

Republic of the Philippines
SUPREME COURT
Manila

G.R. No. 159938 March 31, 2006

SHANGRI-LA INTERNATIONAL HOTEL MANAGEMENT, LTD., SHANGRI-LA PROPERTIES, INC., MAKATI SHANGRI-LA HOTEL & RESORT, INC., AND KUOK PHILIPPINES PROPERTIES, INC., Petitioners,

vs.

DEVELOPERS GROUP OF COMPANIES, INC., Respondent.

GARCIA, J.:

In this petition for review under Rule 45 of the Rules of Court, petitioners Shangri-La International Hotel Management, Ltd. (SLIHM), et al. assail and seek to set aside the Decision dated May 15, 2003¹ of the Court of Appeals (CA) in CA-G.R. CV No. 53351 and its Resolution² of September 15, 2003 which effectively affirmed with modification an earlier decision of the Regional Trial Court (RTC) of Quezon City in Civil Case No. Q-91-8476, an action for infringement and damages, thereat commenced by respondent Developers Group of Companies, Inc. (DGCI) against the herein petitioners.

The facts:

At the core of the controversy are the "Shangri-La" mark and "S" logo. Respondent DGCI claims ownership of said mark and logo in the Philippines on the strength of its prior use thereof within the country. As DGCI stresses at every turn, it filed on October 18, 1982 with the Bureau of Patents, Trademarks and Technology Transfer (BPTTT) pursuant to Sections 2 and 4 of Republic Act (RA) No. 166,³ as amended, an application for registration covering the subject mark and logo. On May 31, 1983, the BPTTT issued in favor of DGCI the corresponding certificate of registration therefor, *i.e.*, Registration No. 31904. Since then, DGCI started using the "Shangri-La" mark and "S" logo in its restaurant business.

On the other hand, the Kuok family owns and operates a chain of hotels with interest in hotels and hotel-related transactions since 1969. As far back as 1962, it adopted the name "Shangri-La" as part of the corporate names of all companies organized under the aegis of the Kuok Group of Companies (the Kuok Group). The Kuok Group has used the name "Shangri-La" in all Shangri-La hotels and hotel-related establishments around the world which the Kuok Family owned.

To centralize the operations of all Shangri-la hotels and the ownership of the "Shangri-La" mark and "S" logo, the Kuok Group had incorporated in Hong Kong and Singapore, among other places, several companies that form part of the Shangri-La International Hotel Management Ltd. Group of Companies. EDSA Shangri-La Hotel and Resort, Inc., and Makati Shangri-La Hotel and Resort, Inc. were incorporated in the Philippines beginning 1987 to own and operate the two (2) hotels put up by the Kuok Group in Mandaluyong and Makati, Metro Manila.

All hotels owned, operated and managed by the aforesaid SLIHM Group of Companies adopted and used the distinctive lettering of the name "Shangri-La" as part of their trade names.

From the records, it appears that Shangri-La Hotel Singapore commissioned a Singaporean design artist, a certain Mr. William Lee, to conceptualize and design the logo of the Shangri-La hotels.

During the launching of the stylized "S" Logo in February 1975, Mr. Lee gave the following explanation for the logo, to wit:

The logo which is shaped like a "S" represents the uniquely Asean architectural structures as well as keep to the legendary Shangri-la theme with the mountains on top being reflected on waters below and the connecting centre [sic] line serving as the horizon. This logo, which is a bold, striking definitive design, embodies both modernity and sophistication in balance and thought.

Since 1975 and up to the present, the "Shangri-La" mark and "S" logo have been used consistently and continuously by all Shangri-La hotels and companies in their paraphernalia, such as stationeries, envelopes, business forms, menus, displays and receipts.

The Kuok Group and/or petitioner SLIHM caused the registration of, and in fact registered, the "Shangri-La" mark and "S" logo in the patent offices in different countries around the world.

On June 21, 1988, the petitioners filed with the BPTTT a petition, docketed as Inter Partes Case No. 3145, praying for the cancellation of the registration of the "Shangri-La" mark and "S" logo issued to respondent DGCI on the ground that the same were illegally and fraudulently obtained and appropriated for the latter's restaurant business. They also filed in the same office Inter Partes Case No. 3529, praying for the registration of the same mark and logo in their own names.

Until 1987 or 1988, the petitioners did not operate any establishment in the Philippines, albeit they advertised their hotels abroad since 1972 in numerous business, news, and/or travel magazines widely circulated around the world, all readily available in Philippine magazines and newsstands. They, too, maintained reservations and booking agents in airline companies, hotel organizations, tour operators, tour promotion organizations, and in other allied fields in the Philippines.

It is principally upon the foregoing factual backdrop that respondent DGCI filed a complaint for Infringement and Damages with the RTC of Quezon City against the herein petitioners SLIHM, Shangri-La Properties, Inc., Makati Shangri-La Hotel & Resort, Inc., and Kuok Philippine Properties, Inc., docketed as Civil Case No. Q-91-8476 and eventually raffled to Branch 99 of said court. The complaint with prayer for injunctive relief and damages alleged that DGCI has, for the last eight (8) years, been the prior exclusive user in the Philippines of the mark and logo in question and the registered owner thereof for its restaurant and allied services. As DGCI alleged in its complaint, SLIHM, et al., in promoting and advertising their hotel and other allied projects then under construction in the country, had been using a mark and logo confusingly similar, if not identical, with its mark and "S" logo. Accordingly, DGCI sought to prohibit the petitioners, as defendants a quo, from using the "Shangri-La" mark and "S" logo in their hotels in the Philippines.

In their Answer with Counterclaim, the petitioners accused DGCI of appropriating and illegally using the "Shangri-La" mark and "S" logo, adding that the legal and beneficial ownership thereof pertained to SLIHM and that the Kuok Group and its related companies had been using this mark and logo since March 1962 for all their corporate names and affairs. In this regard, they point to the Paris Convention for the Protection of Industrial Property as affording security and protection to SLIHM's exclusive right to said mark and logo. They further claimed having used, since late 1975, the internationally-known and specially-designed "Shangri-La" mark and "S" logo for all the hotels in their hotel chain.

Pending trial on the merits of Civil Case No. Q-91-8476, the trial court issued a Writ of Preliminary Injunction enjoining the petitioners from using the subject mark and logo. The preliminary injunction issue ultimately reached the Court in G.R. No. 104583 entitled Developers Group of Companies, Inc. vs. Court of Appeals, et al. In a decision⁴ dated March 8, 1993, the Court nullified the writ of preliminary injunction issued by the trial court and directed it to proceed with the main case and decide it with deliberate dispatch.

While trial was in progress, the petitioners filed with the court a motion to suspend proceedings on account of the pendency before the BPTTT of Inter Partes Case No. 3145 for the cancellation of DGCI's certificate of registration. For its part, respondent DGCI filed a similar motion in that case, invoking in this respect the pendency of its infringement case before the trial court. The parties' respective motions to suspend proceedings also reached the Court via their respective petitions in G.R. No. 114802, entitled Developers Group of Companies, Inc. vs. Court of Appeals, et al. and G.R. No. 111580, entitled Shangri-La International Hotel Management LTD., et al. vs. Court of Appeals, et al., which were accordingly consolidated.

In a consolidated decision⁵ dated June 21, 2001, the Court, limiting itself to the core issue of whether, despite the petitioners' institution of Inter Partes Case No. 3145 before the BPTTT, herein respondent DGCI "can file a subsequent action for infringement with the regular courts of justice in connection with the same registered mark," ruled in the affirmative, but nonetheless ordered the BPTTT to suspend further proceedings in said inter partes case and to await the final outcome of the main case.

Meanwhile, trial on the merits of the infringement case proceeded. Presented as DGCI's lone witness was Ramon Syhunliong, President and Chairman of DGCI's Board of Directors. Among other things, this witness testified that:

1. He is a businessman, with interest in lumber, hotel, hospital, trading and restaurant businesses but only the restaurant business bears the name "Shangri-La" and uses the same and the "S-logo" as service marks. The restaurant now known as "Shangri-La Finest Chinese Cuisine" was formerly known as the "Carvajal Restaurant" until December 1982, when respondent took over said restaurant business.
2. He had traveled widely around Asia prior to 1982, and admitted knowing the Shangri-La Hotel in Hong Kong as early as August 1982.
3. The "S-logo" was one of two (2) designs given to him in December 1982, scribbled on a piece of paper by a jeepney signboard artist with an office somewhere in Balintawak. The unnamed artist supposedly produced the two designs after about two or three days from the time he (Syhunliong) gave the idea of the design he had in mind.
4. On October 15, 1982, or before the unknown signboard artist supposedly created the "Shangri-La" and "S" designs, DGCI was incorporated with the primary purpose of "owning or operating, or both, of hotels and restaurants".
5. On October 18, 1982, again prior to the alleged creation date of the mark and logo, DGCI filed an application for trademark registration of the mark "SHANGRI-LA FINEST CHINESE CUISINE & S. Logo" with the BPTTT. On said date, respondent DGCI amended its Articles of Incorporation to reflect the name of its restaurant, known and operating under the style and name of "SHANGRI-LA FINEST CHINESE CUISINE." Respondent DGCI obtained Certificate of Registration No. 31904 for the "Shangri-La" mark and "S" logo.

Eventually, the trial court, on the postulate that petitioners', more particularly petitioner SLIHM's, use of the mark and logo in dispute constitutes an infringement of DGCI's right thereto, came out with its decision⁶ on March 8, 1996 rendering judgment for DGCI, as follows:

WHEREFORE, judgment is hereby rendered in favor of [respondent DGCI] and against [SLIHM, et al.] -

- a) Upholding the validity of the registration of the service mark "Shangri-la" and "S-Logo" in the name of [respondent];

b) Declaring [petitioners'] use of said mark and logo as infringement of [respondent's] right thereto;

c) Ordering [petitioners], their representatives, agents, licensees, assignees and other persons acting under their authority and with their permission, to permanently cease and desist from using and/or continuing to use said mark and logo, or any copy, reproduction or colorable imitation thereof, in the promotion, advertisement, rendition of their hotel and allied projects and services or in any other manner whatsoever;

d) Ordering [petitioners] to remove said mark and logo from any premises, objects, materials and paraphernalia used by them and/or destroy any and all prints, signs, advertisements or other materials bearing said mark and logo in their possession and/or under their control; and

e) Ordering [petitioners], jointly and severally, to indemnify [respondent] in the amounts of P2,000,000.00 as actual and compensatory damages, P500,000.00 as attorney's fee and expenses of litigation.

Let a copy of this Decision be certified to the Director, Bureau of Patents, Trademarks and Technology Transfer for his information and appropriate action in accordance with the provisions of Section 25, Republic Act No. 166

Costs against [petitioners].

SO ORDERED. [Words in brackets added.]

Therefrom, the petitioners went on appeal to the CA whereat their recourse was docketed as CA G.R. SP No. 53351.

As stated at the threshold hereof, the CA, in its assailed Decision of May 15, 2003,⁷ affirmed that of the lower court with the modification of deleting the award of attorney's fees. The appellate court predicated its affirmatory action on the strength or interplay of the following premises:

1. Albeit the Kuok Group used the mark and logo since 1962, the evidence presented shows that the bulk use of the tradename was abroad and not in the Philippines (until 1987). Since the Kuok Group does not have proof of actual use in commerce in the Philippines (in accordance with Section 2 of R.A. No. 166), it cannot claim ownership of the mark and logo in accordance with the holding in *Kabushi Kaisha Isetan v. IAC*⁸, as reiterated in *Philip Morris, Inc. v. Court of Appeals*.⁹

2. On the other hand, respondent has a right to the mark and logo by virtue of its prior use in the Philippines and the issuance of Certificate of Registration No. 31904.

3. The use of the mark or logo in commerce through the bookings made by travel agencies is unavailing since the Kuok Group did not establish any branch or regional office in the Philippines. As it were, the Kuok Group was not engaged in commerce in the Philippines inasmuch as the bookings were made through travel agents not owned, controlled or managed by the Kuok Group.

4. While the Paris Convention protects internationally known marks, R.A. No. 166 still requires use in commerce in the Philippines. Accordingly, and on the premise that international agreements, such as Paris Convention, must yield to a municipal law, the question on the exclusive right over the mark and logo would still depend on actual use in commerce in the Philippines.

Petitioners then moved for a reconsideration, which motion was denied by the CA in its equally assailed Resolution of September 15, 2003.¹⁰

As formulated by the petitioners, the issues upon which this case hinges are:

1. Whether the CA erred in finding that respondent had the right to file an application for registration of the "Shangri-La" mark and "S" logo although respondent never had any prior actual commercial use thereof;
2. Whether the CA erred in finding that respondent's supposed use of the identical "Shangri-La" mark and "S" logo of the petitioners was not evident bad faith and can actually ripen into ownership, much less registration;
3. Whether the CA erred in overlooking petitioners' widespread prior use of the "Shangri-La" mark and "S" logo in their operations;
4. Whether the CA erred in refusing to consider that petitioners are entitled to protection under both R.A. No. 166, the old trademark law, and the Paris Convention for the Protection of Industrial Property;
5. Whether the CA erred in holding that SLIHM did not have the right to legally own the "Shangri-La" mark and "S" logo by virtue of and despite their ownership by the Kuok Group;
6. Whether the CA erred in ruling that petitioners' use of the mark and logo constitutes actionable infringement;
7. Whether the CA erred in awarding damages in favor of respondent despite the absence of any evidence to support the same, and in failing to award relief in favor of the petitioners; and
8. Whether petitioners should be prohibited from continuing their use of the mark and logo in question.

There are two preliminary issues, however, that respondent DGCI calls our attention to, namely:

1. Whether the certification against forum-shopping submitted on behalf of the petitioners is sufficient;
2. Whether the issues posed by petitioners are purely factual in nature hence improper for resolution in the instant petition for review on certiorari.

DGCI claims that the present petition for review should be dismissed outright for certain procedural defects, to wit: an insufficient certification against forum shopping and raising pure questions of fact. On both counts, we find the instant petition formally and substantially sound.

In its Comment, respondent alleged that the certification against forum shopping signed by Atty. Lee Benjamin Z. Lerma on behalf and as counsel of the petitioners was insufficient, and that he was not duly authorized to execute such document. Respondent further alleged that since petitioner SLIHM is a foreign entity based in Hong Kong, the Director's Certificate executed by Mr. Madhu Rama Chandra Rao, embodying the board resolution which authorizes Atty. Lerma to act for SLIHM and execute the certification against forum shopping, should contain the authentication by a consular officer of the Philippines in Hong Kong.

In *National Steel Corporation v. CA*,¹¹ the Court has ruled that the certification on non-forum shopping may be signed, for and in behalf of a corporation, by a specifically authorized lawyer who has personal knowledge of the facts required to be disclosed in such document. The reason for this is that a corporation can only exercise its powers through its board of directors and/or its

duly authorized officers and agents. Physical acts, like the signing of documents, can be performed only by natural persons duly authorized for the purpose.¹²

Moreover, Rule 7, Section 5 of the Rules of Court concerning the certification against forum shopping does not require any consular certification if the petitioner is a foreign entity. Nonetheless, to banish any lingering doubt, petitioner SLIHM furnished this Court with a consular certification dated October 29, 2003 authenticating the Director's Certificate authorizing Atty. Lerma to execute the certification against forum shopping, together with petitioners' manifestation of February 9, 2004.

Respondent also attacks the present petition as one that raises pure questions of fact. It points out that in a petition for review under Rule 45 of the Rules of Court, the questions that may properly be inquired into are strictly circumscribed by the express limitation that "the petition shall raise only questions of law which must be distinctly set forth."¹³ We do not, however, find that the issues involved in this petition consist purely of questions of fact. These issues will be dealt with as we go through the questions raised by the petitioners one by one.

Petitioners' first argument is that the respondent had no right to file an application for registration of the "Shangri-La" mark and "S" logo because it did not have prior actual commercial use thereof. To respondent, such an argument raises a question of fact that was already resolved by the RTC and concurred in by the CA.

First off, all that the RTC found was that respondent was the prior user and registrant of the subject mark and logo in the Philippines. Taken in proper context, the trial court's finding on "prior use" can only be interpreted to mean that respondent used the subject mark and logo in the country before the petitioners did. It cannot be construed as being a factual finding that there was prior use of the mark and logo before registration.

Secondly, the question raised is not purely factual in nature. In the context of this case, it involves resolving whether a certificate of registration of a mark, and the presumption of regularity in the performance of official functions in the issuance thereof, are sufficient to establish prior actual use by the registrant. It further entails answering the question of whether prior actual use is required before there may be a valid registration of a mark.

Under the provisions of the former trademark law, R.A. No. 166, as amended, which was in effect up to December 31, 1997, hence, the law in force at the time of respondent's application for registration of trademark, the root of ownership of a trademark is actual use in commerce. Section 2 of said law requires that before a trademark can be registered, it must have been actually used in commerce and service for not less than two months in the Philippines prior to the filing of an application for its registration.

Registration, without more, does not confer upon the registrant an absolute right to the registered mark. The certificate of registration is merely a *prima facie* proof that the registrant is the owner of the registered mark or trade name. Evidence of prior and continuous use of the mark or trade name by another can overcome the presumptive ownership of the registrant and may very well entitle the former to be declared owner in an appropriate case.¹⁴

Among the effects of registration of a mark, as catalogued by the Court in *Lorenzana v. Macagba*,¹⁵ are:

1. Registration in the Principal Register gives rise to a presumption of the validity of the registration, the registrant's ownership of the mark, and his right to the exclusive use thereof. x x x
2. Registration in the Principal Register is limited to the actual owner of the trademark and proceedings therein pass on the issue of ownership, which may be contested

through opposition or interference proceedings, or, after registration, in a petition for cancellation. xxx

[Emphasis supplied]

Ownership of a mark or trade name may be acquired not necessarily by registration but by adoption and use in trade or commerce. As between actual use of a mark without registration, and registration of the mark without actual use thereof, the former prevails over the latter. For 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 pre-requisite to the acquisition of the right of ownership.¹⁶

While the present law on trademarks¹⁷ has dispensed with the requirement of prior actual use at the time of registration, the law in force at the time of registration must be applied, and thereunder it was held that as a condition precedent to registration of trademark, trade name or service mark, the same must have been in actual use in the Philippines before the filing of the application for registration.¹⁸ Trademark is a creation of use and therefore actual use is a pre-requisite to exclusive ownership and its registration with the Philippine Patent Office is a mere administrative confirmation of the existence of such right.¹⁹

By itself, registration is not a mode of acquiring ownership. When the applicant is not the owner of the trademark being applied for, he has no right to apply for registration of the same. 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.²⁰ Such presumption, just like the presumptive regularity in the performance of official functions, is rebuttable and must give way to evidence to the contrary.

Here, respondent's own witness, Ramon Syhunliong, testified that a jeepney signboard artist allegedly commissioned to create the mark and logo submitted his designs only in December 1982.²¹ This was two-and-a-half months *after* the filing of the respondent's trademark application on October 18, 1982 with the BPTTT. It was also only in December 1982 when the respondent's restaurant was opened for business.²² Respondent cannot now claim before the Court that the certificate of registration itself is proof that the two-month prior use requirement was complied with, what with the fact that its very own witness testified otherwise in the trial court. And because at the time (October 18, 1982) the respondent filed its application for trademark registration of the "Shangri-La" mark and "S" logo, respondent was not using these in the Philippines commercially, the registration is void.

Petitioners also argue that the respondent's use of the "Shangri-La" mark and "S" logo was in evident bad faith and cannot therefore ripen into ownership, much less registration. While the respondent is correct in saying that a finding of bad faith is factual, not legal,²³ hence beyond the scope of a petition for review, there are, however, noted exceptions thereto. Among these exceptions are:

1. When the inference made is manifestly mistaken, absurd or impossible;²⁴
2. When there is grave abuse of discretion;²⁵
3. When the judgment is based on a misapprehension of facts;²⁶
4. When the findings of fact are conflicting;²⁷ and
5. When the facts set forth in the petition as well as in the petitioner's main and reply briefs are not disputed by the respondent.²⁸

And these are naming but a few of the recognized exceptions to the rule.

The CA itself, in its Decision of May 15, 2003, found that the respondent's president and chairman of the board, Ramon Syhunliong, had been a guest at the petitioners' hotel before he caused the registration of the mark and logo, and surmised that he must have copied the idea there:

Did Mr. Ramon Syhunliong, [respondent's] President copy the mark and devise from one of [petitioners'] hotel (Kowloon Shangri-la) abroad? The mere fact that he was a visitor of [petitioners'] hotel abroad at one time (September 27, 1982) establishes [petitioners'] allegation that he got the idea there.²⁹

Yet, in the very next paragraph, despite the preceding admission that the mark and logo must have been copied, the CA tries to make it appear that the adoption of the same mark and logo could have been coincidental:

The word or name "Shangri-la" and the S-logo, are not uncommon. The word "Shangri-la" refers to a (a) remote beautiful imaginary place where life approaches perfection or (b) imaginary mountain land depicted as a utopia in the novel *Lost Horizon* by James Hilton. The *Lost Horizon* was a well-read and popular novel written in 1936. It is not impossible that the parties, inspired by the novel, both adopted the mark for their business to conjure [a] place of beauty and pleasure.

The S-logo is, likewise, not unusual. The devise looks like a modified Old English print.³⁰

To jump from a recognition of the fact that the mark and logo must have been copied to a rationalization for the possibility that both the petitioners and the respondent coincidentally chose the same name and logo is not only contradictory, but also manifestly mistaken or absurd. Furthermore, the "S" logo appears nothing like the "Old English" print that the CA makes it out to be, but is obviously a symbol with oriental or Asian overtones. At any rate, it is ludicrous to believe that the parties would come up with the exact same lettering for the word "Shangri-La" and the exact same logo to boot. As correctly observed by the petitioners, to which we are in full accord:

x x x When a trademark copycat adopts the word portion of another's trademark as his own, there may still be some doubt that the adoption is intentional. But if he copies not only the word but also the word's exact font and lettering style and in addition, he copies also the logo portion of the trademark, the slightest doubt vanishes. It is then replaced by the certainty that the adoption was deliberate, malicious and in bad faith.³¹

It is truly difficult to understand why, of the millions of terms and combination of letters and designs available, the respondent had to choose exactly the same mark and logo as that of the petitioners, if there was no intent to take advantage of the goodwill of petitioners' mark and logo.³²

One who has imitated the trademark of another cannot bring an action for infringement, particularly against the true owner of the mark, because he would be coming to court with unclean hands.³³ Priority is of no avail to the bad faith plaintiff. Good faith is required in order to ensure that a second user may not merely take advantage of the goodwill established by the true owner.

This point is further bolstered by the fact that under either Section 17 of R.A. No. 166, or Section 151 of R.A. No. 8293, or Article 6*bis*(3) of the Paris Convention, no time limit is fixed for the cancellation of marks registered or used in bad faith.³⁴ This is precisely why petitioners had filed an inter partes case before the BPTTT for the cancellation of respondent's registration, the proceedings on which were suspended pending resolution of the instant case.

Respondent DGCI also rebukes the next issue raised by the petitioners as being purely factual in nature, namely, whether the CA erred in overlooking petitioners' widespread prior use of the

"Shangri-La" mark and "S" logo in their operations. The question, however, is not whether there had been widespread prior use, which would have been factual, but whether that prior use entitles the petitioners to use the mark and logo in the Philippines. This is clearly a question which is legal in nature.

It has already been established in the two courts below, and *admitted by the respondent's president himself*, that petitioners had prior widespread use of the mark and logo abroad:

There is, to be sure, an impressive mass of proof that petitioner SLIHM and its related companies abroad used the name and logo for one purpose or another x x x.³⁵ [Emphasis supplied]

In respondent's own words, "[T]he Court of Appeals did note petitioners' use of the mark and logo but held that such use did not confer to them ownership or exclusive right to use them in the Philippines."³⁶ To petitioners' mind, it was error for the CA to rule that their worldwide use of the mark and logo in dispute could not have conferred upon them any right thereto. Again, this is a legal question which is well worth delving into.

R.A. No. 166, as amended, under which this case was heard and decided provides:

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: 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.

Section 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 servicemark not so appropriated by another, to distinguish his merchandise, business or service from the merchandise, business or services 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 this law. [Emphasis supplied]

Admittedly, the CA was not amiss in saying that the law requires the actual use in commerce of the said trade name and "S" logo *in the Philippines*. Hence, consistent with its finding that the bulk of the petitioners' evidence shows that the alleged use of the Shangri-La trade name was done abroad and not in the Philippines, it is understandable for that court to rule in respondent's favor. Unfortunately, however, what the CA failed to perceive is that there is a crucial difference between the aforementioned Section 2 and Section 2-A of R.A. No. 166. For, while Section 2 provides for what is *registrable*, Section 2-A, on the other hand, sets out how *ownership* is acquired. These are two distinct concepts.

Under Section 2, in order to register a trademark, one must be the owner thereof and must have actually used the mark in commerce in the Philippines for 2 months prior to the application for registration. Since "ownership" of the trademark is required for registration, Section 2-A of the same law sets out to define how one goes about acquiring ownership thereof. Under Section 2-A, it is clear that actual use in commerce is also the test of ownership but the provision went further by saying that the mark must not have been so appropriated by another. Additionally, it is significant to note that Section 2-A does not require that the actual use of a trademark must be

within the Philippines. Hence, under R.A. No. 166, as amended, one may be an owner of a mark due to actual use thereof but not yet have the right to register such ownership here due to failure to use it within the Philippines for two months.

While the petitioners may not have qualified under Section 2 of R.A. No. 166 as a registrant, neither did respondent DGCI, since the latter also failed to fulfill the 2-month actual use requirement. What is worse, DGCI was not even the owner of the mark. For it to have been the owner, the mark must not have been already appropriated (*i.e.*, used) by someone else. At the time of respondent DGCI's registration of the mark, the same was already being used by the petitioners, albeit abroad, of which DGCI's president was fully *aware*.

It is respondent's contention that since the petitioners adopted the "Shangri-La" mark and "S" logo as a mere corporate name or as the name of their hotels, instead of using them as a trademark or service mark, then such name and logo are not trademarks. The two concepts of corporate name or business name and trademark or service mark, are not mutually exclusive. It is common, indeed likely, that the name of a corporation or business is also a trade name, trademark or service mark. Section 38 of R.A. No. 166 defines the terms as follows:

Sec. 38. Words and terms defined and construed - In the construction of this Act, unless the contrary is plainly apparent from the context - The term "trade name" includes individual names and surnames, firm names, trade names, devices or words used by manufacturers, industrialists, merchants, agriculturists, and others to identify their business, vocations or occupations; the names or titles lawfully adopted and used by natural or juridical persons, unions, and any manufacturing, industrial, commercial, agricultural or other organizations engaged in trade or commerce.

The term "trade mark" includes any word, name, symbol, emblem, sign or device or any combination thereof adopted and used by a manufacturer or merchant to identify his goods and distinguish them from those manufactured, sold or dealt in by others.

The term "service mark" means a mark used in the sale or advertising of services to identify the services of one person and distinguish them from the services of others and includes without limitation the marks, names, symbols, titles, designations, slogans, character names, and distinctive features of radio or other advertising. [Emphasis supplied]

Clearly, from the broad definitions quoted above, the petitioners can be considered as having used the "Shangri-La" name and "S" logo as a tradename and service mark.

The new Intellectual Property Code (IPC), Republic Act No. 8293, undoubtedly shows the firm resolve of the Philippines to observe and follow the Paris Convention by incorporating the relevant portions of the Convention such that persons who may question a mark (that is, oppose registration, petition for the cancellation thereof, sue for unfair competition) include persons whose internationally well-known mark, *whether or not registered*, is identical with or confusingly similar to or constitutes a translation of a mark that is sought to be registered or is actually registered.³⁷

However, while the Philippines was already a signatory to the Paris Convention, the IPC only took effect on January 1, 1988, and in the absence of a retroactivity clause, R.A. No. 166 still applies.³⁸ Under the prevailing law and jurisprudence at the time, the CA had not erred in ruling that:

The Paris Convention mandates that protection should be afforded to internationally known marks as signatory to the Paris Convention, without regard as to whether the foreign corporation is registered, licensed or doing business in the Philippines. It goes without saying that the same runs afoul to Republic Act No. 166, which requires the actual use in commerce in the Philippines of the subject mark or devise. The apparent conflict between the two (2) was settled by the Supreme Court in this wise -

"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 (Mortensen 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 (Salonga and Yap, Public International Law, Fourth ed., 1974, p. 16)."³⁹ [Emphasis supplied]

Consequently, the petitioners cannot claim protection under the Paris Convention. Nevertheless, with the double infirmity of lack of two-month prior use, as well as bad faith in the respondent's registration of the mark, it is evident that the petitioners cannot be guilty of infringement. It would be a great injustice to adjudge the petitioners guilty of infringing a mark when they are actually the originator and creator thereof.

Nor can the petitioners' separate personalities from their mother corporation be an obstacle in the enforcement of their rights as part of the Kuok Group of Companies and as official repository, manager and operator of the subject mark and logo. Besides, R.A. No. 166 did not require the party seeking relief to be the owner of the mark but "any person who believes that he is or will be damaged by the registration of a mark or trade name."⁴⁰

WHEREFORE, the instant petition is GRANTED. The assailed Decision and Resolution of the Court of Appeals dated May 15, 2003 and September 15, 2003, respectively, and the Decision of the Regional Trial Court of Quezon City dated March 8, 1996 are hereby SET ASIDE. Accordingly, the complaint for infringement in Civil Case No. Q-91-8476 is ordered DISMISSED.

SO ORDERED.

CANCIO C. GARCIA
Associate Justice

WE CONCUR:

REYNATO S. PUNO
Associate Justice
Chairperson

ANGELINA SANDOVAL-GUTIERREZ
Associate Justice

RENATO C. CORONA
Associate Justice

ADOLFO S. AZCUNA
Associate Justice

A T T E S T A T I O N

I attest that the conclusions in the above decision were reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.

REYNATO S. PUNO
Associate Justice
Chairperson, Second Division

CERTIFICATION

Pursuant to Article VIII, Section 13 of the Constitution, and the Division Chairperson's Attestation, it is hereby certified that the conclusions in the above decision were reached in consultation before the case was assigned to the writer of the opinion of the Court.

ARTEMIO V. PANGANIBAN
Chief Justice

FOOTNOTES:

¹ Penned by Associate Justice Remedios A. Salazar-Fernando, with Associate Justices Delilah Vidallon-Magtolis (now ret.) and Edgardo F. Sundiam, concurring; Rollo, pp. 71-91.

² *Id.* at 92-93.

³ AN ACT TO PROVIDE FOR THE REGISTRATION AND PROTECTION OF TRADEMARKS, TRADE NAMES AND SERVICE MARKS, DEFINING UNFAIR COMPETITION AND FALSE MARKING AND PROVIDING REMEDIES AGAINST THE SAME, AND FOR OTHER PURPOSES.

⁴ *Developers Group of Companies, Inc. vs. Court of Appeals, et al.*, G.R. No. 104583, March 8, 1993, 219 SCRA 715-723.

⁵ *Developers Group of Companies, Inc. vs. Court of Appeals, et al.*, G.R. No. 114802 and *Shangri-La International Hotel Management LTD., et al. vs. Court of Appeals, et al.*, G.R. No. 111580, June 21, 2001, 359 SCRA 273-282.

⁶ Rollo, pp. 114-121.

⁷ *Supra* note 1.

⁸ G.R. No. 75420, November 15, 1991, 203 SCRA 583.

⁹ G.R. No. 91332, July 16, 1993, 224 SCRA 576.

¹⁰ *Supra* note 2.

¹¹ G.R. No. 134468, August 29, 2002, 388 SCRA 85, 91-92.

¹² *BA Savings Bank v. Sia*, G.R. No. 131214, July 27, 2000, 336 SCRA 484, 485.

¹³ Section 1, Rule 45, Rules of Court.

¹⁴ *Sterling Products International, Inc. v. Farbenfabriken Bayer Aktiengesellschaft*, G.R. No. L-19906, April 30, 1969, 27 SCRA 1214; *Chung Te v. Ng Kian Giab*, G.R. No. L-23791, November 23, 1966, 18 SCRA 747.

¹⁵ G.R. No. 33773, October 22, 1987, 154 SCRA 728-729.

¹⁶ *Emerald Garments Mfg. Corp. v. Court of Appeals*, G.R. No. 100098, December 29, 1995, 251 SCRA 600; *Sterling Products International, Inc. v. Farbenfabriken Bayer Aktiengesellschaft*, G.R. No. L-19906, April 30, 1969, 27 SCRA 1214.

¹⁷ Section 124 of Republic No. Act 8293, The Intellectual Property Code.

¹⁸ *Heirs of Crisanta Y. Gabrielle-Almoradie v. CA*, G.R. No. L-91385, January 4, 1994, 229 SCRA 15.

¹⁹ *Marvex Commercial v. Petra Hawpia & Co.*, G.R. No. L-19297, December 22, 1966, 18 SCRA 1178.

²⁰ *Unno Commercial Enterprises, Inc. v. General Milling Corporation*, G.R. No. L-28554, February 28, 1983, 120 SCRA 804.

²¹ TSN, April 13, 1994, pp. 12, 13.

²² *Ibid.*

²³ *Cheesman v. Intermediate Appellate Court*, G.R. No. 74833, January 21, 1991, 193 SCRA 100.

²⁴ *Luna v. Linatoc*, 74 Phil. 15 (1942).

²⁵ *Buyco v. People*, 95 Phil. 453 (1954).

²⁶ *Cruz v. Sosing and Court of Appeals*, 94 Phil. 26 (1953).

²⁷ *Casica v. Villaseca*, 101 Phil. 1205 (1957).

²⁸ *Garcia v. Court of Appeals*, G.R. No. L-26490, June 30, 1970, 33 SCRA 622; *Alsua-Betts v. Court of Appeals*, G.R. Nos. L-46430-31, July 30, 1979, 92 SCRA 332.

²⁹ Court of Appeals Decision; Rollo, p. 87; Annex "A" of Petition.

³⁰ *Ibid.*

³¹ Petitioner's Memorandum, pp. 1-2; Rollo, pp. 448-449.

³² *American Wire & Cable Co. v. Director of Patents*, G.R. No. L-26557, February 18, 1970, 31 SCRA 544, 551.

³³ *Ubeda v. Zialcita*, 13 Phil. 11, 19 (1909).

³⁴ *American Cyanamid Company v. Director of Patents*, G.R. No. L-23954, April 29, 1977, 76 SCRA 568; *La Estrella Distillery v. Director of Patents*, 105 Phil. 1213 (1959).

³⁵ Respondent's Comment at p. 21 thereof; Rollo, pp. 150-201, at p. 170.

³⁶ *Ibid.*, p. 21; Rollo, p. 170.

³⁷ Secs. 123(3) and 131.3, Intellectual Property Code, RA No. 9283.

³⁸ Article 4, The Civil Code: "Laws shall have no retroactive effect, unless the contrary is provided."

³⁹ *Philip Morris, et al. v. CA, et al.*, G.R. No. 91332, 593, July 16, 1993, 224 SCRA 576.

⁴⁰ Section 17, RA No. 166.