

Title

Superior Commercial Enterprises, Inc. vs. Kunnan Enterprises Ltd. and Sports Concept & Distributor, Inc.

Facts

Superior Commercial Enterprises, Inc. (Superior) filed a complaint against Kunnan Enterprises Ltd. (Kunnan) and Sports Concept & Distributor, Inc. (Sports Concept) for trademark infringement and unfair competition. The case, initially heard by the Regional Trial Court (RTC) of Quezon City, escalated through several legal proceedings, reaching the Court of Appeals (CA) and ultimately the Supreme Court of the Philippines.

Superior claimed ownership of the trademarks “KENNEX,” “KENNEX & DEVICE,” “PRO KENNEX,” and “PRO-KENNEX,” alleging prior use and registration in the Philippines. Superior’s argument of ownership was partly based on a distributorship agreement made with Kunnan, suggesting Kunnan intended to acquire trademark ownership registered by Superior.

Kunnan countered, stating that it was the original creator and user of the “PRO KENNEX” trademark since 1976, and that Superior, as its distributor, had fraudulently registered the trademarks in its own name. Kunnan alleged that Superior deceived them into signing an assignment agreement that transferred Kunnan’s applications for the disputed trademarks to Superior.

Parallel to the infringement case, Kunnan initiated petitions for cancellation of the disputed trademarks registered under Superior’s name before the (then) Bureau of Patents, Trademarks and Technology Transfer due to fraudulent registration. Upon terminating its distributorship agreement with Superior, Kunnan appointed Sports Concept as its new distributor and publicized this through a notice.

The RTC found Kunnan liable for trademark infringement and unfair competition, granting relief to Superior. However, Kunnan and Sports Concept appealed to the CA, which eventually reversed the RTC’s decision, dismissing Superior’s claims on the grounds of insufficient evidence for claimed ownership and rights over the trademarks.

Issues

1. Whether or not the CA erred in holding that Superior is not the true and rightful owner of the trademarks “KENNEX” and “PRO-KENNEX” in the Philippines.
2. Whether or not the CA erred in holding that Superior is a mere distributor of Kunnan in

the Philippines.

3. Whether or not the CA erred in reversing the RTC's decision, lifting the preliminary injunction against Kunnan and Sports Concept, and dismissing the complaint for infringement of trademark and unfair competition.

Court's Decision

The Supreme Court upheld the CA's decision, rejecting Superior's claims for lack of merit. It ruled that the cancellation of trademark registration, which was finally adjudged in another related case (Registration Cancellation Case), rendered Superior without legal basis for its claims for trademark infringement. Superior, being only a distributor and not the rightful owner, had no proprietary interest over the trademarks in question. The Court further noted that the doctrine of res judicata applied, barring the re-litigation of the ownership issue already determined with finality in the Registration Cancellation Case. Additionally, the Supreme Court found no evidence of unfair competition on the part of Kunnan.

Doctrine

The Supreme Court reiterated the doctrines that:

1. The cancellation of trademark registration deprives the registrant of protection from infringement, negating claims based on such registration once it is canceled.
2. Only the owner of a trademark has the right to register and assert rights over it against others.
3. The principles of res judicata apply to prevent the re-litigation of issues already resolved with finality between the same parties.

Class Notes

- **Trademark Ownership**: To claim infringement, one must prove the validity of the mark, ownership, and the likelihood of confusion due to unauthorized use.
- **Fraudulent Registration**: The fraudulent registration of trademarks by a distributor who is not the owner of the marks results in the nullity of such registration and negates any claims based on it.
- **Res Judicata**: Issues adjudicated with finality cannot be relitigated in subsequent actions involving the same parties.

Historical Background

This case illustrates the complexities involved in distributorship agreements and trademark registrations, emphasizing the paramountcy of ownership rights in intellectual property laws. It underscores the judicial mechanism's role in resolving disputes arising from the

commercial use and registration of trademarks, aligning with the principles of equity, good faith, and fair competition in the business realm.