

BEROL CORPORATION,
Respondent-Appellant,

-versus-

AMALGATED SPECIALTIES,
CORPORATION,
Petitioner-Appellee.

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Appeal No. 14-2010-0021

Inter Partes Case No. 14-2008-00135
Petition for Cancellation
Cert. of Reg. No. 26312
Date Issued: 29 December 1978

Trademark: MONGOL

DECISION

BEROL CORPORATION ("Appellant") appeals Decision No. 2009-197, dated 17 December 2009, of the Director of the Bureau of Legal Affairs ("Director") granting the petition of AMALGAMATED SPECIALTIES CORPORATION ("Appellee") to cancel the Appellant's certificate of registration for the mark "MONGOL".

Records show that the Appellant was issued Cert. of Reg. No. 26312¹ for MONGOL on 29 December 1978 for use on lead pencils under Class 16 of the Nice Classification.² The Appellee filed on 20 June 2008 a "PETITION FOR CANCELLATION" alleging the following:

1. It owns and possesses the exclusive title to and interest in MONGOL as the manufacturer, distributor and prior user and adopter of the mark for pencils in the Philippines;
2. The Appellant's trademark registration for MONGOL should be cancelled because it was fraudulently obtained, violates and contravenes the provisions of Rep. Act No. 166, as amended and Rep. Act No. 8293 ("IP Code");
3. The Appellant's mark is identical, if not similar, to its mark MONGOL which has been used in commerce, and not abandoned, as to be likely, to cause confusion, mistake and deception on the part of the purchasing public when applied to or used in connection with the goods of the Appellee;
4. The purported affidavit of use filed by the Appellant on 19 July 2004 is not valid because it claims use of MONGOL through the Appellee; because of the Appellant's failure to file a valid declaration of actual use, the registration of MONGOL should be cancelled and removed from the Register;
5. The registration of MONGOL should be cancelled for failure of the Appellant to use MONGOL for lead pencils in the Philippines, during an uninterrupted period of three (3) years or longer; and
6. It will be damaged and prejudiced by the registration of MONGOL for lead pencils under Class 16 in the name of the Appellant and its reputation and goodwill will suffer great and irreparable injury.

The Appellant filed on 02 December 2008 its "ANSWER (TO PETITION FOR CANCELLATION)" contending that:

1. It is the registered owner and proprietor of MONGOL in the Philippines and in other parts of the world;

2. It owns and possesses the exclusive title to, and interest in, the mark MONGOL for lead pencils under Class 16 as the manufacturer, distributor, and prior user and adopter of the said mark for pencils in the Philippines;
3. The Appellee is its former licensee as evidenced by the various license agreements between them commencing in 1964 which was renewed in 1974, 1984 and 1994;
4. The prior use relied upon by the Appellee in seeking the cancellation of the registration of its mark was derived from the authority or license it granted to the Appellee to use MONGOL in the Philippines;
5. It has timely filed its affidavit of use for MONGOL; and
6. The Appellee's use of MONGOL as its former licensee inures to its benefit.

The Appellee filed on 15 December 2008 a "REPLY" alleging that the licensing agreements between the parties are not valid and uncontrolled "naked license" which constitute abandonment of the trademark. The Appellee maintained that the license agreement between the parties expired on 28 February 1999 and has no force and effect and any use of the MONGOL by the Appellee after said date did not inure to the benefit of the Appellant. The Appellee, thus, argued that the affidavit of use filed by the Appellee on 15 July 2004 is not valid.

After the appropriate proceedings, the Director granted the Appellee's petition and ordered the cancellation of the Appellant's certificate of registration for MONGOL. The Director ruled that the licensing agreements between the Appellant and the Appellee are not valid and unenforceable for lack of provisions on the Appellant's exercise of quality control and responsibility for product liability. The Director held that the continued use by the Appellee of MONGOL did not inure to the benefit of the Appellant. According to the Director, aside from the Appellee's use of MONGOL, the Appellant did not use this mark in the Philippines for more than three (3) years and, therefore, the Appellant is deemed to have abandoned its ownership over the mark.

Dissatisfied, the Appellant filed on 12 February 2010 an "APPEAL MEMORANDUM (for Registrant-Appellant)" contending that the Director has no statutory authority and/or jurisdiction to review the validity of a private contractual arrangement, much less to declare the same invalid and unenforceable. The Appellant claims that its trademark registration was cancelled on a ground not listed in Sec. 151 of the IP Code and which was not even alleged in the petition for cancellation. It further argues that the Appellee has no legal capacity to question the validity of the licensing agreements and to assert the alleged abandonment by the Appellant of MONGOL. According to the Appellant, the Appellee is barred from doing so by, among others, the legal doctrines of *estoppel*, *estoppel en pair* and *laches*. Appellant also maintains that the licensing agreements were valid and enforceable and had been registered with the Bureau of Patents, Trademarks and Technology Transfer (BPI-M). The Appellant reiterates its position that the Appellee's use of MONGOL inures to its benefit and that it did not abandon its ownership of MONGOL. Lastly, the Appellant posits that the Director erroneously invalidated the 1994 licensing agreement on the basis of a provision of the IP Code that was not present when the agreement was entered into, therefore, violating the constitutional right of the Appellant to be safeguarded against ex post facto laws.

The Appellee filed on 22 March 2010 its "COMMENT/OPPOSITION TO APPEAL MEMORANDUM" alleging that the validity of the licensing agreement was passed upon by the Bureau of Legal Affairs in connection with the question of whether the registration of MONGOL should be cancelled. The Appellee contends that because of the expiration, invalidity and unenforceability of the licensing agreement, the Appellee's use of MONGOL may not be credited in favor of the Appellant, hence, the Appellant's registration of this mark may be cancelled for failure of the Appellant to use the mark for at least three (3) consecutive years. The Appellee claims that the principle of *estoppel* does not validate an invalid contract and that *laches* has not

yet foreclosed the Appellee's claims against the validity of the licensing agreement. The Appellee further claims that *estoppel* does not bind a person absent conduct that amounts to a false representation or concealment of material facts, a prior intent to mislead, and knowledge of the actual facts, thereby causing another to rely on the misrepresentations.

However, on 27 August 2010, the Appellee filed "WITHDRAWAL of COMMENT/OPPOSITION TO APPEAL" and manifests the following:

- a. AMSPEC recognizes Berol Corporation's ("Berol") lawful ownership, use, goodwill over the "MONGOL" trademark, which is registered in the name of Berol.
- b. AMSPEC likewise recognizes the validity and enforceability of the series of licensing agreements between AMSPEC and Eberhard Faber, Inc., Berol's predecessor-in-interest, from 1964 until 1994, including the validity of Berol's termination, as licensor, of the 1994 Technical Licensing Agreement in August 2008.
- c. AMSPEC acknowledges that throughout the series of licensing agreements between Eberhard Faber, Inc. and thereafter, Berol, sufficient quality control over its manufacture of pencils and/or writing instruments bearing the "MONGOL" mark was exercised by both Eberhard Faber, Inc. and Berol in accordance with the said agreements.³

The Appellee submitted the affidavit of Mr. Eldridge D. Wood, Jr.,⁴ Appellee's president, to support the Appellee's recognition of the Appellant's ownership of MONGOL. The Appellee further manifests that it interposes no objection to the reversal and setting aside of Decision No. 2009-197. Accordingly, the Appellee seeks that its comment/opposition be withdrawn and stricken off the records and the affidavit of Mr. Eldridge D. Wood, Jr. including the manifestations, be considered in this appeal.

On 31 August 2010, the Appellant filed a "MANIFESTATION AND MOTION" stating that it received the Appellee's WITHDRAWAL OF COMMENT/ OPPOSITION TO APPEAL with the attached affidavit of Mr. Eldridge D. Wood, Jr. who attested, under oath, that:

- (a) The "MONGOL" mark was continuously used by AMSPEC, as a mere licensee, on behalf of its licensors, Eberhard Faber, Inc. and its successor-in-interest, Berol, from 1964 to 2008;
- (b) Berol is the true and lawful owner of the "MONGOL" mark;
- (c) Eberhard Faber, Inc. and Berol exercised effective quality control over AMSPEC by, among others, regularly sending a representative to inspect AMSPEC's production of MONGOL pencils, and AMSPEC has been sending samples of MONGOL pencils to Berol for the latter's approval regarding their quality;
- (d) The 1994 Technical License Agreement ("TLA") between and among AMSPEC and Berol is valid and enforceable, and was validly renewed and, hence, any use of the "MONGOL" mark by AMSPEC inured to the benefit of Berol; and
- (e) Berol did not have any intention nor did it do any act to abandon its ownership over the "MONGOL" mark.⁵

The Appellant, thus, submits that the Appellee has fully concurred in and supports the grounds interposed by the Appellant in this appeal and that the legal arguments and the factual considerations in support thereof are no longer controverted.

In this regard, the Appellee's submission of the WITHDRAWAL of COMMENT/ OPPOSITION to APPEAL, which contains a manifestation that it recognizes the Appellant's ownership, use and goodwill of MONGOL and the validity and enforceability of their licensing agreements, is tantamount to an admission of the validity of the Appellant's certificate of registration for MONGOL. As correctly pointed out by the Appellant, this submission by the Appellee means that:

- (a) There is no three (3) — year continuous period of non-use that would justify the cancellation of the "MONGOL" mark;

- (b) Berol is the true and lawful owner of the "MONGOL" mark;
- (c) ANISPEC'S manufacturing process of the "MONGOL" products particularly wood-cased pencils is closely supervised with regards to quality;
- (d) AMSPEC'S use of the "MONGOL" mark was pursuant to licensing agreements including the 1994 TLA between and among AMSPEC and Berol and, thus, any use of the "MONGOL" mark by AMSPEC inured to the benefit of Berol; and
- (e) Berol did not have any intention nor did it do any act to abandon its ownership over the "MONGOL" mark;⁶

From the foregoing, this Office notes that there is no more ground to justify the cancellation of the certificate of registration of the mark MONGOL issued in favor of the Appellant. The Appellee's manifestation and recognition of the Appellant's ownership of MONGOL nullify its prior submission and arguments before the Bureau of Legal Affairs that it has the exclusive title to and interest in MONGOL as the manufacturer, distributor and prior user and adopter of this mark for pencils in the Philippines. In one case, the Supreme Court held that:

“We have always adhered to the familiar doctrine that an admission made in the pleadings cannot be controverted by the party making such admission and becomes conclusive on him, and that all proofs submitted by him contrary thereto or inconsistent therewith should be ignored, whether an objection is interposed by the adverse party or not.”⁷

In this case, not only did the Appellee admit the Appellant's ownership of MONGOL, but it also recognized the validity and enforceability of the series of licensing agreements which was considered by the Bureau of Legal Affairs as the basis for canceling the Appellant's certificate of registration for MONGOL. Being an admission against interest, these submissions by the Appellee are the best evidence which afford the greatest certainty of the facts in dispute. The rationale for this rule is based on the presumption that no man would declare anything against himself unless such declaration was true. Thus, it is fair to presume that the declaration corresponds with the truth, and it is his fault if it does not.⁸ Accordingly, the Appellee's petition for cancellation has no more leg to stand on.

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.⁹ In the absence of any evidence that may impugn the presumed validity of the certificate of registration, the Appellant's certificate of registration for MONGOL must be upheld.

Wherefore, premises considered, the appeal is hereby GRANTED.

Let a copy of this Decision as well as the records be furnished and returned to the Director of Bureau of Legal Affairs for appropriate action. Further, let also 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.

16 September 2010, Makati City

RICARDO R. BLANCAFLOR
Director General

FOOTNOTES:

1 Registration No. 26312 was subsequently renewed on 29 December 1998 and 29 December 2008.

2 The Nice Classification is a classification of goods and services for the purpose of registering trademarks and service marks, based on a multilateral treaty administered by the World Intellectual Property Organization. This treaty is called the Nice Agreement Concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks concluded in 1957.

3 Pages 1 and 2 of the WITHDRAWAL of COMMENT/ OPPOSITION to APPEAL, dated 26 August 2010.

4 Executed on 15 August 2010.

5 MANIFESTATION AND MOTION, dated 31 August 2010, page 2.

6 MANIFESTATION AND MOTION, *supra*, pp. 2-3.

7 See *Republic of the Philippines vs. Sandiganbayan, et al.*, G. R. No. 152154, 15 July 2003.

8 See *Rufina Patis Factory, et al., vs. Juan Alusitain*, G. R. No. 146202, 14 July 2004.

9 Sec. 138 of the IP Code.