

Republic of the Philippines  
SUPREME COURT  
Manila  
THIRD DIVISION

G.R. No. 115115 July 18, 1995

CONRAD AND COMPANY, INC., petitioner,

vs.

HON. COURT OF APPEALS, FITRITE INC., and VICTORIA BISCUITS CO., INC., respondents.

VITUG, J.:

In an Amended Decision, dated 20 April 1994, the Court of Appeals *reversed* an order of the Regional Trial Court ("RTC") which dismissed Civil Case No. 91-3119 for "Injunction with Damages with Prayer for Preliminary Injunction" filed by herein private respondents Fitrite, Inc., and Victoria Biscuits Co., Inc., against petitioner Conrad and Company, Inc. The RTC, acting on a motion to dismiss filed by petitioner, ordered the dismissal of the complaint. Accordingly, for purposes of this review, the facts alleged in the complaint, narrated by the appellate court and hereunder reproduced, should be deemed hypothetically admitted.

. . . Plaintiffs appellants FITRITE, INC. and VICTORIA BISCUIT CO., INC. [private respondents here], both domestic corporations, are engaged in the business of manufacturing, selling and distributing biscuits and cookies bearing the trademark "SUNSHINE" in the Philippines. Defendant CONRAD AND COMPANY [petitioner here] is also engaged in the business of importing, selling and distributing biscuits and cookies in the Philippines.

Sometime in April 1982, plaintiff FITRITE filed in the Bureau of Patents, Trademarks and Technology Transfer (hereto referred as BPTTT) applications for registration of the trademark "SUNSHINE," both in the Supplemental and Principal Registers, to be used on biscuits and cookies. Since March 31, 1981 FITRITE had exclusively used this trademark in the concept of owner on its biscuits and cookies. On *May 20, 1983*, FITRITE's application for this trademark in the *Supplemental Register* was approved by the BPTTT and FITRITE was issued a Certificate of Registration No. SR-6217 for a term of 20 years from the date of approval. On *March 22, 1990* FITRITE's application for the same trademark in the *Principal Register* was approved by BPTTT and FITRITE was issued a Certificate of Registration No. 47590 for a term of 20 years from said date of approval. On June 28, 1984 FITRITE authorized its sister company, co-plaintiff VICTORIA BISCUIT CO., to use this trademark on its biscuits and cookies, as well as to manufacture, promote, sell and distribute products bearing said trademark.

On September 7, 1990, FITRITE assigned its trademark "SUNSHINE AND DEVICE LABEL," together with its interest and business goodwill to said VICTORIA BISCUIT. From the time FITRITE was issued the Certificate of Registration for this trademark on May 20, 1983 up to the filing of the complaint *a quo* FITRITE and VICTORIA BISCUIT have been manufacturing, selling and distributing on a massive scale biscuits and cookies bearing this trademark; so that through the years of extensive marketing of plaintiffs' biscuits and cookies with this trademark, their products have become popularly known and enjoyed wide acceptability in Metro Manila and in the provinces.

Then sometime in June 1990, through the affidavit executed on May 30, 1990 by defendant CONRAD's own Import Manager and Executive Assistant by the name of Raul Olaya, plaintiffs succeeded in tracing and discovered that CONRAD had been importing, selling and distributing biscuits and cookies, and other food items bearing this trademark in the Philippines. Although CONRAD had never before been engaged in the importation, sale and distribution of products similar to those of plaintiffs, on April 18, 1988 CONRAD was suddenly designated exclusive importer and dealer of the products of "Sunshine Biscuits, Inc." for sale in the Philippine market; and on April 21, 1988, per the affidavit of said Raul Olaya, CONRAD made its first importation, which was continuously repeated up to the present (May 30, 1990 [date of the affidavit]), altogether consisting of 51,575 cartons and amounting to \$579,224.35.

Those acts of CONRAD, done without plaintiffs' consent, were deliberately calculated to mislead and deceive the purchasers by making them believe that its (CONRAD'S) "Sunshine" products had originated from plaintiffs and thereby inducing them to patronize those products, all to the damage and prejudice of both the purchasing public and plaintiffs. Through their counsel, plaintiffs addressed a letter to CONRAD demanding, among other things, that it cease and desist from continuing with those acts, but the demand was ignored. Being acts of infringement and unfair competition in violation of plaintiffs' rights, plaintiffs can validly avail themselves of the remedies against infringement under Sec. 23 of Republic Act No. 166, as amended, as well as of the remedies against unfair competition under

Sec. 29 of the same statute.<sup>1</sup>

In seeking the dismissal of the complaint filed by private respondents with the trial court, petitioner invoked, among other grounds, *litis pendentia*, the doctrine of primary jurisdiction and failure to state a cause of action.

The trial court, agreeing with petitioner, granted the motion to dismiss the complaint in an Order, dated 26 February 1992, reading thusly:

The Court agrees with defendant that internationally accepted trademarks enjoy protection under Philippine laws. Defendant having been granted distributorship by Sunshine Biscuits USA over Philippine territory it follows that the *resolution of the issue with respect to the ownership of Sunshine Biscuits which is the basis of plaintiffs' claim is lodged under the exclusive jurisdiction of the BPTTT*. The action filed by defendant's principal in whose name the trademark "SUNSHINE BISCUITS" is alleged to be registered in the United States should be considered as including defendant Conrad and Company, Inc., it being the beneficiary/agent/assignee of said Sunshine Biscuits, Inc. Thus, the Court finds the ground of forum shopping applicable to the case at bar. It cannot also be denied that there is another action pending between the same parties for the same cause. Plaintiffs, therefore, should not have filed this case with this court. It must, therefore, be summarily dismissed. The ground of *litis pendentia* is no doubt meritorious. The doctrine of primary jurisdiction should be made to apply in this case considering that the BPTTT had already acquired jurisdiction over the suit brought by defendant's principal against the plaintiffs involving the right of plaintiffs to use said trademark. No doubt the BPTTT is better situated, considering its experience and special knowledge to determine the matters of fact involved. Indeed, the rulings laid down by the Supreme Court on the point is along this trend.

WHEREFORE, premises considered, the Motion To Dismiss filed by defendant is hereby GRANTED. The instant case filed by plaintiffs is hereby ordered DISMISSED.<sup>2</sup> (Emphasis ours)

Unsuccessful in their attempt to have the order reconsidered, private respondents brought the case to the Court of Appeals (CA-G.R. CV No. 38822).

In an amended decision, dated 20 April 1994, the appellate court *reversed* the order of the trial court and ordered the reinstatement of the case, holding, in part, thusly:

1. It was a motion to dismiss that CONRAD filed instead of an answer where its "affirmative defense" could have been alleged and later raised in a motion for preliminary hearing for reception of evidence and not, as CONRAD did, raise such defense in a mere motion to dismiss, although such defense involved factual matters outside of the allegations contained in the complaint;

2. No evidence whatever had been introduced before the outright dismissal, despite the fact that the factual issues involved in CONRAD's "affirmative defense" were whether the "SUNSHINE" trademark has been registered in the United States of America as claimed by CONRAD; if so registered, whether such registration antedated the registered trademark of FITRITE in the Philippines; whether Sunshine Biscuits, Inc., CONRAD's principal, is the actual registrant thereof; and whether CONRAD is truly an agent of Sunshine Biscuits, Inc. who is protected by the alleged American "SUNSHINE" trademark and therefore vested with the legal capacity to raise such "affirmative defense" in the action *a quo*; etc.; and

3. Unless and until FITRITE's certificates both in the Supplemental and Principal Registers as registrant of said "SUNSHINE" trademark are cancelled by BPTTT, or so long as said "SUNSHINE" trademark has not been successfully proved by CONRAD in the action *a quo* as belonging to Sunshine Biscuits, Inc. or so long as said trademark has not been successfully proved by Sunshine Biscuits, Inc. in the cancellation proceeding before BPTTT as belonging to it (Sunshine Biscuits), for all legal intents and purposes the trademark belongs to FITRITE and all those acts of importing, selling and distributing by CONRAD constitute infringement as defined in said Sec. 22 of Republic Act No. 166, as amended.

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In sum, we find the appeal impressed with merit, considering that FITRITE is the registrant of the "SUNSHINE" trademark in the Philippines; that CONRAD's claim that its principal, Sunshine Biscuits, Inc., is the registrant of a "SUNSHINE" trademark in the United States of America is a mere allegation still subject to proof; that there is no identity of causes of action and because the cause before BPTTT is the cancellability of FITRITE's registration while the cause in the case *a quo* is infringement by CONRAD of said "SUNSHINE" trademark of FITRITE; that there is implied admission that CONRAD has been importing, selling and distributing biscuits, cookies and other food items bearing said "SUNSHINE" trademark without FITRITE's consent; that so long as the cancellation proceeding remains pending in BPTTT, said "SUNSHINE" trademark belongs exclusively to FITRITE in the Philippines, and any person using it without FITRITE's consent is guilty of infringement.

WHEREFORE, the Court hereby:

- (1) SETS ASIDE the appealed order dated February 26, 1992 dismissing the complaint *a quo*;
- (2) REINSTATES the complaint;
- (3) ORDERS defendant Conrad and Company, Inc. to file its answer within the reglementary period from receipt hereof;
- (4) ORDERS the lower court to proceed with the action *a quo*, although for a good cause shown the lower court, in its sound discretion, may suspend the action pending outcome of the cancellation proceeding between Sunshine Biscuits, Inc. and Fitrite, Inc. in Inter Partes Case No. 3397 before BPTTT, subject to the condition provided for in No. (5) below;
- (5) ORDERS defendant-appellee Conrad and Company, Inc. to desist and refrain from importing, manufacturing, selling and distributing in the Philippines any goods bearing the trademark "SUNSHINE & DEVICE LABEL" registered in FITRITE's name pending final decision in the action *a quo*, it being understood that this order, to effect such desistance and enjoin defendant-appellee from the aforesaid activities, shall be considered as the Writ of Injunction itself and an integral part of this Amended Decision.

No pronouncement as to costs.

SO ORDERED.<sup>3</sup> (Emphasis ours.)

In the instant petition for review, which has additionally prayed for a writ of preliminary injunction or for a temporary restraining order, petitioner tells us that the appellate court has erred —

1. When it ordered the issuance of a writ of preliminary injunction, upon private respondents, posting of a bond in the sum of P10, 000.00, despite the pendency of the cancellation proceedings in Inter Partes case Nos. 3397 and 3739, and in subsequently amending its decision by issuing the writ of preliminary injunction itself.
2. When respondent court failed to apply and totally disregarded the provisions of the Paris Convention for the protection of industrial property, as well as the memorandum of the Minister of Trade, dated November 20, 1980.
3. In holding that the doctrine of primary jurisdiction by the Bureau of Patents, Trademarks and Technology Transfer (BPTTT) is not applicable in this case, and in further holding that the issues involved in this case is not whether the "SUNSHINE" trademark in question is registerable or cancellable.
4. Respondent court erred in holding that the ground of *litis pendentia* under the Rules of Court does not apply in this case for the reason that the cause of action in the cancellation proceedings before the BPTTT is not the same as the cause of action in the case *a quo*.
5. In ordering the lower court to proceed with the action *a quo*, although for a good cause shown the lower court, in its sound discretion, may suspend the action pending outcome of the cancellation proceeding between Sunshine Biscuits, Inc. and Fitrite, Inc. in inter partes Case No. 3397 and 3739 before BPTTT.<sup>4</sup>

The petition was given due course; however, neither a writ of preliminary injunction nor a restraining order was issued by this Court.

Unadorned, the issues would revolve simply around the question of whether or not the Court of Appeals committed reversible error (1) in allowing the trial court to proceed with the case for "injunction with damages" filed by private respondents notwithstanding the pendency of an administrative case for the cancellation of the former's trademark filed by supposedly "petitioner's principal" with the Bureau of Patents, Trademarks and Technology Transfer ("BPTTT"); and (2) in meanwhile issuing an injunction order against petitioner.

We find for private respondents.

The assailed amended decision of the appellate court reinstated the complaint for "Injunction with Damages with Prayer for Preliminary Injunction" filed by private respondents with the trial court and ordered petitioner to file its answer. The appellate court enjoined petitioner in the meantime from importing, manufacturing, selling and distributing in the Philippines goods bearing the trademark "Sunshine and Device Label" duly registered with BPTTT in private respondents' name.

Petitioner, invoking the case of *Developers Group of Companies vs. Court of Appeals* (219 SCRA 715), contends that the "Petitions for Cancellation" of Fitrite's Certificate of Registration No. SR-6217 and No. 47590 in the Supplemental Register and the Principal Register, respectively, which Sunshine Biscuits, Inc., of the United States of America filed in 1989 and in 1990 (docketed Inter Partes Case No. 3397 and 3739) with BPTTT cast a cloud of doubt on private respondents' claim of ownership and exclusive right to the use of the trademark "Sunshine." Considering that this matter is at issue before the BPTTT, which has primary jurisdiction over the case, petitioner argues, an injunctive relief from any court would be precipitate and improper.

The appellate court, in disposing of petitioner's argument, points out:

Notwithstanding those provisions, it is CONRAD's contention — relying on the ruling in *Industrial Enterprises, Inc. vs. Court of Appeals* (G.R. No. 88550, 184 SCRA 426 [1990]) — that, because technical matters or intricate issues of fact regarding the ownership of the trademark in question are involved, its determination requires the expertise, specialized skills and knowledge of the proper administrative body, which is BPTTT, which has the primary jurisdiction over the action *a quo*; and therefore the trial court should, and as it correctly did, yield its jurisdiction to BPTTT.

The trial court erred in adopting such fallacious argument. The issue involved in the action *a quo* is not whether the "SUNSHINE" trademark in question is registerable or cancellable — which is the issue pending in BPTTT that may be technical in nature requiring "expertise, specialized skills and knowledge" — since the trademark has already been registered in both the Supplemental and Principal Registers of BPTTT in the name of FITRITE; actually, the issue involved in the action *a quo* is whether CONRAD's acts of importing, selling and distributing biscuits, cookies and other food items bearing said registered "SUNSHINE" trademark in the Philippines without the consent of its registrant (FITRITE) constitute infringement thereof in contemplation of Sec. 22 of Republic Act No. 166, as amended. Under Sec. 22, the elements that constitute infringement are simply (1) the use by any person, without the consent of the registrant, (2) of any registered mark or trade-name in connection with the sale, business or services, among other things, bearing such registered mark or trade-name. This, clearly, is a factual question that does not require any specialized skill and knowledge for resolution to justify the exercise of primary jurisdiction by BPTTT.

But, even assuming — which is not the case — that the issue involved here is technical in nature requiring specialized skills and knowledge, still *Industrialized Enterprises* does not authorize the outright dismissal of a case originally cognizable in the courts; what it says is where primary jurisdiction comes into play in a case "the judicial process is suspended pending referral of such issues to the administrative body for its view."<sup>5</sup>

We cannot see any error in the above disquisition. It might be mentioned that while an application for the administrative *cancellation* of a registered trademark on any of the grounds enumerated in Section 17<sup>6</sup> of Republic Act No. 166, as amended, otherwise known as the Trade-Mark Law, falls under the exclusive cognizance of BPTTT (Sec. 19, Trade-Mark Law), an action, however, for infringement or unfair competition, as well as the remedy of injunction and relief for damages, is explicitly and unquestionably within the competence and jurisdiction of ordinary courts.

Private respondents are the holder of Certificate of Registration No. 47590 (Principal Register) for the questioned trademark. In *Lorenzana vs. Macagba*, 154 SCRA 723, cited with approval in *Del Monte Corporation vs. Court of Appeals*, 181 SCRA 410, we have declared that registration in the Principal Register gives rise to a presumption of validity of the registration and of the registrant's ownership and right to the exclusive use of the mark. It is precisely such a registration that can serve as the basis for an action for infringement.<sup>7</sup> An invasion of this right entitles the registrant to court protection and relief. Section 23 and Section 27, Chapter V, of the Trade-Mark Law provides:

*Sec. 23. Actions, and damages and injunction for infringement.* — Any person entitled to the exclusive use of a registered mark or trade-name may recover damages in a civil action from any person who infringes his rights, and the measure of the damages suffered shall be either the reasonable profit which the complaining party would have made, had the defendant not infringe his said rights, or the profit which the defendant actually made out of the infringement, or in the event such measure of damages cannot be readily ascertained with reasonable certainty, then the court may award as damages a reasonable percentage based upon the amount of gross sales of the defendant or the value of the services in connection with which the mark or trade-name was used in the infringement of the rights of the complaining party. In cases where actual intent to mislead the public or to defraud the complaining party shall be shown, in the discretion of the court, the damages may be doubled.

The complaining party, upon proper showing, may also be granted injunction.  
*Sec. 27. Jurisdiction of [Regional Trial Court].* All actions under this Chapter and Chapters VI and VII hereof shall be brought before the proper [Regional Trial Court].

Surely, an application with BPTTT for an administrative cancellation of a registered trade mark cannot *per se* have the effect of restraining or preventing the courts from the exercise of their lawfully conferred jurisdiction. A contrary rule would unduly expand the doctrine of primary jurisdiction which, simply expressed, would merely behoove regular courts, in controversies involving specialized disputes, to defer to the findings of resolutions of administrative tribunals on certain technical matters. This rule, evidently, did not escape the appellate court for it likewise decreed that for "good cause shown, the lower court, in its sound discretion, may suspend the action pending outcome of the cancellation proceedings" before BPTTT.

Needless to say, we cannot at this stage delve into the merits of the cancellation case. In this instance, the sole concern, outside of the jurisdictional aspect of the petition hereinbefore discussed, would be that which focuses on the propriety of the injunction order of the appellate court. On this score, the appellate court has said:

Thus, having the exclusive right over said trademark, FITRITE should be protected in the use thereof (Philips Export B.V. vs. Court of Appeals, G.R. No. 96161, 206 SCRA 457 [1992]); and considering that it is apparent from the record that the invasion of the right FITRITE sought to protect is material and substantial; that such right of FITRITE is clear and unmistakable; and that there is an urgent necessity to prevent serious damage to FITRITE's business interest, goodwill and profit, thus under the authority of Sec. 23 of said Republic Act No. 166, as amended, *a preliminary injunction may be issued in favor of FITRITE to maintain the status quo pending trial of the action a quo on the merits without prejudice to the suspension of such action if the aforesaid cancellation proceeding before the BPTTT has not been concluded.*<sup>8</sup> (Emphasis supplied.)

The appellate court's finding that there is an urgent necessity for the issuance of the writ of preliminary injunction pending resolution by BPTTT of the petition for cancellation filed by Sunshine USA in Inter Partes Case No. 3397 would indeed appear to have merit. The prematurity of petitioner's motion to dismiss places the case at bench quite apart from that of *Developers Group of Companies, Inc. vs. Court of Appeals*, 219 SCRA 715. The allegations of the complaint, perforced hypothetically deemed admitted by petitioner, would here justify the issuance by appellate court of its injunction order. Petitioner, itself, does not even appear to be a party in the administrative case (Inter Partes Case No. 3397). The averment that Sunshine USA is petitioner's principal, and that it has a prior foreign registration that should be respected conformably with the Convention of the Union of Paris for the Protection of Industrial Property are mere asseverations in the motion to dismiss which, along with some other factual assertions, are yet to be established.

All given, we find no reversible error on the part of the appellate court in its appealed decision.

In closing, the Court would urge the Bureau of Patents, Trademarks and Technology Transfer to resolve with dispatch the administrative cases (Inter Partes Case No. 3397 and No. 3739) referred to in this decision.

WHEREFORE, the petition for review is DENIED for lack of merit, and the questioned amended decision of the Court of Appeals is AFFIRMED. Costs against petitioner.

*Romero, Melo and Francisco, JJ., concur.*  
*Feliciano, J., concurs in the result.*

Footnotes:

1 *Rollo*, pp. 164-166.

2 *Rollo*, p. 114.

3 *Rollo*, pp. 173-178.

4 *Rollo*, pp. 17-18.

5 *Rollo*, pp. 78-79.

6 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 the 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 or trade-name has been assigned, and is being used by, or with the permission of, the assignee, to 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.

7 *La Yebana vs. Chua Seco*, 14 Phil. 534; *Chua Che vs. Phil. Patent Office*, 13 SCRA 67; *Marvex Commercial Co. Inc. vs. Petra Haw Pia and Co.*, 18 SCRA 1178; *Lim Kiah vs. Kaynee Co.*, 25 SCRA 485; *Kee Boc vs. Director of Patents*, 34 SCRA 570.

8 *Rollo*, p. 176.