

## SECOND DIVISION

**[ G.R. No. 222366, December 04, 2017 ]**

**W LAND HOLDINGS, INC., PETITIONER, V. STARWOOD HOTELS AND RESORTS WORLDWIDE, INC., RESPONDENT.**

### DECISION

**PERLAS-BERNABE, J.:**

Assailed in this petition for review on *certiorari*<sup>[1]</sup> are the Decision<sup>[2]</sup> dated June 22, 2015 and the Resolution<sup>[3]</sup> dated January 7, 2016 of the Court of Appeals (CA) in CA-G.R. SP No. 133825 affirming the Decision<sup>[4]</sup> dated January 10, 2014 of the Intellectual Property Office (IPO) - Director General (IPO DG), which, in turn, reversed the Decision<sup>[5]</sup> dated May 11, 2012 of the IPO Bureau of Legal Affairs (BLA) in Inter Partes Case No. 14-2009-00143, and accordingly, dismissed petitioner W Land Holdings, Inc.'s (W Land) petition for cancellation of the trademark "W" registered in the name of respondent Starwood Hotels and Resorts, Worldwide, Inc. (Starwood).

#### The Facts

On December 2, 2005, Starwood filed before the IPO an application for registration of the trademark "W" for Classes 43<sup>[6]</sup> and 44<sup>[7]</sup> of the International Classification of Goods and Services for the Purposes of the Registration of Marks<sup>[8]</sup> (Nice Classification).<sup>[9]</sup> On February 26, 2007, Starwood's application was granted and thus, the "W" mark was registered in its name.<sup>[10]</sup> However, on April 20, 2006, W Land applied<sup>[11]</sup> for the registration of its own "W" mark for Class 36,<sup>[12]</sup> which thereby prompted Starwood to oppose the same.<sup>[13]</sup> In a Decision<sup>[14]</sup> dated April 23, 2008, the BLA found merit in Starwood's opposition, and ruled that W Land's "W" mark is confusingly similar with Starwood's mark,<sup>[15]</sup> which had an earlier filing date. W Land filed a motion for reconsideration<sup>[16]</sup> on June 11, 2008, which was denied by the BLA in a Resolution<sup>[17]</sup> dated July 23, 2010.

On May 29, 2009, W Land filed a Petition for Cancellation<sup>[18]</sup> of Starwood's mark for non-use under Section 151.1<sup>[19]</sup> of Republic Act No. 8293 or the "Intellectual Property Code of the Philippines" (IP Code),<sup>[20]</sup> claiming that Starwood has failed to use its mark in the Philippines because it has no hotel or establishment in the Philippines rendering the services covered by its registration; and that Starwood's "W" mark application and registration barred its own "W" mark application and registration for use on real estate.<sup>[21]</sup>

In its defense,<sup>[22]</sup> Starwood denied having abandoned the subject mark on the ground of non-use, asserting that it filed with the Director of Trademarks a notarized Declaration of Actual Use<sup>[23]</sup> (DAU)<sup>[24]</sup> with evidence of use on December 2, 2008,<sup>[25]</sup> which was not rejected. In this relation, Starwood argued that it conducts hotel and leisure business both directly and indirectly through subsidiaries and franchisees, and

operates interactive websites for its W Hotels in order to accommodate its potential clients worldwide.<sup>[26]</sup> According to Starwood, apart from viewing agents, discounts, promotions, and other marketing fields being offered by it, these interactive websites allow Philippine residents to make reservations and bookings, which presuppose clear and convincing use of the "W" mark in the Philippines.<sup>[27]</sup>

### **The BLA Ruling**

In a Decision<sup>[28]</sup> dated May 11, 2012, the BLA ruled in W Land's favor, and accordingly ordered the cancellation of Starwood's registration for the "W" mark. The BLA found that the DAU and the attachments thereto submitted by Starwood did not prove actual use of the "W" mark in the Philippines, considering that the "evidences of use" attached to the DAU refer to hotel or establishments that are located abroad.<sup>[29]</sup> In this regard, the BLA opined that "the use of a trademark as a business tool and as contemplated under [Section 151.1 (c) of RA 8293] refers to the actual attachment thereof to goods and services that are sold or availed of and located in the Philippines."<sup>[30]</sup>

Dissatisfied, Starwood appealed<sup>[31]</sup> to the IPO DG.

### **The IPO DG Ruling**

In a Decision<sup>[32]</sup> dated January 10, 2014, the IPO DG granted Starwood's appeal,<sup>[33]</sup> thereby dismissing W Land's Petition for Cancellation. Contrary to the BLA's findings, the IPO DG found that Starwood's submission of its DAU and attachments, coupled by the acceptance thereof by the IPO Bureau of Trademarks, shows that the "W" mark still bears a "registered" status. Therefore, there is a presumption that Starwood sufficiently complied with the registration requirements for its mark.<sup>[34]</sup> The IPO DG likewise held that the absence of any hotel or establishment owned by Starwood in the Philippines bearing the "W" mark should not be equated to the absence of its use in the country, opining that Starwood's pieces of evidence, particularly its interactive website, indicate actual use in the Philippines,<sup>[35]</sup> citing Rule 205<sup>[36]</sup> of the Trademark Regulations, as amended by IPO Office Order No. 056-13.<sup>[37]</sup> Finally, the IPO DG stressed that since Starwood is the undisputed owner of the "W" mark for use in hotel and hotel-related services, any perceived damage on the part of W Land in this case should be subordinated to the essence of protecting Starwood's intellectual property rights. To rule otherwise is to undermine the intellectual property system.<sup>[38]</sup>

Aggrieved, W Land filed a petition for review<sup>[39]</sup> under Rule 43 of the Rules of Court before the CA.

### **The CA Ruling**

In a Decision<sup>[40]</sup> dated June 22, 2015, the CA affirmed the IPO DG ruling. At the onset, the CA observed that the hotel business is peculiar in nature in that the offer, as well as the acceptance of room reservations or bookings wherever in the world is an indispensable element. As such, the actual existence or presence of a hotel in one place is not necessary before it can be considered as doing business therein.<sup>[41]</sup> In this regard, the CA recognized that the internet has become a powerful tool in allowing businesses to reach out to consumers in a given market without being physically present thereat; thus, the IPO DG correctly held that Starwood's interactive websites already indicate its actual use in the Philippines of the "W" mark.<sup>[42]</sup> Finally, the CA echoed the IPO DG's finding that since Starwood is the true owner of the "W" mark - as shown by the fact that Starwood had already applied for the registration of this mark

even before W Land was incorporated - its registration over the same should remain valid, absent any showing that it has abandoned the use thereof.<sup>[43]</sup>

Unperturbed, W Land moved for reconsideration,<sup>[44]</sup> but was denied in a Resolution<sup>[45]</sup> dated January 7, 2016; hence, this petition.

### **The Issue Before the Court**

The essential issue for the Court's resolution is whether or not the CA correctly affirmed the IPO DG's dismissal of W Land's Petition for Cancellation of Starwood's "W" mark.

### **The Court's Ruling**

The petition is without merit.

The IP Code defines a "mark" as "any visible sign capable of distinguishing the goods (trademark) or services (service mark) of an enterprise."<sup>[46]</sup> Case law explains that "[t]rademarks deal with the psychological function of symbols and the effect of these symbols on the public at large."<sup>[47]</sup> It is a merchandising short-cut, and, "[w]hatever the means employed, the aim is the same to convey through the mark, in the minds of potential customers, the desirability of the commodity upon which it appears."<sup>[48]</sup> Thus, the protection of trademarks as intellectual property is intended not only to preserve the goodwill and reputation of the business established on the goods or services bearing the mark through actual use over a period of time, but also to safeguard the public as consumers against confusion on these goods or services.<sup>[49]</sup> As viewed by modern authorities on trademark law, trademarks perform three (3) distinct functions: (1) they indicate origin or ownership of the articles to which they are attached; (2) they guarantee that those articles come up to a certain standard of quality; and (3) they advertise the articles they symbolize.<sup>[50]</sup>

In *Berris Agricultural Co., Inc. v. Abyadang*,<sup>[51]</sup> this Court explained that "[t]he ownership of a trademark is acquired by its registration and its actual use by the manufacturer or distributor of the goods made available to the purchasing public. x x x. A certificate of registration of a mark, once issued, constitutes *prima facie* evidence of the validity of the registration, of the registrant's ownership of the mark, and of the registrant's exclusive right to use the same in connection with the goods or services and those that are related thereto specified in the certificate."<sup>[52]</sup> However, "the *prima facie* presumption brought about by the registration of a mark may be challenged and overcome, in an appropriate action, **by proof of[, among others,] non-use of the mark**, except when excused."<sup>[53]</sup>

The actual use of the mark representing the goods or services introduced and transacted in commerce over a period of time creates that goodwill which the law seeks to protect. For this reason, the IP Code, under Section 124.2,<sup>[54]</sup> requires the registrant or owner of a registered mark to declare "actual use of the mark" (DAU) and present evidence of such use within the prescribed period. Failing in which, the IPO DG may cause the *motu proprio* removal from the register of the mark's registration.<sup>[55]</sup> Also, any person, believing that "he or she will be damaged by the registration of a mark," which has not been used within the Philippines, may file a petition for cancellation.<sup>[56]</sup> Following the basic rule that he who alleges must prove his case,<sup>[57]</sup> the burden lies on the petitioner to show damage and non-use.

The IP Code and the Trademark Regulations have not specifically defined "use." However, it is understood that **the "use" which the law requires to maintain the registration of a mark must be genuine**, and not merely token. Based on foreign authorities,<sup>[58]</sup> genuine use may be characterized **as a bona fide use which results or tends to result, in one way or another, into a commercial interaction or transaction "in the ordinary course of trade."**<sup>[59]</sup>

What specific act or acts would constitute use of the mark sufficient to keep its registration in force may be gleaned from the Trademark Regulations, Rule 205 of which reads:

RULE 205. *Contents of the Declaration and Evidence of Actual Use.* — **The declaration shall be under oath**, must refer to only one application or registration, must contain the name and address of the applicant or registrant **declaring that the mark is in actual use in the Philippines**, list of goods where the mark is attached; **list the name or names and the exact location or locations of the outlet or outlets** where the products are being sold or **where the services are being rendered**, **recite sufficient facts to show that the mark described in the application or registration is being actually used in the Philippines and, specifying the nature of such use.** The declarant shall attach five labels as actually used on the goods or the picture of the stamped or marked container visibly and legibly showing the mark as well as proof of payment of the prescribed fee. [As amended by Office Order No. 08 (2000)] (Emphases supplied)

The Trademark Regulations was amended by Office Order No. 056-13. Particularly, Rule 205 now mentions certain items which "shall be accepted as proof of actual use of the mark:"

RULE 205. *Contents of the Declaration and Evidence of Actual Use.*—

(a) The declaration shall be under oath and filed by the applicant or registrant (or the authorized officer in case of a juridical entity) or the attorney or authorized representative of the applicant or registrant. The declaration must refer to only one application or registration, shall contain the name and address of the applicant or registrant declaring that the mark is in actual use in the Philippines, the list of goods or services where the mark is used, the name/s of the establishment and address where the products are being sold or where the services are being rendered. If the goods or services are available only by online purchase, the website must be indicated on the form in lieu of name or address of the establishment or outlet. The applicant or registrant may include other facts to show that the mark described in the application or registration is actually being used in the Philippines. The date of first use shall not be required.

(b) Actual use for some of the goods and services in the same class shall constitute use for the entire class of goods and services. Actual use for one class shall be considered use for related classes. In the event that some classes are not covered in the declaration, a subsequent declaration of actual use may be filed for the other classes of goods or services not included in the first declaration, provided that the subsequent declaration is filed within the three year period or the extension period, in case an extension of time to file the declaration was timely made. In the event that no subsequent declaration of actual use for the other classes of goods and services is filed within the prescribed period, the classes shall be

automatically dropped from the application or registration without need of notice to the applicant or registrant.

(c) **The following shall be accepted as proof of actual use of the mark:** (1) labels of the mark as these are used; (2) **downloaded pages from the website of the applicant or registrant clearly showing that the goods are being sold or the services are being rendered in the Philippines;** (3) photographs (including digital photographs printed on ordinary paper) of goods bearing the marks as these are actually used or of the stamped or marked container of goods and of the establishment/s where the services are being rendered; (4) brochures or advertising materials showing the actual use of the mark on the goods being sold or services being rendered in the Philippines; (5) **for online sale, receipts of sale of the goods or services rendered or other similar evidence of use, showing that the goods are placed on the market or the services are available in the Philippines or that the transaction took place in the Philippines;** (6) copies of contracts for services showing the use of the mark. Computer printouts of the drawing or reproduction of marks will not be accepted as evidence of use.

(d) **The Director may, from time to time, issue a list of acceptable evidence of use and those that will not be accepted by the Office.**  
(Emphases and underscoring supplied)

Office Order No. 056-13 was issued by the IPO DG on April 5, 2013, pursuant to his delegated rule-making authority under Section 7 of the IP Code.<sup>[60]</sup> The rationale for this issuance, per its whereas clauses, is to further "the policy of the [IPO] to streamline administrative procedures in registering trademarks" and in so doing, address the need "to clarify what will be accepted as proof of use." In this regard, the parameters and list of evidence introduced under the amended Trademark Regulations are thus mere administrative guidelines which are only meant to flesh out the types of acceptable evidence necessary to prove what the law already provides, i.e., the requirement of actual use. As such, contrary to W Land's postulation,<sup>[61]</sup> the same does not diminish or modify any substantive right and hence, may be properly applied to "all pending and registered marks,"<sup>[62]</sup> as in Starwood's "W" mark for hotel / hotel reservation services being rendered or, at the very least, made available in the Philippines.

Based on the amended Trademark Regulations, it is apparent that the IPO has now given due regard to the advent of commerce on the internet. Specifically, it now recognizes, among others, "downloaded pages from the website of the applicant or registrant clearly showing that the goods are being sold or the services are being rendered in the Philippines," as well as "for online sale, receipts of sale of the goods or services rendered or other similar evidence of use, showing that the goods are placed on the market or the services are available in the Philippines or that the transaction took place in the Philippines,"<sup>[63]</sup> as acceptable proof of actual use. Truly, the Court discerns that these amendments are but an inevitable reflection of the realities of the times. In *Mirpuri v. CA*,<sup>[64]</sup> this Court noted that "[a]dvertising on the Net and cybershopping are turning the Internet into a commercial marketplace:"<sup>[65]</sup>

The Internet is a decentralized computer network linked together through routers and communications protocols that enable anyone connected to it to communicate with others likewise connected, regardless of physical location. Users of the Internet have a wide variety of communication methods