF TRADEMARKS, TRADE-NAMES AND SERVICE-MARKS, DEFINING UNFAIR COMPETITION AND FALSE MARKING AND PROVIDING REMEDIES AGAINST THE SAME, AND FOR OTHER PURPOSES."

Director, while the Appellant may have used it in a number of countries abroad, this is not enough to bestow upon it the right of an internationally well-known mark.

Obviously not satisfied with the decision, the Appellant filed the instant appeal alleging the following:

“1. the Bureau of Legal Affairs committed serious errors of fact and of law in not finding that the appellant is the prior adopter and creator of the mark MUSTANG (stylized) despite the obvious bad faith of appellee in subsequently adopting an exact or identical mark MUSTANG;

“2. the Bureau of Legal Affairs committed grave error in not finding that appellee’s use of the mark MUSTANG is not lawful; and

“3. the Bureau of Legal Affairs committed serious error in finding that the appellant’s mark MUSTANG is not well-known.”

Commenting on the appeal, the Appellee claims that he has prior actual use and registration of the mark MUSTANG in the Philippines. The Appellee contends that his registration of the mark was lawfully obtained and that the Appellant’s trademark, also MUSTANG, is not a well-known mark under the Trademark Regulations.

In resolving this appeal, this Office revisits the *raison d’etre* underlying the trademark registration system. Accordingly, 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.²

Thus, the question: Has the registration of the Appellee’s trademark served the purpose of the trademark registration system?

The certificate of registration issued in favor of the Appellee is a *prima facie* evidence of the validity of the registration. Contrary evidence however, may be submitted to overcome this presumption.

In this regard, a petition for cancellation is a proceeding that entitles a party who believes he (or she/it) will be damaged by the registration of a mark to seek the cancellation thereof. Sec. 17 of RA 166, the law governing the registration of the

² *Pribhdas J. Mirpuri v. CA*, G.R. No. 114508, 19 Nov. 1999, citing *Etepha v. Director of Patents*, 16 SCRA 495 (1966), *Gabriel v. Perez*, 55 SCRA 406 (1974).

trademark in question and consequently, this case, states the grounds to cancel a trademark registration:

“SEC. 17. Grounds for cancellation.- Any person, who believes that he is or will be damaged by the registration of a mark or trade-name, may, upon payment of the prescribed fee, apply to cancel said registration upon any of the following grounds:

- (a) That the registered mark or trade-name becomes the common descriptive name of an article or substance on which the patent has expired;
- (b) That it has been abandoned;
- (c) That the registration was obtained fraudulently or contrary to the provisions of section four, Chapter II hereof;
- (d) That the registered mark of trade-name has been assigned, and is being used, by, or with the permission of, the assignee, so as to misrepresent the source of the goods, business or services in connection with which the mark or trade-name is used; or
- (e) That cancellation is authorized by other provisions of this Act.”

Neither the prior registration of an identical or similar trademark in the Philippines or actual damage incurred is a prerequisite to the filing of a petition for cancellation. What is required is that the petitioner believes that he (or she/it) will be damaged by the registration of the trademark in issue citing any of the grounds under Sec. 17 of RA 166. Significantly, it must be emphasized that under RA 166, the grounds for cancellation are more specific than that for opposing an application. One of the grounds to cancel the registration is that the registration was obtained fraudulently.

It is undisputed that the Appellee's trademark is identical to the Appellant's, and both of them use their respective trademarks on identical, similar or closely related goods. The Appellant had also previously filed trademark applications in the Philippines and has a pending application for the mark MUSTANG.³ Thus, the parties are considered direct and actual business competitors. The Appellant therefore, has reasons to believe that its interest will be damaged by the Appellee's trademark registration.

This Office observed that the Director's main focus of inquiry was on whether the Appellant has registered or used its trademark in the Philippines. This case however, is not about the Appellant's trademark but on the validity of the Appellee's trademark registration. In this regard, when a petition for cancellation is filed on the ground that the registration was obtained fraudulently, the entire record of the trademark application and registration is opened up for review. The private adverse parties are no longer the only ones that are interested in the outcome of the

³ Trademark Application No. 42006004693 filed on 03 May 2006 for the mark MUSTANG is pending examination in the Bureau of Trademarks. Earlier, the Appellant's Trademark Application No. 4-2002-008584, filed on 07 Oct. 2002, was refused, and Trademark Application No. 41998006141, 17 Aug. 1998, was deemed abandoned, for failure to file a declaration of actual use.

case. The State or the government has now a stake on the resolution of the dispute because an allegation that a registration is tainted with fraud and bad faith affects the integrity of the country's trademark registration system. Accordingly, it is not even necessary in this instance to dwell on the issue on whether the Appellant's trademark is considered well known internationally and in the Philippines.

What constitutes fraud or bad faith in trademark registration? Bad faith means that the applicant or registrant has knowledge of prior creation, use and/or registration by another of an identical or similar trademark. In other words, it is copying and using somebody else's trademark. Fraud, on the other hand, may be committed by making false claims in connection with the trademark application and registration, particularly, on the issues of origin, ownership, and use of the trademark in question, among other things.

In determining whether or not the Appellee had obtained his trademark registration fraudulently, this Office traces the Appellee's statements under oath in his Trademark Application⁴, thus:

"Hung Chiu Ming being sworn, states that: (he believes himself to be the owner of the mark sought to be registered; he is a member of the applicant's firm; he believes said firm to be the owner of the mark sought to be registered). Applicant has been using the mark (not less than two months for principal application/not less than one year for supplemental application) before the time this application is filed; to the best of his knowledge and belief, no other person, firm, corporation or association has the right to use said mark in commerce, either in the identical form or in such near resemblance thereto or to be likely, when applied to the goods of such other person, to cause confusion, or to cause mistake, or to deceive; and the fact set forth in this application are true."

The Appellee also claimed in the application that he first used the trademark on goods and in the Philippines on 16 August 1988.

Evidence on record, however, casts doubt on the candor or truthfulness of the Appellee's statements in his trademark application.

On the issue of origin and ownership of the trademark, an indication of good faith is the possibility that two businessmen or entities are, independently of each other, able to come up with identical or similar trademarks for use the same or closely related goods. Both of them should be able give plausible explanations regarding the origin and ownership of the trademark.

⁴ Subscribed and sworn before Notary Public Mario G. Ramos on 14 January 1992. (Doc. No. 471, Page No. 96, Book No. 5)

In this instance, that it was merely a coincidence that the parties have identical trademarks and use them on the same or closely related goods is too good to be true. One must have copied it from the other. That party who copied the trademark from the other can never claim good faith in appropriating it for use and registration purposes.

Comparing the two marks, one can clearly see at once that they are identical, even on fine details like the style and font of the letters - the letters "M" and "G" were wider and in bold font - to wit:

MUSTANG

APPELLANT'S MARK

MUSTANG

APPELLEE'S MARK

The Appellant proved by substantial evidence that it is the originator of the trademark MUSTANG. It has been using the trademark for clothing as early as 1932⁵ and has used and registered it in Germany as early as 1959.⁶ The Appellant also submitted a list of the various certificates of registration in other countries for the trademark to prove that it is the creator and prior adopter thereof⁷ as well as other pieces of evidence showing commercial use which would not make it impossible for the Appellee to learn of the existence of its trademark especially because they are engaged in the same line of business.⁸

In the face of an accusation that he obtained his trademark registration fraudulently, the Appellee should have provided an explanation on how he supposedly came up with the trademark MUSTANG. This would dispel the allegation that he merely copied the Appellant's trademark. However, he failed to give that clarification in spite of the opportunity for him to do so.

Going to the issue of use of the trademark, to be eligible to register his trademark, the Appellee had to comply with Sec. 2 of RA 166⁹, specifically, that he

⁵ See Petition for Cancellation, p. 2 and Exh. "I", inclusive of sub-markings (Part of the annexes in the COMPLIANCE AND MANIFESTATION submitted by the Appellant).

⁶ See Exh. "A" (Annex "B" in the COMPLIANCE AND MANIFESTATION submitted by the Appellant).

⁷ See Annex "M" of the Affidavit attached to the COMPLIANCE and MANIFESTATION.

⁸ See Exh. "A", "B", "T", "U", "V", and "W", inclusive of sub-markings (Part of the annexes to the COMPLIANCE AND MANIFESTATION submitted by the Appellant).

⁹ "Sec.2. What are registrable.- Trade-marks, trade-names, and service-marks owned by persons, corporations, partnership or associations domiciled in the Philippines and by persons, corporations, partnerships or associations

Pray

MK

must have used it for not less than two months prior to 01 June 1992, the date he filed his trademark application. But, the only evidence of the Appellee on this on record was his statement in his trademark application that he first used the trademark for goods and in the Philippines on 16 August 1988. This claim of first use in the Philippines differs however, from what is stated in the Certificate of Registration and the statements the Appellee made in other public documents.

In the Certificate of Registration, it is indicated that he first used the trademark on 16 August 1968. Meanwhile, in his Affidavit, the Appellant claimed that he have used the trademark for almost thirty-four years (34) already¹⁰. And, in the Certificate of Copyright Registration issued by The National Library on 03 March 1994¹¹, it is stated that:

“This is to CERTIFY that HUNG CHIU MING x x x did on the 14th day of February 1994, file in THE NATIONAL LIBRARY a application for the registration of a copyright claim entitled MUSTANG for garments (class 25); that two copies of the work have been deposited therein as prescribed by Section 28 of Presidential Decree No. 49, together with the affidavit stating that the work was printed or reproduced in copies on June 10 1993, and was first published in the Philippines on June 10, 1993; that the applicant, who is the Author of the above-named work; has duly complied with the requirements of the law and the regulations; and that registration has been made on February 14, 1994, with Registration No. O 94-150.”

It must be emphasized that in applying for copyright registration the Appellee had submitted affidavits as supporting documents.

The question now arises as to why the Appellee claimed that he first printed and reproduced in the Philippines his work (trademark) only on 10 June 1993 when he insists that he used it on goods and in the Philippines since 1988 (or 1968). If there is truth to the Appellee's claim that his trademark were used on goods and in the Philippines as early as 1988 or 1968, he would have - logically, naturally and to his advantage - claimed for purposes of copyright registration that the work's (trademark) first printing and reproduction occurred either in 1988 or 1968.

In spite of its claim of 34 years of use, the Appellee failed to produce during the proceedings in the Bureau of Legal Affairs a single document that would corroborate its claim in his trademark application that he used the trademark at least two years prior to 1992. The advertising contracts entered into by the Appellee

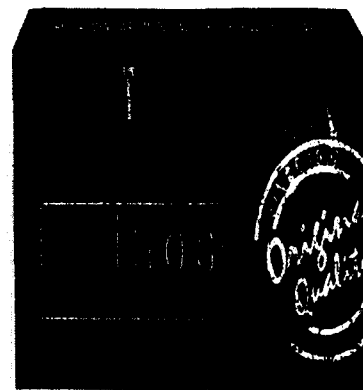
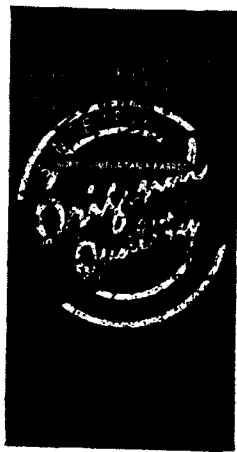
domiciled in any foreign country may be registered in accordance with the provisions of this Act: Provided, That said trade-marks, trade-names, or service-marks are actually in use in commerce and services not less than two months in the Philippines before the time the applications for registration are filed: And provided, further, That the country of which the applicant for registration is a citizen grants by law substantially similar privileges to citizens of the Philippines, and such fact is officially certified, with a certified true copy of the foreign law translated into the English language, by the government of the foreign country to the Government of the Republic of the Philippines.”

¹⁰ Exh. “1”, dated 12 Dec. 2005, see par. 14.

¹¹ Exh. “3”.

including the sales invoices proving payment of display billboards and the labels presented by the Appellee depicting the trademark MUSTANG and cited by the Director in her decision are of no moment. The earliest of these advertisements and promotional agreements was in 1996, which is four (4) years later from the time the Appellee filed its application for the registration of the mark MUSTANG

A glaring proof that the Appellee had prior knowledge of the Appellant's trademark and merely copied it are pieces of evidence submitted by the Appellee himself¹². Claiming these pieces of evidence as two of the labels of its products, the Appellee indicated the trademark MUSTANG with the label "SINCE 1932", to wit:



How come that the Appellee indicates the term "SINCE 1932" when he claims that he first used the trademark on goods in 1988 or 1968 (or even in 1993)?

What is significant about the year 1932 is that it was the year the Appellant claimed, and proved by substantial evidence, as its first use of the trademark for clothing.

Moreover, the other labels submitted by the Appellee embody the logo of a horse, which is again exactly similar to the trademarks of the Appellant.¹³ Clearly, these are not mere coincidences but solid proof of the Appellee's knowledge of the existence of the Appellant's trademark and that he merely copied it.

Aptly, when a trademark copycat adopts the word portion of another's trademark as his own, there may still be some doubt that the adoption is intentional. But if the copies not only the word but also the word's exact font and lettering style and in addition, he copies also the logo portion of the trademark, the slightest doubt

¹² Annex "F" and "H" of Exh. "1".

¹³ See Annex "F" of the Memorandum of Appeal and Exh. "5".

Copy

vanishes. It is then replaced by the certainty that the adoption was deliberate, malicious and in bad faith.”¹⁴

The statements in the Appellant’s trademark application, thus, are not true. One would even be tempted to speculate that the Appellee has the intention to pass off its goods as those of the Appellant.

The propensity of the Appellee to copy supposedly well-known marks, was also shown by the Appellant through the submission by one of the associates of its counsel of affidavit and documents detailing the trademark applications of the Appellee covering such marks as “ARMANI” and “PRADA”, which are claimed to be well-known marks.¹⁵

The intellectual property (IP) 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. The IP system is not a haven for people who would take advantage of the intellectual creation of others, whether a local resident or a foreigner.

WHEREFORE, premises considered, the appeal is hereby GRANTED. The Certificate of Registration No. 56672 for the mark MUSTANG issued in favor of the Appellee is hereby ordered CANCELLED.

Let a copy of this Decision and the records of this case be furnished and returned to the Director of Bureau of Legal Affairs for appropriate action. Further, let also the Directors of the Bureau of Trademarks, the Administrative, Financial and Human Resources Development Services Bureau, and the library of the Documentation, Information and Technology Transfer Bureau be furnished a copy of this Decision for information, guidance, and records purposes.

SO ORDERED.

AUG 29 2007 Makati City.


ADRIAN S. CRISTOBAL, JR.
Director General

¹⁴ *Shangri-La International Hotel Management, Ltd. et al vs. Developers Group of Companies, Inc*, G.R. No. 159938, 31 Mar. 2006.

¹⁵ See Exh. “CC”.