

KUNNAN ENTERPRISES, INC.,
Petitioner/Opposer

Inter Partes Case No. 3709
Petition for Cancellation of:

Reg'n . No. : 41032
Date Issued : September 2, 1988
Used For : sporting goods
Trademark : "Pro-Kennex"

Inter Partes Case No. 3710
Petition for Cancellation of:

Reg'n . No. : SR 6663
Date Issued : November 2, 1984
Used For : sporting goods, etc.,
Trademark : "Pro-Kennex"

Inter Partes Case No. 3811
Petition for Cancellation of:

Reg'n . No. : 40326
Date Issued : August 12, 1988
Used For : tennis rackets,
squash racket, racketball
rackets, badminton rackets
and fishing rods.
Trademark : "Pro-Kennex"

Inter Partes Case No. 3812
Petition for Cancellation of:

Reg'n. No. : 39254
Date Issued : June 13, 1988
Used For : Handbags, travelling
bags and trunks .
Trademark : "Pro-Kennex"

Inter Partes Case No. 3813
Petition for Cancellation of:

Reg'n . No. : 4730
Date Issued : May 23, 1980
Used For : Tennis Racket,
Pelota racket, ping pong,
tennis etc .
Trademark : "Pro-Kennex"

-versus-

Inter Partes Case No. 3814
Petition for Cancellation of:

Reg'n. No. : 49998
Date Issued : January 4, 1983
Used For : All kinds of
sportswear, sports jackets
towels
Trademark : "Pro-Kennex "

Inter Partes Case No. 4101
Opposition to

App'n. Serial No. : 84565
Date Filed : February 23, 1983
Used For : sports bicycles and
motorcycles
Trademark : "Pro-Kennex"

Inter Partes Case No. 4102
Opposition to:

App'l'n. Serial No. : 84566
Date Issued : February 23, 1993
Used For : Golf, golf balls, golf
Bags and golf gloves
Trademark : "Pro-Kennex"

SUPERIOR COMMERCIAL
ENTERPRISES, INC.,
Respondent-Applicant.

Decision No. 2003-35

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DECISION

This pertains to Inter Partes Case Nos. 4101 and 4102 which were consolidated with IPC Nos. 3709, 3710, 3811, 3812, 3813 and 3814.

These consolidated cases involved the same parties and the same subject matter which is the trademark "PRO-KENNEX". The Petitioner/Opposer is KUNNAN ENTERPRISES, INC., a corporation organized and existing under the laws of TAIWAN, Republic of China, with offices at No. 33 HSIANG HO ROAD, LEE LIN VILLAGE, TAN TIU, TAICHUNG, Republic of China while the Respondent-Registrant/Applicant, in the above-entitled cases is "SUPERIOR COMMERCIAL ENT., INC., a corporation organized and existing under the laws of the Philippines with offices at No. 74 TIMOG AVENUE, Quezon City.

The common grounds for the Petition for Cancellation are as follows:

- "1. The registration and assignment of the trademarks was obtained fraudulently by Respondent.
- "2. Respondent, who is a mere distributor of Petitioner, obtained the registrations and assignments of the trademark in violation of the term of its Distributorship Agreement with the Petitioner dated June 14, 1983.
- "3. Respondent, being a mere distributor, is not the true and lawful owner and first user of the mark and the registration were accordingly secured contrary to the provision of Section 2-A and 17 of Republic Act No. 166, as amended.
- "4. As mere distributor of Petitioner, Respondent cannot assert any right to the trademark against Petitioner upon the termination of its right under the Distributorship Agreement.
- "5. Petitioner's goods are identical or related to those of Respondent and its use of the mark thereon will likely mislead the buying public into believing that the goods of the Respondent are produced by, originated from, or are under the sponsorship of Petitioner.

- "6. The registration of the trademark "KENNEX and PRO KENNEX" in the name of, and its use in commerce by Respondent amount to an infringement of Petitioner's rights as first user and lawful owner of the trademark KENNEX and PRO KENNEX.
- "7. The cancellation and/or compulsory assignment of the registration/application are authorized by other provisions of the Trademark Law and the Rules of Practice."

While the common grounds for the Opposition are as follows:

- "1. The approval of the application for registration of the trademark was obtained fraudulently by Respondent.
- "2. Respondent, who is a mere distributor of Opposer filed the application and obtained approval in violation of the terms of its Distributorship Agreement with Opposer dated June 14, 1983.
- "3. Respondent, being a mere distributor, is not the true and lawful owner and first user of the mark when the application was filed and its approval was obtained contrary to the provisions of Section 2-A and 17 of Republic Act No. 166, as amended.
- "4. As mere distributor of Opposer, Respondent cannot assert any right to the trademark against Opposer upon the termination of its rights under the Distributorship Agreement.
- "5. Opposer's goods are identical or related to those of Respondent and its use of the mark thereon will likely mislead the buying public into believing that the goods of Respondent are produced by, originated from, or are under the sponsorship of Opposer.
- "6. The approval of the registration of the trademark PRO KENNEX in the name of, and its use in commerce by Respondent amount to an infringement of Opposer's right as first user and lawful owner of the trademark PRO KENNEX.
- "7. The application for the registration of the trademark PRO KENNEX in the name of Respondent must be rejected on the basis of other provisions of the Trademark Law and the Rules of Practice."

After the Petitions for Cancellation and the Notices of Opposition to the mark "PRO-KENNEX" have been filed, the Respondent filed its answers denying all the material allegations of the Petitions for Cancellation and the Notices of Opposition.

The issues having been joined, this Office called the consolidated cases for Pre-Trial Conference. Failing to reach an amicable settlement, the parties went into trial, adduced testimonial and documentary evidences and together with their respective memoranda, submitted the consolidated cases for DECISION.

The main issue to be resolved in these consolidated cases is:

WHO BETWEEN THE PARTIES IS THE PRIOR USER AND OWNER OF THE MARK "PRO-KENNEX".

To be noted in these cases is the fact that the Petitions for Cancellation as well as the Notices of Opposition were filed at the time the governing Laws on Intellectual Property Rights, specifically TRADEMARKS is R.A. No. 166 as amended.

The applicable provision of law is SECTION 2-A of R. A. No. 166 as amended which provides:

"SEC. 2-A. Ownership of trademarks, trade-names, and service-marks, how acquired. Anyone who lawfully produces or deals in merchandise of any kind or who engages in any lawful business, or who renders any lawful service in commerce, by actual use thereof in manufacture or trade, in business, and in the service rendered, may appropriate to his exclusive use a trademark, a trade-name, or a service-mark not so appropriated by another, to distinguish his merchandise, business or service from the merchandise, business, or service of others. The ownership or possession of a trademark, 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 known to the laws. (As amended by R.A. No. 638)"

During the hearings conducted in the above-entitled cases, the Petitioner/Opposer presented evidences to support its opposition to and cancellation of the Respondent Registrant's trademark PRO KENNEX, among others the following;

- a) Distributorship Agreement executed October 1, 1982 (Exhibit "I"). Based on this Agreement, Kunnan Enterprises, Inc., agreed to appoint Superior Commercial Enterprises, Inc., as its exclusive distributor in the Philippines. It also provides for the assignment of Superior Commercial Enterprises, Inc., trademark registration right over the mark KENNEX to Kunnan Enterprises, Inc., at the termination of distributorship agreement, to wit:

- "1. KUNNAN ENTERPRISES, INC ., in accordance with this Agreement will appoint the sole distributorship right to the Superior Commercial Enterprises, Inc., in the Philippines, and this Agreement could be renewed with the consent of both parties upon time of execution.
2. The Superior Commercial Enterprises, Inc., in accordance with this Agreement, shall assign the ownership of KENNEX trademark, under the registration of Patent Certificate No. 4730 dated May 23, 1980 to Kunnan Enterprises, Inc., on the effects of its ten (10) years contract of distributorship and it is required that the ownership of the said trademark shall be genuine, complete as a whole and without any defects.

- b) Assignment Agreement executed June 14, 1983 (Exhibits "S" to "S-1") - Based on the Assignment Agreement, Superior Commercial Enterprises, Inc., recognized Kunnan Enterprises, Inc., true ownership of the mark PRO KENNEX and admitted that it was merely the distributor of Kunnan Enterprises, Inc., PRO KENNEX products, thus:

- "1. In consideration of the distributorship relationship between Kunnan Enterprises, Inc., and Superior Commercial Enterprises, Inc., who is the seller in the distributorship relationship, agrees to assign the following trademark application owned by itself in the Philippines by Superior Commercial Enterprises, Inc., who is the buyer in the distributorship relationship.

Trademark	Application Number	Class
PROKENNEX	49999	28
PROKENNEX	49998	25
PROKENNEX	49997	18

- "2. Superior Commercial Enterprises, Inc. shall acknowledge that Kunnan Enterprises, Inc., is still the real and truthful owner of the abovementioned trademarks, and shall agree that it will not use the right of the abovementioned trademarks to do anything which is unfavorable or harmful to Kunnan Enterprises, Inc.
- "3. Superior Commercial Enterprises, Inc., agrees that it will return back the abovementioned trademarks to Kunnan Enterprises, Inc., without hesitation at the request of Kunnan Enterprises, Inc., at any time. Kunnan Enterprises, Inc. agrees that the cost of the concerned assignment of the abovementioned trademarks shall be compensated by Kunnan Enterprises, Inc.
- "4. Superior Commercial Enterprises, Inc., agrees that the abovementioned trademarks when requested by Kunnan Enterprises, Inc., to return shall be clean and without any incumbency.
- "5. Superior Commercial Enterprises, Inc., agrees that after the assignment of the abovementioned trademarks to any parties except Kunnan Enterprises Co., Ltd."

c) Letter of Superior Commercial Enterprises, Inc. to Brig. General Jose Almonte (Exhibits "P" and "P-1") - Superior Commercial Enterprises, Inc. admitted and recognized Kunnan Enterprises Co., Ltd.'s ownership of the subject marks in a letter dated March 19, 1986, to wit:

"X X X

We wish to inform you that our company, Superior Commercial Enterprises, Inc., with office address at 74 Timog Avenue, Quezon City is the sole and exclusive distributor in the Philippines of all its "KENNEX" and "PRO KENNEX" products, and being manufactured and distributed and sold to the public by American Sports Plaza and other firms are fake/or illegally brought into the country.

X X X

Attached herewith for your perusal are the following documents:

- 1. Agreement between Kunai Enterprises Co., Ltd., of Taiwan, Republic of China, foreign manufacturer of all KENNEX products, and Superior Commercial Enterprises, Inc.

X X X

d) Letter of Mr. Mariano Tan Bon Diong as President and General Manager of Superior Commercial Enterprises, Inc., to Mr. Kunnan Go dated March- 14, 1983 (Exhibits "Q" to Q-2") Superior Commercial Enterprises, Inc. admitted that Kunnan Enterprises,

Ltd. is the owner of the mark KENNEX and PRO KENNEX by requesting Kunnan Enterprises, Ltd., to finalize a draft certification that the Agreement between Kunnan Enterprises Co., Ltd., and Conmark Sportsmaster dated August 21, 1982 has already been rescinded and terminated and Kunnan Enterprises Co., Ltd., decided to retain previous exclusive distributorship with Superior Commercial Enterprises, Inc. of Quezon City.

The Respondent-Registrant basically anchored its defense on the following arguments:

- a) Ownership of the KENNEX and PRO KENNEX trademarks by Superior Commercial Enterprises, Inc., has already been settled by the Philippine Patent Office (now Intellectual Property Office) in its Decision dated August 2, 1984;
- b) The Regional Trial Court, National Capital Judicial Region, Branch 85, Quezon City, confirmed Respondent-Registrant's ownership of KENNEX and PRO KENNEX trademarks in Civil Case No. Q-93-14888 dated March 31, 1988;

In its first argument, Respondent-Registrant stated that ownership of the KENNEX and PRO KENNEX trademarks by Superior Commercial Enterprises, Inc., has already been settled by the Philippine Patent Office (now Intellectual Property Office) in its Decision dated August 2, 1984 and that the res judicata rule must be applied. There are four (4) requisites before the applicability of res judicata rule: to wit:

- a) There must be prior final judgment or order;
- b) The court rendering the judgment or orders must have jurisdiction over the subject matter and over the parties;
- c) The judgment or order must be on the merits ; and
- d) There must be between the two cases, identity of parties, identity of subject matter and identity of course of action.

There is no question that the abovementioned first three (3) requisites has been complied with. In the last requisite however, identity of parties has not been complied with. In the Inter Partes Case Nos.1708 and 1734, the Opposer and Petitioner is Ram S. Sadwani and Bonmark Sportmaster (Phil.), Inc., respectively against Superior Commercial Enterprises, Inc. In the case at bar, Kunnan Enterprises, Inc., is the Petitioner/Opposer against Superior Commercial Enterprises, Inc. Considering that there is no identity of parties, the rule on RES JUDICATA is inapplicable.

In its second argument, Respondent-Registrant cited Section 161 of Republic Act No. 8293, otherwise known as the Intellectual Property Code of the Philippines to wit:

"Section 161. Authority to Determine Right to Registration. - In any action involving a registered mark, the court may determine the right to registration, order the cancellation of a registration, in whole or in part, and otherwise rectify the register with respect to the registration of any party to the action in the exercise of this. Judgment and orders shall be certified by the court to the Director, who shall make appropriate entry upon the records of the Bureau, and shall be controlled thereby. "

It was argued that in the civil case in Regional Trial Court Branch 85 of Quezon City, the court has decided in favor of Superior Commercial Enterprises, Inc., acknowledging the latter's ownership of KENNEX trademark hence, the, Intellectual Property Office (IPO) should recognize

the same, after a certified true copy of the decision was formally presented as Exhibit 165 and all its sub-markings.

Crucial in the applicability of Section 161 of Republic Act No. 8293 is the last sentence which provides: Judgment and orders shall be certified by the court to the Director, who shall make appropriate entry upon the records of the Bureau, and shall be controlled thereby.

The last sentence presupposes that the judgment or order as certified by the court must be final and executory so it can be entered in the records of the Bureau. Therefore if the judgment is final and executory, it is ministerial on the part of the Bureau of Legal Affairs to enter on its record the decision rendered by the regular court.

However, upon request of this Office, Atty. Janice R. Yulo-Antero, Branch Clerk of Court of Branch 85, Quezon City has issued a certification to the effect that its decision in Civil Case No. Q-93-14888 entitled Superior Commercial Enterprises, Inc., versus Kunnan Enterprises, Ltd., and Sports Concepts and Distributor, has been appealed to the Court of Appeals.

The Certification states as follows:

"This is to certify that a Decision dated March 31, 1998 was rendered by then Presiding Judge Pedro M. Areola, the dispositive portion of which states:

"WHEREFORE, it is hereby ordered that it appearing from the established facts that great and irreparable damage and injury has resulted and will continue to result to the Plaintiff, let a writ of preliminary injunction be issued enjoining the defendant KUNNAN ENTERPRISES LIMITED, and SPORTS CONCEPT AND DISTRIBUTOR, INC., their officers, employees, agents, representatives, or assigns, and other persons acting for and in their behalf, from using, in connection with its business the trademarks KENNEX, PROKENNEX AND KENNEX and DEVICE OF LETTER "K" INSIDE A CIRCLE THORNS and the like and any other marks and trade names which are identical or confusingly similar to plaintiff's marks and trade names. "

X X X

"This is to certify further that on 5 May 1998, an Order was issued by this Court granting the Notice of Appeal dated April 16, 1998 of the defendants. On 15 June 1998, the entire records including the transcript of stenographic notes and exhibits were received by the Court of Appeals.

As per our records, a Resolution was rendered on April 20, 1999 by the Second Division, Court of Appeals (CA-G.R. CV No. 60777), to quote the last sentence:

"xxx Accordingly, their appeal is DISMISSED by the Court."

On 29 April 1999, defendants-appellants filed a Motion for Reconsideration with the Court of Appeals.

On 26 August 1999, a Resolution was rendered by the Former Second Division of the Court of Appeals, to quote pertinent portions:

"Accordingly, Our 20 April 1999 Resolution in this case is SET ASIDE and NULLIFIED, and a new one is entered, REINSTATING the appeal of defendants-appellants. xxx"

To date, no decision yet has been received by this Court relative to the appeal with Court of Appeals in CA G.R. CV No. 60777."

24 July 2003, Quezon City, Philippines

(Sgd) Atty. Janice R. Yulo-Antero
Branch Clerk of Court"

In view of the foregoing, the determination of who is the prior user and owner of the mark PRO-KENNEX will depend on the evidences presented in the case at bar, and not in Inter Partes Cases 1708 and 1734 decided in 1984 and the aforementioned Civil Case Q-93-14888 decided by the regular court which is not yet final and executory.

Section 17 of R A. 166, as amended, provides that:

"Sec. 17. Grounds for cancellation. - Any person, who believes that he is or will be damaged by the registration of a mark or tradename, may, upon 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 of trade-name has been assigned, and is being used, by, or with the permission of the assignee so 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."

Section 2-A of R.A. 166, as amended, provides thus –

Section 2. - A. Ownership of trade-marks, trade-names and services-marks, how acquired. - Anyone who lawfully produces or deals in merchandise of any kind or who engages in any lawful business, or who renders any lawful service in commerce, by actual use thereof 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 service from the merchandise, business, or service of others. The ownership or possession of a 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 known to the laws."

Likewise Sec. 4 of same law provides that -

"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 servicemarks which shall be shown 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, xxx"

On the other hand, Rules 34 and 35 of the Rules of Practice in Trademark Cases also provide:

"34. *Who may make application; ownership the basis of application.* - Only the owner of a trademark, trade name or service mark may apply for its registration.

"35. *Ownership, how acquired.* - According to the Law, anyone who lawfully produces or deals in merchandise of any kind or who engages in any lawful business, or who renders any lawful service in commerce, by actual use thereof in manufacture or trade, in business and in service rendered, may appropriate to his exclusive use a trademark, a trade name or a service mark not so appropriated by another, to distinguish his merchandise, business or service from the merchandise, business or service of others."

Based on the foregoing, it is only the owner of a trademark who can register the same in the principal register. The Petitioner-Opposer has presented sufficient evidence that the Respondent-Registrant is just a mere distributor and therefore not entitled to register a trademark as provided in the second sentence of Section 4 of Republic Act No. 166.

In the case of *Crisanta Y. Gabriel vs. Dr. Jose R. Perez* (55 SCRA 406) the Supreme Court held that:

"Under Sections 2 and 2-A of the Trademark Law, Republic Act No. 166, as amended, the right to register a trademark is based on ownership and a mere distributor of a product bearing a trademark, even if permitted to use said trademark, has no right to and cannot register the said trademark.

X X X

The exclusive distributor does not acquire any proprietary interest in principal's trademark."

Likewise, the Supreme Court in the case of *Unno Commercial Enterprises, Inc., vs. General Milling Corporation* (120 SCRA 804) held that:

"The right to register trademark is based on ownership. When the applicant is not the owner of the trademark being applied for, he has no right to apply for the registration of the same. Under the Trademark Law only the owner of the trademark, trade name or service mark used to distinguish his goods, business or services from the goods, business or services of others is entitled to register the same.

X X X

Thus, this Court, has on several occasions ruled that where the applicant's alleged ownership is not shown in any notarial document and the applicant appears to be merely an importer or distributor of the merchandise covered by said trademark, its application cannot be granted.

X X X

Ownership of trademark is not acquired by the mere fact of registration alone. Registration merely creates a prima facie presumption of the validity of registration, of the registrant's ownership of the trademark and the exclusive right to the use thereof."

In the case at bar, Petitioner-Opposer has overwhelmingly and convincingly established its rights to the mark "PRO KENNEX". It was proven that actual use of Respondent-Registrant is not in the concept of an owner but as a mere distributor. (Exhibits "I", "S" to "S-1", "P" and "P-1" and "Q" and "Q-2") arid as enunciated in the case *Crisanta Y. Gabriel vs . Dr. Jose R. Perez*, 50 SCRA 406, "a mere distributor of a product bearing a trademark, even if permitted to use said trademark has no right to and cannot register the said trademark."

WHEREFORE, there being sufficient evidence to prove that the Petitioner/Opposer is the prior user and owner of the trademark "PRO-KENNEX", the consolidated Petitions for Cancellation and the Notices of Opposition are hereby GRANTED. Consequently, the trademark "PRO-KENNEX" bearing Registration Nos. 41032, 40326, 39254, 4730, 49998 for the mark PRO-KENNEX issued in favor of Superior Commercial Enterprises, Inc ., herein Respondent-Registrant under the Principal Register and SR No. 6663 are hereby CANCELLED. Accordingly, trademark application Nos. 84565 and 84566, likewise for the registration of the mark PRO-KENNEX are hereby REJECTED.

Let the file wrappers of PRO-KENNEX subject matter of these cases be forwarded to the Administrative Finance and Human Resources Development Services Bureau (AFHRDSB) for appropriate action in accordance with this Decision and a copy thereof be furnished the Bureau of Trademarks (BOT) for information and update of its record.

SO ORDERED.

Makati City, October 30, 2003.

ESTRELLITA BELTRAN-ABELARDO
Director, Bureau of Legal Affairs