

**SHANGRI-LA INTERNATIONAL HOTEL MANAGEMENT LTD.,
SHANGRI-LA PROPERTIES, INC., MAKATI SHANGRI-LA HOTEL AND
RESORT, INC. AND KUOK PHILIPPINE PROPERTIES, INC.,
PETITIONERS, VS. THE ...**

G.R. No. 111580. June 21, 2001

Ponente: YNARES-SANTIAGO, J.

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YNARES-SANTIAGO, J.:

On June 21, 1988, the Shangri-La International Hotel Management, Ltd., Shangri-La Properties, Inc., Makati Shangri-La Hotel and Resort, Inc. and Kuok Philippine Properties, Inc. (hereinafter collectively referred as the "Shangri-La Group"), filed with the Bureau of Patents, Trademarks and Technology Transfer (BPTTT) a petition, docketed as Inter Partes Case No. 3145, praying for the cancellation of the registration of the "Shangri-La" mark and "S" device/logo issued to the Developers Group of Companies, Inc., on the ground that the same was illegally and fraudulently obtained and appropriated for the latter's restaurant business. The Shangri-La Group alleged that it is the legal and beneficial owners of the subject mark and logo; that it has been using the said mark and logo for its corporate affairs and business since March 1962 and caused the same to be specially designed for their international hotels in 1975, much earlier than the alleged first use thereof by the Developers Group in 1982.

Likewise, the Shangri-La Group filed with the BPTTT its own application for registration of the subject mark and logo. The Developers Group filed an opposition to the application, which was docketed as Inter Partes Case No. 3529.

Almost three (3) years later, or on April 15, 1991, the Developers Group instituted with the Regional Trial Court of Quezon City, Branch 99, a complaint for infringement and damages with prayer for injunction, docketed as Civil Case No. Q-91-8476, against the Shangri-La Group.

On January 8, 1992, the Shangri-La Group moved for the suspension of the proceedings in the infringement case on account of the pendency of the administrative proceedings before the BPTTT.[1] This was denied by the trial court in a Resolution issued on January 16, 1992.[2] The Shangri-La Group filed a Motion for Reconsideration.[3] Soon thereafter, it also filed a Motion to Inhibit against Presiding Judge Felix M. de Guzman.[4] On July 1, 1992, the trial court denied both motions.[5]

The Shangri-La Group filed a petition for certiorari before the Court of Appeals, docketed as CA-G.R. SP No. 29006.[6] On February 15, 1993, the Court of Appeals rendered its decision dismissing the petition for certiorari.[7] The Shangri-La Group filed a Motion for Reconsideration, which was denied on the ground that the same presented no new matter that warranted consideration.[8]

Hence, the instant petition, docketed as G.R. No. 111580, based on the following grounds:

THE HONORABLE COURT OF APPEALS GRAVELY ABUSED ITS DISCRETION AND COMMITTED
A REVERSIBLE ERROR IN NOT FINDING THAT:

- THE INFRINGEMENT CASE SHOULD BE DISMISSED OR AT LEAST SUSPENDED; AND
- THE HONORABLE PRESIDING JUDGE SHOULD INHIBIT HIMSELF FROM TRYING THE INFRINGEMENT CASE.[9]

Meanwhile, on October 28, 1991, the Developers Group filed in Inter Partes Case No. 3145 an Urgent Motion to Suspend Proceedings, invoking the pendency of the infringement case it filed before the Regional Trial Court of Quezon City.[10] On January 10, 1992, the BPTTT, through Director Ignacio S. Sapalo, issued an Order denying the Motion.[11] A Motion for Reconsideration was filed which was, however, denied in a Resolution dated February 11, 1992.[12]

From the denial by the BPTTT of its Urgent Motion to Suspend Proceedings and Motion for Reconsideration, the Developers Group filed with the Court of Appeals a petition for certiorari, mandamus and prohibition, docketed as CA-G.R. SP No. 27742.[13] On March 29, 1994, the Court of Appeals dismissed the petition for lack of merit.[14]

A petition for review was thereafter filed, docketed as G.R. No. 114802, raising the issue of:

WHETHER OR NOT, GIVEN THE ESTABLISHED FACTS AND CIRCUMSTANCES ON RECORD AND THE LAW AND JURISPRUDENCE APPLICABLE TO THE MATTER, THE RESPONDENT COURT ERRED IN HOLDING THAT, INASMUCH AS BOTH THE CIVIL ACTION AND THE ADMINISTRATIVE PROCEEDINGS HERE INVOLVED MAY CO-EXIST AND THE LAW DOES NOT PROVIDE FOR ANY PREFERENCE BY ONE OVER THE OTHER, THE RESPONDENT DIRECTOR HAD JURISDICTION TO RULE AS HE DID AND HAD NOT INCURRED ANY GRAVE ABUSE OF DISCRETION CORRECTIBLE BY THE EXTRAORDINARY REMEDIES OF CERTIORARI, PROHIBITION AND MANDAMUS.[15]

On February 2, 1998, G.R. Nos. 111580 and 114802 were ordered consolidated.

The core issue is simply whether, despite the institution of an Inter Partes case for cancellation of a mark with the BPTTT (now the Bureau of Legal Affairs, Intellectual Property Office) by one party, the adverse party can file a subsequent action for infringement with the regular courts of justice in connection with the same registered mark.

We rule in the affirmative.

Section 151.2 of Republic Act No. 8293, otherwise known as the Intellectual Property Code, provides, as follows

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Section 151.2. Notwithstanding the foregoing provisions, the court or the administrative agency vested with jurisdiction to hear and adjudicate any action to enforce the rights to a registered mark shall likewise exercise jurisdiction to determine whether the registration of said mark may be cancelled in accordance with this Act. The filing of a suit to enforce the registered mark with the proper court or agency shall exclude any other court or agency from assuming jurisdiction over a subsequently filed petition to cancel the same mark. On the other hand, the earlier filing of petition to cancel the mark with the Bureau of Legal Affairs shall not constitute a prejudicial question that must be resolved before an action to enforce the rights to same registered mark may be decided. (Emphasis provided)

Similarly, Rule 8, Section 7, of the Regulations on Inter Partes Proceedings, provides to wit -

Section 7. Effect of filing of a suit before the Bureau or with the proper court. - The filing of a suit to enforce the registered mark with the proper court or Bureau shall exclude any other court or agency from assuming jurisdiction over a subsequently filed petition to cancel the same mark. On the other hand, the earlier filing of petition to cancel the mark with the Bureau shall not constitute a prejudicial question that must be resolved

before an action to enforce the rights to same registered mark may be decided. (Emphasis provided)

Hence, as applied in the case at bar, the earlier institution of an Inter Partes case by the Shangri-La Group for the cancellation of the "Shangri-La" mark and "S" device/logo with the BPTTT cannot effectively bar the subsequent filing of an infringement case by registrant Developers Group. The law and the rules are explicit.

The rationale is plain: Certificate of Registration No. 31904, upon which the infringement case is based, remains valid and subsisting for as long as it has not been cancelled by the Bureau or by an infringement court. As such, Developers Group's Certificate of Registration in the principal register continues as "prima facie evidence of the validity of the registration, the registrant's ownership of the mark or trade-name, and of the registrant's exclusive right to use the same in connection with the goods, business or services specified in the certificate." [16] Since the certificate still subsists, Developers Group may thus file a corresponding infringement suit and recover damages from any person who infringes upon the former's rights. [17]

Furthermore, the issue raised before the BPTTT is quite different from that raised in the trial court. The issue raised before the BPTTT was whether the mark registered by Developers Group is subject to cancellation, as the Shangri-La Group claims prior ownership of the disputed mark. On the other hand, the issue raised before the trial court was whether the Shangri-La Group infringed upon the rights of Developers Group within the contemplation of Section 22 of Republic Act 166.

The case of *Conrad and Company, Inc. v. Court of Appeals* [18] is in point. We held:

We cannot see any error in the above disquisition. It might be mentioned that while an application for the administrative cancellation of a registered trademark on any of the grounds enumerated in Section 17 of Republic Act No. 166, as amended, otherwise known as the Trade-Mark Law, falls under the exclusive cognizance of BPTTT (Sec. 19, Trade-Mark Law), an action, however, for infringement or unfair competition, as well as the remedy of injunction and relief for damages, is explicitly and unquestionably within the competence and jurisdiction of ordinary courts.

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Surely, an application with BPTTT for an administrative cancellation of a registered trade mark cannot per se have the effect of restraining or preventing the courts from the exercise of their lawfully conferred jurisdiction. A contrary rule would unduly expand the doctrine of primary jurisdiction which, simply expressed, would merely behoove regular courts, in controversies involving specialized disputes, to defer to the findings or resolutions of administrative tribunals on certain technical matters. This rule, evidently, did not escape the appellate court for it likewise decreed that for "good cause shown, the lower court, in its sound discretion, may suspend the action pending outcome of the cancellation proceedings" before the BPTTT.

However, while the instant Petitions have been pending with this Court, the infringement court rendered a Decision, dated March 8, 1996, in Civil Case No. Q-91-8476, [19] the dispositive portion of which reads:

WHEREFORE, judgment is hereby rendered in favor of plaintiff Developers Group of Companies, Inc. and against defendants Shangri-La International Hotel Management, Ltd., Shangri-La Properties, Inc., Makati Shangri-La Hotel and Resort, Inc., and Kuok Philippine Properties, Inc. -

- a) Upholding the validity of the registration of the service mark "Shangri-La" and "S-Logo" in the name of plaintiff;
- b) Declaring defendants' use of said mark and logo as an infringement of plaintiff's right thereto;
- c) Ordering defendants, 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 defendants 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 defendants, jointly and severally, to indemnify plaintiff in the amounts of P2,000,000.00 as actual and compensatory damages, P500,000.00 as attorney's fees 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 defendants.

SO ORDERED.[20]

The said Decision is now on appeal with respondent Court of Appeals.[21]

Following both law and the jurisprudence enunciated in *Conrad and Company, Inc. v. Court of Appeals*,^[22] the infringement case can and should proceed independently from the cancellation case with the Bureau so as to afford the owner of certificates of registration redress and injunctive writs. In the same light, so must the cancellation case with the BPTTT (now the Bureau of Legal Affairs, Intellectual Property Office) continue independently from the infringement case so as to determine whether a registered mark may ultimately be cancelled. However, the Regional Trial Court, in granting redress in favor of Developers Group, went further and upheld the validity and preference of the latter's registration over that of the Shangri-La Group.

There can be no denying that the infringement court may validly pass upon the right of registration. Section 161 of Republic Act No. 8293 provides to wit -

SEC. 161. Authority to Determine Right to Registration - In any action involving a registered mark the court may determine the right to registration, order the cancellation of the registration, in whole or in part, and otherwise rectify the register with respect to the registration of any party to the action in the exercise of this. Judgement and orders shall be certified by the court to the Director, who shall make appropriate entry upon the records of the Bureau, and shall be controlled thereby. (Sec. 25, R.A. No. 166a). (Emphasis provided)

With the decision of the Regional Trial Court upholding the validity of the registration of the service mark "Shangri-La" and "S" logo in the name of Developers Group, the cancellation case filed with the Bureau hence becomes moot. To allow the Bureau to proceed with the cancellation case would lead to a possible result contradictory to that which the Regional Trial Court has rendered, albeit the same is still on appeal. Such a situation is certainly not in accord with the orderly administration of justice. In any event, the Court of Appeals has the competence and jurisdiction to resolve the merits of the said RTC decision.

We are not unmindful of the fact that in G.R. No. 114802, the only issue submitted for resolution is the correctness of the Court of Appeals' decision sustaining the BPTTT's denial of the motion to suspend the proceedings before it. Yet, to provide a judicious resolution of the issues at hand, we find it apropos to order the suspension of the proceedings before the Bureau pending final determination of the infringement case, where the issue of the validity of the registration of the subject trademark and logo in the name of Developers Group was passed upon.

WHEREFORE, in view of the foregoing, judgment is hereby rendered dismissing G.R. No. 111580 for being moot and academic, and ordering the Bureau of Legal Affairs, Intellectual Property Office, to suspend further

proceedings in Inter Partes Case No. 3145, to await the final outcome of the appeal in Civil Case No. Q-91-8476.

SO ORDERED.

Davide, Jr., C.J. (Chairman), Puno and Pardo, JJ., concur.
Kapunan, J., no part.

[1] Rollo, G.R. No. 111580, pp. 59-64.

[2] Ibid., pp. 80-81.

[3] Id., pp. 82-88.

[4] Id., pp. 94-99.

[5] Id., pp. 118-119.

[6] Id., pp. 120-144.

[7] Id., pp. 37-49; penned by Associate Justice Alfredo Marigomen and concurred in by Associate Justices Santiago M. Kapunan and Cancio C. Garcia.

[8] Id., p. 51.

[9] Id., p. 17.

[10] Rollo, G.R. No. 114802, pp. 94-98.

[11] Ibid., pp. 99-103.

[12] Id., at p. 110.

[13] Id., pp. 111-130.

[14] Id., pp. 42-59; Associate Justice Cezar D. Francisco, ponente, Associate Justices Manuel C. Herrera and Buenaventura J. Guerrero, concurring.

[15] Id., p. 19.

[16] Republic Act No. 166, Section 20.

[17] Id., at Sections 22 and 23.

[18] G.R. No. 115115, 246 SCRA 691 [1995].

[19] See Manifestation and Motion to Dismiss, Annex "A", Rollo, G.R. No. 11150, pp. 359-366.

[20] Id., at pp. 365-366.

[21] Rollo, p. 320.

[22] Supra.

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