FIRST DIVISION

G.R. No. 184850 : October 20, 2010

E.Y. INDUSTRIAL SALES, INC. and ENGRACIO YAP, *Petitioners*, *v.* **SHEN DAR ELECTRICITY AND MACHINERY CO., LTD.,** *Respondent.*

D E C I S I O N

VELASCO, JR., *J.:*

The Case

This Petition for Review on Certiorari under Rule 45 seeks to nullify and reverse the February 21, 2008 Decision[1] and the October 6, 2008 Resolution[2] rendered by the Court of Appeals (CA) in CA-G.R. SP No. 99356 entitled Shen Dar Electricity and Machinery Co., Ltd. v. E.Y. Industrial Sales, Inc. and Engracio Yap.

The assailed decision reversed the Decision dated May 25, 2007[3] issued by the Director General of the Intellectual Property Office (IPO) in Inter Partes Case No. 14-2004-00084. The IPO Director General upheld Certificate of Registration (COR) No. 4-1999-005393 issued by the IPO for the trademark "VESPA" in favor of petitioner E.Y. Industrial Sales, Inc. (EYIS), but ordered the cancellation of COR No. 4-1997-121492, also for the trademark "VESPA," issued in favor of respondent Shen Dar Electricity and Machinery Co., Ltd. (Shen Dar). The Decision of the IPO Director General, in effect, affirmed the Decision dated May 29, 2006[4] issued by the Director of the Bureau of Legal Affairs (BLA) of the IPO.

The Facts

EYIS is a domestic corporation engaged in the production, distribution and sale of air compressors and other industrial tools and equipment.[5] Petitioner Engracio Yap is the Chairman of the Board of Directors of EYIS.[6]

Respondent Shen Dar is a Taiwan-based foreign corporation engaged in the manufacture of air compressors.[7]

Both companies claimed to have the right to register the trademark "VESPA" for air compressors.

From 1997 to 2004, EYIS imported air compressors from Shen Dar through sales contracts. In the Sales Contract dated April 20, 2002,[8] for example, Shen Dar would supply EYIS in one (1) year with 24 to 30 units of 40-ft. containers worth of air compressors identified in the Packing/Weight Lists simply as SD-23, SD-29, SD-31, SD-32, SD-39, SD-67 and SD-68. In the corresponding Bill of Ladings, the items were described merely as air compressors.[9] There is no documentary evidence to show that such air compressors were marked "VESPA."

On June 9, 1997, Shen Dar filed Trademark Application Serial No. 4-1997-121492 with the IPO for the mark "VESPA, Chinese Characters and Device" for use on air compressors and welding machines.[10]

On July 28, 1999, EYIS filed Trademark Application Serial No. 4-1999-005393, also for the mark "VESPA," for use on air compressors.[11] On January 18, 2004, the IPO issued COR No. 4-1999-005393 in favor of EYIS.[12] Thereafter, on February 8, 2007, Shen Dar

was also issued COR No. 4-1997-121492.[13]

In the meantime, on June 21, 2004, Shen Dar filed a Petition for Cancellation of EYIS COR with the BLA.[14] In the Petition, Shen Dar primarily argued that the issuance of the COR in favor of EYIS violated Section 123.1 paragraphs (d), (e) and (f) of Republic Act No. (RA) 8293, otherwise known as the Intellectual Property Code (IP Code), having first filed an application for the mark. Shen Dar further alleged that EYIS was a mere distributor of air compressors bearing the mark "VESPA" which it imported from Shen Dar. Shen Dar also argued that it had prior and exclusive right to the use and registration of the mark "VESPA" in the Philippines under the provisions of the Paris Convention.[15]

In its Answer, EYIS and Yap denied the claim of Shen Dar to be the true owners of the mark "VESPA" being the sole assembler and fabricator of air compressors since the early 1990s. They further alleged that the air compressors that Shen Dar allegedly supplied them bore the mark "SD" for Shen Dar and not "VESPA." Moreover, EYIS argued that Shen Dar, not being the owner of the mark, could not seek protection from the provisions of the Paris Convention or the IP Code.[16]

Thereafter, the Director of the BLA issued its Decision dated May 29, 2006 in favor of EYIS and against Shen Dar, the dispositive portion of which reads:

WHEREFORE, premises considered, the Petition for Cancellation is, as it is hereby, DENIED. Consequently, Certificate of Registration No. 4-1999-[005393] for the mark "VESPA" granted in the name of E.Y. Industrial Sales, Inc. on 9 January 2007 is hereby upheld.

Let the filewrapper of VESPA subject matter of this case be forwarded to the Administrative, Financial and Human Resource Development Services Bureau for issuance and appropriate action in accordance with this DECISION and a copy thereof furnished to the Bureau of Trademarks for information and update of its records.

SO ORDERED.[17]

Shen Dar appealed the decision of the BLA Director to the Director General of the IPO. In the appeal, Shen Dar raised the following issues:

> 1. Whether the BLA Director erred in ruling that Shen Dar failed to present evidence;
>
> 2. Whether the registration of EYIS application was proper considering that Shen Dar was the first to file an application for the mark; and
>
> 3. Whether the BLA Director correctly ruled that EYIS is the true owner of the mark.[18]

Later, the IPO Director General issued a Decision dated May 25, 2007 upholding the COR issued in favor of EYIS while cancelling the COR of Shen Dar, the dispositive portion of which reads:

WHEREFORE, premises considered, the appeal is DENIED. Certificate of Registration No. 4-1999-005393 for the mark VESPA for air compressor issued in favor of Appellee is hereby upheld. Consequently, Certificate of Registration No. 4-1997-121492 for the

mark VESPA, Chinese Characters & Device for goods air compressor and spot welding machine issued in favor of Appellant is hereby ordered cancelled.

Let a copy of this Decision as well as the records of this case be furnished and returned to the Director of Bureau of Legal Affairs for appropriate action. Further, let also the Directors of the Bureau of Trademarks, the Administrative, Financial and Human Resources Development Services Bureau, and the Documentation, Information and Technology Transfer Bureau be furnished a copy of this Decision for information, guidance, and records purposes.[19]

Shen Dar appealed the above decision of the IPO Director General to the CA where Shen Dar raised the following issues:

1. Whether Shen Dar is guilty of forum shopping;

2. Whether the first-to-file rule applies to the instant case;

3. Whether Shen Dar presented evidence of actual use;

4. Whether EYIS is the true owner of the mark "VESPA";

5. Whether the IPO Director General erred in cancelling Shen Dars COR No. 4-1997-121492 without a petition for cancellation; and

6. Whether Shen Dar sustained damages.[20]

In the assailed decision, the CA reversed the IPO Director General and ruled in favor of Shen Dar. The dispositive portion states:

WHEREFORE, premises considered, the petition is GRANTED. Consequently, the assailed decision of the Director General of the Intellectual Property Office dated May 25, 2007 is hereby REVERSED and SET ASIDE. In lieu thereof, a new one is entered: a) ordering the cancellation of Certificate of Registration No. 4-1999-005393 issued on January 19, 2004 for the trademark VESPA in favor of E.Y. Industrial Sales, Inc.; b) ordering the restoration of the validity of Certificate of Registration No. 4-1997-121492 for the trademark VESPA in favor of Shen Dar Electricity and Machinery Co., Ltd. No pronouncement as to costs.

SO ORDERED.[21]

In ruling for Shen Dar, the CA ruled that, despite the fact that Shen Dar did not formally offer its evidence before the BLA, such evidence was properly attached to the Petition for Cancellation. As such, Shen Dars evidence may be properly considered. The CA also enunciated that the IPO failed to properly apply the provisions of Sec. 123.1(d) of RA 8293, which prohibits the registration of a trademark in favor of a party when there is an earlier filed application for the same mark. The CA further ruled that Shen Dar should be considered to have prior use of the mark based on the statements made by the parties in their respective Declarations of Actual Use. The CA added that EYIS is a mere importer of the air compressors with the mark "VESPA" as may be gleaned from its receipts which indicated that EYIS is an importer, wholesaler and retailer, and therefore, cannot be considered an owner of the mark.[22]

EYIS filed a motion for reconsideration of the assailed decision which the CA denied in the assailed resolution.

Hence, the instant appeal.

Issues

EYIS and Yap raise the following issues in their petition:

> A. Whether the Director General of the IPO correctly upheld the rights of Petitioners over the trademark VESPA.
>
> B. Whether the Director General of the IPO can, under the circumstances, order the cancellation of Respondents certificate of registration for VESPA, which has been fraudulently obtained and erroneously issued.
>
> C. Whether the Honorable Court of Appeals was justified in reversing the findings of fact of the IPO, which affirm the rights of Petitioner EYIS over the trademark VESPA and when such findings are supported by the evidence on record.
>
> D. Whether this Honorable Court may review questions of fact considering that the findings of the Court of Appeals and the IPO are in conflict and the conclusions of the appellee court are contradicted by the evidence on record.[23]

The Ruling of the Court

The appeal is meritorious.

First Issue:

Whether this Court may review the questions of fact presented

Petitioners raise the factual issue of who the true owner of the mark is. As a general rule, this Court is not a trier of facts. However, such rule is subject to exceptions.

In New City Builders, Inc. v. National Labor Relations Commission,[24] the Court ruled that:

We are very much aware that the rule to the effect that this Court is not a trier of facts admits of exceptions. As we have stated in Insular Life Assurance Company, Ltd. vs. CA:

[i]t is a settled rule that in the exercise of the Supreme Courts power of review, the Court is not a trier of facts and does not normally undertake the re-examination of the evidence presented by the contending parties during the trial of the case considering that the findings of facts of the CA are conclusive and binding on the Court. However, the Court had recognized several exceptions to this rule, to wit: (1) when the findings are grounded entirely on speculation, surmises or conjectures; (2) when the inference made is manifestly mistaken, absurd or impossible; (3) when there is grave abuse of discretion; (4) when the judgment is based on a misapprehension of facts; (5) when the findings of facts are conflicting; (6) when in making its findings the Court of Appeals went beyond the issues of the case, or its findings are contrary to the admissions of both the appellant

and the appellee; **(7) when the findings are contrary to the trial court**; (8) when the findings are conclusions without citation of specific evidence on which they are based; (9) when the facts set forth in the petition as well as in the petitioners main and reply briefs are not disputed by the respondent; (10) when the findings of fact are premised on the supposed absence of evidence and contradicted by the evidence on record; and (11) when the Court of Appeals manifestly overlooked certain relevant facts not disputed by the parties, which, if properly considered, would justify a different conclusion. (Emphasis supplied.)

In the instant case, the records will show that the IPO and the CA made differing conclusions on the issue of ownership based on the evidence presented by the parties. Hence, this issue may be the subject of this Courts review.

Second Issue:

Whether evidence presented before the BLA must be formally offered

Preliminarily, it must be noted that the BLA ruled that Shen Dar failed to adduce evidence in support of its allegations as required under Office Order No. 79, Series of 2005, Amendments to the Regulations on Inter Partes Proceedings, having failed to formally offer its evidence during the proceedings before it. The BLA ruled:

At the outset, we note petitioners failure to adduce any evidence in support of its allegations in the Petition for Cancellation. Petitioner did not file nor submit its marked evidence as required in this Bureaus Order No. 2006-157 dated 25 January 2006 in compliance with Office Order No. 79, Series of 2005, Amendments to the Regulations on Inter Partes Proceedings.[25] x x x

In reversing such finding, the CA cited Sec. 2.4 of BLA Memorandum Circular No. 03, Series of 2005, which states:

Section 2.4. In all cases, failure to file the documentary evidences in accordance with Sections 7 and 8 of the rules on summary proceedings shall be construed as a waiver on the part of the parties. In such a case, the original petition, opposition, answer and the supporting documents therein shall constitute the entire evidence for the parties subject to applicable rules.

The CA concluded that Shen Dar needed not formally offer its evidence but merely needed to attach its evidence to its position paper with the proper markings,[26] which it did in this case.

The IP Code provides under its Sec. 10.3 that the Director General of the IPO shall establish the procedure for the application for the registration of a trademark, as well as the opposition to it:

Section 10. The Bureau of Legal Affairs.The Bureau of Legal Affairs shall have the following functions:

x x x x

10.3. The Director General may by Regulations establish the procedure to govern the implementation of this Section.

Thus, the Director General issued Office Order No. 79, Series of 2005 amending the regulations on Inter Partes Proceedings, Sec. 12.1 of which provides:

Section 12. *Evidence for the Parties*

12.1. The verified petition or opposition, reply if any, duly marked affidavits of the witnesses, and the documents submitted, shall constitute the entire evidence for the petitioner or opposer. The verified answer, rejoinder if any, and the duly marked affidavits and documents submitted shall constitute the evidence for the respondent. Affidavits, documents and other evidence not submitted and duly marked in accordance with the preceding sections shall not be admitted as evidence.

The preceding sections referred to in the above provision refer to Secs. 7.1, 8.1 and 9 which, in turn, provide:

Section 7. Filing of Petition or Opposition

7.1. The petition or opposition, together with the affidavits of witnesses and originals of the documents and other requirements, shall be filed with the Bureau, provided, that in case of public documents, certified copies shall be allowed in lieu of the originals. The Bureau shall check if the petition or opposition is in due form as provided in the Regulations particularly Rule 3, Section 3; Rule 4, Section 2; Rule 5, Section 3; Rule 6, Section 9; Rule 7, Sections 3 and 5; Rule 8, Sections 3 and 4. For petition for cancellation of layout design (topography) of integrated circuits, Rule 3, Section 3 applies as to the form and requirements. The affidavits, documents and other evidence shall be marked consecutively as "Exhibits" beginning with the letter "A".

Section 8. Answer

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

Section 9. Petition or Opposition and Answer must be verified Subject to Rules 7 and 8 of these regulations, the petition or opposition and the answer must be verified. Otherwise, the same shall not be considered as having been filed.

In other words, as long as the petition is verified and the pieces of evidence consisting of the affidavits of the witnesses and the original of other documentary evidence are attached to the petition and properly marked in accordance with Secs. 7.1 and 8.1 abovementioned, these shall be considered as the evidence of the petitioner. There is no requirement under the abovementioned rules that the evidence of the parties must be formally offered to the BLA.

In any case, as a quasi-judicial agency and as stated in Rule 2, Sec. 5 of the Regulations on Inter Partes Proceedings, the BLA is not bound by technical rules of procedure. The evidence attached to the petition may, therefore, be properly considered in the resolution of the case.

Third Issue:

Whether the IPO Director General can

validly cancel Shen Dars Certificate of Registration

In his Decision, the IPO Director General stated that, despite the fact that the instant case was for the cancellation of the COR issued in favor of EYIS, the interests of justice dictate, and in view of its findings, that the COR of Shen Dar must be cancelled. The Director General explained:

Accordingly, while the instant case involves a petition to cancel the registration of the Appellees trademark VESPA, the interest of justice requires that Certificate of Registration No. 4-1997-121492 be cancelled. While the normal course of proceedings should have been the filing of a petition for cancellation of Certificate of Registration No. 4-1997-121492, that would involve critical facts and issues that have already been resolved in this case. To allow the Applicant to still maintain in the Trademark Registry Certificate of Registration No. 4-1997-121492 would nullify the exclusive rights of Appellee as the true and registered owner of the mark VESPA and defeat the purpose of the trademark registration system.[27]

Shen Dar challenges the propriety of such cancellation on the ground that there was no petition for cancellation as required under Sec. 151 of RA 8293.

Office Order No. 79, Series of 2005, provides under its Sec. 5 that:

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. (Emphasis supplied.)

The above rule reflects the oft-repeated legal principle that quasi-judicial and administrative bodies are not bound by technical rules of procedure. Such principle, however, is tempered by fundamental evidentiary rules, including due process. Thus, we ruled in Aya-ay, Sr. v. Arpaphil Shipping Corp.:[28]

That administrative quasi-judicial bodies like the NLRC are not bound by technical rules of procedure in the adjudication of cases does not mean that the basic rules on proving allegations should be entirely dispensed with. A party alleging a critical fact must still support his allegation with substantial evidence. Any decision based on unsubstantiated allegation cannot stand as it will offend due process.

x x x The liberality of procedure in administrative actions is subject to limitations imposed by basic requirements of due process. As this Court said in Ang Tibay v. CIR, the provision for flexibility in administrative procedure "does not go so far as to justify orders without a basis in evidence having rational probative value." More specifically, as held in Uichico v. NLRC:

It is true that administrative and quasi-judicial bodies like the NLRC are not bound by the technical rules of procedure in the adjudication of cases. However, this procedural rule should not be construed as a license to disregard certain fundamental evidentiary rules.

This was later reiterated in Lepanto Consolidated Mining Company v. Dumapis:[29]

While it is true that administrative or quasi-judicial bodies like the NLRC are not bound

by the technical rules of procedure in the adjudication of cases, this procedural rule should not be construed as a license to disregard certain fundamental evidentiary rules. The evidence presented must at least have a modicum of admissibility for it to have probative value. Not only must there be some evidence to support a finding or conclusion, but the evidence must be substantial. Substantial evidence is more than a mere scintilla. It means such relevant evidence as a reasonable mind might accept as adequate to support a conclusion. Thus, even though technical rules of evidence are not strictly complied with before the LA and the NLRC, their decision must be based on evidence that must, at the very least, be substantial.

The fact that no petition for cancellation was filed against the COR issued to Shen Dar does not preclude the cancellation of Shen Dars COR. It must be emphasized that, during the hearing for the cancellation of EYIS COR before the BLA, Shen Dar tried to establish that it, not EYIS, was the true owner of the mark "VESPA" and, thus, entitled to have it registered. Shen Dar had more than sufficient opportunity to present its evidence and argue its case, and it did. It was given its day in court and its right to due process was respected. The IPO Director Generals disregard of the procedure for the cancellation of a registered mark was a valid exercise of his discretion.

Fourth Issue:

Whether the factual findings of the IPO are binding on the CA

Next, petitioners challenge the CAs reversal of the factual findings of the BLA that Shen Dar and not EYIS is the prior user and, therefore, true owner of the mark. In arguing its position, petitioners cite numerous rulings of this Court where it was enunciated that the factual findings of administrative bodies are given great weight if not conclusive upon the courts when supported by substantial evidence.

We agree with petitioners that the general rule in this jurisdiction is that the factual findings of administrative bodies deserve utmost respect when supported by evidence. However, such general rule is subject to exceptions.

In Fuentes v. Court of Appeals,[30] the Court established the rule of conclusiveness of factual findings of the CA as follows:

Jurisprudence teaches us that "(a)s a rule, the jurisdiction of this Court in cases brought to it from the Court of Appeals x x x is limited to the review and revision of errors of law allegedly committed by the appellate court, as its findings of fact are deemed conclusive. As such this Court is not duty-bound to analyze and weigh all over again the evidence already considered in the proceedings below. This rule, however, is not without exceptions." The findings of fact of the Court of Appeals, which are as a general rule deemed conclusive, may admit of review by this Court:

> (1) when the factual findings of the Court of Appeals and the trial court are contradictory;
>
> (2) when the findings are grounded entirely on speculation, surmises, or conjectures;
>
> (3) when the inference made by the Court of Appeals from its findings of fact is manifestly mistaken, absurd, or impossible;

(4) when there is grave abuse of discretion in the appreciation of facts;

(5) when the appellate court, in making its findings, goes beyond the issues of the case, and such findings are contrary to the admissions of both appellant and appellee;

(6) when the judgment of the Court of Appeals is premised on a misapprehension of facts;

(7) when the Court of Appeals fails to notice certain relevant facts which, if properly considered, will justify a different conclusion;

(8) when the findings of fact are themselves conflicting;

(9) when the findings of fact are conclusions without citation of the specific evidence on which they are based; and

(10) when the findings of fact of the Court of Appeals are premised on the absence of evidence but such findings are contradicted by the evidence on record. (Emphasis supplied.)

Thereafter, in Villaflor v. Court of Appeals,[31] this Court applied the above principle to factual findings of quasi-judicial bodies, to wit:

Proceeding by analogy, the exceptions to the rule on conclusiveness of factual findings of the Court of Appeals, enumerated in Fuentes *vs*. Court of Appeals*,* can also be applied to those of quasi-judicial bodies x x x. (Emphasis supplied.)

Here, the CA identified certain material facts that were allegedly overlooked by the BLA and the IPO Director General which it opined, when correctly appreciated, would alter the result of the case. An examination of the IPO Decisions, however, would show that no such evidence was overlooked.

First, as to the date of first use of the mark by the parties, the CA stated:

To begin with, when respondents-appellees filed its application for registration of the VESPA trademark on July 28, 1999, they stated under oath, as found in their DECLARATION OF ACTUAL USE, that their first use of the mark was on December 22, 1998. On the other hand, [Shen Dar] in its application dated June 09, 1997 stated, likewise under oath in their DECLARATION OF ACTUAL USE, that its first use of the mark was in June 1996. This cannot be made any clearer. [Shen Dar] was not only the first to file an application for registration but likewise first to use said registrable mark.[32]

Evidently, the CA anchors its finding that Shen Dar was the first to use the mark on the statements of the parties in their respective Declarations of Actual Use. Such conclusion is premature at best. While a Declaration of Actual Use is a notarized document, hence, a public document, it is not conclusive as to the fact of first use of a mark. The declaration must be accompanied by proof of actual use as of the date claimed. In a declaration of actual use, the applicant must, therefore, present evidence of such actual use.

The BLA ruled on the same issue, as follows:

More importantly, the private respondents prior adoption and continuous use of the mark VESPA on air compressors is bolstered by numerous documentary evidence consisting of sales invoices issued in the name of E.Y. Industrial and Bill of Lading (Exhibits 4 to 375). Sales Invoice No. 12075 dated March 27, 1995 antedates petitioners date of first use on January 1, 1997 indicated in its trademark application filed on June 9, 1997 as well as the date of first use in June of 1996 as indicated in the Declaration of Actual Use submitted on December 3, 2001 (Exhibit 385). The use by respondent registrant in the concept of owner is shown by commercial documents, sales invoices unambiguously describing the goods as "VESPA" air compressors. Private respondents have sold the air compressors bearing the "VESPA" to various locations in the Philippines, as far as Mindanao and the Visayas since the early 1990s. We carefully inspected the evidence consisting of three hundred seventy-one (371) invoices and shipment documents which show that VESPA air compressors were sold not only in Manila, but to locations such as Iloilo City, Cebu City, Dumaguete City, Zamboanga City, Cagayan de Oro City, Davao City, to name a few. There is no doubt that it is through private respondents efforts that the mark "VESPA" used on air compressors has gained business goodwill and reputation in the Philippines for which it has validly acquired trademark rights. Respondent E.Y. Industrials right has been preserved until the passage of RA 8293 which entitles it to register the same.[33]

Comparatively, the BLAs findings were founded upon the evidence presented by the parties. An example of such evidence is Invoice No. 12075 dated March 29, 1995[34] where EYIS sold four units of VESPA air compressors to Veteran Paint Trade Center. Shen Dar failed to rebut such evidence. The truth, as supported by the evidence on record, is that EYIS was first to use the mark.

Moreover, the discrepancy in the date provided in the Declaration of Actual Use filed by EYIS and the proof submitted was appropriately considered by the BLA, ruling as follows:

On the contrary, respondent EY Industrial was able to prove the use of the mark "VESPA" on the concept of an owner as early as 1991. Although Respondent E.Y. indicated in its trademark application that its first use was in December 22, 1998, it was able to prove by clear and positive evidence of use prior to such date.

In Chuang Te v. Ng Kian-Guiab and Director of Patents, L-23791, 23 November 1966, the High Court clarified: Where an applicant for registration of a trademark states under oath the date of his earliest use, and later on he wishes to carry back his first date of use to an earlier date, he then takes on the greater burden of presenting "clear and convincing evidence" of adoption and use as of that earlier date. (B.R. Baker Co. vs. Lebrow Bros., 150 F. 2d 580.)[35]

The CA further found that EYIS is not a manufacturer of air compressors but merely imports and sells them as a wholesaler and retailer. The CA reasoned:

Conversely, a careful perusal of appellees own submitted receipts shows that it is not manufacturer but an importer, wholesaler and retailer. This fact is corroborated by the testimony of a former employee of appellees. Admittedly too, appellees are importing air compressors from [Shen Dar] from 1997 to 2004. These matters, lend credence to [Shen Dars] claim that the letters SD followed by a number inscribed in the air compressor is only to describe its type, manufacturer business name and capacity. The VESPA mark is in the sticker which is attached to the air compressors. The ruling of the Supreme Court,

in the case of UNNO Commercial Enterprises, Inc. vs. General Milling Corporation et al., is quite enlightening, thus We quote:

"The term owner does not include the importer of the goods bearing the trademark, trade name, service mark, or other mark of ownership, unless such importer is actually the owner thereof in the country from which the goods are imported. Thus, this Court, has on several occasions ruled that where the applicants alleged ownership is not shown in any notarial document and the applicant appears to be merely an importer or distributor of the merchandise covered by said trademark, its application cannot be granted."[36]

This is a non sequitur. It does not follow. The fact that EYIS described itself in its sales invoice as an importer, wholesaler and retailer does not preclude its being a manufacturer. Sec. 237 of the National Internal Revenue Code states:

Section 237. Issuance of Receipts or Sales or Commercial Invoices.All persons subject to an internal revenue tax shall, for each sale and transfer of merchandise or for services rendered valued at Twenty-five pesos (P25.00) or more, issue duly registered receipts or sale or commercial invoices, prepared at least in duplicate, showing the date of transaction, quantity, unit cost and description of merchandise or nature of service: Provided, however, That where the receipt is issued to cover payment made as rentals, commissions, compensation or fees, receipts or invoices shall be issued which shall show the name, business style, if any, and address of the purchaser, customer or client.

The original of each receipt or invoice shall be issued to the purchaser, customer or client at the time the transaction is effected, who, if engaged in business or in the exercise of profession, shall keep and preserve the same in his place of business for a period of three (3) years from the close of the taxable year in which such invoice or receipt was issued, while the duplicate shall be kept and preserved by the issuer, also in his place of business, for a like period.

The Commissioner may, in meritorious cases, exempt any person subject to an internal revenue tax from compliance with the provisions of this Section. (Emphasis supplied.)

Correlatively, in Revenue Memorandum No. 16-2003 dated May 20, 2003, the Bureau of Internal Revenue defined a Sales Invoice and identified its required information as follows:

Sales Invoices (SI)/Cash Invoice (CI) is written account of goods sold or services rendered and the prices charged therefor used in the ordinary course of business evidencing sale and transfer or agreement to sell or transfer of goods and services. It contains the same information found in the Official Receipt.

Official Receipt (OR) is a receipt issued for the payment of services rendered or goods sold. It contains the following information:

a. Business name and address;

b. Taxpayer Identification Number;

c. Name of printer (BIR Permit No.) with inclusive serial number of booklets and date of issuance of receipts.

There is no requirement that a sales invoice should accurately state the nature of all the

businesses of the seller. There is no legal ground to state that EYIS "declaration" in its sales invoices that it is an importer, wholesaler and retailer is restrictive and would preclude its being a manufacturer.

From the above findings, there was no justifiable reason for the CA to disregard the factual findings of the IPO. The rulings of the IPO Director General and the BLA Director were supported by clear and convincing evidence. The facts cited by the CA and Shen Dar do not justify a different conclusion from that of the IPO. Hence, the findings of the BLA Director and the IPO Director General must be deemed as conclusive on the CA.

Fifth Issue:

Whether EYIS is the true owner of the mark "VESPA"

In any event, given the length of time already invested by the parties in the instant case, this Court must write finis to the instant controversy by determining, once and for all, the true owner of the mark "VESPA" based on the evidence presented.

RA 8293 espouses the "first-to-file" rule as stated under Sec. 123.1(d) which states:

Section 123. Registrability. - 123.1. A mark cannot be registered if it:

x x x x

(d) Is identical with a registered mark belonging to a different proprietor or a mark with an earlier filing or priority date, in respect of:

(i) The same goods or services, or

(ii) Closely related goods or services, or

(iii) If it nearly resembles such a mark as to be likely to deceive or cause confusion. (Emphasis supplied.)

Under this provision, the registration of a mark is prevented with the filing of an earlier application for registration. This must not, however, be interpreted to mean that ownership should be based upon an earlier filing date. While RA 8293 removed the previous requirement of proof of actual use prior to the filing of an application for registration of a mark, proof of prior and continuous use is necessary to establish ownership of a mark. Such ownership constitutes sufficient evidence to oppose the registration of a mark.

Sec. 134 of the IP Code provides that "any person who believes that he would be damaged by the registration of a mark x x x" may file an opposition to the application. The term "any person" encompasses the true owner of the markthe prior and continuous user.

Notably, the Court has ruled that the prior and continuous use of a mark may even overcome the presumptive ownership of the registrant and be held as the owner of the mark. As aptly stated by the Court in Shangri-la International Hotel Management, Ltd. v. Developers Group of Companies, Inc.:[37]

Registration, without more, does not confer upon the registrant an absolute right to the registered mark. The certificate of registration is merely a *prima facie* proof that the

registrant is the owner of the registered mark or trade name. Evidence of prior and continuous use of the mark or trade name by another can overcome the presumptive ownership of the registrant and may very well entitle the former to be declared owner in an appropriate case.

x x x x

Ownership of a mark or trade name may be acquired not necessarily by registration but by adoption and use in trade or commerce. As between actual use of a mark without registration, and registration of the mark without actual use thereof, the former prevails over the latter. For a rule widely accepted and firmly entrenched, because it has come down through the years, is that actual use in commerce or business is a pre-requisite to the acquisition of the right of ownership.

x x x x

By itself, registration is not a mode of acquiring ownership. When the applicant is not the owner of the trademark being applied for, he has no right to apply for registration of the same. Registration merely creates a prima facie presumption of the validity of the registration, of the registrants ownership of the trademark and of the exclusive right to the use thereof. Such presumption, just like the presumptive regularity in the performance of official functions, is rebuttable and must give way to evidence to the contrary.

Here, the incontrovertible truth, as established by the evidence submitted by the parties, is that EYIS is the prior user of the mark. The exhaustive discussion on the matter made by the BLA sufficiently addresses the issue:

Based on the evidence, Respondent E.Y. Industrial is a legitimate corporation engaged in buying, importing, selling, industrial machineries and tools, manufacturing, among others since its incorporation in 1988. (Exhibit "1"). Indeed private respondents have submitted photographs (Exhibit "376", "377", "378", "379") showing an assembly line of its manufacturing or assembly process.

More importantly, the private respondents prior adoption and continuous use of the mark "VESPA" on air compressors is bolstered by numerous documentary evidence consisting of sales invoices issued in the name of respondent EY Industrial and Bills of Lading. (Exhibits "4" to "375"). Sales Invoice No. 12075 dated March 27, 1995 antedates petitioners date of first use in January 1, 1997 indicated in its trademark application filed in June 9, 1997 as well as the date of first use in June of 1996 as indicated in the Declaration of Actual Use submitted on December 3, 2001 (Exhibit "385"). The use by respondent-registrant in the concept of owner is shown by commercial documents, sales invoices unambiguously describing the goods as "VESPA" air compressors. Private respondents have sold the air compressors bearing the "VESPA" to various locations in the Philippines, as far as Mindanao and the Visayas since the early 1990s. We carefully inspected the evidence consisting of three hundred seventy one (371) invoices and shipment documents which show that "VESPA" air compressors were sold not only in Manila, but to locations such as Iloilo City, Cebu City, Dumaguete City, Zamboanga City, Cagayan de Oro City, Davao City to name a few. There is no doubt that it is through private respondents efforts that the mark "VESPA" used on air compressors has gained business goodwill and reputation in the Philippines for which it has validly acquired trademark rights. Respondent EY Industrials right has been preserved until the

passage of RA 8293 which entitles it to register the same. x x x[38]

On the other hand, Shen Dar failed to refute the evidence cited by the BLA in its decision. More importantly, Shen Dar failed to present sufficient evidence to prove its own prior use of the mark "VESPA." We cite with approval the ruling of the BLA:

[Shen Dar] avers that it is the true and rightful owner of the trademark "VESPA" used on air compressors. The thrust of [Shen Dars] argument is that respondent E.Y. Industrial Sales, Inc. is a mere distributor of the "VESPA" air compressors. We disagree.

This conclusion is belied by the evidence. We have gone over each and every document attached as Annexes "A", "A" 1-48 which consist of Bill of Lading and Packing Weight List. Not one of these documents referred to a "VESPA" air compressor. Instead, it simply describes the goods plainly as air compressors which is type "SD" and not "VESPA". More importantly, the earliest date reflected on the Bill of Lading was on May 5, 1997. (Annex "A"-1). [Shen Dar] also attached as Annex "B" a purported Sales Contract with respondent EY Industrial Sales dated April 20, 2002. Surprisingly, nowhere in the document does it state that respondent EY Industrial agreed to sell "VESPA" air compressors. The document only mentions air compressors which if genuine merely bolsters respondent Engracio Yaps contention that [Shen Dar] approached them if it could sell the "Shen Dar" or "SD" air compressor. (Exhibit "386") In its position paper, [Shen Dar] merely mentions of Bill of Lading constituting respondent as consignee in 1993 but never submitted the same for consideration of this Bureau. The document is also not signed by [Shen Dar]. The agreement was not even drafted in the letterhead of either [Shen Dar] nor [sic] respondent registrant. Our only conclusion is that [Shen Dar] was not able to prove to be the owner of the VESPA mark by appropriation. Neither was it able to prove actual commercial use in the Philippines of the mark VESPA prior to its filing of a trademark application in 9 June 1997.[39]

As such, EYIS must be considered as the prior and continuous user of the mark "VESPA" and its true owner. Hence, EYIS is entitled to the registration of the mark in its name.

WHEREFORE, the petition is hereby GRANTED. The CAs February 21, 2008 Decision and October 6, 2008 Resolution in CA-G.R. SP No. 99356 are hereby REVERSED and SET ASIDE. The Decision dated May 25, 2007 issued by the IPO Director General in Inter Partes Case No. 14-2004-00084 and the Decision dated May 29, 2006 of the BLA Director of the IPO are hereby REINSTATED.

No costs.

SO ORDERED.

PRESBITERO J. VELASCO, JR.
Associate Justice

WE CONCUR:

RENATO C. CORONA
Chief Justice
Chairperson

TERESITA J. LEONARDO-DE CASTRO

MARIANO C. DEL CASTILLO
Associate Justice

Associate Justice

JOSE PORTUGAL PEREZ
Associate Justice

CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution, I certify that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Courts Division.

RENATO C. CORONA
Chief Justice

Endnotes:

1 Rollo, pp. 56-70. Penned by Associate Justice Enrico A. Lanzanas and concurred in by Associate Justices Remedios Salazar-Fernando (Chairperson) and Rosalinda Asuncion-Vicente.

2 Id. at 71-78.

3 Id. at 231-241.

4 Id. at 218-229.

5 Id. at 12.

6 Id. at 58.

7 Id. at 12.

8 Id. at 88.

9 Id. at 169-173.

10 Id. at 57.

11 Id. at 234.

12 Id. at 57.

13 Id.

14 Id.

15 Id. at 58.

16 Id. at 59-60.

17 Id. at 60-61.

18 Id. at 61.

19 Id. at 56-57.

20 Id. at 63.

21 Id. at 69-70.

22 Id. at 66-67.

23 Id. at 18.

24 G.R. No. 149281, June 15, 2005, 460 SCRA 220, 227.

25 Rollo, p. 225.

26 Id. at 68.

27 Id. at 241.

28 G.R. No. 155359, January 31, 2006, 481 SCRA 282, 296-297.

29 G.R. No. 163210, August 13, 2008, 562 SCRA 103, 113-114.

30 G.R. No. 109849, February 26, 1997, 268 SCRA 703, 708-709.

31 G.R. No. 95694, October 9, 1997, 280 SCRA 297, 330-331.

32 Rollo, pp. 66-67.

33 Id. at 228.

34 Id. at 173.

35 Id. at 227.

36 Id. at 67-68.

37 G.R. No. 159938, March 31, 2006, 486 SCRA 405, 419-421.

38 Rollo, p. 228.

39 Id. at 226.