

SUNSHINE BISCUITS, INC.,
Petitioner,

INTER PARTES CASE NOS. 3397 & 3739

-versus-

PETITION FOR CANCELLATION:

Cert. of Reg. Nos.: SR-6217 & 47590
Issued : May 20, 1983/
March 22, 1990
Registrant : Fitrite, Inc.
Trademark : "SUNSHINE & DEVICE
LABEL" & "SUNSHINE"
Used on : Cookies or Biscuits

FITRITE INC. & VICTORIA
BISCUIT CO., INC.,
Respondent-Registrant/
Assignee

DECISION NO. 95-1 (TM)

July 26, 1995

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DECISION

On June 8, 1989, a Petition was filed by Sunshine Biscuits, Inc. for the cancellation of Registration No. SR-6217 in the Supplemental Register of the mark SUNSHINE and DEVICE LABEL used on biscuits and cookies issued in the name of Fitrite, Inc. Subsequently, on January 9, 1992, another Petition was filed by herein Petitioner for cancellation of Registration No. 47590 in the Principal Register of the same mark, which was approved during the pendency of the first Petition for Cancellation. These two (2) petitions were docketed as Inter Partes Cases Nos. 3397 and 3739 respectively, and were later consolidated per Order No. 92-788 dated November 4, 1992.

Petitioner Sunshine Biscuits, Inc. ("Sunshine" for short) is a corporation duly organized and existing under and by virtue of the laws of the United States of America with business address at 100 Woodbridge Center Drive, Woodbridge, New Jersey, USA 07095-1196 while Respondents Fitrite, Inc. ("Fitrite" for short) and Victoria Biscuits Co., Inc., ("Victoria" for short), sister company of Fitrite, corporations organized and existing under Philippine laws with address at 145 General Evangelista St., Caloocan City and 301 A. Mabini St., Caloocan City, respectively.

Victoria was impleaded as respondent since Fitrite assigned its trademark SUNSHINE and DEVICE LABEL, including its interest and goodwill to Victoria.

The grounds for the two (2) Petitions for Cancellation are as follows:

"1. Registrant Fitrite was not entitled to register the mark at the time of its application for registration thereof;

2. The mark SUNSHINE has not been commercially used by the registrant; and,

3. The registrant mark or tradename 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 tradename is used."

Petitioner relied on the following facts to support its Petitions for Cancellation.

"1. Registrant Fitrite was not the owner of the mark SUNSHINE at the time it applied for registration and it had not (and has not) acquired any right to use the said mark. Considering that the registrant is not the owner of the said mark, it has no right or title whatsoever over the said mark. Petitioner is the owner of the trademark SUNSHINE registered in the United States Patent

and Trademark Office under Registration Nos. 869,071, 869,070, 832,624 and 709,731 for crackers, cookies, wafers, fig bars, cakes, pies, potato chips, pretzels, candy, shredded wheat, breakfast, cereal, and cracker meal. Petitioner's mark SUNSHINE is an internationally known trademark, and this mark has acquired a goodwill associated with petitioner herein, in the Philippines and other countries where the mark is registered and used by petitioner;

2. The said mark had not been used commercially by Fitrite for the required period of one (1) year at the time it applied for registration thereof in the Supplemental Register and the required period of two (2) months before it was applied for registration thereof in the Principal Register, and Fitrite was not therefore entitled to register the mark, and hence, had no right to assign the same; and

3. The registration of the mark Sunshine by Fitrite, the fraudulent assignment thereof to Victoria, and the use thereof by virtue of such Assignment will cause confusion and/ or mistake and thus mislead the public believe that the products of respondent-assignee bearing said mark are manufactured by petitioner herein, and also mislead the petitioner herein which is also the petitioner for cancellation of the same trademark under a Supplemental Register, against Fitrite, which was already pending when the Certificate of Registration No. 47590 was issued under the Principal Register.”

In their Answer, respondents denied all the material allegations and raised the following affirmative defenses:

“1. The registration of the mark SUNSHINE and DEVICE LABEL was made in accordance with the requirements of R.A. 166, known as the Trademark Law. It is only after on or about six (6) years that petitioner filed its Petition for Cancellation of respondent’s mark SUNSHINE and DEVICE LABEL and hence, barred by laches and estoppel;

2. Respondents’ mark has been continuously used in commerce and has never been abandoned;

3. Respondent Fitrite’s assignment of its trademark to Victoria is in accordance with Section 31 of R.A. 166; and,

4. It is petitioner whose entry in the Philippine market of goods bearing the mark SUNSHINE without respondents’ consent that misrepresents the source and origin if the good.”

Failing to settle the case amicably, trial on the merit ensued.

The main issue to be resolved in this case is whether or not respondent Fitrite was entitled to register the mark SUNSHINE and DEVICE LABEL at the time of its application for registration thereof.

As alleged by Petitioner, the said mark had not been used commercially by Fitrite for the required period of 1 year at the time it applied for registration thereof in the Supplemental Register and the required period of 2 months before it was applied for registration thereof in the Principal Register.

The records disclosed that the mark SUNSHINE and SUNSHINE and DEVICE LABEL was applied for by respondent Fitrite both in the Supplemental as well as in the Principal Register on April 23, 1982 wherein it alleged use of the mark since March 31, 1981. However, the evidence herein adduced showed it was only in March 15, 1984 that Respondent started using the mark Sunshine as per Victoria Invoice No. 4952 (Exhibit 16-A) which clearly proves that Respondent did not comply with the required period of actual use in commerce before filing its applications for registration of the mark Sunshine and Sunshine and Device Label in the Principal as well as the Supplemental Register.

Sections 2 and 19-A of Republic Act No. 166, otherwise known as the Philippine Trademark Law, provide as follows:

“Section 2. *What are registrable.* -Trademarks, tradenames, 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, tradenames, 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. xxx” (Underscoring ours)

“Section 19-A. In addition to the principal register, the Director shall keep another register called the supplemental register. All marks and trade-names capable of distinguishing applicant's goods or services and not registrable on the principal register here-in provided, except those declared to be unregistrable under paragraphs (a), (b), (c), and (d) of section four of this Act, which have been in lawful use in commerce by the proprietor thereof, upon or in connection with any goods, business or services for the year preceding the filing of the application, may be registered on the supplemental register upon payment of filing fee xxx” (underscoring ours)

Therefore, at the time it applied for registration in the Principal and Supplemental Registers respondent Fitrite did not own mark Sunshine and Sunshine and Device Label as it shown that it was only on March 15, 1984 (Exh. “16-A”) it started using the said mark, or two (2) years after it filed its application for registration on April 23, 1982 both in the principal and supplemental registers.

Section 2-A of R.A. 166 provides the basis of acquiring ownership of a trademark, as follows:

“Section 2-A. *Ownership of trademarks, tradenames 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 tradename, or a service mark not so appropriated by another to distinguish his merchandise, business or service of others. xxx” (underscoring ours)

“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 over a trademark.

Adoption alone of a trademark would not give exclusive right thereto. Such right grows out of their actual use. Adoption is not use. One may make advertisements, issue circulars, give out price lists on certain goods; but these alone would not give exclusive right of use. For trademark is a creation of use. The underlying reason for all these is that purchasers have come to understand the mark as indicating the origin of wares. ‘Flowing from this is the trader's right to protection in the trade he has built up and the goodwill he has accumulated from use of the trademark.

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.”(Sterling Products International, Inc. vs. Farbenfabriken Bayer Aktiengesellschaft, and Allied Manufacturing & Trading Co., Inc. 27 SCRA 1214, April 30, 1969).

On the part of petitioner Sunshine, the records disclosed that the mark SUNSHINE was first adopted and used in commerce in the United States of America as early as 1908 and was first used in the Philippines as early as 1978 (Exhibits X and Z) although it was only in 1988 when it applied for registration in the Philippines. Various evidence presented herein showed that Sunshine has commercially used the mark even before said application. As claimed by Mr. Raul

Olaya, Import Manager and Executive Assistant of Conrad & Co. Inc., exclusive distributor of Sunshine products in the Philippines starting 1988, he has seen Sunshine products in Clark and Subic Duty Free Shops and local "PX" shops as early as 1978 (Exhibit X). Invoice No. 65093274 dated May 9, 1984 revealed that various Sunshine products have been shipped to "Clark AFB, PI" in the amount of US\$12,035.64 (Exhibit BBB). Furthermore, Mr. Gerald P. Zantzi, Vice President-Marketing of Sunshine, testified that as early as 1980, petitioner has sold its products through the United States military facilities in Subic Naval Base and Clark Air Field and that its annual sales to these facilities were estimated to be US\$300,000.00 (Exhibit Z).

The Court of Appeals in a Decision promulgated on January 31, 1995 in the case of Prudential Life Plan vs. Prudential Insurance Company of America (Inter Partes Case No. 3297) CA-G.R. No. SP-30954, held that "the use therefore of private respondent's Tradename in the abovementioned foreign bases located in the Philippines may not be said as having been done in foreign territory" as culled from the ruling in the case of Reagan vs. Commissioner of Internal Revenue, 30 SCRA 965, which stressed:

"Nothing is better settled than that the Philippines being independent and sovereign, its authority may be exercised over its entire domain. There is no portion thereof that is beyond its power. Within its limits, its decrees are supreme, its commands paramount. Its laws govern therein, and everyone to whom it applies must submit to its terms. That is the extent of its jurisdiction, both territorial and personal. Necessarily, likewise, it has to be exclusive. If it were not thus, there is a diminution of its sovereignty.

It is to be admitted that any state may, by its consent, express or implied, submit to a restriction of its sovereign rights. There may thus be a curtailment of what otherwise is a power plenary in character. That is the concept of sovereignty as auto-limitation, which, in the succinct language of Jellinek, "is the property of a state-force due to which it has the exclusive capacity of legal self-determination and self-restriction." A state then, if it chooses to, may refrain from the exercise of what otherwise is illimitable competence.

Its laws may as to some persons found within its territory no longer control. Nor does the matter end there. It is not precluded from allowing another power to participate in the exercise of jurisdictional right over, certain portions of its territory. If it does so, it by no means follows that such areas become impressed with an alien character. They are still subject to its authority. Its jurisdiction may be diminished, but it does not disappear. So it is with the bases under lease to the American armed forces by virtue of the military bases agreement in 1947. They are not and cannot be foreign territory." (Underscoring ours)

Corollary, the sale of Sunshine products by Petitioner as early as 1978 at Clark Air Base and Subic Naval Base as testified to by Mr. Raul Olaya is considered sale in the Philippines.

Moreover, the Philippines is a signatory to the Paris Convention and so is the United States of America, the nationality of petitioner Sunshine, among others.

Article 6bis of the Paris Convention adheres to the principle of territoriality not in the strict sense, in that use in the country where protection is sought is not required; it suffices that such marks are considered by the competent authority of the country where protection is sought, to be well-known in that country as being already the mark of a person entitled to the benefits of the convention and used for identical or similar goods (underscoring ours).

Can the mark SUNSHINE as used and registered by petitioner in the United States of America and other foreign countries be considered "well-known" in the Philippines and hence entitled to the protection under Article 6bis of the Paris Convention?

Squarely resolving this issue, then Minister of Trade Roberto Ongpin issued on October 25, 1983 a Memorandum (Ongpin Memorandum) which provides:

“That the trademark under consideration is well-known in the Philippines or is a mark belonging to a person entitled to the benefits of the convention would be established pursuant to Philippine Patent Office procedures in inter partes and ex parte cases according to any of the following criteria or any combination thereof:

a) a declaration by the Ministry of Trade and Industry that the trademark being considered is already well-known in the Philippines such that permission for its use by other than its original owner will constitute a reproduction, imitation, translation or other infringement;

b) that the trademark is used in commerce internationally, supported by proof that goods bearing the trademark are sold on an international scale, advertisements, the establishment of factories, sales offices, distributorships and the like, in different countries, including volume or other measure of international trade and commerce;

c) that the trademark is duly registered in the industrial property office(s) of another country or countries, taking into consideration the dates of such registration;

d) that the trademark has been long established and obtained goodwill and general international consumer recognition as belonging to one owner or source;

e) that the trademark actually belongs to a party claiming ownership and has the right to registration under the provisions of the aforestated Paris Convention.”

Under the set forth criteria of the Ongpin Memorandum, no iota of doubt remains that the petitioner's mark SUNSHINE is internationally well-known and hence entitled to protection under Article 6 of the Paris Convention. Petitioner Sunshine has since 1908 commercially used the mark SUNSHINE in international scale as shown by the following -

1. The mark SUNSHINE is registered in the United States of America with Reg. No. 75104 issued on December 19, 1908 (Exhibit ZZ) and other foreign countries such as:

African Union	-	Reg. No. 24944 issued on <u>9/24/84</u> (Exhibit QQ)
Guam	-	Reg. No. 657,831 issued on <u>10/18/83</u> (Exhibit FF-1)
Haiti	-	Reg. No. 122/73 issued on <u>3/22/85</u> (Exhibit GG)
Norway	-	Reg. No. 126355 issued on <u>8/14/86</u> (Exhibit PP-2)
Jordan	-	Reg. No. 17316 issued on <u>12/22/79</u> (Exhibit LL-2)
Kuwait	-	Reg. No. 10,943 issued on <u>2/3/30</u> (Exhibit MM)
Thailand	-	Reg. No. 111484 issued on <u>8/1/88</u> (Exhibit UU-4)
Argentina	-	Reg. No. 1.216.109 issued on <u>11/6/79</u> (Exhibit BB-2)
Taiwan	-	Reg. No. 450038 issued on <u>5/1/90</u> (Exhibit DD-2)
Canada	-	Reg. No. 355663 issued on <u>5/12/89</u> (Exhibit CC)
Hongkong	-	Reg. No. B0891 issued on <u>3/20/91</u> (Exhibit HH)
Indonesia	-	Reg. No. 241189 issued on <u>8/18/88</u> (Exhibit JJ)
Malaysia	-	Reg. No. M159930 issued on <u>7/8/82</u> (Exhibit 00)
Panama	-	Reg. No. 657, 831 issued on <u>9/1/83</u> (Exhibit RR-2)
Saudi Arabia	-	Reg. No. 105/81 issued on <u>5/14/80</u> (Exhibit TT)
Iceland	-	Reg. No. 29/1984 issued on <u>5/18/84</u> (Exhibit II)
Brazil	-	Reg. No. M/59930 issued on <u>6/23/72</u> (Exhibit NN)
Puerto Rico	-	Reg. No. 869,071 <u>5/6/69</u> (Exhibit SS-2)

Subsequently, these registration, were duly renewed;

Ten (10) of these registrations were issued before respondent's claim of first use (Exhibits BB-2, FF-1, LL-2, MM, NN, 00, PR-2, SS-2, TT, ZZ);

2. Petitioner is the third (3rd) largest manufacturer and distributor of cookies and crackers in the United States of America. For- the fiscal year ending March 31, 1991, petitioner claims to

have sales amounting to US \$600,000,000.00 and sales outside the United States of America was estimated to be US \$4,000,000.00 (Exhibit Z); and,

3. Petitioner claims to have spent significant sums in promoting, advertising, and developing goodwill for the mark Sunshine. For the fiscal year ending March 31, 1991, some US \$150,000.00 was expended for promotions and advertisements (Exhibits Z, XX to XX - 1 1).

Otherwise stated, the mark SUNSHINE has established and obtained goodwill and general consumer recognition in the international arena as belonging to petitioner Sunshine and, the mark SUNSHINE actually belongs to petitioner Sunshine.

As to respondent Fitrite's claim that it has commercially used the mark SUNSHINE in the Philippines, suffice it to state that "it is a corollary deduction that while petitioner is not licensed to do business in the country and is not actually doing business here, it does not mean that its goods are not being sold here or that it has not earned a reputation or goodwill as regards its products" (Converse Rubber Corp. vs. Universal Rubber Products, Inc., 147 SCRA 154, L-27906, January 8, 1987).

"And by priority of use dating as far back as 1908, petitioner has acquired a preferential right to its adoption as its trademark warranty protection against its usurpation by another. UBI JUS IBI REMIDIUM. Where there is a right there is a remedy" (Phil. Nut Industry vs. Standard Brands, Inc., 65 SCRA 575, L-23035, July 31, 1975).

The registration by respondent Fitrite of the mark SUNSHINE and Device Label in 1983 in the Supplemental Register is therefore without basis because contrary to its claim, it was petitioner Sunshine which has the first user in commerce of the subject mark.

"Registration of a trademark, of course, has value; it is an administrative act declaratory of a pre-existing right. Registration does not, however, perfect a trademark right" (Sterling Products vs. Bayer, supra).

It goes without saying that the subsequent registration by respondent Fitrite of the mark SUNSHINE in the Principal Register is likewise invalid and Victoria, the successor-in-interest of Fitrite, acquired by assignment invalid trademarks.

As to the issue being raised by respondents that Sunshine's Petitions for Cancellation are barred by estoppel and laches, the same is without merit. "The courts are not well disposed towards laches raised by a defendant who has actually copied plaintiff's mark and is attempting to palm off a product as plaintiff's" (Phoenix Mfg. Co. vs. Plymouth Mfg. Co., 286 F Suppl 324). The case of Pag-asa Industrial Corp. vs. Court of Appeals, 118 SCRA 526, L-541158, November 19, 1982 cited by respondents has no application in this case considering that the facts and circumstances attendant in cited case are not present in the instant case.

In the case of Jimenez vs. Fernandez, 184 SCRA 190, GR46364, April 6, 1990,

"There is no absolute rule as to what constitutes laches or staleness of demand; each case is to be determined according to its particular circumstances. The question of laches is addressed to the sound discretion of the court and since laches is an equitable doctrine, its application is controlled by equitable considerations. It cannot be worked to defeat justice or to perpetrate fraud and injustice."

WHEREFORE, premises considered, Registration No. SR 6217 in the Supplemental Register and Registration No. 47590 in the Principal Register for the marks SUNSHINE and DEVICE LABEL and SUNSHINE, respectively, both issued in favor of Fitrite Inc. and subsequently assigned to Victoria Biscuits Co. Inc., are, as they are hereby CANCELLED.

Let the filewrapper of subject registrations be forwarded to Patent, Trademark Registry and EDP Division for appropriate action in accordance with this Decision. Likewise, let a copy of this Decision be furnished the Trademark Examining Division for information and to update its record.

SO ORDERED.

IGNACIO S. SAPALO
Director