

SEHWANI, INCORPORATED AND/OR BENITA'S FRITES, INC., Petitioner, VS. IN-N-OUT BURGER, INC., Respondent.

DECISION

YNARES-SATIAGO, J.:

This petition for review assails the Decision^[1] of the Court of Appeals in CA-G.R. SP No. 88004 dated October 21, 2005, which affirmed the December 7, 2004 Order^[2] of Director General Emma C. Francisco of the Intellectual Property Office (IPO), in Appeal No. 14-2004-0004 finding that petitioners' appeal was filed out of time, as well as the Resolution^[3] dated January 12, 2006 denying the motion for reconsideration.

Respondent IN-N-OUT Burger, Inc., a foreign corporation organized under the laws of California, U.S.A., and not doing business in the Philippines, filed before the Bureau of Legal Affairs of the IPO (BLA-IPO), an administrative complaint against petitioners Sehwani, Inc. and Benita's Frites, Inc. for violation of intellectual property rights, attorney's fees and damages with prayer for the issuance of a restraining order or writ of preliminary injunction.^[4]

Respondent alleged that it is the owner of the tradename "IN-N-OUT" and trademarks "IN-N-OUT," "IN-N-OUT Burger & Arrow Design" and "IN-N-OUT Burger Logo," which are used in its business since 1948 up to the present. These tradename and trademarks were registered in the United States as well as in other parts of the world.^[5]

On June 2, 1997, respondent applied with the IPO for the registration of its trademark "IN-N-OUT Burger & Arrow Design" and servicemark "IN-N-OUT." In the course of its application, respondent discovered that petitioner Sehwani, Inc. had obtained Trademark Registration No. 56666 for the mark "IN N OUT" (THE INSIDE OF THE LETTER "O" FORMED LIKE A STAR) on December 17, 1993 without its authority.^[6] Respondent thus demanded that petitioner Sehwani, Inc. desist from claiming ownership of the mark "IN-N-OUT" and to voluntarily cancel its Trademark Registration No. 56666. Petitioner Sehwani, Inc. however refused to accede to the demand and even entered into a Licensing Agreement granting its co-petitioner Benita's Frites, Inc. license to use for a period of five years the trademark "IN-N-OUT BURGER" in its restaurant in Pasig City.^[7] Hence, respondent filed a complaint for violation of intellectual property rights.

In their answer with counterclaim, petitioners alleged that respondent lack the legal capacity to sue because it was not doing business in the Philippines and that it has no cause of action because its mark is not registered or used in the Philippines. Petitioner Sehwani, Inc. also claimed that as the registered owner of the "IN-N-OUT" mark, it enjoys the presumption that the same was validly acquired and that it has the exclusive right to use the mark. Moreover, petitioners argued that other than the bare allegation of fraud in the registration of the mark, respondent failed to show the existence of any of the grounds for cancellation thereof under Section 151 of Republic Act (R.A.) No. 8293, otherwise known as *The Intellectual Property Code of the Philippines*.^[8]

On December 22, 2003, Bureau Director Estrellita Beltran-Abelardo rendered Decision No. 2003-02 finding that respondent has the legal capacity to sue and that it is the owner of the internationally well-known trademarks; however, she held that petitioners are not guilty of unfair competition, thus:

With the foregoing disquisition, Certificate of Registration No. 56666 dated 17 December 1993 for the mark "IN-N-OUT (the inside of the letter "O" formed like a star) issued in favor of Sehwani, Incorporated is hereby CANCELLED. Consequently, Respondents Sehwani, Inc. and Benita's Frites are

hereby ordered to permanently cease and desist from using the mark "IN-N-OUT" and "IN-N-OUT BURGER LOGO" on its goods and in its business. With regard to mark "Double-Double", considering that as earlier discussed, the mark has been approved by this Office for publication and that as shown by the evidence, Complainant is the owner of the said mark, Respondents are also ordered to permanently cease and desist from using the mark Double-Double. NO COSTS.

SO ORDERED.^[9]

Petitioners filed a motion for reconsideration^[10] insisting that respondent has no legal capacity to sue, that no ground for cancellation was duly proven, and that the action is barred by *laches*; while respondent moved for partial reconsideration^[11] assailing the finding that petitioners are not guilty of unfair competition. Both, however, were denied in Resolution No. 2004-18 dated October 28, 2004^[12] and Resolution No. 2005-05 dated April 25, 2005,^[13] respectively.

On separate dates, the parties appealed to the Office of the Director General which rendered an Order dated December 7, 2004,^[14] in Appeal No. 14-2004-0004, dismissing petitioners' appeal for being filed out of time, thus:

WHEREFORE, premises considered, the MOTION TO ADMIT COPY OF DECISION NO. 2003-02 is hereby granted. The instant appeal, however, is hereby DISMISSED for having been filed out of time.^[15]

Aggrieved, petitioners filed a petition before the Court of Appeals which was dismissed for lack of merit. It held that the right to appeal is not a natural right or a part of due process, but a procedural remedy of statutory origin, hence, its requirements must be strictly complied with. The appeal being filed out of time, the December 22, 2003 Decision and the October 28, 2004 Orders of Bureau Director Beltran-Abelardo are now final and executory.^[16]

Meanwhile, respondent filed a Manifestation with the Court of Appeals that on December 23, 2005, Director General Adrian S. Cristobal, Jr. had rendered a Decision in Appeal 10-05-01 finding petitioners guilty of unfair competition.^[17]

Petitioners' motion for reconsideration was denied; hence, the instant petition raising the following issues:

THE COURT OF APPEALS COMMITTED GRAVE ERROR IN UPHOLDING THE IPO DIRECTOR GENERAL'S DISMISSAL OF APPEAL NO. 14-2004-0004 ON A MERE TECHNICALITY.

SUBSTANTIAL JUSTICE WOULD BE BETTER SERVED IF THE COURT OF APPEALS AND THE IPO DIRECTOR GENERAL ENTERTAINED PETITIONERS APPEAL AS THE BUREAU OF LEGAL AFFAIR'S DECISION AND RESOLUTION (1) CANCELING PETITIONER SEHWANI'S CERTIFICATE OF REGISTRATION FOR THE MARK "IN-N-OUT," AND (2) ORDERING PETITIONERS TO PERMANENTLY CEASE AND DESIST FROM USING THE SUBJECT MARK ON ITS GOODS AND BUSINESS ARE CONTRARY TO LAW AND/OR NOT SUPPORTED BY EVIDENCE.^[18]

Petitioners contend that the Court of Appeals erred when it dismissed the petition on mere technicality which resulted in a miscarriage of justice and deprivation of intellectual property rights. They claim that their counsel believed in good faith that Resolution No. 2004-18 dated October 28, 2004, denying the motion for reconsideration, was received only on November 3, 2004, thus, they have until November 18, 2004 within which to file an appeal memorandum with the Office of the Director General. They claim that they should not be

prejudiced by their counsel's mistake in computing the period to appeal; besides, the same is understandable and excusable as their counsel is a solo practitioner with only a handful of non-legal staff assisting him. They also reiterate their position that respondent has no legal capacity to sue, that no ground for cancellation was duly proven, and that the complaint is barred by *laches*, if not, by prescription.^[19]

The petition has no merit.

The Court has invariably ruled that perfection of an appeal within the statutory or reglementary period is not only mandatory but also jurisdictional; failure to do so renders the questioned decision/final order final and executory, and deprives the appellate court of jurisdiction to alter the judgment or final order, much less to entertain the appeal.^[20] True, this rule had been relaxed but only in highly meritorious cases to prevent a grave injustice from being done.^[21] Such does not obtain in this case.

Director General Francisco, as affirmed by the Court of Appeals, correctly held: [T]hat the appeal must be dismissed outright. Section 2 of the Uniform Rules on Appeal (Office Order no. 12, s. 2002) states that:

Section 2. Appeal to the Director General. – The decisions or final orders of the Bureau Director shall become final and executory thirty (30) days after receipt of a copy thereof by the appellant or appellants unless, within the same period, a motion for reconsideration is filed with the Bureau Director or an appeal to the Director General has been perfected; Provided, that only one (1) motion for reconsideration of the decision or order of the Bureau Director shall be allowed, and, in case the motion for reconsideration is denied, the appellant or appellants has/have the balance of the period prescribed above within which to file the appeal.

Considering that the Respondent-Appellants received a copy of the appealed Decision on 15 January 2004 and filed their MOTION FOR RECONSIDERATION on 30 January 2004, said parties had a balance of 15 days from their receipt of the Resolution denying said motion within which to file the APPEAL MEMORANDUM. Per records of the Bureau of Legal Affairs, the Respondents-Appellants received a copy of the Resolution on 29 October 2004. Hence the deadline for the filing of the APPEAL MEMORANDUM was on 13 November 2004. Since said date fell on a Saturday, the appeal should have been filed on the ensuing working day, that is, 15 November 2004.

On this score, Section 5(c) of the Uniform Rules on Appeal provides:

Section 5. Action on the Appeal Memorandum – The Director General shall:

x x x x

- c. Dismiss the appeal for being patently without merit, provided that the dismissal shall be outright if the appeal is not filed within the prescribed period or for failure of the appellant to pay the required fee within the period of appeal.^[22] (Underscoring supplied)

Petitioners' allegation that they honestly believed that they received Resolution No. 2004-18 dated October 28, 2004 on November 3, 2004 and not on October 29, 2004, as what appears on the records of the BLA-IPO, is self-serving and unbelievable. The inadvertent computation of the period for one to file a pleading is inexcusable, and has become an all too familiar and ready excuse on the part of lawyers remiss in their bounden duty to comply with the mandatory periods.^[23]

This Court has always reminded the members of the legal profession that every case they

handle deserves full and undivided attention, diligence, skill and competence, regardless of its importance.^[24] A lawyer has the responsibility of monitoring and keeping track of the period of time left to file pleadings and to see to it that said pleadings are filed before the lapse of the period. If he fails to do so, his client is bound by his conduct, negligence and mistakes.^[25] This responsibility is imposed on all lawyers notwithstanding the presence or absence of staff assisting them in the discharge thereof.

Thus, as correctly held by the Court of Appeals, petitioners' belated filing of an appeal memorandum rendered the December 22, 2003 Decision and the October 28, 2004 Order of Bureau Director Beltran-Abelardo final and executory.

At this point, the Court could very well write *finis* to this petition. However, in disposing of the instant case, we shall resolve the principal issues raised by petitioners.

Contrary to petitioners' argument, respondent has the legal capacity to sue for the protection of its trademarks, *albeit* it is not doing business in the Philippines. Section 160 in relation to Section 3 of R.A. No. 8293, provides:

SECTION 160. *Right of Foreign Corporation to Sue in Trademark or Service Mark Enforcement Action.* — Any foreign national or juridical person who meets the requirements of Section 3 of this Act and does not engage in business in the Philippines may bring a civil or administrative action hereunder for opposition, cancellation, infringement, unfair competition, or false designation of origin and false description, whether or not it is licensed to do business in the Philippines under existing laws.

Section 3 thereof provides:

SECTION 3. *International Conventions and Reciprocity.* — Any person who is a national or who is domiciled or has a real and effective industrial establishment in a country which is a party to any convention, treaty or agreement relating to intellectual property rights or the repression of unfair competition, to which the Philippines is also a party, or extends reciprocal rights to nationals of the Philippines by law, shall be entitled to benefits to the extent necessary to give effect to any provision of such convention, treaty or reciprocal law, in addition to the rights to which any owner of an intellectual property right is otherwise entitled by this Act.

Respondent anchors its causes of action under Articles 6^{bis} and 8 of *The Convention of Paris for the Protection of Industrial Property*, otherwise known as the *Paris Convention*, wherein both the United States and the Philippines are signatories.^[26] The Articles read:

Article 6^{bis}

(1) The countries of the Union undertake, *ex officio* if their legislation so permits, or at the request of an interested party, to refuse or to cancel the registration, and to prohibit the use, of a trademark which constitutes a reproduction, an imitation, or a translation, liable to create confusion, of a mark considered by the competent authority of the country of registration or use to be well known in that country as being already the mark of a person entitled to the benefits of this Convention and used for identical or similar goods. These provisions shall also apply when the essential part of the mark constitutes a reproduction of any such well-known mark or an imitation liable to create confusion therewith.

x x x x.

Article 8

A tradename shall be protected in all countries of the Union without the obligation of filing or registration whether or not it forms part of a trademark.

Article 6^{bis} which governs the protection of well-known trademarks, is a self-executing provision and does not require legislative enactment to give it effect in the member country. It may be applied directly by the tribunals and officials of each member country by the mere publication or proclamation of the Convention, after its ratification according to the public law of each state and the order for its execution. The essential requirement under this Article is that the trademark to be protected must be "well-known" in the country where protection is sought. The power to determine whether a trademark is well-known lies in the "competent authority of the country of registration or use." This competent authority would be either the registering authority if it has the power to decide this, or the courts of the country in question if the issue comes before a court.^[27]

The question of whether or not respondent's trademarks are considered "well-known" is factual in nature, involving as it does the appreciation of evidence adduced before the BLA-IPO. The settled rule is that the factual findings of quasi-judicial agencies, like the IPO, which have acquired expertise because their jurisdiction is confined to specific matters, are generally accorded not only respect, but, at times, even finality if such findings are supported by substantial evidence.^[28]

Director Beltran-Abelardo found that:

Arguing mainly that it is the owner of an internationally well-known mark, complainant presented its United States trademark registrations, namely: United States Trademark Registration No. 1,514,689 for the mark "IN-N-OUT Burger and Arrow Design" under class 25 dated November 29, 1988 for the shirts (Exhibit "L"); United States Trademark Registration No. 1,528,456 for the mark "IN-N-OUT Burger and Arrow Design" under Class 29, 30, 32 and 42 dated March 7, 1989 for milk and french-fried potatoes for consumption on or off the premises, for hamburger sandwiches, cheeseburger sandwiches, hot coffee and milkshakes for consumption on or off the premises, lemonade and softdrinks for consumption on and off the premises, restaurant services respectively (Exhibit "M"); US Trademark Registration No. 1,101,638 for the mark "IN-N-OUT" under Class No. 30 dated September 5, 1978 for cheeseburgers, hamburgers, hot coffee and milkshake for consumption on or off premises (Exhibit "N"); US Trademark Registration No. 1,085,163 "IN-N-OUT" under Class 42 dated February 7, 1978 for Restaurant Services and carry-out restaurant services (Exhibit "Q"). For its mark "Double-Double" it submitted Certificates of Registration of said mark in several countries (Exhibits "MM" and submarkings).

x x x x

Moreover, complainant also cites our decision in Inter Pares Case No. 14-1998-00045 dated 12 September 2000, an opposition case involving the mark "IN-N-OUT" between IN-N-OUT Burger (herein complainant) and Nestor SJ Bonjales where we ruled:

"And last but not the least, the herein Opposer was able to prove substantially that its mark "IN-N-OUT Burger and Arrow Design" is an internationally well known mark as evidenced by its trademark registrations around the world and its comprehensive advertisements therein."

The nub of complainant's reasoning is that the Intellectual Property Office as a competent authority had declared in previous inter partes case that "IN-N-OUT Burger and Arrow Design" is an internationally well known mark.

In the aforementioned case, we are inclined to favor the declaration of the mark "IN-N-OUT" as an internationally well-known mark on the basis of "registrations in various countries around the world and its comprehensive advertisements therein."

The Ongpin Memorandum dated 25 October 1983 which was the basis for the decision in the previous inter partes case and which set the criteria for determining whether a mark is well known, takes into consideration the extent of registration of a mark. Similarly, the implementing rules of Republic Act 8293, specifically Section (e) Rule 102 *Criteria for determining whether a mark is well known*, also takes into account the extent to which the mark has been registered in the world in determining whether a mark is well known.

Likewise, as shown by the records of the instant case, Complainant submitted evidence consisting of articles about "IN-N-OUT Burger" appearing in magazines, newspapers and print-out of what appears to be printed representations of its internet website (www.innout.com) (Exhibits "CCC" to "QQQ"), as well as object evidence consisting of videotapes of famous celebrities mentioning IN-N-OUT burgers in the course of their interviews (Exhibits "EEEE" and "FFFF") showing a tremendous following among celebrities.

The quality image and reputation acquired by the complainant's IN-N-OUT mark is unmistakable. With this, complainant's mark have met other criteria set in the Implementing Rules of Republic Act 8293, namely, 'a' and 'd' of Rule 102, to wit:

"Rule 102:

- (a) the duration, extent and geographical area of any use of the mark, in particular, the duration, extent and geographical area of any promotion of the mark, including publicity and the presentation at fairs or exhibitions, of the goods and/or services to which the mark applies;

x x x x

- (d) the quality image or reputation acquired by the mark"

Hence, on the basis of evidence presented consisting of worldwide registration of mark "IN-N-OUT" almost all of which were issued earlier than the respondent's date of filing of its application and the subsequent registration of the mark "IN-N-OUT" in this Office, as well as the advertisements therein by the complainant, this Office hereby affirms its earlier declaration that indeed, the mark "IN-N-OUT BURGER LOGO" is an internally well-known mark.^[29]

We find the foregoing findings and conclusions of Director Beltran-Abelardo fully substantiated by the evidence on record and in accord with law.

The fact that respondent's marks are neither registered nor used in the Philippines is of no moment. The scope of protection initially afforded by Article 6^{bis} of the Paris Convention has been expanded in the 1999 *Joint Recommendation Concerning Provisions on the Protection of Well-Known Marks*, wherein the World Intellectual Property Organization (WIPO) General Assembly and the Paris Union agreed to a nonbinding recommendation that a well-known

mark should be protected in a country even if the mark is neither registered nor used in that country. Part I, Article 2(3) thereof provides:

(3) [*Factors Which Shall Not Be Required*] (a) A Member State shall not require, as a condition for determining whether a mark is a well-known mark:

(i) that the mark has been used in, or that the mark has been registered or that an application for registration of the mark has been filed in or in respect of, the Member State;

(ii) that the mark is well known in, or that the mark has been registered or that an application for registration of the mark has been filed in or in respect of, any jurisdiction other than the Member State; or

(iii) that the mark is well known by the public at large in the Member State. (Underscoring supplied)

Moreover, petitioners' claim that no ground exists for the cancellation of their registration lacks merit. Section 151(b) of RA 8293 provides:

SECTION 151. *Cancellation.* — 151.1. A petition to cancel a registration of a mark under this Act may be filed with the Bureau of Legal Affairs by any person who believes that he is or will be damaged by the registration of a mark under this Act as follows:

x x x x

(b) At any time, if the registered mark becomes the generic name for the goods or services, or a portion thereof, for which it is registered, or has been abandoned, or its registration was obtained fraudulently or contrary to the provisions of this Act, or if the registered mark is being used by, or with the permission of, the registrant so as to misrepresent the source of the goods or services on or in connection with which the mark is used. x x x.

The evidence on record shows that not only did the petitioners use the IN-N-OUT Burger trademark for the name of their restaurant, but they also used identical or confusingly similar mark for their hamburger wrappers and french-fries receptacles, thereby effectively misrepresenting the source of the goods and services.^[30]

Finally, petitioner's contention that respondent is precluded from asserting its claim by *laches*, if not by prescription, lacks basis. Section 151(b) of R.A. No. 8293 specifically provides that a petition to cancel the registration of a mark which is registered contrary to the provisions thereof, or which is used to misrepresent the source of the goods or services, may be filed at any time. Moreover, *laches* may not prevail against a specific provision of law, since equity, which has been defined as 'justice outside legality' is applied in the absence of and not against statutory law or rules of procedure.^[31] Aside from the specific provisions of R.A. No. 8293, the Paris Convention and the WIPO Joint Recommendation have the force and effect of law, for under Section 2, Article II of the Constitution, the Philippines adopts the generally accepted principles of international law as part of the law of the land. To rule otherwise would be to defeat the equitable consideration that no one other than the owner of the well-known mark shall reap the fruits of an honestly established goodwill.

WHEREFORE, the petition is **DENIED**. The Decision and Resolution of the Court of Appeals in CA-G.R. SP No. 88004, dated October 21, 2005 and January 16, 2006, affirming

the December 7, 2004 Order of Director General Emma C. Francisco, in Appeal No. 14-2004-0004, and denying the motion for reconsideration, respectively, are **AFFIRMED**.

SO ORDERED.

Austria-Martinez, Chico-Nazario, Nachura, and Reyes, JJ., concur.

[¹] *Rollo*, pp. 35-41. Penned by Associate Justice Juan Q. Enriquez, Jr. and concurred in by Associate Justices Conrado M. Vasquez, Jr. and Vicente Q. Roxas.

[²] *Id.* at 153-155.

[³] *Id.* at 43.

[⁴] *Id.* at 52.

[⁵] *Id.* at 53-56.

[⁶] *Id.* at 57-58.

[⁷] *Id.* at 46-47.

[⁸] *Id.* at 81-86.

[⁹] *Id.* at 108.

[¹⁰] *Id.* at 109-116.

[¹¹] *Id.* at 117-133.

[¹²] *Id.* at 137-140.

[¹³] *Id.* at 238.

[¹⁴] Penned by Director General Emma C. Francisco.

[¹⁵] *Rollo*, p. 154.

[¹⁶] *Id.* at 39-40.

[¹⁷] *Id.* at 235-250.

[¹⁸] *Id.* at 11-12.

[¹⁹] *Id.* at 12-24.

[²⁰] *Ang v. Grageda*, G.R. No. 166239, June 8, 2006, 490 SCRA 424, 438.

[²¹] *Sameer Overseas Placement Agency, Inc. v. Levantino*, G.R. No. 153942, June 29, 2005, 462 SCRA 231, 240.

[²²] *Rollo*, pp. 153-154.

[²³] *LTS Philippines Corporation v. Maliwat*, G.R. No. 159024, January 14, 2005, 448 SCRA

254, 259.

[24] *Consolidated Farms, Inc. v. Alpon*, A.C. No. 5525, March 4, 2005, 452 SCRA 668, 672.

[25] *Supra* note 23.

[26] *Mirpuri v. Court of Appeals*, 376 Phil. 628, 654 (1999).

[27] *Id.* at 655-656.

[28] *Eastern Service Employment Center, Inc. v. Bea*, G.R. No. 143023, November 29, 2005, 476 SCRA 384, 389.

[29] *Rollo*, pp. 101- 104.

[30] *Id.* at 371-372.

[31] *Velez v. Demetrio*, 436 Phil. 1, 9 (2002)