BROWN & WILLIAMSON TOBACCO CORP.,
Petitioner,

- versus-

PHILIP MORRIS, INC.,
Respondent-Registrant.
x----------x

INTER PARTES CASE NO. 1968
Petition for Cancellation

Reg. No.10712
Issued: December 19, 1967
Trademark: "CAPRI Mark"

DECISION NO. 97-10

DECISION

This is a Petition for Cancellation of the trademark "CAPRI" bearing Certificate of Registration No. 10712 issued on December 19, 1963, used on cigarettes under Class 34 which was filed on January 4, 1963 by Philip Morris Incorporated, hereinafter referred to as Respondent-Registrant. The said Certificate of Registration No. 10712 was later renewed on April 10, 1984 under Certificate of Renewal Registration No. R-3316 in favor of Philip Morris Incorporated.

The Petitioner, BROWN & WILLIAMSON TOBACCO CORPORATION, is a corporation organized and existing under the laws of the State of Delaware, United States of America, located at 1500, Brown & Williamson Tower, Louisville Galleria, Louisville, United State of America, while Respondent Philip Morris Inc. is a corporation duly organized and existing under the laws of the State of Virginia United of America with corporate address at 100 Park Avenue, New York, State of New York, United States of America.

The grounds alleged in the Petition are as follows:

"1. Respondent has abandoned the trademark by its failure to use the same continuously for five (5) years before this petition was filed.

"2. The registration was obtained fraudulently or contrary to the provisions of Sec. 4 Chapter II of R.A. No. 166 as amended, particularly subsection (d) thereof, which prohibits registration of:

"A mark or tradename which so resembles a mark or tradename registered in the Philippines or a mark or tradename previously used in the Philippines, by another and not abandoned, as to be likely, when applied to or used in connection with the goods, business or services of the applicant to cause confusion or mistake or to deceive purchasers".

"3. The registration of the trademark CAPRI Mark was likewise obtained in breach of the Paris Convention for the Protection of Industrial Property to which the Philippines is a signatory.

"4. The trademark CAPRI Mark is known elsewhere in the World as one being owned by BROWN & WILLIAMSON TOBACCO CORPORATION.

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

"a) The Petitioner is the owner of the internationally known trademark CAPRI Mark;

"b) The internationally known trademark CAPRI Mark has been adopted and used by Petitioner since_____;

"c) Petitioner on October 31, 1985 was issued United Kingdom Application No. 1253413 for the trademark 'CAPRI Mark', it has likewise been issued certificates of registration in other foreign countries;

"d) Because of the superior quality of its products and the advertisements made thereon, Petitioner's products have gained popularity worldwide;

"e) The mark in question is exactly the same as the trademark of herein Petitioner and its continued use by respondent is therefore, not only unjust and unfair to Petitioner but has caused and will continue to cause substantial damage to its business, because such use by respondent has in fact tended, as it has in fact tended to deceive the general public as to the source and origin of the goods bearing subject trademark; and

"f) Petitioner has a prior and exclusive right to subject trademark adequately secured by the protective mantle of the Paris Convention for the Protection of Industrial Property, Executive Order No. 913 and Ministry of Trade and Industry Memorandum dated October 20, 1983.

The issues to be resolved are the following:

1. Whether or not the Registration of the mark "CAPRI" was obtained through fraud or in violation of Section 4(d) of R.A. 166, as amended; and,

2. Whether or not the mark "CAPRI" has been abandoned by Respondent-Registrant.

The governing law on the matter is found in Sections 2-A and 4(d) of R.A. No. 166 as amended, which read:

SEC. 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. The ownership or possession of a trademark, tradename, 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 the law (As amended by R.A. No. 638).

SEC. 4. Registration of trademarks, tradenames and service marks on the Principal Register.

There is hereby established a register of trademarks, tradenames and service marks which shall be known as the Principal Register. The owner of a trademark, tradename or service mark used to distinguish his goods, business or services of others shall have the right to register the same on the Principal Register, unless it:

x x x

d) Consists of or comprises a mark or tradename which so resembles a mark or tradename registered in the Philippines or a mark or tradename previously used in the Philippines by another and not abandoned, as to be likely, when applied to or used in connection with the goods, business or services of the applicant, to cause confusion or mistake or to deceive purchasers;

Under the aforesaid legal provisions, registration of a mark on the Principal Register should be refused if it so resembles another mark which is already registered and subsisting or, if not registered, its use in normal and legitimate channels of trade is prior and not abandoned as to be likely to cause deception or confusion in the minds of the ordinary purchasing public with respect to the source or origin of the goods on which the mark is used.

The Supreme Court has, on several occasions, ruled that ownership of a trademark stems from, the use of such trademark in commerce. Thus;

> "A rule widely adopted 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. (Sterling Products Int'l Inc. vs. Farbenfabriken Mayer A.G. et. al., 27 SCRA 1214) Intellectual Property Journal, Vo. 1, o. 2, March 1987, P. 14)".

It is also well-settled in our jurisdiction that trademark rights are created not by registration but by actual commercial use. In other words, trademark is a creation of use and not registration. One of the basic rules of trademark law and practice is that absolute and complete ownership of a trademark is acquired through the mark's actual use in trade or commerce. Registration is not a pre-requisite to the accrual of the right of ownership, and is not a condition to being accorded legal protection in the exercise of such right. These principles are so fundamental that they have been embodied in the Trademark Law, (R.A. 166 as amended) and uniformly followed by the Courts.

The statutes do not attempt to create fights in trademarks, but attempt to provide procedure and to give protection and remedies for the rights that already exist. Registration does not create a trademark; it does not create right in a trademark or in a tradename, and it confers no new rights to the mark claimed or any greater rights than already exist x x x without registration. Registration does not establish the validity of a trademark, a mark which is invalid is not validated by registration.

Likewise, the right to register a trademark is based on ownership. 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. Under the trademark law, only the owner of the trademark, tradename 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. And the term "owner" does not include the importer of the goods bearing the trademark, 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, tradename or service mark if he is duly authorized by the actual owner of the name or other mark of ownership. (Unno V. Commercial vs. General Milling Corp., 120 SCRA 804). "Duly authorized" must be interpreted to mean valid transfer or assignment of the mark.

Actual use requires display of the trademark on the goods or their labels or container so that the trademark can be seen in close proximity to the products sold. Specifically, a trademark must be used by a manufacturer or merchant on his goods to identify and distinguish them from those manufactured, sold or dealt in by others. The law further requires that the trademark must have actually been used in commerce for not less than two months in the Philippines at the time the application for registration is filed (Intellectual Property Journal, Vol. I, No. 2, March 1987, SEC. 2 R.A. No. 166 as amended).

Dominion over trademarks is not acquired by the mere fact of registration alone and does not perfect a trademark right "PHILIP MORRIS, INC. et. al. vs. Court of Appeals, 224 SCRA, July 16, 1993.

In the case at bar, the herein Respondent-Registrant has not commenced use of the mark “CAPRI” on its goods in the Philippines since it was registered in its name on December 19. 1963. This is evidenced by the fact that Respondent-Registrant filed only Affidavits of NON-USE to maintain its trademark registration.

As per Bureau of Internal Revenue records, no cigarettes under “CAPRI” brand or label is, registered with the said Office, a condition precedent imposed by the said Government functionary before one or anybody may lawfully manufacture or sell cigarettes for public consumption in the Philippines. This only means that “CAPRI” cigarettes are not sold in the Philippines (Exhibit "O" and "P")

Revenue Regulations No. V-39 of the Bureau of Internal Revenue (BIR), as amended otherwise known as The Tobacco Products Regulations, which took effect on September 29. 1954 requires that when a trademark sought to be registered with the Bureau of Patents Trademarks and Technology Transfer, or BPTTT, it is a requirement that “Label Approval” issued by the BIR must be submitted if the goods covered is “TOBACCO” or tobacco products.

Since Respondent-Registrant secured the Certificate of Registration for “CAPRI” without the submission of the “Label Approval” issued by the Bureau of Internal Revenue there is reason to find that the “CAPRI” registration was issued without adequate proof of at least two months prior use in violation of the Trademark Law, particularly SEC. 2-A of R.A. No. 166, as amended. In addition, the registration was obtained in violation of Revenue Regulation No. V-39 of the BIR otherwise known as The Tobacco Products Regulations marked "Exhibits “O” and “P”.

Likewise the name of the store, “P NADURATA STORE” stated in the Affidavit of use filed with this Office is non-existent and the two others mentioned by Respondent's witness are not selling or have not sold any “CAPRI” cigarettes at all (Exhibits “Q”, “Q-1” to “Q-2” Affidavit of RUBEN BUNDALIAN). Respondent's witness “MR. LIM” admitted on cross-examination that, he was not able to sell cigarettes “CAPRI” to FH GROCERY, THREE STAR GROCERY AND P. NADURATA STORE, the stores stated in the Affidavit of Use filed with this Office.

WHEREFORE, premises considered, the Petition for Cancellation is GRANTED. Consequently, Certificate of Registration No. 10712 which was later renewed on April 10, 1984 under Reg. No. R-331616 is hereby ordered CANCELLED.

Let the filewrapper of this case be forwarded to the Patents, Trademarks Registry and EDP Division for appropriate action in accordance with this Decision with a copy thereof to be furnished the Trademark Examining Division for information and to update its record.

SO ORDERED.

Makati City, December 13, 1997.

EMMA C. FRANCISCO
Director