

SECOND DIVISION

[G.R. NO. 159938, March 31, 2006]

**SHANGRI-LA INTERNATIONAL HOTEL MANAGEMENT, LTD.,
SHANGRI-LA PROPERTIES, INC., MAKATI SHANGRI-LA HOTEL &
RESORT, INC., AND KUOK PHILIPPINES PROPERTIES, INC.,
PETITIONERS, VS. DEVELOPERS GROUP OF COMPANIES, INC.,
RESPONDENT.**

D E C I S I O N

GARCIA, J.:

In this petition for review under Rule 45 of the Rules of Court, petitioners Shangri-La International Hotel Management, Ltd. (SLIHM), *et al.* assail and seek to set aside the Decision dated May 15, 2003^[1] of the Court of Appeals (CA) in CA-G.R. CV No. 53351 and its Resolution^[2] of September 15, 2003 which effectively affirmed with modification an earlier decision of the Regional Trial Court (RTC) of Quezon City in Civil Case No. Q-91-8476, an action for infringement and damages, thereat commenced by respondent Developers Group of Companies, Inc. (DGCI) against the herein petitioners.

The facts:

At the core of the controversy are the "*Shangri-La*" mark and "S" logo. Respondent DGCI claims ownership of said mark and logo in the Philippines on the strength of its prior use thereof within the country. As DGCI stresses at every turn, it filed on October 18, 1982 with the Bureau of Patents, Trademarks and Technology Transfer (BPTTT) pursuant to Sections 2 and 4 of Republic Act (RA) No. 166,^[3] as amended, an application for registration covering the subject mark and logo. On May 31, 1983, the BPTTT issued in favor of DGCI the corresponding certificate of registration therefor, i.e., Registration No. 31904. Since then, DGCI started using the "*Shangri-La*" mark and "S" logo in its restaurant business.

On the other hand, the Kuok family owns and operates a chain of hotels with interest in hotels and hotel-related transactions since 1969. As far back as 1962, it adopted the name "*Shangri-La*" as part of the corporate names of all companies organized under the aegis of the Kuok Group of Companies (the Kuok Group). The Kuok Group has used the name "*Shangri-La*" in all Shangri-La hotels and hotel-related establishments around the world which the Kuok Family owned.

To centralize the operations of all Shangri-la hotels and the ownership of the "*Shangri-La*" mark and "S" logo, the Kuok Group had incorporated in Hong Kong and Singapore, among other places, several companies that form part of the Shangri-La International Hotel Management Ltd. Group of Companies. EDSA Shangri-La Hotel and Resort, Inc., and Makati Shangri-La Hotel and Resort, Inc. were incorporated in the Philippines beginning 1987 to own and operate the two (2) hotels put up by the

Kuok Group in Mandaluyong and Makati, Metro Manila.

All hotels owned, operated and managed by the aforesaid SLIHM Group of Companies adopted and used the distinctive lettering of the name "*Shangri-La*" as part of their trade names.

From the records, it appears that Shangri-La Hotel Singapore commissioned a Singaporean design artist, a certain Mr. William Lee, to conceptualize and design the logo of the Shangri-La hotels.

During the launching of the stylized "S" Logo in February 1975, Mr. Lee gave the following explanation for the logo, to wit:

The logo which is shaped like a "S" represents the uniquely Asean architectural structures as well as keep to the legendary Shangri-la theme with the mountains on top being reflected on waters below and the connecting centre [sic] line serving as the horizon. This logo, which is a bold, striking definitive design, embodies both modernity and sophistication in balance and thought.

Since 1975 and up to the present, the "*Shangri-La*" mark and "S" logo have been used consistently and continuously by all Shangri-La hotels and companies in their paraphernalia, such as stationeries, envelopes, business forms, menus, displays and receipts.

The Kuok Group and/or petitioner SLIHM caused the registration of, and in fact registered, the "*Shangri-La*" mark and "S" logo in the patent offices in different countries around the world.

On June 21, 1988, the petitioners filed with the BPTTT a petition, docketed as *Inter Partes Case No. 3145*, praying for the cancellation of the registration of the "*Shangri-La*" mark and "S" logo issued to respondent DGCI on the ground that the same were illegally and fraudulently obtained and appropriated for the latter's restaurant business. They also filed in the same office *Inter Partes Case No. 3529*, praying for the registration of the same mark and logo in their own names.

Until 1987 or 1988, the petitioners did not operate any establishment in the Philippines, albeit they advertised their hotels abroad since 1972 in numerous business, news, and/or travel magazines widely circulated around the world, all readily available in Philippine magazines and newsstands. They, too, maintained reservations and booking agents in airline companies, hotel organizations, tour operators, tour promotion organizations, and in other allied fields in the Philippines.

It is principally upon the foregoing factual backdrop that respondent DGCI filed a complaint for Infringement and Damages with the RTC of Quezon City against the herein petitioners SLIHM, Shangri-La Properties, Inc., Makati Shangri-La Hotel & Resort, Inc., and Kuok Philippine Properties, Inc., docketed as *Civil Case No. Q-91-8476* and eventually raffled to Branch 99 of said court. The complaint with prayer for injunctive relief and damages alleged that DGCI has, for the last eight (8) years, been the prior exclusive user in the Philippines of the mark and logo in question and the registered owner thereof for its restaurant and allied services. As DGCI alleged in its complaint, SLIHM, *et al.*, in promoting and advertising their hotel and

other allied projects then under construction in the country, had been using a mark and logo confusingly similar, if not identical, with its mark and "S" logo. Accordingly, DGCI sought to prohibit the petitioners, as defendants *a quo*, from using the "Shangri-La" mark and "S" logo in their hotels in the Philippines.

In their Answer with Counterclaim, the petitioners accused DGCI of appropriating and illegally using the "Shangri-La" mark and "S" logo, adding that the legal and beneficial ownership thereof pertained to SLIHM and that the Kuok Group and its related companies had been using this mark and logo since March 1962 for all their corporate names and affairs. In this regard, they point to the *Paris Convention for the Protection of Industrial Property* as affording security and protection to SLIHM's exclusive right to said mark and logo. They further claimed having used, since late 1975, the internationally-known and specially-designed "Shangri-La" mark and "S" logo for all the hotels in their hotel chain.

Pending trial on the merits of Civil Case No. Q-91-8476, the trial court issued a Writ of Preliminary Injunction enjoining the petitioners from using the subject mark and logo. The preliminary injunction issue ultimately reached the Court in **G.R. No. 104583** entitled *Developers Group of Companies, Inc. vs. Court of Appeals, et al.*

In a decision^[4] dated March 8, 1993, the Court nullified the writ of preliminary injunction issued by the trial court and directed it to proceed with the main case and decide it with deliberate dispatch.

While trial was in progress, the petitioners filed with the court a motion to suspend proceedings on account of the pendency before the BPTTT of *Inter Partes Case No. 3145* for the cancellation of DGCI's certificate of registration. For its part, respondent DGCI filed a similar motion in that case, invoking in this respect the pendency of its infringement case before the trial court. The parties' respective motions to suspend proceedings also reached the Court via their respective petitions in **G.R. No. 114802**, entitled *Developers Group of Companies, Inc. vs. Court of Appeals, et al.* and **G.R. No. 111580**, entitled *Shangri-La International Hotel Management LTD., et al. vs. Court of Appeals, et al.*, which were accordingly consolidated.

In a consolidated decision^[5] dated June 21, 2001, the Court, limiting itself to the core issue of whether, despite the petitioners' institution of *Inter Partes Case No. 3145* before the BPTTT, herein respondent DGCI "can file a subsequent action for infringement with the regular courts of justice in connection with the same registered mark," ruled in the affirmative, but nonetheless ordered the BPTTT to suspend further proceedings in said inter partes case and to await the final outcome of the main case.

Meanwhile, trial on the merits of the infringement case proceeded. Presented as DGCI's lone witness was Ramon Syhunliong, President and Chairman of DGCI's Board of Directors. Among other things, this witness testified that:

1. He is a businessman, with interest in lumber, hotel, hospital, trading and restaurant businesses but only the restaurant business bears the name "Shangri-La" and uses the same and the "S-logo" as service marks. The restaurant now known as "Shangri-La Finest Chinese Cuisine" was formerly known as the "Carvajal

- Restaurant" until December 1982, when respondent took over said restaurant business.
2. He had traveled widely around Asia prior to 1982, and admitted knowing the Shangri-La Hotel in Hong Kong as early as August 1982.
 3. The "S-logo" was one of two (2) designs given to him in December 1982, scribbled on a piece of paper by a jeepney signboard artist with an office somewhere in Balintawak. The unnamed artist supposedly produced the two designs after about two or three days from the time he (Syhunliong) gave the idea of the design he had in mind.
 4. On October 15, 1982, or before the unknown signboard artist supposedly created the "Shangri-La" and "S" designs, DGCI was incorporated with the primary purpose of "owning or operating, or both, of hotels and restaurants".
 5. On October 18, 1982, again prior to the alleged creation date of the mark and logo, DGCI filed an application for trademark registration of the mark "SHANGRI-LA FINEST CHINESE CUISINE & S. Logo" with the BPTTT. On said date, respondent DGCI amended its Articles of Incorporation to reflect the name of its restaurant, known and operating under the style and name of "SHANGRI-LA FINEST CHINESE CUISINE." Respondent DGCI obtained Certificate of Registration No. 31904 for the "Shangri-La" mark and "S" logo.

Eventually, the trial court, on the postulate that petitioners', more particularly petitioner SLIHM's, use of the mark and logo in dispute constitutes an infringement of DGCI's right thereto, came out with its decision^[6] on March 8, 1996 rendering judgment for DGCI, as follows:

WHEREFORE, judgment is hereby rendered in favor of [respondent DGCI] and against [SLIHM, et al.] —

- a) Upholding the validity of the registration of the service mark "Shangri-la" and "S-Logo" in the name of [respondent];
- b) Declaring [petitioners'] use of said mark and logo as infringement of [respondent's] right thereto;
- c) Ordering [petitioners], their representatives, agents, licensees, assignees and other persons acting under their authority and with their permission, to permanently cease and desist from using and/or continuing to use said mark and logo, or any copy, reproduction or colorable imitation thereof, in the promotion, advertisement, rendition of their hotel and allied projects and services or in any other manner whatsoever;
- d) Ordering [petitioners] to remove said mark and logo from any premises, objects, materials and paraphernalia used by them and/or destroy any and all prints, signs, advertisements or other materials bearing said mark and logo in their possession and/or under their control; and

e) Ordering [petitioners], jointly and severally, to indemnify [respondent] in the amounts of P2,000,000.00 as actual and compensatory damages, P500,000.00 as attorney's fee and expenses of litigation.

Let a copy of this Decision be certified to the Director, Bureau of Patents, Trademarks and Technology Transfer for his information and appropriate action in accordance with the provisions of Section 25, Republic Act No. 166

Costs against [petitioners].

SO ORDERED. [Words in brackets added.]

Therefrom, the petitioners went on appeal to the CA whereat their recourse was docketed as *CA G.R. SP No. 53351*.

As stated at the threshold hereof, the CA, in its assailed Decision of **May 15, 2003**, [7] affirmed that of the lower court with the modification of deleting the award of attorney's fees. The appellate court predicated its affirmatory action on the strength or interplay of the following premises:

1. Albeit the Kuok Group used the mark and logo since 1962, the evidence presented shows that the bulk use of the tradename was abroad and not in the Philippines (until 1987). Since the Kuok Group does not have proof of actual use in commerce in the Philippines (in accordance with Section 2 of R.A. No. 166), it cannot claim ownership of the mark and logo in accordance with the holding in *Kabushi Kaisha Isetan v. IAC* [8], as reiterated in *Philip Morris, Inc. v. Court of Appeals*. [9]
2. On the other hand, respondent has a right to the mark and logo by virtue of its prior use in the Philippines and the issuance of Certificate of Registration No. 31904.
3. The use of the mark or logo in commerce through the bookings made by travel agencies is unavailing since the Kuok Group did not establish any branch or regional office in the Philippines. As it were, the Kuok Group was not engaged in commerce in the Philippines inasmuch as the bookings were made through travel agents not owned, controlled or managed by the Kuok Group.
4. While the Paris Convention protects internationally known marks, R.A. No. 166 still requires use in commerce in the Philippines. Accordingly, and on the premise that international agreements, such as Paris Convention, must yield to a municipal law, the question on the exclusive right over the mark and logo would still depend on actual use in commerce in the Philippines.

Petitioners then moved for a reconsideration, which motion was denied by the CA in its equally assailed **Resolution of September 15, 2003**. [10]

As formulated by the petitioners, the issues upon which this case hinges are: