

Republic of the Philippines  
SUPREME COURT  
Manila

FIRST DIVISION

G.R. No. L-28554 February 28, 1983

UNNO COMMERCIAL ENTERPRISES, INCORPORATED, petitioner,

vs.

GENERAL MILLING CORPORATION and TIBURCIO S. EVALLE, in his capacity as Director of Patents, respondents.

*Salem & Dionisio Law Office for petitioner.*

*Siguion Reyna, Montecillo, Bello & Ongsiako for private respondent.*

TEEHANKEE, J.:

The Court affirms respondent Director of Patent's decision declaring respondent General Milling Corporation as the prior user of the trademark "All Montana" on wheat flour in the Philippines and ordering the cancellation of the certificate of registration for the same trademark previously issued in favor of petitioner Unno Commercial Enterprises, Incorporated, it appearing that Unno Commercial Enterprises, Inc. merely acted as exclusive distributor of All Montana wheat flour in the Philippines. Only the owner of a trademark, trade name or service mark may apply for its registration and an importer, broker, indenter or distributor acquires no rights to the trademark of the goods he is dealing with in the absence of a valid transfer or assignment of the trade mark.

On December 11, 1962, respondent General Milling Corporation filed an application for the registration of the trademark "All Montana" to be used in the sale of wheat flour. In view of the fact that the same trademark was previously, registered in favor of petitioner Unno Commercial Enterprises, Inc., the Chief Trademark Examiner of the Philippines Patent Office declared an interference proceeding<sup>1</sup> between respondent corporation's application (Serial No. 9732), as Junior - Party-Applicant and petitioner company's registration (Registration No. 9589), as Senior Party-Applicant, docketed in the Philippines Patent Office as Inter Partes Case No. 313, to determine which party has previously adopted and used the trademark "All Montana".

Respondent General Milling Corporation, in its application for registration, alleged that it started using the trademark "All Montana" on August 31, 1955 and subsequently was licensed to use the same by Centennial Mills, Inc. by virtue of a deed of assignment executed on September 20, 1962. On the other hand petitioner Unno Commercial Enterprises, Inc. argued that the same trademark had been registered in its favor on March 8, 1962 asserting that it started using the trademark on June 30, 1956, as indenter or broker for S.H. Huang Bros. & Co., a local firm.

The Director of Patents, after hearing, ruled in favor of respondent General Milling Corporation and rendered its decision as follows:

However, there is testimony in the record (t.s.n., pp. 11-12, Jan.17, 1967, testimony of Jose Uy) to the effect that, indispensable, "ALL MONTANA" wheat flour is a premium flour produced from premium wheat coming from the State of Montana, U.S.A. It is apparent that the trademark is primarily geographically descriptive of the goods. It is therefore a matter overlooked by the Trademark Examiner, and it is incumbent upon him to determine if the applicant should claim and is qualified to claim distinctiveness under Section 4(f) of the Trademark Statute. Otherwise, it is registrable on the Supplemental Register and should thus be registered therein.

WHEREFORE, the Junior Party-Applicant is adjudged prior -user of the trademark ALL MONTANA, but 'because it is primarily geographically descriptive, the application is herein remanded to the Chief Trademark Examiner for proper proceeding before issuance of the certificate of registration.

The certificate of registration issued to the Senior Party is ordered cancelled.

IT IS SO ORDERED.

After its motion for reconsideration was denied, petitioner brought the instant petition seeking the reversal of the decision and praying that it be declared the owner and prior user of the trademark "All Montana" on wheat flour.

Petitioner based its claim of ownership over the trademark in question by the fact that it acted as an indenter or broker for S. H. Huang Bros. & Co., a local importer of wheat flour, offering as evidence the various shipments, documents, invoices and other correspondence of Centennial Mills, Inc., shipping thousand of bags of wheat flour bearing the trademark "All Montana" to the Philippines. Petitioner argued that these documents, invoices and correspondence proved the fact that it has been using the trademark "All Montana" as early as 1955 in the concept of an owner and maintained that anyone, whether he is only an importer, broker or indenter can appropriate, use and own a particular mark of its own choice although he is not the manufacturer of the goods he deals with. Relying on the provisions of Section 2-A of the Trademarks Law<sup>2</sup> (Republic Act 166), petitioner insists that "the appropriation and ownership of a particular trademark is not merely confined to producers or manufacturers but likewise to anyone who lawfully deals in merchandise who renders any lawful service in commerce, like petitioner in the case at bar.<sup>3</sup>

The right to register trademark is based on ownership.<sup>4</sup> 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.<sup>5</sup> 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.<sup>6</sup>

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. A local importer, however, may make application for the registration of a foreign trademark, trade name or service mark if he is duly authorized by the actual owner of the name or other mark of ownership.<sup>7</sup>

Thus, this Court, has on several occasions ruled that where the applicant's alleged ownership is not shown in any notarial document and the applicant appears to be merely an importer or distributor of the merchandise covered by said trademark, its application cannot be granted.<sup>8</sup>

Moreover, the provision relied upon by petitioner (Sec. 2-A, Rep. Act No. 166) allows one "who lawfully produces or deals in merchandise ... or who engages in any lawful business or who renders any lawful service in commerce, by actual use thereof . . . (to) appropriate to his exclusive use a trademark, or a service mark *not so appropriated by another*." In the case at bar, the evidence showed that the trademark "All Montana" was owned and registered in the name of Centennial Mills, Inc. which later transferred it to respondent General Milling Corporation by way of a deed of assignment. It is undisputed that way back in March, 1955, Centennial Mills, Inc. under the tradename Wenatchee Milling Co., exported flour to the Philippines, through its distributor, herein petitioner Unno Commercial Enterprises, Inc. which acted as indenter or broker for the firm S. H. Huang Bros. & Co. However, because of increased taxes and subsidies, Centennial Mills discontinued shipments of flour in the Philippines and eventually sold its brands for wheat flour, including "All Montana" brand to respondent General Milling Corporation in consideration of 1,000 shares of stock of respondent corporation with a par value of P100.00 per share or a total of P100, 000.00. Respondent General Milling Corporation, since the start of the

operation in 1961 of its flour mills located in Lapu-lapu City, Cebu has been manufacturing and selling "All Montana" flour in the Philippines.

As against petitioner's argument that respondent failed to establish convincingly the ownership of the trademark "All Montana" by its assignor Centennial Mills, Inc., the Director of Patents correctly found that ample evidence was presented that Centennial Mills, Inc. was the owner and prior user in the Philippines of the trademark "All Montana" through a local importer and broker. The Deed of Assignment itself constitutes sufficient proof of its ownership of the trademark "All Montana," showing that Centennial Mills was a corporation duly organized and existing under and by virtue of the laws of the State of Oregon, U.S.A. with principal place and business at Portland, Oregon, U.S.A. and the absolute and registered owner of several trademarks for wheat flour, i.e. (Imperial, White Lily, Duck, General, Swan, White Horse, Vinta, El Paro, Baker's Joy, Choice, Red Bowl All Montana and Dollar.) all of which were assigned by it to respondent General Milling Corporation. The deed of assignment was signed by its president, Dugald MacGregor, duly acknowledged before James Hunt, a notary public for the State of Oregon, accompanied by a certification issued by the Secretary of State of the State of Oregon stating that the said James Hunt is a duly qualified Notary Public with full power and authority to take acknowledgments of all oaths and that full faith and credit should be given to his official acts as notary public.

The Director of Patents likewise correctly rejected petitioner's contention that in a 1954 conference in Manila the ownership and use by petitioner of the brand "All Montana" was agreed upon, on the contrary finding that "Details of that meeting were, however, explained by Mr. Dugald MacGregor, President of Centennial Mills, Inc., as the Junior Party's rebuttal witness. Mr. MacGregor confirmed holding such conference in a restaurant in Manila with representatives of the Senior Party, namely; Messrs. Jose Uy, Francisco Gonzales and S. H. Huang although he could not remember the name of the restaurant. He further explained that his company owned the trademark; that it had been using the mark in the United States; and that ownership of the mark had never been conferred upon any other company, much less the Senior Party"; and "Inasmuch as it was not the owner of the trademark, the Senior Party could not be regarded as having used and adopted it, and had no right to apply for its registration. It acknowledged that it was a mere importer of flour, and a mere importer and distributor acquires no rights in the mark used on the imported goods by the foreign exporter in the absence of an assignment of any kind ... Trademarks used and adopted on goods manufactured or packed in a foreign country in behalf of a domestic importer, broker, or indenter and distributor are presumed to be owned by the manufacturer or packer, unless there is a written agreement clearly showing that ownership vests in the importer, broker, indenter or distributor.

Thus, petitioner's contention that it is the owner of the mark "All Montana" because of its certificate of registration issued by the Director of Patents, must fail, since ownership of a trademark is not acquired by the mere fact of registration alone.<sup>9</sup> 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.<sup>10</sup> Registration does not perfect a trademark right.<sup>11</sup> As conceded itself by petitioner, evidence may be presented to overcome the presumption. Prior use by one will controvert a claim of legal appropriation, by subsequent users. In the case at bar, the Director of Patents found that "ample evidence was presented in the record that Centennial Mills, Inc. was the owner and prior user in the Philippines of the trademark 'All Montana' through a local importer and broker. Use of a trademark by a mere importer, indenter or exporter (the Senior Party herein) inures to the benefit of the foreign manufacturer whose goods are identified by the trademark. The Junior Party has hereby established a continuous chain of title and, consequently, prior adoption and use" and ruled that "based on the facts established, it is safe to conclude that the Junior Party has satisfactorily discharged the burden of proving priority of adoption and use and is entitled to registration." It is well-settled that we are precluded from making further inquiry, since the findings of fact of the Director of Patents in the absence of any showing that there was grave abuse of discretion is binding on us<sup>12</sup> and the findings of facts by the Director of Patents are deemed conclusive in the Supreme Court provided that they are supported by substantial evidence.<sup>13</sup> Petitioner has failed to show that the

findings of fact of the Director of Patents are not substantially supported by evidence nor that any grave abuse of discretion was committed.

Finally, the Court finds without merit petitioner's argument that the Director of Patents could not order the cancellation of its certificate of registration in an interference proceeding and that the question of whether or not a certificate of registration is to be cancelled should have been brought in cancellation proceedings. Under Rule 178 of the Rules of the Patent Office in Trademark Cases,<sup>14</sup> the Director of Patents is expressly authorized to order the cancellation of a registered mark or trade name or name or other mark of ownership in an inter partes case, such as the interference proceeding at bar.<sup>15</sup>

WHEREFORE, the appealed decision is hereby affirmed. No costs.

*Melencio-Herrera, Plana, Vasquez, Relova and Gutierrez, Jr., JJ., concur.*

**Footnotes:**

1 Under Sec. 10-A. Republic Act No. 166.

2 Sec. 2-A. Ownership of trademarks, trade names and service marks how acquired. – Anyone who lawfully produces or deals in merchandise of any kind or who engages in any lawful business, or who renders any lawful service in commerce, by actual use thereof in manufacture or trade, in business and in the service rendered, may appropriate to his exclusive use a trademark, or a service mark not so appropriated by another to distinguish his merchandise, business or service from the merchandise, business or service of others ... (Emphasis supplied.)

3 P. 7, Petition; also p. 16, Petitioner's Brief.

4 Lim Kiah vs. The Kaynee Co., et al, 25 SCRA 485; Marvex Commercial Co., Inc. vs. Petra Hawpia & Company, 18 SCRA 1178; Operators, Inc. vs. Director of Patents, 15 SCRA 147.

5 Operators, Inc. vs. Director of Patents, *supra*.

6 R.A. No. 638 amending Sec. 2, R.A. No. 166; Gabriel vs. Perez, 55 SCRA 406.

7 Rule 37, Rev. Rules of Practice before the Phil. Patent Office in Trademark Cases.

8 Marvex Commercial Co., Inc. vs. Petra Hawpia & Co., *supra*; Operators, Inc. vs. Director of Patents, et al., *supra*.

9 Nims, Unfair Competition & Trademark, p. 626.

10 Sec. 20,-R.A No. 166.

11 Sterling Products, International, Inc. vs. Farbenfabriken Bayer Aktiengesellschaft, 27 SCRA 1214.

12 Lim Kiah vs. Kaynee Co., *supra*; Sy Ching vs. Gaw Liu 44 SCRA 143.

13 Chung Te vs. Ng Kian Giab 18 SCRA 747.

14 The rule provides: "Registration may be refused cancelled or restricted by the Director. – In inter partes proceedings, the Director may refuse to register the opposed mark or trade name or name or other mark of ownership, may cancel or restrict the registration of a registered mark or trade name or name or other mark of ownership, or may refuse to register any or all of several interfering marks, of trade names or names or other marks of ownership or may register the mark or marks or trade name or trade names and other marks of ownership for the person or persons entitled thereto, as the right of the parties may be established in the proceedings." (Emphasis supplied)

15 Under Rule 166 of the Rules of the Patent Office in Trademark Cases, inter partes includes: (a) interferences between a pending application or between pending application and a registration; (b) opposition proceedings; (c) cancellation proceedings.