



Republic of the Philippines  
Supreme Court  
Manila

THIRD DIVISION

CYMAR INTERNATIONAL,  
INC.,

*Petitioner,*

- versus -

FARLING INDUSTRIAL CO.,  
LTD.,

*Respondent.*

G.R. Nos. 177974, 206121,  
219072 and 228802

Present:

CAGUIOA, J., *Chairperson,*  
INTING,  
GAERLAN,  
DIMAAMPAO, and  
SINGH, JJ.

Promulgated:  
August 17, 2022

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DECISION

GAERLAN, J.:

Before the Court are four consolidated petitions for review, which all arose from a series of trademark disputes between petitioner Cymar International, Inc. (Cymar), a Philippine corporation engaged in the manufacture, marketing, sale, and promotion of baby products,<sup>1</sup> and respondent Farling Industrial Company, Ltd. (Farling), a Republic of China (Taiwan)<sup>2</sup> corporation engaged in the manufacture, sale, and distribution of various plastic, resinous, and baby products.<sup>3</sup>

<sup>1</sup> *Rollo* (G.R. No. 228802, vol. 1), pp. 116, 216.

<sup>2</sup> The Republic of the Philippines recognizes the People's Republic of China as the legitimate government of China but nevertheless retains unofficial people-to-people relations with the Republic of China (Taiwan). *Funa v. Manila Economic and Cultural Office, et al.*, 726 Phil. 63 (2014).

<sup>3</sup> *Rollo* (G.R. No. 228802, vol. 2), p. 458; Records of Proceedings (Evidence folder), p. 61.

## Antecedents

### *1994 Cancellation Case (G.R. No. 177974)*

On June 20, 1994, Farling filed five petitions<sup>4</sup> before the then-Bureau of Patents, Trademarks and Technology Transfer, seeking the cancellation of the following trademark certificates of registration issued to Cymar:

1. Trademark Certificate of Registration No. 48144 issued on May 4, 1990 covering the trademark **FARLIN**, for baby products such as feeding bottles, nipples (rubber and silicon), funnel, nasal aspirator, breast reliever, ice bag and training bottles;<sup>5</sup>
2. Trademark Certificate of Registration No. 50483 issued on May 13, 1991 covering the trademark **FARLIN**, for diaper clips;
3. Trademark Certificate of Registration No. 54569 issued on March 16, 1993 covering the trademark **FARLIN**, for t-shirts, sando, tie-side and other baby clothes;
4. Trademark Certificate of Registration No. 8348 issued on August 3, 1990 covering the trademark FARLIN LABEL, for diaper clip, with colors pink and blue;<sup>6</sup>
5. Trademark Certificate of Registration No. 8328 issued on July 18, 1990 covering the trademark FARLIN LABEL, for cotton buds, with colors blue, green, pink, yellow and gray.<sup>7</sup>

In the five petitions, Farling alleged that: 1) the **FARLIN** trademark is a coined word based on its corporate name;<sup>8</sup> 2) it is the rightful owner of the **FARLIN** trademark, which has been registered in the Republic of China since October 1, 1978; 3) Cymar fraudulently obtained the assailed Certificates of Trademark Registration with full knowledge that Farling is the true owner of the **FARLIN** trademark;<sup>9</sup> and 4) the issuance of the assailed Certificates of

<sup>4</sup> Records of Proceedings (Inter Partes Case No. 4045), pp. 16-21, Records of Proceedings (Inter Partes Case No. 4046), pp. 1-12; Records of Proceedings (Inter Partes Case No. 4047), pp. 1-14; Records of Proceedings (Inter Partes Case No. 4048), pp. 17-21; Order dated September 27, 1994, Records of Proceedings (Inter Partes Case No. 4045), p. 47.

<sup>5</sup> CA rollo (CA G.R. SP No. 80350), p. 75.

<sup>6</sup> Id. at 81; Records of Proceedings (Inter Partes Case No. 4045), pp. 162-164.

<sup>7</sup> Rollo (G.R. No. 177974, vol. 1), p. 55; Records of Proceedings (Evidence folder), pp. 1979-1994.

<sup>8</sup> Records of Proceedings (Evidence folder), p. 2.

<sup>9</sup> CA rollo (CA G.R. SP No. 80350), p. 62.

Trademark Registration violates the Paris Convention for the Protection of Intellectual Property (Paris Convention), of which the Philippines is a signatory.<sup>10</sup>

Cymar answered that: 1) having used the **FARLIN** trademark since January 5, 1983, it is the actual first user thereof in the Philippines; 2) Farling's Republic of China trademark registration, which covers "various plastic and resinous products and all other commodities belonging to this class," does not specify the particular products covered thereby; thus, it cannot be used as basis to cancel Cymar's trademarks; 3) Farling's Republic of China trademark registration is not protected by the Paris Convention, since it was issued prior to China's accession thereto; 4) under Section 20 of the then-prevailing Trademark Law (Republic Act No. 166), the assailed Certificates of Trademark Registration are prima facie evidence of the validity of the registration and of Cymar's ownership and exclusive right to use the **FARLIN** trademark in connection with the goods mentioned in the certificates; and 5) Farling, as a foreign corporation not licensed to do business in the Philippines, has no capacity to sue.<sup>11</sup>

On September 27, 1994, upon Farling's motion, the five cases were consolidated on the ground that they involve the same parties, the same subject matter, and the same issues.<sup>12</sup>

In support of its allegations, Farling offered the following evidence:<sup>13</sup> 1) shipping documents to prove that its products bearing the **FARLIN** trademark had been exported to numerous countries prior to Cymar's date of first use thereof;<sup>14</sup> 2) certificates of trademark registration from various countries and samples of print brochures and advertisements, to prove that its **FARLIN** trademark is registered in numerous countries outside of the Republic of China and is well-known throughout the world;<sup>15</sup> 3) a copy of an undated agreement wherein Farling authorized Cymar to sell the former's products in the Philippines, including those bearing the **FARLIN** trademark;<sup>16</sup> 4) export and shipping documents such as invoices, packing and weight lists, bills of lading, and export permits bearing dates from 1983 to 1993, to prove that said undated agreement was actually implemented, and Farling exported goods to the Philippines for Cymar to distribute;<sup>17</sup> 5) telex correspondence, other documents, receipts, sales invoices, advertisement contracts, and sample

<sup>10</sup> *Rollo* (G.R. No. 177974, vol. 1), p. 55.

<sup>11</sup> Records of Proceedings (Inter Partes Case No. 4045), pp. 33-37.

<sup>12</sup> Order dated September 27, 1994, Records of Proceedings (Inter Partes Case No. 4045), p. 47.

<sup>13</sup> Formal Offer of Evidence, June 23, 1998, Records of Proceedings (Evidence folder), pp. 1-59.

<sup>14</sup> *Id.*, exhibits C to C-31-E.

<sup>15</sup> *Id.*, exhibits D, D-1, E to E-66-B, F to F-10, and G to G-15-A.

<sup>16</sup> *Id.*, exhibit H, p. 472.

<sup>17</sup> *Id.*, exhibits I to I-11-e.

advertisements, to prove that Cymar was merely a distributor of Farling's **FARLIN**-trademarked products, and was therefore very much aware of the fact that Farling is the registered owner and first user of the **FARLIN** trademark;<sup>18</sup> and 6) telex correspondence between Farling and Cymar between 1983 and 1988, to prove that they were coordinating with each other on the promotion of the former's **FARLIN**-branded products in the Philippines, which were being distributed by the latter.<sup>19</sup>

On January 1, 1998, the Intellectual Property Code (Republic Act No. 8293, hereinafter referred to as the IPC) took effect. Section 240 of the IPC expressly repealed the old Trademark Law (Republic Act No. 166);<sup>20</sup> while Sections 5 and 235 replaced the Bureau of Patents, Trademarks and Technology Transfer with the Intellectual Property Office (IPO).

On December 26, 2002, the Bureau of Legal Affairs of the IPO (BLA-IPO) denied Farling's consolidated petitions.<sup>21</sup> The BLA-IPO ruled that Farling's prior use and registration of the **FARLIN** mark in the Republic of China and other foreign countries cannot be considered sources of trademark rights in the Philippines, since: 1) Farling failed to register **FARLIN** as a foreign mark under Section 37 of the old Trademark Law;<sup>22</sup> and 2) Farling's Republic of China registration lacks sufficient specificity of goods to which the trademark is applicable, as required under the old Trademark Law.<sup>23</sup> As the first actual user of the **FARLIN** mark in the Philippines, Cymar is entitled to the protections afforded by the registration thereof, since the essential element which gives rise to protection of a mark under the old Trademark Law is actual use of such mark in commerce in the Philippines.<sup>24</sup> Farling failed to prove actual use of the **FARLIN** mark in connection with the goods covered by Cymar's certificates of registration, since the goods covered by the export documents presented by Farling refers only to "Chinese Goods."<sup>25</sup> The BLA-IPO also refused to accord well-known mark status to Farling's **FARLIN** trademark, on the ground that majority of Farling's international registrations were issued after Cymar had already obtained the assailed certificates of registration, and such registrations are not sufficient to accord well-known

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<sup>18</sup> Id., exhibits J to J-24.

<sup>19</sup> Id., exhibits K to K-55 and L.

<sup>20</sup> "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".

<sup>21</sup> Decision No. 2002-44, signed by Director Estrellita Beltran-Abelardo. *CA rollo* (CA G.R. SP No. 80350), pp. 61-70.

<sup>22</sup> Id. at 65-67.

<sup>23</sup> Id. at 68. Farling's Republic of China registration covers "various plastic and resinous products and all commodities belonging to this class."

<sup>24</sup> Id. at 67-68.

<sup>25</sup> Id. at 68.

status to Farling's mark.<sup>26</sup> Even assuming that Farling's **FARLIN** trademark is a well-known mark, the rights under Article 6bis of the Paris Convention apply "only when the later use for identical or similar goods by another is liable to create confusion." However, it has already been demonstrated that Farling's trademark registration does not necessarily cover the same goods covered by Cymar's assailed certificates of registration.<sup>27</sup>

Aggrieved, Farling appealed the BLA-IPO ruling to the Director General of the IPO (DG-IPO).<sup>28</sup>

On October 22, 2003,<sup>29</sup> the DG-IPO granted Farling's appeal and ordered the cancellation of Cymar's certificates of trademark registration. The DG-IPO found Farling's evidence sufficient to prove that Cymar is merely an importer or distributor of Farling's trademarked products.<sup>30</sup> The DG-IPO also sustained Farling's claim of prior use and ownership of the **FARLIN** trademark since October 1, 1978.<sup>31</sup> Likewise, the DG-IPO found no proof that Farling authorized Cymar to register the **FARLIN** mark in the Philippines, or that Cymar is the owner thereof in the country where the goods were imported from; thus, Cymar has no right to register the **FARLIN** mark in its name.<sup>32</sup> The evidence presented by Farling is enough to overthrow the *prima facie* presumption of ownership and exclusive rights created by Cymar's certificates of registration.<sup>33</sup> The use of "Chinese goods" as a descriptor in Farling's export documents is irrelevant, for a piece-by-piece scrutiny of said documents reveals that the aforementioned "Chinese goods" actually include products covered by the assailed certificates of registration, such as feeding bottles, nipple funnels, breast relievers, nasal aspirators, safety pins, and cotton buds.<sup>34</sup> As a mere distributor and importer, Cymar had no right to register the **FARLIN** trademark; and Farling, as the rightful owner thereof, is entitled to have Cymar's certificates of trademark registration cancelled.

Cymar appealed the DG-IPO decision to the Court of Appeals (CA) through a petition for review<sup>35</sup> under Rule 43,<sup>36</sup> which was docketed as CA G.R. SP No. 80350.

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<sup>26</sup> Id. at 69.

<sup>27</sup> Id. at 70.

<sup>28</sup> Notice of Appeal and Appeal Memorandum, Records of Proceedings in the Office of the Director General, pp. 3, 23-37.

<sup>29</sup> Appeal No. 14-03-22 (Inter Partes Case Nos. 4045-4049), rendered by Director General Emma C. Francisco. CA *rollo* (CA G.R. SP No. 80350), pp. 46-60. Hereinafter referred to as the 2003 DG-IPO Decision.

<sup>30</sup> Id. at 51-52, 54-56.

<sup>31</sup> Id. at 53.

<sup>32</sup> Id. at 53-54.

<sup>33</sup> Id. at 54.

<sup>34</sup> Id. at 55.

<sup>35</sup> Id. at 14-40.

<sup>36</sup> Id. at 11.

On July 26, 2005, the CA rendered a decision<sup>37</sup> (2005 CA Decision) affirming the DG-IPO ruling on the basis of the finding that “the import-export business relationship of [Cymar] and [Farling] involving plastic baby products began as early as 1982, prior to [Cymar]’s registration of the trademark **FARLIN** under its own name.”<sup>38</sup>

On August 15, 2005, Cymar filed a motion for reconsideration, where it presented, for the first time, a document with the caption “Authorization.” The document, typewritten on Farling-letterhead stationery, dated May 26, 1988, and signed by Farling’s General Manager John Shieh (Shieh), states:

#### AUTHORIZATION

FARLING INDUSTRIAL CO., LTD., FOR BREVITY, “FARLIN” WHOM I REPRESENT AS THE OWNER HEREBY EXECUTES THIS “AUTHORIZATION” IN COMPLIANCE WITH THE DOCUMENTARY REQUIREMENTS REQUIRED BY THE COPYRIGHT SECTION OF THE PHILIPPINES NATIONAL LIBRARY, IN RELATION WITH CYMAR INTERNATIONAL, INC. APPLICATION FOR COPYRIGHT:

NOTWITHSTANDING THE ABOVE, FARLING INDUSTRIAL CO.,LTD. WA[I]VES ANY CLAIM OR RIGHT AGAINST CYMAR INT’L INC. APPLICATION FOR COPYRIGHT BY REASON OF THE INCLUSION OF OUR NAME IN THE BOX DESIGN OF [A]FOR[E]SAID,

BY REASON THER[E]OF, FARLING INDUSTRIAL CO.,LTD. WA[I]VES ANY OPPOSITION/OBJECTION FOR CYMAR INT’L INC[.]’S PROPRIETORSHIP OF THE SAID DESIGN IN THE PHILIPPINES, UPON ITS BEING COPYRIGHTED IN THE PHILIPPINES AND THE VALIDITY OF CYMAR INT’L INC’S OF THE [A]FOR[E]SAID APPLICATION.

ISSUED THIS ON THE 26<sup>th</sup> DAY OF May 1988 AT TAIWAN, R.O.C.<sup>39</sup>

Cymar argued that the Authorization constitutes a waiver by Farling of its rights over the **FARLIN** mark in the Philippines;<sup>40</sup> therefore Cymar had become the owner of the **FARLIN** trademark.<sup>41</sup> Farling answered that the Authorization could no longer be considered by the CA, as it would amount

<sup>37</sup> Id. at 210-218, penned by Associate Justice Rosmari D. Carandang (now a retired member of this Court), with the concurrence of Associate Justices Remedios A. Salazar-Fernando (now CA Presiding Justice) and Monina Arevalo-Zenarosa.

<sup>38</sup> Id. at 216.

<sup>39</sup> Id. at 246; *Rollo* (G.R. No. 177974, vol. 1), p. 15.

<sup>40</sup> Id. at 232-234.

<sup>41</sup> Id. at 230-234.

to a prohibited change of theory on appeal, and was not presented during the administrative cancellation proceedings.<sup>42</sup>

Through a resolution dated August 7, 2006, the CA suspended the effectivity of its July 26, 2005 decision and reopened the case for reception of evidence and arguments on the new issues generated by the Authorization.<sup>43</sup> During the hearing, Cymar's counsel and corporate secretary testified that the Authorization was not presented before the IPO because Cymar never discussed it with the former counsel who handled the IPO proceedings.<sup>44</sup>

On May 17, 2007, the CA issued a Resolution<sup>45</sup> (2007 CA Resolution) denying Cymar's motion for reconsideration. It ruled that the Authorization does not amount to newly discovered evidence, as Cymar's counsel and corporate secretary admitted that the document was in his custody all along, and could have therefore been discovered through due diligence on Cymar's part. The CA also sustained Farling's argument that the presentation of the Authorization amounts to a belated change of theory on appeal, for Cymar would then be abandoning its claim to first use and original ownership of the **FARLIN** mark and basing its rights on a *waiver* executed by the first user.<sup>46</sup>

On July 5, 2007, Cymar filed a petition for review with the Supreme Court to assail the 2005 CA decision and the 2007 CA resolution. The petition was docketed as G.R. No. 177974. For ease of reference, the proceedings leading up to the filing of G.R. No. 177974 shall hereinafter be referred to as the 1994 Cancellation Case.

#### *2006 Opposition Case (G.R. No. 206121)*

On December 18, 2002, during the pendency of the 1994 Cancellation Case, Cymar filed an application for registration of the composite mark<sup>47</sup>

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<sup>42</sup> Id. at 263-268.

<sup>43</sup> Id. at 297-299.

<sup>44</sup> Id. at 314, 336-337.

<sup>45</sup> Id. at 534-538, penned by Associate Justice Rosmari D. Carandang (now a retired member of this Court), with Associate Justices Remedios A. Salazar-Fernando (now CA Presiding Justice) and Monina Arevalo-Zenarosa, concurring.

<sup>46</sup> Id. at 535-537.

<sup>47</sup> A composite mark is a trademark or service mark that is composed of several distinct parts, usually a word or a set of words together with a logo, symbol, or other device. *Prosel Pharmaceuticals & Distributors v. Tynor Drug House*, G.R. No. 248021, September 30, 2020; *Gaston's White River Resort v. Rush*, 701 F. Supp. 1431 (1988). "A 'composite' mark may consist of a word or words combined with a design or designs; it may consist solely of words, when there are separable word elements; or it may consist solely of separable design elements." United States Trademark Manual of Examining Procedure Section 1213.02, accessed 20 April 2022 at <https://tmep.uspto.gov/RDMS/TMEP/Apr2016#/current/TMEP-1200d1e11841.html>. Archive link at <http://archive.today/SGYIm>.

“FARLIN YOUR BABY IS OUR CONCERN (WITH MOTHER AND CHILD LOGO)”<sup>48</sup> with the IPO, for cotton buds, cotton balls, absorbent cotton/cotton roll under class 5, feeding bottles, feeding nipples, pacifiers, teethers, training cup, multistage training cup, spill proof cup, silicone spoon, fork and spoon set, diaper clip, feeding bottle cap, ring, feeding bottle hood under class 10, sterilizer set under class 11, disposable diapers under class 16 and toothbrush, milk powder container, powder case with puff, rack and tongs set, tongs under class 21.<sup>49</sup> On December 19, 2006, Farling filed a Verified Notice of Opposition, citing the 2003 DG-IPO Decision as affirmation of its previous claims about the ownership and prior registration of the **FARLIN** trademark, as well as the agreements it entered into with Cymar.<sup>50</sup> The case was docketed as IPC No. 14-2006-00188.

On February 28, 2009, the BLA-IPO rendered a decision (First 2009 BLA-IPO Decision) sustaining Farling’s opposition.<sup>51</sup> Echoing the 2003 DG-IPO Decision, the BLA-IPO found “overwhelming evidence that [Farling] is the owner of the mark by its extensive use and trademark registrations abroad of the mark **FARLIN** on goods which [Cymar] now seeks to register the **FARLIN** mark for”;<sup>52</sup> and that “[Cymar] has for many years imported the **FARLIN** products of [Farling].”<sup>53</sup> Thus, as a mere importer, Cymar cannot acquire ownership rights over the **FARLIN** mark or any composite marks based thereon, even if it was the first party to file an application under the IPC. Under Section 138 of the IPC, a certificate of trademark registration is only prima facie evidence of the registrant’s ownership and use rights over a trademark.<sup>54</sup>

On appeal by Cymar, the DG-IPO affirmed<sup>55</sup> the First 2009 BLA-IPO Decision. The DG-IPO rejected Cymar’s claim of forum shopping since the opposition pertains to a mark distinct from the marks cancelled in the proceedings in G.R. No. 177974. The DG-IPO likewise held that Farling’s proof of ownership over the **FARLIN** mark and its distribution arrangement

<sup>48</sup> The slogan “YOUR BABY IS OUR CONCERN” is written around the mother and child logo:



<sup>49</sup> *Rollo* (G.R. No. 206121), pp. 44, 47.

<sup>50</sup> *Id.* at 34-35.

<sup>51</sup> Decision No. 2009-27 (IPC No. 14-2006-00188), penned by Director Estrellita Beltran-Abelardo. *Id.* at 44-53.

<sup>52</sup> *Id.* at 52.

<sup>53</sup> *Id.*

<sup>54</sup> *Id.* at 49, 52.

<sup>55</sup> Decision in Appeal No. 14-09-49 (IPC No. 14-2006-00188) dated April 23, 2012, penned by Director-General Ricardo R. Blancaflor. *Id.* at 34-41.



with Cymar prevails over the latter's prior registration.<sup>56</sup> Cymar elevated the matter to the CA through a Rule 43 petition for review.

Through a decision dated March 4, 2013 (2013 CA Decision), the CA denied<sup>57</sup> Cymar's petition. The CA affirmed the DG-IPO's ruling, not only on the existence of forum shopping, but also on the substantive issues of the case. The CA found that the DG-IPO's conclusions are supported by substantial evidence, and can no longer be disturbed, given the lack of compelling reasons therefor. Notably, the CA rejected Cymar's waiver argument for the second time. The CA held that the Authorization executed by Farling through Shieh only constitutes a waiver of the copyright over the box design containing Farling's name. The CA reiterated that trademark and copyright are distinct bundles of rights which cannot be interchanged. Thus, the Authorization cannot serve as a source of any trademark rights in favor of Cymar.<sup>58</sup>

Undeterred, Cymar again elevated<sup>59</sup> the matter to the Court, where it was docketed as G.R. No. 206121. For ease of reference, these proceedings which were borne out of IPC No. 14-2006-00188, and which eventually reached the Court as G.R. No. 206121, shall hereinafter be referred to as the 2006 Opposition Case.

#### *2007 Opposition Case (G.R. No. 219072)*

On April 23, 2003, while the 1994 Cancellation and 2006 Opposition Cases were still pending with the DG-IPO, Cymar filed an application for registration of the composite mark "FARLIN DISPOSABLE BABY DIAPERS (With Mother & Child Icon)"<sup>60</sup> with the IPO, for disposable baby diapers under Class 16 of the International Classification of goods.<sup>61</sup> On September 4, 2007, Farling filed a Verified Notice of Opposition, still reiterating its earlier arguments which have been affirmed in the 2005 CA

<sup>56</sup> Id. at 40-41.

<sup>57</sup> Decision in CA-G.R. SP No. 124698, penned by Associate Justice (now Presiding Justice) Remedios A. Salazar-Fernando, with Associate Justices Normandie B. Pizarro and Manuel M. Barrios (both now retired), concurring. Id. at 285-303.

<sup>58</sup> Id. at 301-302.

<sup>59</sup> Petition for Review on Certiorari, id. at 57-277.

<sup>60</sup> The mark uses the basic FARLIN mark and a logo similar to the mark involved in G.R. No. 206121:



<sup>61</sup> *Rollo* (G.R. No. 219072), pp. 46, 158-160.

decision and the 2007 CA resolution.<sup>62</sup> The case was docketed as Inter Partes Case No. 14-2007-00252.

In a decision dated February 28, 2009 (Second 2009 BLA-IPO Decision), the BLA-IPO sustained<sup>63</sup> Farling's opposition and rejected Cymar's application. Relying on the First 2009 BLA-IPO Decision, as affirmed by the 2005 CA decision and the 2007 CA resolution, the BLA-IPO once again found Farling to be the owner and first user of the **FARLIN** mark, and Cymar as a mere importer-distributor. The BLA-IPO thus concluded that "Cymar's "use in commerce of the mark **FARLIN** inures to benefit of foreign manufacturer and actual owner Farling."<sup>64</sup> Once again, the BLA-IPO rejected Cymar's invocation of the first-to-file rule under Sections 122 and 138 of the IPC. Relying on the conception of a trademark under the Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS Agreement), as implemented by the IPC, the BLA-IPO ruled that "*it is the use of the mark that [gives] rise to ownership of the trademark, which in turn gives the right to the owner to cause its registration and enjoy exclusive use thereof for the goods associated with it.*"<sup>65</sup> It explained that the first-to-file rule cannot be invoked to grant the application of a "first filer" despite the existence of a better right to the trademark sought to be registered. Under the TRIPS Agreement, as implemented by the IPC, "*the idea of 'registered owner.'*" *does not mean that ownership is established by mere registration but that registration merely establishes a presumptive right over ownership. The presumption of ownership yields to superior evidence of actual and real ownership of the trademark and the TRIPS Agreement requirement that no existing prior rights shall be prejudiced.*"<sup>66</sup> In the case at bar, Cymar, despite its status as the "first filer," is not entitled to registration of the mark, because there is proof that it is not the first actual user of the mark; indeed, the record even shows that it is not the first party to have the mark registered anywhere in the world.<sup>67</sup>

Acting on Cymar's appeal, the DG-IPO rendered a decision<sup>68</sup> dated April 23, 2012, affirming the Second 2009 BLA-IPO Decision. Again, the DG-IPO rejected Cymar's claim of forum shopping, since although all the previous Cases also involve a mark containing the **FARLIN** mark, the present case nevertheless involves a composite mark that is distinct from the marks passed upon in the previous cases. Furthermore, Farling explicitly admitted

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<sup>62</sup> Id. at 48-49.

<sup>63</sup> Decision No. 2009-28 (Inter Partes Case No. 14-2007-00252), penned by Director Estrellita Beltran-Abelardo. Id. at 59-72.

<sup>64</sup> Id. at 68.

<sup>65</sup> Id. at 71.

<sup>66</sup> Id.

<sup>67</sup> Id. at 72.

<sup>68</sup> Decision in Appeal No. 14-09-47 (Inter Partes Case No. 14-2007-00252), penned by Director-General Ricardo R. Blancaflor. Id. at 48-57.

the pendency of G.R. No. 177974 in its verification and certification.<sup>69</sup> The DG-IPO held that the evidence it relied upon in the 2003 DG-IPO Decision, as affirmed in the 2005 CA Decision and 2007 CA Resolution and adopted in the First 2009 BLA-IPO Decision, remain relevant and sufficient to prove that Farling is the owner of the **FARLIN** mark and that Cymar is a mere importer of Farling's **FARLIN**-trademarked products.<sup>70</sup> Cymar cannot rely on the limited scope of its trademark application, since its claim to the present **FARLIN**-based composite mark<sup>71</sup> over disposable baby diapers still overlaps with Farling's product line, which covers the whole class of baby products such as baby bottles, nipples, pacifiers, aspirators, powder puffs, rattles, cotton swabs, funnels, milk containers, among others.<sup>72</sup> Cymar sought recourse with the CA.

On June 25, 2015, the CA rendered a decision<sup>73</sup> (2015 CA Decision) denying Cymar's petition for review. The CA found that Cymar and Farling had entered into an informal distributorship agreement as early as 1981. This agreement was not reduced to writing; but under said agreement, Farling provided **FARLIN** branded merchandise and promotional materials to Cymar.<sup>74</sup> The CA also found that Cymar and Farling actually cooperated in the registration of the "FARLIN and Device" trademark in the Philippines, as Cymar sent application documents which were then accomplished and notarized by Farling. These documents were then delivered to Cymar on the assumption that these will be delivered to Farling's recommended attorneys for filing.<sup>75</sup> However, as it turned out, Cymar registered the mark in its own name.<sup>76</sup>

The CA rejected Cymar's procedural objections to the DG-IPO's ruling. Particularly, the CA ruled that: 1) the DG-IPO ruling adequately states the factual and legal bases therefor;<sup>77</sup> 2) Cymar failed to prove that the DG-IPO acted with manifest bias and prejudice;<sup>78</sup> 3) the DG-IPO ruling did not apply *res judicata*, since it is not applicable to the case;<sup>79</sup> 4) the IPO rules of procedure do not require parties to make a separate offer of evidence for the purposes required under the IPC;<sup>80</sup> 5) the submission of mere photocopies of

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<sup>69</sup> Id. at 54.

<sup>70</sup> Id. at 56.

<sup>71</sup> See footnote 60 supra.

<sup>72</sup> *Rollo* (G.R. No. 219072), pp. 56-57.

<sup>73</sup> Decision in CA-G.R. SP No. 124697, penned by Associate Justice Ramon A. Cruz, with Presiding Justice Andres B. Reyes, Jr. (now a retired member of the Court) and Associate Justice Marlene Gonzales-Sison, concurring. Id. at 15-44.

<sup>74</sup> Id. at 16.

<sup>75</sup> Id.

<sup>76</sup> Id. at 17.

<sup>77</sup> Id. at 24-25.

<sup>78</sup> Id. at 26-27.

<sup>79</sup> Id. at 27-28.

<sup>80</sup> Id. at 40.

documents is allowed in administrative proceedings where the technical rules of evidence are not binding;<sup>81</sup> and 6) the fact that the 1994 Cancellation Case were litigated under the old Trademark Law does not affect the relevance, admissibility, or applicability of the evidence presented therein to the present case, which involves a composite mark based on the **FARLIN** trademark. In fact, the DG-IPO would have offended Cymar's administrative due process rights had it not considered such relevant and applicable evidence.<sup>82</sup>

Turning to the merits of the Second 2009 BLA-IPO Decision as affirmed by the DG-IPO, the CA ruled that the intellectual property adjudicators correctly rejected Cymar's application, as there is clear and convincing evidence on record to support the findings and conclusions of the BLA-IPO and DG-IPO.<sup>83</sup> Once again, the CA ruled that the Authorization did not transmit any trademark rights to Cymar, since it only pertains to the copyright over the box design of the **FARLIN** mark. The CA reiterated the distinction between trademark rights and copyright.

Still undeterred, Cymar filed another petition for review<sup>84</sup> with the Supreme Court, which was docketed as G.R. No. 219072. For ease of reference, these proceedings, which stemmed from Inter Partes Case No. 14-2007-0025, shall be referred to as the 2007 Opposition Case.

#### *2008 Opposition Case (G.R. No. 228802)*

On August 22, 2007, still during the pendency of the 1994 Cancellation Case and the 2006 and 2007 Opposition Cases, Cymar filed an application for registration of the mark "FARLIN BLUE BUNNY AND BUNNY DEVICE" with the IPO, thus:<sup>85</sup>



Cymar's application covered the following goods: sterilizer sets (Class 11); feeding bottles, feeding nipples, pacifiers, teethers, training cup, multi-stage training cup, spill-proof cup, silicone spoon, fork and spoon set[,] diaper clip,

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<sup>81</sup> Id. at 41-42.

<sup>82</sup> Id. at 43.

<sup>83</sup> Id. at 31-38.

<sup>84</sup> Id. at 82-253.

<sup>85</sup> *Rollo* (G.R. No. 228802, vol. 1), pp. 42, 99.

feeding bottle cap ring, feeding bottle hood (Class 10); cotton buds, cotton balls, absorbent cotton/cotton roll (Class 05); disposable diapers (Class 16); and toothbrush, milk powder container, powder case with puff, rack and tongs set, and tongs (Class 21).<sup>86</sup>

On August 26, 2008, Farling filed a Verified Notice of Opposition, still reiterating the arguments it raised in the 1994 Cancellation Case, which were sustained in the 2005 CA Decision.<sup>87</sup> In response, Cymar also reiterated the arguments it made in the 1994 Cancellation Case.<sup>88</sup> Additionally, it argued that: 1) Farling's opposition does not include a certification against forum shopping, and the certification it belatedly submitted contains a deliberate misrepresentation that G.R. No. 177974 is not related to the present case;<sup>89</sup> 2) the evidence submitted in the 1994 Cancellation Case are inapplicable to the present case, because the requisites for trademark registration are different under the IPC and the old Trademark Law;<sup>90</sup> 3) Farling's theory that the name "FARLIN" in the **FARLIN** mark is a derivation of its corporate name is incorrect, because the letters F, A, R, L, I, and N which constitute the name "FARLIN" in the **FARLIN** mark are not the dominant feature of the corporate name "Farling"; 4) pursuant to the first-to-file rule under the IPC, Cymar has the better right to marks derived from the "FARLIN" name, since it was the first to register such a mark in the Philippines;<sup>91</sup> 5) assuming that Farling's Republic of China trademark registration may be recognized in this jurisdiction, such registration has already expired in 1988;<sup>92</sup> 6) the products covered by the "FARLIN BLUE BUNNY AND BUNNY DEVICE" mark sought to be registered are different from the registration classes and products claimed by Farling;<sup>93</sup> 7) apart from being the first registrant and user, Cymar is also the party primarily responsible for promoting the brand reputation of the "FARLIN" name in the Philippines;<sup>94</sup> 8) through the Authorization, Farling waived any intellectual property right it had over the name "FARLIN";<sup>95</sup> and 9) the documents submitted by Farling are inadmissible because they are not certified true copies, not covered by affidavits of witnesses, and were not offered separately for purposes of the present case, contrary to the IPO's regulations on inter partes cases.<sup>96</sup> The case was docketed as Inter Partes Case No. 14-2008-00186.

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<sup>86</sup> Id. at 42.

<sup>87</sup> Id. at 42-46.

<sup>88</sup> Id. at 80-97.

<sup>89</sup> Id. at 54-59.

<sup>90</sup> Id. at 59-60.

<sup>91</sup> Id. at 60-62.

<sup>92</sup> Id. at 63-64.

<sup>93</sup> Id. at 66-69.

<sup>94</sup> Id. at 64-66, 69-77.

<sup>95</sup> Id. at 77-79.

<sup>96</sup> Id. at 97-98.

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On December 22, 2009, the BLA-IPO rendered a decision<sup>97</sup> (Third 2009 BLA-IPO Decision) sustaining Farling's opposition. The BLA-IPO again took cognizance of the results of the 1994 Cancellation Case and the evidence presented therein; thus, it found that Cymar's previous registrations of the **FARLIN** mark have already been cancelled, and that Farling has registered the mark in the Republic of China for various classes of products.<sup>98</sup> The BLA-IPO held that the first-to-file rule only creates a prima facie presumption of ownership over a mark, which may be overturned by evidence to the contrary. In the case at bar, Farling's evidence, which proves that Cymar was a mere importer of Farling's **FARLIN**-marked products, sufficiently rebuts the prima facie presumption created by the first-to-file rule.<sup>99</sup> As the actual first user and owner of the **FARLIN** mark, Cymar's efforts and expenditures in building goodwill for the brand should inure to Farling.<sup>100</sup>

On September 3, 2012, the DG-IPO dismissed<sup>101</sup> Cymar's appeal and affirmed the Third 2009 BLA-IPO Decision. The DG-IPO brushed aside Cymar's claim of forum shopping, since the present case involves marks which are distinct from those passed upon in the previous cancellation cases.<sup>102</sup> The DG-IPO also upheld the BLA-IPO's findings on the true ownership of the **FARLIN** mark; and added that the products covered by the "FARLIN BLUE BUNNY AND BUNNY DEVICE" mark sought to be registered are almost identical to the products covered by Farling's marks, since the claims of both parties cover the same general class of baby products. Allowing the registration of the "FARLIN BLUE BUNNY AND BUNNY DEVICE" mark will, in effect, prevent Farling from using its **FARLIN** mark on its own products, and is likely to create confusion among consumers as to the source or origin of the products.<sup>103</sup>

Still undeterred, Cymar elevated the matter again to the CA.

In a decision dated October 12, 2016 (2016 CA Decision),<sup>104</sup> the CA upheld the DG-IPO's conclusions and denied Cymar's recourse for a fourth time. In rejecting Cymar's claim of difference of product coverage, the CA upheld the BLA-IPO's finding that Farling actually shipped nipples, cotton

<sup>97</sup> Decision No. 2009-191 (Inter Partes Case No. 14-2008-00186), penned by Director Estrellita Beltran-Abelardo. Id. at 42-104.

<sup>98</sup> Id. at 99-100.

<sup>99</sup> Id. at 100-103.

<sup>100</sup> Id. at 103-104.

<sup>101</sup> Decision in Appeal No. 14-2010-0023 (Inter Partes Case No. 14-2008-00186), penned by Director-General Ricardo R. Blancaflor. Id. at 33-40.

<sup>102</sup> Id. at 37-38.

<sup>103</sup> Id. at 38-40.

<sup>104</sup> Decision in CA-G.R. SP No. 126647, penned by Associate Justice Melchor Q.C. Sadang (now retired), with Associate Justices Celia C. Librea-Leagogo (now retired) and Amy C. Lazaro-Javier (now a member of the Court), concurring. Id. at 18-31.

swabs, milk powder containers, feeding and training bottles, and sterilization sets to Cymar in 1983.<sup>105</sup> Thus, Cymar cannot claim difference of product coverage, since these products are covered by the “FARLIN BLUE BUNNY AND BUNNY DEVICE” mark it seeks to register in the present case.

Upon the denial<sup>106</sup> of its motion for reconsideration, Cymar again elevated the matter to the Supreme Court, where it was docketed as G.R. No. 228802. For ease of reference, these proceedings, which stemmed from Inter Partes Case No. 14-2008-00186, shall be referred to as the 2008 Opposition Case.

### *Proceedings before the Supreme Court*

On March 17, 2008, the Court ordered the parties to submit their respective memoranda in G.R. No. 177974.<sup>107</sup> Through resolutions dated July 24, 2013,<sup>108</sup> February 29, 2016,<sup>109</sup> and April 23, 2018,<sup>110</sup> Cymar’s petitions were consolidated and assigned to the member-in-charge of G.R. No. 177974. On July 9, 2014, after the consolidation of G.R. Nos. 177974 and 206121, the Court ordered the parties to submit their respective memoranda for the said consolidated cases.<sup>111</sup> The parties also filed their respective pleadings in G.R. Nos. 219072 and 228802.<sup>112</sup>

### **Issues**

The arguments presented in the parties’ ponderous tomes of pleadings are distillable into the following issues:

1) Whether the 1994 Cancellation Case involving the basic **FARLIN** mark constitutes *res judicata* as against the 2006, 2007, and 2008 Opposition Cases;

2) Whether Farling committed forum shopping when it initiated the 2006, 2007, and 2008 Opposition Cases;

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<sup>105</sup> Id. at 26.

<sup>106</sup> Resolution dated December 13, 2016 in CA-G.R. SP No. 126647, penned by Associate Justice Melchor Q.C. Sadang, with Associate Justices Celia C. Librea-Leagogo (now retired) and Amy C. Lazaro-Javier (now a member of the Court), concurring. Id. at 15-16.

<sup>107</sup> *Rollo* (G.R. No. 177974, vol. 1), p. 211-212.

<sup>108</sup> *Rollo* (G.R. No. 206121), p. 335.

<sup>109</sup> *Rollo* (G.R. No. 219072), p. 326.

<sup>110</sup> *Rollo* (G.R. No. 228802, vol. 1), p. 453.

<sup>111</sup> *Rollo* (G.R. No. 206121), pp. 436A-436C.

<sup>112</sup> *Rollo* (G.R. No. 219072), pp. 335-362, 370-463; *rollo* (G.R. No. 228802, vol. 2), pp. 457-486, 584-676.

3) Whether the exhibits submitted by Farling in the 1994 Cancellation Case, especially the Republic of China trademark registration, are admissible in evidence;

4) Whether the evidence in the 1994 Cancellation Case may be admitted and appreciated in the 2006, 2007, and 2008 Opposition Cases;

5) In G.R. No. 219072, whether the DG-IPO's affirmance of the Second 2009 BLA-IPO Decision is compliant with Article VIII, Section 14 of the Constitution;

6) Whether Farling's trademark registrations and prior use of the **FARLIN** mark in foreign jurisdictions may be recognized in the Philippines even without registration in its own name;

7) Whether Cymar, as the first registrant of the disputed marks, should be considered the rightful owner thereof, pursuant to the first-to-file rule.

8) Whether Cymar had the capacity distributed **FARLIN**-marked products in the Philippines; and

9) Whether the Authorization operated to transfer trademark rights from Farling to Cymar.

These issues all boil down to a single question: who between Cymar and Farling has the right to use and register the **FARLIN** mark and its derivatives in this jurisdiction?

## The Court's Ruling

### *I. Forum shopping and res judicata*

Cymar argues that Farling deliberately failed to disclose the pendency of the 1994 Cancellation Case in its December 2006 opposition, which initiated the 2006 Opposition Case.<sup>113</sup> Cymar asserts that the pendency of the 1994 Cancellation Case should have been disclosed in the 2006 Opposition Case, because the former constitutes *res judicata* as to the latter. Cymar argues that the 1994 Cancellation Case and the 2006 Opposition Case involve the

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<sup>113</sup> Consolidated Memorandum of Cymar, *rollo* (G.R. No. 206121), pp. 501-505.



same parties, rights, reliefs, and issues. By omitting the pendency of the 1994 Cancellation Case in its 2006 opposition, Farling not only violated the rule on certification against forum shopping; but also committed willful and deliberate forum shopping.<sup>114</sup> Cymar further faults the DG-IPO for allowing Farling's 2006, 2007, and 2008 oppositions on the ground that these were filed merely to prevent the registration of the FARLIN-derived marks. Cymar argues that there is another plain, speedy, and adequate remedy to prevent such registration other than the filing of an opposition, in the form of a request for suspension under Rule 617 of the Rules on Registration of Trademarks.<sup>115</sup> In G.R. No. 219072, Cymar points out that in the 2007 Opposition Case, the BLA-IPO and DG-IPO both rejected its argument on *res judicata* even as they relied on the 2005 CA Decision and the 2007 CA Resolution to reject its application for registration of the "FARLIN DISPOSABLE BABY DIAPERS (With Mother & Child Icon)" mark.<sup>116</sup>

Farling ripostes that the issues in the 1994 Cancellation Case and 2006 Opposition Case are different **but** intertwined, in that the two cases both involve the true ownership of the basic **FARLIN** mark, but the 2006 Opposition Case involves a different mark which was formed from the basic FARLIN mark.<sup>117</sup> Thus, the cancellation of the **FARLIN** registrations involved in the 1994 Cancellation Case will not necessarily result in the denial of the registration of the "FARLIN YOUR BABY IS OUR CONCERN (WITH MOTHER AND CHILD LOGO)" sought to be registered in the 2006 Opposition Case, and vice versa.<sup>118</sup> Farling further asserts that it did not commit forum shopping when it filed the 2006 Opposition Case because it involves a different cause of action from the 1994 Cancellation Case. There being no identity of issues or causes of action between the 1994 Cancellation Case and the subsequent cancellation cases, Farling neither violated the rule on certification against forum shopping nor committed actual forum shopping.

*Heirs of Mampo v. Morada*<sup>119</sup> provides a comprehensive but succinct statement of the concept of forum shopping and its relation to the concept of *res judicata*:

Forum shopping is committed by a party who institutes two or more suits involving the same parties for the same cause of action, either simultaneously or successively, on the supposition that one or the other court would make a favorable disposition or increase a party's chances of obtaining a favorable decision or action. It is an act of malpractice that is

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<sup>114</sup> Id. at 506-515.

<sup>115</sup> Id. at 523.

<sup>116</sup> *Rollo* (G.R. No. 219072), pp. 211-212.

<sup>117</sup> Consolidated Memorandum of Farling, *Rollo* (G.R. No. 177974, vol. 1), p. 517.

<sup>118</sup> Id.

<sup>119</sup> G.R. No. 214526, November 3, 2020.

prohibited and condemned because it trifles with the courts, abuses their processes, degrades the administration of justice, and adds to the already congested court dockets.

At present, the rule against forum shopping is embodied in Rule 7, Section 5 of the Rules [of Court] x x x.

There are two rules on forum shopping, separate and independent from each other, provided in Rule 7, Section 5: 1) compliance with the certificate of forum shopping and 2) avoidance of the act of forum shopping itself.

To determine whether a party violated the rule against forum shopping, the most important factor is whether the elements of *litis pendentia* are present, or whether a final judgment in one case will amount to *res judicata* in another. Otherwise stated, the test for determining forum shopping is whether in the two (or more) cases pending, there is identity of parties, rights or causes of action, and reliefs sought.

Hence, forum shopping can be committed in several ways: (1) filing multiple cases based on the same cause of action and with the same prayer, the previous case not having been resolved yet (where the ground for dismissal is *litis pendentia*); (2) filing multiple cases based on the same cause of action and the same prayer, the previous case having been finally resolved (where the ground for dismissal is *res judicata*); and (3) filing multiple cases based on the same cause of action but with different prayers (splitting of causes of action, where the ground for dismissal is also either *litis pendentia* or *res judicata*).

These tests notwithstanding, what is pivotal is the vexation brought upon the courts and the litigants by a party who asks different courts to rule on the same or related causes and grant the same or substantially the same reliefs and, in the process, creates the possibility of conflicting decisions being rendered by the different fora upon the same issues.





Forum shopping is a ground for summary dismissal of both initiatory pleadings without prejudice to the taking of appropriate action against the counsel or party concerned. This is a punitive measure to those who trifle with the orderly administration of justice.<sup>120</sup>

The gravamen of forum shopping is the filing of multiple cases based on the same cause of action, resulting in vexation to the parties and confusion in the judicial system. We find that this situation does not obtain in the present case since the four cases *a quo* arise from distinct causes of action.

For easy reference, the disputed marks and their particulars are reproduced in the table below:

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<sup>120</sup> *Id.* See also *Banco De Oro Unibank, Inc. v. International Copra Export Corp.*, G.R. Nos. 218485-86, 218493-97, 218487, 218498-503, 218488-90, 218504-07, 218491, 218508-13 & 218523-29, April 28, 2021; *FCD Pawnshop and Merchandising Co. v. Union Bank of the Philippines*, 803 Phil. 493 (2017).

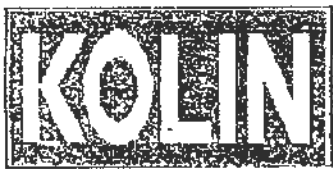
	1994 Cancellation Case	2006 Opposition Case	2007 Opposition Case	2008 Opposition Case
Mark/s involved	FARLIN and FARLIN LABEL (with colors)	FARLIN YOUR BABY IS OUR CONCERN (With Mother and Child Logo)	FARLIN DISPOSABLE BABY DIAPERS (With Mother & Child Icon)	FARLIN BLUE BUNNY AND BUNNY DEVICE
Pictographic representation of the mark/s				
Products covered	FARLIN: feeding bottles, nipples (rubber and silicon), funnel, nasal aspirator, breast reliever, ice bag and training bottles, diaper clips, t-shirts, sando, tie-side and other baby clothes FARLIN LABEL with colors pink and blue: diaper clip FARLIN LABEL with colors blue, green, pink, yellow and gray: cotton buds.	cotton buds, cotton balls, absorbent cotton/cotton roll (Class 5), feeding bottles, feeding nipples, pacifiers, teethers, training cup, multistage training cup, spill proof cup, silicone spoon, fork and spoon set, diaper clip, feeding bottle cap, ring, feeding bottle hood (Class 10), sterilizer set (Class 11), disposable diapers (Class 16), and toothbrush, milk powder container, powder case with puff, rack and tongs set, tongs (Class 21).	disposable baby diapers (Class 16)	sterilizer sets (Class 11); feeding bottles, feeding nipples, pacifiers, teethers, training cup, multi stage training cup, spill proof cup, silicone spoon, fork and spoon set diaper clip, feeding bottle cap ring, feeding bottle hood (Class 10): cotton buds, cotton balls, absorbent cotton/cotton roll (Class 5); disposable diapers (Class 16); and toothbrush, milk powder container. powder case with puff, rack and tongs set, and tong (Class 21).

It is apparent that all the marks include the word "FARLIN"; and three of them use the same **FARLIN** stylization. Likewise, the product coverage of all

four marks can be classified under one category: infant care products. In fact, the product coverage of the FARLIN and FARLIN LABEL, FARLIN YOUR BABY IS OUR CONCERN (With Mother and Child Logo), and FARLIN BLUE BUNNY AND BUNNY DEVICE marks is virtually the same. Likewise, as Farling itself admits, the true ownership of the **FARLIN** mark and the circumstances of its commercial relationship with Cymar were commonly raised in all four cancellation cases.

Indeed, there are issues of fact and law common to the 1994 Cancellation Case, and the 2006, 2007, and 2008 Opposition Cases; nevertheless, *res judicata* or *litis pendentia* cannot arise because the cases are founded on different causes of action. A cause of action is the act or omission by which a party violates another's right.<sup>121</sup> On one hand, the cause of action in the 1994 Cancellation Case is the registration of the basic **FARLIN** mark and FARLIN LABEL with respect to the products covered by Trademark Certificate of Registration Nos. 48144, 50483, 54569, 8348, and 8328, in violation of Farling's alleged rights over the mark arising from prior use and registration in its home country. On the other hand, the causes of action in the subsequent cancellation cases are based on Cymar's attempts to register distinct derivatives of the basic FARLIN mark for various products during the pendency of the 1994 Cancellation Case which was decided by the IPO in favor of Farling. Thus, as Farling and the IPO correctly point out, each of the four cases is based on a distinct cause of action arising from the registration of a distinct, albeit derivative, trademark. Farling was justified in filing the 2006, 2007, and 2008 cancellation cases so that its victory before the IPO and the CA in the 1994 Cancellation Case may not rendered nugatory by the mere expedient of Cymar registering marks that incorporate the FARLIN mark that has already been adjudicated in Farling's favor.

We also note that Cymar's argument is somewhat similar to the one discussed in the recent case of *Kolin Electronics Co., Inc. v. Kolin Philippines International, Inc. (Kolin Electronics)*,<sup>122</sup> which, like this case, also involved a clash of distinct trademarks based on the same coined word:



"Kolin Mark 1"



"Kolin Mark 2"



"Kolin Mark 3"

<sup>121</sup> RULES OF COURT, Rule 2, Section 2.

<sup>122</sup> G.R. No. 228165, February 9, 2021.

In fine, the Court ruled that the prior adjudication involving Kolin Marks 1 and 2, referred to in the decision as the *Taiwan Kolin case*, does not constitute *res judicata* as to the subsequent dispute involving Kolin Marks 2 and 3, because

[b]ased on the facts, the subject matter in this case [involving Kolin Marks 2 and 3] and the Taiwan Kolin case are different. A subject matter is the item with respect to which the controversy has arisen, or concerning which the wrong has been done, and it is ordinarily the right, the thing, or the contract under dispute. In this case, the item to which the controversy has arisen or the thing under dispute is KPII's **kolin** mark, while in the Taiwan Kolin case, the subject matter is TKC's **KOLIN** mark.

The cause of action in the Taiwan Kolin case is also different from the cause of action in the case at bar. Rule 2, Section 2 of the Rules of Court defines a cause of action as an act or omission by which a party violates the right of another. In the Taiwan Kolin case, the cause of action was TKC's act of filing Trademark Application No. 4-1996-106310 for **KOLIN**, which allegedly violated KECI's rights because confusion would be likely among consumers if TKC's trademark application were to be given due course. In contrast, in the case at bar, the cause of action is KPII's act of filing Trademark Application No. 4-2006-010021 for **kolin**.

Thus, there is no bar by prior judgment in this case.<sup>123</sup>

Unlike *Kolin Electronics*, which involved marks held by three different parties, the case at bar is only between Cymar and Farling: However, the same principle animates both cases: that each application for a distinct trademark is a distinct cause of action, even if the mark applied for is derivative of, or, as in *Kolin Electronics*, aurally similar, to another mark previously adjudicated to a party. *Kolin Electronics* explains:

What is involved in this case now before the Court is a new trademark application by KPII which means that it is going through an entirely new process of determining registrability. There is nothing under the law which mandates that registered trademark owners and/or their privies may automatically register all similar marks, despite allegations of "damage" by opposers.

Since new trademark applications are attempts to claim new exclusive rights, there will necessarily be new nuances of "damage", even if the same parties are involved, and the Court should carefully consider these nuances in deciding to give due course to the application. There are new issues on "damage" to KECI here, not decided in the Taiwan Kolin case, which affect

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<sup>123</sup> Id.

the registrability of KPPI's application for **kol:n** and which must be resolved by the Court.<sup>124</sup>

Since Farling did not commit forum shopping when it initiated the 2006, 2007, and 2008 Opposition Cases, we also absolve it from the charge of noncompliance with the rule on certification against forum shopping. Rule 7, Section 5 of the Rules of Court requires the pleader to state the non-existence, or the existence **and** status of, "any action or filed any claim involving the same issues in any court, tribunal or quasi-judicial agency". Here, Farling correctly points out that it disclosed the pendency of the 1994 Cancellation Case in its 2006 opposition, even if it qualified that "*(t)here is no identity of issues between the instant opposition case (i.e., the 2006 Opposition Case) and the [1994 Cancellation Case] now on petition for review by Cymar with this Honorable Court docketed as G. R. No. 177974.*"<sup>125</sup> What matters is that Farling disclosed the existence and status of the related case, so that the court or tribunal may render a proper ruling on whether forum shopping was committed. As it turns out, Farling could not have committed forum shopping.

Cymar also errs in claiming that suspension of action under Rule 617 of the Trademark Rules is the appropriate remedy for Farling to prevent the registration of Cymar's trademarks. The suspension of action under that provision can only be granted **upon written request of the applicant**:

RULE 617. Suspension of action by the Bureau. — Action by the Bureau may be suspended **upon written request of the applicant** for good and sufficient cause, for a reasonable time specified and upon payment of the required fee. The Examiner may grant only one suspension, and any further suspension shall be subject to the approval of the Director. An Examiner's action, which is awaiting a response by the applicant, shall not be subject to suspension. (Emphasis, italics, and underscoring supplied)

Obviously, Farling cannot avail of this remedy, because it is not the party-applicant in the trademark registration cases herein.

## *II. Admissibility and appreciability of evidence presented in the 1994 Cancellation Case*

Cymar next argues that Farling's Republic of China Trademark Registration has no probative value because it was not presented and authenticated pursuant to the provisions of the Rules of Court on original

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<sup>124</sup> Id.

<sup>125</sup> Consolidated Memorandum of Farling, *Rollo* (G.R. No. 177974, vol. 1), p. 516.

documents and public documents.<sup>126</sup> Cymar further argues that the evidence in the 1994 Cancellation Case should not have been admitted and appreciated in the subsequent cancellation cases, for the following reasons: 1) the evidence presented by Farling in the 2006 and subsequent cancellation cases are uncertified photocopies of the evidence it presented in the 1994 Cancellation Case;<sup>127</sup> 2) said uncertified photocopies were admitted by the IPO without re-identification or comparison with the exhibits in the 1994 Cancellation Case (as required under the Rules of Court and the IPO's own rules of procedure), or attestation from the Supreme Court, where G.R. No. 177974 is pending;<sup>128</sup> and 3) the IPO's decision to take official notice of the evidence in the 1994 Cancellation Case has no legal basis.<sup>129</sup>

Farling counters that the common admission and application of its evidence to all the cancellation cases is consistent with administrative due process. It argues that the IPO rules on trademark cancellation cases adverted to by Cymar allows the IPO to "adopt such mode of proceedings 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."<sup>130</sup> The recompilation and re-submission of the original documents for every cancellation case, as demanded by Cymar, will entail tremendous costs in terms of time, personnel, administrative fees, and other costs, considering that the documents have to be compiled from all over the world.<sup>131</sup> Farling further argues that Cymar cannot claim deprivation of due process because: 1) it could have moved for a comparison of the photocopied documents; and 2) it was able to cross-examine the witness who presented Farling's documentary evidence in the cancellation cases.<sup>132</sup> Accusing Cymar of duplicitous resort to technicalities, Farling claims that Cymar also asked the IPO to take judicial notice of the photocopies of the original documents it submitted in the earlier cancellation cases.<sup>133</sup> At any rate, Farling argues that the IPO's rulings on the admissibility of the parties' evidence are sanctioned by Chapter 3, Book VII, Section 12 of the Administrative Code of 1987, which lays down general rules of evidence in administrative proceedings.<sup>134</sup> Finally, Farling argues that the IPO rules on trademark cancellation cases do not require a formal offer of evidence; rather, all that is necessary is that a verified opposition including witness affidavits

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<sup>126</sup> Petition, G.R. No. 219072, *Rollo*, pp. 189-191, 202-204; Petition, G.R. No. 228802, *Rollo* (vol. 1), pp. 265-272.

<sup>127</sup> Consolidated Memorandum of Cymar, *Rollo* (G.R. No. 206121), pp. 525-538 and 542-546.

<sup>128</sup> *Id.* at 526-538.

<sup>129</sup> *Id.* at 538-541.

<sup>130</sup> Consolidated Memorandum of Farling, *Rollo* (G.R. No. 177974, vol. 1), p. 519.

<sup>131</sup> *Id.* at 519-520.

<sup>132</sup> *Id.* at 520.

<sup>133</sup> *Id.* at 521-522.

<sup>134</sup> *Id.* at 522-523.

and documentary evidence be submitted within the period to file an opposition, which Farling did, with the sanction of the IPO and the CA.<sup>135</sup>

*II.A. Non-technical character of IPO  
inter partes proceedings*

The IPO is an **administrative** agency vested with quasi-judicial powers over disputes involving intellectual property rights. Sections 2 and 5.1 of the IPC provide in part:

SECTION 2. Declaration of State Policy. — x x x

It is also the policy of the State to streamline **administrative procedures of registering patents, trademarks and copyright**, to liberalize the registration on the transfer of technology, and to enhance the enforcement of intellectual property rights in the Philippines.

SECTION 5. Functions of the Intellectual Property Office (IPO). — 5.1. To **administer** and implement the State policies declared in this Act, there is hereby created the Intellectual Property Office (IPO) which shall have the following functions:

b) Examine applications for the registration of marks, geographic indication, integrated circuits;

x x x x

f) **Administratively adjudicate contested proceedings** affecting intellectual property rights;

x x x x

Clearly, proceedings before the IPO are administrative in nature; they are therefore governed by the principles and doctrines of the law on administrative adjudication.<sup>136</sup> One of these long-standing principles is that administrative agencies are not bound by the technical rules of procedure that are usually applicable in courts of law.<sup>137</sup>

<sup>135</sup> Id. at 524.

<sup>136</sup> Law and jurisprudence uniformly describe IPO proceedings as administrative in nature. See IPC, Section 10; *Sao Paulo Alpargatas S.A. v. Kentex Manufacturing Corp.*, G.R. No. 202900, February 17, 2021; *Asia Pacific Resources International Holdings, Ltd. v. Puperone, Inc.*, G.R. Nos. 213365-66, December 10, 2018; *UFC Philippines, Inc. v. Barrio Fiesta Manufacturing Corp.*, 778 Phil. 763 (2016); *Phil Pharmawealth, Inc. v. Pfizer (Phil.), Inc.*, 649 Phil. 423 (2010); *In-N-Out Burger, Inc. v. Sehvani, Inc.*, 595 Phil. 1119 (2008); *Shangri-la International Hotel Management Ltd. v. Court of Appeals*, 411 Phil. 802 (2001).

<sup>137</sup> *Toyota Motors Philippines Corp. v. Aguilar*, G.R. No. 257084, November 15, 2021; *Sibayan v. Alda*, 823 Phil. 1229 (2018); *Vivo v. Philippine Amusement and Gaming Corp.*, 721 Phil. 34 (2013); *Signey v. Social Security System*, 566 Phil. 617 (2008); *Montemayor v. Bundalian*, 453 Phil. 158 (2003); *Trinidad v. Commission on Elections*, 373 Phil. 802 (1999); *Machete v. Court of Appeals*, 320 Phil.



The remedies of trademark registration opposition and cancellation are governed by the IPO-issued Regulations on Inter Partes Proceedings (RIPP), which has been amended several times since it took effect in 1998.<sup>138</sup> With respect to the strict application of technical rules of procedure in the introduction and appreciation of evidence in inter partes cases, Rule 2, Section 6 of the original 1998 version of the RIPP provided that:

Section 6. Rules of procedure to be followed in the conduct of hearing of inter partes cases. In the conduct of hearing of inter partes cases, the rules of procedure herein contained shall be primarily applied. The Rules of Court, unless inconsistent with these rules, may be applied in suppletory character, provided, however, that the Director or Hearing Officer shall not be bound by the strict technical rules of procedure and evidence therein contained 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 technical grounds or issues before it.

The RIPP was subsequently amended by Office Order Nos. 18 (1998), 12 (2002), and 79 (2005), by which time Rule 2, Section 6 of the original 1998 version was amended and became Rule 2, Section 5:

Section 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.

The Court applied this 2005 version in *Birkenstock Orthopaedie GmbH and Co. KG v. Phil. Shoe Expo Marketing Corp.*<sup>139</sup> (*Birkenstock*), which involved the same situation in the case at bar: a party in an opposition proceeding submitting photocopies of evidence used in an earlier cancellation proceeding. We sustained the admission into evidence of the photocopies, *viz.*:

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227 (1995); *Eastern Shipping Lines v. Philippine Overseas Employment Administration*, 277 Phil. 754 (1991); *Saulog Transit v. Lazaro*, 213 Phil. 529 (1984); *Manuel v. Villena*, 147 Phil. 712 (1971); *Hernando v. Francisco*, 123 Phil. 938 (1966); *Perez v. Court of Tax Appeals*, 101 Phil. 630 (1957); *Ang Tibay v. Court of Industrial Relations*, 69 Phil. 635 (1940).

<sup>138</sup> The RIPP took effect on October 5, 1988, and was subsequently amended by Office Orders Nos. 18 (1998), 79 (2005), 99 (2011), and 68 (2014), and Memorandum Circular No. 7 (2016). <https://drive.google.com/file/d/18rcsl27FGapGpeinhEpmct8Kxdj6FXTXY/view>, accessed May 8, 2021.

<sup>139</sup> 721 Phil. 867 (2013).

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.” “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.” This is especially true with quasi-judicial and administrative bodies, such as the IPO, which are not bound by technical rules of procedure. On this score, Section 5 of the [RIPP] provides:

x x x x

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.<sup>140</sup>

Office Order No. 99, series of 2011 refashioned the provision into a suppletory invocation of the Rules of Court:

Section 5. Applicability of the Rules of Court. - In the absence of any applicable rules, the Rules of Court may be applied in suppletory manner.

Office Order No. 99, series of 2011 also introduced the following provision as Rule 2, Section 14:

Section 14. Introduction of evidence forming part of the records of other cases. - A party, through an appropriate motion and payment of applicable fees, may submit as documentary evidence those which already form part of the records of other cases, including those filed in the BLA, the regular courts, and/or other tribunals. For this purpose, documentary evidence and affidavits of witnesses in lieu of the originals must be secured from and certified by the appropriate official or personnel of the BLA, the court or tribunal in possession of the records. In case of object evidence in possession of the BLA, the court or other tribunal which forms part of the records of a case, photographs, video or faithful representations thereof in other media may be submitted, if accompanied by an appropriate

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<sup>140</sup> Id. at 875-876.

certification and attestation from the appropriate official or personnel of the BLA, court or tribunal.

Despite the amendments introduced by Office Order No. 99, series of 2011 and the previous aforementioned IPO Office Orders, the Court in *Palao v. Florentino III International, Inc.*<sup>141</sup> still relied on the original 1998 version of Rule 2, Section 6 of the RIPP to reinstate an appeal from a BLA-IPO decision which the DG-IPO dismissed for lack of proof of authority of counsel to sign the required verification and certification against forum shopping. Notably, the assailed DG-IPO order was issued in 2008, before the amendments under Office Order No. 99, series of 2011 were introduced:<sup>142</sup>

These requirements notwithstanding, the Intellectual Property Office's own Regulations on Inter Partes Proceedings (which governs petitions for cancellations of a mark, patent, utility model, industrial design, opposition to registration of a mark and compulsory licensing, and which were in effect when respondent filed its appeal) specify that the Intellectual Property Office "shall not be bound by the strict technical rules of procedure and evidence."

Rule 2, Section 6 of these Regulations provides:

x x x x

This rule is in keeping with the general principle that administrative bodies are not strictly bound by technical rules of procedure:

[A]dministrative bodies are not bound by the technical niceties of law and procedure and the rules obtaining in courts of law. Administrative tribunals exercising quasi-judicial powers are unfettered by the rigidity of certain procedural requirements, subject to the observance of fundamental and essential requirements of due process in justiciable cases presented before them. In administrative proceedings, technical rules of procedure and evidence are not strictly applied and administrative due process cannot be fully equated with due process in its strict judicial sense.<sup>143</sup>

The latest amendments to the RIPP's provisions on the introduction and appreciation of evidence were introduced by Office Order No. 68 (2014), which amended Rule 2, Section 7 by allowing the attachments of photocopies as evidentiary attachments to oppositions; and by Memorandum Circular No. 16-007, which added provisions on modes of service to Rule 2, Section 5, and renumbered Rule 2, Section 14 thereof to Rule 2, Section 15. Thus, the current version of the RIPP provisions on the introduction and appreciation of evidence read:

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<sup>141</sup> 803 Phil. 393 (2017).

<sup>142</sup> Id. at 395.

<sup>143</sup> Id. at 398-399. Citations omitted.

[Rule 2,] Section 5. Modes of Service; Applicability of the Rules of Court.

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x x x x

(b) In the absence of any applicable rules, the Rules of Court may be applied in suppletory manner.

[Rule 2,] Section 7. Filing Requirements for Opposition and Petition. —

x x x

(b) **The opposer or petitioner shall attach to the opposition or petition the affidavits of witnesses, documentary or object evidence,** which must be duly-marked starting from Exhibit “A”, and other supporting documents mentioned in the notice of opposition or petition together with the translation in English, if not in the English language. The verification and certification of non-forum shopping as well as the documents showing the authority of the signatory or signatories thereto, affidavits and other supporting documents, if executed and notarized abroad, must have been authenticated by the appropriate Philippine diplomatic or consular office. The execution and authentication of these documents must have been done before the filing of the case. For purposes of filing an opposition, however, the authentication may be secured after the filing of the case provided that the execution of the documents aforementioned are done prior to such filing and provided further, that the authentication must be submitted before the issuance of the order of default or conduct of the preliminary conference under Section 14 of this Rule.

(c) **For the purpose of the filing of the opposition, the opposer may attach, in lieu of the originals or certified copies, photocopies of the documents mentioned in the immediately preceding paragraph,** as well as photographs of the object evidence, subject to the presentation or submission of the originals and/or certified true copies thereof under Sections 14 and 15 of this Rule.

[Rule 2,] Section 15. Introduction of evidence forming part of the records of other cases. — A party, through an appropriate motion and payment of applicable fees, **may submit as documentary evidence those which already form part of the records of other cases, including those filed in the BLA, the regular courts, and/or other tribunals.** For this purpose, **documentary evidence and affidavits of witnesses in lieu of the originals must be secured from and certified by the appropriate official or personnel of the BLA, the court or tribunal in possession of the records.** In case of object evidence in possession of the BLA, the court or other tribunal which forms part of the records of a case, photographs, video or faithful representations thereof in other media may be submitted, if accompanied by an appropriate certification and attestation from the appropriate official or personnel of the BLA, court or tribunal.

[Rule 2,] Section 17. Quantum of evidence required. — **Inter Partes Proceedings is essentially an administrative proceedings.** [sic] Hence, the quantum of evidence required is substantial evidence. **The Bureau shall decide the case on the basis of the pleadings, the records and the**

**evidence submitted, and if appropriate, on matters which may be taken up by judicial notice.** (Emphases and underlining supplied)

In the recent case of *Kolin Electronics Co., Inc. v. Taiwan Kolin Corp. Ltd.*<sup>144</sup> (*Taiwan Kolin*), we sustained the BLA and the DG-IPO's dismissal of the opposition for failure to attach original documents thereto. Although we recognized the non-binding character of technical rules in IPO proceedings, we approvingly quoted the IPO's finding that the oppositor "*failed to give any justifiable cause or compelling reason*" to invoke such non-binding character:

First, TKCL's claim that its non-compliance with the [RIPP] was due to the fact that it had two Opposition cases and was confused as to which case the original documents should be submitted to, can hardly be considered a justifiable and compelling reason. **If the Opposition against Class 35 TM Application (MNO 2008-065) for the use of "www.kolin.ph," were that important, TKCL should have at least submitted with the BLA-IPO even just a signed original or certified true copy of the documents in its Opposition.** TKCL could have indicated in the other Opposition case, MNO 2008-064, that the originals were submitted in Opposition case, MNO 2008-065, and thereafter made a reservation for its belated filing. But it neglected to do so.

Second, TKCL's admission that it made a reasonable attempt in complying with the [RIPP], and failed only in "adequately informing this Honorable Office of the availability of original exhibits . . .," clearly reveals that **the documents in original form were already at its disposal. Yet, it never bothered to attach the same to its Opposition, and held on to its erroneous interpretation of the Regulations.**

Third, TKCL's claim that it had difficulty in securing the "original copies of its documentary exhibits" since the same were kept in its principal address located in Taipei, Taiwan and that it failed "through inadvertence . . . to indicate in both verified oppositions that 'original copies are available for immediate submission or comparison at the proper time,'" are all but weak excuses. **To be sure, records show that despite being given ample time of 120 days reckoned from the time of the subject mark's publication to file its Opposition, TKCL still failed to exert diligent efforts to obtain the original documents. Worse, it never attempted to secure even just certified true copies of said documents. This attitude cannot in any way justify the relaxation of the Regulations.**<sup>145</sup>

*II.B. Admission and appreciation of  
Farling's evidence in the 1994  
Cancellation Case and incorporation*

<sup>144</sup> G.R. Nos. 221347 & 221360-61, December 1, 2021. Copy uploaded to the Supreme Court official website at <https://sc.judiciary.gov.ph/25747/>.

<sup>145</sup> Id at 15-16. Emphases in the original.

*thereof as evidence in the Opposition Cases are proper and justified.*

In the case at bar, taking into consideration the fact that the dispute has been pending for almost thirty (30) years, we sustain the IPO's evaluation of Farling's evidence in the 1994 Cancellation Case, more particularly the Republic of China trademark registration. Likewise, we find that the incorporation thereof as evidence in the subsequent Opposition Cases is in consonance with the RIPP and the general principles of administrative procedure. We also find that such incorporation did not violate Cymar's right to due process.

Farling correctly points out that the originals were already submitted to the IPO for purposes of the 1994 Cancellation Case. Since the evidence was already with the IPO, Cymar could have moved for its inspection at any time, but it did not do so. Furthermore, the records support Farling's contentions that: 1) Cymar cannot claim deprivation of due process because it was able to cross-examine the witness through whom Farling introduced the evidence; and 2) Cymar cannot invoke the strict application of the technical rules on evidence as it also sought to introduce photocopies of its evidence in the 1994 Cancellation Case.<sup>146</sup> At this juncture, we note the glaring inconsistency in Cymar's stance with respect to the relationship between the 1994 Cancellation Case and the subsequent Opposition Cases. While Cymar painstakingly emphasizes the **"identities" and commonalities** between the 1994 Cancellation Case and the Opposition Cases to accuse Farling of forum shopping,<sup>147</sup> it then decries the IPO's allegedly "unprocedural" reliance "*on the unfounded findings of facts from a different case decided by the Court of Appeals*" (i.e., the 1994 Cancellation Case) in resolving the Opposition Cases.<sup>148</sup> At any rate, under the current version of the RIPP, the only requirement for incorporation of evidence presented in an earlier proceeding before the IPO is a certification from the BLA-IPO; however, by its heavy reliance on the evidence and the ruling in the 1994 Cancellation Case to support its rulings in all four Opposition Cases, the BLA-IPO should be deemed to have approved and sanctioned the incorporation of such evidence in the subsequent Opposition Cases.

Moreover, unlike in the oppositor in *Taiwan Kolin*, we find that Farling was able to justify the non-submission of original documents in the subsequent Opposition Cases. It was able to establish that the pieces of evidence incorporated into the Opposition Cases are already with the IPO; that the recompilation of the original documents would be costly and time-

<sup>146</sup> See *Rollo* (G.R. No. 219072), pp. 347-348; *Rollo* (G.R. No. 228802, vol. 2), pp. 470-472.

<sup>147</sup> Consolidated Memorandum for Cymar, *Rollo* (G.R. No. 206121), pp. 506-515.

<sup>148</sup> Petition, *Rollo* (G.R. No. 210972), p. 242.

consuming, considering that the dispute between Farling and Cymar had been pending for more than ten (10) years when the Opposition Cases were initiated; and that the submission of such original documents within the parameters of the RIPP might not be possible since the documents must be obtained from different parts of the world.

As regards the admission of Farling's Republic of China Trademark Registration, we have already established the Court's consistent cognizance of the principle that inter partes proceedings before the IPO are administrative proceedings where the technical rules on evidence are not strictly applied. At any rate, Farling's case for the ownership and prior use of the **FARLIN** mark is supported by other evidence, as will be discussed below.

### *II.C. Official notice*

It has been held that administrative agencies may take official notice of facts in the same manner as courts may take judicial notice.<sup>149</sup> Book VII, Chapter 3, Section 12(4) of the Administrative Code allows administrative agencies, in contested cases, to "take notice of judicially cognizable facts and of generally cognizable technical or scientific facts within its specialized knowledge," with notice and opportunity to contest afforded to the parties. Rule 2, Section 17 of the RIPP expressly allows the BLA-IPO to use judicially noticed facts as basis for adjudication.

Like judicial notice,<sup>150</sup> official notice also extends to "matters of record in another administrative order, determination or judgment."<sup>151</sup> In *Bongato v. Malvar*,<sup>152</sup> we explained:

[A]s a general rule, courts do not take judicial notice of the evidence presented in other proceedings, even if these have been tried or are pending in the same court or before the same judge. There are exceptions to this rule. Ordinarily, an appellate court cannot refer to the record in another case to ascertain a fact not shown in the record of the case before it, yet, it has been held that it may consult decisions in other proceedings, in order to look for the law that is determinative of or applicable to the case under review. In some instances, courts have also taken judicial notice of proceedings in other cases that are closely connected to the matter in controversy. These

<sup>149</sup> 2 Am. Jur. 2d. §351; *United States v. Abilene & S. R. Co.*, 265 U.S. 274 (1924); *McLeod v. Immigration and Naturalization Service*, 802 F. 2d 89 (1986), footnote 4; *Oriental Health Spa v. City of Fort Wayne*, 526 NE 2d 1019 (1988).

<sup>150</sup> *Trinidad y Bersamin v. People*, G.R. No. 239957, February 18, 2019; *G Holdings, Inc. v. National Mines and Allied Workers Union Local 103*, 619 Phil. 69 (2009) *Azcueta v. La Union Tobacco Redrying Corp.*, 532 Phil. 351 (2006); *Figueras v. Serrano*, 52 Phil. 28 (1928).

<sup>151</sup> *United States v. Wilson*, 631 F. 2d 118 (1980); *St. Louis Baptist Temple v. Federal Deposit Insurance Corporation*, 605 F. 2d 1169 (1979); 2 Am. Jur. 2d. §351.

<sup>152</sup> 436 Phil. 109 (2002).

cases may be so closely interwoven, or so clearly interdependent, as to invoke a rule of judicial notice.<sup>153</sup>

Here, it is ineluctably clear that the 1994 Cancellation Case and the subsequent Opposition Cases are “closely interwoven or clearly interdependent,” to the point of Cymar invoking (albeit incorrectly) res judicata between them. We have already demonstrated that although res judicata does not arise, the 1994 Cancellation Case and the subsequent Opposition cases nevertheless involve common issues of fact and law between the same parties. We therefore sustain the IPO’s decision to take judicial notice of the evidence and the ruling in the 1994 Cancellation Case in its adjudication of the Opposition Cases.

*III. The DG-IPO’s affirmance of the Second 2009 BLA-IPO Decision contains a distinct statement of the factual and legal bases thereof.*

Article VIII, Section 14 of the Constitution requires **courts** to clearly and distinctly express the facts and the law on which their decisions are based. Book VII, Chapter 3, Section 14 of the Administrative Code<sup>154</sup> extends this requirement to administrative agencies. The requirement is a manifestation of due process. The law requires courts and tribunals to clearly state the factual and legal bases of their decisions, to inform the parties of the reasons for the decision, and thus allow the losing party to identify possible errors therein for review by a higher tribunal. It also helps assure the public that the state’s dispute resolution mechanisms operate in a manner that is consistent with law, logic, justice, and equity.<sup>155</sup>

Upon a careful perusal of the DG-IPO’s April 23, 2012 Decision in Appeal No. 14-09-49, we find it compliant with the requirements of the Constitution and the Administrative Code. It sets out the factual circumstances of the 2007 Opposition Case, including the grounds of Farling’s opposition, Cymar’s refutations thereof, and the evidence submitted by the parties.<sup>156</sup> The DG-IPO’s Decision also explains the factual and legal bases thereof. While the discussion may have been rather curt, it nevertheless cites Farling’s “Formal Offer of Evidence” in the 1994 Cancellation Case as part of the

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<sup>153</sup> Id. at 117-118. Citations omitted.

<sup>154</sup> SECTION 14. Decision.—Every decision rendered by the agency in a contested case shall be in writing and shall state clearly and distinctly the facts and the law on which it is based. The agency shall decide each case within thirty (30) days following its submission. The parties shall be notified of the decision personally or by registered mail addressed to their counsel of record, if any, or to them.

<sup>155</sup> *Yao v. Court of Appeals*, 398 Phil. 86, 105-106 (2000).

<sup>156</sup> *Rollo* (G.R. No. 219072), pp. 34-38.



evidence submitted for the 2007 Opposition Case;<sup>157</sup> and sets forth the BLA-IPO's finding of Cymar being a mere importer as the basis for its decision.<sup>158</sup> It also cites the relevant legal principles and jurisprudence which were applied to the case.<sup>159</sup> Moreover, it explains that the products covered by Cymar's "FARLIN and Design" mark "are related to if not identical" to the products exported to it by Farling under their distributorship arrangement.<sup>160</sup> Given these findings, we find no merit in Cymar's contention that the DG-IPO's April 23, 2012 Decision in Appeal No. 14-09-49, which affirmed the Second 2009 BLA-IPO Decision, does not clearly state the facts and the law upon which it is based.

#### *IV. Farling's claim of prior use as against Cymar's prior registration*

Cymar claims a better right to the **FARLIN** mark and its derivatives, on the strength of both its prior use of the mark in actual commerce (since 1983) and prior registration thereof in the Philippines (in 1987, 1989 and 1991).<sup>161</sup> Cymar claims that it is solely responsible for building the goodwill and reputation of the **FARLIN** mark in the Philippines, through the substantial sums it spent on marketing and promoting the brand.<sup>162</sup> It further argues that Farling failed to establish any basis for its claim to the **FARLIN** mark in the Philippines. Cymar discredits the validity of Farling's Republic of China Trademark Registration and argues that it could not serve as basis for any trademark right in this jurisdiction.<sup>163</sup> Furthermore, up to the filing of the present petitions, Farling has never registered the **FARLIN** mark or any derivative thereof in the Philippines.<sup>164</sup> Cymar also faults the IPO for making actual use the basis for adjudicating ownership of the **FARLIN** mark and its derivatives despite the effectivity of the IPC. Cymar argues that the requirement of actual use has been abandoned by the IPC, under which registration is the operative act which vests trademark rights. Consequently, Cymar, as the first registrant, should be declared the owner of the disputed marks.<sup>165</sup> Finally, Cymar faults the IPO for granting Farling's oppositions despite the dissimilarities in appearance and product coverage between

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<sup>157</sup> Id. at 35.

<sup>158</sup> Id. at 40.

<sup>159</sup> Id. at 40-41.

<sup>160</sup> Id. at 41.

<sup>161</sup> *Rollo* (G.R. No. 219072), pp. 141-143.

<sup>162</sup> Consolidated Memorandum of Cymar, *Rollo* (G.R. No. 206121), pp. 554-555, 566-577; Petition, *Rollo* (G.R. No. 219072), pp. 151-156.

<sup>163</sup> Consolidated Memorandum of Cymar, *Rollo* (G.R. No. 206121), pp. 584-594; Petition, *Rollo* (G.R. No. 219072), pp. 222-227; Petition, *Rollo* (G.R. No. 228802, vol. 1), pp. 253-258.

<sup>164</sup> Petition, *Rollo* (G.R. No. 219072), p. 161.

<sup>165</sup> Id.

Cymar's marks and Farling's claimed **FARLIN** mark, which Cymar still asserts to be spurious.<sup>166</sup>

Farling claims prior use and registration of the **FARLIN** mark since 1978. It retorts that the CA and the IPO correctly upheld its Republic of China Trademark Registration. It claims to have extensive sales operations of **FARLIN**-branded products all over the world, as well as registration of the **FARLIN** mark in several jurisdictions worldwide.<sup>167</sup> Contrary to Cymar's claims, Farling asserts that it has a pending application for the **FARLIN** mark in the Philippines.<sup>168</sup> In response to Cymar's claim of better rights arising from its prior registration, Farling asserts that registration under the IPC only creates a prima facie presumption of ownership.<sup>169</sup> Farling asks the Court to uphold the findings in the CA's 2005 Decision and 2007 Resolution, specifically: 1) that Cymar could not have been the Philippine prior user of the **FARLIN** mark because the alleged prior use was pursuant to a distribution agreement with Farling involving the same exact products covered by Cymar's trademark registrations; and 2) that Cymar fraudulently registered the **FARLIN** mark in its name when the original agreement between the parties was that Cymar would register the mark in Farling's name.<sup>170</sup> Farling also argues that its case is not based on the Republic of China trademark registration. It invoked the foreign registration not to enforce it in the Philippines, but as proof of the classification of the goods covered by the **FARLIN** mark.<sup>171</sup>

#### *IV.A. The law applicable to the 1994 Cancellation Case*

It must be reiterated that the issuance of Cymar's trademark registrations were issued under Republic Act No. 166; and the 1994 Cancellation Case was filed during the effectivity of Republic Act No. 166. Thus, the BLA-IPO and the DG-IPO both applied Republic Act No. 166 to determine the true ownership of the **FARLIN** mark. Under said law, ownership rights in trademarks are acquired by actual use thereof in Philippine commerce.<sup>172</sup> The application of the law in force at the time of registration in the adjudication of rights in a mark is not new. In the above-cited *Birkenstock*<sup>173</sup> case, the disputed marks were registered in 1993 and 1994. Without even reiterating this factual premise, the Court simply declared that

<sup>166</sup> Petition, *Rollo* (G.R. No. 219072), p. 237-238; Petition, *Rollo* (G.R. No. 228802, vol. 1), pp. 300-305.

<sup>167</sup> Consolidated Memorandum of Farling, *Rollo* (G.R. No. 177974, vol. 1), p. 527.

<sup>168</sup> *Id.* at 531.

<sup>169</sup> *Rollo* (G.R. No. 219072), p. 354.

<sup>170</sup> Consolidated Memorandum of Farling, *Rollo* (G.R. No. 177974, vol. 1), pp. 527-531.

<sup>171</sup> *Rollo* (G.R. No. 219072), p. 355; *Rollo* (G.R. No. 228802, vol. 1), p. 435.

<sup>172</sup> Republic Act No. 166, Secs. 2 & 2-A.

<sup>173</sup> *Supra* note 139.

the governing law for the disputed registrations was Republic Act No. 166.<sup>174</sup> Similar to the case at bar, *Shangri-La International Hotel Management, Ltd. v. Developers Group of Companies, Inc.*<sup>175</sup> also involved a situation where the registration of the disputed marks and the initiation of the litigation over such marks both occurred prior to the effectivity of the IPC, but the resolution of such litigation by the intellectual property adjudicators came only after the effectivity of the IPC. Without explaining why, the Court curtly stated that “*the law in force at the time of registration must be applied*”, i.e., Republic Act No. 166. The citation for that passage points to the case of *Heirs of Gabriel-Almoradie v. Court of Appeals*.<sup>176</sup> However, that case was decided in 1994, prior to the effectivity of the IPC, and wholly within the effectivity period of Republic Act No. 166.

Returning to the case at bar, the initial ruling on the 1994 Cancellation Case by the BLA-IPO came out only in 2002, four years after the IPC took effect. Cymar’s registrations were not cancelled until 2003, when the DG-IPO granted Farling’s appeal and reversed the BLA-IPO ruling. Thus, it is clear that Cymar’s registrations remained valid and subsisting upon the effectivity of the IPC in 1998. With respect to marks registered under Republic Act No. 166, Section 240.2 of the IPC provides:

SECTION 240. Repeals. — 240.2. **Marks registered under Republic Act No. 166 shall remain in force but shall be deemed to have been granted under this Act** and shall be due for renewal within the period provided for under this Act and, upon renewal, shall be reclassified in accordance with the International Classification. Trade names and marks registered in the Supplemental Register under Republic Act No. 166 shall remain in force but shall no longer be subject to renewal. (Emphasis supplied)

Following this provision, the trademark registrations involved in the 1994 Cancellation Case should now be deemed to have been granted under the IPC, since the DG-IPO ordered their cancellation only five (5) years after the effectivity of the new law. Section 122 of the IPC expressly provides that “[t]he rights in a mark shall be acquired through registration made validly in accordance with the provisions” of the IPC. In the recent case of *Zuneca Pharmaceutical v. Natrapharm, Inc.*<sup>177</sup> (*Zuneca*), the Court *en banc* ruled that the IPC ordains registration as the **operative act** for acquiring ownership and other rights over a trademark:

[U]pon the effectivity of the IP Code on January 1, 1998, the manner of acquiring ownership of trademarks reverted to registration.

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<sup>174</sup> Id. at 877.

<sup>175</sup> 520 Phil. 935 (2006).

<sup>176</sup> 299 Phil. 14 (1994).

<sup>177</sup> G.R. No. 211850, September 8, 2020. <https://elibrary.judiciary.gov.ph/thebookshelf/showdocs/1/66500>.

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x x x x

[W]hile it is the fact of registration which confers ownership of the mark and enables the owner thereof to exercise the rights expressed in Section 147 of the IP Code, the first-to-file rule nevertheless prioritizes the first filer of the trademark application and operates to prevent any subsequent applicants from registering marks described under Section 123.1 (d) of the IP Code.

x x x x

[A] registered mark or a mark with an earlier filing or priority date generally bars the future registration of — and the future acquisition of rights in — an identical or a confusingly similar mark, in respect of the same or closely-related goods or services, if the resemblance will likely deceive or cause confusion. x x x

x x x x

[P]rior use no longer determines the acquisition of ownership of a mark in light of the adoption of the rule that ownership of a mark is acquired through registration made validly in accordance with the provisions of the IP Code.<sup>178</sup>

The abandonment of prior use as basis for ownership of a trademark has been reiterated in subsequent cases.<sup>179</sup> Under the regime of the IPC, registration is the basis for acquiring ownership and related rights over a trademark.

On one hand, the record shows that Cymar filed applications for registration of the **FARLIN** and FARLIN LABEL marks in 1987, 1989 and 1991. These applications were granted and then assailed by Farling in the 1994 Cancellation Case. On the other hand, Farling claims that it has a pending application for registration of the **FARLIN** mark. A search of the term “FARLIN” in the Philippine Trademark Database of the IPO and the World Intellectual Property Organization reveals that Farling has indeed filed an application for registration of the **FARLIN** mark on August 30, 2007, which remains archived to this day.<sup>180</sup> Thus, based on date of registration alone, Cymar would have the better right as the first registrant. However, it must be remembered that the DG-IPO and the CA both cancelled Cymar’s registrations on the strength of the following findings: 1) that Farling merely authorized Cymar to import and distribute its **FARLIN**-marked products in the Philippines; and 2) that Cymar was guilty of bad faith when it registered the **FARLIN** and FARLIN LABEL marks in its own name, contrary to the

<sup>178</sup> Id. Citations omitted.

<sup>179</sup> *Emsee Foods, Inc. v. Elarfoods, Inc.*, G.R. No. 220558, February 17, 2021; *Medina v. Global Quest Ventures, Inc.*, G.R. No. 213815, February 8, 2021.

<sup>180</sup> Philippine Trademark Database, <https://branddb.wipo.int/branddb/ph/en/>, accessed May 17, 2022, search conducted by typing search term “FARLIN” into the “Text” field of the search parameters.

parties' agreement that the marks will be registered in Farling's name. Viewing these findings through the lens of the prior use regime under Republic Act No. 166, the DG-IPO and the CA ruled that as a mere distributor of Farling's **FARLIN**-marked products, Cymar cannot claim prior use of the **FARLIN** mark in the Philippines, because any use it made of the mark inures to the manufacturer-exporter, Farling.

*IV.B. Nature, circumstances, and consequences of the commercial relationship between Cymar and Farling*

Farling correctly points out that the abovementioned matters involve factual determinations which can no longer be reviewed or reversed by the Supreme Court in a petition for review.<sup>181</sup> However, in order to render complete justice to both parties and to write a definitive conclusion to this long-running dispute, we once again review the voluminous records and pleadings to determine the nature, circumstances, and consequences of the commercial relationship between Farling and Cymar. As earlier mentioned, the DG-IPO and CA rulings in the 1994 Cancellation Case are based on two crucial findings: 1) that Cymar was a mere importer and distributor of Farling's **FARLIN**-marked products in the Philippines; and 2) the parties had an understanding that Cymar would register the **FARLIN** mark on Farling's behalf. These findings are amply supported by the evidence on record.

*IV.B.1. Cymar is the Philippine importer and distributor of Farling's **FARLIN**-marked products*

On record is an undated Agreement, typewritten on Farling's **FARLIN**-marked stationery, which states that "[Farling] hereby authorize[s] [Cymar] to sell the products manufactured by them [Farling] including those bearing 'FARLIN' brand in Philippines and apply to competent authorities in Philippines for the related documents."<sup>182</sup> The signatures on the Agreement are purportedly of representatives from Cymar and Farling, but they do not bear any corresponding names.<sup>183</sup> Pursuant to this Agreement, Farling had

<sup>181</sup> *Heirs of Dela Corta, Sr. v. Alag-Pitogo*, G.R. No. 226863, February 19, 2020; *Suriaga v. Dela Rosa-Bala*, G.R. No. 238191, August 28, 2019; *San Miguel Pure Foods Co., Inc. v. Foodsphere, Inc.*, 833 Phil. 771 (2018); *Union Bank of the Philippines v. Regional Agrarian Reform Officer*, 806 Phil. 545 (2017); *Pascual v. Burgos*, 776 Phil. 167 (2016); *Awatin v. Avantgarde Shipping Corp.*, 762 Phil. 43 (2015); *Spouses Carpio v. Sebastian*, 635 Phil. 1 (2010); *Vda. de Dayao v. Heirs of Robles*, 612 Phil. 137 (2009); *Belle Corp. v. Macasusi*, 575 Phil. 350 (2008); *Pagtalunan v. Manlapig*, 503 Phil. 895 (2005); *Camacho v. Coresis, Jr.*, 436 Phil. 449 (2002); *Aggabao v. Gamboa*, 201 Phil. 745 (1982).

<sup>182</sup> CA rollo, p. 245; Records of Proceedings (Evidence folder), p. 1906.

<sup>183</sup> *Id.*

been exporting its **FARLIN**-marked products to the Philippines through Cymar since 1982.<sup>184</sup> This is proven by almost **one thousand five hundred (1,500) pages** of shipping documents, invoices, bills of lading, and bank documents which show that Farling shipped volumes of assorted **FARLIN**-marked baby products to the Philippines on Cymar's consignment.<sup>185</sup> In turn, Cymar sold these **FARLIN**-marked baby products in the Philippine market and developed its own marketing and promotion strategies for the brand in coordination with, and sometimes, the financial support of Farling.

In his affidavit in the 1994 Cancellation Case, Shieh stated that the business relationship between Farling and Cymar began in 1981.<sup>186</sup> In an undated telegram sent by Cymar's president, Cyril Ko (Ko), to Shieh, Ko complained about Farling sending a shipment of red, orange, and green-colored feeding bottles when Cymar had been ordering only blue and pink-colored feeding bottles since 1982 because hospital nurseries use the colors to distinguish between male and female infants.<sup>187</sup>

Based on the evidence on record, the earliest attestable shipment of **FARLIN**-marked baby products by Farling to Cymar was on January 10, 1983, containing 360 dozens of baby nasal aspirators, 1,660 dozens of breast relievers, and 800 dozens of nipples, with a total net weight of 3,487 kilograms.<sup>188</sup> The shipment was covered by a letter of credit issued by Rizal Commercial Banking Corporation (RCBC) on Cymar's behalf to Bank of Taiwan, in favor of Farling. In a communication dated November 27, 1982, Bank of Taiwan notified Farling that RCBC transmitted the letter of credit by cable on November 25, 1982. The cable clearly states that the letter of credit was issued "IN FAVOR OF FARLING INDUSTRIAL CO LTD x x x FOR THE ACCOUNT OF CYMAR INTERNATIONAL INC x x x COVERING SHIPMENT OF BABY NASAL ASPIRATOR NIPPLE AND BREAST RELIEVER."<sup>189</sup> In a letter dated January 18, 1983 and addressed to Shieh, Ko acknowledged receipt of the shipping documents.<sup>190</sup> The records also contain shipping documents such as packing lists, bills of lading, export permits, invoices, and transmittals of letters of credit, covering shipments of **FARLIN**-marked baby products to Cymar in the years 1983,<sup>191</sup> 1984,<sup>192</sup> 1985,<sup>193</sup>

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<sup>184</sup> 2005 CA Decision, *CA rollo*, p. 216.

<sup>185</sup> Records of Proceedings (Evidence folder), pp. 474-1935.

<sup>186</sup> *Id.* at 64.

<sup>187</sup> *Id.* at 339.

<sup>188</sup> *Id.* at 1889-1890.

<sup>189</sup> *Id.* at 1893.

<sup>190</sup> *Id.* at 1887.

<sup>191</sup> *Id.* at 501-514.

<sup>192</sup> *Id.* at 516, 613-616.

<sup>193</sup> *Id.* at 617-643, 651-666.

1986,<sup>194</sup> 1987,<sup>195</sup> 1988,<sup>196</sup> 1989,<sup>197</sup> 1990,<sup>198</sup> 1991,<sup>199</sup> 1992,<sup>200</sup> and 1993.<sup>201</sup> Contrary to Cymar's claims that these shipments only involved unspecified "Chinese goods," the invoices clearly describe the goods as "baby articles,"<sup>202</sup> "baby items,"<sup>203</sup> or "Farlin Baby Care Products."<sup>204</sup> Furthermore, the specific items in each shipment are also clearly indicated in the invoices, packing lists, and export documents on record. For example, the invoice, packing list, and export permit for the shipment dated April 29, 1986 lists the following items: powder puff, plastic feeding bottle, milk powder container, feeding/training bottle, pacifier, nasal aspirator, gum soother, and safety pins,<sup>205</sup> while the invoice and the packing list for the shipment dated October 20, 1992 lists the following items: silicone nipple, pacifier, cotton swabs, gum soother, baby powder puff, milk container, training bottle, nurser brushes, breast pump, and training cup.<sup>206</sup>

The distributorship relation between Cymar and Farling with respect to **FARLIN**-marked baby products from 1983 to 1993 is further proven by their correspondence, which shows that they were closely coordinating the marketing and promotion of **FARLIN**-marked baby products in the Philippines. In a letter to Shieh dated August 15, 1983, Cymar president Ko cited their "verbal agreement regarding the promotional campaign of our products 'Farlin'," and stated that the USD5,000 advertising allowance provided by Farling is not enough, given that the **FARLIN** brand is still unknown in the Philippines and advertising costs are high.<sup>207</sup> The records also show that Farling regularly sent product samples upon Cymar's request.<sup>208</sup> Farling also sent money and free promotional materials<sup>209</sup> to Cymar to help defray the costs of marketing and promoting the **FARLIN** brand in the Philippines; but over time, disagreements over the sharing of marketing and promotion expenses emerged.<sup>210</sup> Likewise, Cymar and Farling regularly

<sup>194</sup> Id. at 690-793.

<sup>195</sup> Id. at 795-940.

<sup>196</sup> Id. at 941-1174.

<sup>197</sup> Id. at 1175-1367.

<sup>198</sup> Id. at 1367-1598.

<sup>199</sup> Id. at 1599-1714.

<sup>200</sup> Id. at 1715-1869.

<sup>201</sup> Id. at 1870-1883.

<sup>202</sup> Id. at 728-30, 989, 1136, 1871.

<sup>203</sup> Id. at 1537, 1647.

<sup>204</sup> Id. at 989, 1528.

<sup>205</sup> Id. at 728-731.

<sup>206</sup> Id. at 1826, 1828.

<sup>207</sup> Id. at 334.

<sup>208</sup> Id. at 1885-1886, 1907.

<sup>209</sup> e.g., Invoice dated June 20, 1987 for 50 pieces display rack, id. at 835; Invoice dated July 6, 1987 for 5 pieces stands, id. at 844.

<sup>210</sup> January 4, 1986, January 23, 1986 (regarding sample labels), June 20, 1986 (regarding follow-up on 1986 price list of Farling products and request for brochures), May 8, 1987, June 22, 1988, and January 22, 1992 (regarding design and layout of **FARLIN**-marked calling cards to be carried by Cymar's sales managers) letters of Cyril Ko to John Shieh, id. at 340, 343-344, 348, 353, 1936-1977, 1899-1900; Farlin Advertisement Billings from 1987 to 1992, id. at 354, 418-425; November 28, 1990

corresponded about government regulations, permits, and requirements relating to the importation and distribution of **FARLIN**-marked baby products.<sup>211</sup>

Given this plethora of documentation, which remained un rebutted by evidence to the contrary, there is more than substantial evidence to prove that Cymar had a distributorship agreement with Farling with respect to **FARLIN**-marked baby products, which lasted for almost eleven years. In view of this distributorship relation, the DG-IPO and the CA correctly ruled that Cymar cannot claim prior use of the **FARLIN** mark in the Philippines.

As early as 1974, the Supreme Court has already held that an “*exclusive distributor does not acquire any proprietary interest in [its] principal’s trademark.*”<sup>212</sup> This rule applies even if the principal is a foreign corporation. In *Unno Commercial Enterprises, Inc. v. General Milling Corp.*,<sup>213</sup> a case decided under Republic Act No. 166, Unno acted as distributor of “All Montana”-trademarked flour imported into the Philippines from a foreign miller by another Philippine entity. Later, the foreign miller stopped exports to the Philippines and assigned its “All Montana” trademark to General Milling, who then started to manufacture and sell “All Montana” flour in the Philippines. When General Milling sought to register “All Montana” in the Philippines, the application became an inter partes proceeding in view of Unno’s prior registration of the mark. The intellectual property adjudicator declared General Milling the prior user and cancelled Unno’s registration. In affirming the ruling of the intellectual property adjudicator, we explained:

x x x [Unno]’s contention that it is the owner of the mark “All Montana” because of its certificate of registration issued by the Director of Patents, must fail, since ownership of a trademark is not acquired by the mere fact

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facsimile message from Cymar to John Shieh/Sally Huang regarding breakdown of payment for LC No. 90-2174, 90-2241, and 90-2287, including a deduction for “10% Farlin[g] share of advertisement”, and reply by Sally Huang, id. at 1917-1918, which states in part: “We [Farling] feel sorry that you [Cymar] can not remit full balance and have to deduct the advertising fee from this time. I [Huang] don’t know how to explain to our account dep[artment] without Mr. Shieh’s agreement”); August 10, 1991 facsimile message from Cymar to Sally Huang regarding 60-40 sharing of advertisement budget between Cymar and Farling, id. at 1919.; November 12, 1991 facsimile message from Cymar to Anny Ke, id. at 1923; February 10, 1992 Telefax Transmission from Anny Ke to Jeannette Lao, id. at 1925; March 31, 1992 facsimile message from Cymar to Anny Ke, id. at 1932. March 27, 1992 cable from Anny Ke to Cymar (thru Jeannette Lao), id. at 1933.

<sup>211</sup> June 20, 1986, May 4, 1987, July 15, 1987, and July 23, 1987 letters of Syril Ko to John Shieh, id. at 343, 344, 349, 1901-1903; Undated telegram from John Shieh to Cyril Ko regarding technical examination details of Farlin Brand Feeding Bottle and Silicone Nipple, id. at 1904; August 12, 1989 letter of Cymar Administrative Manager Jeanette Lao to John Shieh requesting latest Farlin catalogues for baby strollers, bed, play pen, walker, seat, toilet, and carry chair, id. at 1907; May 24, 1989 letter of Jeanette Lao to Molly Huang regarding product specification of cotton buds, id. at 1908; Certifications from Farling addressed to the Philippines Ministry of Health, id. at 338, 1896-1898. November 13, 1991 Telefax Transmission from Anny Ke to Jeannette Lao, id. at 1925.

<sup>212</sup> *Gabriel v. Perez*, 154 Phil. 371, 383 (1974).

<sup>213</sup> 205 Phil. 707 (1983).



of registration alone. 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. Registration does not perfect a trademark right. As conceded itself by [Unno], evidence may be presented to overcome the presumption. Prior use by one will controvert a claim of legal appropriation by subsequent users. In the case at bar, the Director of Patents found that "ample evidence was presented in the record that [the foreign miller] was the owner and prior user in the Philippines of the trademark 'All Montana' through a local importer and broker [*i.e.*, Unno]. **Use of a trademark by a mere importer, indentor or exporter ([Unno]) inures to the benefit of the foreign manufacturer whose goods are identified by the trademark.** [General Milling Corp.] has hereby established a continuous chain of title and, consequently, prior adoption and use" and ruled that "based on the facts established, it is safe to conclude that [General Milling Corp.] has satisfactorily discharged the burden of proving priority of adoption and use and is entitled to registration." It is well-settled that we are precluded from making further inquiry, since the findings of fact of the Director of Patents in the absence of any showing that there was grave abuse of discretion is binding on us and the findings of facts by the Director of Patents are deemed conclusive in the Supreme Court provided that they are supported by substantial evidence. [Unno] has failed to show that the findings of fact of the Director of Patents are not substantially supported by evidence nor that any grave abuse of discretion was committed.<sup>214</sup>

Like Cymar, the Philippine distributor in the case of *Superior Commercial Enterprises, Inc. v. Kunnan Enterprises Ltd.*<sup>215</sup> (*Superior*) was also able to obtain trademark registrations in this jurisdiction ahead of the foreign manufacturer-exporter. When the foreign manufacturer-exporter started distributing its products through another Philippine entity, the spurned Philippine distributor sued the foreign manufacturer and the new distributor for infringement. The foreign manufacturer responded in the same manner as Farling, and sought to cancel or oppose the spurned Philippine distributor's already-registered and pending marks. The CA not only affirmed the IPO's cancellation of the spurned distributor's registrations, but also dismissed the action for infringement, on the common ground that:

As to whether [the foreign manufacturer] was able to overcome the presumption of ownership in favor of [the spurned Philippine distributor], the former sufficiently established the fraudulent registration of the questioned trademarks by [the spurned Philippine distributor]. The Certificates of Registration No. SR-4730 (Supplemental Register) and 33487 (Principal Register) for the KENNEX trademark were fraudulently obtained by [the spurned Philippine distributor]. Even before PROKENNEX products were imported by [the spurned Philippine distributor] 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,

<sup>214</sup> Id. at 714-15. Citations omitted. Emphasis and underlining supplied.

<sup>215</sup> 632 Phil. 546 (2010).

[the spurned Philippine distributor] 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. [The spurned Philippine distributor] 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 [the spurned Philippine distributor] accepted the obligation to assign Certificates of Registration Nos. SR-4730 and 33487 to [the foreign manufacturer] in exchange for the appointment by the latter as its exclusive distributor, [the spurned Philippine distributor] however breached its obligation and failed to assign the same to [the foreign manufacturer]. In a letter dated 13 February 1987, [the spurned Philippine distributor], through Mr. Tan Bon Diong, misrepresented to [the foreign manufacturer] that the latter cannot own trademarks in the Philippines. Thus, [the foreign manufacturer] was misled into assigning to [the spurned Philippine distributor] its ([the foreign manufacturer]'s) own application for the disputed trademarks. In the same assignment document, however[,] [the spurned Philippine distributor] was bound to ensure that the PROKENNEX trademarks under Registration Nos. 40326, 39254, and 49998 shall be returned to [the foreign manufacturer] 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 [the spurned Philippine distributor] and denying its new application for registration, upon a finding that [the spurned Philippine distributor] is not the rightful owner of the subject marks.<sup>216</sup>

Proceeding from these findings, we upheld the CA's dismissal of the infringement suit against the foreign manufacturer,<sup>217</sup> viz.:

In the present case, by operation of law, specifically Section 19 of RA 166, the trademark infringement aspect of [the spurned Philippine distributor] 's case has been rendered moot and academic in view of the finality of the decision in the Registration Cancellation Case. In short, [the spurned Philippine distributor] 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. With its certificates of registration over the disputed trademarks effectively cancelled with finality, [the spurned Philippine distributor]'s case for trademark infringement lost its legal basis and no longer presented a valid cause of action.

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<sup>216</sup> Id. at 564-65.

<sup>217</sup> The CA ruling on the cancellation of the spurned Philippine distributor's marks was not appealed and became final and executory. Id. at 560.

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Even assuming that [the spurned Philippine distributor]'s case for trademark infringement had not been rendered moot and academic, there can be no infringement committed by [the foreign manufacturer] 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, [the spurned Philippine distributor] — 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. **Thus, the CA in the Registration Cancellation Case correctly held:**

**As a mere distributor, [the spurned Philippine distributor] 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.**<sup>218</sup>

The facts in *Superior* are essentially the same as in the case at bar, with two slight differences: 1) no infringement case was filed here; and 2) Farling had no pending Philippine application for registration of the **FARLIN** mark which it could have assigned to Cymar; rather, Cymar represented to Farling that it would register said mark in the Philippines in the latter's name. Like the foreign manufacturer in *Superior*, Farling was able to prove, by substantial evidence, worldwide distribution of its **FARLIN**-marked products prior to registration of the mark in the Philippines by Cymar. On record are advertisements, brochures, packing lists, invoices, and export permits which show that Farling had been exporting and/or marketing **FARLIN**-marked products to other countries outside the Philippines since 1979,<sup>219</sup> four years

<sup>218</sup> Id. at 567-68. Citations omitted. Emphasis and underlining supplied.

<sup>219</sup> 1981-1982 shipments from Keelung, Republic of China to the following destinations: Aqaba, Jordan; Lattakia, Syria; Singapore; Dubai, United Arab Emirates; Manama, Bahrain; Dammam and Jeddah, Saudi Arabia; Port of Spain, Trinidad and Tobago; Hodeidah, Yemen; Mombasa, Kenya; Colombo, Sri Lanka; Valparaiso, Chile; Hong Kong; Djibouti City, Djibouti; Brunei and Malaysia (via Kota Kinabalu); Louisiana, United States of America; Kuwait City, Kuwait; Malta (via Lattakia, Syria); Sydney, Australia; La Guaira, Venezuela; Guayaquil, Ecuador; Bolivia (via Arica, Chile); Jakarta, Indonesia; Djulfa, Iran; and Lautoka, Fiji. Records of Proceedings (Evidence folder), pp. 74-313. 1983 Farlin advertisement in Singapore, id. at 428, 433. Farlin advertisement in *The Exporters of Taiwan*.

prior to Cymar's alleged date of first use. Moreover, Farling was able to present documentary proof of registration of the **FARLIN** mark in its name, not only in the Republic of China, but in several other countries.<sup>220</sup> On the other hand, even as it claims prior use, Cymar does not even explain how it coined the term "FARLIN" and how it came up with the **FARLIN** stylization.<sup>221</sup>

Cymar cannot rely on the ruling in *Bata Industries, Ltd. v. Court of Appeals*<sup>222</sup> (*Bata*), because the rejection of the foreign manufacturer's opposition to the trademark application filed by the Philippine entity in that case is based on the foreign manufacturer's admissions that: 1) it had not been selling the trademarked articles in the Philippines for almost thirty-five (35) years; and 2) it had no licensing or distribution agreement with any Philippine entity.<sup>223</sup> Here, there is substantial evidence that the foreign manufacturer, Farling, had been selling its **FARLIN**-marked products in the Philippines for almost eleven (11) years prior to the 1994 Cancellation Case, through its distribution arrangement with Cymar. Interestingly, Cymar offers no proof whatsoever to disprove the existence of its distributorship arrangement with Farling. Contrary to its apparent thinking, Cymar's evidence of substantial advertisement spending to promote the **FARLIN** brand ties in perfectly with Farling's evidence which shows that the parties promoted the brand together in accordance with their distributorship agreement. Moreover, Cymar itself admitted in one of its advertisements that it was a mere importer of Farling's products. On record are advertisements for **FARLIN** in the April 1, 1987 issues of the publications *Home and Culture News* and *Business Bulletin* which both contain the statement "Sole Importer: Cymar International, Inc., Pasay City, Philippines."<sup>224</sup>

#### *IV.B.2. Cymar registered the **FARLIN** and FARLIN LABEL marks in bad faith.*

Under both the IPC and Republic Act No. 166, a trademark registration may be cancelled if it is shown that the registration was obtained "fraudulently

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September 1982 issue, id. at 452-453. Document entitled "Expenses for Advertisement 'FARLIN' Brand Baby Care Products List, with itemized amounts for 1979 to 1988, id. at 2017. Annual Advertisement Fees List for years 1979-1988, id. at 2018-2027. Farlin advertisement in Taiwan Yellow Pages 1981/82 and 1982/83, id. at 2028-2034. 1978, 1980, and 1981 Farlin brochures, id. at 2035-2065.

<sup>220</sup> On record are trademark registration certificates (with translations) issued to Farling from the following countries: Republic of China, United States of America, Hungary, Pakistan, Republic of Korea, Mexico, People's Republic of China, Hong Kong, Singapore, United Kingdom, Kuwait, Saudi Arabia, Malaysia, Vietnam, and Indonesia. Id. at 314-612.

<sup>221</sup> See *Converse Rubber Corp. v. Universal Rubber Products, Inc.*, 231 Phil. 149 (1987).

<sup>222</sup> 199 Phil. 506 (1982).

<sup>223</sup> Id. at 508.

<sup>224</sup> Records of Proceedings (Evidence folder), pp. 437 (1978).

or contrary to the provisions” of the prevailing trademark law.<sup>225</sup> The concept of fraud in trademark registration is explained in the above-cited *Zuneca*<sup>226</sup> case:

What constitutes fraud or bad faith in trademark registration? **Bad faith means that the applicant or registrant has knowledge of prior creation, use and/or registration by another of an identical or similar trademark.** In other words, it is copying and using somebody else’s trademark. Fraud, on the other hand, may be committed by making false claims in connection with the trademark application and registration, particularly, on the issues of origin, ownership, and use of the trademark in question, among other things.

The concept of fraud contemplated above is not a mere inaccurate claim as to the origin, ownership, and use of the trademark. In civil law, the concept of fraud has been defined as the deliberate intention to cause damage or prejudice. The same principle applies in the context of trademark registrations: fraud is intentionally making false claims to take advantage of another’s goodwill thereby causing damage or prejudice to another. Indeed, **the concepts of bad faith and fraud go hand-in-hand in this context. There is no distinction between the concepts of bad faith and fraud in trademark registrations because the existence of one necessarily presupposes the existence of the other.**<sup>227</sup>

In view of their distribution agreement, Farling agreed to register the **FARLIN** mark in the Philippines with Cymar’s assistance. In his Supplemental Affidavit, Shieh stated that Cymar undertook to facilitate the registration of the **FARLIN** mark with the then-Philippine Patent Office. Cymar sent a trademark application form to Shieh. Shieh filled out the application form and had it notarized. Shieh then sent it to Cymar for filing with the latter’s recommended attorney, along with money for expenses.<sup>228</sup> However, as it turned out, Cymar had the **FARLIN** and FARLIN LABEL marks registered in its own name in 1990, 1991, and 1993, under the following circumstances: 1) Cymar filed the applications while its distributorship arrangement with Farling was still ongoing, however, Cymar designated a different trademark attorney from the one it recommended to Farling;<sup>229</sup> 2) the applications were filed in the midst of ongoing disagreements over the sharing of the marketing and promotion costs for the **FARLIN** brand in the Philippines;<sup>230</sup> 3) one of the trademark applications was signed by Cymar’s executive vice president, while three were signed by Ko himself, in his

<sup>225</sup> IPC, Section 151.1(b); Republic Act No. 166, Section 17(c).

<sup>226</sup> *Zuneca Pharmaceutical v. Natrapharm, Inc.*, supra note 177.

<sup>227</sup> Id. Citations omitted.

<sup>228</sup> Records of Proceedings (Evidence folder), p. 2015. A copy of the trademark application filled up by Shieh is in the Evidence folder, id. at 364.

<sup>229</sup> Id. at 362-364. 1993, 2006, 2015; Records of Proceedings, Part IV, Filewrapper (Trademark Certificate of Registration No. 50483), pp. F-8-F-9.

<sup>230</sup> Id. at 2015; Footnote 210 supra.

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capacity as president of Cymar;<sup>231</sup> 4) Cymar's claimed date of first use, January 5, 1983,<sup>232</sup> is only five (5) days away from the date of the first attestable shipment of **FARLIN**-marked products by Farling to Cymar; and 5) the applications pertain not only to exactly the same word and design as Farling's mark,<sup>233</sup> but also to the very same products imported by Cymar from Farling. Given the timing and circumstances of Cymar's applications, it is obvious that they were filed with full knowledge of Farling's history of use of the **FARLIN** mark, and therefore, in bad faith. Moreover, by representing itself as the prior user of the **FARLIN** mark, even with full knowledge of its distributorship relation with the actual prior user, Cymar deliberately made a false claim in its trademark applications, which amounts to fraud.

#### *IV.B.3. Circumstances and effects of the Authorization*

The records show that it was Cymar who asked Farling to execute the Authorization as an implementation of their distribution agreement. On record is an undated telegram from Cymar signed by a certain Ms. Lao and addressed to a certain John (presumably Shieh), which states:

ATTN: JOHN

WE R WORKING ON D PROPER REGISTRATION OF FARLIN LABEL IN D COPYRIGHT DEPARTMENT BUT I NEED YR COOPERATION – WE NEED A WAIVER TO B SUBMITTED BEFORE THEY CAN START PROCESSING OUR PENDING REGISTRATION FOR COPYRIGHT –PLS COPY D TEXT OF D LETTER BELOW N TYPE THEM ON YR LETTER HEAD, THEN SIGN IT, THEN NOTARIZE IT N SEND ORIGINAL COPY ASAP TO US:

[text of Authorization *supra* with space for date ending in 1983]

WITH THIS COPYRIGHT DOC WE CAN FILE CRIMINAL CHARGES TO WHOEVER COPY FARLIN DESIGN HERE IN THE PHILIPPINES

RGDS:  
MS LAO<sup>234</sup>

<sup>231</sup> Id. at 1993, 2006; Records of Proceedings, Part IV, Filewrapper (Trademark Certificate of Registration No. 48144), p. F-1. The applications signed by Ko were granted as Trademark Certificates of Registration Nos. 50483, 48144 and 8328. Records of Proceedings, Part IV, Filewrapper (Trademark Certificate of Registration Nos. 50483, 48144 and 8328), p. F-13, p. F-1, and p. F-26 respectively.

<sup>232</sup> Id.

<sup>233</sup> The adoption of the same exact word mark and design for another trademark application indicates bad faith. *Shangri-La International Hotel Management, Ltd.*, *supra* note 175 at 957; *Converse Rubber Corp.*, *supra* note 221, at 154; *Pagasa Industrial Corp. v. Court of Appeals*. 216 Phil. 533, 534-35 (1984).

<sup>234</sup> Records of Proceedings (Evidence folder), p. 1905.

As already mentioned, Shieh complied with the request and executed the Authorization. However, the context and tenor of the Authorization clearly shows that it only covers the copyright over the particular design or stylization of the **FARLIN** mark, and does not cover the rights to **FARLIN** as a trademark. The text of the telegram is clear. Cymar asked Farling to execute a waiver of its copyright over the **design** of the **FARLIN** mark, so that Cymar may register the copyright in its own name and prevent other entities in the Philippines from copying the **design**, or the particular stylization, of Farling's **FARLIN** mark. However, trademark and copyright are different legal concepts;<sup>235</sup> and the rights in a trademark are distinct and separate from the copyright over a particular design or stylization embodied in a trademark. In the leading case of *Kho v. Court of Appeals*,<sup>236</sup> the petitioner obtained copyright and patent registrations over the marks "Chin Chun Su and Oval Facial Cream Container/Case," "Chin Chun Su & Device" and "Chin Chun Su." On the basis of said registrations, she filed an action for injunction to stop the private respondents from using said marks *in trade and commerce*. In reversing the trial court's grant of injunctive relief, we held:

Trademark, copyright and patents are different intellectual property rights that cannot be interchanged with one another. **A trademark is any visible sign capable of distinguishing the goods (trademark) or services (service mark) of an enterprise and shall include a stamped or marked container of goods. In relation thereto, a trade name means the name or designation identifying or distinguishing an enterprise. Meanwhile, the scope of a copyright is confined to literary and artistic works which are original intellectual creations in the literary and artistic domain protected from the moment of their creation.** Patentable inventions, on the other hand, refer to any technical solution of a problem in any field of human activity which is new, involves an inventive step and is industrially applicable.

Petitioner has no right to support her claim for the exclusive use of the subject trade name and its container. **The name and container of a beauty cream**

<sup>235</sup> "Words or devices, or even a name in certain cases, may be adopted as trade-marks which are not the original invention of the party who appropriates the same to that use; and courts of equity will protect the proprietor against any fraudulent use or imitation of the device by other dealers or manufacturers. Property in the use of a trade-mark, however, bears very little analogy to that which exists in copyrights or in patents for new inventions or discoveries, as they are not required to be new, and may not involve the least invention or skill in their discovery or application. Phrases, or even words in common use, may be adopted for the purpose, if, at the time of their adoption, they were not employed by another to designate the same or similar articles of production or sale. Stamps or trade-marks of the kind are employed to point out the origin, ownership, or place of manufacture or sale of the article to which it is affixed, or to give notice to the public who is the producer, or where it may be purchased." *McLean v. Fleming*, 96 U.S. 245 (1877), citing *Canal Company v. Clark*, 80 U.S. 311 (1872). Single words, names, titles, or "mere variations in typeface, familiar symbols or designs, lettering or coloring" are not protectable by copyright. Jennifer Davis, *INTELLECTUAL PROPERTY LAW* (4<sup>th</sup> ed.) 26 (2012); Deborah E. Bouchoux, *INTELLECTUAL PROPERTY: THE LAW OF TRADEMARKS, COPYRIGHTS, PATENTS, AND TRADE SECRETS* (4<sup>th</sup> ed.) 199 (2013); Vicente B. Amador, *INTELLECTUAL PROPERTY FUNDAMENTALS* 245 (2007), citing *Smith v. George E. Muehlebach Brewing Co.*, 140 F. Supp. 729 (1956) and *Homer Laughlin China Co. v. Oman*, 22 U.S.P.Q. 2d (BNA) 1074 (1991); 18 Am. Jur. 2d § 37.

<sup>236</sup> 429 Phil. 140 (2002).

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**product are proper subjects of a trademark inasmuch as the same falls squarely within its definition.** In order to be entitled to exclusively use the same in the sale of the beauty cream product, the user must sufficiently prove that she registered or used it before anybody else did. **The petitioner's copyright and patent registration of the name and container would not guarantee her the right to the exclusive use of the same for the reason that they are not appropriate subjects of the said intellectual rights.** Consequently, a preliminary injunction order cannot be issued for the reason that the petitioner has not proven that she has a clear right over the said name and container to the exclusion of others, not having proven that she has registered a trademark thereto or used the same before anyone did.<sup>237</sup>

Given these distinctions, the CA correctly held that the Authorization cannot serve as basis for any claim of trademark rights in favor of Cymar, because it did not give Cymar any right to use **FARLIN** as a visible sign to distinguish the goods it sells or produces. The bundle of rights embraced within copyright<sup>238</sup> does not include the right to use or register the copyrighted design or stylization as a visible sign to distinguish goods or services sold by a particular enterprise, which is the precise domain and function of a trademark.<sup>239</sup>

#### *V. The Opposition Cases*

Section 134 of the IPC provides in part:

Sec. 134. Opposition. - Any person who believes that **he would be damaged by the registration of a mark** may, upon payment of the required fee and within thirty (30) days after the publication referred to in Subsection 133.2, file with the Office an opposition to the application. Such **opposition** shall be in writing and verified by the oppositor or by any person on his behalf who knows the facts, and **shall specify the grounds on which it is based and include a statement of the facts relied upon.** Copies of certificates of registration of marks registered in other countries or other supporting documents mentioned in the opposition shall be filed therewith, together with the translation in English, if not in the English language. x x x.

The damage contemplated here pertains to three situations.

First, under Section 123.1(d), a mark cannot be registered if it is identical with a registered mark belonging to a different proprietor or a mark with an earlier filing or priority date, in respect of either the same goods or services, or closely related goods or services; or if it nearly resembles such a mark as to be

<sup>237</sup> Id. at 150-157. Emphasis and underlining supplied.

<sup>238</sup> See IPC, Secs. 177, 193-199.

<sup>239</sup> *Kolin Electronics Co., Inc. v. Taiwan Kolin Corp. Ltd.*, supra note 144; *Mirpuri v. Court of Appeals*, 376 Phil. 628, 645 (1999).



likely to deceive or to cause confusion. A party holding such a mark would be damaged by the registration of an identical mark, and is therefore given standing to oppose the same.<sup>240</sup> Under the prior use regime of Republic Act No. 166, a party can still claim damage even if his or her mark is unregistered, as long as it has been previously used in the Philippines and not abandoned.<sup>241</sup>

Second, under Section 123.1(e) and (f), a mark cannot be registered if it is identical, confusingly similar, or is a translation of a mark considered by competent authority of the Philippines to be well-known here and abroad. A party holding a well-known mark under the circumstances laid down in these provisions also has standing to oppose registration. However, on the basis of the ruling in the above-cited *Bata*<sup>242</sup> case, where the foreign manufacturer was found to have lost the goodwill it had generated for its products previously sold in the Philippines, it has been opined that the holder of a foreign mark can still claim damage under Section 134, although such mark be not well-known, if it can establish goodwill for the mark and its products in the Philippines.<sup>243</sup>

Third, under Section 151.1(b), parties who believe that they are or will be damaged by a subsisting registration: 1) of a mark that has become generic or has been abandoned; 2) that was obtained fraudulently or contrary to the provisions of the IPC; or 3) of a mark being used so as to misrepresent the source of the goods or services on or in connection with which the mark is used, are allowed to file a petition to cancel such registration *at any time*. Cancellation under Section 151 and opposition under Section 134 are analogous remedies which are both afforded to a party who claims damage arising from the registration of a mark. The difference between the two remedies is temporal: cancellation is the proper remedy *after* the mark has been registered, while opposition is the proper remedy against a pending application for registration of a mark. Both are considered inter partes proceedings, and are governed by the same requirements as to initiation, notice and hearing.<sup>244</sup> Thus, the grounds for cancellation of a mark, when applicable, may also be raised in an opposition to an application for registration of a mark, and vice versa,<sup>245</sup> particularly with respect to marks sought to be registered fraudulently or contrary to the provisions of the IPC.

Farling's oppositions commonly allege its ownership claim over **FARLIN**, "*which is the main and dominant feature*" of the marks applied for by Cymar; and the distributorship agreement, which makes any use of the mark

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<sup>240</sup> Amador, supra note 235 at 112.

<sup>241</sup> Republic Act No. 166, Section 4(d); Amador. id.

<sup>242</sup> Supra note 222.

<sup>243</sup> Amador, supra note 235, at 113.






<sup>244</sup> IPC, Section 153; RIPP, Rule 2.

<sup>245</sup> Amador, supra note 235, at 142.

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by Cymar inure to Farling.<sup>246</sup> In addition, we have already found Cymar guilty of registering the **FARLIN** and FARLIN LABEL marks in bad faith. Thus, Farling's oppositions fall under all three situations contemplated by Section 134, in that it claims damage through: 1) Cymar's incorporation of the **FARLIN** mark in the opposed marks; 2) prejudice to the goodwill generated in the **FARLIN** mark by the eleven-year distribution of Farling's products in the Philippines by Cymar; and 3) registration of the opposed marks in bad faith, with full knowledge of Farling's use of the **FARLIN** mark.

In considering whether Farling will be damaged by the registration of the opposed marks, we again compare the particulars of Cymar's marks with the **FARLIN** mark used on the products exported by Farling to Cymar under their distributorship agreement:

	Farling-Cymar Distribution Arrangement (1982-1993)	1994 Cancellation Case	2006 Opposition Case	2007 Opposition Case	2008 Opposition Case
Mark/s involved	FARLIN	FARLIN and FARLIN LABEL (with colors)	FARLIN YOUR BABY IS OUR CONCERN (With Mother and Child Logo)	FARLIN DISPOSABLE BABY DIAPERS (With Mother & Child Icon)	FARLIN BLUE BUNNY AND BUNNY DEVICE
Date filed/registered	October 1, 1978; August 30, 2007	May 4, 1990, July 18, 1990, August 3, 1990, May 13, 1991, March 16, 1993	December 18, 2002	April 23, 2003	August 22, 2007
Place of registration	Republic of China and several other countries; Philippine registration pending	Philippines	Philippines	Philippines	Philippines
Pictographic representation of the mark/s					

<sup>246</sup> First 2009 BLA-IPO Decision, p. 1, Rollo (G.R. No. 206121), p. 44; Second 2009 BLA-IPO Decision, p. 1, Rollo (G.R. No. 219072), p. 59; Third BLA-IPO Decision, pp. 1-2, Rollo (G.R. No. 228802, vol. 1), pp. 42-43.

Products covered or exported	<p>“Baby articles” or “baby items”:<sup>247</sup> nipples (rubber and silicon), breast reliever, feeding bottle, pacifier, gun soother, cotton swab, powder container, training bottle, bottler warmer, thermos bottle, hygienic baby products, sterilization set, feeding set, nasal aspirator, vaginal douche, milk powder container, electric bottle heater, safety pins, sucker, car seat cover, baby gift set, baby shoes, safety scissors, powder puff, baby booties, surgical gloves, feeding bib, baby vinyl panty, grinder, tongs, nurser brush, glass feeding bottle, nurser warmer, vinyl pants, rattle, cotton buds, baby tooter, teether, rattle toys, outing bag, baby</p>	<p>FARLIN: feeding bottles, nipples (rubber and silicon), funnel, nasal aspirator, breast reliever, ice bag and training bottles, diaper clips, t-shirts, sando, tie-side and other baby clothes. FARLIN LABEL with colors pink and blue: diaper clip. FARLIN LABEL with colors blue, green, pink, yellow and gray: cotton buds.</p>	<p>cotton buds, cotton balls, absorbent cotton/cotton roll (Class 5), feeding bottles, feeding nipples, pacifiers, teethers, training cup, multistage training cup, spill proof cup, silicone spoon, fork and spoon set, diaper clip, feeding bottle cap, ring, feeding bottle hood (Class 10), sterilizer set (Class 11), disposable diapers (Class 16), and toothbrush, milk powder container, powder case with puff, rack and tongs set, tongs (Class 21).</p>	<p>disposable baby diapers (Class 16)</p>	<p>sterilizer sets (Class 11); feeding bottles, feeding nipples, pacifiers, teethers, training cup, multi stage training cup, spill proof cup, silicone spoon, fork and spoon set diaper clip, feeding bottle cap ring, feeding bottle hood (Class 10); cotton buds, cotton balls, absorbent cotton/cotton roll (Class 5); disposable diapers (Class 16); and toothbrush, milk powder container, powder case with puff, rack and tongs set, and tong (Class 21).</p>
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<sup>247</sup> Records of Proceedings (Evidence folder), pp.728-30, 989, 1136, 1537, 1647, 1871.

	cuddler, vinyl pans, baby sheet, baby powder puff, forceps, baby walker, baby carriage, baby toilet, baby seat, baby sucker, spoon and fork set, baby food maker, isothermic thermos, feeding food grinder, baby belly tie, comb & brush set, funnel, automatic steam sterilization, toys, sounded toys, netted shoes, nipple & bottle brush. <sup>248</sup>				
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As already pointed out, all of Cymar's marks incorporate the word "FARLIN." All but one use the very same **FARLIN** stylization claimed by Farling. Even then, "FARLIN" is still an integral component of the one mark which does not use such stylization. The records also reveal that the slogan "Your Baby Is Our Concern" used by Cymar in its FARLIN YOUR BABY IS OUR CONCERN (With Mother and Child Logo) mark has been used by Farling in its promotional materials even before it entered into the distributorship agreement with Cymar. The slogan appears in an early advertisement for Farling in a United Arab Emirates publication called "*Baby and Childcare*," and in Farling's 1980 product catalog.<sup>249</sup> The photograph of a mother holding her child which is featured in the product packaging samples submitted by Cymar as part of its trademark applications which later became the subject of the 1994 Cancellation Case is the same photograph which appears in Farling's 1981 product catalog.<sup>250</sup> The silhouette formed by said photograph

<sup>248</sup> Id. at 501, 504, 509, 516, 613, 639, 651, 640, 666, 690, 700, 703, 704, 714-15, 748-49, 778, 795-98, 824, 854-56, 871-73, 875, 888, 904-05, 914, 921, 940, 944, 991, 994, 1003, 1057-59, 1068-69, 1147, 1166-69, 1176, 1188, 1269-70, 1272, 1274, 1316, 1332-33, 1351, 1353, 1355, 1408, 1432-33, 1444-49, 1486-87, 1539, 1543, 1565-66, 1572, 1574, 1662-65, 1672-73, 1696-98, 1700-02, 1725, 1747-48, 1777-78, 1780-82, 1796-99.

<sup>249</sup> Id. at 467, 2036-2064.

<sup>250</sup> Id. at 2052; Attachment to Cymar's trademark application, Filewrapper (Trademark Certificate of Registration No. 50483), pp. F-8-F-9, attachment to p. F-27 of Filewrapper (Trademark Certificate of Registration No. 54569); attachment to p. F-8 of Filewrapper (Trademark Certificate of Registration

is also strikingly similar to the Mother and Child device which appears in the FARLIN LABEL mark which we found to have been registered in bad faith. Likewise, all of the marks cover the same general class of goods: baby products. In fact, Cymar's registrations cover exactly the same products that it imported into the Philippines from Farling, with the exception of diapers. It is therefore obvious that the marks subject of Farling's oppositions are mere derivatives of the basic **FARLIN** mark. Worse, most of the additional elements introduced by Cymar to prevent complete identity with the basic **FARLIN** mark were also derived from Farling's own promotional materials. Given these circumstances, there can be no other conclusion: the marks sought to be registered by Cymar over Farling's opposition are very likely to deceive or cause confusion, because they are almost visually identical and are directed at the same exact class of goods.

However, despite these findings, Farling cannot claim damage under Section 123.1(d), because it had no registration or application for registration of the **FARLIN** mark in this jurisdiction at the time Cymar's applications were filed. Considering that the applications involved in the Opposition Cases were all filed after the enactment of the IPC, the provisions of the IPC must apply; and to bar registration of an identical or confusingly similar mark under Section 123.1(d) of the IPC, the oppositor's mark must be registered or have an earlier filing or priority date in the Philippines. Here, all three applications by Cymar were filed before the filing of Farling's own application on August 30, 2007.

Nevertheless, despite Farling's failure to timely apply for registration of the **FARLIN** mark in this jurisdiction, we find that it can still claim damage under Section 151.1(b), on the basis of our abovementioned findings that Cymar merely copied all the disputed marks in the Cancellation and Opposition Cases from the basic **FARLIN** mark, and registered said marks fraudulently and in bad faith. Furthermore, the registration of the opposed marks will prejudice the goodwill generated in Farling's **FARLIN**-branded products within this jurisdiction by Farling and Cymar's joint distribution and marketing efforts: a venture that was disrupted by disagreements and misrepresentations which culminated in the filing of these consolidated cases.

In the above-cited *Bata*<sup>251</sup> case, it was found that the foreign owner of the BATA mark previously sold BATA-branded products in the Philippines during the Commonwealth period until around 1948, without registration of the mark. When the Philippine entity sought to register the BATA mark in 1970, the foreign owner opposed the application on the ground that it had not

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No. 8348), and unpaginated packaging labels included in Filewrapper (Trademark Certificate of Registration No. 48144).

<sup>251</sup> Supra note 222.

abandoned its rights to the mark. However, as already mentioned, we overruled the foreign owner's opposition on the ground "*that any slight goodwill generated by the Czechoslovakian product during the Commonwealth years was completely abandoned and lost in the more than 35 years that have passed since the liberation of Manila from the Japanese troops,*"<sup>252</sup> having admitted that it no longer sold, or licensed any entity to sell its products in the Philippines.<sup>253</sup> The implication here is that the foreign owner's case could have been bolstered by proof of continuing goodwill in this jurisdiction inuring to it from the mark. This implication is furthered in the also above-cited *Unno*<sup>254</sup> and *Superior*<sup>255</sup> rulings, which both protected the goodwill generated by the foreign manufacturer/exporter against prejudicial registrations by Philippine distributors. *Superior* explicitly 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>256</sup> Although it is apparent that the distributorship arrangement between Farling and Cymar had already ended by the time the applications subject of the Opposition Cases were filed, it is nevertheless undeniable that Farling will still be damaged by the registration of the opposed marks, since it remains the prior user and originator of the **FARLIN** mark, over which it already has a pending application for registration in this jurisdiction. Furthermore, the termination of the relationship was not Farling's fault. Although Cymar and Farling were already having disagreements about the sharing of advertising expenses since 1990,<sup>257</sup> Farling did not stop shipping its products to Cymar until 1993, when it discovered that Cymar had obtained Philippine registrations over the **FARLIN** and FARLIN LABEL marks, contrary to their previous agreement.

In fine, Cymar not only failed to adduce substantial evidence of inequitable conduct by Farling, but was itself guilty of inequitable, nay, *fraudulent* conduct.

**WHEREFORE**, the present petitions are hereby **DENIED**. The assailed Decisions and Resolutions of the Court of Appeals in CA-G.R. SP No. 80350, CA-G.R. SP No. 124697, CA-G.R. SP No. 124698, and CA-G.R. SP No. 126647 are **AFFIRMED**. Costs against petitioner Cymar International, Inc.

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<sup>252</sup> Id. at 510.

<sup>253</sup> Id. at 508.

<sup>254</sup> Supra note 213.


<sup>255</sup> Supra note 215.

<sup>256</sup> Id. at 567.

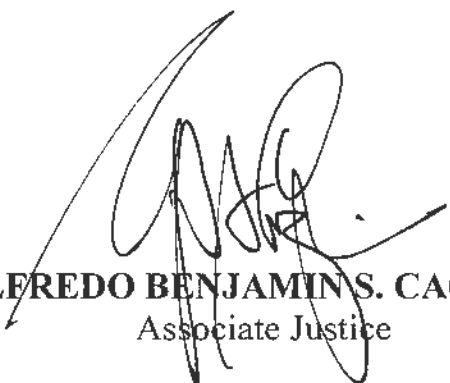
<sup>257</sup> Supra note 210.


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**SO ORDERED.**

  
**SAMUEL H. GAERLAN**  
Associate Justice

WE CONCUR:

  
**ALFREDO BENJAMIN S. CAGUIOA**  
Associate Justice

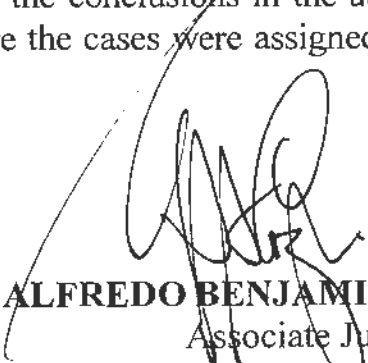
  
**HENRI JEAN PAUL B. INTING**  
Associate Justice

  
**JAPAR B. DIMAAMPAO**  
Associate Justice

  
**MARIA FILOMENA D. SINGH**  
Associate Justice

**ATTESTATION**

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

  
**ALFREDO BENJAMIN S. CAGUIOA**  
Associate Justice  
Chairperson

## CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution and the Division Chairperson's Attestation, I certify that the conclusions in the above Decision had been reached in consultation before the cases were assigned to the writer of the opinion of the Court's Division.

  
**ALEXANDER G. GESMUNDO**  
Chief Justice

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