

Republic of the Philippines
SUPREME COURT
Manila

EN BANC

G.R. No. L-24295 September 30, 1971

GENERAL GARMENTS CORPORATION, petitioner,

vs.

THE DIRECTOR OF PATENTS and PURITAN SPORTSWEAR CORPORATION, respondents.

Rafael R. Lasam for petitioner.

Office of the Solicitor General Antonio A. Alariz, Assistant Solicitor General Pacifico P. de Castro and Solicitor Celso P. Ylagan for respondent Director of Patents.

Parades, Poblador, Cruz & Nazareno for respondent Corporation.

MAKALINTAL, J.:

The General Garments Corporation, organized and existing under the laws of the Philippines, is the owner of the trademark "Puritan," under Registration No. 10059 issued on November 15, 1962 by the Philippine Patent Office, for assorted men's wear, such as sweaters, shirts, jackets, undershirts and briefs.

On March 9, 1964 the Puritan Sportswear Corporation, organized and existing in and under the laws of the state of Pennsylvania, U.S.A., filed a petition with the Philippine Patent Office for the cancellation of the trademark "Puritan" registered in the name of General Garments Corporation, alleging ownership and prior use in the Philippines of the said trademark on the same kinds of goods, which use it had not abandoned; and alleging further that the registration thereof by General Garments Corporation had been obtained fraudulently and in violation of Section 17(c) of Republic Act No. 166, as amended, in relation to Section 4(d) thereof.

On March 30, 1964 General Garments Corporation moved to dismiss the petition on several grounds, all of which may be synthesized in one single issue: whether or not Puritan Sportswear Corporation, which is a foreign corporation not licensed to do business and not doing business in the Philippines, has legal capacity to maintain a suit in the Philippine Patent Office for cancellation of a trademark registered therein. The Director of Patents denied the motion to dismiss on August 6, 1964, and denied likewise the motion for reconsideration on March 5, 1965, whereupon General Garments Corporation, hereinafter referred to as petitioner, filed the instant petition for review.

Section 17 (c) and Section 4 (d) of the Trademark Law provide respectively as follows:

SEC. 17. *Grounds for cancellation.* — Any person, who believes that he is or will be damaged by the registration of a mark or trade-name, may, upon the payment of the prescribed fee, apply to cancel said registration upon any of the following grounds:

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(c) That the registration was obtained fraudulently or contrary to the provisions of section four, Chapter II thereof: ...

(d) SEC. 4. Registration of trademarks, tradenames and service-marks which shall be known as the principal register. The owner of a trade-mark, 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:

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(d) Consists of or comprises a mark or trade-name which so resembles a mark or trade-name 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 goods, business or services of the applicant, to cause confusion or mistake or to deceive purchasers; or ...

Petitioner contends that Puritan Sportswear Corporation (hereinafter referred to as respondent), being a foreign corporation which is not licensed to do and is not doing business in the Philippines, is not considered as a person under Philippine laws and consequently is not comprehended within the term "any person" who may apply for cancellation of a mark or trade-name under Section 17(c) of the Trademark Law aforequoted. That respondent is a juridical person should be beyond serious dispute. The fact that it may not transact business in the Philippines unless it has obtained a license for that purpose, nor maintain a suit in Philippine courts for the recovery of any debt, claim or demand without such license (Secs. 68 and 69, Corporation Law) does not make respondent any less a juridical person. Indeed an exception to the license requirement has been recognized in this jurisdiction, namely, where a foreign corporation sues on an isolated transaction. As first enunciated in *Marshall-Wells Co. v. Elser & Co.*,¹ "the object of the statute (Secs. 68 and 69, Corporation Law) was not to prevent the foreign corporation from performing single acts, but to prevent it from acquiring a domicile for the purpose of business without taking the steps necessary to render it amenable to suit in the local courts ... the implication of the law (being) that it was never the purpose of the legislature to exclude a foreign corporation which happens to obtain an isolated order for business from the Philippines, from securing redress in the Philippine Courts. ..." The principle has since then been applied in a number of other cases.²

To recognize respondent as a juridical person, however, does not resolve the issue in this case. It should be postulated at this point that respondent is not suing in our courts "for the recovery of any debt, claim or demand," for which a license to transact business in the Philippines is required by Section 69 of the Corporation Law, subject only to the exception already noted. Respondent went to the Philippine Patent Office on a petition for cancellation of a trademark registered by petitioner, invoking Section 17(c) in relations to Section 4(d) of the Trademark Law. A more or less analogous question arose in *Western Equipment & Supply Co. v. Reyes*, 51 Phil. 115. The syllabus of the report, which is a correct statement of the doctrine laid down in the decision, reads as follows:

A foreign corporation which has never done ... business in the Philippine Islands and which is unlicensed and unregistered to do business here, but is widely and favorably known in the Islands through the use therein of its products bearing its corporate and trade name has a legal right to maintain an action in the Islands.

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The purpose of such a suit is to protect its reputation, corporate name and goodwill which has been established, through the natural development of its trade for a long period of years, in the doing of which it does not seek to enforce any legal or contract rights arising from, or growing out of any business which it has transacted in the Philippine Islands.

The right to the use of the corporate or trade name is a property right, a right in rem, which it may assert and protect in any of the courts of the world — even in jurisdictions where it does not transact business — just the same as it may protect its tangible property, real or personal against trespass or conversion.

In *Asari Yoko Co., Ltd. v. Kee Boc* (Jan. 20, 1961) 1 SCRA 1, the plaintiff, a Japanese corporation which had acquired prior use in the Philippines of the trademark "RACE" for men's shirts and undershirts but which had not shown prior registration thereof, successfully maintained a suit opposing the application of the defendant, a local businessman, to register the same trademark for similar goods produced by him. This Court said: "The lawful entry into the Philippines of goods bearing the trademark since 1949 should entitle the owner of the trademark to the right to use the same to the exclusion of others. Modern trade and commerce demands that depredations on legitimate trademarks of non-nationals should not be countenanced." It may be added here that the law against such depredations is not only for the protection of the owner of the trademark who has acquired prior use thereof but also, and more importantly, for the protection of purchasers from confusion, mistake or deception as to the goods they are buying. This is clear from a reading of Section 4(d) of the Trademark Law.

Petitioner argues that the ruling in *Western Equipment* has been superseded by the later decision of this Court in *Mentholatum Co., Inc. v. Mangaliman* (1941), 72 Phil. 524, where it was held that inasmuch as *Mentholatum Co., Inc.* was a foreign corporation doing business in the Philippines without the license required by Section 68 of the Corporation Law it could not prosecute an action for infringement of its trademark which was the subject of local registration. The court itself, however, recognized a distinction between the two cases, in that in *Western Equipment* the foreign corporation was not engaged in business in the Philippines, and observed that if it had been so engaged without first obtaining a license "another and a very different question would be presented."

Parenthetically, it may be stated that the ruling in the *Mentholatum* case was subsequently derogated when Congress, purposely to "counteract the effects" of said case, enacted Republic Act No. 638, inserting Section 21-A in the Trademark Law, which allows a foreign corporation or juristic person to bring an action in Philippine courts for infringement of a mark or trade-name, for unfair competition, or false designation of origin and false description, "whether or not it has been licensed to do business in the Philippines under Act Numbered Fourteen hundred and fifty-nine, as amended, otherwise known as the Corporation Law, at the time it brings complaint."

Petitioner argues that Section 21-A militates against respondent's capacity to maintain a suit for cancellation, since it requires, before a foreign corporation may bring an action, that its trademark or tradename has been registered under the Trademark Law. The argument misses the essential point in the said provision, which is that the foreign corporation is allowed there under to sue "whether or not it has been licensed to do business in the Philippines" pursuant to the Corporation Law (precisely to counteract the effects of the decision in the *Mentholatum* case).

In any event, respondent in the present case is not suing for infringement or unfair competition under Section 21-A, but for cancellation under Section 17, on one of the grounds enumerated in Section 4. The first kind of action, it maybe stated, is cognizable by the Courts of First Instance (Sec. 27); the second partakes of an administrative proceeding before the Patent Office (Sec. 18, in relation to Sec. 8). And while a suit under Section 21-A requires that the mark or tradename alleged to have been infringed has been "registered or assigned" to the suing foreign corporation, a suit for cancellation of the registration of a mark or tradename under Section 17 has no such requirement. For such mark or tradename should not have been registered in the first place (and consequently may be cancelled if so registered) if it "consists of or comprises a mark or tradename which so resembles 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 goods, business or services of the applicant, to cause confusion or mistake or to deceive purchasers; ..." (Sec. 4d).

Petitioner's last argument is that under Section 37 of the Trademark Law respondent is not entitled to the benefits of said law because the Philippines is not a signatory to any international treaty or convention relating to marks or tradenames or to the repression of unfair competition. Section 37 reads in part:

SEC. 37. *Rights of foreign registrants.* — Persons who are nationals of, domiciled in, or have a bona fide or effective business or commercial establishment in any foreign country which is a party to any international convention or treaty relating to marks or tradenames, or the repression of unfair competition to which the Philippines may be a party, shall be entitled to the benefits and subject to the provisions of this Act to the extent and under the conditions essential to give effect to any such convention and treaties so long as the Philippines shall continue to be a party thereto, except as provided in the following paragraphs of this section.

As correctly pointed out by respondents, this provision was incorporated in the law in anticipation of the eventual adherence of the Philippines to any international convention or treaty for the protection of industrial property. It speaks of persons who are nationals of domiciled in, or have a *bona fide* or effective business or commercial establishment in any foreign country, which is a party to any international convention or treaty relating to industrial property *to which the Philippines may be a party*. In other words, the provision will be operative only when the Philippines becomes a party to such a convention or treaty. That this was the intention of Congress is clear from the explanatory note to House Bill No. 1157 (now Republic Act 166), in reference to Section 37, which is the only provision in Chapter XI of the Trademark Law on Foreign Industrial Property: "The necessary provisions to qualify the Philippines under the international convention for the protection of industrial property have been specifically incorporated in the Act."³ In the meantime, regardless of Section 37, aliens or foreign corporations are accorded benefits under the law. Thus, under Section 2, for instance, the trademarks, tradenames and service-marks owned by persons, corporations, partnerships or associations domiciled in any foreign country may be registered in the Philippines, provided that the country of which the applicant for registration is a citizen grants bylaw substantially similar privileges to citizens of the Philippines.

WHEREFORE, the petition is dismissed, and the resolution of the Director of Patents dated August 6, 1964 is affirmed, with costs.

Concepcion, C.J., Reyes, J.B.L., Dizon, Zaldivar, Castro, Fernando, Teehankee, Barredo and Villamor, JJ., concur.

Makasiar, J., reserves his vote.

FOOTNOTES:

1 46 Phil. 70, 74 (1924).

2 Central Republic Bank and Trust Co. v. Bustamente (1941) 71 Phil. 359; Pacific Vegetable Oil Corporation v. Singzon, L-7917, April 29, 1955; Eastboard Navigation, Ltd. v. Juan Ysmael Co., Inc. (1957) 102 Phil. 1; Atlantic Mutual Insurance Co. v. Cebu Stevedoring Co., Inc. (1966) 17 SCRA 1037.

3 Congressional Record, House of Representatives, Vol. II, No. 51, May 12, 1974, at page 1016.