

## FIRST DIVISION

[ G.R. No. 184850, October 20, 2010 ]

**E.Y. INDUSTRIAL SALES, INC. AND ENGRACIO YAP,  
PETITIONERS, VS. 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<sup>[1]</sup> and the October 6, 2008 Resolution<sup>[2]</sup> 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<sup>[3]</sup> 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<sup>[4]</sup> 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.<sup>[5]</sup> Petitioner Engracio Yap is the Chairman of the Board of Directors of EYIS.<sup>[6]</sup>

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

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,<sup>[8]</sup> 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.<sup>[9]</sup> 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.<sup>[10]</sup>

On July 28, 1999, EYIS filed Trademark Application Serial No. 4-1999-005393, also for the mark "VESPA," for use on air compressors.<sup>[11]</sup> On January 18, 2004, the IPO issued COR No. 4-1999-005393 in favor of EYIS.<sup>[12]</sup> Thereafter, on February 8, 2007, Shen Dar was also issued COR No. 4-1997-121492.<sup>[13]</sup>

In the meantime, on June 21, 2004, Shen Dar filed a Petition for Cancellation of EYIS' COR with the BLA.<sup>[14]</sup> 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.<sup>[15]</sup>

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.<sup>[16]</sup>

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.<sup>[17]</sup>

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.<sup>[18]</sup>

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.<sup>[19]</sup>

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 Dar's COR No. 4-1997-121492 without a petition for cancellation; and
6. Whether Shen Dar sustained damages.<sup>[20]</sup>

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.<sup>[21]</sup>

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 Dar's 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.<sup>[22]</sup>

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 Respondent's 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.<sup>[23]</sup>

### **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*,<sup>[24]</sup> 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 Court's 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 petitioner's 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 Court's 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