

EN BANC

[G.R. No. 228165, February 09, 2021]

KOLIN ELECTRONICS CO., INC., PETITIONER, VS. KOLIN PHILIPPINES INTERNATIONAL, INC., RESPONDENT.

DECISION

CAGUIOA, J.:^[**]

This is a Petition for Review on *Certiorari*^[1] (Petition) under Rule 45 of the Rules of Court, which seeks to reverse and set aside the following dispositions of the Court of Appeals (CA) in CA-G.R. SP No. 131917:

1. Decision^[2] dated April 29, 2016 reversing the ruling of the Director General of the Intellectual Property Office (IPO-DG) in Appeal No. 14-09-64^[3] (IPC No. 14-2007-00167), giving due course to the trademark application of Kolin Philippines International, Inc. (KPII), and denying the opposition of Kolin Electronics Co., Inc. (KECI); and
2. Resolution^[4] dated November 4, 2016, denying KECI's motion for reconsideration.

Facts

Antecedent cases involving related parties

1. The KECI Ownership Case

On August 17, 1993, Kolin Electronics Industrial Supply (KEIS), owned by a certain Miguel Tan, filed with the Bureau of Patents, Trademarks and Technology Transfer (BPTTT; now known as the Intellectual Property Office or IPO) an application for registration of Trademark Application No. 87497 for **KOLIN** covering the following products under Class 9: automatic voltage regulator, converter, recharger, stereo booster, AC-DC regulated power supply, step-down transformer, and PA amplifier AC-DC.^[5]

In a Deed of Assignment of Assets dated November 20, 1995, Miguel Tan assigned in favor of KECI all the assets, and merchandise stocks of KEIS, including its pending application for registration of the **KOLIN** mark.^[6] The trademark has been continuously used in various products under the said classification, and the products are being offered for sale at KECI's business establishments.^[7]

On February 29, 1996, Taiwan Kolin Co., Ltd. (TKC) filed with the BPTTT Trademark Application No. 4-1996-106310^[8] for **KOLIN** initially covering the following goods: "color television, refrigerator, window-type air conditioner, split-type air conditioner, electric fan, and water dispenser".^[9]

During the pendency of its application, TKC filed a verified Notice of Opposition on July 22, 1998 against KECI's trademark application for **KOLIN**. TKC claimed that it is the owner of Taiwan registrations for KOLIN and KOLIN SOLID SERIES and that it has a pending application for **KOLIN**,^[10] thus the grant of the **KOLIN** application would cause TKC grave and irreparable damage to its business reputation and goodwill because **KOLIN** is identical, if not confusingly similar, to TKC's marks. TKC further claimed that if KECI's application for **KOLIN** would be granted, this would likely mislead the public as to the nature, quality, and characteristics of its goods or products bearing the "KOLIN" trademark.^[11]

On December 27, 2002, Director Estrellita Beltran-Abelardo of the Intellectual Property Office Bureau of Legal Affairs (IPO-BLA) rendered Decision No. 2002-46^[12] (*Inter Partes* Case No. 14-1998-00050) denying TKC's opposition and giving due course to KECI's trademark application for **KOLIN**.^[13] Premised on the factual finding that the subject marks are "the same or almost identical,"^[14] the IPO-BLA then opted to focus on the discussion of the prior adopter and user of the mark.^[15] The IPO-BLA examined the evidence presented by the parties and concluded that KECI "is the prior adopter and user of the mark 'KOLIN' in the Philippines, having been able to prove the date of first use of its mark in the year 1989, which is ahead of [TKC's] use in the Philippines x x x in the year 1996."^[16] Thus, TKC's opposition was denied and KECI's trademark application for **KOLIN** was given due course.

TKC appealed the decision to the IPO-DG, which, in turn, issued a Decision^[17] on November 6, 2003 sustaining the ruling of the IPO-BLA.^[18] The IPO eventually issued a Certificate of Registration for **KOLIN** in favor of KECI.^[19] In the November 29, 2004 issue of the Philippine Daily Inquirer, KECI, through counsel, filed a notice informing the public of the issuance of the certificate in its favor, and claimed exclusive right of usage over the **KOLIN** mark.^[20]

On December 10, 2004, TKC filed a petition for review with the CA with a prayer for preliminary injunction and/or the issuance of a temporary restraining order docketed as CA-G.R. SP No. 80641, urging the CA to enjoin KECI from asserting exclusive rights to use the **KOLIN** mark.^[21]

On July 31, 2006, the CA issued a Decision^[22] against TKC and in favor of KECI. The CA clarified that the Trademark Law^[23] was applicable since it was still in effect at the time of the filing and during the pendency of the trademark applications of both parties.^[24] Accordingly, the CA held that there must be actual use thereof in commerce to acquire ownership of a mark.^[25] The CA found as undisputed that KEIS, the predecessor-in-interest of KECI, had been using the **KOLIN** mark in the Philippines since February 17, 1989, prior to the filing of the trademark application for **KOLIN** in 1993.^[26] While TKC claimed prior use of the mark in foreign jurisdictions^[27] as early as 1986,^[28] the CA agreed with the IPO-BLA and IPO-DG that the concept of "actual use" under the Trademark Law refers to use in the Philippines, and not abroad.^[29] Further, the assignment of rights involving the **KOLIN** mark to

KECI was not raised as an issue in the case.^[30] On the issue of priority being claimed by TKC, the CA agreed with the decision of IPO-DG that, whether under the Trademark Law or the Intellectual Property Code^[31] (IP Code), TKC's "claim of x x x priority right is unavailing."^[32] Accordingly, the CA dismissed TKC's petition for lack of merit and affirmed the IPO-DG's decision.^[33]

TKC initially appealed the CA decision by filing with the Court a motion for extension to file a petition for review.^[34] However, on September 6, 2007, TKC filed a Manifestation withdrawing its motion for extension because "[TKC was] no longer interested in pursuing an appeal."^[35] Accordingly, on September 26, 2007, a Resolution was issued by the Court considering the case "CLOSED and TERMINATED." In an Entry of Judgment, the Resolution was considered final and executory on November 16, 2007^[36] (the *KECI ownership case*).

Thus, by virtue of the *KECI ownership case*, KECI is the adjudicated owner of the **KOLIN** mark under the Trademark Law as against TKC.

2. The Taiwan Kolin case

However, in another case that went up to the Court, the registration of another KOLIN mark not owned by KECI was allowed. In G.R. No. 209843 entitled *Taiwan Kolin Corporation, Ltd. v. Kolin Electronics Co., Inc.*^[37] (*Taiwan Kolin case*), promulgated on March 25, 2015, the Court gave due course to TKC's Trademark Application for **KOLIN**.

To recall, before filing an opposition case^[38] against KECI's application for **KOLIN**, TKC had filed on February 29, 1996 Trademark Application No. 4-1996-106310 for **KOLIN** initially covering the following goods: "color television, refrigerator, window-type air conditioner, split-type air conditioner, electric fan, and water dispenser."

On February 10, 1999, Paper No.5 was issued by the trademark examiner-in-charge stating that the goods enumerated in TKC's application fall under Classes 9, 11, and 21 of the Nice Classification (NCL), thus, TKC was required to elect one class of goods for its application for **KOLIN**.^[39] However, the application was considered abandoned as of April 18, 1999 because TKC failed to respond to Paper No. 5.^[40] On September 14, 1999, TKC filed a petition to revive the application stating, among other things, that in response to Paper No. 5, it was electing Class 9 for its application.^[41] Further, TKC requested the inclusion of the following goods in its application: "cassette recorder, VCD, whoofer (*sic*), amplifiers, camcorders and other audio/video electronic equipment, flat iron, vacuum cleaners, cordless handsets, videophones, facsimile machines, teleprinters, cellular phones, automatic goods vending machines and other electronic equipment belonging to class 9."^[42]

In an Order dated March 14, 2001, the Bureau of Trademarks granted TKC's petition.^[43] Consequently, Trademark Application No. 4-1996-106310 was published in the IPO Electronic Gazette for Trademarks on May 16, 2006.^[44] The "television sets" was, however, not included in the enumeration of goods in the published Trademark Application.^[45]

KECI filed an opposition against TKC's application with the IPO BLA on July 13, 2006^[46] based on the fact that it is the registered owner of the **KOLIN**^[47] mark, which it claimed was confusingly similar to TKC's application for **KOLIN**. The case was docketed as *Inter Partes* Case No. 14-2006-00096.

On November 7, 2006, TKC filed an Answer to the Opposition, claiming, among others, that its Trademark Application No. 4-1996-106310 "includes television sets and that this trademark application later became Trademark Application No. 4-2002-011002 filed on [December 27, 2002] when it was re-filed/revived after the handling lawyer delayed the submission of requirements for the first application."^[48]

The IPO-BLA rendered Decision No. 2007-118^[49] dated August 16, 2007 sustaining KECI's opposition case and rejecting TKC's application for **KOLIN**.

On March 27, 2009, TKC filed an Appeal Memorandum with the IPO DG, claiming that the IPO-BLA erred in denying its application without any allowance for use limitation or restriction on televisions and DVD players.^[50]

Noting that TKC only wanted its **KOLIN** application to be given due course subject to the use limitation or restriction for television and DVD player,^[51] the IPO-DG issued a Decision^[52] on November 23, 2011 granting TKC's appeal and allowing the registration of TKC's mark with a limitation/restriction for the goods "television and DVD player".^[53]

Aggrieved, KECI appealed to the CA.

On April 30, 2013, the CA issued a Decision^[54] in CA-G.R. SP No. 122565 reversing and setting aside the IPO-DG's decision and reinstating the IPO-BLA decision.^[55] It ruled in favor of KECI based on the following grounds: (a) the "KOLIN" mark sought to be registered by TKC is confusingly similar to KECI's "KOLIN" registration since "[t]he only difference is [KECI's] mark is italicized and colored black while that of [TKC] is in pantone red color;"^[56] (b) there are no other designs, special shape or easily identifiable earmarks that would differentiate the products of both competing companies;^[57] and (c) the intertwined use of television sets with amplifier, booster and voltage regulator bolstered the fact that televisions can be considered as within the normal expansion of KECI, and is thereby deemed covered by its trademark as explicitly protected under Section 138 of the IP Code;^[58] and (d) the denial of TKC's application would prevent the likelihood of confusion resulting from the use of an identical mark to closely related goods.^[59] TKC moved to reconsider the decision, but this was denied by the CA.

TKC then filed an appeal to the Court.

It is important to highlight that there were three (3) marks involved in the *Taiwan Kolin case* (1) KECI's trademark registration No. 4-1993-087497; (2) TKC's trademark application No. 4-1996-106310, which was opposed by KECI; and (3) TKC's trademark application No. 4-2002-011002, which was allegedly the "revived" version of TKC's application.

For ease of reference, the subject marks are included in the following table:

| | KECI's mark | TKC's opposed trademark application | TKC's "revived" application |
|------------------------|--|--|--|
| Marks | KOLIN ^[60] | KOLIN ^[61] | KOLIN ^[62] |
| Application No. | 4-1993-087497 | 4-1996-106310 | 4-2002-011002 |
| Filing Date | August 17, 1993 | February 29, 1996 | December 27, 2002 |
| Current Status | Registered | Registered | Refused for non-filing of DAU/DNU |
| Class Covered | 9 | 9 | 9 |
| Goods Covered | Automatic Voltage Regulator, Converter, Recharger, Stereo Booster, AC-DC Regulated Power Supply, Step-Down Transformer, PA Amplified AC-DC | Television and DVD player | Television Sets, Audio/Video Electronic Equipment and Similar Appliances |

To clarify, while Trademark Application No. 4-1996-106310 was indeed revived,^[63] it was not through another separate application, contrary to TKC's statement.^[64]

Keeping this in mind, the *Taiwan Kolin* case ruled in favor of TKC.

The Court's Third Division stated that identical marks may be registered for products from the same classification, citing the discussion in *Mighty Corporation v. E. & J. Gallo Winery*^[65] (*Mighty Corporation*).^[66] It also held "that emphasis should be on the similarity of the products involved and not on the arbitrary classification or general description of their properties or characteristics. The mere fact that one person has adopted and used a trademark on his goods would not, without more, prevent the adoption and use of the same trademark by others on unrelated articles of a different kind."^[67]

The Court's Third Division also stated that the CA's approach and reasoning "fail[ed] to persuade" and ruled that the products covered by TKC's application and KECI's registration are unrelated.^[68] In saying that the CA decision was wrong, the Court's Third Division only cited and gave credence to the following assertions by TKC to establish that the goods are unrelated:

- a. TKC's goods are classified as home appliances as opposed to KECI's goods, which are power supply and audio equipment accessories;
- b. TKC's television sets and DVD players perform functions and purposes distinct from KECI's power supply and audio equipment; and
- c. TKC sells and distributes its various home appliance products on wholesale and to accredited dealers, whereas KECI's goods are sold and flow through electrical and hardware stores.^[69]

The Court's Third Division said that the list of products under Class 9 can be sub-categorized into five different classifications and that the products covered by TKC's and KECI's marks fall under different sub-categories. It then made a side-by-side comparison of the marks to state that the ordinary intelligent buyer is not likely to be confused. For reference, the side-by-side comparison used in the case is shown below:

(See image p. 9)

Further, it stated that confusion is not likely because the products involved (*i.e.*, "various kinds of electronic products," according to the *Taiwan Kolin* case) are more expensive than "ordinary consumable household items", so consumers will be more careful in purchasing these products.^[70] It also cited the case of *Emerald Garment Manufacturing Corporation v. Court of Appeals*^[71] (*Emerald Garment*) which defined an "ordinary intelligent buyer" as follows:

The definition laid down in *Dy Buncio v. Tan Tiao Bok* is better suited to the present case. There, the "ordinary purchaser" was defined as one "accustomed to buy, and therefore to some extent familiar with, the goods in question. The test of fraudulent simulation is to be found in the likelihood of the deception of some persons in some measure acquainted with an established design and desirous of purchasing the commodity with which that design has been associated. The test is not found in the deception, or the possibility of deception, of the person who knows nothing about the design which has been counterfeited, and who must be indifferent between that and the other. The simulation, in order to be objectionable, must be such as appears likely to mislead the ordinary intelligent buyer who has a need to supply and is familiar with the article that he seeks to purchase".^[72] (Italics omitted)

Thus, the Court's Third Division concluded that KECI's trademark registration not only covers unrelated goods but is also incapable of deceiving the ordinary buyer in relation to TKC's application.^[73] Accordingly, TKC's petition was granted, the CA decision was reversed and set aside, and the IPODG Decision, which gave due course to TKC's Trademark Application No. 4-1996-106310 for **KOLIN**, was reinstated.

Facts of the present case

On September 11, 2006^[74] - more than a month after the promulgation of the *KECI ownership case* - KPII, an affiliate of TKC,^[75] filed Trademark Application No. 4-2006-010021 for the **kolin** mark under Class 9 covering "Televisions and DVD players".

On June 12, 2007, KECI filed an opposition against KPII's Trademark Application No. 4-2006-010021 based on, among others, the fact that it is the registered owner of the **KOLIN** mark and that the registration of KPII's **kolin** mark will cause confusion among consumers.^[76]

In its defense, KPII claimed that its application for **kolin** cannot be denied on the basis of the ruling in the *KECI ownership case* because it was not a party to said case and the *KECI ownership case* is not *res judicata* to the instant case.^[77] Besides, KPII asserted that the *KECI ownership case* specifically clarified that KECI's ownership over the mark is limited only in connection with goods specified in KECI's certificate of registration and those related thereto.^[78] KPII insisted that "Televisions and DVD players" are not related to the goods covered by KECI's registered mark.^[79]

For ease of reference, the marks involved in the present dispute (subject marks) and their related information are included in the table below:

| Parties | KECI | KPII |
|------------------------|--|---|
| Marks | KOLIN ^[80] | kolin ^[81] |
| Application No. | 4-1993-087497 | 4-2006-010021 |
| Status | Registered | Trademark Application subject of opposition by KECI |
| Classes Covered | 9 | 9 |
| Goods Covered | Automatic Voltage Regulator, Converter, Recharger, Stereo Booster, AC-DC Regulated Power Supply, Step-Down Transformer, PA Amplified AC-DC | Televisions, DVD Players |

IPO-BLA Decision

In a Decision^[82] on IPC No. 14-2007-00167 dated September 9, 2009, the IPO-BLA sustained KECI's opposition. One of the reasons why KPII's Trademark Application No. 4-2006-010021 for **kolin** was rejected was the fact that buyers would be confused as to the origin of the products being offered by KECI and KPII.^[83] Significantly, the IPO-BLA also noted that KECI had received several customer e-mails complaining against or seeking information about the products of KPII.^[84]

Further, the IPO-BLA found that KPII is an instrumentality of TKC, as seen in the excerpt below:

An exhaustive scrutiny of the records of the case convince[s] this Bureau to concur with the position of [KECI] that indeed, **[KPII] is an instrumentality of [TKC]. [KECI] presented substantial evidence that [KPII] is effectively under the management, supervision and control of [TKC] manifested through the assignment of five (5) persons to the financial and plant operations x x x; [TKC's] admission of its direct participation in the management, supervision and control of [KPII]; [TKC's] majority ownership of stocks in [KPII] x x x; and the maintenance of one website of both companies and the admission to the same x x x.**^[85] (Emphasis supplied)

Accordingly, the IPO-BLA rejected KPII's application for **kolin**. The dispositive portion of the IPO-BLA Decision reads:

WHEREFORE, premises considered the Notice of Opposition filed by [KECI], is as it is hereby **SUSTAINED**. Accordingly, Application Serial No. 4-2006-010021 filed by respondent-applicant, [KPII] on 27 December 2002 for the mark [kolin] under Class 09 for televisions and DVD players, is as it is hereby, **REJECTED**.

Let the file wrapper of [kolin], subject matter of this case be forwarded to the Bureau of Trademarks for appropriate action in accordance with this decision.

SO ORDERED.^[86]

Aggrieved, KPII appealed the case to the IPO-DG.

IPO-DG Decision

On September 12, 2013, the IPO-DG issued a Decision^[87] on Appeal No. 14-09-64 in IPC No. 14-2007-00167 dismissing KPII's appeal. It is important to stress that, at this juncture, the *Taiwan Kolin case* had not yet been promulgated. At that time, the case was still pending with the Court. The CA decision (CA-G.R. SP No. 122565) that was promulgated on April 30, 2013 and where the CA ruled in favor of KECI, was the prevailing judgment between KECI and TKC.

The IPO-DG stated that "with the decision of the [CA in CA-G.R. SP No. 122565] that [TKC's] television sets and DVD players are related to [KECI's] goods covered by the latter's certificate of registration for **KOLIN**, this Office rules in favor of [KECI]."^[88]

Accordingly, the IPO-DG dismissed KPII's appeal. KPII then filed an appeal to the CA, docketed therein as CA-G.R. SP No. 131917.

CA Decision (CA-G.R. SP No.131917)

After the promulgation of the *Taiwan Kolin case* on March 25, 2015, the CA issued in CA-G.R. SP No. 131917 a Decision^[89] dated April 29, 2016 granting KPII's appeal.

Faced with the issue of whether KPII is entitled to the registration of the kolin mark covering television and DVD players, the CA relied heavily on, and quoted the reasoning in, the *Taiwan Kolin case*.^[90] Accordingly, the CA ruled that KPII may register its mark for television sets and DVD players and the doctrine of *res judicata* forbids it from arriving at a contrary conclusion.^[91] The dispositive portion of the CA decision reads:

WHEREFORE, premises considered, the petition is hereby **GRANTED**. The Decision dated September 12, 2013, issued by the [IPO DG], in Appeal Case No. 14-09-64 (IPC No. 14-2007-00167), is **REVERSED** and **SET ASIDE**, and a new one is entered giving due course to [KPII's] Trademark Application No. 04-2006-010021.

Let a copy of this Decision as well as the trademark application and records be furnished and returned to the Director of

the [IPO-BLA] for appropriate action. Further, let the Director of the Bureau of Trademarks 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.^[92]

Thus, KECI filed the instant Rule 45 Petition, raising the following arguments: (1) the ruling in the *Taiwan Kolin* case is not applicable in the present case; and (2) the registration of KPII's **kolin** mark is contrary to the provisions of the IP Code.

In a Comment^[93] dated June 5, 2017, KPII argued that the CA had correctly applied the principle of *res judicata*.

In the Reply^[94] dated November 16, 2017, K.ECI insisted that the ruling in the *Taiwan Kolin* case cannot be made to apply in this case. Further, in arguing that the CA decision should be reversed, KECI emphasized the confusing similarity between the subject marks.

Issue

The main issue in this case is whether KPII should be allowed to register its **kolin** mark.

The Court's Ruling

The Petition is granted. KPII is not allowed to register its **kolin** mark for "Televisions and DVD players."

I.

RES JUDICATA DOES NOT APPLY

Citing the *Taiwan Kolin* case, the CA stated that the doctrine of *res judicata* is applicable and "forbids [it] from arriving at a contrary conclusion."^[95] It stated that all the requisites of *res judicata* are fulfilled in the instant case, *viz.*:

All of these requisites [of *res judicata*] are fulfilled in the instant case. While KPII may not be involved in the [*Taiwan Kolin* case], it must be noted that KPII is an affiliate company of [TKC], as admitted by KECL. An absolute identity of the parties is not required for *res judicata* to apply, for as long as there exists an identity or community of interest.

It may be claimed that [TKC] is now the owner of the mark KOLIN for television and DVD players by virtue of the Supreme Court decision in the [*Taiwan Kolin* case], thereby preventing registration in the name of KPII. Still, we again emphasize that they are affiliated companies and [TKC] has authorized KPII to adopt and use the mark "KOLIN" in the Philippines and to register the mark in connection with its business dealings. More importantly, however, it appears that the marks applied for by [TKC] and KPII are not identical. x x x Thus, since there is no identity of marks so as to prevent registration, KPII may validly register its mark.^[96]

A. *Res judicata* in the concept of bar by prior judgment

The Court disagrees with the conclusion of the CA because all the elements of *res judicata* are **not** present.

The following excerpts in *Monterona v. Coca-Cola Bottlers Philippines, Inc.*^[97] are instructive:

There is "bar by prior judgment" when, as between the first case where the judgment was rendered and the second case that is sought to be barred, there is identity of parties, subject matter, and causes of action. In this instance, the judgment in the first case constitutes an absolute bar to the second action. Otherwise put, the judgment or decree of the court of competent jurisdiction on the merits concludes the litigation between the parties, as well as their privies, and constitutes a bar to a new action or suit involving the same cause of action before the same or any other tribunal.

x x x x

The elements of *res judicata* are: (1) the judgment sought to bar the new action must be final; (2) the decision must have been rendered by a court having jurisdiction over the subject matter and the parties; (3) the disposition of the case must be a judgment on the merits; and (4) there must be as between the first and second actions, identity of parties, subject matter, and causes of action. x x x Should identity of parties, subject matter, and causes of action be shown in the two cases, then *res judicata* in its aspect as a "bar by prior judgment" would apply. x x x^[98]

Based on the facts, the subject matter in this case and the *Taiwan Kolin* case are different. A subject matter is the item with respect to which the controversy has arisen, or concerning which the wrong has been done, and it is ordinarily the right, the thing, or the contract under dispute.^[99] In this case, the item to which the controversy has arisen or the thing under dispute is KPII's **kolin** mark, while in the *Taiwan Kolin* case, the subject matter is TKC's **KOLIN** mark.

The cause of action in the *Taiwan Kolin* case is also different from the cause of action in the case at bar. Rule 2, Section 2 of the Rules of Court defines a cause of action as an act or omission by which a party violates the right of another. In the *Taiwan Kolin* case, the cause of action was TKC's act of filing Trademark Application No. 4-1996-106310 for **KOLIN**, which allegedly violated KECI's rights because confusion would be likely among consumers if TKC's trademark application were to be given due course. In contrast, in the case at bar, the cause of action is KPII's act of filing Trademark Application No. 4-2006-010021 for **kolin**.

Thus, there is no bar by prior judgment in this case.

B. *Res judicata* in the concept of conclusiveness of judgment

Neither can *res judicata* in the concept of conclusiveness of judgment operate to prevent the Court from determining the registrability