

Republic of the Philippines
SUPREME COURT
Manila

FIRST DIVISION

G.R. No. 100098 December 29, 1995

EMERALD GARMENT MANUFACTURING CORPORATION, petitioner,

vs.

HON. COURT OF APPEALS, BUREAU OF PATENTS, TRADEMARKS AND TECHNOLOGY TRANSFER and H.D. LEE COMPANY, INC., respondents.

KAPUNAN, J.:

In this petition for review on *certiorari* under Rule 45 of the Revised Rules of Court, Emerald Garment Manufacturing Corporation seeks to annul the decision of the Court of Appeals dated 29 November 1990 in CA-G.R. SP No. 15266 declaring petitioner's trademark to be confusingly similar to that of private respondent and the resolution dated 17 May 1991 denying petitioner's motion for reconsideration.

The record reveals the following antecedent facts:

On 18 September 1981, private respondent H.D. Lee Co., Inc., a foreign corporation organized under the laws of Delaware, U.S.A., filed with the Bureau of Patents, Trademarks & Technology Transfer (BPTTT) a Petition for Cancellation of Registration No. SR 5054 (Supplemental Register) for the trademark "STYLISTIC MR. LEE" used on skirts, jeans, blouses, socks, briefs, jackets, jogging suits, dresses, shorts, shirts and lingerie under Class 25, issued on 27 October 1980 in the name of petitioner Emerald Garment Manufacturing Corporation, a domestic corporation organized and existing under Philippine laws. The petition was docketed as Inter Partes Case No. 1558.¹

Private respondent, invoking Sec. 37 of R.A. No. 166 (Trademark Law) and Art. VIII of the Paris Convention for the Protection of Industrial Property, averred that petitioner's trademark "so closely resembled its own trademark, 'LEE' as previously registered and used in the Philippines, and not abandoned, as to be likely, when applied to or used in connection with petitioner's goods, to cause confusion, mistake and deception on the part of the purchasing public as to the origin of the goods."²

In its answer dated 23 March 1982, petitioner contended that its trademark was entirely and unmistakably different from that of private respondent and that its certificate of registration was legally and validly granted.³

On 20 February 1984, petitioner caused the publication of its application for registration of the trademark "STYLISTIC MR. LEE" in the Principal Register."⁴

On 27 July 1984, private respondent filed a notice of opposition to petitioner's application for registration also on grounds that petitioner's trademark was confusingly similar to its "LEE" trademark.⁵ The case was docketed as Inter Partes Case No. 1860.

On 21 June 1985, the Director of Patents, on motion filed by private respondent dated 15 May 1985, issued an order consolidating Inter Partes Cases Nos. 1558 and 1860 on grounds that a common question of law was involved.⁶

On 19 July 1988, the Director of Patents rendered a decision granting private respondent's petition for cancellation and opposition to registration.

The Director of Patents found private respondent to be the prior registrant of the trademark "LEE" in the Philippines and that it had been using said mark in the Philippines.⁷

Moreover, the Director of Patents, using the test of dominancy, declared that petitioner's trademark was confusingly similar to private respondent's mark because "it is the word 'Lee' which draws the attention of the buyer and leads him to conclude that the goods originated from the same manufacturer. It is undeniably the dominant feature of the mark."⁸

On 3 August 1988, petitioner appealed to the Court of Appeals and on 8 August 1988, it filed with the BPTTT a Motion to Stay Execution of the 19 July 1988 decision of the Director of Patents on grounds that the same would cause it great and irreparable damage and injury. Private respondent submitted its opposition on 22 August 1988.⁹

On 23 September 1988, the BPTTT issued Resolution No. 88-33 granting petitioner's motion to stay execution subject to the following terms and conditions:

1. That under this resolution, Respondent-Registrant is authorized only to dispose of its current stock using the mark "STYLISTIC MR. LEE";
2. That Respondent-Registrant is strictly prohibited from further production, regardless of mode and source, of the mark in question (STYLISTIC MR. LEE) in addition to its current stock;
3. That this relief Order shall automatically cease upon resolution of the Appeal by the Court of Appeals and, if the Respondent's appeal loses, all goods bearing the mark "STYLISTIC MR. LEE" shall be removed from the market, otherwise such goods shall be seized in accordance with the law.

SO ORDERED.¹⁰

On 29 November 1990, the Court of Appeals promulgated its decision affirming the decision of the Director of Patents dated 19 July 1988 in all respects.¹¹

In said decision the Court of Appeals expounded, thus:

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Whether or not a trademark causes confusion and is likely to deceive the public is a question of fact which is to be resolved by applying the "test of dominancy", meaning, if the competing trademark contains the main or essential or dominant features of another by reason of which confusion and deception are likely to result, then infringement takes place; that duplication or imitation is not necessary, a similarity in the dominant features of the trademark would be sufficient.

The word "LEE" is the most prominent and distinctive feature of the appellant's trademark and all of the appellee's "LEE" trademarks. It is the mark which draws the attention of the buyer and leads him to conclude that the goods originated from the same manufacturer. While it is true that there are other words such as "STYLISTIC", printed in the appellant's label, such word is printed in such small letters over the word "LEE" that it is not conspicuous enough to draw the attention of ordinary buyers whereas the word "LEE" is printed across the label in big, bold letters and of the same color, style, type and size of lettering as that of the trademark of the appellee. The alleged difference is too insubstantial to be

noticeable. Even granting *arguendo* that the word "STYLISTIC" is conspicuous enough to draw attention, the goods may easily be mistaken for just another variation or line of garments under the appellee's "LEE" trademarks in view of the fact that the appellee has registered trademarks which use other words in addition to the principal mark "LEE" such as "LEE RIDERS", "LEESURES" and "LEE LEENS". The likelihood of confusion is further made more probable by the fact that both parties are engaged in the same line of business. It is well to reiterate that the determinative factor in ascertaining whether or not the marks are confusingly similar to each other is not whether the challenged mark would actually cause confusion or deception of the purchasers but whether the use of such mark would likely cause confusion or mistake on the part of the buying public.

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The appellee has sufficiently established its right to prior use and registration of the trademark "LEE" in the Philippines and is thus entitled to protection from any infringement upon the same. It is thus axiomatic that one who has identified a peculiar symbol or mark with his goods thereby acquires a property right in such symbol or mark, and if another infringes the trademark, he thereby invokes this property right.

The merchandise or goods being sold by the parties are not that expensive as alleged to be by the appellant and are quite ordinary commodities purchased by the average person and at times, by the ignorant and the unlettered. Ordinary purchasers will not as a rule examine the small letterings printed on the label but will simply be guided by the presence of the striking mark "LEE". Whatever difference there may be will pale in insignificance in the face of an evident similarity in the dominant features and overall appearance of the labels of the parties.¹²

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On 19 December 1990, petitioner filed a motion for reconsideration of the above-mentioned decision of the Court of Appeals.

Private respondent opposed said motion on 8 January 1991 on grounds that it involved an impermissible change of theory on appeal. Petitioner allegedly raised entirely new and unrelated arguments and defenses not previously raised in the proceedings below such as laches and a claim that private respondent appropriated the style and appearance of petitioner's trademark when it registered its "LEE" mark under Registration No. 44220.¹³

On 17 May 1991, the Court of Appeals issued a resolution rejecting petitioner's motion for reconsideration and ruled thus:

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A defense not raised in the trial court cannot be raised on appeal for the first time. An issue raised for the first time on appeal and not raised timely in the proceedings in the lower court is barred by estoppel.

The object of requiring the parties to present all questions and issues to the lower court before they can be presented to this Court is to have the lower court rule upon them, so that this Court on appeal may determine whether or not such ruling was erroneous. The purpose is also in furtherance of justice to require the party to first present the question he contends for in the lower court so that the other party may not be taken by surprise and may present evidence to properly meet the issues raised.

Moreover, for a question to be raised on appeal, the same must also be within the issues raised by the parties in their pleadings. Consequently, when a party deliberately adopts a certain theory, and the case is tried and decided based upon such theory presented in the court below, he will not be permitted to change his theory on appeal. To permit him to do so would be unfair to the adverse party. A question raised for the first time on appeal, there having opportunity to raise them in the court of origin constitutes a change of theory which is not permissible on appeal.

In the instant case, appellant's main defense pleaded in its answer dated March 23, 1982 was that there was "no confusing similarity between the competing trademark involved. On appeal, the appellant raised a single issue, to wit:

The only issue involved in this case is whether or not respondent-
registrant's trademark "STYLISTIC MR. LEE" is confusingly
similar with the petitioner's trademarks "LEE or LEERIDERS,
LEE-LEENS and LEE-SURES."

Appellant's main argument in this motion for reconsideration on the other hand is that the appellee is estopped by laches from asserting its right to its trademark. Appellant claims although belatedly that appellee went to court with "unclean hands" by changing the appearance of its trademark to make it identical to the appellant's trademark.

Neither defenses were raised by the appellant in the proceedings before the Bureau of Patents. Appellant cannot raise them now for the first time on appeal, let alone on a mere motion for reconsideration of the decision of this Court dismissing the appellant's appeal.

While there may be instances and situations justifying relaxation of this rule, the circumstance of the instant case, equity would be better served by applying the settled rule it appearing that appellant has not given any reason at all as to why the defenses raised in its motion for reconsideration was not invoked earlier.¹⁴

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Twice rebuffed, petitioner presents its case before this Court on the following assignment of errors:

I. THE COURT OF APPEALS ERRED IN NOT FINDING THAT PRIVATE RESPONDENT CAUSED THE ISSUANCE OF A FOURTH "LEE" TRADEMARK IMITATING THAT OF THE PETITIONER'S ON MAY 5, 1989 OR MORE THAN EIGHT MONTHS AFTER THE BUREAU OF PATENT'S DECISION DATED *JULY 19, 1988*.

II. THE COURT OF APPEALS ERRED IN RULING THAT THE DEFENSE OF ESTOPPEL BY LACHES MUST BE RAISED IN THE PROCEEDINGS BEFORE THE BUREAU OF PATENTS, TRADEMARKS AND TECHNOLOGY TRANSFER.

III. THE COURT OF APPEALS ERRED WHEN IT CONSIDERED PRIVATE RESPONDENT'S PRIOR REGISTRATION OF ITS TRADEMARK AND DISREGARDED THE FACT THAT PRIVATE RESPONDENT HAD FAILED TO PROVE COMMERCIAL USE THEREOF BEFORE FILING OF APPLICATION FOR REGISTRATION.¹⁵

In addition, petitioner reiterates the issues it raised in the Court of Appeals:

I. THE ISSUE INVOLVED IN THIS CASE IS WHETHER OR NOT PETITIONER'S TRADEMARK SYTLISTIC MR. LEE, IS CONFUSINGLY SIMILAR WITH THE PRIVATE RESPONDENT'S TRADEMARK LEE OR LEE-RIDER, LEE-LEENS AND LEE-SURES.

II. PETITIONER'S EVIDENCES ARE CLEAR AND SUFFICIENT TO SHOW THAT IT IS THE PRIOR USER AND ITS TRADEMARK IS DIFFERENT FROM THAT OF THE PRIVATE RESPONDENT.

III. PETITIONER'S TRADEMARK IS ENTIRELY DIFFERENT FROM THE PRIVATE RESPONDENT'S AND THE REGISTRATION OF ITS TRADEMARK IS *PRIMA FACIE* EVIDENCE OF GOOD FAITH.

IV. PETITIONER'S "STYLISTIC MR. LEE" TRADEMARK CANNOT BE CONFUSED WITH PRIVATE RESPONDENT'S LEE TRADEMARK.¹⁶

Petitioner contends that private respondent is estopped from instituting an action for infringement before the BPTTT under the equitable principle of laches pursuant to Sec. 9-A of R.A. No. 166, otherwise known as the Law on Trade-marks, Trade-names and Unfair Competition:

Sec. 9-A. Equitable principles to govern proceedings. — In opposition proceedings and in all other inter partes proceedings in the patent office under this act, equitable principles of laches, estoppel, and acquiescence, where applicable, may be considered and applied.

Petitioner alleges that it has been using its trademark "STYLISTIC MR. LEE" since 1 May 1975, yet, it was only on 18 September 1981 that private respondent filed a petition for cancellation of petitioner's certificate of registration for the said trademark. Similarly, private respondent's notice of opposition to petitioner's application for registration in the principal register was belatedly filed on 27 July 1984.¹⁷

Private respondent counters by maintaining that petitioner was barred from raising new issues on appeal, the only contention in the proceedings below being the presence or absence of confusing similarity between the two trademarks in question.¹⁸

We reject petitioner's contention.

Petitioner's trademark is registered in the supplemental register. The Trademark Law (R.A. No. 166) provides that "marks and tradenames for the supplemental register shall not be published for or be subject to opposition, but shall be published on registration in the Official Gazette."¹⁹ The reckoning point, therefore, should not be 1 May 1975, the date of alleged use by petitioner of its assailed trademark but 27 October 1980,²⁰ the date the certificate of registration SR No. 5054 was published in the Official Gazette and issued to petitioner.

It was only on the date of publication and issuance of the registration certificate that private respondent may be considered "officially" put on notice that petitioner has appropriated or is using said mark, which, after all, is the function and purpose of registration in the supplemental register.²¹ The record is bereft of evidence that private respondent was aware of petitioner's trademark before the date of said publication and issuance. Hence, when private respondent instituted cancellation proceedings on 18 September 1981, less than a year had passed.

Corollarily, private respondent could hardly be accused of inexcusable delay in filing its notice of opposition to petitioner's application for registration in the principal register since said application was published only on 20 February 1984.²² From the time of publication to the time of filing the opposition on 27 July 1984 barely five (5) months had elapsed. To be barred from bringing suit

on grounds of estoppel and laches, the delay must be lengthy.²³

More crucial is the issue of confusing similarity between the two trademarks. Petitioner vehemently contends that its trademark "STYLISTIC MR. LEE" is entirely different from and not confusingly similar to private respondent's "LEE" trademark.

Private respondent maintains otherwise. It asserts that petitioner's trademark tends to mislead and confuse the public and thus constitutes an infringement of its own mark, since the dominant feature therein is the word "LEE."

The pertinent provision of R.A. No. 166 (Trademark Law) states thus:

Sec. 22. Infringement, what constitutes. — Any person who shall use, without the consent of the registrant, any reproduction, counterfeit, copy or colorable imitation of any registered mark or trade-name in connection with the sale, offering for sale, or advertising of any goods, business or services on or in connection with which such use is likely to cause confusion or mistake or to deceive purchasers or others as to the source or origin of such goods or services, or identity of such business; or reproduce, counterfeit, copy or colorably imitable any such mark or trade-name and apply such reproduction, counterfeit, copy, or colorable imitation to labels, signs, prints, packages, wrappers, receptacles or advertisements intended to be used upon or in connection with such goods, business or services; shall be liable to a civil action by the registrant for any or all of the remedies herein provided.

Practical application, however, of the aforesaid provision is easier said than done. In the history of trademark cases in the Philippines, particularly in ascertaining whether one trademark is confusingly similar to or is a colorable imitation of another, no set rules can be deduced. Each case must be decided on its own merits.

In *Esso Standard Eastern, Inc. v. Court of Appeals*,²⁴ we held:

. . . But likelihood of confusion is a relative concept; to be determined only according to the particular, and sometimes peculiar, circumstances of each case. It is unquestionably true that, as stated in *Coburn vs. Puritan Mills, Inc.*: "In trademark cases, even more than in other litigation, precedent must be studied in the light of the facts of the particular case."

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Likewise, it has been observed that:

In determining whether a particular name or mark is a "colorable imitation" of another, no all-embracing rule seems possible in view of the great number of factors which must necessarily be considered in resolving this question of fact, such as the class of product or business to which the article belongs; the product's quality, quantity, or size, including its wrapper or container; the dominant color, style, size, form, meaning of letters, words, designs and emblems used; the nature of the package, wrapper or container; the character of the product's purchasers; location of the business; the likelihood of deception or the mark or name's tendency to confuse; etc.²⁵

Proceeding to the task at hand, the essential element of infringement is colorable imitation. This term has been defined as "such a close or ingenious imitation as to be calculated to deceive ordinary purchasers, or such resemblance of the infringing mark to the original as to deceive an

ordinary purchaser giving such attention as a purchaser usually gives, and to cause him to purchase the one supposing it to be the other."²⁶

Colorable imitation does not mean such similitude as amounts to identity. Nor does it require that all the details be literally copied. Colorable imitation refers to such similarity in form, content, words, sound, meaning, special arrangement, or general appearance of the trademark or tradename with that of the other mark or tradename in their over-all presentation or in their essential, substantive and distinctive parts as would likely mislead or confuse persons in the ordinary course of purchasing the genuine article.²⁷

In determining whether colorable imitation exists, jurisprudence has developed two kinds of tests — the Dominancy Test applied in *Asia Brewery, Inc. v. Court of Appeals*²⁸ and other cases²⁹ and the Holistic Test developed in *Del Monte Corporation v. Court of Appeals*³⁰ and its proponent cases.³¹

As its title implies, the test of dominancy focuses on the similarity of the prevalent features of the competing trademarks which might cause confusion or deception and thus constitutes infringement.

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. . . If the competing trademark contains the main or essential or dominant features of another, and confusion and deception is likely to result, infringement takes place. Duplication or imitation is not necessary; nor it is necessary that the infringing label should suggest an effort to imitate. [C. Neilman Brewing Co. v. Independent Brewing Co., 191 F., 489, 495, *citing* Eagle White Lead Co., vs. Pflugh (CC) 180 Fed. 579]. The question at issue in cases of infringement of trademarks is whether the use of the marks involved would be likely to *cause confusion or mistakes in the mind of the public or deceive purchasers*. (Auburn Rubber Corporation vs. Honover Rubber Co., 107 F. 2d 588; . . .)³²

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On the other side of the spectrum, the holistic test mandates that the entirety of the marks in question must be considered in determining confusing similarity.

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In determining whether the trademarks are confusingly similar, a comparison of the words is not the only determinant factor. The trademarks in their entirety as they appear in their respective labels or hang tags must also be considered in relation to the goods to which they are attached. The discerning eye of the observer must focus not only on the predominant words but also on the other features appearing in both labels in order that he may draw his conclusion whether one is confusingly similar to the other.³³

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Applying the foregoing tenets to the present controversy and taking into account the factual circumstances of this case, we considered the trademarks involved as a whole and rule that petitioner's "STYLISTIC MR. LEE" is not confusingly similar to private respondent's "LEE" trademark.

Petitioner's trademark is the whole "STYLISTIC MR. LEE." Although on its label the word "LEE" is prominent, the trademark should be considered as a whole and not piecemeal. The

dissimilarities between the two marks become conspicuous, noticeable and substantial enough to matter especially in the light of the following variables that must be factored in.

First, the products involved in the case at bar are, in the main, various kinds of jeans. These are not your ordinary household items like catsup, soy sauce or soap which are of minimal cost. Maong pants or jeans are not inexpensive. Accordingly, the casual buyer is predisposed to be more cautious and discriminating in and would prefer to mull over his purchase. Confusion and deception, then, is less likely. In *Del Monte Corporation v. Court of Appeals*,³⁴ we noted that:

. . . Among these, what essentially determines the attitudes of the purchaser, specifically his inclination to be cautious, is the cost of the goods. To be sure, a person who buys a box of candies will not exercise as much care as one who buys an expensive watch. As a general rule, an ordinary buyer does not exercise as much prudence in buying an article for which he pays a few centavos as he does in purchasing a more valuable thing. Expensive and valuable items are normally bought only after deliberate, comparative and analytical investigation. But mass products, low priced articles in wide use, and matters of everyday purchase requiring frequent replacement are bought by the casual consumer without great care. . . .

Second, like his beer, the average Filipino consumer generally buys his jeans by brand. He does not ask the sales clerk for generic jeans but for, say, a Levis, Guess, Wrangler or even an Armani. He is, therefore, more or less knowledgeable and familiar with his preference and will not easily be distracted.

Finally, in line with the foregoing discussions, more credit should be given to the "ordinary purchaser." Cast in this particular controversy, the ordinary purchaser is not the "completely unwary consumer" but is the "ordinarily intelligent buyer" considering the type of product involved.

The definition laid down in *Dy Buncio v. Tan Tiao Bok*³⁵ 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."

There is no cause for the Court of Appeal's apprehension that petitioner's products might be mistaken as "another variation or line of garments under private respondent's 'LEE' trademark".³⁶ As one would readily observe, private respondent's variation follows a standard format "*LEERIDERS*," "*LEESURES*" and "*LEELEENS*." It is, therefore, improbable that the public would immediately and naturally conclude that petitioner's "*STYLISTIC MR. LEE*" is but another variation under private respondent's "*LEE*" mark.

As we have previously intimated the issue of confusing similarity between trademarks is resolved by considering the distinct characteristics of each case. In the present controversy, taking into account these unique factors, we conclude that the similarities in the trademarks in question are not sufficient as to likely cause deception and confusion tantamount to infringement.

Another way of resolving the conflict is to consider the marks involved from the point of view of what marks are registrable pursuant to Sec. 4 of R.A. No. 166, particularly paragraph 4 (e):

CHAPTER II-A. — *The Principal Register*
(Inserted by Sec. 2, Rep. Act No. 638.)

Sec. 4. Registration of trade-marks, trade-names and service-marks on the principal register. — There is hereby established a register of trade-marks, trade-names and service-marks which shall be known as the principal register. The owner of a trade-mark, trade-name or service-mark used to distinguish his goods, business or services from the goods, business or services of others shall have the right to register the same on the principal register, unless it:

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(e) Consists of a mark or trade-name which, when applied to or used in connection with the goods, business or services of the applicant is merely descriptive or deceptively misdescriptive of them, or when applied to or used in connection with the goods, business or services of the applicant is primarily geographically descriptive or deceptively misdescriptive of them, *or is primarily merely a surname*; (Emphasis ours.)

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"LEE" is primarily a surname. Private respondent cannot, therefore, acquire exclusive ownership over and singular use of said term.

. . . It has been held that a personal name or surname may not be monopolized as a trademark or tradename as against others of the same name or surname. For in the absence of contract, fraud, or estoppel, any man may use his name or surname in all legitimate ways. Thus, "Wellington" is a surname, and its first user has no cause of action against the junior user of "Wellington" as it is incapable of exclusive appropriation.³⁷

In addition to the foregoing, we are constrained to agree with petitioner's contention that private respondent failed to prove prior actual commercial use of its "LEE" trademark in the Philippines before filing its application for registration with the BPTTT and hence, has not acquired ownership over said mark.

Actual use in commerce in the Philippines is an essential prerequisite for the acquisition of ownership over a trademark pursuant to Sec. 2 and 2-A of the Philippine Trademark Law (R.A. No. 166) which explicitly provides that:

CHAPTER II. Registration of Marks and Trade-names.

Sec. 2. What are registrable. — Trade-marks, trade-names, and service marks owned by persons, corporations, partnerships or associations domiciled in the Philippines and by persons, corporations, partnerships, or associations 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. (*As amended.*) (Emphasis ours.)

Sec. 2-A. Ownership of trade-marks, trade-names and service-marks; how acquired. — *Anyone who lawfully produces or deals in merchandise of any kind*

or who engages in lawful business, or who renders any lawful service in commerce, by actual use hereof in manufacture or trade, in business, and in the service rendered; may appropriate to his exclusive use a trade-mark, a trade-name, or a service-mark not so appropriated by another, to distinguish his merchandise, business or services from others. The ownership or possession of trade-mark, trade-name, service-mark, heretofore or hereafter appropriated, as in this section provided, shall be recognized and protected in the same manner and to the same extent as are other property rights to the law. (As amended.) (Emphasis ours.)

The provisions of the 1965 Paris Convention for the Protection of Industrial Property³⁸ relied upon by private respondent and Sec. 21-A of the Trademark Law (R.A. No. 166)³⁹ were sufficiently expounded upon and qualified in the recent case of *Philip Morris, Inc. v. Court of Appeals*:⁴⁰

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Following universal acquiescence and comity, our municipal law on trademarks regarding the requirement of actual use in the Philippines must subordinate an international agreement inasmuch as the apparent clash is being decided by a municipal tribunal (Mortisen vs. Peters, Great Britain, High Court of Judiciary of Scotland, 1906, 8 Sessions, 93; Paras, International Law and World Organization, 1971 Ed., p. 20). Withal, the fact that international law has been made part of the law of the land does not by any means imply the primacy of international law over national law in the municipal sphere. Under the doctrine of incorporation as applied in most countries, rules of international law are given a standing equal, not superior, to national legislative enactments.

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In other words, (a foreign corporation) may have the capacity to sue for infringement irrespective of lack of business activity in the Philippines on account of Section 21-A of the Trademark Law but the question of whether they have an exclusive right over their symbol as to justify issuance of the controversial writ will depend on actual use of their trademarks in the Philippines in line with Sections 2 and 2-A of the same law. It is thus incongruous for petitioners to claim that when a foreign corporation not licensed to do business in the Philippines files a complaint for infringement, the entity need not be actually using its trademark in commerce in the Philippines. Such a foreign corporation may have the personality to file a suit for infringement but it may not necessarily be entitled to protection due to absence of actual use of the emblem in the local market.

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Undisputably, private respondent is the senior registrant, having obtained several registration certificates for its various trademarks "LEE," "LEERIDERS," and "LEESURES" in both the supplemental and principal registers, as early as 1969 to 1973.⁴¹ However, registration alone will not suffice. In *Sterling Products International, Inc. v. Farbenfabriken Bayer Aktiengesellschaft*,⁴² we declared:

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A rule widely accepted and firmly entrenched because it has come down through the years is that actual use in commerce or business is a prerequisite in the acquisition of the right of ownership over a trademark.

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It would seem quite clear that adoption alone of a trademark would not give exclusive right thereto. Such right "grows out of their actual use." Adoption is not use. One may make advertisements, issue circulars, give out price lists on certain goods; but these alone would not give exclusive right of use. For trademark is a creation of use. The underlying reason for all these is that purchasers have come to understand the mark as indicating the origin of the wares. Flowing from this is the trader's right to protection in the trade he has built up and the goodwill he has accumulated from use of the trademark. Registration of a trademark, of course, has value: it is an administrative act declaratory of a pre-existing right. *Registration does not, however, perfect a trademark right.* (Emphasis ours.)

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To augment its arguments that it was, not only the prior registrant, but also the prior user, private respondent invokes Sec. 20 of the Trademark Law, thus:

Sec. 20. Certificate of registration *prima facie* evidence of validity. — A certificate of registration of a mark or tradename shall be a *prima facie* evidence of the validity of the registration, the registrant's ownership of the mark or trade-name, and of the registrant's exclusive right to use the same in connection with the goods, business or services specified in the certificate, subject to any conditions and limitations stated therein.

The credibility placed on a certificate of registration of one's trademark, or its weight as evidence of validity, ownership and exclusive use, is qualified. A registration certificate serves merely as *prima facie* evidence. It is not conclusive but can and may be rebutted by controverting evidence.

Moreover, the aforequoted provision applies only to registrations in the principal register.⁴³ Registrations in the supplemental register do not enjoy a similar privilege. A supplemental register was created precisely for the registration of marks which are not registrable on the principal register due to some defects.⁴⁴

The determination as to who is the prior user of the trademark is a question of fact and it is this Court's working principle not to disturb the findings of the Director of Patents on this issue in the absence of any showing of grave abuse of discretion. The findings of facts of the Director of Patents are conclusive upon the Supreme Court *provided* they are supported by substantial evidence.⁴⁵

In the case at bench, however, we reverse the findings of the Director of Patents and the Court of Appeals. After a meticulous study of the records, we observe that the Director of Patents and the Court of Appeals relied mainly on the registration certificates as proof of use by private respondent of the trademark "LEE" which, as we have previously discussed are not sufficient. We cannot give credence to private respondent's claim that its "LEE" mark first reached the Philippines in the 1960's through local sales by the Post Exchanges of the U.S. Military Bases in the Philippines⁴⁶ based as it was solely on the self-serving statements of Mr. Edward Poste, General Manager of Lee (Phils.), Inc., a wholly owned subsidiary of the H.D. Lee, Co., Inc., U.S.A., herein private respondent.⁴⁷ Similarly, we give little weight to the numerous vouchers representing various advertising expenses in the Philippines for "LEE" products.⁴⁸ It is well to note that these expenses were incurred only in 1981 and 1982 by LEE (Phils.), Inc. after it entered into a licensing agreement with private respondent on 11 May 1981.⁴⁹

On the other hand, petitioner has sufficiently shown that it has been in the business of selling jeans and other garments adopting its "STYLISTIC MR. LEE" trademark since 1975 as evidenced by appropriate sales invoices to various stores and retailers.⁵⁰

Our rulings in *Pagasa Industrial Corp. v. Court of Appeals*⁵¹ and *Converse Rubber Corp. v. Universal Rubber Products, Inc.*,⁵² respectively, are instructive:

The Trademark Law is very clear. It requires actual commercial use of the mark prior to its registration. There is no dispute that respondent corporation was the first registrant, yet it failed to fully substantiate its claim that it used in trade or business in the Philippines the subject mark; it did not present proof to invest it with exclusive, continuous adoption of the trademark which should consist among others, of considerable sales since its first use. The invoices submitted by respondent which were dated way back in 1957 show that the zippers sent to the Philippines were to be used as "samples" and "of no commercial value." The evidence for respondent must be clear, definite and free from inconsistencies. "Samples" are not for sale and therefore, the fact of exporting them to the Philippines cannot be considered to be equivalent to the "use" contemplated by law. Respondent did not expect income from such "samples." There were no receipts to establish sale, and no proof were presented to show that they were subsequently sold in the Philippines.

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The sales invoices provide the best proof that there were actual sales of petitioner's product in the country and that there was actual use for a protracted period of petitioner's trademark or part thereof through these sales.

For lack of adequate proof of actual use of its trademark in the Philippines prior to petitioner's use of its own mark and for failure to establish confusing similarity between said trademarks, private respondent's action for infringement must necessarily fail.

WHEREFORE, premises considered, the questioned decision and resolution are hereby REVERSED and SET ASIDE.

SO ORDERED.

Bellosillo and Hermosisima, Jr., JJ., concur.

Separate Opinions

PADILLA, *J.*, dissenting:

I dissent. I vote deny the petition; I agree with BPTTT and the CA that petitioner's trademark "STYLISTIC MR. LEE" is confusingly similar to private respondent's earlier registered trademarks "LEE" or "LEE RIDER, LEE-LEENS and LEE-SURES" such that the trademark "STYLISTIC MR. LEE" is an infringement of the earlier registered trademarks.

FOOTNOTES:

1 *Rollo*, pp. 3, 27, 53.

2 *Id.*, at 27, 55.

3 *Id.*, at 27, 54.

4 *Id.*, at 3, 27.

5 *Id.*, at 54.

6 *Ibid.*

7 *Id.*, at 39.

8 *Id.*, at 38.

9 *Id.*, at 4.

10 *Id.*, at 42.

11 *Id.*, at 33.

12 *Id.*, at 31-33.

13 *Id.*, at 175.

14 *Id.*, at 23-25.

15 *Id.*, at 7, 14-15.

16 *Ibid.*

17 *Id.*, at 12, 158.

18 *Id.*, at 193.

19 The whole paragraph reads as follows:

Chapter IV-A. — The supplemental register.

Sec. 19-A.

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Marks and trade-names for the supplemental register shall not be published for or be subject to opposition, but shall be published on registration in the *Official Gazette*. Whenever any person believes that he is or will be damaged by the registration of a mark or trade-name on this register, he may at any time apply to the director to cancel such registration. Upon receiving the application, the director shall give notice thereof to the registrant. If it is found after a hearing that the registrant was not entitled to register the mark at the time of his application for registration thereof, or that the mark was not used by the registrant or has been abandoned, the registration shall be cancelled by the director.

20 *Supra*, see Note 1.

21 Sec. 19-A, R.A. No. 166; *La Chemise Lacoste, S.A. v. Fernandez*, 129 SCRA 373 (1984).

22 *Supra*, see Note 4.

23 Ruben Agpalo, *Trademark Law & Practice in the Philippines*, 1990, p. 32, *citing* *La Insular v. Jao Oge*, 47 Phil. 75, (1924); *La Insular v. Yu So*, 45 Phil. 398 (1923).

24 116 SCRA 336 (1982).

25 Jaime N. Salazar, *Trademarks and Tradenames*, 55 SCRA 422 (1974); *See also* *Colorable Imitation of Trademarks, Tradenames, Labels, Packages, Wrappers, etc.*, 16 SCRA 502 (1966).

26 *Etepha v. Director of Patents*, 16 SCRA 495 (1966).

27 Ruben Agpalo, *Trademark Law & Practice in the Philippines*, 1990, p. 41.

28 224 SCRA 437 (1993).

29 *Co Tiong v. Director of Patents*, 95 Phil. 1 (1954); *Lim Hoa v. Director of Patents*, 100 Phil. 214 (1956); *American Wire & Cable Co. v. Director of Patents*, 31 SCRA 544 (1970); *Phil. Nut Industry, Inc. v. Standard Brands, Inc.*, 65 SCRA 575 (1975); *Converse Rubber Corp. v. Universal Rubber Products, Inc.*, 147 SCRA 154 (1987).

30 181 SCRA 410 (1990).

31 *Mead Johnson & Co. v. N.V.J. Van Dorp, Ltd.*, 7 SCRA 771 (1963); *Bristol Myers Co. v. Director of Patents*, 17 SCRA 128 (1966); *Fruit of the Loom, Inc. v. CA*, 133 SCRA 405 (1984).

32 *Supra*, see note 28.

33 *Fruit of the Loom, Inc. v. CA*, *supra*, see note 31.

34 *Supra*, see note 30.

35 42 Phil. 190 (1921).

36 *Supra*, see note 12.

37 Ruben Agpalo, *Trademark Law and Practice in the Philippines*, 1990, p. 18, *citing* *Ang Si Heng v. Wellington Dept. Store, Inc.*, 92 Phil. 448 (1953).

38 The Philippines became a signatory thereto on 27 September 1965.

The Paris Convention is essentially a compact among the various member countries to accord in their own countries to citizens of the other contracting parties trademark and other rights comparable to those accorded their own citizens by their domestic laws. The underlying principle is that foreign nationals should be given the same treatment in each of the member countries as that country makes available to its own citizens. In addition the Convention sought to create uniformity in certain respects by obligating each nation assure to nationals of countries of the Union an effective protection against unfair competition. (Ruben Agpalo, *Trademark Law And Practice in the Philippines*, 1990, pp. 200-201.)

39 Sec. 21-A. Any foreign corporation or juristic person to which a mark or trade-name has been registered or assigned under this Act may bring an action hereinunder for infringement, for unfair competition, or false designation of origin and false description, whether or not it has been licensed to do business in the Philippines under Act Numbered Fourteen hundred and fifty-nine, as amended, otherwise known as the Corporation Law, at the time it brings complaint: *Provided*, That the country of which the said foreign or juristic person is a citizen, or in which it is domiciled, by treaty, convention or law, grants a similar privilege to corporate or juristic persons of the Philippines. (As amended.)

40 224 SCRA 576 (1993).

41 *Rollo*, p. 170; Exhibits A, B, C, & C-1.

42 27 SCRA 1214 (1969); Reiterated in *Kabushi Kaisha Isetan v. Intermediate Appellate Court*, 203 SCRA 583 (1991).

43 *La Chemise Lacoste, S.A. v. Fernandez*, 129 SCRA 373 (1984).

44 *Ibid*.

45 *Unno Commercial Enterprises, Inc. v. General Milling Corp.*, 120 SCRA 804 (1983); *Kabushi Kaisha Isetan v. Intermediate Appellate Court*, 203 SCRA 583 (1991).

46 *Rollo*, p. 177.

47 Original Records, p. 52.

48 Exhibits F-1 to F-59.

49 Exhibit E.

50 Exhibits 1-e to 1-o.

51 118 SCRA 526 (1982).

52 147 SCRA 154 (1987).