

Republic of the Philippines  
SUPREME COURT  
Manila

SECOND DIVISION

SUPERIOR COMMERCIAL  
ENTERPRISES, INC.,  
Petitioner,

G.R. No. 169974

- versus -

KUNNAN ENTERPRISES LTD. AND  
SPORTS CONCEPT & DISTRIBUTOR,  
INC.,  
Respondents.

Promulgated: April 20, 2010

BRION, J.:

We review in this petition for review on certiorari<sup>[1]</sup> the (1) decision<sup>[2]</sup> of the Court of Appeals (CA) in CA-G.R. CV No. 60777 that reversed the ruling of the Regional Trial Court of Quezon City, Branch 85 (RTC),<sup>[3]</sup> and dismissed the petitioner Superior Commercial Enterprises, Inc.'s (SUPERIOR) complaint for trademark infringement and unfair competition (with prayer for preliminary injunction) against the respondents Kunnan Enterprises Ltd. (KUNNAN) and Sports Concept and Distributor, Inc. (SPORTS CONCEPT); and (2) the CA resolution<sup>[4]</sup> that denied SUPERIOR's subsequent motion for reconsideration. The RTC decision that the CA reversed found the respondents liable for trademark infringement and unfair competition, and ordered them to pay SUPERIOR P2, 000,000.00 in damages, P500, 000.00 as attorney's fees, and costs of the suit.

THE FACTUAL ANTECEDENTS

On February 23, 1993, SUPERIOR<sup>[5]</sup> filed a complaint for trademark infringement and unfair competition with preliminary injunction against KUNNAN<sup>[6]</sup> and SPORTS CONCEPT<sup>[7]</sup> with the RTC, docketed as Civil Case No. Q-93014888.

In support of its complaint, SUPERIOR first claimed to be the owner of the trademarks, trading styles, company names and business names<sup>[8]</sup> "KENNEX",<sup>[9]</sup> "KENNEX & DEVICE",<sup>[10]</sup> "PRO KENNEX"<sup>[11]</sup> and "PRO-KENNEX" (disputed trademarks).<sup>[12]</sup> Second, it also asserted its prior use of these trademarks, presenting as evidence of ownership the Principal and Supplemental Registrations of these trademarks in its name. Third, SUPERIOR also alleged that it extensively sold and advertised sporting goods and products covered by its trademark registrations. Finally, SUPERIOR presented as evidence of its ownership of the disputed trademarks the preambular clause of the Distributorship Agreement dated October 1, 1982 (Distributorship Agreement) it executed with KUNNAN, which states:

Whereas, KUNNAN intends to acquire the ownership of KENNEX trademark registered by the [sic] Superior in the Philippines. Whereas, the [sic] Superior is desirous of having been appointed [sic] as the sole distributor by KUNNAN in the territory of the Philippines."  
[Emphasis supplied.]<sup>[13]</sup>

In its defense, KUNNAN disputed SUPERIOR's claim of ownership and maintained that SUPERIOR – as mere distributor from October 6, 1982 until December 31, 1991 – fraudulently registered the trademarks in its name. KUNNAN alleged that it was incorporated in 1972, under the name KENNEX Sports Corporation for the purpose of manufacturing and selling sportswear and sports equipment; it commercially marketed its products in different countries, including the Philippines since 1972.<sup>[14]</sup> It created and first used "PRO KENNEX," derived from its original corporate name, as a distinctive trademark for its products in 1976. KUNNAN also alleged that it registered the "PRO KENNEX" trademark not only in the Philippines but also in 31 other countries, and widely promoted the "KENNEX" and "PRO KENNEX" trademarks through worldwide advertisements in print media and sponsorships of known tennis players.

On October 1, 1982, after the expiration of its initial distributorship agreement with another company,<sup>[15]</sup> KUNNAN appointed SUPERIOR as its exclusive distributor in the Philippines under a Distributorship Agreement whose pertinent provisions state:<sup>[16]</sup>

Whereas, KUNNAN intends to acquire ownership of KENNEX trademark registered by the Superior in the Philippines. Whereas, the Superior is desirous of having been appointed [sic] as the sole distributor by KUNNAN in the territory of the Philippines.

Now, therefore, the parties hereto agree as follows:

1. KUNNAN in accordance with this Agreement, will appoint the sole distributorship right to Superior in the Philippines, and this Agreement could be renewed with the consent of both parties upon the time of expiration.
2. The Superior, in accordance with this Agreement, shall assign the ownership of KENNEX trademark, under the registration of Patent Certificate No. 4730 dated 23 May 1980 to KUNNAN on the effects [sic] of its ten (10) years contract of distributorship, and it is required that the ownership of the said trademark shall be genuine, complete as a whole and without any defects.
3. KUNNAN will guarantee to the Superior that no other third parties will be permitted to supply the KENNEX PRODUCTS in the Philippines except only to the Superior. If KUNNAN violates this stipulation, the transfer of the KENNEX trademark shall be null and void.
4. If there is a necessity, the Superior will be appointed, for the protection of interest of both parties, as the agent in the Philippines with full power to exercise and granted the power of attorney, to pursue any case of Pirating, Infringement and Counterfeiting the [sic] KENNEX trade mark in the Philippine territory.
5. The Superior will be granted from [sic] KUNNAN's approval before making and selling any KENNEX products made in the Philippines and the other countries, and if this is the situation, KUNNAN is entitled to have a royalty of 5%-8% of FOB as the right.
6. Without KUNNAN's permission, the Superior cannot procure other goods supply under KENNEX brand of which are not available to supply [sic] by KUNNAN. However, in connection with the sporting goods, it is permitted that the Superior can procure them under KENNEX brand of which are not available to be supplied by KUNNAN. [Emphasis supplied.]

Even though this Agreement clearly stated that SUPERIOR was obligated to assign the ownership of the KENNEX trademark to KUNNAN, the latter claimed that the Certificate of Registration for the KENNEX trademark remained with SUPERIOR because Mariano Tan Bon Diong (Mr. Tan Bon Diong), SUPERIOR's President and General Manager, misled KUNNAN's officers into believing that KUNNAN was not qualified to hold the same due to the "many requirements set by the Philippine Patent Office" that KUNNAN could not meet.<sup>[17]</sup> KUNNAN further asserted that SUPERIOR deceived it into assigning its applications for registration of the "PRO KENNEX" trademark in favor of SUPERIOR, through an Assignment Agreement dated June 14, 1983 whose pertinent provisions state:<sup>[18]</sup>

1. In consideration of the distributorship relationship between KUNNAN and Superior, KUNNAN, who is the seller in the distributorship relationship, agrees to assign the following trademark applications owned by itself in the Philippines to Superior who is the buyer in the distributorship relationship.

Trademark	Application Number	Class
PROKENNEX	49999	28
PROKENNEX	49998	25
PROKENNEX	49997	18

2. Superior shall acknowledge that KUNNAN is still the real and truthful owner of the abovementioned trademarks, and shall agree that it will not use the right of the abovementioned trademarks to do anything which is unfavourable or harmful to KUNNAN.

3. Superior agrees that it will return back the abovementioned trademarks to KUNNAN without hesitation at the request of KUNNAN at any time. KUNNAN agrees that the cost for the concerned assignment of the abovementioned trademarks shall be compensated by KUNNAN.

4. Superior agrees that the abovementioned trademarks when requested by KUNNAN shall be clean and without any incumbency.

5. Superior agrees that after the assignment of the abovementioned trademarks, it shall have no right to reassign or license the said trademarks to any other parties except KUNNAN. [Emphasis supplied]

Prior to and during the pendency of the infringement and unfair competition case before the RTC, KUNNAN filed with the now defunct Bureau of Patents, Trademarks and Technology Transfer<sup>[19]</sup> separate Petitions for the Cancellation of Registration Trademark Nos. 41032, SR 6663, 40326, 39254, 4730 and 49998, docketed as Inter Partes Cases Nos. 3709, 3710, 3811, 3812, 3813 and 3814, as well as Opposition to Application Serial Nos. 84565 and 84566, docketed as Inter Partes Cases Nos. 4101 and 4102 (Consolidated Petitions for Cancellation) involving the KENNEX and PRO KENNEX trademarks.<sup>[20]</sup> In essence, KUNNAN filed the Petition for Cancellation and Opposition on the ground that SUPERIOR fraudulently registered and appropriated the disputed trademarks; as mere distributor and not as lawful owner, it obtained the registrations and assignments of the disputed trademarks in violation of the terms of the Distributorship Agreement and Sections 2-A and 17 of Republic Act No. 166, as amended.<sup>[21]</sup>

On December 3, 1991, upon the termination of its distributorship agreement with SUPERIOR, KUNNAN appointed SPORTS CONCEPT as its new distributor. Subsequently, KUNNAN also caused the publication of a Notice and Warning in the Manila Bulletin's January 29, 1993 issue, stating that (1) it is the owner of the disputed trademarks; (2) it terminated its Distributorship Agreement with SUPERIOR; and (3) it appointed SPORTS CONCEPT as its exclusive distributor. This notice prompted SUPERIOR to file its Complaint for Infringement of Trademark and Unfair Competition with Preliminary Injunction against KUNNAN.<sup>[22]</sup>

#### The RTC Ruling

On March 31, 1998, the RTC issued its decision<sup>[23]</sup> holding KUNNAN liable for trademark infringement and unfair competition. The RTC also issued a writ of preliminary injunction enjoining KUNNAN and SPORTS CONCEPT from using the disputed trademarks.

The RTC found that SUPERIOR sufficiently proved that it was the first user and owner of the disputed trademarks in the Philippines, based on the findings of the Director of Patents in Inter Partes Case No. 1709 and 1734 that SUPERIOR was "rightfully entitled to register the mark 'KENNEX' as user and owner thereof." It also considered the "Whereas clause" of the

Distributorship Agreement, which categorically stated that “KUNNAN intends to acquire ownership of [the] KENNEX trademark registered by SUPERIOR in the Philippines.” According to the RTC, this clause amounts to KUNNAN’s express recognition of SUPERIOR’s ownership of the KENNEX trademarks.<sup>[24]</sup>

KUNNAN and SPORTS CONCEPT appealed the RTC’s decision to the CA where the appeal was docketed as CA-G.R. CV No. 60777. KUNNAN maintained that SUPERIOR was merely its distributor and could not be the owner of the disputed trademarks. SUPERIOR, for its part, claimed ownership based on its prior use and numerous valid registrations.

#### Intervening Developments: The IPO and CA Rulings

In the course of its appeal to the CA, KUNNAN filed on December 19, 2003 a Manifestation and Motion praying that the decision of the Bureau of Legal Affairs (BLA) of the Intellectual Property Office (IPO), dated October 30, 2003, in the Consolidated Petitions for Cancellation be made of record and be considered by the CA in resolving the case.<sup>[25]</sup> The BLA ruled in this decision –

In the case at bar, Petitioner-Opposer (Kunнан) has overwhelmingly and convincingly established its rights to the mark “PRO KENNEX”. It was proven that actual use by Respondent-Registrant is not in the concept of an owner but as a mere distributor (Exhibits “I”, “S” to “S-1”, “P” and “P-1” and “Q” and “Q-2”) and as enunciated in the case of Crisanta Y. Gabriel vs. Dr. Jose R. Perez, 50 SCRA 406, “a mere distributor of a product bearing a trademark, even if permitted to use said trademark has no right to and cannot register the said trademark.”

WHEREFORE, there being sufficient evidence to prove that the Petitioner-Opposer (KUNNAN) is the prior user and owner of the trademark “PRO-KENNEX”, the consolidated Petitions for Cancellation and the Notices of Opposition are hereby GRANTED. Consequently, the trademark “PRO-KENNEX” bearing Registration Nos. 41032, 40326, 39254, 4730, 49998 for the mark PRO-KENNEX issued in favor of Superior Commercial Enterprises, Inc., herein Respondent-Registrant under the Principal Register and SR No. 6663 are hereby CANCELLED. Accordingly, trademark application Nos. 84565 and 84566, likewise for the registration of the mark PRO-KENNEX are hereby REJECTED.

Let the file wrappers of PRO-KENNEX subject matter of these cases be forwarded to the Administrative Finance and Human Resources Development Services Bureau (AFHRDSB) for appropriate action in accordance with this Decision and a copy thereof be furnished the Bureau of Trademarks (BOT) for information and update of its record.<sup>[26]</sup>

On February 4, 2005, KUNNAN again filed another Manifestation requesting that the IPO Director General’s decision on appeal dated December 8, 2004, denying Superior’s appeal, be given weight in the disposition of the case.<sup>[27]</sup> The dispositive portion of the decision reads:<sup>[28]</sup>

WHEREFORE, premises considered, there is no cogent reason to disturb Decision No. 2003-35 dated 30 October 2003 rendered by the Director of the Bureau of Legal Affairs. Accordingly, the instant appeal is DENIED and the appealed decision is hereby AFFIRMED.

We take judicial notice that SUPERIOR questioned the IPO Director General’s ruling before the Court of Appeals on a petition for review under Rule 43 of the Rules of Court, docketed as CA–G.R. SP No. 87928 (Registration Cancellation Case). On August 30, 2007, the CA rendered its decision dismissing SUPERIOR’s petition.<sup>[29]</sup> On December 3, 2007, the CA decision was declared final and executory and entry of judgment was accordingly made. Hence, SUPERIOR’s registration of the disputed trademarks now stands effectively cancelled.

## The CA Ruling

On June 22, 2005, the CA issued its decision in CA-G.R. CV No. 60777, reversing and setting aside the RTC's decision of March 31, 1998.<sup>[30]</sup> It dismissed SUPERIOR's Complaint for Infringement of Trademark and Unfair Competition with Preliminary Injunction on the ground that SUPERIOR failed to establish by preponderance of evidence its claim of ownership over the KENNEX and PRO KENNEX trademarks. The CA found the Certificates of Principal and Supplemental Registrations and the "whereas clause" of the Distributorship Agreement insufficient to support SUPERIOR's claim of ownership over the disputed trademarks.

The CA stressed that SUPERIOR's possession of the aforementioned Certificates of Principal Registration does not conclusively establish its ownership of the disputed trademarks as dominion over trademarks is not acquired by the fact of registration alone,<sup>[31]</sup> at best, registration merely raises a presumption of ownership that can be rebutted by contrary evidence.<sup>[32]</sup> The CA further emphasized that the Certificates of Supplemental Registration issued in SUPERIOR's name do not even enjoy the presumption of ownership accorded to registration in the principal register; it does not amount to a prima facie evidence of the validity of registration or of the registrant's exclusive right to use the trademarks in connection with the goods, business, or services specified in the certificate.<sup>[33]</sup>

In contrast with the failure of SUPERIOR's evidence, the CA found that KUNNAN presented sufficient evidence to rebut SUPERIOR's presumption of ownership over the trademarks. KUNNAN established that SUPERIOR, far from being the rightful owner of the disputed trademarks, was merely KUNNAN's exclusive distributor. This conclusion was based on three pieces of evidence that, to the CA, clearly established that SUPERIOR had no proprietary interest over the disputed trademarks.

First, the CA found that the Distributorship Agreement, considered in its entirety, positively confirmed that SUPERIOR sought to be the KUNNAN's exclusive distributor. The CA based this conclusion on the following provisions of the Distributorship Agreement:

- (1) that SUPERIOR was "desirous of [being] appointed as the sole distributor by KUNNAN in the territory of the Philippines;"
- (2) that "KUNNAN will appoint the sole distributorship right to Superior in the Philippines;" and
- (3) that "no third parties will be permitted to supply KENNEX PRODUCTS in the Philippines except only to Superior."

The CA thus emphasized that the RTC erred in unduly relying on the first whereas clause, which states that "KUNNAN intends to acquire ownership of [the] KENNEX trademark registered by SUPERIOR in the Philippines" without considering the entirety of the Distributorship Agreement indicating that SUPERIOR had been merely appointed by KUNNAN as its distributor.

Second, the CA also noted that SUPERIOR made the express undertaking in the Assignment Agreement to "acknowledge that KUNNAN is still the real and truthful owner of the [PRO KENNEX] trademarks," and that it "shall agree that it will not use the right of the abovementioned trademarks to do anything which is unfavourable or harmful to KUNNAN." To the CA, these provisions are clearly inconsistent with SUPERIOR's claim of ownership of the disputed trademarks. The CA also observed that although the Assignment Agreement was a private document, its authenticity and due execution was proven by the similarity of Mr. Tan Bon Diong's signature in the Distributorship Agreement and the Assignment Agreement.

Third, the CA also took note of SUPERIOR's Letter dated November 12, 1986 addressed to Brig. Gen. Jose Almonte, identifying itself as the "sole and exclusive licensee and distributor in the Philippines of all its KENNEX and PRO-KENNEX products." Attached to the letter was an agreement with KUNNAN, identifying the latter as the "foreign manufacturer of all KENNEX

products.” The CA concluded that in this letter, SUPERIOR acknowledged its status as a distributor in its dealings with KUNNAN, and even in its transactions with third persons.

Based on these reasons, the CA ruled that SUPERIOR was a mere distributor and had no right to the registration of the disputed trademarks since the right to register a trademark is based on ownership. Citing Section 4 of Republic Act No. 166<sup>[34]</sup> and established jurisprudence,<sup>[35]</sup> the CA held that SUPERIOR – as an exclusive distributor – did not acquire any proprietary interest in the principal’s (KUNNAN’s) trademark.

The CA denied SUPERIOR’s motion for reconsideration for lack of merit in its Resolution dated October 4, 2005.

## THE PETITION

In the present petition, SUPERIOR raises the following issues:

### I.

WHETHER OR NOT THE COURT OF APPEALS ERRED IN HOLDING THAT PETITIONER SUPERIOR IS NOT THE TRUE AND RIGHTFUL OWNER OF THE TRADEMARKS “KENNEX” AND “PRO-KENNEX” IN THE PHILIPPINES

### II.

WHETHER OR NOT THE HONORABLE COURT OF APPEALS ERRED IN HOLDING THAT PETITIONER SUPERIOR IS A MERE DISTRIBUTOR OF RESPONDENT KUNNAN IN THE PHILIPPINES

### III.

WHETHER OR NOT THE HONORABLE COURT OF APPEALS ERRED IN REVERSING AND SETTING ASIDE THE DECISION OF THE REGIONAL TRIAL COURT OF QUEZON CITY IN CIVIL CASE NO. Q-93-14888, LIFTING THE PRELIMINARY INJUNCTION ISSUED AGAINST RESPONDENTS KUNNAN AND SPORTS CONCEPT AND DISMISSING THE COMPLAINT FOR INFRINGEMENT OF TRADEMARK AND UNFAIR COMPETITION WITH PRELIMINARY INJUNCTION THE COURT’S RULING

We do not find the petition meritorious.

## On the Issue of Trademark Infringement

We first consider the effect of the final and executory decision in the Registration Cancellation Case on the present case. This decision - rendered after the CA decision for trademark infringement and unfair competition in CA-G.R. CV No. 60777 (root of the present case) - states:

As to whether respondent Kunnan was able to overcome the presumption of ownership in favor of Superior, the former sufficiently established the fraudulent registration of the questioned trademarks by Superior. The Certificates of Registration No. SR-4730 (Supplemental Register) and 33487 (Principal Register) for the KENNEX trademark were fraudulently obtained by petitioner Superior. Even before PROKENNEX products were imported by Superior into the Philippines, the same already enjoyed popularity in various countries and had been distributed worldwide, particularly among the sports and tennis enthusiasts since 1976. Riding on the said popularity, Superior caused the registration thereof in the Philippines under its name when it knew fully well that it did not own nor did it manufacture the PROKENNEX products. Superior claimed ownership of the subject marks and failed to disclose in its application with the IPO that it was merely a distributor of KENNEX and PROKENNEX products in the Philippines.

While Superior accepted the obligation to assign Certificates of Registration Nos. SR-4730 and 33487 to Kunnan in exchange for the appointment by the latter as its exclusive distributor, Superior however breached its obligation and failed to assign the same to Kunnan. In a letter dated 13 February 1987, Superior, through Mr. Tan Bon Diong, misrepresented to Kunnan that the latter cannot own trademarks in the Philippines. Thus, Kunnan was misled into assigning to Superior its (Kunnan's) own application for the disputed trademarks. In the same assignment document, however, Superior was bound to ensure that the PROKENNEX trademarks under Registration Nos. 40326, 39254, and 49998 shall be returned to Kunnan clean and without any incumbency when requested by the latter.

In fine, We see no error in the decision of the Director General of the IPO which affirmed the decision of the Director of the Bureau of Legal Affairs canceling the registration of the questioned marks in the name of petitioner Superior and denying its new application for registration, upon a finding that Superior is not the rightful owner of the subject marks.

WHEREFORE, the foregoing considered, the petition is DISMISSED.

The CA decided that the registration of the "KENNEX" and "PRO KENNEX" trademarks should be cancelled because SUPERIOR was not the owner of, and could not in the first place have validly registered these trademarks. Thus, as of the finality of the CA decision on December 3, 2007, these trademark registrations were effectively cancelled and SUPERIOR was no longer the registrant of the disputed trademarks.

Section 22 of Republic Act No. 166, as amended ("RA 166"),<sup>[36]</sup> the law applicable to this case, defines trademark infringement as follows:

Section 22. Infringement, what constitutes. — Any person who [1] shall use, without the consent of the registrant, any reproduction, counterfeit, copy or colorable imitation of any registered mark or trade-name in connection with the sale, offering for sale, or advertising of any goods, business or services on or in connection with which such use is likely to cause confusion or mistake or to deceive purchasers or others as to the source or origin of such goods or services, or identity of such business; or [2] reproduce, counterfeit, copy, or colorably imitate any such mark or trade-name and apply such reproduction, counterfeit, copy, or colorable imitation to labels, signs, prints, packages, wrappers, receptacles or advertisements intended to be used upon or in connection with such goods, business or services, shall be liable to a civil action by the registrant for any or all of the remedies herein provided. [Emphasis supplied]

Essentially, Section 22 of RA 166 states that only a registrant of a mark can file a case for infringement. Corollary to this, Section 19 of RA 166 provides that any right conferred upon the registrant under the provisions of RA 166<sup>[37]</sup> terminates when the judgment or order of cancellation has become final, viz:

Section 19. Cancellation of registration. - If the Director finds that a case for cancellation has been made out he shall order the cancellation of the registration. The order shall not become effective until the period for appeal has elapsed, or if appeal is taken, until the judgment on appeal becomes final. When the order or judgment becomes final, any right conferred by such registration upon the registrant or any person in interest of record shall terminate. Notice of cancellation shall be published in the Official Gazette. [Emphasis supplied.]

Thus, we have previously held that the cancellation of registration of a trademark has the effect of depriving the registrant of protection from infringement from the moment judgment or order of cancellation has become final.<sup>[38]</sup>

In the present case, by operation of law, specifically Section 19 of RA 166, the trademark infringement aspect of SUPERIOR's case has been rendered moot and academic in view of the finality of the decision in the Registration Cancellation Case. In short, SUPERIOR is left without

any cause of action for trademark infringement since the cancellation of registration of a trademark deprived it of protection from infringement from the moment judgment or order of cancellation became final. To be sure, in a trademark infringement, title to the trademark is indispensable to a valid cause of action and such title is shown by its certificate of registration.<sup>[39]</sup> With its certificates of registration over the disputed trademarks effectively cancelled with finality, SUPERIOR's case for trademark infringement lost its legal basis and no longer presented a valid cause of action.

Even assuming that SUPERIOR's case for trademark infringement had not been rendered moot and academic, there can be no infringement committed by KUNNAN who was adjudged with finality to be the rightful owner of the disputed trademarks in the Registration Cancellation Case. Even prior to the cancellation of the registration of the disputed trademarks, SUPERIOR – as a mere distributor and not the owner – cannot assert any protection from trademark infringement as it had no right in the first place to the registration of the disputed trademarks. In fact, jurisprudence holds that in the absence of any inequitable conduct on the part of the manufacturer, an exclusive distributor who employs the trademark of the manufacturer does not acquire proprietary rights of the manufacturer, and a registration of the trademark by the distributor as such belongs to the manufacturer, provided the fiduciary relationship does not terminate before application for registration is filed.<sup>[40]</sup> Thus, the CA in the Registration Cancellation Case correctly held:

As a mere distributor, petitioner Superior undoubtedly had no right to register the questioned mark in its name. Well-entrenched in our jurisdiction is the rule that the right to register a trademark should be 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, 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. An exclusive distributor does not acquire any proprietary interest in the principal's trademark and cannot register it in his own name unless it has been validly assigned to him.

In addition, we also note that the doctrine of res judicata bars SUPERIOR's present case for trademark infringement. The doctrine of res judicata embraces two (2) concepts: the first is "bar by prior judgment" under paragraph (b) of Rule 39, Section 47, and the second is "conclusiveness of judgment" under paragraph (c) thereof.

In the present case, the second concept – conclusiveness of judgment – applies. Under the concept of res judicata by conclusiveness of judgment, a final judgment or decree on the merits by a court of competent jurisdiction is conclusive of the rights of the parties or their privies in all later suits on points and matters determined in the former suit.<sup>[41]</sup> Stated differently, facts and issues actually and directly resolved in a former suit cannot again be raised in any future case between the same parties, even if the latter suit may involve a different cause of action.<sup>[42]</sup> This second branch of the principle of res judicata bars the re-litigation of particular facts or issues in another litigation between the same parties on a different claim or cause of action.<sup>[43]</sup>

Because the Registration Cancellation Case and the present case involve the same parties, litigating with respect to and disputing the same trademarks, we are bound to examine how one case would affect the other. In the present case, even if the causes of action of the Registration Cancellation Case (the cancellation of trademark registration) differs from that of the present case (the improper or unauthorized use of trademarks), the final judgment in the Registration Cancellation Case is nevertheless conclusive on the particular facts and issues that are determinative of the present case.

To establish trademark infringement, the following elements must be proven: (1) the validity of plaintiff's mark; (2) the plaintiff's ownership of the mark; and (3) the use of the mark or its colorable imitation by the alleged infringer results in "likelihood of confusion."<sup>[44]</sup>



Based on these elements, we find it immediately obvious that the second element – the plaintiff's ownership of the mark – was what the Registration Cancellation Case decided with finality. On this element depended the validity of the registrations that, on their own, only gave rise to the presumption of, but was not conclusive on, the issue of ownership.<sup>[45]</sup>

In no uncertain terms, the appellate court in the Registration Cancellation Case ruled that SUPERIOR was a mere distributor and could not have been the owner, and was thus an invalid registrant of the disputed trademarks. Significantly, these are the exact terms of the ruling the CA arrived at in the present petition now under our review. Thus, whether with one or the other, the ruling on the issue of ownership of the trademarks is the same. Given, however, the final and executory ruling in the Registration Cancellation Case on the issue of ownership that binds us and the parties, any further discussion and review of the issue of ownership – although the current CA ruling is legally correct and can stand on its own merits – becomes a pointless academic discussion.

#### On the Issue of Unfair Competition

Our review of the records shows that the neither the RTC nor the CA made any factual findings with respect to the issue of unfair competition. In its Complaint, SUPERIOR alleged that:<sup>[46]</sup>

17. In January 1993, the plaintiff learned that the defendant Kunnan Enterprises, Ltd., is intending to appoint the defendant Sports Concept and Distributors, Inc. as its alleged distributor for sportswear and sporting goods bearing the trademark "PRO-KENNEX." For this reason, on January 20, 1993, the plaintiff, through counsel, wrote the defendant Sports Concept and Distributor's Inc. advising said defendant that the trademark "PRO-KENNEX" was registered and owned by the plaintiff herein.

18. The above information was affirmed by an announcement made by the defendants in The Manila Bulletin issue of January 29, 1993, informing the public that defendant Kunnan Enterprises, Ltd. has appointed the defendant Sports Concept and Distributors, Inc. as its alleged distributor of sportswear and sporting goods and equipment bearing the trademarks "KENNEX" and "PRO-KENNEX" which trademarks are owned by and registered in the name of plaintiff herein as alleged hereinabove.

x x x x

27. The acts of defendants, as previously complained herein, were designed to and are of the nature so as to create confusion with the commercial activities of plaintiff in the Philippines and is liable to mislead the public as to the nature and suitability for their purposes of plaintiff's business and the defendant's acts are likely to discredit the commercial activities and future growth of plaintiff's business.

From jurisprudence, unfair competition has been defined as the passing off (or palming off) or attempting to pass off upon the public of the goods or business of one person as the goods or business of another with the end and probable effect of deceiving the public. The essential elements of unfair competition<sup>[47]</sup> are (1) confusing similarity in the general appearance of the goods; and (2) intent to deceive the public and defraud a competitor.<sup>[48]</sup>

Jurisprudence also formulated the following "true test" of unfair competition: whether the acts of the defendant have the intent of deceiving or are calculated to deceive the ordinary buyer making his purchases under the ordinary conditions of the particular trade to which the controversy relates. One of the essential requisites in an action to restrain unfair competition is proof of fraud; the intent to deceive, actual or probable must be shown before the right to recover can exist.<sup>[49]</sup>

In the present case, no evidence exists showing that KUNNAN ever attempted to pass off the goods it sold (i.e. sportswear, sporting goods and equipment) as those of SUPERIOR. In addition, there is no evidence of bad faith or fraud imputable to KUNNAN in using the disputed

trademarks. Specifically, SUPERIOR failed to adduce any evidence to show that KUNNAN by the above-cited acts intended to deceive the public as to the identity of the goods sold or of the manufacturer of the goods sold. In *McDonald's Corporation v. L.C. Big Mak Burger, Inc.*,<sup>[50]</sup> we held that there can be trademark infringement without unfair competition such as when the infringer discloses on the labels containing the mark that he manufactures the goods, thus preventing the public from being deceived that the goods originate from the trademark owner. In this case, no issue of confusion arises because the same manufactured products are sold; only the ownership of the trademarks is at issue. Furthermore, KUNNAN's January 29, 1993 notice by its terms prevents the public from being deceived that the goods originated from SUPERIOR since the notice clearly indicated that KUNNAN is the manufacturer of the goods bearing the trademarks "KENNEX" and "PRO KENNEX." This notice states in full:<sup>[51]</sup>

#### NOTICE AND WARNING

Kunnan Enterprises Ltd. is the owner and first user of the internationally-renowned trademarks KENNEX and PRO KENNEX for sportswear and sporting goods and equipment. Kunnan Enterprises Ltd. has registered the trademarks KENNEX and PRO KENNEX in the industrial property offices of at least 31 countries worldwide where KUNNAN Enterprises Ltd. has been selling its sportswear and sporting goods and equipment bearing the KENNEX and PRO KENNEX trademarks.

Kunnan Enterprises Ltd. further informs the public that it had terminated its Distributorship Agreement with Superior Commercial Enterprises, Inc. on December 31, 1991. As a result, Superior Commercial Enterprises, Inc. is no longer authorized to sell sportswear and sporting goods and equipment manufactured by Kunnan Enterprises Ltd. and bearing the trademarks KENNEX and PRO KENNEX.

x x x x

In its place, KUNNAN has appointed SPORTS CONCEPT AND DISTRIBUTORS, INC. as its exclusive Philippine distributor of sportswear and sporting goods and equipment bearing the trademarks KENNEX and PRO KENNEX. The public is advised to buy sporting goods and equipment bearing these trademarks only from SPORTS CONCEPT AND DISTRIBUTORS, INC. to ensure that the products they are buying are manufactured by Kunnan Enterprises Ltd. [Emphasis supplied.]

Finally, with the established ruling that KUNNAN is the rightful owner of the trademarks of the goods that SUPERIOR asserts are being unfairly sold by KUNNAN under trademarks registered in SUPERIOR's name, the latter is left with no effective right to make a claim. In other words, with the CA's final ruling in the Registration Cancellation Case, SUPERIOR's case no longer presents a valid cause of action. For this reason, the unfair competition aspect of the SUPERIOR's case likewise falls.

WHEREFORE, premises considered, we DENY Superior Commercial Enterprises, Inc.'s petition for review on certiorari for lack of merit. Cost against petitioner Superior Commercial Enterprises, Inc.

SO ORDERED.

ARTURO D. BRION  
Associate Justice

WE CONCUR:

ANTONIO T. CARPIO  
Associate Justice  
Chairperson

MARIANO C. DEL CASTILLO  
Associate Justice

ROBERTO A. ABAD  
Associate Justice

JOSE PORTUGAL PEREZ  
Associate Justice

#### ATTESTATION

I attest that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.

ANTONIO T. CARPIO  
Associate Justice  
Chairperson

#### CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution, and the Division Chairperson's Attestation, it is hereby certified that the conclusions in the above Decision were reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.

REYNATO S. PUNO  
Chief Justice

#### FOOTNOTES:

[1] Under Rule 45 of the RULES OF COURT.

[2] Dated June 22, 2005; penned by Associate Justice Japar B. Dimaampao and concurred in by Associate Justice Renato C. Dacudao and Associate Justice Edgardo F. Sundiam (both retired); rollo, pp. 33-50.

[3] CA rollo, pp. 11-22.

[4] Dated October 4, 2005; rollo, pp. 51-52.

[5] SUPERIOR is a domestic corporation duly organized under Philippine laws; id at 34.

[6] KUNNAN is foreign corporation organized under the laws of Taiwan, Republic of China, doing business in the Philippines; id.

[7] SPORTS CONCEPT is a domestic corporation organized under Philippine laws; id.

[8] SUPERIOR claimed that it registered the business name "PRO-KENNEX SPORTS PRODUCTS" with the Bureau of Domestic Trade on February 10, 1983 under Certificate of Registration No. 03767. It also claimed that it registered the business name "PRO-KENNEX (PHIL) SPORTS PRODUCTS" with the Bureau of Domestic Trade on February 10, 1983 under Certificate of Registration No. 03767, which it renewed on April 4, 1988 with Certificate of Registration No. 14693 dated April 4, 1988; id at 35.

[9] SUPERIOR alleged that it first used the mark "KENNEX" in the Philippines on March 15, 1978 and registered the mark in its name under Supplemental Registration No. 34478 dated May 31, 1985 to be used for the following goods, namely: "tennis racket, pelota racket, pingpong racket, goal net, volleyball net and tennis shoulder bags;" id at 12.

[10] SUPERIOR also claimed that it first used the mark "KENNEX & DEVICE OF LETTER 'K' INSIDE A CIRCLE OF THORNS" in the Philippines on March 15, 1978; the mark was registered in its name under Supplemental Registration No. 4730 dated May 23, 1980 to be used for the following goods: "tennis racket, pelota racket, pingpong, squash racket, badminton racket, basketball, tennis ball, soccer ball, foot ball, badminton shuttlecock, sports clothing, head ban, wrist band, basketball goal net, tennis net, volleyball net, tennis shoulder bag, handbag and sport rubber shoes, tennis string;" id.

[11] SUPERIOR also alleged that the trademark "PROKENNEX" was first used in the Philippines by KUNNAN on August 1, 1982 and was registered under the former's name as assignee under Principal Certificate of Registration No. 39254 dated July 13, 1988 for the following goods: "handbags, travelling bags and trunks;" id at 13.

[12] SUPERIOR also claimed that the trademark "PRO-KENNEX" was first used by KUNNAN on January 2, 1980 and is registered under the former's name as assignee under Principal Certificate of Registration No. 40326 dated August 12, 1988 for the following goods: "tennis rackets, squash rackets, racketball rackets, badminton rackets and fishing rods."

However, SUPERIOR claims that it first used the trademark "PRO-KENNEX" with the word "ball design" and "tennis racket" on January 2, 1980 and is registered in its name under Certificate of Registration No. 41032 dated September 2, 1988 for the following sporting goods: "tennis racket and accessories." The trademark "PRO-KENNEX" with the design ball and racket is claimed to be first used by SUPERIOR on January 2, 1980 and is registered under Supplemental Certificate of Registration No. 6663 dated November 2, 1984 for the following goods: "sporting goods such as tennis racket and accessories;" id.

[13] Id. at 102.

[14] KUNNAN alleged that it has manufactured products bearing the KENNEX and PRO KENNEX trademarks and sold them in the Philippines, initially through the importation by independent outlets and the subsequently through agreements with local distributors; id. at 90-91.

[15] KUNNAN also alleged that its initial distributorship agreement was with Bonmark Sportsmasters, Inc. from August 21, 1982 to January 3, 1983; id. at 91.

[16] Id. at 102-103.

[17] Id. at 92.

[18] Id. at 94.

[19] On January 1, 1998, Republic Act No. 8293, otherwise known as the Intellectual Property Code of the Philippines, took effect which abolished among other offices, the Bureau of Patents, Trademarks and Technology Transfer and transferred its functions to the newly created Intellectual Property Office.

[20] Id. at 36.

[21] Id. at 82.

[22] Id. at 36-37.

[23] The dispositive portion of the decision reads:

WHEREFORE, it is hereby ordered that it appearing from the established facts that great and irreparable damage and injury has resulted and will continue to result to the Plaintiff, let a writ of preliminary injunction be issued enjoining the defendants KUNNAN ENTERPRISES LIMITED, and SPORTS CONCEPT AND DISTRIBUTOR INC., their officers, employees, agents, representatives, or assigns and other persons acting for and in their behalf, from using, in connection with its business the trademarks KENNEX, PRO-KENNEX AND KENNEX and DEVICE OF LETTER "K" INSIDE A CIRCLE OF THORNS and the like and any other marks and trade names which are identical or confusingly similar to plaintiff's marks and trade names.

- a.) All infringing matter in the possession of defendants, its officers, employees, agents, representatives, or assigns should be delivered to this Court or the plaintiff and be accordingly destroyed;
- b.) Defendants are hereby ordered to render an accounting of the sales from the time it commenced using the marks and trade names of the plaintiff up to the time of judgment, including the profits derived from said sales;
- c.) Defendants are hereby ordered to pay plaintiff the amount of P2,000,000.00 which is the reasonable profit which plaintiff could have made, had not defendant infringed the plaintiff's trademarks;
- d.) Defendants are likewise ordered to pay plaintiff's attorney's fees and expenses of litigation in the amount of P500,000.00;
- e.) Defendants should pay the cost of the suit.

SO ORDERED. Id. at 37.

[24] CA rollo, pp. 11-22.

[25] Rollo, p. 39.

[26] Id. at 93. While the dispositive portion of the BLA Decision dated October 30, 2003 referred only to the PRO-KENNEX trademark, Certificate of Registration No. 4730 which covers the KENNEX trademarks was cancelled in the same Decision. This oversight was remedied in the Director General's Decision dated December 8, 2004 which noted that the "registrations and the applications cover the mark PRO-KENNEX except Registration No. 4730 which refers to the mark KENNEX;" id. at 53-54.

[27] Supra note 23.

[28] Id. at 67.

[29] Decision penned by Guevara-Salonga, J., with Roxas and Garcia, JJ., concurring.

[30] The dispositive portion of which states:

WHEREFORE, the Appeal is GRANTED. The Decision dated 31 March 1998 of the Regional Trial Court of Quezon City, Branch 85 is hereby REVERSED and SET ASIDE. The Complaint for Infringement of Trademark and Unfair Competition with Preliminary Injunction, docketed as Civil Case No. Q-93-14888, is DISMISSED.

SO ORDERED. Rollo, p. 49.

[31] Citing Phillip Morris v. Court of Appeals, G.R. No. 91332, July 16, 1993, 224 SCRA 576, 596.

[32] Citing Emerald Garment Manufacturing Corp. v. Court of Appeals, G.R. No. 100098, December 29, 1995, 251 SCRA 600, 622-623.

[33] Citing La Chemise Lacoste, S.A. v. Fernandez, G.R. Nos. L-63796-97 and L-65659, May 21, 1984, 129 SCRA 373, 392.

[34] The provision states:

x x x The owner of a trademark, a trade-name or service mark used to distinguish his goods, business or services from the goods, business or services of other shall have the right to register the same. x x x

[35] See Marvex Commercial Co. Inc. v. Petra Hawpia & Milling Co., G.R. No. L-19297, December 22, 1966, 18 SCRA 1178, 1180; Unno Commercial Enterprises, Inc. v. General Milling Corporation, G.R. No. L-28554, February 28, 1983, 120 SCRA 804, 808-809; Gabriel v. Perez, G.R. No. L-24075, January 31, 1974, 55 SCRA 406.

[36] An Act To Provide For the Registration and Protection of Trademarks, Trade-Names, and Service-Marks, Defining Unfair Competition and False Marking And Providing Remedies Against The Same, And For Other Purposes.

[37] Section 20 of RA 166 considers the trademark registration certificate as prima facie evidence of the validity of the registration, the registrant's ownership and exclusive right to use the trademark in connection with the goods, business or services as classified by the Director of Patents and as specified in the certificate, subject to the conditions and limitations stated therein. See Mighty Corporation v. E. & J. Gallo Winery, G.R. No. 154342, July 14, 2004, 434 SCRA 473, 495.

[38] See Heirs of Crisanta Y. Gabriel-Almoradie v. Court of Appeals, G.R. No. 91385, January 4, 1994, 229 SCRA 15, 32-33.

[39] Western Equipment & Supply Co. v. Reyes, 51 Phil. 115 (1927).

[40] Gabriel v. Perez, G.R. No. L-24075, January 31, 1974, 55 SCRA 406.

[41] RULES OF COURT, Section 47(c), Rule 39 – Effect of judgments or final orders. – The effect of a judgment or final order rendered by a court of the Philippines, having jurisdiction to pronounce the judgment or final order, may be as follows:

x x x x

(c) In any other litigation between the same parties or their successors in interest, that only is deemed to have been adjudged in a former judgment or final order which appears upon its face to have been so adjudged, or which was actually and necessarily included therein or necessary thereto.

See also *Gutierrez v. Court of Appeals*, 193 SCRA 437 (1991).

[42] *Tan v. Court of Appeals*, G.R. No. 142401, August 20, 2001.

[43] *Mata v. Court of Appeals*, 376 Phil. 525 (1999).

[44] *McDonald's Corporation v. L.C. Big Mak Burger, Inc.*, G. R. No. 143993, August 18, 2004, 437 SCRA 10.

[45] *Supra* note 31.

[46] *Original Records*, pp. 5-8.

[47] Under Section 29 of RA 166, any person who employs deception or any other means contrary to good faith by which he passes off the goods manufactured by him or in which he deals, or his business, or services for those of the one having established such goodwill, or who commits any acts calculated to produce said result, is guilty of unfair competition. Unfair competition include the following acts:

a) Any person, who in selling his goods shall give them the general appearance of goods of another manufacturer or dealer, either as to the goods themselves or in the wrapping of the packages in which they are contained, or the devices or words thereon, or in any feature of their appearance, which would be likely to influence purchasers to believe that the goods offered are those of a manufacturer or dealer, other than the actual manufacturer or dealer, or who otherwise clothes the goods with such appearance as shall deceive the public and defraud another of his legitimate trade, or any subsequent vendor of such goods or any agent of any vendor engaged in selling such goods with a like purpose;

(b) Any person who by any artifice, or device, or who employs any other means calculated to induce the false belief that such person is offering the services of another who has identified such services in the mind of the public; or

(c) Any person who shall make any false statement in the course of trade or who shall commit any other act contrary to good faith of a nature calculated to discredit the goods, business or services of another. [Emphasis supplied.]

[48] *Supra* note 42.

[49] *Coca-Cola Bottlers, Inc. v. Quintin J. Gomez*, G.R. No. 154491, November 14, 2008.

[50] G. R. No. 143993, August 18, 2004, 437 SCRA 10.

[51] *Original Records*, p. 14.