

WEST POINT PEPPERRELL, INC.,
Opposer-Appellant,

APPEAL NO. 14-2004-0004
INTER PARTES CASE NO. 3414

-versus-

UNIVERSAL TOWEL MFG. CO., INC,
Respondent-Applicant-Appellee.

x-----x

Opposition to: Application Serial
No.: 64436

Date Filed: 14 April 1988

Trademark: "MARTEX"

DECISION

This concerns the appeal from Decision No. 2004-10 dated 28 May 2004 rendered by the Director of the Bureau of Legal Affairs (Director), the dispositive portion of which reads, as follows:

"IN VIEW THEREOF, the Notice of Opposition filed by Opposer, WEST POINT PEPPERRELL, INC. is, as it is hereby, DENIED. Accordingly, Appln. Serial No. 64436 filed on April 14, 1988 by Respondent-Applicant Universal Tower Mfg. Co. Inc, for the registration of the trademark MARTEX used on towels is, as it is hereby, GIVEN DUE COURSE. Consequently, Opposer's trademark registration No. 43317 for the trademark "MARTEX" for non-woven and woven fabrics of natural and synthetic fibers and combinations thereof, both finished and unfinished; and sheets, pillowcase, blankets, towels, washcloths, and toweling issued on March 03, 1989 in favor of WEST POINT PEPPERRELL, INC., is as it is hereby, CANCELLED."

The case involves the determination as to which between the Opposer-Appellant WESTPOINT PEPPERRELL, INC. (Appellant) and the Respondent-Applicant-Appellee UNIVERSAL TOWER MFG, CO., INC, (Appellee) is the prior adopter and user and therefore, has a better right over the trademark MAETEX.

The undisputed facts and chronology of events reveal the following:

1. On 31 December 1968, the appellee filed with the defunct Bureau of Patents, Trademarks and Technology Transfer (BPTTT) an application for the registration of the trademark MARTEX for towels under Class 40 with Serial No. 16845. The Trademark application matured into certificate of Registration No. 17317, which has issued on 09 March 1972.
2. On 27 April 1979, the Appellant filed a trademark application under Section 37 of Republic Act. 166, the old Trademark Law, as amended, also for the trademark MARTEX, for use on non-woven fabrics of Natural and synthetic fibers and combinations thereof, both finished and unfinished; and sheets, pillowcase, blankets, towels, washcloths and toweling under Class 24.
3. While the Appellant's trademark application was pending at the BPTTT, Certificate of Registration No. 17317 issued in favor of the Appellee was deemed cancelled in 1982 for failure of the Appellee to file the required Affidavit of Use for the tenth (10) anniversary of the registration.
4. Subsequently, on 24 September 1985, the Appellee filed an "Application for the Registration" of the trademark MARTEX used on towels under Class 40 on 24 September 1985. The application was deemed abandoned as of 16 March 1986 for non-compliance with the requirement for the Examiner. Undaunted, the Appellee filed another application for the trademark MARTEX on 14 April 1988, which was assigned Serial No. 64436.

5. On 03 March 1989, Certification of Registration No. 43317 for the trademark MARTEX was issued in favor of the Appellant. The application was published for opposition in Volume II, No. 5, page 28 of the BPTTT's Official Gazette and was officially release for circulation on 31 may 1989.

6. On 28 July, the Appellant filed a Verified Notice of Opposition to the Appellee's application alleging the following.

a) The registration of the trademark MARTEX in favor of the Appellee will violate and contravene Section 4 (d) of Republic Act No. 166, as amended, because it is identical to the Appellant's as to be likely, when applied to or used in connection with the goods of the Appellee to cause confusion or mistake or deceive purchasers thereof;

b) The registration of the trademark MARTEX in favor of the appellee will cause grave and irreparable injury and damage to the Appellant within the meaning of Section 8 of Republic Act No. 166, as amended;

c) Appellant is the registered owner in the Philippines, and throughout the world, of the trademark MARTEX as per Certificate of Registration No. 43317 issued on 03 March 1989 for goods falling under Class 24 namely, non-woven and woven fabrics of natural and synthetic fibers and combinations thereof, both finished and unfinished; and sheets, pillowcases, blankets, towels, washcloths, and toweling;

d) Appellant is also the registered owner in the United States of America and in more than thirty countries of the trademark MARTEX for similar goods falling under Class 24;

e) Appellant is the senior user of the trademark MARTEX as it has been using it for goods falling under Class 24 since 1914, ling before the Appellee filed its trademark application for the same mark;

f) Appellant has built an immense and valuable goodwill for its trademark MARTEX due to the vastly superior quality of its products and large sums of money it has spent for advertising and popularizing its goods bearing it; and

g) It is clear that in adopting an identical trademark, Appellee is intending to ride-on and cash-on on the popularity, goodwill and wide acceptability of the MARTEX products of the appellant.

7. In it Answer, Appellee claimed that it first used the trademark MARTEX in the Philippines on 01 September 1968, which was duly registered under Certificate of Registration No. 17317 for a period of twenty (20) years. According to the Appellee, the trademark was not adopted as an attempt to have a "free ride" on the alleged goodwill and popularity of the Appellant's mark and that the registration of MARTEX in its favor will not cause confusion or mistake or deceive the buying public. The Appellee further avers:

a) Appellant has no cause of action against the Appellee for the reason that the latter's trademark has been and still in use before Appellant has registered its mark in the Philippines;

b) Appellant is in estoppels when the BPTTT issued to the Appellee Certificate of Registration for the trademark MARTEX which unabandoned;

c) What the Appellee filed on 14 April 1988 with the BPTTT was actually a "re-registration" of the trademark MARTEX which has been in long and continuous use in business since 1968 and in fact has already registered in its favor; it was, however, due to inadvertence that it failed to file the required Affidavit of Use its fifteen (15th)

anniversary that necessitated the filing of the instant registration, wherein all requirements were already seasonably complied with;

d) There is no confusion or mistake and that the buying public will not be deceived of what they are buying, as only the goods in which the trademark MARTEX is attached or applied as that goods manufactured in the Philippines by Appellee for the past twenty-one (21) years.

8. On 02 June 2004, the Director rendered the assailed Decision. The appellee filed on 07 July 2004 a Motion of reconsideration and a Supplemental Motion for Reconsideration on 19 July 2004. The Director denied the motions per resolution No. 2004-03-(D) dated 27 October 2004. Obviously unsatisfied, the Appellant elevated the case to this Office contending that the Director gravely erred:

a) In ruling that the Appellee's failure to file its tenth (10th) anniversary affidavit of use does not constitute abandonment of Certificate of Registration No. 17137;

b) In ruling that the Appellee had a valid reason for stopping its actual use of the trademark in commerce thus, the Appellee's non-use of the trademark does not constitute abandonment; and

c) In disregarding the authority and strength of the Appellant's valid and existing Certificate of registration No. 43317.

9. Commenting on the appeal, the Appellee argues that the Director was correct:

a) In finding that the Appellee never abandoned its trademark MARTEX;

b) In ruling that the Appellee has a valid reason for ceasing in its actual use of the trademark in commerce; and

c) On not giving weight to the Appellee's Certificate of Registration No. 43317.
This Office's Ruling:

After due consideration of the parties' respective arguments and a review of the records, this Office finds the appeal devoid of merit.

On the First and Second Alleged Errors

Appellant posits that the Appellee ceased from manufacturing MARTEX towels in 1988 and did not use the trademark for sixteen (16) years, and thus, abandoned the trademark in contention. Appellant points out that the Appellee even allowed its registration to lapse and cites Section 151 of Republic Act No. 166, as amended, which provides that the continuous non-use of a trademark by its registered owner, without legitimate reason for three (3) years or longer is a sufficient ground for the cancellation of the registration. According to the Appellant, the Appellee had no valid reason for stopping in its actual use of the trademark in commerce and, if the Appellee believes itself to be the true and lawful owner of MARTEX, it should have been able to continue the manufacture of MARITEX towels and convince its major clients to continue patronizing its products.

This Office, however, agrees with the Director that the cancellation of Certification of Registration No. 17317 did not constitute abandonment by the Appellee of the trademark MARTEX.

Republic Act No. 166, as amended, the old Trademark Law, which is the applicable law in this case, provides that:

"Section 12 . Each certificate of registration shall remain in force for twenty years provided that that registration under the provisions of this Act shall be cancelled by the Director,

unless within one year following the fifth, tenth, and fifteenth anniversaries of the date issued of the certificate of registration, the registrant shall file in the Patent Office an affidavit that the mark or trade name is still in use or showing that its non-use is due to special circumstances which such non-use and is not due to any intention to abandoned the name, and pray required fee.”

The Director correctly held that the failure to comply with the requirements under the above-quoted provision is not necessarily an act of abandonment of the use of the mark. Abandonment, which is in the nature of a forfeiture of a right, must be shown by clear and convincing evidence. The disuse must be permanent and not ephemeral; it must be intentional and voluntary, and not involuntary or even compulsory. While a registration may be cancelled because of failure to comply with the aforesaid requirement, it does not follow that the registrant has lost, *ipso facto*, its prior right over the mark. Ownership of a trademark is not acquired by the mere fact of registration alone. Hence, cancellation due to non-filing of affidavit of use is not fatal to the right to ownership over the mark when there is no clear intention or fact of abandonment.

In fact, the Appellee’s application for re-registration after its original registration had been cancelled belies the fact or intention of abandonment. The Appellee even submitted evidence of continued use of the trademark MARTEX on towels, which the Director correctly found to be sufficient. Sales invoices, which encompass the period from 1985 to 1988, provide the best proof that there were actual sales of the products in the country and that there was actual use for a protracted period of the trademark or part thereof through these sales. It is not necessary to submit voluminous records, receipts and other papers showing every transaction involving the mark or the products to which it is associated to show continuous use of a mark. It is adequate that a trend or pattern over a period of time is shown.

This Office concurs with the Director in her finding that the Appellee had valid reasons in suspending its actual use of the trademark MARTEX, to wit:

“While it may be true that Respondent-Applicant at the moment has temporarily stopped using the mark as testified by Mariano Go, to wit:

Q. By the way, is the Respondent company still using the trademark ‘Martex’ on its towel products?

A. Since 1968 up to 1988 Respondent-Applicant was in continuous use and selling its products with the trademark ‘Martex’ and it only stopped using and selling the same when Shoemart Incorporated, one of its customers, notified it sometime in 1981 that a certain American Company informed it (Shoemart Inc.) to desist from selling products with ‘Martex’ trademark who happened to be the Opposer West Point Peperrel which ultimately led to the filing of this case. (Direct Testimony of Mariano Go, page 5)

“The above non-use cannot be considered abandonment because the owner of the trademark may suspend the use of a mark for some valid reason such as in this instance, a pending case. The suspension was not Respondent-Applicant’s voluntary action, it stopped its operations because the Opposer has notified Respondent-Applicant’s major client to desist from selling products with ‘MARTEX’ trademark and as testified by Respondent-Applicant’s witness, it cannot use ‘MARTEX’ because there is a pending case (Opposer’s memorandum, paragraph 28, page 7). Neither is the non-use permanent as it is only until the case is resolve.”

Aptly, the non-use of a trademark on an article of merchandise due to legal restriction or circumstances beyond one’s control is not to be considered as abandonment. In the instant case, the non-use of the trademark by the Appellee was due to a circumstance arising independently of its will.

It should be emphasized that the Appellant filed the instant opposition case in July 1989, less than a year after the last transaction of the Appellee, i.e. sales invoices, involving the trademark MARTEX. Yet, the Appellant now contends that the Appellee has not used trademark for 16 years,

an undisputed fact that happened, however, after the Appellant filed its opposition in 1989. The Appellant is arguing on a point or citing a ground in support of his case that did not even exist at the time of the filing of its opposition.

On the Third Alleged Error

The old Trademark Law (Republic Act No. 166, as amended), the applicable law in this case, prescribed the “actual use system”, that is, that trademark, trade names, and service mark owned by persons, corporations, partnerships or association domiciled in the Philippines and by persons, corporations, partnership or associations domiciled in any foreign country may be registered if they actually in use in commerce and services for not less than two months in the Philippines before the applications for registration were filed. In the case of foreign applicants, it is required that the country of which the applicant for registration was a citizen should grant by the law substantially similar privileges to citizens of the Philippines, and such facts was 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.

Accordingly, the mere adoption of a trademark would not give exclusive right to a person claiming ownership thereof. The exclusive right to a trademark grows out of actual use. Succinctly, adoption is not the same as use. While one may resort to advertisements, issue circulars, or give out price list on certain goods, these activities alone would not ripen onto an exclusive right of use, for trademark is a creation of use. The underlying reason for all of these is that purchasers have come to understand the mark as indicating the origin of the 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 the use of the trademark. As a consequence, a prior registrant cannot claim exclusive use of the trademark unless it is used in commerce. The old Trademark Law was very clear. It required actual commercial use of the mark prior to its registration.

In this instance, the Certificate of Registration issued on favor of the Appellant merely created 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 by itself does not perfect a trademark right. Evidence may be presented to overcome the presumption. Prior use by one will controvert a claim of legal appropriation, by subsequent users. It is the actual use of the mark that ownership acquired by registration.

On this score, Appellant’s registration of the trademark MARTEX in the United States and the fact that it actually used the said mark on its goods in the said territory since 1914, could not take precedence over the prior actual use of the same mark by another person or entity in commerce in the Philippines. Protection under foreign registrations could not extend to the Philippines because the law on trademark rests on the principle of nationality or territoriality, which is recognized in the Philippines. Registration in the United States is not registration in the Philippines.

Taking into consideration the relevant dates in this case, there is no doubt that the Appellee’s first application on 31 December 1968 preceded the issuance of U.S. Certificate of Registration 876,631 on 09 September 1969, which is the basis of Appellant’s application in the Philippines under Section 37 of Republic Act No. 166, as amended, as well as the latter’s trademark application in the Philippines on 27 April 1979. Consequently, the registration in the Philippines of the trademark MARTEX in favor of the Apellee on 09 March 1972 preceded by almost seventeen (17) year’s the Appellant’s, which was on 03 March 1989. It must be stressed that the Appellant’s registration was only based on home registration (U.S.) and not on actual commercial use in the Philippines.

The record is bereft of evidence that the Appellant had actual use of the mark MARTEX in the Philippines prior to that of Appellee. In fact, when the Appellant filed its trademark application on 27 April 1979, Appellee’s Certificate of Registration was still in force and effect. It was only when the Appellee’s registration was deemed cancelled due to its inadvertence in not filing the Affidavit of

Use for the 10th anniversary that Appellant was able to obtain the registration, which registration, as validly observed by the Director, is contrary to Section 16³⁴ of Republic Act No. 166, as amended.

The Appellant's registration should have been refused or denied pursuant to Section 4(d) of Republic Act No. 166. Prior right of ownership of a mark prevails subsequent use even if the latter use or claim has been registered. As held by no less than the Supreme Court of the Philippines in one case, when one applies for the registration of a trademark or label which almost the same or very closely resembles one already used and registered by another, the application should be rejected and dismissed outright, even without any opposition on the part of the owner and user of a previously registered label or trademark this not only to avoid confusion on the part of the public, but also to protect an already used and registered trademark and an established goodwill.

Further, justice and equity must be consistent with the fact that the trademark MARTEX is already associated with the products or goods of the Appellee who had already poured its resources to protect the goodwill out of its products long before the Appellant used it on the same or similar products. While, indeed democracy and free trade allows the appropriation of an abandoned mark, the intention and/or fact of abandonment must be clearly established, which in this case, is nil. In essence, democracy and free trade could not contemplate predatory advances on another's right.

Considering, therefore, that the Appellee is the prior user and adopter of the mark MARTEX, and therefore has a right over the mark MARTEX, its application for re-registration should be given due course.

WHEREFORE, premises considered, there is no cogent reason to disturb Decision No. 2004-10 dated May 2004 rendered by the Director of the Bureau of Legal affairs. Accordingly, the instant appeal is DINIED and the appealed decision is hereby AFFIRMED.

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

SO ORDERED.

AUGUST 16, 2005 Makati City, Philippines

ADRIAN S. CISTOBAL, JR.
Director General

FOOTNOTES:

¹A foreign corporation duly organized and existing under the law of the State of Georgia, United States of America, with offices at West Point, Georgia 31833, USA See: Appellant's Memorandum Appeal dated 16 November 2004, page 2.

²A Domestic Corporation with principal office at 54 San Francisco Street, Valenzuela, Metro Manila. See Decision No. 2003-10 dated 28 May 2004, page 1 and Exhibit "10".

³On 01 January 1998, Republic Act No. 8293, also known as the Intellectual Property Code of the Philippines (IP Code) took effect. It abolished among other things, the BPTTT and transferred its functions to the newly created Intellectual property Office.

⁴Now under Class 24 of the International of Classification of Goods, 8th Edition, which is based on a multilateral treaty administered by WIPO, called the Nice Agreement Concerning the International Classification of Goods and Services for the Purpose of the Registration of marks, which was conclude in 1957. The Agreement is open to States party to the Paris Convention for the Protection of Industrial Property (also known as the NICE Classification).

⁵See: Exhibits "1-A", "1-B", and "2" and "3".

⁶See: Appellee's Memorandum dated 26 May 2003, page 1.

⁷See: Exhibits "11".

⁸See: Appellee's Memorandum, supra, page 2

⁹See: Appellee's Memorandum, infra, and Exhibit "10".

¹⁰See: Exhibits "A", "A-1" and "A-2".

¹¹See: Appellee's memorandum, infra.

¹²Dated 28 July 1989, pages 1-3.

¹³Appellee's Answer to Notice of Opposition filed on 18 August 1989, pages 1-4 .

¹⁴Appellant's Memorandum Appeal dated 16 November 2004, pages 1-2.

¹⁵Appellee's Comment/Opposition to Opposer's Memorandum Appeal dated 19 January 2005, pages 2, 8, 9 and 11.

¹⁶Appellant's Memorandum Appeal, supra, page 10.

¹⁷Appellant's Memorandum Appeal, supra, page 13.

¹⁸Decision No. 2004-10, supra, page 5-6.

¹⁹Decision no. 2004-10, supra, page 6; citing 74 Am. Jur 2d, p. 722.

²⁰Philippines Nut Industry, Inc. vs. Standard Brands, Inc., 65 SCRA 575 (1975).

²¹Exhibits "7" to "7-0" and "8".

²²Decision No. 2004-10, supra, page 6.

²³Converse Rubber Corporation vs. Universal Rubber Products, Inc., 147 SCRA 154 (1987).

²⁴Decision No. 2004-10, page 6.

²⁵Philippine Nut Industry, Inc. vs. Standard Brands, Inc., supra.

²⁶See Exhibits "7-F", "7-G", "7-H", "7-I", "7-J", and "7-K".

²⁷Amador, Trademarks under the Intellectual Property Code 1999 Edition, page 78. See also Section 2, Republic act No. 166, as amended.

²⁸amador, trademarks Under the Intellectual property code, infra, page 78-79.

²⁹Amador, Trademarks Under the Intellectual Property Code, supra, page 77; citing Unno Commercial Enterprises, incorporated vs. General Milling Corporation and Tiburcio S. Evalle, in his capacity as Director of Patents, G.R. No. L-28554, 28 February 1983.

³⁰Appellant's Memorandum Appeal, supra, page 5.

³¹Agpalo, The Law on trademark, Infringement and Unfair Competition 2000 Edition, page 36.

³²Sterling Products International, Inc. vs. Farbenfabriken Bayer Aktiengesellschaft, supra.

³³Decision No. 2004-10, supra, page 8.

³⁴Section 16. Effect of failure to renew registration. - mere failure to renew any registration shall not affect the right of the registrant to apply for and obtain a new registration under the provisions of this Act, nor shall such failure entitle any other person to register a mark or trade-mark unless he is entitled thereto in accordance with the provisions of this Act.

³⁵Decision No. 2004-10, infra, page 8.

³⁶"x x x The owner of a trademark, trade-name 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:

X x x

(d) Consist of or comprises a mark or trade-name which so resembles a mark or trade-name registered in the Philippines or a mark or 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 mistakes or to deceive purchasers; x x x"

³⁷Chuanchow Soy & Canning Co. vs. the Director of Patents and Rosarion Villapania, G.R. No. L-13947 (1960).

³⁸Application Serial No. 64436 Filed on 14 April 1988.