

GILES ENTERPRISES, INC.,	}	Inter Partes Case No. 4310
<i>Petitioner</i>	}	Petition for Cancellation:
	}	
-versus-	}	Reg. No. : 56572
	}	Issued on : 3 December 1993
	}	Tradename : "CHESTER
	}	FRIED & DEVICE"
KCC FOODS CORPORATION,	}	
<i>Respondent-Registrant.</i>	}	
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DECISION

Inter Partes Case No. 4310 is a petition to cancel the mark "Chester Fried and Device" covered by Certificate of Registration No. 56572 in the name of Jacobo Santos but which was subsequently assigned to Respondent-Registrant, KCC Food Corporation, a domestic enterprise. The Petitioner is Giles Enterprises, Inc., a corporation with headquarters in Alabama, USA.

The antecedent facts are as follows:

On December 3, 1993, a Certificate of Registration was issued by the then Bureau of Patents, Trademarks and Technology Transfer (BPTTT) for the tradename "CHESTER FRIED", for a restaurant specializing in Fried chicken products, in favor of Jacobo Santos. Prior to this, on November 29, 1993, Jacobo Santos executed a Deed of Assignment of the mark in favor of Respondent-Registrant KCC Foods in consideration of the amount of seventy-four thousand pesos (P74, 000.00).

Petitioner filed the Petitioner for Cancellation based on the following grounds:

- "1. The registration was obtained fraudulently by Respondent-Registrant KCC Foods Corporation, and/or its assignor, Mr. Jacobo L. Santos.
- "2. Respondent-Registrant and/or assignor is not the true and lawful owner and first user of the mark and the registration was accordingly secured contrary to the provisions of Section 4 and 17 of Republic Act No. 166, as amended and Rules 44(g) and 45 of the Revised Rules and Practice in Trademark Cases;
- "3. The registration of the trademark "CHESTER FRIED AND DEVICE" in the name of Respondent-Registrant and/or assignor will likely mislead the public into believing that Respondent-Registrant is related to Petitioner or that Respondent-Registrant is under the sponsorship of Petitioner;
- "4. The registration of the trademark "CHESTER FRIED AND DEVICE" in the name of Respondent-Registrant and/or its assignor amounts to an infringement of Petitioner's trademark which is entitled to protection under Section 37 of the Trademark Law and the Memorandum issued by then Minister of Trade Roberto Ongpin, pursuant to his rule making authority under Executive Order No. 913, now embodied under Rule 44 (g) and 45 of the Revised Rules of Practice in Trademark Cases;
- "5. The cancellation is authorized by other provisions of Republic Act No. 166, as amended.

In its Petitioner, Giles Enterprises averred that it is directly of through franchise agreements operating a restaurant/fast food under the name "Chester Fried" in various parts of

the world since March 1985. Giles Enterprises Vice President David Byrd presented to this Office a list of franchisees and distributors, and also photographs, attesting to the existence of actual operations of the restaurant. Byrd added that the mark was registered in among others, in the United States of America on September 23, 1986 and an application for registration was filed on September 24, 1993 at the then BPTTT.

Petitioner likewise assailed the fraudulent manner by which the trademark was acquired by the Respondent-Registrant in that Petitioner and Respondent-Registrant were already concluding talks on the possibility of the Respondent-Registrant becoming the franchisee of Chester Fried in the Philippines once Petitioner is able to obtain the ownership of the mark from Jacobo Santos. Petitioner contended that it had been negotiating with Santos for the assignment of the subject trademark registration in its favor, a fact known to the Respondent-Registrant, when latter annexed for itself the assignment of the mark.

Finally, petitioner asseverated that Respondent-Registrant had never used the mark as attested to by witness Stephen Vacal who conducted an investigation and came out with that there was no business enterprise pertaining to Chester Fried nor has it ever occupied a stall in Ever Gotesco, which is in contrast to the claim of Respondent-Registrant that it had actually commenced and operated a fried chicken outlet. What Vacal found was the existence of Mickey's D's, a bakery in the aforementioned location.

In its Answer, Respondent-Registrant alleged that registration of the mark by its assignor was in accordance with Republic Act 166 and the assignment was made pursuant to the law.

On the manner of the use of the mark, Respondent-Registrant averred that it has commercially utilized the trademark and built a goodwill and reputation for the said mark in the Philippines, Respondent-Registrant presented photographs attesting to the existence of the business (Exhibits 5,6,7,7-a, 8, 8-a) and sales invoices containing particulars pertaining to the various individual sales of Chester Fried Chicken inside the Mickey's D's food stalls (Exhibits 10,11,12,13,14,15,16,17,18,19,20,21,22 and 23). Respondent-Registrant explained that it entered into an agreement with Golden Dragon Food Services Co. which allowed the latter to use the trademark Chester Fried. During the hearing, Respondent-Registrant presented the Secretary's Certificate issued by KCC Foods which contained the resolution of the Board to allow the same (Exhibit 32).

On the matter of the alleged wrongful acquisition of the mark, Respondent-Registrant clarified that it did not defraud Petitioner when it acquired the assignment of the registration of the mark because Respondent-Registrant does not need the consent or authority of the petitioner Giles Enterprises since the latter is not the registered owner of the trademark in the Philippines and its claim for ownership is just an allegation.

Respondent-Registrant alleges that petitioner has no cause of action against it because the latter had not been damaged by the continuous use by Respondent-Registrant of its mark since it had never used its mark, nor sold, manufactured or imported fried chicken bearing the mark Chester Fried in the Philippines.

Respondent-Registrant likewise, avers that the cause of action for cancellation is barred by *laches estoppel* and acquisition for having filed the petition only on October 14, 1997 or more than 10 years from the date of first use by Respondent-Registrant of the mark on April 14, 1987 or almost 5 years from issuance of Certificate of Registration. Moreover, Petitioner did not file an opposition on or before issuance of the said registration on December 3, 1993.

Respondent-Registrant asserted that the principle of territoriality of trademark should be applied in this case in that it has registered the mark in the Philippines and that, without admitting as a fact, registration by the petitioner of the mark in the USA does not prevent them from having a valid registration in the Philippines.

The only issue to be resolved in this case is:

WHETHER OR NOT REGISTRATION NO. 56572 FOR CHESTER FRIED & DEVICE ISSUED IN FAVOR OF KCC FOODS CORPORATION SHOULD BE CANCELLED UNDER THE PROVISIONS OF THE INTELLECTUAL PROPERTY CODE.

The Petitioner claim protection in the Philippines based on its foreign registration, however, the law of trademarks rest upon the doctrine of nationality or territoriality. The scope of protection is determined by the law of the country in which protection is sought and international agreements for protection of intellectual property are predicated upon the same principle. The use required as the foundation of the trademark rights refers to local use and not abroad. (2 Callman, Unfair Competition and Trademarks, Par. 764, P 1006)

The Petitioner failed to show proof that its trademark "CHESTERFRIED" is actually being used in the Philippines. The trademark application it filed on September 24, 1993 bearing Serial No. 88369 is still under process with the Bureau of Trademark (BOT).

In the case of Sterling products International vs. Farbenfabriken A.G., 44 SCRA 1226, the Supreme Court said:

"x x x The United Sates is not the Philippines. Registration in the United States is NOT registration in the Philippines x x x Plaintiff itself concedes that the principle of territoriality of trademark law has been recognized in the Philippines. Accordingly, the registration of the trademark "BAYER" in the United Sates would not itself afford plaintiff protection for use by the defendant in the Philippines of the same trademark for the same or different goods."

Moreover, the claim of the Petitioner that its mark is internationally well-known has no legal basis. First, as previously stated, Petitioner's mark "CHESTERFRIED" is not one of those well-known marks in the MEMORANDUM No. 20 dated 20 November 1980 of the Minister of Trade, Honorable LUIS R. VILLAFUERTE. Thus, it cannot invoke the case of La Chemise Lacoste, S.A. vs. Fernandez, 129 SCRA 375 which involved the right to use "LACOSTE" which was one of the mentioned well-known marks in the said Memorandum. Besides, La Chemise Lacoste, S.A. has actually used the mark "LACOSTE" in the Philippines, while the herein Petitioner fail to substantiate any proof of evidence that it is actually using the mark in the Philippines, except its trademark application in the Philippines filed in 1993 which is still pending with the Bureau of Trademarks (BOT). Neither can it invoke Article 6bis of the Paris Convention which provides:

"(1) The countries of the Union undertake, either administratively if their legislation so permits, or at the request of an interested party, to refuse or to cancel the registration and to prohibit the use of a trademark which constitutes a reproduction, imitation or translation, liable to create confusion of a mark considered by the competent authority of the country of registration or use to be well-known in that country as being already the mark of a person entitled to the benefits of the present convention and used for identical or similar goods."

Pursuant to the Article 6bis, a determination by a competent authority of the fact that a mark is internationally well-known has to be made. As previously discussed, "CHESTERFRIED" not being one of the marks as internationally well-known such determination must be exercised by the Director of Bureau of Legal Affairs (BLA)/ the Director General of the Intellectual Property Philippines (IPP) as the case may be through their adjudicatory powers.

Respondent-Registrant's contend that the present Petition to Cancel subject trademark registration is already barred by laches, estoppel and acquiescence.

The applicable provision of law is Section 9-A of Republic Act 166 which states that:

“Sec. 9-A: Equitable principle to govern proceeding – In opposition proceeding 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.”

The Supreme Court enlightened us on the nature of laches in the following cases, thus:

“Laches is defined as XXX the failure or neglect, for an unreasonable length of time to do that which exercising due negligence could or should have done earlier, it is negligence or omission to assert a right within a reasonable time warranting a presumption that the party entitled to assert it either has abandoned it or declined to assert it XXX; (China v. Court of Appeals, G.R. No. 59731, 181 SCRA, 17, 1990);

“It appears that it was only more than seven (7) years when Respondent-Registrant sought the cancellation of the trademark. An unreasonable length of time had already passed before Respondent-Registrant asserted its right to the trademark. There is a presumption of neglect already amounting to abandonment of a right after a party had remained silent for quite a long time during which petitioner had been openly using trademark in question. Such inaction on the part of Respondent-Registrant entitles petitioner to the equitable principle of laches (ibid).”

“It is precisely the intention of the law, including a provision on equitable principle to protect only the vigilant, not those guilty of laches. It is most unfair if at anytime, a previous registrant, even after a lapse of more than five (5) years, can ask for the cancellation of a similar or the same trademark, the registration of which was never opposed by the prior registrant. (Pag-Asa Industrial Corp. vs. Court of Appeals, L-54158, 1118 SCRA 526, 533-534, 1982).”

We find the cited provision of the law and jurisprudence to be applicable to the case at hand.

Records show that in the instant case, petitioner filed its petition to cancel Respondent-Registrant's certificate of registration on October 3, 1997 or more than ten (10) years from use of the Respondent-Registrant's trademark Chester fried on April 14, 1987 and about five (5) years from issuance of Respondent-Registrant's certificate of registration on December 3, 1993.

Records show that in the instant case, petitioner filed its petition to cancel Respondent-Registrant's certificate of registration on October 3, 1997 or more than ten (10) years from use of the Respondent-Registrant's trademark Chester fried on April 14, 1987 and about five (5) years from issuance of Respondent-Registrant's certificate of registration on December 3, 1993.

Moreover, the allegation by Petitioner that registration of the mark was fraudulently secured by Respondent-Registrant is untenable. First, there was no showing whatsoever that registrant Jacobo Santos deceived the Office as to the truthfulness or authenticity of documents he had submitted and which would have been the basis for the grant of his certificate of registration. Second, while it may be true that Respondent-Registrant sought the assignment of his certificate of registration without the consent of the Petitioner, this could hardly be the kind of fraud specified in Sec. 17(c) or Republic Act No. 166 which will affect the validity of the registration. Besides, no evidence was presented by Petitioner to show that fraud was indeed committed by herein Respondent-Registrant when it secured the assignment of registration as

Petitioner is neither the registrant nor owner of the mark "CHESTER FRIED & DEVICE" in the Philippines. The aforementioned provision states:

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

xxx

c. That the registration was obtained fraudulently or contrary to the provision of Section four (4) chapter II thereof."

Section 4, Chapter II, pertains to trademarks, which cannot be registered in the Principal Register because they are among others, immoral, deceptive, scandalous, consists of a name identifying a particular living individual and the like.

On the allegation on non-use of the mark, we are convinced that Respondent-Registrant commenced the use of the mark Chester Fried commercially, that is, in food stores or stalls, as shown by the evidence submitted by Respondent-Registrant consisting of sales invoices and photographs, among others, indicating commercialization of the product. The findings of witness for the prosecution that a Mickey D's food stall instead of Chester Fried store occupied a space in a particular that a specified in the pleadings was negated by the exhibits offered by petitioner and evidence to reveal the fact that Mickey D's was allowed by Respondent-Registrant to utilize the Chester Fried trademark and sell the fried chicken bearing said mark.

Claiming that it had sustained damages by the malicious filing of this petition, Respondent-Registrant prays that this Office award damages on the following grounds:

1. Petitioner was able to convince Respondent-Registrant to buy from petitioner cooking equipments worth \$82,400.00 (Exhibits 30 and 31) as well as spend for the hauling of said equipments;
2. Respondent-Registrant was distributed in its business operation and lost business opportunities since 1997 worth P25, 000.00;
3. If registration is cancelled, it will lose the amount of P74, 000.00 which they paid as consideration of the acquisition of the mark;
4. If sustained, actual damages in litigation in the amount of P20, 000.00 and attorney's fees of P200, 000.00

We do not find justification in the claim for damages by Respondent-Registrant. There is no showing of malice or bad faith in the sale of petitioner of cooking equipment as the negotiations were made in the context that it had chosen Respondent-Registrant to be its franchisee and therefore the equipments would be necessary implements in their proposed line of business.

The allegation that the Respondent-Registrant was distributed in the course of operating its business is likewise untenable because as registrant-Respondent-Registrant and thereby possessing a presumption of ownership over the mark, it could not be prevented from putting up its own stores. Further, the testimony of witness indicates that Respondent-Registrant was able to carry on trade, thus:

"Atty. Manto: So you were not able to operate as Chester Fried. So how did you operate? Did you operate at all?"

Witness: Yes.

Atty. Manto: How?

Witness: Through our branches. *So parang meron kami doong booth lang na Chester Fried product lang.*" (TSN, Sep. 23, 2004, p. 3)

We find the claim for actual damages in litigation, attorney's fees, likewise, without basis.

In *Tiu Po v Bautista* (103 SCRA 388), the Court said that:

"A Claim of attorney's fees which arises out of the filing of a complaint partakes of the nature of a compulsory counterclaim. Therefore, it is not pleaded or prayed for in the answer for the complaint is barred."

A perusal of Respondent-Registrant's Answer dated October 24, 1997 shows that Respondent-Registrant did not pray for recovery of damages or claim for attorney's fees.

Moreover, Article 2208 of the Civil Code provides that attorney's fees and expenses of litigation, other than judicial costs, cannot be recovered in the absences of stipulation and with the exception of those enumerated under the aforementioned articles. Not only did Respondent-Registrant fail to specify the particular basis from among those listed under the exceptions which would serve as justification for its claim but it also apparent that circumstances proved in this case do not fall under any of those exceptions.

In view of the foregoing, the subject Petition for Cancellation is hereby DENIED. Accordingly, the registration in favor of Jacobo Santos subsequently assigned to KCC Foods Corporation of Certificate of Registration No. 56572 in the Principal Register of the mark "CHESTER FRIED AND DEVICE" remains VALID and SUBSISTING for the duration of its term unless cancelled by operation of law. Consequently, the claim by Respondent-Registrant for damages and Attorney's fees is hereby DENIED.

Let the file wrappers of "CHESTER FRIED AND DEVICE" subject matter of the instant case be forwarded to the Administrative, Financial and Human Resource Development Services Bureau for appropriate action in accordance with this Decision with a copy thereof to be furnished the Bureau of Trademarks for information and update of its record.

SO ORDERED.

Makati City, 21 April 2006.

ESTRELLITA BELTRAN-ABELARDO
Director
Bureau of Legal Affairs