

Republic of the Philippines
SUPREME COURT
Manila

SECOND DIVISION

G.R. No. L-54158 November 19, 1982

PAGASA INDUSTRIAL CORPORATION, petitioner,

vs.

HE HONORABLE COURT OF APPEALS, TIBURCIO S. EVALLE Director of Patents, and
YOSHIDA KOGYO KABUSHIKI KAISHA, respondents.

Quasha, Asperilla, Ancheta, Valmonte, Peña and Marcos for petitioner.

Florencio Z. Sioson counsel for private respondent.

*Ozaeta, Romulo, De Leon, Mabanta, Buenaventura, Sayoc and De los Angeles collaborating
counsel for private respondent.*

DE CASTRO, J.:

Sometime on November 9, 1961, the Philippines Patent Office issued Certificate of Registration No. 9331 in favor of respondent Kaisha covering the trademark "YKK" for slide fasteners and zippers in class 41.

On April 27, 1967 or 5 1/2 years after respondent's registration was issued by the Philippines Patent Office, petitioner Pagasa filed an application for registration of exactly the same or identical trademark of "YKK" for zippers under class 41 which was allowed on April 4, 1968 with Certificate of Registration No. 13756.

Alleging that both trademark ("YKK") are confusingly similar, being used on similar products (slide fasteners or zippers) under the same classification of goods, respondent Kaisha filed with the Director of Patents a petition for cancellation of petitioner's registration of exactly the same trademark "YKK".

On May 5, 1977, the Director of Patents, finding the trademark in question "YKK" brand to be confusingly similar, and regretting the negligence of his office in allowing the registration of the trademark "YKK" in favor of petitioner notwithstanding the fact that the same trademark had long been previously registered in the name of respondent Kaisha, cancelled Registration No. 13756 in the name of Petitioner Corporation.

The Director of Patents based his order of cancellation on Section 4 (d) of Republic Act No. 166, as amended (An Act to Provide for the Registration and Protection of Trade-Marks, Trade Names and Service-Marks; etc.):

Sec. 4. Registration of trade-marks, tradenames, and service marks on the principal register.-There is hereby established a register of trademarks, tradenames and service marks which shall be known as the principal register. The owner of a trademark, tradename 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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(d) Consists of or comprises a mark or trade name which so resembles a mark or trade name registered in the Philippines or a mark trade name previously used in

the Philippines by another and not abandoned as to be likely, when applied to or used in connection with the goods, business or services of the applicant, to cause confusion or mistake or to deceive purchasers; or

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The matter was elevated by petitioner to the Court of Appeals and argued that there was laches on the part of Kaisha considering that notwithstanding the fact that the trademark was registered for the use of petitioner, it was not until January 23, 1975, that Kaisha filed a petition for cancellation after a lapse of almost seven (7) years.

The Court of Appeals affirmed the decision of the Director of Patents, and held that the equitable principles of laches, estoppel and acquiescence would not apply in this case for it has not been shown that Kaisha abandoned the use of the trademark; that to apply said principle in favor of petitioner Pagasa is far from equitable since evidence was shown, which was not refuted by petitioner, that it has previously known the registration of said trade mark which is a contraction standing for the first three letters of respondent's name Yoshida Kogyo Kabushiki, and was aware of such fact at the time of registration since it appears that the president of respondent visited the factory of petitioner and had preliminary business talks with the official of the latter because both are producing zippers; that technical help was given by the engineers of respondent to petitioner when the latter's president, in turn, visited respondent's company sometime in 1960.

Thus, the appellate court concluded that:

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There is therefore, no doubt in Our Mind that indeed, [petitioner] knew of the use of trademark "YKK" by [respondent] which are the initials of the company, and notwithstanding this knowledge it later on sought trade registration of the same trademark in its favor. Thus, to allow [petitioner] to continue using the trademark "YKK" merely because [respondent] did not or was not able to immediately seek the cancellation of the irregularity issued registration in favor of [petitioner] would be far from equitable.

The second assigned error merely involves alleged lack of proof of [respondent's] actual commercial use in the Philippines of the trademark "YKK". This, to Us is of no moment. What is important is the fact that [respondent] has been allowed the use of the trademark "YKK" under the Certificate of Registration Nos. 9331 and 9345 issued respectively on November 9, 1961 and November 22, 1961. What could probably have saved the case for [petitioner] is positive proof that [respondent] has totally abandoned the use of said trademark in accordance with Our aforecited Section 4 of Republic Act 166. However, the records are bereft of any evidence to this effect. "

Hence, this present recourse wherein the petitioner assigned the following errors:

I

The Honorable Court of Appeals erred when it in effect ruled that the equitable principles of laches, estoppel and acquiescence cannot be applied in the instant case for lack of showing that Yoshida has abandoned the trademark in question and for Pagasa's failure to refute previous knowledge of its existence and registration.

II

The Honorable Court of Appeals erred when it in effect ruled that it is the fact of registration that vests one's right to a trademark.

Anent the first assigned error, petitioner argues that considering respondent Kaisha's failure or neglect to assert its trademark rights for more than five (5) years, respondent should now be barred from filing the petitioner for cancellation of trademark "YKK" of petitioner under the equitable principles of laches, estoppel and acquiescence; and that because of respondent's inaction, petitioner had been led to believe that its use was unobjectionable or tolerated. It further argues that to be entitled to the defense of estoppel by laches, it is not necessary for the petitioner either to show that respondent has abandoned the trademark or to prove its good faith if it is shown that respondent was aware of petitioner's use of the trademark without the former's protest or objection thereto leading petitioner to assume that its act did not constitute an invasion of respondent Kaisha's trademark rights.

On the second assigned error, petitioner claims that Kaisha never acquired ownership of the trademark, considering that the latter had no proof of actual commercial use of "YKK" trademark in the Philippines; that the certificate of registration issued to Kaisha is void *ab initio* for without such commercial use, no trademark rights accrue; that respondent has not presented any reliable and competent evidence to show that the sample zippers sent to this country were actually sold here and sample products are not for sale; that no invoice or receipt were submitted and neither did respondent present testimony of any buyer or distributor to which said samples were addressed.

Petitioner likewise asserts that respondent failed to satisfy a condition *sine qua non* imposed by law, that is, the two months commercial use of the trademark prior to the filing of an application for registration, as provided for in Section 2 of the Trademark Law:

Section 2. What are registrable Trademarks, 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 trademarks, 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.

Respondent in its comment, argued that the mark applied for by petitioner not only resembles the mark which it previously registered but is exactly the same or is identical to respondent's trademark; that petitioner should have presented clear, positive proof that Kaisha abandoned the trademark, because there exists already a *prima facie* evidence of continuing use by the latter by virtue of its registration; that it was incumbent upon petitioner which raised the defense of laches, to establish by clear evidence that either respondent was aware of the use of its trademark by petitioner or that respondent has performed an act which misled petitioner into believing that respondent was abandoning its rights over the trademark; and that respondent since its organization in 1948 has endeavored to popularize its trademark and spent tremendous sum of money for this purpose, thus, it is unbelievable that it will just abandon its product after spending so many years in developing the same.

Petitioner however argued that it adopted and first used the trademark in commerce in the Philippines on December 27, 1958 and has continuously used the same up to the present and that respondent's exportation in the Philippines of YKK brand zippers in 1957 were by its own official records designated as merely "samples" and "of no commercial value."

We find for the petitioner.

The Director of Patents, stressed in his order of cancellation,¹ that the trademarks in question are "confusingly similar". However, the discussion² made by the Senior Trademark Examiner of the Patents Office regarding the registrability of the mark revealed that "the concurrent registration of

subject mark is not likely to cause purchasers confusion, mistake or deception," since the "overall commercial impression of the marks are grossly different and used on goods not only falling under different (Pat. Off.) classification, but also possessing different descriptive properties." It was also emphasized by said examiner that they are sold through different trade channels or outlets and are non-competing. It is apparent that the foregoing was the basis of respondent Director in allowing the registration of petitioner's trademark.

The Court observes that respondent Director made a sudden turnabout after the petition for cancellation was filed, when he stated in his order that "the then examiner ... miserably overlooked the fact that at the time there was already an existing and validly issued certificate of registration for the trademark YKK, ...," for the records will show that the examiner, before proceeding with her discussion, mentioned that "a verification of Index Files show that there is registered, the trademark 'YKK and Globe Dev.' in favor of Yoshida Kogyo YKK" The Director's order was affirmed by the Court of Appeals whose decision is now being assailed.

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 invoices³ 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, definite and free from inconsistencies.⁴ "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 the 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.

It appears that it was only after more than seven (7) years when respondent sought the cancellation of the trademark. An unreasonable length of time had already passed before respondent 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 the trademark in question. Such inaction on the part of respondent entitles petitioner to the equitable principle of laches.

A perusal of the pleadings showed no explanation why respondent allowed the use by petitioner of the trademark under a duly approved application of registration thereof for as long as almost eight (8) years before filing the instant petition for cancellation. Obviously, respondent wanted goodwill and a wide market established at the expense of the petitioner but for its benefit. 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 any time, 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. Why, in the first place did respondent not file an opposition to the application of petitioner, as it ought to have done? It could be because by the fact that its own registration was defective for there being no compliance with the requirement of the law such as the two (2) months commercial use of the trademark prior to the filing of the application, its own registration may be cancelled, specially as it had no evidence of actual use of the trademark after its registration up to the time of the filing of petitioner's application, a fact easily deducible from the fact of respondent's complete silence and having taken no action to cancel petitioner's trademark until after the lapse of more than seven (7) years from the approval of petitioner's application to respondent filing a petition for cancellation.

Section 9-A of the Trademark Law as amended provides:

Equitable principles to govern proceedings: In opposition proceedings and all other inter partes proceedings in the Patent Office under this Act, equitable

principle of laches, estoppel and acquiescence where applicable, may be considered applied.

Respondent by its silence, must be aware that its "title" to the subject mark is defective since it failed to conform with the provision of the law regarding prior use of the mark; and it must have been afraid that it cannot fully substantiate its claim that the mark was commercially used in the Philippines. Surely, the evidence of respondent showing that it had advertised in magazines such as Life and Time, cannot be considered as compliance with the law, for it is of general knowledge that said magazines are not published in the Philippines, nor was there any showing that the product so advertised was even sold here. Hence, to grant the application for cancellation would greatly prejudice petitioner since respondent would be taking advantage of the goodwill already established by petitioner in selling its product, without the respondent having incurred in any expense to gain this priceless asset.

Equity and justice, therefore, demand that petitioner should be allowed to continue the use of the subject mark and the mark which was supposedly registered under the name of respondent be deemed cancelled.

WHEREFORE, the decision dated February 6, 1980 of the Court of Appeals is hereby set aside. No costs.

SO ORDERED.

Makasiar (Chairman), Concepcion, Jr. and Guerrero, JJ., concur.

Separate Opinions

AQUINO, J.: dissenting:

I dissent. Pagasa Industrial Corporation cannot invoke the defense of estoppel by laches, an equitable doctrine, because it acted in bad faith in registering its trademark "YKK" in 1967. He who comes into equity must come with clean hands.

Pagasa Industrial Corporation acted in bad faith because it had prior knowledge that the trademark "YKK" had already been appropriated by Yoshida Kogyo Kabushiki Kaisha. That trademark "YKK" is in fact an acronym of Yoshida Kogyo Kabushiki Kaisha (YKKK), a multinational Japanese corporation, one of the biggest zipper manufacturers in the world.

Since 1950, Yoshida Kogyo has been exporting zippers to the Philippines. It had business relations with Pagasa Industrial Corporation. Yoshida Kogyo's president visited Pagasa's factory which manufactured "Royal Zipper". Yoshida Kogyo engineers extended technical assistance to Pagasa Industrial Corporation in the manufacture of its Royal zipper. Pagasa's president, Anacieto Chi, visited Yoshida Kogyo's factories in Japan.

As correctly observed by Yoshida Kogyo's counsel, Pagasa's registration of the trademark "YKK" was an act of ingratitude. The Director of Patents said that his examiner "miserably overlooked" that the YKK trademark was already used by Yoshida Kogyo. That was a regrettable and costly oversight.

I vote for the affirmance of the decisions of the Director of Patents and the Court of Appeals, cancelling Pagasa's trademark "YKK" for its zipper.

Abad Santos, J., I join Justice Aquino in his dissent. How, why did Pagasa Industrial Corp. choose YKK as trademark when it has no connection with its name. It offers to have acted in bad faith.

Escolin, J., I agree.

FOOTNOTES:

- 1 Annex C to the petition, p. 31, Rollo.
- 2 Exhibit " D " (Original Records).
- 3 Exhibits 7, 7-a, and 8-b.
- 4 Sy Ching vs. Gaw Lui. 44 SCRA 148-149.