

SECOND DIVISION

[G.R. No. 194307. November 20, 2013.]

BIRKENSTOCK ORTHOPAEDIE GMBH AND CO. KG (formerly BIRKENSTOCK ORTHOPAEDIE GMBH), *petitioner, vs. PHILIPPINE SHOE EXPO MARKETING CORPORATION, respondent.*

DECISION

PERLAS-BERNABE, J :

Assailed in this Petition for Review on *Certiorari* [1] are the Court of Appeals' (CA) Decision [2] dated June 25, 2010 and Resolution [3] dated October 27, 2010 in CA-G.R. SP No. 112278 which reversed and set aside the Intellectual Property Office (IPO) Director General's Decision [4] dated December 22, 2009 that allowed the registration of various trademarks in favor of petitioner Birkenstock Orthopaedie GmbH & Co. KG.

The Facts

Petitioner, a corporation duly organized and existing under the laws of Germany, applied for various trademark registrations before the IPO, namely: (a) "BIRKENSTOCK" under Trademark Application Serial No. (TASN) 4-1994-091508 for goods falling under Class 25 of the International Classification of Goods and Services (Nice Classification) with filing date of March 11, 1994; (b) "BIRKENSTOCK BAD HONNEF-RHEIN & DEVICE COMPRISING OF ROUND COMPANY SEAL AND REPRESENTATION OF A FOOT, CROSS AND SUNBEAM" under TASN 4-1994-091509 for goods falling under Class 25 of the Nice Classification with filing date of March 11, 1994; and (c) "BIRKENSTOCK BAD HONNEF-RHEIN & DEVICE COMPRISING OF ROUND COMPANY SEAL AND REPRESENTATION OF A FOOT, CROSS AND SUNBEAM" under TASN 4-1994-095043 for goods falling under Class 10 of the Nice Classification with filing date of September 5, 1994 (subject applications). [5]

However, registration proceedings of the subject applications were suspended in view of an existing registration of the mark "BIRKENSTOCK AND DEVICE" under Registration No. 56334 dated October 21, 1993 (Registration No. 56334) in the name of Shoe Town International and Industrial Corporation, the predecessor-in-interest of respondent Philippine Shoe Expo Marketing Corporation. [6] In this regard, on May

27, 1997 petitioner filed a petition for cancellation of Registration No. 56334 on the ground that it is the lawful and rightful owner of the Birkenstock marks (Cancellation Case). [7] During its pendency, however, respondent and/or its predecessor-in-interest failed to file the required 10th Year Declaration of Actual Use (10th Year DAU) for Registration No. 56334 on or before October 21, 2004, [8] thereby resulting in the cancellation of such mark. [9] Accordingly, the cancellation case was dismissed for being moot and academic. [10]

The aforesaid cancellation of Registration No. 56334 paved the way for the publication of the subject applications in the IPO e-Gazette on February 2, 2007. [11] In response, respondent filed three (3) separate verified notices of oppositions to the subject applications docketed as *Inter Partes* Case Nos. 14-2007-00108, 14-2007-00115, and 14-2007-00116, [12] claiming, *inter alia*, that: (a) it, together with its predecessor-in-interest, has been using Birkenstock marks in the Philippines for more than 16 years through the mark "BIRKENSTOCK AND DEVICE"; (b) the marks covered by the subject applications are identical to the one covered by Registration No. 56334 and thus, petitioner has no right to the registration of such marks; (c) on November 15, 1991, respondent's predecessor-in-interest likewise obtained a Certificate of Copyright Registration No. 0-11193 for the word "BIRKENSTOCK"; (d) while respondent and its predecessor-in-interest failed to file the 10th Year DAU, it continued the use of "BIRKENSTOCK AND DEVICE" in lawful commerce; and (e) to record its continued ownership and exclusive right to use the "BIRKENSTOCK" marks, it has filed TASN 4-2006-010273 as a "re-application" of its old registration, Registration No. 56334. [13] On November 13, 2007, the Bureau of Legal Affairs (BLA) of the IPO issued Order No. 2007-2051 consolidating the aforesaid *inter partes* cases (Consolidated Opposition Cases). [14]

The Ruling of the BLA

In its Decision [15] dated May 28, 2008, the BLA of the IPO sustained respondent's opposition, thus, ordering the rejection of the subject applications. It ruled that the competing marks of the parties are confusingly similar since they contained the word "BIRKENSTOCK" and are used on the same and related goods. It found respondent and its predecessor-in-interest as the prior user and adopter of "BIRKENSTOCK" in the Philippines, while on the other hand, petitioner failed to present evidence of actual use in the trade and business in this country. It opined that while Registration No. 56334 was cancelled, it does not follow that prior right over the mark was lost, as proof of continuous and uninterrupted use in trade and business in the Philippines was presented. The BLA likewise opined that petitioner's marks are not well-known in the Philippines and internationally and that the various certificates of registration submitted by petitioners were all photocopies and, therefore, not admissible as evidence. [16]

Aggrieved, petitioner appealed to the IPO Director General.

The Ruling of the IPO Director General

In his Decision [17] dated December 22, 2009, the IPO Director General reversed and set aside the ruling of the BLA, thus allowing the registration of the subject applications. He held that with the cancellation of Registration No. 56334 for respondent's failure to file the 10th Year DAU, there is no more reason to reject the subject applications on the ground of prior registration by another proprietor. [18] More importantly, he found that the evidence presented proved that petitioner is the true and lawful owner and prior user of "BIRKENSTOCK" marks and thus, entitled to the registration of the marks covered by the subject applications. [19] The IPO Director General further held that respondent's copyright for the word "BIRKENSTOCK" is of no moment since copyright and trademark are different forms of intellectual property that cannot be interchanged. [20]

Finding the IPO Director General's reversal of the BLA unacceptable, respondent filed a petition for review with the CA.

Ruling of the CA

In its Decision [21] dated June 25, 2010, the CA reversed and set aside the ruling of the IPO Director General and reinstated that of the BLA. It disallowed the registration of the subject applications on the ground that the marks covered by such applications "are confusingly similar, if not outright identical" with respondent's mark. [22] It equally held that respondent's failure to file the 10th Year DAU for Registration No. 56334 "did not deprive petitioner of its ownership of the 'BIRKENSTOCK' mark since it has submitted substantial evidence showing its continued use, promotion and advertisement thereof up to the present." [23] It opined that when respondent's predecessor-in-interest adopted and started its actual use of "BIRKENSTOCK," there is neither an existing registration nor a pending application for the same and thus, it cannot be said that it acted in bad faith in adopting and starting the use of such mark. [24] Finally, the CA agreed with respondent that petitioner's documentary evidence, being mere photocopies, were submitted in violation of Section 8.1 of Office Order No. 79, Series of 2005 (Rules on *Inter Partes* Proceedings).

Dissatisfied, petitioner filed a Motion for Reconsideration [25] dated July 20, 2010, which was, however, denied in a Resolution [26] dated October 27, 2010. Hence, this petition. [27]

Issues Before the Court

The primordial issue raised for the Court's resolution is whether or not the subject marks should be allowed registration in the name of petitioner.

The Court's Ruling

The petition is meritorious.

A. Admissibility of Petitioner's Documentary Evidence.

In its Comment [28] dated April 29, 2011, respondent asserts that the documentary evidence submitted by petitioner in the Consolidated Opposition Cases, which are mere photocopies, are violative of Section 8.1 of the Rules on *Inter Partes* Proceedings, which requires certified true copies of documents and evidence presented by parties in lieu of originals. [29] As such, they should be deemed inadmissible.

The Court is not convinced.

It is well-settled that "the rules of procedure are mere tools aimed at facilitating the attainment of justice, rather than its frustration. A strict and rigid application of the rules must always be eschewed when it would subvert the primary objective of the rules, that is, to enhance fair trials and expedite justice. Technicalities should never be used to defeat the substantive rights of the other party. Every party-litigant must be afforded the amplest opportunity for the proper and just determination of his cause, free from the constraints of technicalities." [30] "Indeed, the primordial policy is a faithful observance of [procedural rules], and their relaxation or suspension should only be for persuasive reasons and only in meritorious cases, to relieve a litigant of an injustice not commensurate with the degree of his thoughtlessness in not complying with the procedure prescribed." [31] This is especially true with quasi-judicial and administrative bodies, such as the IPO, which are not bound by technical rules of procedure. [32] On this score, Section 5 of the Rules on *Inter Partes* Proceedings provides:

Sec. 5. Rules of Procedure to be followed in the conduct of hearing of Inter Partes cases. — The rules of procedure herein contained primarily apply in the conduct of hearing of *Inter Partes* cases. The Rules of Court may be applied suppletorily. The Bureau **shall not be bound by strict technical rules of procedure and evidence but may adopt, in the absence of any applicable rule herein, such mode of proceedings which is consistent with the requirements of fair play and conducive to the just, speedy and inexpensive disposition of cases**, and which will give the Bureau the greatest possibility to focus on the contentious issues before it. (Emphasis and underscoring supplied)

In the case at bar, while petitioner submitted mere photocopies as documentary evidence in the Consolidated Opposition Cases, it should be noted that the IPO had already obtained the originals of such documentary evidence in the related Cancellation Case earlier filed before it. Under this circumstance and the merits of the instant case as will be subsequently discussed, the Court holds that the IPO Director General's relaxation of procedure was a valid exercise of his discretion in the interest of substantial justice. [33]

Having settled the foregoing procedural matter, the Court now proceeds to resolve the substantive issues.

B. Registration and ownership of "BIRKENSTOCK."

Republic Act No. (RA) 166, [34] the governing law for Registration No. 56334, requires the filing of a DAU on specified periods, [35] to wit:

Section 12. *Duration.* — Each certificate of registration shall remain in force for twenty years: Provided, **That registrations under the provisions of this Act shall be cancelled by the Director, unless within one year following the fifth, tenth and fifteenth anniversaries of the date of issue of the certificate of registration, the registrant shall file in the Patent Office an affidavit showing that the mark or trade-name is still in use** or showing that its non-use is due to special circumstance which excuse such non-use and is not due to any intention to abandon the same, and pay the required fee.

The Director shall notify the registrant who files the above-prescribed affidavits of his acceptance or refusal thereof and, if a refusal, the reasons therefor. (Emphasis and underscoring supplied)

The aforementioned provision clearly reveals that failure to file the DAU within the requisite period results in the automatic cancellation of registration of a trademark. In turn, such failure is tantamount to the abandonment or withdrawal of any right or interest the registrant has over his trademark. [36]

In this case, respondent admitted that it failed to file the 10th Year DAU for Registration No. 56334 within the requisite period, or on or before October 21, 2004. As a consequence, it was deemed to have abandoned or withdrawn any right or interest over the mark "BIRKENSTOCK." Neither can it invoke Section 236 [37] of the IP Code which pertains to intellectual property rights obtained under previous intellectual property laws, *e.g.*, RA 166, precisely because it already lost any right or interest over the said mark.

Besides, petitioner has duly established its true and lawful ownership of the mark "BIRKENSTOCK."

Under Section 2 [38] of RA 166, which is also the law governing the subject applications, in order to register a trademark, one must be the owner thereof and must have actually used the mark in commerce in the Philippines for two (2) months prior to the application for registration. Section 2-A [39] of the same law sets out to define how one goes about acquiring ownership thereof. Under the same section, it is clear that actual use in commerce is also the test of ownership but the provision went further by saying that the mark must not have been so appropriated by another. Significantly, to be an owner, Section 2-A does not require that the actual use of a trademark must be within the Philippines. Thus, under RA 166, one may be an owner of a mark due to its actual use but may not yet have the right to register such ownership here due to the owner's failure to use the same in the Philippines for two (2) months prior to registration. [40]

It must be emphasized that registration of a trademark, by itself, is not a mode of acquiring ownership. If the applicant is not the owner of the trademark, he has no right to apply for its registration. Registration merely creates a *prima facie* presumption of the validity of the registration, of the registrant's ownership of the trademark, and of the exclusive right to the use thereof. Such presumption, just like the presumptive

regularity in the performance of official functions, is rebuttable and must give way to evidence to the contrary. [41]

Clearly, it is not the application or registration of a trademark that vests ownership thereof, but it is the ownership of a trademark that confers the right to register the same. A trademark is an industrial property over which its owner is entitled to property rights which cannot be appropriated by unscrupulous entities that, in one way or another, happen to register such trademark ahead of its true and lawful owner. The presumption of ownership accorded to a registrant must then necessarily yield to superior evidence of actual and real ownership of a trademark. The Court's pronouncement in *Berris Agricultural Co., Inc. v. Abyadang* [42] is instructive on this point:

The ownership of a trademark is acquired by its registration and its actual use by the manufacturer or distributor of the goods made available to the purchasing public. . . . A certificate of registration of a mark, once issued, constitutes *prima facie* evidence of the validity of the registration, of the registrant's ownership of the mark, and of the registrant's exclusive right to use the same in connection with the goods or services and those that are related thereto specified in the certificate. . . . In other words, the *prima facie* presumption brought about by the registration of a mark may be challenged and overcome in an appropriate action, . . . **by evidence of prior use by another person, i.e., it will controvert a claim of legal appropriation or of ownership based on registration by a subsequent user. This is because a trademark is a creation of use and belongs to one who first used it in trade or commerce.** [43]
(Emphasis and underscoring supplied)

In the instant case, petitioner was able to establish that it is the owner of the mark "BIRKENSTOCK." It submitted evidence relating to the origin and history of "BIRKENSTOCK" and its use in commerce long before respondent was able to register the same here in the Philippines. It has sufficiently proven that "BIRKENSTOCK" was first adopted in Europe in 1774 by its inventor, Johann Birkenstock, a shoemaker, on his line of quality footwear and thereafter, numerous generations of his kin continuously engaged in the manufacture and sale of shoes and sandals bearing the mark "BIRKENSTOCK" until it became the entity now known as the petitioner. Petitioner also submitted various certificates of registration of the mark "BIRKENSTOCK" in various countries and that it has used such mark in different countries worldwide, including the Philippines. [44]

On the other hand, aside from Registration No. 56334 which had been cancelled, respondent only presented copies of sales invoices and advertisements, which are not conclusive evidence of its claim of ownership of the mark "BIRKENSTOCK" as these merely show the transactions made by respondent involving the same. [45]

In view of the foregoing circumstances, the Court finds the petitioner to be the true and lawful owner of the mark "BIRKENSTOCK" and entitled to its registration,

and that respondent was in bad faith in having it registered in its name. In this regard, the Court quotes with approval the words of the IPO Director General, *viz.*:

The facts and evidence fail to show that [respondent] was in good faith in using and in registering the mark BIRKENSTOCK. BIRKENSTOCK, obviously of German origin, is a highly distinct and arbitrary mark. It is very remote that two persons did coin the same or identical marks. To come up with a highly distinct and uncommon mark previously appropriated by another, for use in the same line of business, and without any plausible explanation, is incredible. The field from which a person may select a trademark is practically unlimited. As in all other cases of colorable imitations, the unanswered riddle is why, of the millions of terms and combinations of letters and designs available, [respondent] had to come up with a mark identical or so closely similar to the [petitioner's] if there was no intent to take advantage of the goodwill generated by the [petitioner's] mark. Being on the same line of business, it is highly probable that the [respondent] knew of the existence of BIRKENSTOCK and its use by the [petitioner], before [respondent] appropriated the same mark and had it registered in its name. [46]

WHEREFORE, the petition is **GRANTED**. The Decision dated June 25, 2010 and Resolution dated October 27, 2010 of the Court of Appeals in CA-G.R. SP No. 112278 are **REVERSED** and **SET ASIDE**. Accordingly, the Decision dated December 22, 2009 of the IPO Director General is hereby **REINSTATED**.

SO ORDERED.

Brion, Del Castillo, Perez and Reyes, [] JJ., concur.*

Footnotes

* Designated Additional Member per Raffle dated October 17, 2012.

1. *Rollo*, pp. 11-74.
2. *Id.* at 98-126. Penned by Associate Justice Juan Q. Enriquez, Jr., with Associate Justices Ramon M. Bato, Jr. and Florito S. Macalino, concurring.
3. *Id.* at 128-129.
4. *Id.* at 132-146. Penned by Director General Adrian S. Cristobal, Jr.
5. *Id.* at 99.
6. On February 24, 2004, Shoe Town International and Industrial Corporation formally assigned the mark "BIRKENSTOCK AND DEVICE" under Registration No. 56334 in favor of respondent; *id.* at 102.

7. *Id.* at 20.
8. *Id.* at 102.
9. *Id.* at 142.
10. *Id.* at 21.
11. *Id.* at 99.
12. *Id.* at 99-100.
13. *Id.* at 101-105.
14. *Id.* at 111 and 133.
15. *Id.* at 111. Decision No. 2008-102.
16. *Id.* at 113 and 139.
17. *Id.* at 132-146.
18. *Id.* at 142.
19. *Id.* at 144-145.
20. *Id.* at 146.
21. *Id.* at 98-126.
22. *Id.* at 119.
23. *Id.* at 121.
24. *Id.* at 125.
25. *Id.* at 147-182.
26. *Id.* at 128-129.
27. *Id.* at 11-74.
28. *Id.* at 190-221.
29. Section 8.1 of the Rules on *Inter Partes* Proceedings states:

8.1. Within three (3) working days from receipt of the petition or opposition, the Bureau shall issue an order for the respondent to file an answer together with the affidavits of witnesses and originals of documents, and at the same time shall notify all parties required to be notified in the IP Code and these Regulations, provided that in case of public documents, certified true copies may be substituted in lieu of the originals. The affidavits and documents shall be marked consecutively as "exhibits" beginning with the number "1."

30. *Alcantara v. Philippine Commercial and International Bank*, G.R. No. 151349, October 20, 2010, 634 SCRA 48, 61.
31. *Asia United Bank v. Goodland Company, Inc.*, G.R. No. 188051, November 22, 2010, 635 SCRA 637, 645.
32. See *E.Y. Industrial Sales, Inc. v. Shen Dar Electricity and Machinery Co., Ltd.*, G.R. No. 184850, October 20, 2010, 634 SCRA 363, 378.
33. See *id.* at 378-381.
34. Entitled, "AN ACT TO PROVIDE FOR THE REGISTRATION AND PROTECTION OF TRADE-MARKS, TRADE-NAMES AND SERVICE-MARKS, DEFINING UNFAIR COMPETITION AND FALSE MARKING AND PROVIDING REMEDIES AGAINST THE SAME, AND FOR OTHER PURPOSES."
35. Such rule was carried over in Sections 124.2 and 145 of RA 8293, otherwise known as the Intellectual Property Code of the Philippines (IP Code), *viz.*:

Sec. 124. *Requirements of Application.* — . . .

xxx xxx xxx

124.2. The applicant or the registrant shall file a declaration of actual use of the mark with evidence to that effect, as prescribed by the Regulations within three (3) years from the filing date of the application. Otherwise, the application shall be refused or the mark shall be removed from the Register by the Director.

Sec. 145. *Duration.* — A certificate of registration shall remain in force for ten (10) years: Provided, That the registrant shall file a declaration of actual use and evidence to that effect, or shall show valid reasons based on the existence of obstacles to such use, as prescribed by the Regulations, within one (1) year from the fifth anniversary of the date of the registration of the mark. Otherwise, the mark shall be removed from the Register by the Office.

In the same manner, Rules 204 and 801 of the Rules and Regulations on Trademarks provide:

Rule 204. *Declaration of Actual Use.* — The Office will not require any proof of use in commerce in the processing of trademark applications. However, without need of any notice from the Office, all applicants or registrants shall file a declaration of actual use of the mark with evidence to that effect within three years, without possibility of extension, from the filing date of the application. Otherwise, the application shall be refused or the mark shall be removed from the register by the Director *motu proprio*.

Rule 801. *Duration.* — A certificate of registration shall remain in force for ten (10) years, Provided, That without need of any notice from the Office, the registrant shall file a declaration of actual use and evidence to that effect, or shall show valid reasons based on the existence of obstacles to such use, as prescribed by these Regulations, within one (1) year from the fifth anniversary of the date of the registration of the mark. Otherwise, the Office shall remove the mark from the Register. Within one (1) month from receipt of the declaration of actual use or reason for nonuse, the Examiner shall notify the registrant of the action taken thereon such as acceptance or refusal.

36. See *Mattel, Inc. v. Francisco*, G.R. No. 166886, July 30, 2008, 560 SCRA 504, 513-514.

37. Section 236 of the IP Code provides:

Sec. 236. *Preservation of Existing Rights.* — Nothing herein shall adversely affect the rights on the enforcement of rights in patents, utility models, industrial designs, marks and works, acquired in good faith prior to the effective date of this Act.

38. Section 2 of RA 166 provides:

Sec. 2. *What are registrable.* — Trademarks, trade names and service marks owned by persons, corporations, partnerships or associations domiciled in the Philippines and by persons, corporations, partnerships or associations domiciled in any foreign country may be registered in accordance with the provisions of this Act: Provided, That said trademarks, trade names, or service marks are actually in use in commerce and services not less than two months in the Philippines before the time the applications for registration are filed; And provided, further, That the country of which the applicant for registration is a citizen grants by law substantially similar privileges to citizens of the Philippines, and such fact is officially certified, with a certified true copy of the foreign law translated into the English language, by the government of the foreign country to the Government of the Republic of the Philippines.

39. Section 2-A, which was added by RA 638 to RA 166, provides:

Sec. 2-A. *Ownership of trademarks, trade names 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 trade name, or a service mark not so appropriated by another, to distinguish his merchandise, business or service from the

merchandise, business or services of others. The ownership or possession of a trademark, trade name, 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 this law.

40. *Ecole de Cuisine Manille (The Cordon Bleu of the Philippines), Inc. v. Renaud Cointreau & Cie and Le Cordon Bleu Int'l., B.V.*, G.R. No. 185830, June 5, 2013, citing *Shangri-La International Hotel Management, Ltd. v. Developers Group of Companies, Inc.*, G.R. No. 159938, March 31, 2006, 486 SCRA 405, 426.
41. *Shangri-La International Hotel Management, Ltd. v. Developers Group of Companies, Inc.*, G.R. No. 159938, March 31, 2006, 486 SCRA 405, 420-421.
42. G.R. No. 183404, October 13, 2010, 633 SCRA 196.
43. *Id.* at 204-205.
44. *Rollo*, p. 143.
45. *Id.*
46. *Id.* at 144-145.