

KUNNAN ENTERPRISES, INC.,
Petitioner-Appellee,

APPEAL NO. 14-03-34

Consolidated Inter Partes Cases Nos.
3709, 3710, 3811, 3812, 3813, 3814,
4101, and 4102

- versus -

Petitions for Cancellation:
Registration Nos.: 41032, SR 6663,
40326, 39254, 4730, 49998

Oppositions to:
Application Serial Nos.: 84565 &
84566

SUPERIOR COMMERCIAL
ENTERPRISES, INC.,
Respondent-Appellant,
x-----x

Trademark: KENNEX / PRO-KENNEX

DECISION

This concerns Decision No. 2003-35 dated October 2003 rendered by the Director of the Bureau of Legal Affairs (Director) granting the abovecaptioned consolidated Petitions for Cancellation and Oppositions filed by KUNNAN ENTERPRISES, INC. (Appellee). In said Decision, the Director ordered the cancellation of Registration Nos. 41032, 40326, 39254, 4730, 49998 issued in favor of Respondent-Appellant SUPERIOR COMMERCIAL ENTERPRISES, INC. (Appellant), and at the same time rejected Appellant's Trademark Application Nos. 84565 and 84566. The registrations and the applications cover the trademark PRO-KENNEX except Registration No. 4730 which refer to the trademark KENNEX.

The controversy involves the determination as to who between the parties is the prior user and owner of the mark KENNEX and PRO-KENNEX.

Records show that the Appellee filed with the defunct Bureau of Patents, Trademarks and Technology Transfer (BPTTT) separate Petitions for Cancellation of Trademark Registration Nos. 41032, SR 6663, 40326, 39254, 4730 and 49998 and Notices of Oppositions to Trademark Application Nos. 84565 and 84566.

The Petitions for Cancellation alleged the following common grounds:

1. The registrations and assignments of the trademarks were obtained fraudulently by the Appellant;
2. Appellant, who is a mere distributor of Appellee, obtained the registrations and assignments of the trademarks in violation of the terms of its Distributorship Agreement with the Appellee dated 14 June 1983;
3. Appellant, being a mere distributor, is not the true and lawful owner and first user of the marks and the registrations were accordingly secured contrary to the provisions of Sections 2-A and 17 of Republic Act No. 166, as amended;
4. As a mere distributor of Appellee, Appellant cannot assert any right to the trademarks against Appellee upon the termination of its rights under the Distributorship Agreement.

5. Appellee's goods are identical or related to those of Appellant and its use of the marks thereon will likely mislead the buying public into believing that the goods of the Appellant are produced by, originate from, or are under the sponsorship of Appellee;
6. The registrations of the trademarks KENNEX and PRO-KENNEX in the name of and its use in commerce by, Appellant amount to an infringement of Appellee's rights as first user and lawful owner of the trademarks KENNEX and PRO-KENNEX; and
7. The cancellation and / or compulsory assignment of the registrations / application are authorized by the other provisions of the Trademark Law and the Rules of Practice.

The Appellee cited the same grounds in opposing the Appellant's trademark applications.

In its answers, Appellant denied all the material allegations in the petitions and in the oppositions.

Meanwhile, on 01 January 1998, Republic Act No. 8293 also known as the Intellectual Property Code of the Philippines (IP Code) took effect. It abolished among other things, the BPTTT and transferred its functions to the newly created Intellectual Property Office.

On 30 October 2003, the Director rendered the assailed Decision. Not satisfied with the said decision, the Appellant filed the instant appeal on 18 December 2003 contending that:

- 1.) The decision of the Regional Trial Court of Quezon City Branch 85 in Civil Case No. Q-93-14888 for infringement of trademark and unfair competition, upholding the ownership by Appellant of the trademarks "KENNEX", "PRO KENNEX", "PRO-KENNEX & DEVICE", "KENNEX & DEVICE OF LETTER K INSIDE A CIRCLED THORNS" rendered the consolidated cases moot and academic;
- 2.) Under applicable law and jurisprudence, the Director gravely abused her discretion and committed reversible error in proceeding to render the assailed decision after the trial court passed upon and upheld the ownership by Appellant of the abovementioned trademarks;
- 3.) Under the facts and circumstances, and the evidence presented and admitted in the consolidated cases and said civil case, Appellant proved its ownership and prior use of the KENNEX and PRO-KENNEX trademarks in the Philippines; and
- 4.) Appellee successfully disputed the prime facie evidence of the validity of the trademark registrations issued in favor of Appellant, the latter's ownership of the trademarks covering said registrations, and of its exclusive right to use the registered trademarks in connection with the goods, business or service specified in the aforesaid certificates of registration.

In its Opposition to the Appeal Memorandum, the Appellee claims that the decision in Civil Case No. Q-93-14888 does not render moot the instant Inter Partes cases. Appellee also contends that it is the first user of the marks KENNEX and PRO KENNEX. According to the Appellee, it first used the mark PRO KENNEX on sporting goods, particularly tennis racquets in 1976. The name was derived from KENNEX Sports Centre which was established in 1972. Appellee further posits that Appellant is already estopped from claiming ownership of the marks by admitting that it was a mere distributor of the KENNEX and PRO KENNEX products manufactured by Appellee. Lastly, the Appellee claims that Certificates of Registration No. SR-4730 (Supplemental Register) and 34487 (Principal Register) for KENNEX mark were fraudulently obtained.

After due consideration of the foregoing and review of the records of the case, this Office finds the appeal devoid of merit.

This Office has observed that the assailed decision referred only to the mark PRO KENNEX. Registration No. 4730, however, refers to the mark KENNEX.

The Appellant contends that the decision in Civil Case No. Q-93-14888 for infringement of trademark and unfair competition rendered the consolidated cases moot and academic. This Office finds otherwise. The argument of the Appellant that Section 161 of the Intellectual Property Code (IP Code) makes it obligatory for the Intellectual Property Office to recognize and “be controlled by” the determination made by the Court in respect of the right to registration in any action involving a registered mark or tradename is untenable. It is premature for the Appellant to rely on said provision of the IP Code and argue that the court’s decision upholding the Appellant’s ownership of the trademarks “KENNEX”, “PRO KENNEX”, “PRO KENNEX & DEVICE”, KENNEX & DEVICE OF LETTER K INSIDE A CIRCLED THORNS” rendered the consolidated cases moot and academic.

As correctly observed by the Director in the assailed decision, crucial in the applicability of Section 161 of the IP code is the last sentence thereof 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.”

This Office agrees with the Director 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, which in this case is the BLA. Therefore if the final judgment is final and executory, it is ministerial on the part of the BLA to enter on its record the decision rendered by the regular court. In this case, however, records show that the court’s decision was appealed to the Court of Appeals and that no decision yet has been received by the trial court relative to the Appeal with the Court of Appeals in CA – G.R. CV No. 60777. The consolidated inter partes cases therefore, were not rendered moot and academic by Civil Case No. Q-93-14888. Aptly, the determination of who is the prior user and owner of the contested marks will depend on the evidence presented by the parties in the case at bar.

The resolution of the instant controversy requires a scrutiny of the documentary evidence on record. The Agreement entered into by the parties on 01 October 1982, read as follows:

“x x x.

“Whereas KUNNAN intends to acquire the ownership of KENNEX trademark registered by the Superior in the Philippines. Whereas, the Superior is desirous of having been appointed as the sole distributor by KUNNAN in the territory of the Philippines.

“Now therefore, the parties hereto agree as follows:

1. “KUNNAN, in accordance with this Agreement, will appoint the sole distributorship right to the Superior in the Philippines, and this Agreement could be renewed with the consent of both parties upon the time of expiration.
2. The Superior, in accordance with this Agreement, shall assign the ownership of KENNEX trademark, under the registration of Patent Certificated No. 4730 dated 23 May 1980 to KUNNAN 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. x x x
3. KUNNAN will guarantee to the Superior that no other third parties will be permitted to supply the KENNEX PRODUCTS in the Philippines except only to the Superior. If

KUNNAN violates this stipulation, the transfer of the KENNEX trademark shall be null and void.

4. If there is a necessity, the Superior will be appointed for the protection of interest of both parties, as the agent in the Philippines with full power to exercise and granted the power of attorney, to pursue of any case of Pirating, Infringement and Counterfeiting the KENNEX trade mark in the Philippine territory.
5. The Superior will be granted from KUNNAN's approval before making and selling any KENNEX products made in the Philippines and the other countries and if this is the situation, KUNNAN is entitled to have a royalty of 5%-8% off FOB as the right.
6. Without KUNNAN's permission, the Superior cannot procure other goods supply under KENNEX brand of which are not available to supply by KUNNAN. However, in connection with the sporting goods, it is permitted that the Superior can procure them under KENNEX brand of which are not available to be supplied by KUNNAN.

The Appellant advances the view that it is evident from the Agreement that the Appellee conceded and acknowledged the Appellant's ownership of the mark KENNEX. The Agreement, however, shows that the Appellant assigned the ownership of the trademark KENNEX registered under Patent Certificate No. 4730 to the Appellee in exchange of the sole distributorship right of the Appellant in the Philippines. Aptly, the ownership of the trademark KENNEX is now with the Appellee because a valid assignment transfers ownership of the mark to the assignee. The conditions or restrictions on the use of the mark KENNEX provided in the agreement support this view.

On the other hand, in the Assignment Agreement executed on 14 June 1983 the parties agreed as follows:

1. In consideration of the distributorship relationship between KUNNAN and Superior, KUNNAN, who is the seller in the distributorship relationship, agrees to assign the following trademark applications owned by itself in the Philippines to Superior who is the buyer in the distributorship relationship.

<u>Trademark</u>	<u>Application Number</u>	<u>Class</u>
PROKENNEX	49999	28
PROKENNEX	49998	25
PROKENNEX	49997	18

2. Superior shall acknowledge that KUNNAN 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.
3. Superior agrees that it will return back the abovementioned trademarks to KUNNAN without hesitation at the request of KUNNAN at any time. KUNNAN agrees that the cost for the concerned assignment of the above-mentioned trademarks shall be compensated by KUNNAN.
4. Superior agrees that the abovementioned trademarks when requested by KUNNAN to return shall be clean and without any incumbency.

5. Superior agrees that after the assignment of the abovementioned trademarks, it shall have no right to reassign or license the said trademarks to any other parties except KUNNAN.

It is clear from the above document that the Appellee is the owner and the first user of the mark PRO KENNEX. While the Appellee assigned to the Appellant the trademark PRO KENNEX in consideration of their distributorship agreement, in effect, the same was not in the concept of transferring ownership but merely a permission to use it. The conditions imposed upon such assignment of the mark without a doubt, shows that there is no intention on the part of the Appellee to relinquish ownership of the mark in favor of the Appellant. In fact the Appellant agreed to return the aforementioned trademarks to the Appellee at any time upon the request of the latter. Records show that there were demands made by the Appellee from the Appellant to return the trademark PRO KENNEX.

On this light, a perceptive analysis of the following documents lends substance to the observation of this Office that the true owner of the contested marks is the Appellee. Other pieces of evidence on record support this finding. In the letter of Mr. Mariano Tan Bon Diong to Mr. Kunnan Lo dated 14 March 1983, the Appellant in a way admitted that the Appellee is the owner of the mark KENNEX and PRO KENNEX by requesting the Appellee to finalize a draft certification regarding the Agreement between the Appellee and Bonmark Sportsmaster. This request of the Appellant to be appointed as the sole distributor of the PRO KENNEX and KENNEX products negates the essence of ownership of the subject marks as claimed by the Appellant.

Also, in its letter to Brigadier General Jose Almonte dated 19 March 1986 the Appellant admitted and recognized the Appellee's ownership of the subject marks when it claimed that it is the sole and exclusive licensee and distributor in the Philippines of all KENNEX and PRO KENNEX products.

Notably, the consciousness displayed by the Appellant in the foregoing instances is an act of estoppel that validates the outright rejection of its claim for ownership over the aforesaid marks. On this vein, the High Court enunciated in one case that the right to register 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 service from the goods, business or service of others is entitled to register the same. The term owner does not include the importer of the goods bearing the trademark, trade name, service mark, or other mark of ownership, unless such importer is actually the owner thereof in the country from which the goods are imported. Thus, 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.

Aptly, as held by the Supreme Court in several cases, an exclusive distributor does not acquire any proprietary interest in the principal's trademark and cannot register it in his own name unless it has been validly assigned to him. Thus, one could not acquire, while acting as agent of another, the sole and exclusive right to sell machines in the Philippines, nor is it entitled to have said words and designs used upon said machines copyrighted, as an agent cannot acquire the property of his principal. The relations of an agent to his principal are fiduciary and it is an elementary and very old rule that in regard to property forming the subject matter of the agency, an agent is estopped from acquiring or asserting a title adverse to that of the principal. His position is analogous to that of a trustee and he cannot, consistently with the principles of good faith, be allowed to create himself an interest in opposition to that of his principal or *cestui que trust*.

Lastly, the contention of the Appellant that it is the owner of the marks KENNEX and PRO KENNEX because of the issuance of the corresponding registrations must fail since ownership of a trademark is not acquired by the mere fact of registration alone. Registration

merely creates a prima facie presumption of the validity of the registration, of the registrant's ownership of the trademark and of the exclusive right to the use thereof. Registration does not perfect a trademark right. Evidence may be presented to overcome the presumption. Prior use by one will controvert a claim of legal appropriation by subsequent users. In a nutshell, a certificate of registration of a trademark is merely a prima facie evidence of its validity. It is not conclusive and is subject to rebuttal.

WHEREFORE, premises considered, there is no cogent reason to disturb Decision No. 2003-35 dated 30 October 2003 rendered by the Director of the Bureau of Legal Affairs. Accordingly, the instant appeal is DENIED and the appealed decision is hereby AFFIRMED.

Let a copy of this Decision be furnished the Director of the Bureau of Legal Affairs for appropriate action, and the records be returned to her for proper disposition. Further, let the Directors of the Bureau of Trademarks and the Administrative, Financial and Human Resource Development Service Bureau be furnished copies hereof for information and / or appropriate action.

SO ORDERED

December 8, 2004, Makati City, Philippines.

EMMA C. FRANCISCO
Director General